2015

Residence/Citizenship by investment þÿ i n t o R e a l E s t a t e   p r o g r a m s i n European countries (EU members): what is the best practice for Cyprus

Savelieva, Anzhelika

Real Estate Program, School of Architecture, Land and Enviromental Sciences, Neapolis University Pafos

DISSERTATION

‘Residence/Citizenship by investment into Real Estate’ programs in South European countries (EU members): what is the best practice for Cyprus.

Anzhelika Savelieva
a.savelieva@nup.ac.cy

Master Research Thesis
September 2015

Dissertation Supervisor
Dr. Thomas Dimopoulos

MSc in Real Estate
Neapolis University Pafos

Contents

Acknowledgements

I would like to thank the following people who provided guidance, advice and support with regard to this research:

- Thomas Dimopoulos, Neapolis University (Supervisor)
- Petros Sivitanides, Neapolis University (Dissertation science)
- Costas Velaris, Velaris & Velaris (Legal Advisor)

Keywords:

Citizenship-by-Investment
Economic Citizenship Programs (ECP)
Economic Residency Programs
Foreign Account Tax Compliance Act (FATCA)
Foreign Direct Investments (FDI)
Golden Visa program
High-net-worth individuals
Immigrant Investor Programs
Individual Investor Program (IIP)
Macroeconomic Stability
National Development Funds (NDF)
Sovereign Wealth Fund (SWF)
The International Monetary Fund (IMF)
The Organisation for Economic Co-operation and Development (OECD)

1. Introduction

The increasing world supply of immigrant investor programs (Golden visa and Cash-for-citizenship programs), exchanging residency rights or citizenship for a substantial investment into the economies of the granting countries is triggered by a sizeable demand from prospective wealthy individuals of non-European crisis-torn regions as well as regions with growing private wealth (like China). The motivating factors for such individuals range from the desire to establish more secure and fast business or/and family settlement abroad, protection from economic and political turmoil at home, accessibility to visa-free travel, wish to reside in a low-tax jurisdiction, etc.

A research made by the EU Parliamentary Research Service (2015) states that granting residence permits to non-EU citizens who make substantial investments seems to be a common practice for a number of EU Member States (MS). Some of them go further by granting third-country investors full citizenship although mostly after first granting residence rights. Since Article 21 of the Treaty on the Functioning of the European Union confers the right to move and reside freely within the territory of the Union directly on every EU citizen and his family members, granting full citizenship rights to third country nationals and thus enables unrestricted access to the entire EU.

To Sumpton & Hooper (2014), in theory, the benefits of investor programs are mutual both for investors, obtaining residency rights/citizenship, and destination countries, gaining revenues or job-creating investments. In practice, the economic contribution of the limited number of investors admitted in larger countries like the United States or the United Kingdom is modest. On the other hand small countries benefit more substantial gains with such investor programs.

The states have the ultimate competence in granting residence permit or citizenship. There are 3 types of investments based citizenship and residence schemes in the EU according to Dzankic (2015): 1. fully discretionary naturalisation on grounds of (economic) national interest; 2) investor citizenship programs, whereby investment leads to full citizenship with or without further criteria and 3) golden residence and entrepreneurial programmes, in which the pecuniary contribution results in different types of residence rights while citizenship is conditioned upon all the other ordinary naturalisation terms.

In the first two types of these programs the investment results in citizenship regardless of ordinary naturalisation criteria and based on the assumption that the investment is a sufficient proof of an individual's commitment to the new polity. This implies a 'stockholder citizenship' approach to membership. Applicants are not bound by residence.

Some EU Member States (Malta, Bulgaria, and Romania) operate 'hybrid' investor citizenship programmes, which have a residence requirement. The rationale for classifying the programmes as investor citizenship and not as golden residence is twofold. First, these programmes are aimed at giving applicants citizenship and not residence. As a consequence, some of the ordinary naturalisation criteria, such as language competence, are alleviated. Despite the residence requirement, the waiver of other naturalisation conditions points to the 'stockholder citizenship' approach.

By contrast, golden residence programs exist in a number of EU Member States (Malta, Portugal, Bulgaria, Hungary, Spain, the Netherlands, Greece and the United Kingdom). The main rationale behind these programmes is the assumption that the investment will yield economic benefits, whilst also creating strong links between the applicant and the state. In many cases, the residence requirement is the same as the one for ordinary migrants, although some countries may act on a case-to-case basis and reduce the years of residence required for naturalisation (e.g., Austria, Belgium, Portugal). The golden residence programs thus show the tension between 'stakeholder' and 'stockholder' citizenship. They also reveal the different approaches that the countries can have to the exchange between money and membership.

