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Identifying Property Management issues of Multi-Owned Residential Buildings in Cyprus. A proposal for a healthier Approach

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**Identifying Property Management issues
of Multi-Owned Residential Buildings in Cyprus.
A proposal for a healthier Approach**

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Contents

1. Abstract.....	2
2. Introduction	2
2.1 Aims – Objectives.....	5
3. Literature Review	6
4. Data and Methods	7
4.1 Cyprus Legislation	7
4.2 Greek Legislation.....	9
4.3 English Legislation.....	11
4.4 Comparative Legislations	13
4.5 Survey - Questionnaire	15
4.6 Interview	20
4.7 Court Cases	22
5. Results.....	26
6. Discussion:	27
6.1 Limitations.....	27
6.2 Suggestions	27
7. Conclusion	28
8. References.....	31
9. Appendices.....	34
9.1 Appendix 1 – Survey (Questionnaire)	34
9.2 Appendix 2 – Interview	47
9.3 Appendix 3 – Court Cases	50
9.4 Appendix 4 – Statistical Service	54

1. Abstract

Introduction: An immovable property is, for most people, their biggest and most important asset. However, in Cyprus, efficient property management, particularly in cases of jointly owned buildings is rarely achieved. As a result, an apartment building which is well over 30 years old is generally considered obsolete, and therefore, the value of its units decreases sharply from year to year. This study is set to explore the reasons why Cypriot society appears to be so far behind in this area and define the root of this problematic maintenance.

Data and Methods: A mixed method was used to collect data, such as the assessment of the corresponding legislation and the comparison to the relevant legislations of Greece, UK, and others. Then the study introduces an open survey with 80 participants, and a structured interview with the Director of an established Property Management Company, to gather further data. Finally, and thanks to the database of the Cyprus Bar Association, the data concludes with sixteen [16] court cases regarding lawsuits, for violations of the relevant Cyprus Legislation.

Results: 1) In numerous residential buildings, the Management Committees have issues with unpaid common expenses. This is an issue which becomes even more severe in older buildings. 2) The average amount charged as common expenses to a unit in a standard multi-owned residential building, appears to be adequate to merely cover the operational cost of the building, while in other parts of the world, co-owners keep Reserve Funds for future improvements. 3) Management Committees are often unable to claim unpaid common expenses, due to the slow legal system and/or due to their own lack of professional knowledge and approach.

Conclusion: Multi-storage jointly owned buildings is a relatively new concept in Cyprus reality. Nowadays, with the oldest of those buildings climbing just over 40 years of age, Cypriots are faced for the first time with the increased needs of an aging building, and the significance of property management. Any improvement in this field, will enhance the quality of life of thousands of residents, increase the value of their properties and upgrade the exterior of every residential building, for the benefit of every neighborhood and for the benefit of every city.

2. Introduction

Historically, since ancient times and all over the world, people moved in groups, in search of the right place to cover their needs, in order to settle down. A cave, a hut, a wooden or stone home, became a very important issue for every family, mostly for security reasons. Through the ages, the inevitable expansion of population and cities, resulted in a considerable increase of land value and house costing, and thus, the need for multi-owned residential properties was created.

Nowadays, an immovable property is, for most people, their biggest and most important asset. As such, it has significant implications in the owner's life. The ownership of such an asset, still brings security to them and their loved ones, but it can also determine the quality of their life. Its value can define the planning of a household and the financial security of its members. Therefore, keeping an immovable property in good condition so that its value is being kept as high as possible, has a positive effect for all the above and should be a top priority for every owner.

However, the operation and maintenance of such an asset becomes slightly more complicated when the private ownership is part of a jointly owned property, such as an apartment building. This is a concept that was given many designations, and a few of them are mentioned by **(Van Der Merwe, C. (Ed.). 2015)** in his study named European Condominium Law. Such designations include "jointly owned structure", or "co-ownership", "horizontally divided property", or even "ownership of stories". However, the terms "jointly owned buildings", "commonhold" and "Condominiums" tend to be the most recognizable.

The history of condominiums goes surprisingly back. In the article named "Condominium: A functional freehold in the Metropolis", **(ALPAREN & HASSENFELD, 1967)**, an interesting historical reference is made to the first samples of condominiums, which opposed to popular belief, is not a modern discovery. On the contrary, it has roots in antiquity and specifically in **Babylon** around 2000 BC, where findings indicate that there were purchase and sale agreements, regarding units in the same building, with a *horizontal* separation, meaning, one owner on the ground floor, and another owner on the 1st floor. According to the same study, during the **Roman Times**, this type of co-owned buildings already had a clear statute, that each owner had his own unit inside the property, but they co-owned the land, the roof, etc., which is until today, the fundamental condominium legislation in most parts of the world. Also, in the study by **(Xu, 2009)** on the Management of Flatted Buildings, during the introduction, the author mentions findings of Apartment Ownership in medieval times in Edinburgh, Scotland. In an article named "European Condominium Law" **Van Der Merwe, C. (Ed.). (2015)** it is stated that "the oldest condominium deed still extant, records the donation of a part of a building, from a husband to his wife, in the Jewish colony Elephantine (in ancient Egypt), during the 5th century B.C."

The keeping note from all the above is that humanity needs condominiums, and it has come to be quite expert and adjusted to it. Therefore, in areas around the world, where effective property maintenance of jointly owned buildings is achieved, it is detected that the units and their value is not anymore determined so much by the age of a property, rather by other characteristics, such as location, size, view, interior and exterior quality, equipment, etc. After all, a construction which was built, based on reinforced concrete is expected to have a long

lifespan before the need for any *structural* maintenance and intervention to the reinforcement and foundations. As the authors (**Chrysostomou et al., 2017**) state in their article regarding the Life Cycle of Concrete, “*there are buildings over 1500 years old, that are living examples of the strength and durability of concrete constructions*”.

In Cyprus, however, even though all of the above is understandable to most people, the appropriate property management, in cases of jointly owned buildings in particular, is rarely achieved. As a result, an apartment building which is well over 30 years old is generally considered obsolete, and therefore, the value of its units decreases sharply from year to year.

In many cases, 20-year-old or even 15-year-old apartment buildings present issues that make them visually mediocre and undesirable in terms of a purchase, with the equivalent effects on the value of their units.

This issue, affects the quality of life of a significant part of Cyprus population, but it can also be recognized as an **externality** that negatively affects the appearance, quality and attractiveness of all the main cities of the island, because, as the author states in the introduction of his article named “The Neighborhood Effect of Real Estate Maintenance”, (**Pavlov & Blazenko, 2005**), a proper maintenance of an immovable property has the potential to enhance the value of the whole neighborhood.

Moreover, additional financial consequences rise due to problematic maintenance, since property owners are directly affected by the depreciation of their units. Property owners encounter the aforementioned consequences whenever they need to sell, rent, or use their properties as mortgage to apply for a loan.

This is a problematic situation and the reasons behind it, must be analyzed. It could be a result of ineffective laws and regulations, or it could be due to the lack of knowledge and healthy mentality, which makes property owners ignore this need, mainly to the detriment of themselves.

A potential example of the aforementioned unhealthy mentality are occasions of apartment buildings in Cyprus that regulate the amount of common expenses paid by each unit owner to a low fee, which can simply cover basic costs, such as maintenance of the lift, utility bills (electricity consumption in common areas) and a basic cleaning of common areas once a week.

All the above are fundamental to keep a building operable, but are, nevertheless, inadequate for an effective property management. Maintenance becomes more demanding as a building grows older. Additionally, there is the need for upgrades, also called “modernization”. As it is illustrated by (**Mechanics & Manganelli, 2014**), “*the continuous increase of quality standards will cause the level of initial quality, even in the absence of income decay and physical deterioration, to be below the minimum acceptable*”. In other words, as the construction technology advances and standards are raised, immovable properties should be able to keep up with their occupant’s needs.

However, even when professional Property Management Companies are in charge of a building's management, it seems that the result is still far from perfect. The owners are satisfied simply with the fact that there is transparency in terms of revenue and costs of the building. This is because, in cases where the management is carried out among the owners, suspicions of misuse are a common phenomenon. A phenomenon which often seems to be justified, according to data extracted from the verdicts of several court cases in Appendix 3.

2.1 Aims – Objectives

- This study is set to define the root of the problematic maintenance of multi-owned residential buildings, and propose possible action and measures, in order to improve the overall relevant policy.
- To highlight the laws that regulate the management of jointly owned buildings and the regulations behind the formation of a management committee.
- To examine the actual authority of a management committee, and how building regulations, planning and common expenses are set. Are there any penalties involved in cases where the obligations are not met? The study will focus on the Cypriot reality, but attempts will be made to make comparisons with similar legislations and situations in other countries, mainly Greece and England, countries that undeniably have the greatest influence on Cyprus.
- To perform a survey among occupants of residential apartment buildings in Cyprus, and gather useful information to identify at what rate jointly owned properties face issues with maintenance and management. The survey could also identify by what aspects do those issues are affected, in terms of age of a building, size of a building, demographics of residents, etc. This survey should also include tenants who are responsible for paying common expenses, since their involvement in such a matter is controversial. As **Fox, L. (2007)** stated *“owners invest a different meaning in their homes than tenants”, “tenants were aware that they were living in someone else’s house”*
- To present court cases regarding law-suits and disputes that are based on violations of the relevant legislations regarding commonhold property management in Cyprus. It is very interesting not only to analyze the Cypriot law regarding this whole matter, but to also determine whether the law is efficiently applied.
- To conduct a research and presentation of services provided by existing property management companies. To clarify if and how they use their technical knowledge and experience, to plan not only the current, but also the future maintenance of jointly owned buildings, in such way to avoid excessive future depreciation of their units. It is important to identify the main issues that prevent Property Managements Companies from achieving the difference they are set to achieve, and how they handle those issues.

- Finally, this study aims to concentrate the collected data, to identify the impediments responsible for the inadequate property management and demonstrate the results. Suggestions and specific proposals will be made, in an attempt to highlight any potential for improvements on this significant matter. Improvements, with the ability to increase the value of all apartment units for the benefit of their owners and it can also upgrade the exterior of every residential building, for the benefit of every neighborhood and for the benefit of every city.

3. Literature Review

As stated during the introduction, an immovable property, is for most people, their most valuable asset. In fact, during his article regarding the impact of shared amenities to re-resale value, of a condominium unit, the author (**Tajima, 2019**) stated that *“for an average household, real estate represents 79% of their total assets, which include savings and other financial assets”*. As such, the need for a proper maintenance is vast and most essential, in order to keep the value of this asset as high as possible. As (**Muyingo, H. 2009**) stated, during the conclusions of his article on Property Maintenance, *“maintenance is also an investment”*. And this investment becomes even more necessary, along with the age of a property. This is why, in the Analysis on the Maintenance of Residential Rental Property, by (**Springer, T. 1996**), the author concluded that the *“maintenance cost, increases with property age”*.

This study is focused on multi-owned residential buildings, commonly known as, apartment buildings. According to the same study, *“apartments exhibit higher maintenance costs per square meter, compared to other property types”*. Be that as it may, the problematic maintenance, does not refer to the actual units. As **Luhanen M. (2010)**, stated in his study on the Legal challenges in maintenance of apartment blocks, *“the units themselves are often in fairly good condition, but the common parts (e.g. walls, roofs, stairwells, and technical installations) are often poorly maintained.”* Based on the same study, it is obvious that this phenomenon is not only occurred in Cyprus. The author, during his findings, states that *“there are severe obstacles in the legislation of many countries”*.

Legislative obstacles are not the only issue. A co-owned property is by definition a complicated situation due to the different perspectives each owner might have at a given time. As (**Tuulia Lelia Maria & Kauko Jussi, 2015**) states during the Development on Collectively Owned Residential Properties study, regarding the Decision-making process, *“in the collective decision-making of multi-titled developments, there can be differences between the interests of the owners, such as owner-occupiers and investor-owners”*. There are additional aspects that could affect an owner’s point of view, such as financial situation, marital status, and future planning regarding his unit.

Even with the aforementioned obstacles, the data of this study indicate that management issues are not severe during the first years of a building's operation, which is not surprising. As long as there are no maintenance issues, there are no mismanagement issues. But, as **(Park et al., 2019)** states in his article on Maintenance Cost of Aged Multi-Family Properties, "*various maintenance issues can be expected to appear starting 10 years after completion*". And this is why management committees fail. They begin with an insufficient strategy, based on the illusion of no issues, and when the issues rise, it is too late for corrections, due to reasons examined later in this study. Obviously the management of a co-owned building cannot be a simple task. Therefore, and as **(Xu, 2009)** states in the article regarding the Management of Flatted Buildings, "*an obvious concern is whether individual owners are sufficiently motivated and knowledgeable to be in this position*", because, as **(Yik et al., 2015)** states, "*the maintenance management of such buildings is a highly complex sphere of operations, involving the interaction between the technical, social, legal and fiscal determinants that govern the use of jointly owned properties*". Additionally, in his study regarding Apartment Ownership, **Van der Merwe, C. G. (1994)** stated that, "*the community of apartment owners cannot function effectively without a properly structured organisation to handle the many problems and everyday details in keeping the scheme functioning smoothly and efficiently*".

4. Data and Methods

The research on jointly-owned buildings, must first establish how they are defined by the law, and what does the Cyprus Law states in reference to common areas, and in relation to the units as well as the obligation of a unit owner regarding the whole building's management and maintenance.

4.1 Cyprus Legislation

The Passage 224 of the Cyprus Law, (The Law on Real Estate - Possession, Registration and Valuation), in the **chapter 38B**, is stating the definition of shared buildings and separate ownership of units. It is mentioned that any building with 5 units or more, it is by definition a jointly owned building, even if it belongs to one owner. Smaller buildings, even with two units, can register as jointly owned buildings as well. This chapter also states what exactly it is written on the title deed (certificate of registration) of an apartment.

