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Investment in Cyprus Real Estate in the context of the practice of currency risk management

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DISSERTATION

**Investment in Cyprus Real Estate
in the context of the practice of currency risk management.**

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Abstract

Real estate investments as an industry has always been a domestic field, however, following many other asset categories, investments in real estate expands to the international level. The currency differs depending on where investments are made and as a result of this real estate investors also face currency risks in addition to all other real estate related risks they already need to manage. The management of currency risk can have different forms, and the purpose of this thesis is to find out how and if property purchasers in Cyprus hedge this risk. To create an understanding of the issue, a summary of some theories on the currency market and real estate market can be found in the thesis. Only a small amount of research exists on the subject in Cyprus and the theories are mainly from foreign studies and the currency risk management from other business sectors. These theories, combined with the research questions, have formed the questions for the interviews and questionnaire used in this research.

The present research shows that currency fluctuation risk does not affect a buyers' willingness to purchase property in Cyprus. The hedging strategies used on the market seem to primarily be future contract approach and diversification.

The risk is well understood by property purchasers; however, it does not affect the property purchase in Cyprus. Most of the property purchasers have a basic understanding of the currency risk; nevertheless, the majority does not use any hedging vehicles. Most of the respondents held or currently hold investments in foreigner denominators. All the respondents stress the necessity of real estate intermediaries to have expertise in currency fluctuations risk.

Real estate market intermediaries suggest that in the recent years investors and individual buyers are more aware of this risk and keep it in mind when making decision to purchase property here in Cyprus. The significant role in this change of currency risk perception played rouble crash in the beginning of this year. The interviews also imply a shared idea of real estate intermediaries' lack of knowledge in applying risk hedging strategies and difficulty to forecast any market perspectives.

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Content

1. Introduction	1
1.1 Background	
1.2 Purpose of the study	1
1.3 Importance of the study	3
1.4 Research questions	3
1.5 Scope of the study	4
1.6 Outline	5
2. Literature review	5
2.1 Real estate market	6
2.1.1 Real estate as an asset	7
2.1.2 Real estate as an investment	8
2.1.3 Direct real estate	9
2.1.4 Indirect real estate	9
2.2 Risk	10
2.2.1 Currency risk	11
2.3 Risk assessment	13
2.3.1 PPP	13
2.3.2 IPR	14
2.3.3 Fisher equation	14
2.3.4 Monetary model	14
2.4 Management of currency risks	14
2.4.1 Exposure and hedging strategies	14
2.4.2 Active and passive management	15
2.4.3 Currency fluctuations on rent	15
2.4.4 Management/hedging strategies	16
2.4.5 Diversification	18
2.4.6 Linear hedging	18
2.4.7 Non-linear hedging	19
3. Research methods	19
3.1 Research design	20
3.2 Data	21
3.3 Participants	21
3.3.1 Interviewees	21
3.3.2 Questionnaire respondents	22
3.4 Limitations	22
4. Research findings	22
4.1 Interview summaries	23
4.1.1. Summary of the interview with Igor Kochetok, sales manager in A. Athanasiou Group in Limassol, Cyprus	23
4.1.2 Summary of the interview with Dimitirs Symeonides, managing director of Veskip Estate Agents Ltd in Limassol, Cyprus	23
4.1.3 Summary of the interview with Victoria Christodoulidou, CEO and general manager of Inrealty Real Estate Ltd in Limassol, Cyprus	24
4.1.4 Summary of the interview with Chrysovalanto Aga, solicitor, compliance officer and client introducer to the	

banks from Pafos, Cyprus	25
4.1.5 Interview conclusions	26
4.2 Questionnaire responds analysis	26
4.2.1 Descriptive statistics	27
4.2.1.1 Country of origin	27
4.2.1.2 Property ownership	27
4.2.1.3 Purchased property purpose	28
4.2.1.4 Knowledge about currency fluctuation risk	28
4.2.1.5 Possession of other investment assets	29
4.2.1.6 Investment time-frame	30
4.2.2 Inferential statistics	30
4.2.2.1 Awareness of currency fluctuation risk	30
4.2.2.2 Awareness of the currency fluctuation risk when applying for loan in foreigner currency	31
4.2.2.3 Risk influence on property purchase	32
4.2.2.4 Risk hedging	32
4.2.2.5 Role of risk in property purchase	33
4.2.2.6 Small loss in exchange for growth opportunity	34
4.2.2.7 Knowledge of property market intermediaries	34
4.2.2.8 Cyprus as a member of Eurozone is less risky in terms of currency fluctuation risk	35
4.2.2.9 Risk in Eurozone	36
5. Conclusions	37
5.1 Future development of the study	38
References	39
Appendix I	42
Appendix II	43
Appendix III	45

List of charts

Chart 1, Country of origin	27
Chart 2, Property units per owner	28
Chart 3, Property purpose	28
Chart 4, Knowledge of currency fluctuation risk	29
Chart 5, Possession of other investment assets	29
Chart 6, Investment duration	30
Chart 7, Awareness of currency fluctuation risk	30
Chart 8, Respondents characteristics according to the risk awareness aspect	31
Chart 9, Awareness of the risk when obtaining the loan	32
Chart 10, Risk hedging	32
Chart 11, Respondents characteristics according to the risk hedging aspect	33
Chart 12, Role of risk in property purchase	33
Chart 13, Small loss in exchange for growth opportunity	34
Chart 14, Knowledge of property market intermediaries	34
Chart 15, Respondents characteristics according to the risk awareness aspect	35
Chart 16, Cyprus as a member of Eurozone is less risky in terms of risk	35
Chart 17, Risk in Eurozone	36
Chart 18, Respondents characteristics in terms of the perception of risk in Eurozone	37