While the immigration policies for the Immigrant Investor programs are not unified and differ between the countries, in broad terms these programs fall into two categories:

- investments into private sector assets like private businesses (to create jobs) or property. The latter option has been becoming popular with the countries where property markets were badly affected by the late 2000s economic crisis.

- transaction between the investor and the government. In some countries, applicants give money directly to the government in the form of a non-refundable fee or low-interest loan. Revenues can be spent on economic development projects and other government priorities. Other countries admit investors who buy regular government bonds (Sumpton & Hooper, 2014).

While the business of investment-based naturalisation is now largely accepted, some have expressed concerns. Quite limited debate at the EU level calls trading citizenship 'inappropriate' and insists on working out a common immigration policy for all European countries. Some member states seem alarmed by arbitrary and uncontrolled naturalisation resulting in unwanted migration in the Schengen area, political involvement and encouragement of tax evasion despite existing anti money laundering, anticorruption and anti-tax evasion legislation.

Dietrich Thränhardt, an immigration policy expert and professor emeritus at the University of Münster (Austria), considers that such arrangements are problematic, 'but they don't threaten the EU,' as only a small number of people gain citizenship by making a substantial investment and satisfying Due diligence (criminal and sanction checks on applicants, investigation of source of wealth and source of funds).

2. Background

Roughly two thousand years ago, Roman citizenship began to be sold to rich foreigners. As a consequence, rather than a way to share equal duties and rights, citizenship by the third century C.E. had become an aristocratic title (Berton, 2014).

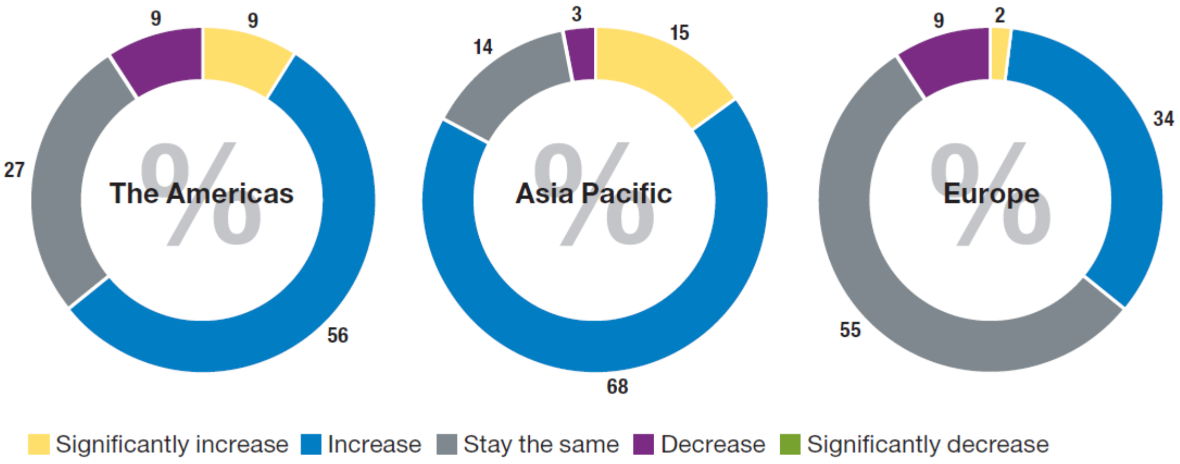
Granting citizenship to rich foreigners in return of financial benefits continues in our time due to global demand and supply, where the applicants benefit from second citizenship and the countries granting it benefit from investments. The concept originated in the Caribbean in 1984 with St Kitts and Nevis and at present is very much a global practice. Investor Programs exist in:

- Canada and USA,
- Europe (including UK, Portugal, Spain, Malta, Cyprus, Greece, Hungary),
- the East (Hong Kong, Singapore and Australia).

The investors through an alternative passport are seeking to globalise their businesses and private lives in more stable and comfortable parts of the world or to get the benefit in their travel and business opportunities. The biggest markets of citizenship buyers are China, Russia, the Middle East, South, North and West Africa. It's also fair to say that the tax situation in the USA has led to many wealthy individuals to seek an alternative citizenship as part of a tax-planning solution.

According to a publication from PwC and the Urban Land Institute (2015), equity-rich sovereign wealth funds (SWF) and pension funds from Asia and North America will play a bigger role in European markets in 2015, continuing the trend of the past several years. 'Asian investors will enter the EU property market permanently within two to three years, adding to the new wall of money.' A survey by placement of 231 such investors, managing $8 trillion of assets, showed that they intend to increase their real estate allocation from an average 8.5% currently to 9.39% globally in 2015, the equivalent of an $80 billion injection into the sector (Table 1).