More specifically, chapter 38B states: "*Regardless of what it is said in any other Law,*

- (a) When a building consists of at least five units, even if all units are owned by one owner, it is a jointly owned building and will be registered as such.*
- (b) A separate certificate of registration must be issued for each unit, and no other immovable property may be included in the same certificate of registration, other than*

the share in the joint ownership attributable to that unit, and any limited joint ownership granted exclusively in that unit.”

It is important to highlight the chapter **38KB** of the passage 224, where it is officially stated that a **management committee**, must be formed in every jointly owned building. It is stated that: *“each jointly owned building must have a Management Committee to regulate and manage its affairs. The Management Committee is established and acts in accordance with the provisions of this Part and the Regulations.”*

There are other noteworthy parts in this passage, like chapter **38Δ**, where the law clarifies aspects regarding the limits of a unit-owner in alterations and modifications. There is also paragraph **38ΣΤ**, where the *“exclusive right of use”* is mentioned, and the paragraph **38H**, where it is clarified how a *“unit’s area”* is measured. The first statement regarding **common expenses** of a jointly own building is mentioned in paragraph **38IA**, which states:

“(1) the owners of all units will participate in the costs necessary for the insurance, maintenance, repair, restoration and management of the common property. The proportion of each owner's share in the expenses will be determined by the Regulations based on the area of each unit.”

Therefore, it is clearly stated that it is an **obligation** of every co-owner of a jointly owned building to participate in the common expenses as they are described above. The same paragraph is also stating the following:

“(2) If any owner fails or neglects to comply with the requirements of this article, the Management Committee may take any action and may recover by a lawsuit the amount owed by the owner in accordance with the provisions of this Law.”

The above, is the only chapter of this Law, which mentions actual **consequences** a unit’s owner will face in case of unpaid common expenses. At a following stage of this study, we will try and examine such cases and lawsuits to understand and determine how strict is this law, and how efficient is the Cyprus court in enforcing it.

In the following chapters, the passage 224 of the Cyprus Law, is stating the main obligations as well as authorities of a Management Committee of a jointly owned building.

In **38IB**, the law clarifies the legal obligation of a management committee, regarding building insurance.

Additional obligations of Management Committees are presented in paragraphs **38KΣΤ** and **38KH** such a *“The Management Committee will act on behalf of the owners of the units”, “will*

be responsible for the enforcement of the Regulations”, “Sue and be sued in connection with any matter concerning joint ownership, and in connection with any damage or injury caused to the common property”.

Management Committee is also given the **authority** to *“sign contracts in relation to the maintenance and management of the jointly owned building”, “establish and maintain a fund which it deems sufficient for the management and administration of the common property”* and to *“determine the amounts to be collected by each unit owner”.*

Based on the above, Cyprus legislation is clear, that owning an apartment, comes with a responsibility towards the whole apartment building. That every building has a maintenance and operational cost, to operate common areas and common expenses and this cost must be covered by the owners of the units consisting the building, based on their share of the total ownership. The total amount is set by the responsible management committee.

And as it is mentioned in chapter 38KB of Passage 224, every jointly owned building, must have a Management Committee to regulate and manage its affairs. It is also asserted that unpaid common expenses by a unit’s owner is against the law, although it is only clarified that the management committee can take the noncompliant owner to court, in order to demand the unpaid amount, plus interest. No further consequences are mentioned.

Is this somehow different in other parts of the world? Is better maintenance a matter of different legislation?

4.2 Greek Legislation

Assessment of the Cyprus Law regarding multi-owned properties, can only be achieved by the comparison to other legal systems. It is well known, that Cyprus as a country holds strong connections to Greece, with common language and vast similarities in mentality, even though the legal system it is strongly influenced by the British one, as Cyprus use to be a British colony until 1960.

Greek relevant legislation is based on **Law 3741 of 1929 article 4** and declares the regulations of horizontally divided ownership (ΙΔΙΟΚΤΗΣΙΑ ΚΑΤ ΟΡΟΦΟΥΣ). It is interesting to highlight that 1929, was seven years after the Greek-Turkish war at Smyrna, where Greece suffered a huge defeat, that forced a significant number of refugees to arrive at mainland. Under those circumstances, the first condominium regimes where formed, and therefore, the need for legislated apartment ownership raised. Similarly, many European countries introduced or modified their condominium laws, shortly after World War II.

To return to the case of Greece, the legislation also begins by stating the meaning of the jointly owned building in the following paragraph:

“In a horizontally divided property (this is a technical term for a jointly owned building) the co-owners have separate ownership in a specific floor or a specific apartment but also forced co-ownership in the common areas, which is acquired automatically, depending on the share of each.”

Then, it clarifies which areas are considered to be common: *“Common areas include the land/plot, the foundations, the supporting structure, the roof, the courtyard, the elevator shafts, the central heating installations and the stairwell.”* The central heating installations obviously only apply in cases that boilers, or other machinery are common for all units. In those cases, they are usually located in an engine room which is of course considered common.

The aforementioned parts of the Greek legislation appear to be similar to the Cypriot legislation.

Furthermore, it is clarified that the common expenses are not optional, by stating that *“common expenses, to which all co-owners are obliged to contribute, are considered the maintenance and repair of the common areas of the property.”*

It is obvious that the execution of works, in relation to the maintenance, improvement and repair of the common areas, or the addition to it, has a cost and it is an obligation of the co-owners to participate in this expense, as they have obligation to participate in any other financial outgoings related to the operation of the building.

Additionally, the Greek law, suggests that every jointly owned building’s management committee, must create the *‘Building Regulations’*. And the word ‘suggests’ is appropriate, as it is clearly stated, that the drafting of the Buildings Regulations is not obligatory. Those regulations are drafted up by a notary and regulate the relations of the building. It is a collective agreement which is then registered to the appropriate land registry to become official. The restrictions and definitions set by the Building Regulations bind both the original apartment owners, as well as their subsequent buyers and heirs.

Despite the fact that the preparation of a “Co-Owners Regulations” is not obligatory, its existence helps to ensure the smooth operation of the apartment building, since it clearly states their rights and obligations. In case of absence of a Building Regulations agreement to regulate the relations of the co-owners regarding their rights and obligations for the common property, then the law regulates that:

(a) each owner has the right to make full use of the common areas and to repair and renew it, provided that he does not prejudice the rights of other owners, and

b) Each owner is obliged to contribute to the common expenses based on the share he owns.

It is important to mention the **article 9** of Law 1562/1985 which stipulates that *“If there is already a registered jointly owned property, but no “Building Regulations” has been drawn up, the majority of at least 60% of the owners are entitled to sue and draw up a Building’s Regulation, for the determination of the relations of the co-owners”*

Therefore, given that the Building Regulations is a benefit for the property, and 60% of the owners are able to enforce it, it is safe to assume that most jointly owned properties are managed based on such regulations.

As analyzed, the building regulation is a private agreement but acquires the validity of a law for those who have signed it. Therefore, similar to the Cypriot Legislation, there are legal consequences for those who do not comply. In such cases the settlement of the dispute by the courts is deemed necessary and the respective owner, or owners, whose rights are infringed, are entitled to a lawsuit against the non-compliant party.

4.3 English Legislation

The **UK** legislation is introducing the term commonhold, which is again described as the ownership of an apartment in a multi owned building, with freehold ownership of the unit, and commonhold interest of the common parts of the building.

Legally, commonhold act was introduced as an alternative to the long-term leasehold system, which was at the time, the method behind most property owning in England and Wales and was based on the **Law of Property Act 1925**. It was argued that long-term leases were suffering depreciation due to approaching leasing expiration dates.

More specifically, the **“Commonhold and Leasehold Reform Act 2002”**, came into force in 2004 (**Chancellor, T. L. 2004**), regarding ownership of freehold properties in **England and Wales**, which have communal facilities, states that: *“The unit-holder owns the freehold interest in the unit and is a member of the commonhold association which owns and manages the common parts”*. This turns to be the universally fundamental law of condominiums, as it appears in different words, both in Cyprus and Greek laws, and mentioned in historical data presented in the introduction.

The act also clarifies that, part of the common areas may subject to limited use or restricted as to who may use them or the kind of use to which they may be put. This also reminds the Cyprus law and more specifically the paragraph 38ΣΤ, of passage 224, where the *“exclusive right of use”* is mentioned, which again refers to otherwise common areas.

January 2021

The difference between Greek and Cypriot legislations and the English legislation is that a separate title is issued for every unit of a commonhold, as well as for the common areas. In other words, common areas are considered a separate unit, which is again registered as a unit in the **HM Land Registry** (HM stands for “Her Majesty’s”).

The common areas are owned by a **Commonhold association**, and all the unit-owners are members of it. In a way, this is an official manner of not only introducing the management committee of a multi owned building, but also of giving it legal power, which is equivalent to the power of a legal entity. In England and Wales, the management committee, or otherwise the Commonhold Association, it is registered as a Limited Company at the **Company Registration House**, same way as any other company.

The aforementioned practise is far from any legal power given to Cyprus Management Committees, even though in 2019, there was an initiative by two member of the Cyprus parliament to amend the existing legislation in Cyprus, towards this direction. In their proposal presented in parliament minutes, (**Βουλευτική Σύνοδος, Π. 2019**) with envelope number. 23.02.060.105-2019, they focused on the non-existing legal entity of Management Committees, “*resulting to chaos, unorganized powerless committees and sometimes, to non-existing committees*”. Their suggestion to introduce an authority to control management committees was presented in the Cyprus Parliament on the 13th of September 2019, but their exact suggestions are yet to be finalized and approved.

Furthermore, and not unlikely to the Greek Law, where the management committee of an apartment building, sets the “Co-Owners Regulations”, in England, the Commonhold Association sets the '**Commonhold Community Statement**' to regulate the rules and the obligations of its members (i.e., the unit owners). This is stated in the **Commonhold and Leasehold Reform Act 2002**, and more specifically in **section 26**, that clarifies that “*the commonhold community statement, must make provision for the regulation of the use of the common parts, in effect to set out the rules and regulations for corporate living in the development, and must also provide for the association to insure, repair and maintain those common parts*”. Included in those obligations, are of course the management cost of the co-owned common parts, which is shared between the owners, again based on their unit size or value. The word *must* should be highlighted here, as it clarifies that, again, and similarly to the previously examined regulations, the maintenance of common areas by the unit-owners is not optional.

Additionally, some light must be shed to **section 39**, of the Commonhold and Leasehold Reform Act of 2002, where it is stated that “*the commonhold community statement may include provision for the setting up and maintaining of **reserve funds** for the repair and maintenance of*

either or both of the common parts and the units within the commonhold". In other words, it is suggested that common expenses, or as they are usually known in England, service charges, include an additional fee, which is paid to a *reserve fund*, and kept until the Commonhold Association chooses to release it (**Section 56**) for an important maintenance or upgrade project, of the whole building. This way, a major cost for lift replacement, or a total renovation, will spread through the years.

This is the first time in this study, where a state's law, is prompting management committees to think ahead. This is an idea which is also examined by (**Pavlov 2005**), in *"the Neighborhood Effect of Real Estate Maintenance"*, where the author states: *"the manager of an apartment building replaces a fraction of carpets and appliances every year. More long-term building components like roofs and heating systems require both annual maintenance and periodic replacement within a building's life span. Because a property manager can time and disperse major maintenance events over the life of a building, maintenance tends to be a regular and ongoing activity in real estate management and the likelihood of unexpectedly large expenses in any particular year can be minimized."*

4.4 Comparative Legislations

In the **United States of America**, the most recognizable term for multi owned buildings is "condominium". The local legislations vary from state to state. As, (**Merwe, 2018**) states in his article regarding the Distribution of Ownership, *"the more recent United States' statutes, following either the Uniform Condominium Act or the Uniform Common Interest Ownership Act, employ the exclusive approach and define common elements as all portions of the condominium other than the units"*. For instance, by the analysis of **"Massachusetts General Law, chapter 183A"**, regarding Condominiums, no fundamental differences rise in relation to other legislations presented during this study. Again the *"exclusive ownership and possession"* of a unit is clarified, with mentioning in the *"undivided interest in the common areas and facilities"*. The obligation of the unit-owners to participate in the management of the condominium is clarified in Section 6, where the law states that *"all common expenses must be assessed against all units in accordance with their respective percentages of undivided interest in the common areas and facilities"*

More importantly, regarding the way a condominium is managed, the **"Massachusetts General Law, chapter 183A"** is quite comparable with the *"Commonhold and Leasehold Reform Act 2002"* of England, as the management committee of a condominium, gains official and legal form. More specifically it is called: *"Organization of the unit owners"*, and it is defined as a *"corporation, trust or association owned by the unit owners and used by them to manage and regulate the condominium"*.

Similarities with the U.K commonhold act, expand to the fact that in the USA, associations are also plan ahead by creating reserve funds for long term maintenance and upgrades of multi owned constructions.

Interestingly enough, in an article discussing alternative investment opportunities, (**Robert B. Levin, 2014**) is mentioning that the condominium associations, usually proceed and invest the amounts collected in the **reserve fund**, in order to avoid depreciation due to inflation. More specifically, the author states that: *“condominium associations appropriately fund their reserve for capital improvements, but the value of the reserve is decreasing versus inflation. Condominium associations have traditionally deposited reserve funds in money market funds and certificates of deposits”*. According to the article, co-owner associations now proceed and evaluate other and more profitable types of investments as well.

The fact that co-owners of a commonhold, create legal associations to handle their common expenses in such a proficient manner, to ensure long term maintenance of their properties, is very impressive in comparison to the Cypriot reality and highlights that there are huge steps to be taken in order to achieve proper maintenance in Cyprus.

