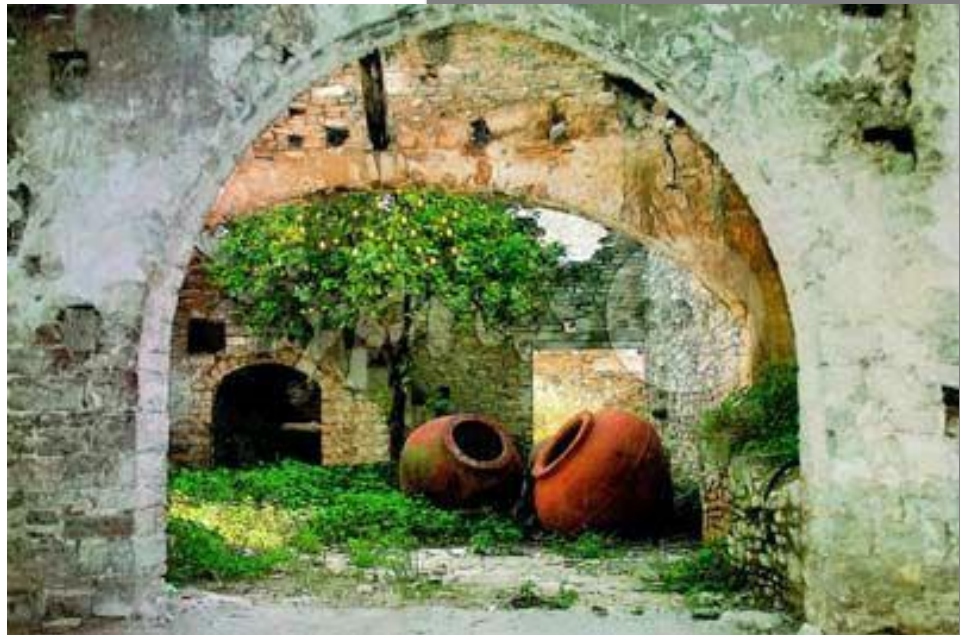


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## The Cyprus real property market contracted



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Cyprus technically fell into a recession in the second quarter of 2009, on a slowdown in construction activity and tourism with official estimates of a 0.5 percent contraction in GDP this year, after growth of 3.7 percent in 2008.

**Property developers and real estate agents sold more than 5,600 properties to foreigners during the first nine months of 2008, but sold a mere 1,363 during the first nine months of 2009.**

The districts of Cyprus suffering most from the drop in foreign demand are Larnaca, where property sales are down 83%, and Limassol, where sales have fallen by 79%. The area least hit by the fall is Nicosia, but even there sales to non-Cypriots have dropped by 54%.

**NUMBER OF PROPERTY SALES TO FOREIGNERS (as at 30 September)**

City	2009	2008	% Change
Nicosia	151	330	-54
Limassol	190	910	-79
Paphos	473	1,889	-75
Larnaca	234	1,401	-83
Famagusta	315	1,092	-71
<b>Total</b>	<b>1,363</b>	<b>5,622</b>	<b>-76</b>

Source: Republic of Cyprus Land Registry

High interest rates are compounding the problem. **Although interest rates for housing loans in Cyprus have come down, according to the European Central bank, they are still amongst the highest in the euro area, at 5.53%.** Unrealistic asking prices are further exacerbating the situation. Even though some developers are offering 30% price reductions, they are finding buyers hard to come by.

The value of building permits authorized in Cyprus rose for the second straight month in July, rising by 5.8% year on year to €258.9 million. In June, permits had risen in value by 62.6% to €383.4 million. The absolute number of permits also rose by 3.2% to 804, having grown by 11.7% in June; these building permits provide for the construction of 1,161 dwelling units.

**Building permits constitute a leading indicator of future activity in the construction sector pointing to an eventual upturn in the beleaguered construction sector.**

Measured by area, however, permits fell compared with July 2008 by 5.4% to 295,814 m<sup>2</sup>.

The Government Statistical Service reported that during January to July 2009 5,319 building permits were issued, a rise of 4.1% compared with the corresponding period of the previous year; the total value of these permits increased by 7.8% and the total area decreased by 5.9%. The number of dwelling units recorded a decrease of 9.5%.

See also, [Cyprus Real Property Price Index](#)

**Opinion:** It is Pytheas’ opinion that despite the current real property industry contraction Cyprus remains one of the most popular destinations for Europeans that seek to invest in a holiday, a retirement or an investment home. In terms of risk, Cyprus is at the lower end of the spectrum, largely based on some of the best tax breaks in the EU (if not the best), the weather, heritage and culture, medical facilities and infrastructure.

**Decisive steps, however, need to be taken by the government to eliminate delays related to the issuance of title deeds.**



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