Table 1. Cross-border capital into European real estate in 2015



Source: *Emerging Trends Europe* survey 2015

Small countries in Europe have all the chances to get a substantial part of the investments into their economies through the immigrant investor programs. The main issue is what a single country can do in order to make itself more attractive for the investors.

Amongst the European countries only Cyprus operates the **pure** investor citizenship program with criteria which include pecuniary contribution for membership, due diligence/clean criminal record, and at least one visit to the country. Additional criteria - the periodic checks of whether applicants meet the conditions, was recently generated by a 2011 controversy involving the wealthy investor Rami Makhlouf, a relative of the Syrian president Bashar al-Assad. On 4 January 2011, Makhlouf received the citizenship of Cyprus, a few weeks before the start of the protests in Syria. In May 2011, the EU imposed sanctions on Makhlouf due to his cooperation with the Syrian repressive regime. The EU sanctions led to the revocation of his Cypriot citizenship.

In the case of **hybrid** investor citizenship program (Malta, Bulgaria, Romania), in addition to criteria of a pure program applicants require residence in the new country prior to naturalisation. However the residence requirement is much lower than for ordinary naturalisation.

Golden visa residence programmes (Greece, Portugal, Spain) are based on the substantial contribution and residence criterion for the applicant. Golden visa criteria are by no means uniform in the underlying countries. They differ in terms of the amount and type of investment. There are also variations in the type and duration of residence across countries. The renewal of the residence permit can be done after one to two years, as well as the meeting of other naturalisation conditions to eventually receive citizenship. Duration of residence can very from few weeks in each year to a substantial length of time.

Citizenship via investment Program (further ‘Program’) in Cyprus has been in the foreground since 1994. The European debt crisis of 2009 adversely affected the financial stability of the EU countries and the Euro itself. Till 2012 Cyprus was getting out of the crisis quite well. It endured less severe negative effects than the rest of the Eurozone and grew faster than neighbouring countries. A bubble burst in 2012 was a classic example of Cyprus banks’ exposure to the overleveraged local developers, the haircut of the Greek government bonds towards which the Cyprus banks were considerably exposed and the inability of the government to restructure the troubled Cypriot financial sector (Shorexcapital, 2015). As a result thousands of people lost billions of Euros. In such a situation the Cyprus government and its financial community needed in desperate attempt to attract new investors, relax its current nationality regulation, make the nationality available to persons that could invest into country much less than before. Before March 2013 a Cypriot passport could be acquired €15.0 mln in investment over five years. In April 2013 the investment criteria were lowered substantially (minimum direct investment for individuals €5 mln and for group of five investors or more €12.5 mln with €2.5 mln per applicant), which immediately started producing results by the inflow of nearly €3 bln in 2 years – a substantial part of which has been invested into property.

Nevertheless, the Program is implemented in very rough conditions of the real estate market suffering from repercussions of long lasting and large-scale fraud with property, affected the majority of house-buyers due to lack of proper supervision and care on behalf of the authorities: inflated property prices, easy loans, uncontrolled, haphazard, risky and not professional development (building permits were either infringed, exceeded or not obtained at all), no personal responsibility of developers or estate agents who mediated for the sale of property to investors, weak legislation, etc.).

While the landscape of immigrant investor routs are becoming more competitive, not all countries are competing in the same market. Until present no deep research has been done on how the Cyprus citizenship program can compete with countries offering similar benefits for property-based programs providing access to Europe's Schengen zone. The European countries like Cyprus, Greece, Malta, Portugal and Spain have quite significant reliance on such revenue as foreign investments into residential property as all countries slump into a property crash after a mid-2000s housing boom, destroying jobs in the building industry and causing an unprecedented fall in property prices. These countries also have more or less the same attractiveness by location and climate (prevailing number of sunny days through the year). It is important to compare all their 'products' in order to find out if Cyprus needs to review its program and 'adjust' the thresholds and other requirements with the more successful programs, if any.

Reshaping the program via additional incentives for investors (improvements in the property legislation, lower taxes, regulate the responsibilities of property developers, agents, etc.), which can increase the inflow of foreign investments into Cyprus property and improve economic conditions in general. Why is the property market such a vital segment of the economy? It is an important component of investment and the largest component of wealth. The majority of households tend to hold wealth in the form of their homes rather than in more liquid financial assets. Part of housing, for instance, is mortgage markets, which is important in the transmission of monetary policy. Adequate housing can also facilitate labour mobility within an economy and help economies adjust to adverse shocks. A well-functioning housing sector is critical to the overall health of the economy (Zhu, 2015). The current study presents the economic benefits of the property model.