In his article *European Condominium Law*, **Van Der Merwe, C. (Ed.). (2015)**, the author and the many contributors managed to present the relevant legislations for a number of European countries. **Austria** has the Law on Apartment Ownership of 2002, **Belgium** the corresponding legislation was enacted in 1994, under the articles 577-3, 577-14 of the Civil Code, **Estonia** has the Law on the Principles of Ownership Reform of 1989, **France** has the Law on “Joint Ownership of buildings divided into apartments” of 28 Jun 1938, **Germany** still has the Law on “Apartment Ownership” of 1951, which was only partly amended in 2007. In **Italy** the Condominium in Buildings legislation (condominio negli edifici) of 1865 proved too simplistic and was replaced by article 42, of the “Acquisition, Enjoyment and Accessibility of Property” Law. **Netherlands**, after a series of amendments in 1947, 1952, 1972 and 1992, ended up with the passage 5.9 of the civil code that was adopted by the Dutch Parliament in 19th of February 2005, **Poland** has the Law on Unit Ownership of 1994, **and Spain** has the “Private Ownership of an Individual Apartment” Law of 26 of October 1939.

The interpretation of all the European legislations suggests that condominiums are internationally constituted, but amendments remain necessary for many of those legislations. In every case, it is stated that owners of jointly owned buildings, enjoy private ownership of their entitled units, and co-ownership of communal areas, with a **legal obligation** to participate in the operational and maintenance cost of those areas. This is the fundamental cornerstone of condominiums, that extends globally as even in Japan, the local legislation, named “Act of Building Unit Ownership”, issued in 1962, (**Building et al., 1962**), during the first 2 articles, is already clarified that unit owners have exclusive ownership of their units, and shared ownership of ‘common elements’ as the term for common areas is directly translated. In Article

3, similarly to the USA and UK legislations, the Japanese law states that “*all of the unit owners together may organize an association to manage the building, its grounds, and its ancillary facilities and, pursuant to the provisions of this Act, may hold meetings, establish bylaws, and assign a manager*”. Finally in Article 19, the Japanese Act of Building Unit Ownership, states that every unit owner shall assume the burden for common elements, as well as the benefit from any profit that may rise from such common elements, clarifying that this burden is **not** optional.

By comparing all presented legislations and legal systems, it is safe to assume that the problematic maintenance of jointly owned buildings in Cyprus is not an exclusive result of inadequate legislation. There are issues to discuss, such as the legal authority which is *actually* given to Management Committees, and the absence of guidelines and/or incentives encouraging unit owners to plan ahead, like it happens in the UK and the USA. Nevertheless, the Passage 224 / article 38A of the Cyprus Law System, is sufficiently detailed and clear, regarding all basic obligations of a unit owner in a condominium.

4.5 Survey - Questionnaire

Therefore, to specify the impediments that cause the mediocre maintenance of residential apartment buildings in Cyprus, the method of an open survey (questionnaire), to reach a sizable sample of apartment occupants is introduced to this study. The complete survey along with detailed results and charts is presented in **Appendix 1**.

A questionnaire is a way to obtain knowledge, preferences, and beliefs on the issue in question, from the participants. Therefore, the sample must be able to provide those attributes. To achieve that, the sample was consisted of adults (18 years old or higher), who live in a jointly owned residential buildings in main Cyprus cities, and they are responsible to pay the common expenses of the unit they occupy. This can include both owners and tenants. In other words, the sample excludes tenants who are not responsible for common expenses, and probably do not intervene much with the issues of a management committee.

The series of questions was created to cover every aspect that can be the source of inadequate maintenance. This covers the frequency of unpaid common expenses, possibility of insufficient charges for maintenance or misuse of the collected common expenses. It also covers the quality, quantity, and status of the residents, meaning their age, family status, ration of owners/tenants, or the total number of apartments consisting the building. The age of a building is an important matter of discussion, as older buildings are the ones who suffer more, from inadequate management and maintenance (**Park et al., 2019**).

The questionnaire was performed in Greek, so it would be easier for the participants to understand and answer properly. It was of course anonymous to ensure that participants will feel free to answer honestly. It consists of 21 multiple choice questions and 1 optional question

in the form of an essay. Questions are designed to extract important conclusions on their own, or in combination with the answers to other questions.

The total number of participants was 80.

The survey initiates with simple demographic questions regarding gender and age, to ease participants in the questionnaire with easily answered questions, as **(Cohen et al., 2009)** suggests. Additionally, they provide the ability to extract conclusions, if there is somehow a different aspect on the matter, between men and women and how the issue is perceived by different age groups.

According to **question 2**, the survey reached a very big portion of people within the age group of 30 to 49, which means that samples of other age groups might be minor to provide safe age-relevant conclusions.

At **question 10**, participants are stating the amount of common expenses which is charged to them. It is conclusive that **64.3%** of the participants who live in a 3-bedroom apartment, according to **Question 5**, stated that they pay less than 40€ per month in common expenses. Almost half of them, pay less than 30€. This is an interesting number. This point is heightened by the fact that **70%** of the participants who live in a 3 bedroom apartment and pay more than 40€, live in smaller buildings, with less than 8 units and higher common expenses are to be expected. Even so, the average charge for common expenses, for a three bedroom apartment in Cyprus, obviously is not over **35€**.

Given that common expenses are allocated based on the unit size, according to Article 38KB, it is safe to assume, that smaller apartments, pay even less than that. Based on those numbers, an average building of 10 apartments (1, 2 and 3 bedrooms) will collect an amount close to 300€ per month, even if *everybody* is always paying their common expenses. The average monthly operational cost of such a building, is based on the cleaning of the common areas, the necessary maintenance of the elevator, the utility bills, such as electricity and water consumption and the maintenance of additional communal facilities, such as garden or pool. According to an interview, presented in **Appendix 2**, the sum of the above necessities, is expected to reach 300€ per month. Therefore, this amount of common expenses, will never be enough to create some kind of reserve fund, for future maintenance, regarding unexpected works or improving upgrades.

However, in **Question 11**, only **3.7%** of the participants suggested an increase of common expenses to achieve better maintenance. The rest are satisfied with the current charge, or they even suggest a decrease. More specifically, **83.8%** of the participants, consider that the amount they pay is reasonable. It is an interesting result, given that many of those participants say that they are happy with financial management, and at the same time, in **Question 18**, they state that their building has operational issues. This proves that it is embedded in Cyprus mentality,

to pay the absolutely minimum for the maintenance, as it is passively accepted that the deterioration is inevitable.

In the UK, based on a proposed review in service charges (common expenses) in London, which was published in the Official website of Mayor of London, the *“average service charges are around £950 per year”* (this is roughly translated in a bit over **85€ per month for each unit**). Additionally, it is clearly stated that *“service charges cover the cost of services such as maintenance, repairs and building insurance, and may also include things like lifts, lighting, cleaning and gardening”*, which is no different than what it is allegedly covered by common expenses in a Cyprus commonhold.

Based on the previous calculations though, it seems that the meaning ‘property management’ in Cyprus, is solely based on operational costs, just enough to keep the building running. Residents of such buildings, do not plan ahead, for **inevitable** maintenance or upgrade costs that will be needed at some point in the future.

A turning point of this survey is the response of participants in **Question 12**. Only **27.8%** of them stated that all the occupants at their buildings, are regularly paying for common expenses. **60%** of participants mention unpaid common expenses, and half of those people, state that this is a regular occurrence. **Unpaid common expenses** are catastrophic to the planning of a property management committee. This situation can often cause a chain of negative reactions among the residents with subsequent undesirable effects on maintenance.

This is the **most conclusive outcome** of the questionnaire. The result shows, with no doubt, the most obvious and undeniable problem faced by many committees of jointly owned residential buildings in Cyprus. Even with perfect planning, maintenance cannot be achieved, if owners do not keep up with their financial obligations. The reason why this phenomenon is so common, when the legislation clearly states that offenders are subjected to a lawsuit, is a factor that needs to be examined.

Another interesting outcome of this survey, is that in **question 13**, almost **50%** of the participants, state that they are attending management meetings. Given that, according to Question 3, **32.5%** of the participants are tenants, who are generally uninterested in such meetings (at a rate of **84.6%** as the survey indicates), it is established that most of the owners, care enough so they make time, to be part of the management and maintenance decisions. On the other hand, in **question 18**, **57.5%** of the participants, indicate operational issues in their buildings. Meanwhile, in **question 14**, the majority stated that they are happy with how the common expenses are distributed (at a rate of **65%**) and in **question 11**, **less than 4%** said that common expenses should have been higher. When a unit owner recognizes that the building has operational issues, that the money are well spent, and still does not consider to pay more for maintenance, is unreasonable. Owners seem to act like they don’t care enough for their properties which is inconsistent to what **question 13** indicates. It seems that it is well

established in Cyprus mentality, that apartments in residential buildings, soon lose their value due to the depreciation of the building, and there is nothing they can do about it.

At **questions 15 and 16**, participants are requested to answer if they are always paying for their common expenses, and if not, why they don't pay. In questionnaires there are sources for bias response, and this question might cause this. Even in an anonymous survey, they tend to answer questions based on what is socially acceptable, as they still feel the need to enhance their image. Therefore, the indication of question 15, that **95%** of all people always pay their common expenses, might not be entirely accurate, and could provide misleading conclusions. The reason why this question was asked, is to isolate the small sample of participants that might be honest enough to answer no, so they will present the reasoning behind the misbehavior in question 16. Unfortunately, this sample of participants is very small, (4 people) and thus, it cannot provide significant conclusions.

Question 22, was the only open type question, and the participants could **optionally** provide thoughts, considerations, or suggestions regarding the issue at hand.

Most of the participants, chose not to answer this optional question. And generally it is expected to get answers from people who feel unhappy with the current situation, rather than from people who believe that everything is ok. So the fact that all answers mention problems is not surprising, nor conclusive. It is interesting though, that almost all answers, make comments regarding unpaid common expenses and many of them feel that there is nothing that a management committee can do about that. They believe that taking **legal action** against non-compliant unit owners, for some reason, is **not worth it**. On a similar note, some answers point the finger to the government and the authorities for the absence of incentives, or even regulations to assure a better management of jointly owned buildings.

It is also interesting is that many participants, mention tenants in their answer. In Cyprus, more often than not, rental agreements, state that the tenant is responsible for paying the common expenses corresponding to the rented unit. This of course, is not somehow illegal. However, in cases that most residents in a block of apartments are tenants, who are by definition, temporary guests in the building, the long-term maintenance costs, to prevent natural damage or depreciation of the construction quality, might not be a matter of high priority. Therefore, the idea of temporary guests paying for building maintenance which should include natural deterioration and long-term planning, is at the least, questionable. Regarding this matter, the essay reveals an interesting combination of answers. **68.8%** of the people who stated that common expenses are always paid by all units in their building, in **question 7** they stated that they live in buildings where the occupants are mostly or exclusively owners. In general results, buildings occupied mostly or exclusively by owners are only up to **40%**. This fact, points out, that when the ratio owners/tenants is decreasing, collection of common expenses becomes less effective. Tenants, at a rate of **84.6%**, state that they never go to management meetings, or

they don't even know if and when those meetings are held. Their indifference in management issues, is obvious.

Furthermore, the survey provides interesting facts regarding the relationship of proper management and the age of a building. Again, by examining the cases of participants who state that there is no issue, with collecting common expenses at their buildings, a tremendous result comes up. **Over 77% of them**, live at a new (less than 10 years old) or relatively new (11-20 years old) buildings. A result like this, is a proof that older buildings, present problems with collecting common expenses much more often than new ones.

In **Question 17**, the survey gathers detailed illustration of maintenance works that are carried out by management committees in their buildings. It is very interesting fact that the roof insulation (**20.9%**), and the minor upgrades (**23.4%**), are by far the most common answers. Obviously, when a roof is compromised, it will eventually leak water into the top floor apartments. Given that roof maintenance is an expensive procedure, the extraction from this result, is that expensive maintenance works are only undertaken when ignoring the problem is **not** an option. It is unreasonable to see that buildings over 30 years old of age, managed to renew the roof insulation, but almost never spend money to make an upgrade on thermal isolation, or exterior painting. Sometimes they even fail to upgrade simple factors, like the main entrance, the common areas lighting, or the old and distasteful mailboxes. This is potentially a mentality problem that tremendously compromise every unit's value, but there could be an alternative explanation, why older buildings fail to keep up with proper maintenance.

At **question 6**, participants stated the age of the property they live in. The survey managed to reach a sufficient sample for every category, and this safely provides significant conclusions regarding the relationship between age and problematic maintenance. The survey shows that, as a building grows over **20 years of age**, it is likely to present the most significant increase in operational issues, unpaid common expenses, and as a result, inadequate management.

This can be explained by the fact that older buildings have higher needs in maintenance, and unless the occupants agree to raise the amount paid in common expenses, is inevitable to reach a point of insufficient funds, for any committee to be able to do everything that is necessary to keep the building in good shape. Given that increasing common expenses to achieve better maintenance, as it is already discussed, is a proposal that only **3.7%** of the participants suggested, it is safely assumed, than in most cases, common expenses are not increased. Additionally, people with higher budgets will always tend to buy a detached house or a newer and more luxury apartment. Especially in Cyprus where the older buildings tend to have a compromised maintenance. As a result, a vicious circle is created, with mediocre maintenance attracting owners and tenants of lower financial class, who will be willing to pay only the minimum in common expenses. This is also an explanation why it was earlier observed, that in many cases, committees of old buildings proceed to re-insulate the roof, but do not attend to simpler operational issues that would cost much less.

Not entirely unrelated, is that Property Management Companies mostly undertake buildings over **20 years of age**. The fact that most operational issues present to older buildings, is not likely to be a result of bad maintenance by professional Management Companies. An opposite perspective, is a highly more logical explanation. When management becomes harder, due to financial issues, unpaid common expenses and increased needs of an aging building, the job of a management committee will be harder and will easily lose the trust of residents who become displeased with the compromised management. Under this circumstances, the occupants will more likely turn to a Property Management Company. In other words, Property Management companies, quite often, undertake buildings with serious management issues, and uncooperative users. It is noteworthy that less than **20%** of people who live in new buildings (less than 10 years old), use a Property Management Company.

Even under the circumstances described, the Property Management Companies could potentially help to improve the existing problematic situation. The questionnaire highlighted many imperfections in the existing management procedures and the current mentality of residents.

It is important to study, how a well-known Property Management Company, can alter the existing situation. To examine how they set the amount of common expenses, how they handle unpaid common expenses and if they plan ahead using their experience.

