

RICS Cyprus Property Price Index

Q1 2011 – Prices as at 01/04/11

This is the sixth 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 quarter of 2011 Cyprus bore the brunt of the consequences of the increased uncertainty regarding the Greek economy and the, partly consequential, series of downgrades by rating agencies of Cyprus and of Cypriot banks.

Whilst the first quarter saw some signs of price stabilisation and muted economic growth, the lack of credit and the on-going events in Greece affected sentiment. In turn this led to a low transaction turnover and to reduced interest by local buyers (transaction volume, as recorded by the Land Registry, is circa 40% down from the ten year average).

The renewed investor interest experienced at the latter part of 2010 almost vanished, as companies, funds, and individuals took a "wait and see" approach. There seemed to be some limited investor interest for city centre, prime, properties, although evidence of this is anecdotal.

Market Capital Values

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

Residential prices for both houses and flats fell by 1.6% and 0.9% respectively, with the biggest drop for houses taking place in Limassol (-2.9%) and for flats in Paphos (-4.1%). Values of retail properties fell by an average of 0.8%, whilst those of offices and warehouses rose by 0.1% and remained stable respectively.

Compared to Q1 2010, prices dropped by 8.3% for apartments, 7.0% for houses, 6.5% for retail, 7.4% for office, and 2.0% for warehouses.

Market Rental Values

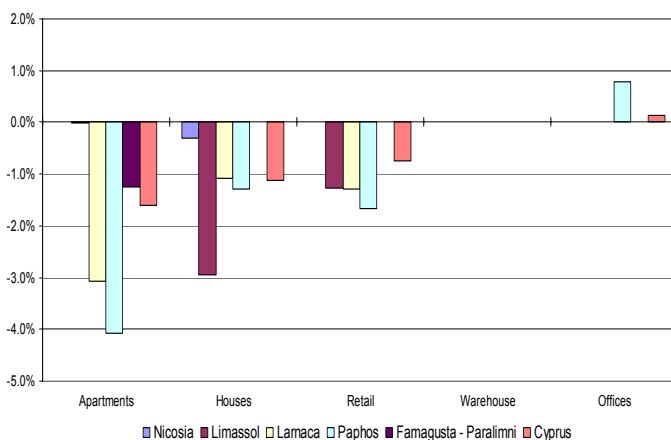
Across Cyprus, rental values for apartments fell by 0.9%, for houses 1.3%, retail units 1.0%, warehouses 0.7%, and offices 1.3%. Compared to Q1 2010, rents dropped by 6.1% for apartments, 10.7% for houses, 7.1% for retail, 6.3% for office, and 5.8% for warehouses.

The quarterly change in capital and rental values shows that all aspects and geographies of the property market are now affected, and that landlords are lowering their rents in order to attract tenants. In parallel, many tenants are renegotiating their leases or moving to smaller or lower cost accommodation.

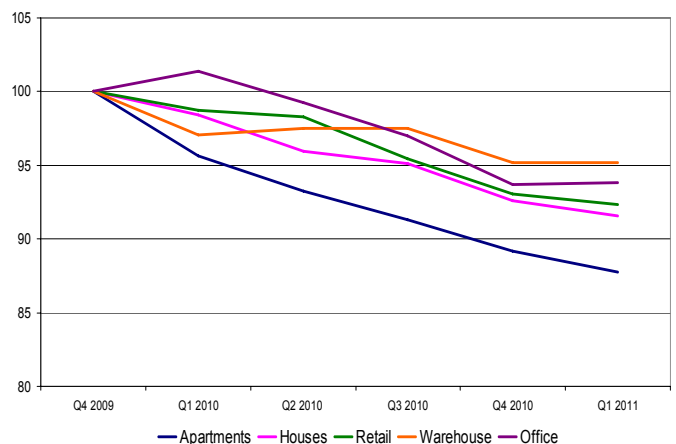
Appraisal based initial yields

At the end of Q1 2011 yields stood at 3.6% for apartments, 1.9% for houses, 6.0% for retail, 4.8% for warehouses, and 4.8% for offices. The parallel reduction in capital values and in rents is keeping investment yields relatively stable and at very low levels (compared to yields overseas). These suggest that there is still room for rebalancing to take place.

Quarterly change in average prices



Average price index (All types)



*Q4 2009 = 100, which is the base value of the index



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Q4 2010 – Prices as at 01/01/11

Average unit price						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€ 167,131	€ 166,149	€ 155,615	€ 133,518	€ 116,631	€ 147,809
Houses	€ 510,082	€ 433,711	€ 376,922	€ 421,906	€ 391,604	€ 426,845
Retail	€ 1,066,471	€ 678,659	€ 537,852	€ 501,121	€ 393,036	€ 635,428
Warehouse	€ 2,223,000	€ 2,517,772	€ 1,804,388	€ 1,361,094	€ 1,153,125	€ 1,811,876
Office	€ 771,037	€ 571,080	€ 421,436	€ 459,345	€ 306,008	€ 505,781
Average monthly rent per sqm						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€ 6.51	€ 6.42	€ 5.21	€ 4.81	€ 3.48	€ 5.28
Houses	€ 2.85	€ 4.25	€ 2.34	€ 2.29	€ 1.97	€ 2.74
Retail	€ 51.37	€ 34.37	€ 22.49	€ 15.89	€ 12.34	€ 27.29
Warehouse	€ 3.00	€ 4.68	€ 3.96	€ 2.88	€ 3.48	€ 3.60
Office	€ 15.00	€ 14.15	€ 8.05	€ 7.19	€ 6.23	€ 10.06
Initial yield						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	3.9%	3.9%	3.4%	3.0%	3.0%	3.6%
Houses	1.7%	2.9%	1.9%	1.5%	1.5%	1.9%
Retail	6.7%	7.1%	5.9%	4.4%	4.4%	6.0%
Warehouse	3.2%	4.5%	5.3%	5.1%	7.2%	4.8%
Office	4.7%	5.8%	4.6%	3.7%	4.9%	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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