The study discusses the impacts of inflows into real estate market under the Economic Residence/Citizenship programs, particularly in small states of South Western (Portugal, Spain), South Central (Malta) and South Eastern (Cyprus, Greece) European Mediterranean, and compares the standards of living of these countries in order to find out the best model of such a program for Cyprus.

3. Literature review

3.1 Introduction

The number of high-net-worth-individuals applying for secondary citizenship abroad is on the rise and the countries offering such an opportunity compete with each other nowadays. The different investment programs as well as their combined forms are offered to investors. Still the investments into property remain the most popular and secure due to growing prices and stability vis-a-vis to financial investments, which are much more vulnerable to risks (the recent example with American banks collapse, Greek bonds 'hair-cut', Cyprus bail in, etc.).

An extensive literature has estimated the effect of 'cash-for-passport' programs. Some studies predict the dangerous links between money and access to political membership, whilst others praise the practice of facilitating access to citizenship to investors. This literature review addresses the main studies that are dealing with the economic rationale of such programs, analyses of possible incentives by governments for investors, legal aspects, investors' preferences and reasons for a second citizenship (advantages of citizenship via investment versus ordinary citizenship by naturalization, quality of life, security, mobility, tax planning, retirement in a safe country), etc.

3.2 EU citizenship towards national citizenship (the 'stockholder' and 'stakeholder' approaches).

Citizenship of the EU (EU citizenship) originates from the Maastricht Treaty, which established it as a mechanism of promoting European values and identity. Its other objective is to protect the rights of citizens of the EU affected by increasing integration dynamics. The set of rights attached to EU citizenship was amplified with the Treaty of Amsterdam and the Lisbon Treaty to include the rights of free movement, diplomatic protection, linguistic rights, and rights of direct representation in the municipal and European parliament elections. Nevertheless, in 1992 Denmark rejected the Maastricht Treaty and due to that the supranational EU citizenship nowadays is only complementary to national citizenship. Articles 9 and 20 of the Treaty on the Functioning of the European Union, confirming that the EU citizenship 'shall be additional to and will not replace national citizenship'. In other words, individuals possessing the citizenship of any of the Member States can claim benefits from the rights attached to EU citizenship, while the Member States have the sole prerogative to decide on their citizenship. Since it is left to each country to decide how it will grant nationality to investors, it seems that a national feeling is still strong enough and becomes a barrier to the idea of the unified immigration policy throughout EU in general and between the economic residence/citizenship programs.

These programs have implications on the value of EU citizenship, by counterpoising 'stockholder' and 'stakeholder' citizenship. Rights additional to those of national citizenship, activated through mobility in the EU, create an opportunity structure for states to treat their citizenship as a commodity and exchange it for investment. Such programs are producing 'stockholder citizens' (Magni-Berton, 2014), because investors have an instrumental interest in obtaining the citizenship of an EU Member State. For example, national citizenship of smaller European economies such as Malta and Cyprus do not have much of an allure for the investors. Instead, access to the European market and the rights of EU citizenship, particularly mobility, enhance the attractiveness of such national memberships in the eyes of investors. This differentiates the investment-based citizenship schemes from naturalisation of ordinary migrants, who by virtue of their involvement in the community are true 'stakeholder citizens' (Dzankic, 2015).

3.3 EU citizenship as a bond between individuals and a country.

How do immigrant investor programs work? Many of the countries that have offered investor routs are highly attractive global destinations (USA, UK, Australia) and they gather highest value migrants, reassuring their publics that selective immigration policies are bringing strong economic returns. But in these countries investors typically comprise a small fraction of immigration. For countries that are not traditional immigration destinations, the calculus may be rather different as investor applicants are not necessarily expected to settle in the country and often face minimal requirements for physical presence. In these cases, governments rely on the programs primarily for the direct financial benefits of the investment itself (Sumpton & Hooper, 2014).

Who applies for investor programs and why? Immigrant investors typically come from emerging economies or from the countries experiencing on-going political or economic instability. China is the major source for immigrant investors. Russians choose European destinations. Tumultuous political events like the Arab Spring have also created strong demand from wealthy individuals in North Africa and the Middle Ease (Sumpton & Hooper, 2014).