4.6 Interview

Therefore, during this study, an interesting discussion is presented in **Appendix 2** in the form of an interview with Mr. George Mouskides. Mr Mouskides is the president of Cyprus Property Owners Association, and the single Director of Barky Holdings Ltd (operating under the tradename, FOX Smart Property Management).

During the discussion, Mr Mouskides confirmed that there are significant obstacles, which prevent the efficient management of jointly owned residential buildings in Cyprus. He pointed out several reasons, such as the unhealthy mentality of co-owners, the common phenomenon of unpaid common expenses and some gaps in the legislation, that cause disputes regarding the allocation of common expenses. He also identified the “*Tenancy Law*” as an indirect reason, for this mismanagement.

The ***Tenancy Law*** is the passage 23, of 1983 (**N. 23/1983**), and it was created admittedly to protect ***statutory tenants***, against rent increase and evictions. (Statutory Tenants: tenants who remain in the dwelling, after the expiry date of their initial contract. It is applied to all properties constructed before the year 2000). At that time, less than a decade from the Turkish invasion, this law was a necessity, but nowadays is one of the most controversial passages of the whole Cyprus legal system, since the “*statutory tenants*” are only defined by the age of the building, which could be irrelevant to the financial state of the tenant.

According to Mr. Mouskides, this law, in numerous cases, is keeping the rents way below the fair rent, causing owners to lose interest in their properties and feel unwilling to invest to the maintenance of those units.

The discussion also shed light as to how the total common expenses are calculated. They are based on “ongoing operational costs”, which include the cleaning of common areas, the elevator maintenance, the cost of utilities (electricity and water) for common areas and the cost of maintenance of additional communal facilities such as a garden or a pool. Additionally, there is usually a 10% overcharge suggested, for unexpected expenses.

In a question regarding a sinking fund, similar to the reserve fund suggested in the section 39, of the “Commonhold and Leasehold Reform Act 2002” in UK, Mr Mouskides explained that unfortunately, this is not required by the Cyprus Law. In his experience, if a sinking fund is not established from the beginning, it is difficult to initiate one in the future. This is because, as the years go by, some owners are losing interest and they are not willing to participate in a sinking fund.

Through the discussion, Mr Mouskides noted that all management committees, can be effective as long as there are no serious issues and non-compliant occupants. But when issues rise, a property Management Company, has the experience, the collaborations, the resources and the proper software to attend efficiently to all maintenance and legal issues. Especially, as a building is aging, and the workload is increasing beyond the abilities of a single person committee working on a spreadsheet. In another question, he answered that most buildings that his company undertake, are between the age of 5 and 25. This is because, in brand new buildings, residents *are* committed enough to try own maintenance and on the other hand, buildings over 30 years of age, are often “*beyond repair*”.

Regarding the recurrent phenomenon of unpaid common expenses, he argued that this is a result of impunity deriving from soft legislation and slow legal procedures. Management Committees are able to claim unpaid expenses through a lawsuit. However, the delays are tremendous, and the legal costs high enough, to make the whole process unworthy.

This study, came across the issue of unpaid common expenses in more than one cases. Even though, it was explained that the Cyprus legislation is as clear as it can get, regarding the apartment owners and their obligation towards the common areas and the relevant maintenance cost of said areas. Actually, chapter 38KB of Passage 224, is mentioning legal consequences for owners who face charges for unpaid common expenses.

However, the easiest conclusion that anyone can extract from the presented questionnaire, is that the most severe problem regarding the maintenance of such buildings, is unpaid common expenses.

The fact that so many unit owners choose to avoid the above-mentioned obligation, leaving themselves exposed to a lawsuit is peculiar, and the reason behind this behavior should be examined.

4.7 Court Cases

Therefore, the next step is to further investigate those legal consequences, and determine what kind of penalties an owner should expect if they fail to keep up with their payments to the maintenance committee.

Therefore, and thanks to the database of the Cyprus Bar Association, relevant court cases were examined and they are presented in **APPENDIX 3**.

At this point it is important to indicate that Cyprus, was a British Colony until 1960. As such, and according to the official website of the **Supreme Court of Cyprus**, the local legal system is still heavily based on the English legal system, and therefore, the principle of **Common Law** is applied. Common law refers to the decision making process, where the court rules based on precedents, rather than the interpretation of the law by the judge (**Codified Law**).

A typical case regarding unpaid common expenses, will never reach the Supreme Court of the country. It is being tried at the corresponding district court. In those cases, the Plaintiff, is usually the Management committee, of a multi-owned residential building and the defendant is the non-compliant unit owner.

Each case is identified by a serial number, which is essentially the number of the lawsuit, and includes the year when the lawsuit was filed. The judge, the plaintiff and defendant are usually stated by name, as well as the name and address of the building.

In the court hearings, the procedure begins with the plaintiff's side, presenting the reasoning behind the lawsuit, by testifying financial details about the management of the building, the defendant's unit, the financial obligations (common expenses) that were not met by the defendant, and the period during which, those unpaid common expenses were occurred.

Then, the defendant's side, will usually prepare and present a response. As it seems, in most cases, they try to create reasonable doubt regarding the authority of the management committee, the amount of common expenses that are charged to the defendant's apartment

and doubts regarding the financial management and distribution of the collected common expenses.

In those cases, the plaintiff will have to prove to the Court that the Management Committee was elected legally based on the chapter 38KB, and the allocation of common expenses to each unit, was based on the paragraph 38IA of Law 224. Also the management committee, must be able to prove that the financial management of incoming and outgoing expenses of the examined period are done with no suggestion of mismanagement. If this is not achieved, then the lawsuit could be dismissed.

For example, in the presented case No.3 of the Appendix 3, with lawsuit reference 362/2016, the management committee of the commonhold Avgoula Court 7, the plaintiff, filed a lawsuit against the owner of apartment 103, Mrs E.Georgiou, demanding the unpaid common expenses of the period May 2012 to April 2016. The total amount was €2069.96. However, the father of the defendant, was called as a witness by the defending side, and managed to raise suspicions regarding amount of money paid from the management committee, towards a specific private management company. The examined period of that lawsuit was from May 2012 to April 2016. The trial was set in August 2018. The plaintiff's side failed to gather all the necessary evidence to overrule those accusations. Maybe because they did not exist, or maybe they were lost after all those years. As a result, the whole case was dismissed, and the management committee, had to pay for all legal fees.

In other words, the plaintiff had to suffer even more losses, and the management of the property was probably further compromised, due to this decision.

In case No.2 of the Appendix 3, with lawsuit number 3403/2011, the management committee of the residential multi-owned building, DIANA 39, filed a lawsuit on the 31st of December 2011, demanding an amount of €1129.95, from a unit's co-owners, Georgios Koutsoftas and Elena Charalambous for the period September 2009 – December 2011. Again, similar doubts were raised by the defendant, about the validity of the charged common expenses. They also raised doubts regarding the authority of the plaintiff, with the accusation that the plaintiff was not rightfully elected as a management committee, according to the chapter 38KB. The defendants made a counter-demand, for all the paid common expenses, which was an amount of €2,400.

Again, the management committee, failed to gather evidence to dismiss all the accusations that were raised by the defendants. As a result, on 26 of May 2017, (6 years later!), the court overruled both demands, and each side had to pay their legal fees.

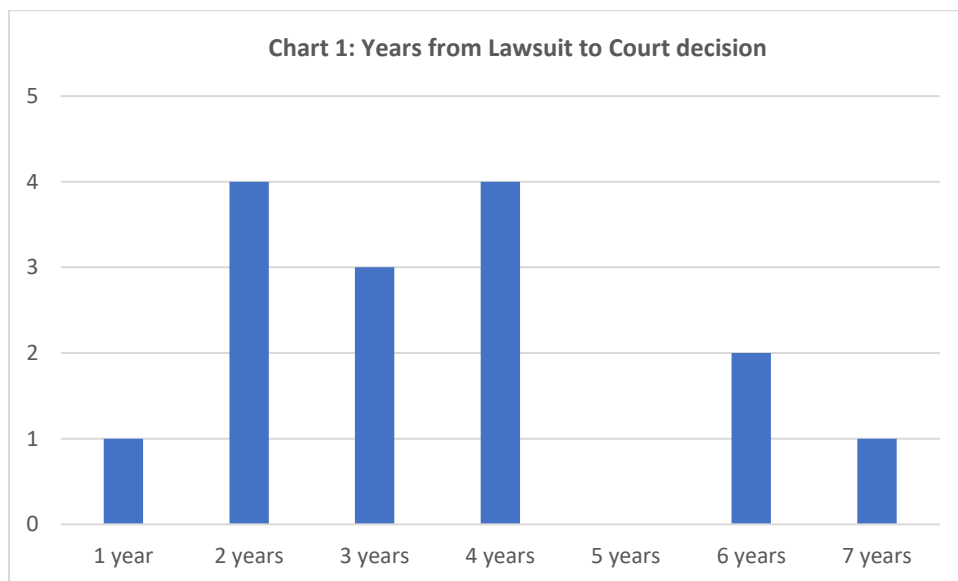
In case Number 1 of the Appendix 3, a lawsuit was filed regarding unpaid common expenses of period September 2009 – December 2015. The plaintiff was the management committee of C. Haralco Spantios Residential Building, and the defendant was Mr Ioannis Ioannides, owner of a studio apartment in the aforementioned building. The lawsuit was filed on the 13th of April 2016.

Interestingly enough, this case, as many others, was classified in the cases of “**Rapid Judgement**” under the provisions of the Institutions of Civil Procedure (Order 30), because the lawsuit was filed after 1/1/2015 and the amount demanded by the plaintiff, was less than €3,000 (three thousand euro). Nevertheless, the court managed to reach a decision on the 13th of January 2020, almost 4 years after the lawsuit.

The decision of this case, was in fact in favour of the Management Committee. The defendant, once again, raised doubts regarding the authority of the management committee, with accusations that the committee was not elected according to proper procedures. Those accusations were overruled.

The court ordered Mr Ioannides to pay the amount of €1,994.52 plus interest to the Management Committee, and to cover all legal fees.

Basic observations that derive from the examined cases, including the cases presented in Appendix 3, is that in many occasions, the court reaches a decision, well over 3 years from the day of the lawsuit. There is obviously too much time lost, due to bureaucracy and/or postponements, making it very difficult for any Management Committee, to even consider legal action. The following chart illustrates this problem.



Regarding the procedure of the hearing, at every case, the defending side is trying to create reasonable doubt regarding the authority of the Management Committee. The argument, is usually that the Committee was not properly elected according to the Article 38KB and that they do not allocate common expenses according to paragraph 38IA of passage 224 of Cyprus Law.

It is interesting and noteworthy, that in many cases, the defendant argues that the Management Committee, is neither a legal entity nor a physical person, and therefore it should not be recognized. Due to analogous accusations, in 43.75% of the examined cases, the Management Committees who filed the lawsuit, ended up losing in court. According to the verdicts, the reason is usually because they failed to disprove, without any reasonable doubt the above accusations, or they failed in proper bookkeeping, of incoming and outgoing expenses regarding the management of the building, raising suspicions of financial mismanagement. It is a given, that when a Management Committee files for a lawsuit, but loses in court, is charged for legal fees regarding lawyers and court expenses. Therefore, the possible cost in the above scenario, is potentially higher than the amount of common expenses that are to be claimed with the lawsuit. At this point, it is inevitable to compare the legal system to others (i.e. England, USA), where the Commonhold is registered as an Association, gaining legal subsistence, and forced/allowed to act in a more professional manner, regarding management, decision-making and bookkeeping. The absence of such legislation it is also mentioned by **Luhanen M. (2010)**, in his study on the Legal challenges in maintenance of apartment blocks.

Even when a Management Committee manages to present all necessary paperwork and wins the lawsuit, the court will order the guilty owner, just to pay the remaining balance of his common expenses plus interest. The interest varies from period to period and it is determined by the Minister of Economics according to the "Determination of the Judicial Interest Rate Decree". Currently, the height of the judicial interest rate, under the paragraph 2, of article 33 of the Law 14 of 1960 - Court Law (**N.14/1960**), is set at 2%.

This kind of interest rate, will never cover for the financial damage that was caused to the management, due to the absence of payments for a given period, especially in cases that the Court reaches a decision several years from the lawsuit.

Summing up the above observations, it is understandable why in several cases, a Management Committee, will not choose to take legal action against a non-compliant owner. Many participants of the survey that was presented in Appendix 1, mentioned unpaid common expenses in their buildings, and during the final question, they expressed the feeling that there is nothing that a Management Committee can do about that. They believe that taking legal action against non-compliant unit owners is unworthy, an expression used by Mr Mouskides during the interview of Appendix 2.

5. Results

This study used a mixed method which included an in-depth research of peer-reviewed articles, the use of governmental and other official data, an open survey with 80 participants and a structured interview, to combine findings and reach reliable results. The lack of relevant data regarding Cyprus, it was a significant limitation, but also a reason that prompted this study.

The basic confirmed findings of this study are:

Unpaid Common Expenses: In numerous occasions, the Management Committees face this issue. The phenomenon seems to be even more severe in buildings over 20 years of age, and in cases that the “tenants to owners ratio”, is increased.

Mentality Issues: The study detected a short-sighted approach by owners who seem to accept passively that the building will eventually deteriorate, and indications of owners who lose their interest when they move out from the building, leaving their tenants responsible to cover common expenses.

Unorganized Management Committees: From day one, owners of brand new buildings, create Management Committees, with no future plan, **no sinking funds** and no budget for major maintenance works, that will inevitably be needed in the long-term. As soon as the first owners start to move out, and the first issues arise, it is too late to gather the amount for an expensive maintenance procedure. According to presented court cases, many committees also seem to fail in bookkeeping causing mistrust and misunderstandings. In some occasions, this also seems to be the reason that some committees fail to claim legally, unpaid common expenses.

