

This is the eighteenth 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 2014 the Cyprus economy began stabilising from the impact of the decisions of the Eurogroup on 15 and 27 March to "bail-in" the depositors of two of Cyprus' largest banks, to close down Laiki Bank, and to impose capital restrictions. The secondary implications of these decisions, mainly the reduction of bank staff, the increase in unemployment, and further decreases in salaries, were unfolding throughout the quarter.

Given prevailing economic conditions and the turbulence in Cyprus' banking system, there was a lack of transactions during the quarter. Local buyers in particular were the most discerning as the increase in unemployment and the worsening prospects of the local economy led to a sharp reduction in interest. Furthermore, those interested were unable to access bank-finance or their deposits.

Market Capital Values

The Property Price Index has recorded falls in almost all cities and asset classes, with significant falls being recorded in Nicosia and Limassol. Nicosia is clearly feeling the impact on the government and banking sector (the two sectors who dominate the local employment market), whilst other cities are progressively bottoming out.

Across Cyprus, residential prices for both houses and flats fell by 1.4% and 2.6% respectively, with the biggest drop being in Famagusta (4.0% for houses and 9.3% for flats). Values of retail properties fell by an average of 1.7%, whilst those of offices and warehouses fell by 1.4% and 0.9% respectively.

Compared to Q1 2013, prices dropped by 10.7% for apartments, 7.8% for houses, 14.8% for retail, 10.4% for office, and 11.4% for warehouses.

Market Rental Values

Across Cyprus, on a quarterly basis rental values decreased by 1.4% for apartments, 1.6% for houses, 1.2% for retail units, 3.1% for warehouses, and 1.2% for offices.

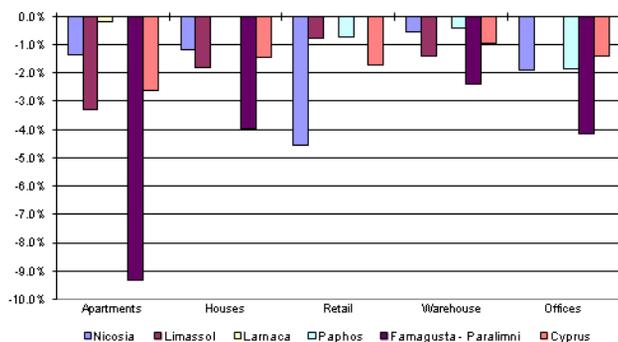
Compared to Q1 2013, rents dropped by 11.3% for flats, 12.6% for houses, 23.3% for retail, 14.0% for warehouses, and 15.4% for offices.

The majority of asset classes and geographies continue to be affected, with areas that had dropped the most early on in the property cycle now nearing the trough.

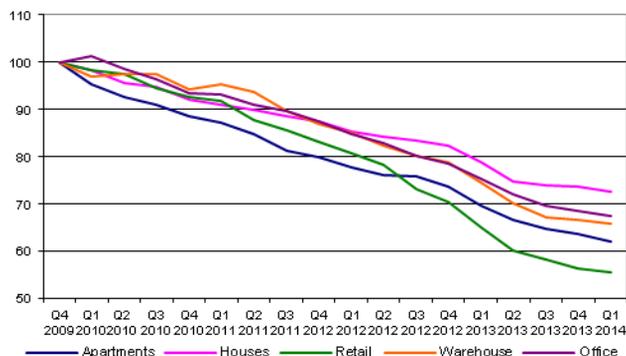
Appraisal based initial yields

At the end of Q1 2014 average gross yields stood at 3.9% for apartments, 1.9% for houses, 5.3% for retail, 4.4% for warehouses, and 4.3% for offices. The parallel reduction in capital values and rents is keeping investment yields relatively stable and at very low levels (compared to yields overseas). This suggests that there is still room for re-pricing of capital values to take place.

Quarterly change in average prices



Average price index (All types)



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

Average property price						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€ 112,809	€ 112,046	€ 115,305	€ 99,952	€ 83,378	€ 104,698
Houses	€ 402,242	€ 327,051	€ 281,400	€ 348,105	€ 335,552	€ 338,870
Retail	€ 577,038	€ 492,940	€ 335,853	€ 274,769	€ 228,166	€ 381,753
Warehouse	€ 1,220,111	€ 1,894,666	€ 1,321,717	€ 940,620	€ 905,489	€ 1,256,521
Office	€ 549,329	€ 411,302	€ 314,043	€ 326,269	€ 222,673	€ 364,723
Average monthly rent per property						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€ 418	€ 379	€ 333	€ 278	€ 278	€ 337
Houses	€ 601	€ 646	€ 540	€ 479	€ 445	€ 542
Retail	€ 2,644	€ 2,474	€ 1,495	€ 1,129	€ 738	€ 1,696
Warehouse	€ 4,605	€ 5,961	€ 4,341	€ 3,611	€ 4,566	€ 4,617
Office	€ 2,003	€ 1,619	€ 1,119	€ 1,056	€ 739	€ 1,307
Initial yield						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	4.4%	4.1%	3.5%	3.3%	4.0%	3.9%
Houses	1.8%	2.4%	2.3%	1.6%	1.6%	1.9%
Retail	5.5%	6.0%	5.3%	4.9%	3.9%	5.3%
Warehouse	4.5%	3.8%	3.9%	4.6%	6.1%	4.4%
Office	4.4%	4.7%	4.3%	3.9%	4.0%	4.3%

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.

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.

Profile of Cyprus Association of Valuers and Property Consultants

The Association was founded in 1972. At present there are about 100 members registered with the Association and concurrently with the Cyprus Scientific and Technical Chamber (CSTC), which is the official body that regulates the Valuation Profession in Cyprus. Our members are also members of RICS and are operating in accordance with the International Valuation Standards and the RICS Appraisal and Valuation Manual (Red Book).

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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