

RICS Cyprus Property Price Index

Q2 2010

This is the third publication of RICS Cyprus' Property Price Index, a quarterly price and rental index which is based on methodology produced by the University of Reading, UK. The Index tracks property and rental prices across all districts and main property types.

Introduction & Commentary

During the first half of 2010 Cyprus bore the brunt of the global economic crisis, with the economy slowing down and the government's income decreasing. There was a significant reduction in property transactions, particularly from overseas buyers whose local economies, e.g. the UK and Russia, continued to suffer from the economic slowdown.

Towards the end of the second quarter, there were some early signs of stabilisation, with local buyers returning to the market taking advantage of lower prices for holiday homes. Also, some landmark projects received planning permission (Tersefanou Golf Course) or started construction (Limassol Marina).

These early positive signs need to be viewed within the wider context of a continuing curtailing of loans by banks and other financing institutions for property purchases, and to a change in people's expectations of future changes in capital values and holding investment as an asset class.

Market Capital Values

The Property Price Index has recorded a varied behaviour in property prices across Cyprus' major urban areas, with residential prices falling across all districts and commercial prices fluctuating.

Residential prices for both houses and flats fell by an average of 2.5%, with the biggest drop for houses taking place in Paphos (-4.0%) and for flats in Paralimni (-3.3%). Values of commercial properties generally fell across all cities by an average of 0.5% for retail and 2.1% for offices. The exception were warehouses which rose by an average of 0.4%, greatly influenced by warehouses in Limassol which rose by 4.5%.

Market Rental Values

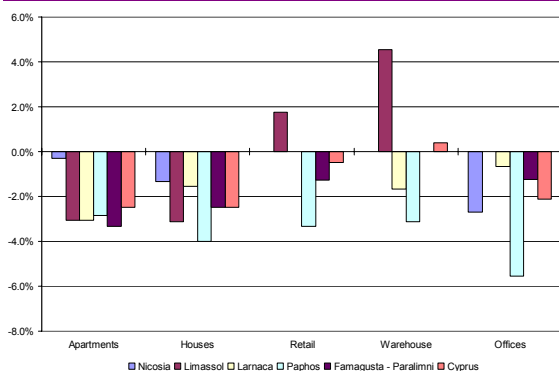
Across Cyprus, rental values for apartments rose marginally by 0.3%, whilst rents on houses, retail units, warehouses and offices fell by a respective average of 2.1%, 0.8%, 0.2%, and 2.1%.

The distribution of rental changes shows an interesting dichotomy between Nicosia, which continues to be stable, and the coastal cities. Rents for all property types fell in Paphos probably indicating the continuing woes of the city. Similarly rents in Limassol, except for warehouses, also decreased; a sign that the crisis is now beginning to affect the Limassol market.

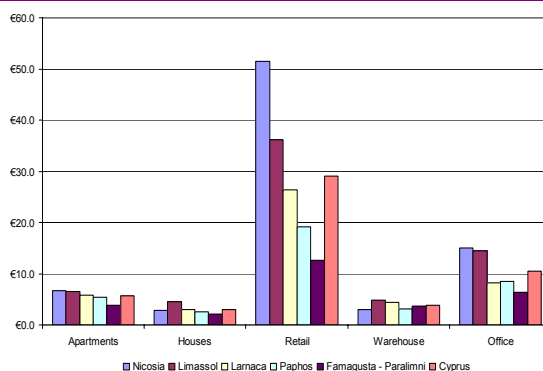
Investment Yields

Yields are a useful tool showing the relationship between rent and property prices. Initial yields on commercial property increased slightly, and now stand at 6.0% for retail, 4.7% for offices, and 4.9% for warehouses. Yields on residential property are at a very low of 3.6% for apartments and 2.0% for houses, showing that prices relative to rents remain at multiples which are considerably above that of other European countries and that there is still room for rebalancing to take place.