Constitutional ineffectiveness: It is obvious that management committees, fail in the long term management. However, throughout the amendments of Passage 224 - Article 38, the state never introduced new rules or guidelines for Management Committees, never set strict penalties for non-compliant committees or owners, and never gave incentives for committees that proceed to major upgrades. Instead, the legal system seems to be too slow, to serve justice in cases of non-compliance. This time and money consuming procedure is causing more unpaid common expenses and mismanagement of jointly owned buildings. Also, a legislation created to protect refugees, (i.e. the Tenancy-Law of 1983) is still in effect, affecting buildings that are over 20 years of age. This law is **enforcing** low rents for “statutory tenants” way below the fair rent, creating displeased owners with no budget and no motive to contribute in the building’s maintenance.

Low common expenses: This issue, seems to be a result of all the aforementioned problems. Short-sighted owners, create unorganized committees, with no legislative rules of incentives to plan ahead. As the interest is fading, they end-up setting the common expenses cost low, producing an income which is only enough, to keep the building in an operational state.

6. Discussion:

The aforementioned methods used during this study provided sufficient information, such as the definition of a jointly owned residential building, the comparison between the Cyprus Law with the corresponding legislations of other countries, the public opinion regarding the mismanagement of such properties, the point of view, of Property Management Companies, and sixteen [16] court cases, accessible through the Cyprus Bar Association.

6.1 Limitations

Several limitations were detected during the process. According to the extended research of this study, there is a shortage of sources and peer-reviewed articles that carry out an in-depth analysis regarding the property management of jointly owned buildings, on a similar angle to this study. Even less authors ever reached this matter on the level of Cypriot reality.

Another limitation is the sample reached during the survey of Appendix 1, which is estimated to be 95% consisted of Nicosia residents. As a result, the findings that are based on the questionnaire fail to indicate whether residents of other cities, experience the whole subject differently. Additionally, the questionnaire was performed in Greek, failing to reach permanent residents of foreign citizenships, which constitute the 18.1% of the total population in the Government controlled area of the island, according to the Cyprus Statistical Service, **M. O. F., & S. Service (2019)**.

Furthermore, due to restrictions that were imposed regarding the Covid-19 pandemic, the discussion with Mr. Mouskides was executed via telephone instead of face to face, which might have been less productive.

6.2 Suggestions

Regardless the above limitations, which create room for future research, the findings and the presented results of this study are leading to several suggestions. The unhealthy mentality of unit-owners that was detected during the study is not feasible to change from one day to the next. What *can* change, is the legislations regarding jointly owned units and their management.

The Law must enforce legally structured Management Committees that should be enrolled as Associations gaining legal entity (UK and USA model). So, if the co-owners of

a building decide to do their own management, they will have to do it properly, with official bookkeeping of minutes and in/out expenses. Otherwise, a Property Management Company could take over, but with additional and stricter guidelines, regarding long-term planning.

A reserve fund is only suggested in Section 39, of the English legislation “Commonhold and Leasehold Reform Act 2002” and maybe that is enough. In Cyprus though, based on the aforementioned mentality, should become mandatory for new buildings, and incentives should be given to older ones to create one. Suggestions can be made in ways that committees could invest the gathered amounts, to the day that they will need to use them.

Each building’s maintenance, should be subjected to periodic inspection by an Immovable Property Quality Authority. Until now, the state only intervenes when a construction is proclaimed structurally unstable. But an unmaintained building affects the value of neighboring properties as well, (Pavlov, A., 2005), and this should be illegal.

Aside from basic maintenance, the state should give incentives and motivations to buildings that proceed to upgrades regarding, energy saving and sustainability, like installation of photovoltaic systems, double glazed windows, application of external thermal isolation, or even simple tasks like led lighting, air filtration and light sensors, for energy saving purposes.

Similarly to the **Law 142(I)/2006**, on the “**Regulation of Energy Efficiency of Buildings**”, strong incentives must also be given to Developers, who manage to produce sustainable buildings with Certification by LEED (Leadership in Energy and Environmental Design) or GSAS (Global Sustainability Assessment System).

7. Conclusion

The development of multi-storey concrete constructions was firstly introduced in Cyprus Republic few years after the independence in 1960. Condominiums in Europe were already spreading due to housing needs created as an aftermath of World War II, and Cyprus was following accordingly. Initially, the utmost development took place in Famagusta, which was at the time the main port of the island. However, the declaration of the new Republic and the establishment of Nicosia as the capital of the country, which caused a population increase, transferred this movement to Nicosia as well, with the first multi-store concrete constructions appearing near the centre of the city in the late 1960s.

After the Turkish invasion in 1974, and the destruction of the north part of Cyprus, 40% of the island's population was forced to move. This huge refugee wave created a vast need for housing in the south. As a consequence, over the next years, the demand for apartment buildings was highly increased. There are no data regarding building permits in the 70s and the 80s, but the Statistical Service of Cyprus, provides a price index for Construction Materials, presented in **Appendix 4** which reveals at the time, an increase, similar to the flourishing period of 2006-2008. This prompted the spreading of multi-storage buildings and the concept of joined ownership to take a new form.

This is why the examined law (passage 224), regarding multi-owned buildings in Cyprus, was significantly altered in 1993, according to the Ministry of Interior (**Department of Land Registry**). At that time, the government introduced Article 38, in the form that was examined during this study. Until then, the share in the joint property was, by law, undefined. The owners did not know the percentage to which they were entitled, or whether their participation in the management of the building corresponded to their rights.

In essence, multi-owned buildings is a relatively new concept in Cypriot reality, and nowadays, with the oldest of those buildings climbing just over 40 years of age, Cypriots are, for the first time, faced with the increased needs of an aging building, and the significance of proper property management.

The above historical review serves as a mitigating factor to the realization that the corresponding Law, has failed to protect jointly owned buildings, despite the several amendments. But now, is the turning point at which, the grace period should be over.

The reason of this failure derives from the interpretation of the law. Passage 224, Article 38, seems to be focused on the operation and procedures regarding the current management of such buildings, ignoring serious aspects, relevant to the needs of the building as a structure.

The formation of Management Committees with no strict guidelines and no legal obligation to act professionally was bound to fail. As a result, it is common in Cyprus to hear the expression “ο διαχειριστής”, meaning the administrator. In other words, residents of such buildings refer to a *single person* as their whole Property Management Committee. It is irresponsible to expect a single person with a spreadsheet, and questionable professional and intellectual background to keep up with this complicated task.

To elaborate, property management should be much more than a demanding procedure the way it was earlier described in reference to the article by (Yik et al., 2015). To a Property Management Company, it is achieved by the combination of tasks and the presence of colleagues who efficiently cover every need of the building. To a lawyer, must be the correct interpretation of the law regarding the management. To a civil engineer, efficient property

January 2021

management is a constant operation to maintain the structure in a good shape. To an architect might be the flexibility to keep up with the occupant's needs. To a valuator is the potential to keep the value high. To an investor efficient property management provides the ability to create a profit and to the user is the key for a better quality of life.

To the Law, must be all of the above.

During the study, some mentality issues were pointed out. In a way, however, the legislation allowed, or even prompted this unhealthy mentality. This is the reason why the suggestions made in the 'Discussion' of this study point out to a rather different mentality. A healthier mentality should demonstrate greater respect to the needs of the properties, and not merely strive to serve the needs of their users. As stated earlier, mentalities do not change from one day to the next, but there is a theoretical Law of Constant Change, stating that "*everything in life is constantly in a process of becoming something else*". Therefore, the law should lead the way so that the mentality will eventually change into a more productive one. The legal system is obligated to serve exactly what is stated as the title of the Article 38: "The multi-owned buildings".

Property management is a long-term relationship with the corresponding building and people who do not realize that, neither should they be in charge of Management Committees, nor should they set the relevant legislations.

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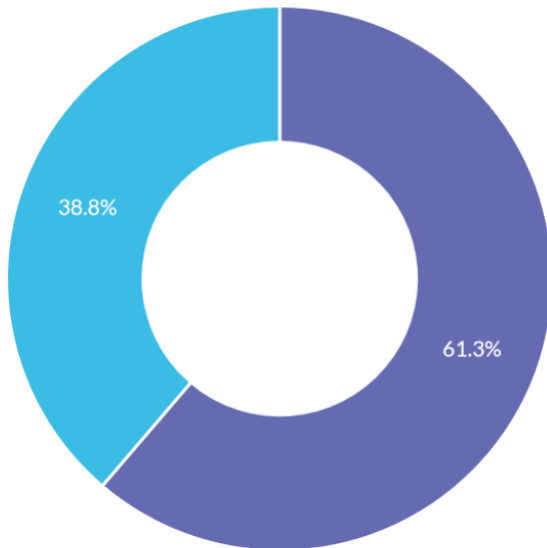
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9. Appendices

9.1 Appendix 1 – Survey (Questionnaire)

1. Gender?

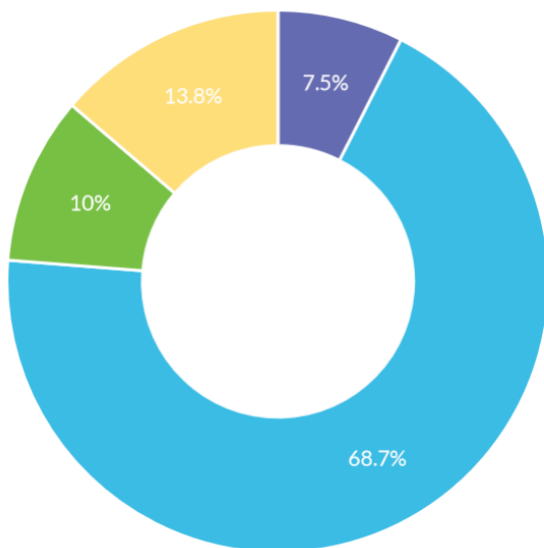
- Male (**61.3%**)
- Female (**38.7%**)



Choice	Total
● Άνδρας	49
● Γυναίκα	31

2. Age of participant?

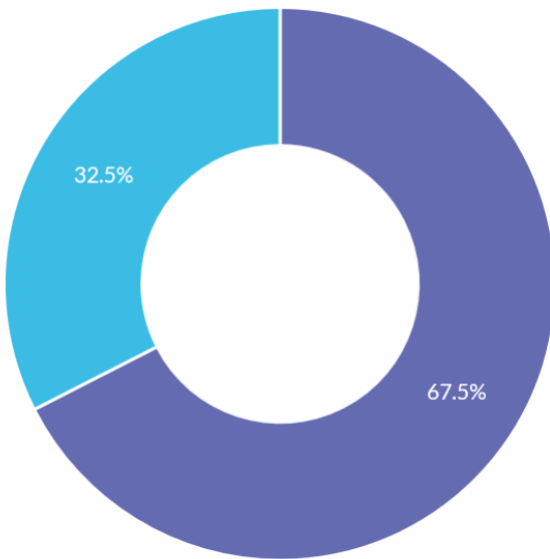
- 18-29 (young, mostly single people) (**7.5%**)
- 30-49 (young families with small kids) (**68.7%**)
- 50-65 (older working families, older kids) (**10%**)
- Over 65 (pensioners) (**13.8%**)



Choice	Total
● 18-29	6
● 30-49	55
● 50-65	8
● Άνω των 65	11

3. Are you the owner, or a tenant of the apartment you occupy?

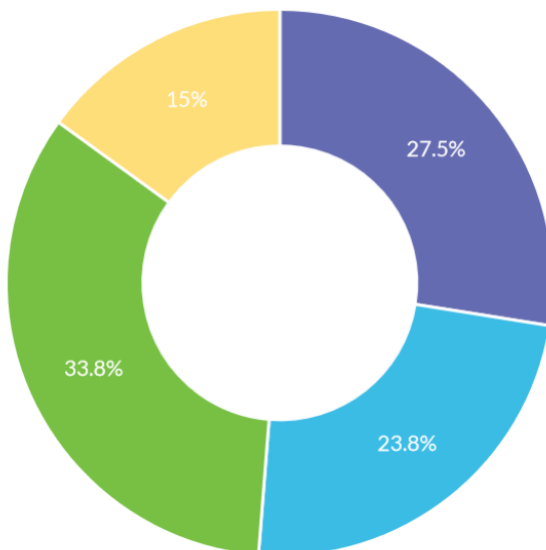
- I am the owner (**67.5%**)
- I rent (**32.5%**)



Choice	Total
● Είμαι ιδιοκτήτης	54
● Ενοικιάζω	26

4. How many units (apartments) is the building comprised of?

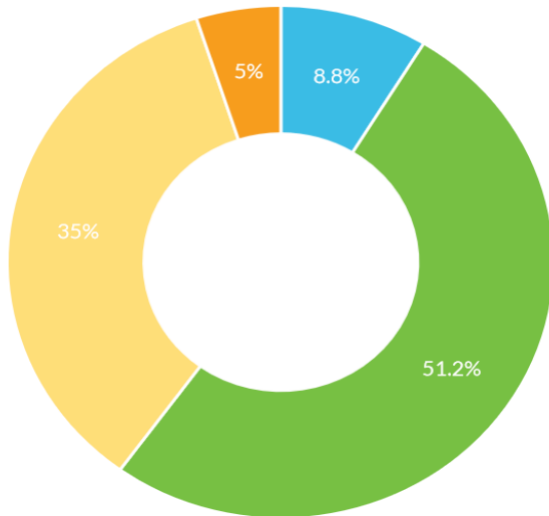
- Up to 7 (**27.5%**)
- 8-10 (**23.8%**)
- 11-15 (**33.8%**)
- Over 15 (**15%**)



