

RICS Cyprus Property Price Index

Q3 2010 – Prices as at 01/10/10

This is the fourth 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. The third quarter saw the Cypriot economy showing some signs of stabilisation and muted growth.

Towards the end of the second quarter and throughout the third, there were some early signs of price stabilisation, with local buyers returning to the market taking advantage of lower prices for holiday homes and for permanent residence. Also, some landmark projects have started construction (e.g. Larnaca Golf Club & Resort) and there seems to be some renewed investor interest, particularly for city centre, prime, properties.

These early positive signs need to be viewed within the wider context of a continuing curtailing of loans by financing institutions, reduced income as a result of inflation and salary reductions, and to a change in people's expectations of future changes in capital values.

Market Capital Values

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

Residential prices for both houses and flats fell by 0.9% and 2.1% respectively, with the biggest drop for houses and flats taking place in Larnaca (-2.1% for house and -5.1% for flats). Values of commercial properties fell across all cities by an average of 2.9% for retail and 2.3% for offices. The exception were warehouses which remained stable across all cities.

Market Rental Values

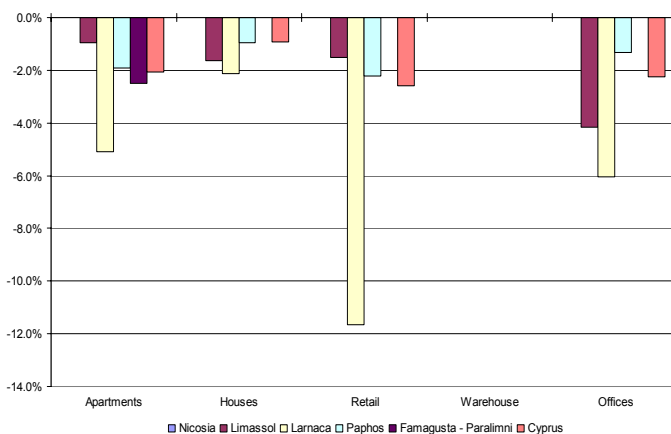
Across Cyprus, rental values for apartments fell marginally by 0.1%, whilst rents on houses, retail units, warehouses and offices fell by a respective average of 1.8%, 1.7%, 0.6%, and 0.4%.

The change in capital and rental values shows an interesting dichotomy between Nicosia, which continues to be relatively stable and driven by the local market, and the coastal cities which are disproportionately dominated by overseas buyers/occupiers. The decrease in capital and rental values of retail properties, is probably an indication of the reduction in spending by households and the expected decrease in spending power due to the upcoming increases in taxation.

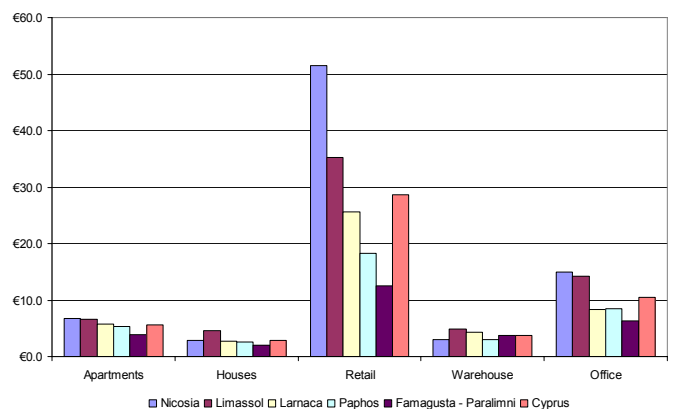
Appraisal based initial yields

Yields are a useful tool showing the relationship between rent and property prices. Initial yields on commercial property increased slightly, and now stand at 6.1% for retail, 4.8% for offices, and 4.9% for warehouses. Yields on residential property are at 3.7% for apartments and 2.0% for houses, with prices relative to rents remaining at high multiples, indicating 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						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€169,901	€169,551	€162,923	€143,588	€123,293	€ 153,851
Houses	€513,376	€469,323	€394,187	€437,790	€402,188	€ 443,373
Retail	€1,079,167	€706,738	€566,806	€538,085	€393,036	€ 656,766
Warehouse	€2,280,000	€2,611,023	€1,901,111	€1,361,094	€1,125,000	€ 1,855,646
Office	€782,211	€575,000	€447,997	€487,669	€324,884	€ 523,552
Average monthly rent per sqm						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€6.75	€6.58	€5.70	€5.34	€3.85	€ 5.64
Houses	€2.85	€4.55	€2.73	€2.55	€2.06	€ 2.95
Retail	€51.48	€35.19	€25.66	€18.33	€12.59	€ 28.65
Warehouse	€3.00	€4.88	€4.27	€3.07	€3.75	€ 3.79
Office	€15.00	€14.22	€8.30	€8.47	€6.36	€ 10.47
Initial yield						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	4.0%	3.9%	3.5%	3.8%	3.2%	3.7%
Houses	1.7%	2.9%	2.1%	1.7%	1.5%	2.0%
Retail	6.7%	6.9%	6.3%	4.8%	4.5%	6.1%
Warehouse	3.2%	4.5%	5.4%	5.4%	8.0%	4.9%
Office	4.6%	5.9%	4.4%	4.2%	4.7%	4.8%

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

The RICS – the Royal Institution of Chartered Surveyors – is the largest organisation for professionals in property, land, construction and environmental assets, worldwide. The organisation was created in 1868 and now has over 140,000 members in 146 countries. RICS Europe is based in Brussels and represents 17 national associations, with over 8,150 members in Continental Europe. 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 6th Edition), 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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