Quarterly change in average prices



Average rent (per sqm/month)



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Average unit price per sqm					
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni
Apartments	€2,011	€2,026	€2,031	€1,732	€1,497
Houses	€2,054	€1,908	€1,611	€1,768	€1,609
Retail	€9,250	€6,150	€5,500	€4,717	€3,369
Warehouse	€1,140	€1,306	€951	€681	€563
Office	€3,911	€3,000	€2,384	€2,471	€1,624

Average monthly rent per sqm					
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni
Apartments	€ 6.66	€ 6.58	€ 5.80	€ 5.34	€ 3.85
Houses	€ 2.85	€ 4.59	€ 2.95	€ 2.55	€ 2.06
Retail	€ 51.48	€ 36.14	€ 26.35	€ 19.13	€ 12.59
Warehouse	€ 3.00	€ 4.88	€ 4.38	€ 3.07	€ 3.75
Office	€ 15.00	€ 14.44	€ 8.28	€ 8.47	€ 6.36

Initial yield					
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni
Apartments	4.0%	3.9%	3.4%	3.7%	3.1%
Houses	1.7%	2.9%	2.2%	1.7%	1.5%
Retail	6.7%	7.1%	5.7%	4.9%	4.5%
Warehouse	3.2%	4.5%	5.5%	5.4%	8.0%
Office	4.6%	5.8%	4.2%	4.1%	4.7%

Outline of properties

Apartments: Two bedroom, 85sqm, Medium quality.
Houses: Three bedroom with garden, Semi-detached, 250sqm, Medium quality.
Retail: High-street retail, 100sqm ground floor area with 50sqm mezzanine.
Warehouse: Light industrial area, 2.000sqm, 200sqm office space.
Office: Grade A, City centre location, 200sqm.



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Contributing professional bodies

Profile of the RICS

RICS is the world's leading qualification when it comes to professional standards in land, property and construction. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining RICS status is the recognised mark of property professionalism.

RICS is an independent professional body originally established in the UK by Royal Charter. Since 1868, RICS has been committed to setting and upholding the highest standards of excellence and integrity – providing impartial, authoritative advice on key issues affecting businesses and society.

Visit www.joinricsineurope.eu and www.rics.org for more information.

Profile of ΣΕΕΟΚΚ

The Cyprus Association of Quantity Surveyors and Construction Economists (ΣΕΕΟΚΚ) is the association that represents Chartered Quantity Surveyors and Quantity Surveyors whose main area of work is in Cyprus and they permanently live in Cyprus. Visit www.seeokk.org for more information.

Index parameters and methodology

Methodology

The methodology underpinning the RICS Cyprus Property Price Index was developed by the University of Reading, UK. The report is available on <http://www.joinricsineurope.eu/en/na/view/rics-cyprus>

Coverage and Variables Monitored

The RICS Cyprus Property Price Index monitors the urban centres of Nicosia, Limassol, Larnaca, Paphos and Paralimni-Famagusta. The Index only tracks prices in Republic of Cyprus' government controlled area and not in the occupied North.

In each of these centres, the index monitors the Market Value and Market Rent, as defined in the RICS Red Book, across the four main property sectors – office (CBD), retail (high street), industrial (warehouse) and residential (houses and apartments).

Recognising that there are sub-districts within these urban areas which operate and behave in a varying manner, a number of these is monitored in order to derive the composite index for each category per urban area.

The information provided in this publication is based on the average price and rent of the sub-districts monitored per urban centre per sector. The complete list of these sub-districts can be found in the University of Reading's report which is available on <http://www.joinricsineurope.eu/en/na/view/rics-cyprus>

Nature of Notional Buildings

The RICS Cyprus Property Price Index monitors hypothetical or notional buildings, each having specific characteristics. Details of these hypothetical properties are provided in the University of Reading's report.

The provided price per sqm is based on the Gross External Area of the property (as defined in the RICS' Code of Measurement Practice), which includes the living area and covered verandas but excludes common areas.

Frequency

The index is produced on a quarterly basis.

Monitoring Process

The estimation of price levels is carried out by accredited RICS property professionals who are active in the relevant markets.

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