Choice	Total
● Μέχρι 7	22
● 8-10	19
● 11-15	27
● 16 και πάνω	12

5. What kind of apartment do you live in?

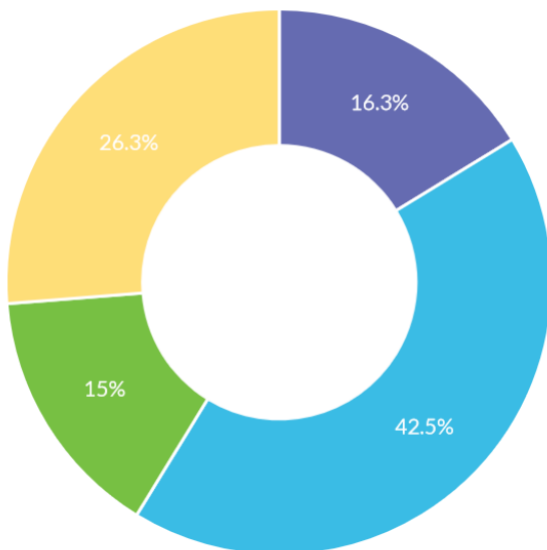
- Studio **(0%)**
- One-bedroom **(8.8%)**
- Two-bedroom **(51.2%)**
- Three-bedroom **(35%)**
- 4+ bedrooms **(5%)**



Choice	Total
Στούντιο	0
Μονάρι	7
Δυάρι	41
Τριάρι	28
4+ υπνοδωμάτια	4

6. What is the age of the building?

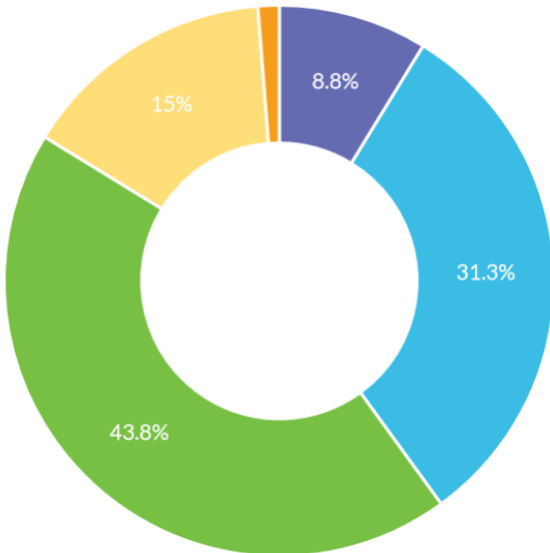
- Up to 10 (new or relatively new) **(16.3%)**
- 11-20 (good age, probably low maintenance is needed) **(42.5%)**
- 21-30 (usually, at this point issues rise, in cases of bad maintenance) **(15%)**
- Over 30 (At this point, maintenance and ever renovations are crucial) **(26.3%)**



Choice	Total
Μέχρι 10 χρονών	13
11-20	34
21-30	12
31 και πάνω	21

7. Are the residents of the building mostly owners, or tenants?

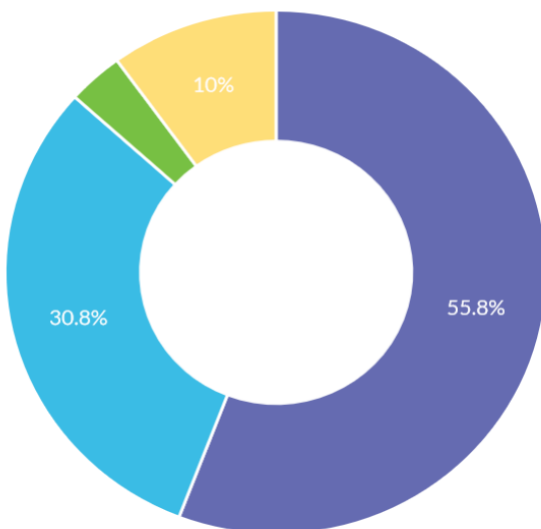
- Exclusively Owners **(8.8%)**
- Mostly owners **(31.3%)**
- 50/50 **(43.8%)**
- Mostly tenants **(15%)**
- Exclusively tenants **(1%)**



Choice	Total
Όλοι είναι ιδιοκτήτες	7
Περισσότεροι είναι ιδιοκτήτες	25
Περίπου μισοί - μισοί	35
Περισσότεροι είναι ενοικιαστές	12
Όλοι είναι ενοικιαστές	1

8. Most of the residents are: (multiple answers were allowed)

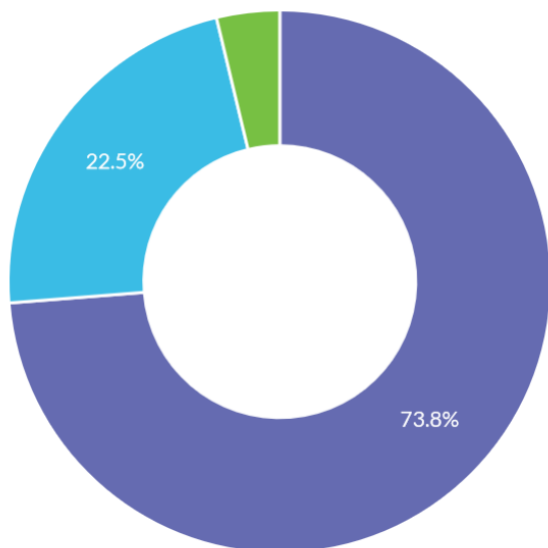
- Families **(55.8%)**
- Young people **(30.8%)**
- Students **(3.6%)**
- Pensioners **(12%)**



Choice	Total
Οικογένειες	67
Νεαρά άτομα	37
Φοιτητές	4
Ηλικιωμένοι	12

9. Is the building managed by a resident management committee, or by a Property Management Company?

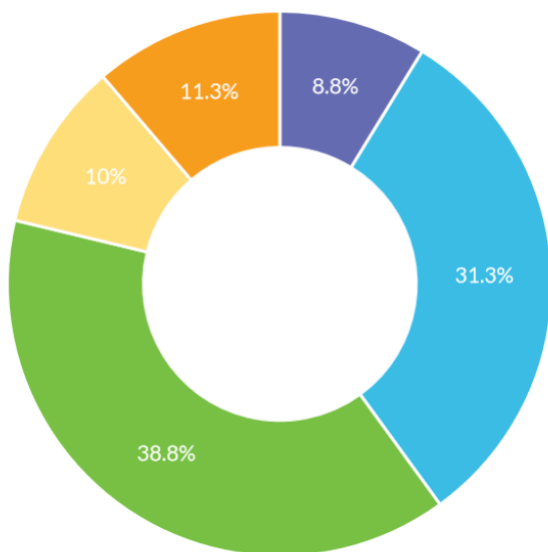
- Management Committee of residents **(73.8%)**
- Property Management Company **(22.5%)**
- I don't know **(3.7%)**



Choice	Total
● Διαχειριστική Επιτροπή των ενοίκων	59
● Εταιρία Διαχείρισης (Property Management)	18
● Δεν γνωρίζω	3

10. What is your monthly share, in common expenses?

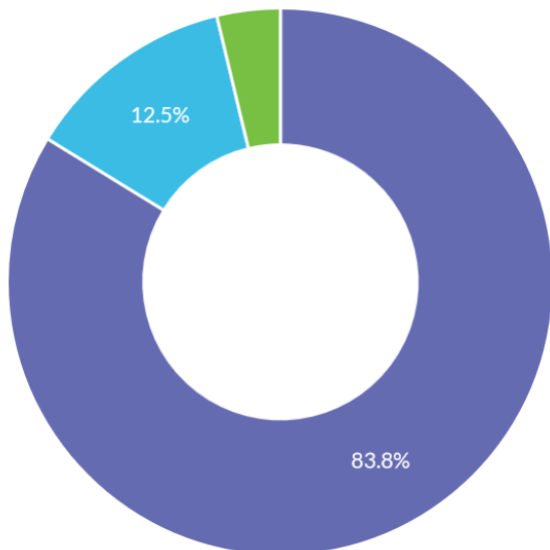
- Up to 19€ **(8.8%)**
- 20€ - 29€ **(31.3%)**
- 30€ - 39€ **(38.8%)**
- 40€ - 50€ **(10%)**
- Over 50€ **(11.3%)**



Choice	Total
● Μέχρι 19€	7
● 20€ - 29€	25
● 30€ - 39€	31
● 40€ - 50€	8
● Άνω των 51€	9

11. Do you consider this amount fair?

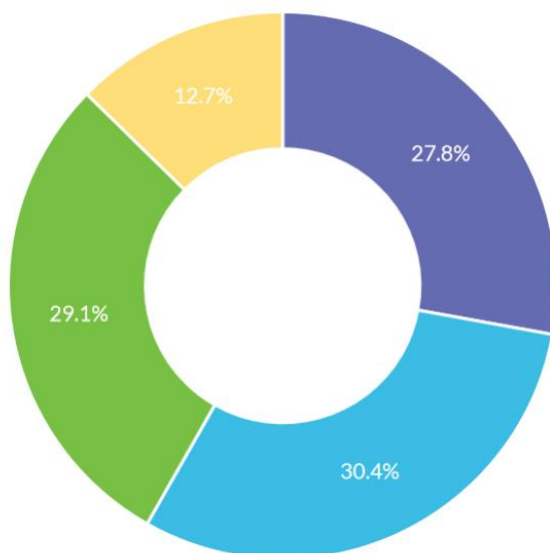
- Yes **(83.8%)**
- No, it should have been lower **(12.5%)**
- No, it should have been higher **(3.7%)**



Choice	Total
Ναι	67
Όχι, έπρεπε να είναι χαμηλότερο	10
Όχι, έπρεπε να είναι υψηλότερο	3

12. Are there residents who do not pay their share, in common expense?

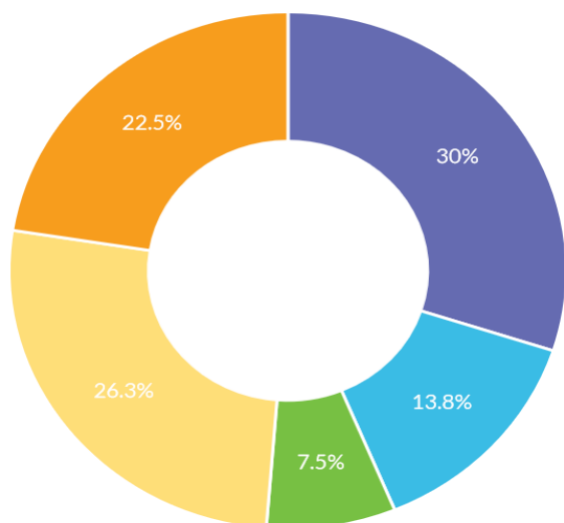
- No **(27.8%)**
- Yes, sometimes **(30.4%)**
- Yes, frequently **(29.1%)**
- I do not know **(12.7%)**



Choice	Total
Όχι	22
Έτυχε λίγες φορές	24
Τυχαίνει συχνά	23
Δεν ξέρω / δεν γνωρίζω	10

13. Do you attend the meetings arranged by the management committee to discuss issues of the commonhold?

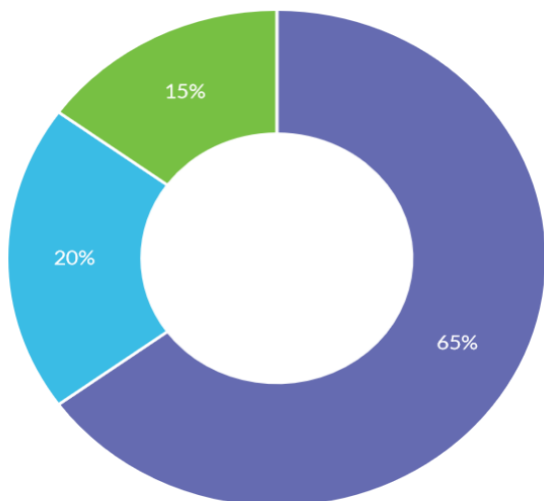
- Always **(30%)**
- Most of the times **(13.8%)**
- Rarely **(7.5%)**
- Never **(26.3%)**
- I am not aware of such meetings **(22.5%)**



Choice	Total
● Πάντα	24
● Συνήθως ναι	11
● Σπάνια	6
● Ποτέ	21
● Απ'όσο γνωρίζω, δεν γίνονται γενικές συνελεύσεις	18

14. In your opinion, is there an appropriate financial management of the collected common expenses?

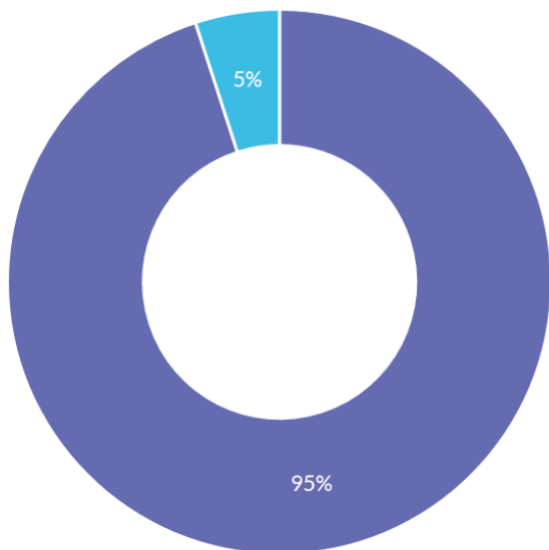
- Yes **(65%)**
- No **(20%)**
- I do not have an opinion **(15%)**



Choice	Total
● Ναι	52
● Όχι	16
● Δεν έχω άποψη	12

15. Do you always pay your share of common expenses?

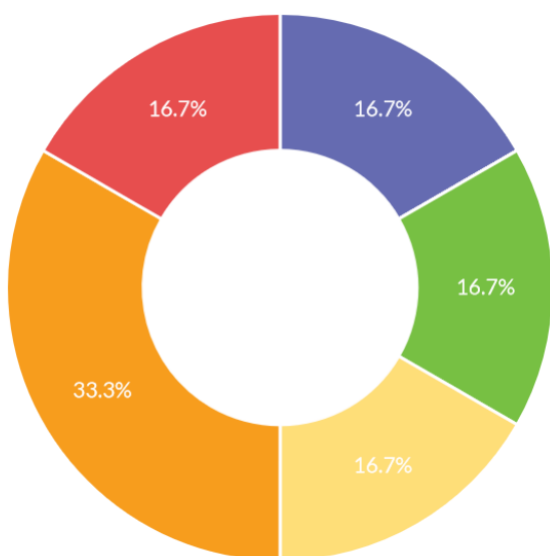
- Yes, always. **(95%)**
- No, not always. **(5%)**



Choice	Total
● Ναι, πάντα	76
● Όχι πάντα	4

16. If you answered yes in question 15, what are the reasons?

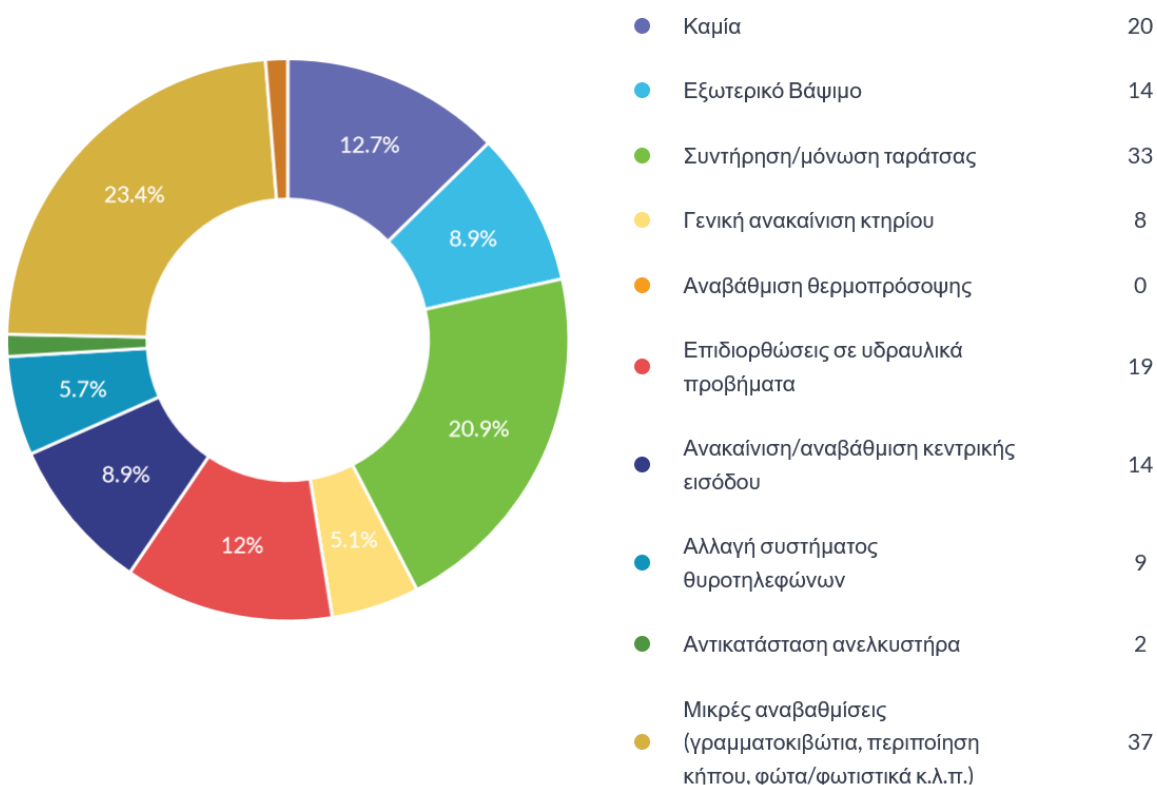
- Due to financial difficulties **(16.7%)**
- I consider my share, unfair **(0%)**
- I disagree with the way those funds are managed **(16.7%)**
- Other residents do not pay, why should I? **(16.7%)**
- Other reasons **(50%)**



Choice	Total
● Λόγω οικονομικών δυσκολιών	1
● Διαφωνώ με το ποσό που μου επιβάλλεται	0
● Διαφωνώ με τον τρόπο που γίνεται χρήση των κοινοχρήστων	1
● Επειδή υπάρχουν άλλοι που δεν πληρώνουν	1
● Άλλοι λόγοι	2
● _archived_	1

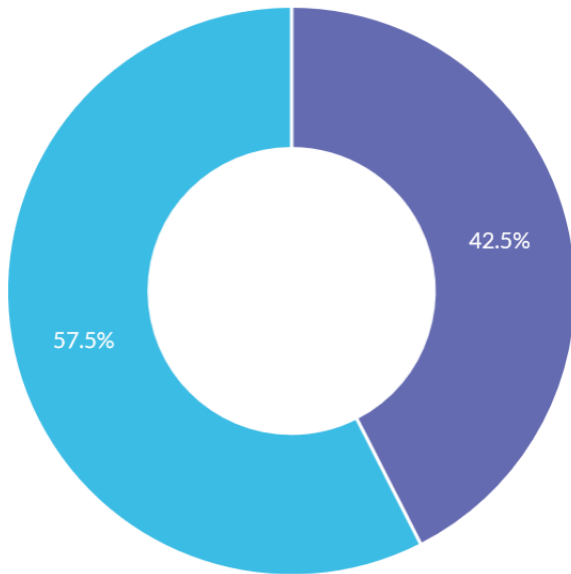
17. What kind of maintenance works were carried out by the management committee within the last decade?

- None **(12.7%)**
- External painting **(8.9%)**
- Roof insulation **(20.9%)**
- General Renovation **(5.1%)**
- Upgrade in thermal isolation of the whole building **(0%)**
- Water pipes problem fixing **(12%)**
- Renovation / Upgrade of main entrance **(8.9%)**
- Intercom system upgrade/improvement **(5.7%)**
- Elevator replacement/installation **(2.4%)**
- Simple maintenance in mailboxes, lights, garden, etc. **(23.4%)**



18. Does the building have operational issues?

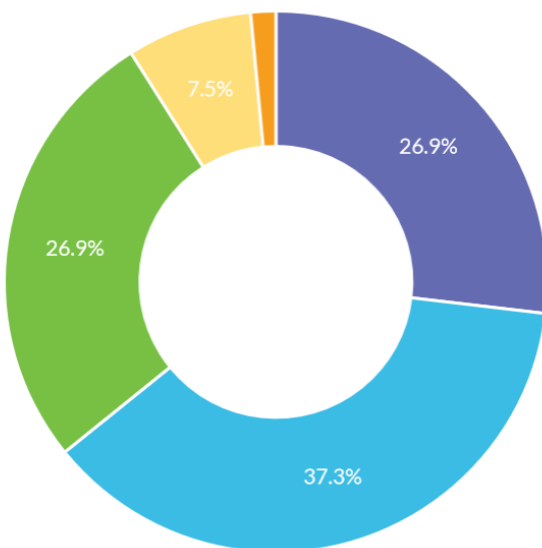
- Yes **(42.5%)**
- No **(57.5%)**



Choice	Total
Ναι	34
Όχι	46

19. If yes, please explain:

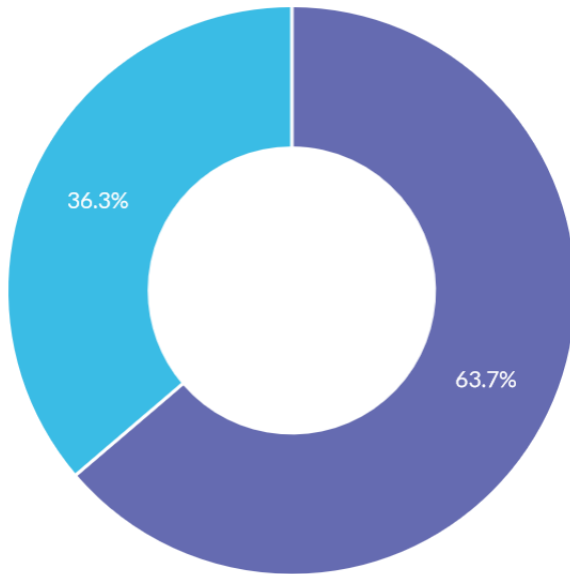
- Water leakage issues **(26.9%)**
- Needs painting **(37.3%)**
- Simple problems (in entrance area, intercom, lighting etc.) **(26.9%)**
- Other **(8.9%)**



Choice	Total
Υπάρχουν υγρασίες	18
Χρειάζεται βάψιμο	25
Βλάβες σε φώτα, θυροτηλέφωνα, κεντρική είσοδο κ.λ.π	18
Άλλο	5
archived	1

20. Are you satisfied with the overall maintenance of the building?

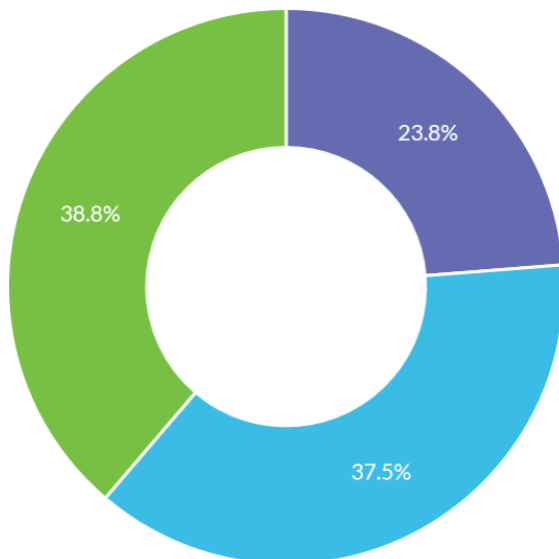
- Yes **(63.7%)**
- No **(36.3%)**



Choice	Total
Ναι	51
Όχι	29

21. Does the management committee have an active plan for future maintenance works or renovations?

- Yes **(23.8%)**
- No **(37.5%)**
- I do not know **(38.8%)**



Choice	Total
Ναι	19
Όχι	30
Δεν γνωρίζω	31

22. Optional question. Express your views, general considerations or issues related to the management of the residential apartment building in which you live, or your opinion about property management in general.

Answer 1: There should be a legislation for operation and quality control for buildings, every few years, as there is the MOT for cars. Painting of the exterior of a building, should have been mandatory. Also, governmental incentives for energy efficiency upgrades and installation of photovoltaic systems, in jointly owned buildings.

Answer 2: it is difficult to collect the common expenses, since a lawsuit is **not** a serious option.

Answer 3: Difficult unit-owners. We are struggling to make ends meet. There should be an easy way to impose fines / consequences for non-compliance and non-payment of common expenses.

Answer 4: Government funding for the protection of old buildings.

Answer 5: I believe that everyone should pay the common expenses, in order to maintain the building.

Answer 6: Owners should pay a higher amount, than tenants, in common expenses that includes maintenance and protection against physical damage

Answer 7: Generally, I think that the overall management of common areas in apartment buildings, especially the older ones, is inadequate.

Answer 8: The terms and decisions of the management committee, must be part of the rental contracts!!

Answer 9: We, as unit owners, have taken over the common expenses, instead of charging our tenants.

Answer 10: Some do not regularly pay for common expenses. This behavior creates problems, as there is nothing we can do about it.

Answer 11: Tenants do not care about common expenses, and the unit-owners do not take the responsibility.

Answer 12: I live in a governmental refugee apartment building and since the tenants do not pay for utilities there is a serious problem with the operation of the building. As a result there is no electricity in the common areas.

Q22

Προαιρετικά μπορείτε να εκφράσετε κάποιες απόψεις, προβλήματα ή θέματα που αφορούν την διαχείριση της πολυκατοικίας στην οποία διαμένετε, ή την γενική σας άποψη σχετικά με την διαχείριση πολυκατοικιών

Essay

Date	Answers
6 days ago	Μενω σε πολυκατοικία συνοικισμού και δεδομένου ότι οι ενοικοι δεν πληρώνουν κοινοχρηστα υπαρχει σοβαρο πρόβλημα στη λειτουργία της πολυκατοικίας, καταλήγοντας να μην υπαρχει ρευμα στους κοινοχρηστους χωρους.
Dec 26, 2020	Οι ενοικιαστές που διαμένουν αδιαφορούν για τα κοινόχρηστα και οι ιδιοκτήτες τους δεν αναλαμβάνουν την ευθύνη.
Dec 22, 2020	Κάποιοι δεν πληρώνουν συχνά τα κοινόχρηστα. Αυτό δημιουργεί προβλήματα καθώς δεν υπάρχει κάτι που μπορούμε να κάνουμε για τέτοιες συμπεριφορές.
Dec 20, 2020	Εμεις ως οι ιδιοκτήτες εχουμε αναλαβει τα κοινοχρηστα και δεν επιβαρυνονται οι ενοικιαστες μας.
Dec 18, 2020	Οι όροι της διαχείρισης πρέπει να είναι μέρος του συμβολαίου !!
Dec 14, 2020	Γενικά νομίζω η γενική διαχείριση των κοινών χώρων στις πολυκατοικίες, οδιατερα τις παλιότερες, είναι υποτιμημένες
Dec 12, 2020	Απο τους ιδιοκτήτες θα έπρεπε να καταβάλλεται μεγαλύτερο ποσό που να συμπεριλαμβάνει συντήρηση/ προστασία από φυσική φθορά
Dec 10, 2020	Πιστεύω ότι πρέπει όλοι να πληρώνουν τα κοινόχρηστα για να γίνετε συντήρηση της πολυκατοικίας όποτε χρειάζεται.
Dec 9, 2020	Χρηματοδότηση από κυβέρνηση για προστασία παλιών κτηρίων.
Dec 9, 2020	Δύσκολοι ιδιοκτήτες προκαλούν δυσεπίλυτα προβλήματα. Θα έπρεπε να υπάρχει ένας εύκολος τρόπος επιβολής προστιμάτων/συνεπειών για την ασυνέργεια και μη εξόφληση κοινόχρηστων οφειλών.

9.2 Appendix 2 – Interview

An interview with Mr George Mouskides, the president of Cyprus Property Owners Association, and single Director of Barky Holdings Ltd (operating under the tradename FOX Smart Property Management) was conducted.

Q: When did you initiate the property management department?

A: *In 2009.*

Q: It is expected for units of jointly owned residential properties to lose their value, as the building is aging. However, this seems to happen faster in Cyprus than in other European countries. Do you agree?

A: *Yes, I agree.*

Q: Why is that?

A: *There are several reasons, such as:*

- **The tenancy law (N. 23/1983)** which protects tenants in every building constructed before 2000, against rent increase and eviction (statutory tenants). This law prevents owners to demand fair rent or even to evict problematic tenants. As a result, the owners of such units are not interested to invest neither in their unit, nor in the rest of the building.
- **Mentality of co-owners.** Unit owners in jointly owned buildings tend to spend much less in maintenance, in comparison to what they would spend if they owned an independent property (house).
- **Unpaid common expenses.** The law does not help committees to claim unpaid common expenses.

Q: How are common expenses divided? Are there any disputes regarding this allocation?

A: *Thankfully, the law is very clear. All the expenses are calculated and divided to all units, according to their size (per square meter). However, according to the law, the verandas (covered and uncovered) are calculated into the size of a unit. Therefore, a small unit with a big terrace could be charged as a much bigger apartment, which is not always fair and can cause disputes. My suggestion would be to count covered verandas as ½ and uncovered verandas even less. Additionally, the law has no provision for ground-floor units, commercial (shops) or residential (ground-floor apartments) with a private entrance. Those units do not use any of the common areas, but they are charged according to their size, and this is another source of dispute. A provision for reduced common charges could resolve this issue.*

Q: What is the expected cost of maintenance for an average residential building?

A: *There are three standard running expenses for an average building.*

- **Cleaning of common areas**, estimated at €100 for a full cleaning per week.
- **The Elevator maintenance**, the cost of which depends on the age of the lift and the size of the building. A rough estimation is close to €80/month.
- **Utilities for common areas**, (Water and Electricity). Again, this amount depends on other aspects, but in an average building it could reach up to €100/m.

Depending on the building, common expenses could be set to cover pool operation, garden maintenance, or any other common facilities.

Q: Is there an additional and provisional amount gathered for each property for future (expected or unexpected) maintenance work, similar to a reserve fund?

A: *Potentially yes; it is called a sinking fund, and it would be an amount additional to the standard running expenses. It is not required by the law. In my experience, if a sinking fund is not established from the beginning, it is difficult to initiate one in the future. As I explained, as the years go by, some owners are losing interest, others are already thinking to sell their units, and they are not willing to participate in a sinking fund.*

Q: According to your experience, how many jointly owned residential properties have a sinking fund?

A: *I would say about 20%.*

Q: What is the expected cost for a major upgrade?

A: *Again, it depends on the building. A rough estimation is:*

- *Roof insulation: €10,000-€12,000.*
- *Replacing the lift (compartment and mechanism): €20,000.*
- *Exterior refurbishment and paint: €40,000.*

Q: According to the survey, there is a positive relationship between unpaid common expenses and increased number of tenants in a building. Do you agree?

A: *Yes, and the reasons vary. The aforementioned tenancy law is one reason. In any way, when an owner moves out of a property, it is expected to lose some interest in maintenance.*

Moreover, most of the rental agreements assign the responsibility of common expenses to the tenant. I'm familiar with cases of bad tenants evacuating a property, leaving behind a significant amount of unpaid common expenses, for which, sometimes the owner was not aware of.

Q: How does a Property Management Company charge for provided services?

A: *5€ to 10€ per unit, per month.*

Q: Again, according to the survey, only a percentage close to 25% claim to use Property Management Companies. Does this sound correct to you?

A: *I would expect a higher percentage of Property Management Companies, even though I never performed nor read a similar survey.*

Q: What is the average age of the residential buildings that the company undertakes?

A: *Between 5-25 years. On one hand, in brand new buildings, residents are usually committed enough to try and do their own management. On the other hand, buildings over 30 years old are often beyond repair.*

Q: How can a Property Management Company handle more efficiently the management of a building, rather than owners acting as property managers?

A: *When all owners are committed, they can form an effective management committee. However, an experienced company can also provide a variety of colleagues and technicians immediately available to attend to any maintenance issue, like electricians, plumbers, handymen etc. Furthermore, as the building is aging and the needs are increasing, a company can handle the growing workload by using proper software for the management of a multi-unit building with higher potential, rather than the occupants working on a spreadsheet during their free time.*

Additionally, as the years go by and the commitment of the owners is weakened, for reasons explained earlier, issues arise and the trust among them can be weakened too. This is why, after 5-10 years, the owners turn to Property Management Companies.

Q: Are legal means, (meaning a lawsuit to a non-compliant owner), a feasible option?

A: *Given that a Management Committee was properly elected and registered, and kept proper minutes of meetings, it would eventually be able to claim unpaid expenses through a lawsuit. However, the delays are tremendous, and the legal costs high enough to make the whole process unworthy.*

Q: Have you ever used legal means (a lawsuit) against non-compliant owners? When you do, do you go to court as the management committee of the corresponding building, or as FOX Property Management?

A: *I have used legal means many times. We go to court as witnesses on behalf of the management committee of the building. So technically, the plaintiff is the Management Committee of the building, not the Company.*

Q: You are also a licenced Real Estate Agent. Given your experience on resale properties, is the value of a unit affected by the maintenance of the rest of the building?

A: *Yes, it is significantly affected. Insufficient building maintenance reduces every unit's investment value. It also reduces the quality of life of the occupant.*

9.3 Appendix 3 – Court Cases

	lawsuit reference	Building's Name	defendant	claimed amount	period of claimed common expenses		decision date	decision
1	2111/2016	C. Haralco Spantios	Ioannis Ioannides	€ 2,043.68	Jul-09	Dec-15	13/01/2020	€1994.52 + interest
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2020/1120200022.htm&qstring=%EA%EF%9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant, raised doubts regarding the authority of the management committee, with accusations that the committee was not elected according to proper procedures. Those accusations were overruled. The court ordered Mr Ioannides to pay the amount of €1,994.52 plus interest, plus legal fees.</p>								
2	3403/2011	Diana 39	George Koutsoftas	€ 1,129.15	Sep-09	Dec-11	26/05/2017	motion dismissed
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2017/4120170172.htm&qstring=%EA%EF%9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant raised doubts regarding the electing procedure and hence, the authority of the management committee. The defendant also made a counter demand. The court dismissed both motions, so no unpaid common expenses were covered.</p>								
3	362/2016	Avgoullas Court 7	E. Georgiou	€ 2,069.96	May-12	Apr-16	30/08/2018	motion overruled
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2018/3120180195.htm&qstring=%EA%EF%9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>Defense raised accusations regarding financial mismanagement. The plaintiff did not manage to prove otherwise, and therefore, the unpaid common expenses were not covered, and the Management Committee had to pay the legal fees.</p>								
4	1758/2011	Diofilova Court 2	Evaggelos Soteriou	€ 2,762.00	Oct-02	Apr-11	16/06/2015	€1,330 + interest
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2015/3120150205.htm&qstring=%EA%EF%9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant raised doubts regarding the electing procedure and hence, the authority of the management committee, claiming that the building was never registered as a jointly-owned estate according to article 38B (Law 224). Those accusations were partly overruled. The court ordered Mr Soteriou to pay the amount of €1,330 plus interest, plus legal fees.</p>								

	lawsuit reference	Building's Name	defendant	claimed amount	period of claimed common expenses		decision date	decision
5	9509/2007	Galaxias Court	Mr & Mrs Mastromichali	€ 2.031,01	Jul-05	Sep-07	17/06/2014	€1,930.21 + interest
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2014/1120140370.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant, raised doubts regarding the authority of the management committee, with accusations that the committee was not elected according to proper procedures, and raised suspicions of mismanagement. The court ordered Mr & Mrs Mastromichali to pay the amount of €1,930.21 plus interest, plus legal fees.</p>								
6	450/2017	Demokritos 3	Mrs Klavarioti	€ 894,95	2015	2017	31/05/2018	motion overruled
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2018/1120180481.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant claimed that her late husband was paying the common expenses. She also raised doubts regarding the allocation of the common expenses, and accused the Management Committee of mismanagement. The court ruled in favour of the defendant. The Management Committee had to pay the legal fees.</p>								
7	1441/17	Ourania Court	Mr Prodromou	€ 1.333,66	Mar-14	May-17	21/03/2019	motion overruled
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2019/2120190190.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant, raised doubts regarding the authority of the management committee, with the accusation that the allocation of the common expenses was not according to the article 38. The plaintiff did not manage to prove otherwise, and therefore, the unpaid common expenses were not covered, and the Management Committee had to pay the legal fees.</p>								
8	2478/2017	Cristine Complex	Costoso Limited	€ 1.268,47		Jun-16	07/05/2020	motion overruled
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2020/2120200083.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant, raised doubts regarding the authority of the management committee, with accusations that the committee was not elected according to proper procedures. The defendant also claimed that were not informed regarding any common expenses. The plaintiff did not manage to prove otherwise. The claimed common expenses were not covered, and the Management Committee had to pay the legal fees.</p>								

	lawsuit reference	Building's Name	defendant	claimed amount	period of claimed common expenses		decision date	decision
9	1696/2011	Diofilova Court 2	PTR Σιδεροτεχνίτες Ltd	€ 1,254.00		Apr-11	24/11/2015	€1,254 + interest
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2015/3120150410.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant, raised doubts regarding the electing procedure and hence, the authority of the management committee, with the accusation that the allocation of the common expenses was not according to the article 38. Those accusations were overruled. The court ordered the defendant to pay the amount of €1,254 plus interest, plus legal fees.</p>								
10	3580/11	Seaview Court	Dr Fytos Piitis	€ 2,581.00	Jul-07	Nov-11	17/06/2015	€2,581 + interest
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2015/3120150224.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>In his defence, Dr Piitis claimed that he paid all the common expenses, and he made a counter-demand claiming €925, as compensation for maintenance worked undertaken by himself. Defendant's claims were overruled. The court ordered Dr Piitis to pay the amount of €2,581 plus interest, plus legal fees.</p>								
11	5201/16	Bridge House	Mr Theodoulou	€ 1,740.00	2005	2009	29/10/2019	€1,740 + interest
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2019/1120190524.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant, made a counter-demand of €8,880 for damages that he suffered, due to mismanagement by the Management Committee. The court overruled the defendant's counter-demand, and ordered Mr Theodoulou to pay the amount of €1,740 plus interest, plus legal fees.</p>								
12	3201/2017	N. Syggrou Centre	Phedias Catering Ltd	€ 1.742,44	Jan-15	Feb-17	18/04/2019	motion overruled
http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2019/2120190225.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A								
<p>The defendant, raised doubts regarding the authority of the management committee, with the accusation that the allocation of the common expenses was not according to the article 38. The plaintiff did not manage to prove otherwise, and therefore, the unpaid common expenses were not covered, and the Management Committee had to pay the legal fees.</p>								

	lawsuit reference	Building's Name	defendant	claimed amount	period of claimed common expenses		decision date	decision
13	6422/2015	Agas 5	Kyriakos Klonaros	€ 1.147,00		May-14	27/02/2018	€1.081,00 + interest
	http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2018/1120180289.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A							
	<p>The defendant claimed that he is not familiar with the plaintiff, and does not recognise them as the management committee of the building. He also claimed that during that period the apartment was rented to a third party. Those claims deemed irrelevant. The court ordered Mr Klonaros to pay the amount of €1,081.00 plus interest, plus legal fees.</p>							
14	1482/2016	**** Court No.3	Mr Christou	€ 1.400,02	Aug-14	Feb-16	21/11/2018	€1.400,02 + interest
	http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2018/2120180745.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A							
	<p>The defendant admitted that he owes some amount for common expenses. He accused the management committee of mismanagement regarding the building renovation and made a counter claim. The court overruled the counter-demand, and ordered Mr Christou to pay the amount of €1,400.02 plus interest, plus legal fees.</p>							
15	3806/12	MC of **** Court	Mrs Paschali	€ 2.826.89	2011	2012	20/02/2019	motion overruled
	http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2019/2120190121.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A							
	<p>The defendant, raised doubts regarding the authority of the Management Committee. She also claims that she was not the owner of the apartment during the examined period. The plaintiff did not manage to prove otherwise, and therefore, the unpaid common expenses were not covered, and the Management Committee had to pay the legal fees</p>							
16	3904/2012	Kanika Enaerios	Mrs Ioannou	€ 3287,54	Mar-07	Jun-12	29/06/2018	€2.988,54 + interest
	http://www.cylaw.org/cgi-bin/open.pl?file=apofaseised/pol/2018/2120180405.htm&qstring=%EA%EF%E9%ED%EF%F7%F1%E7%F3%F4%2A							
	<p>The defendant, raised doubts regarding the authority of the Management Committee. She made accusations regarding mismanagement and inadequate bookkeeping by the Committee. Those accusations were overruled. The court ordered Mrs Ioannou to pay the amount of €2.988,54 plus interest, plus legal fees</p>							

PRICE INDEX OF CONSTRUCTION MATERIALS



TIME SERIES, 1960-2017

Base year: 2010 = 100,00

YEAR	PRICE INDEX	YEAR	PRICE INDEX
1960	9.65	1992	59.19
1966	9.23	1993	60.38
1967	10.34	1994	61.51
1968	10.87	1995	63.62
1969	12.35	1996	65.08
1970	12.86	1997	66.52
1971	12.68	1998	66.74
1972	12.96	1999	64.34
1973	17.72	2000	66.59
1974	22.44	2001	68.42
1975	22.93	2002	70.05
1976	24.41	2003	73.26
1977	24.85	2004	79.27
1978	26.86	2005	83.07
1979	30.17	2006	87.34
1980	34.09	2007	91.94
1981	38.14	2008	100.92
1982	40.15	2009	97.34
1983	40.97	2010	100.00
1984	44.00	2011	103.64
1985	46.22	2012	104.46
1986	45.33	2013	104.04
1987	46.05	2014	105.09
1988	49.33	2015	102.27
1989	53.30	2016	100.50
1990	55.62	2017	101.06
1991	57.55		

(Last Update 18/01/2018)

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