According to Sumpton and Hooper (2014) motivations of foreign investors to obtain alternative residence rights fall into several categories:

- Traditional immigration. Investor programs can be simply another way for wealthy applicants and their families to move to popular destinations, sidestepping eligibility requirements and delays found in other immigration pathways. Educating their children in these countries without paying international student fees can be also a motivation for investors.

- Insurance policy. Applicants may not want to emigrate immediately, but securing residence rights abroad keeps this option open in case of future political or economic upheaval in their homeland.

- Visa-free travel. Businesspeople and other frequent travellers can reduce cost and time of applying for visas by gaining citizenship or residence rights in certain countries. Chinese and Iranian can nationals, for example can currently travel without a visa to just 44 and 40 countries, respectively, while citizens of Malta enjoy visa-free travel to 166 countries. Cyprus by August 2016 will also join the Schengen area.

- Lower taxes. Wealthy investors who establish residence in a low-tax country may be able to reduce their tax bills.

The process of acquiring/granting passports on the basis of the investment is becoming irreversible. National citizenship nowadays is a bond between individuals and a country, according to Spiro (2008). Citizenship programs have a clear economic rationale, and are designed to target the recovery of those industries, which have been mostly affected by the global economic developments. Due to this trend, countries are working out the incentives to attract as much of these investments as possible. At the same time the investments into property remedy a local economy (bring employment in the building industry, profits to developers, hopes to landowners, etc.).

3.4 Existing economic approaches about influencing factors on investment decisions and mobility.

Several earlier studies, such as Tiebout (1956), Miller and Tabb (1973), focused on exploring the consumer-voter's choice to reside in the community which best satisfies their preference pattern for public goods and services.

Tiebout's Pure Theory of Public Expenditures (1956) assumes that consumers 'vote with their feet' and choose to locate in the community which best matches their fiscal preferences, i.e. an investor is physically moving to another country with policies closer to his ideologies, instead of voting to change a government in his country or its policies. Investors compete for the most desirable fiscal package out of the different countries when making their location decisions.

Public finance experts regard taxes on immovable property as a suitable source of revenue for local governments. They also believe that they contribute to a well-balanced revenue system. Revenue systems that include a mixture of taxes and other sources of revenue make it easier to find a balance among competing policy objectives, weather economic difficulties, and compete effectively in the global economy. Property tax incentives intended influence investment decisions and reward (or subsidize) certain economic activities (Clos, 2015).

There is a strong link between property tax rates and mobility. Furthermore taxation of housing influences investment and consumption decisions and therefore investors monitor the development in property taxation. Taxation affects the return on the investments. Housing purchase decisions or household location choices are sensitive to changes in local property tax rates. Further, consistent with theoretical predictions, the impact of tax changes on housing counts is found to be sensitive to the elasticity of housing supply.

A good example to the above could be a recent improving sentiment in Cyprus property market (compared to July 2014, domestic sales increased for 11% and overseas - for 59%) followed by the moves by Cyprus government to reduce Property Transfer Fees for 50%, introduce an amnesty for illegal building extensions and plans to issue Title Deeds to those duped by nefarious developers into buying property built on mortgaged land, no Capital Gain Tax on sold property, which is acquired under the economic citizenship program or any immovable property purchased from now until the end of 2016, etc. These tax incentives have been announced in efforts designed to attract high-net-worth foreign investors to the island.

According to Tiebout (1956), the investor's choice of a country is influenced by a certain range of variables. If an individual has children, a high level of expenditures on schools may be important. Another person may prefer a country with security, golf courses, marinas, the availability and quality of such facilities and services as beaches, parks, police protection, roads, and parking facilities will enter into the decision-making process. Of course, non-economic variables will also be considered. Given these revenue and expenditure patterns, the investor moves to that country whose local government best satisfies his set of preferences. Again proper zoning laws, implicit agreements among realtors, and the like are sufficient to keep the population stable. Policies that promote residential mobility and increase the knowledge of the investor will improve the allocation of government expenditures in the same sense that mobility among jobs and knowledge relevant to the location of industry and labour improve the allocation of private resources. Rational investors weigh (to some extent at least) the benefits from local public services against the cost of their tax liability in choosing a country of residence.

Building on Tiebout theory, Johnson and Walsh (2013) studied the vacation homeowners, which decisions on home purchase and mobility do not depend entirely on tax incentives, but are also associated with differences in levels of public good provision. However, it is also possible that retirees move for other reasons such as a superior climate and then vote for lower taxes once they arrive.

A well-functioning public sector of a country, that provides a range of quality public services consistent with citizen preferences and which facilitates private market growth, while managing fiscal resources prudently, is considered successful. By attracting foreign investments through the immigration investor programs the governments shouldn't omit the improvement of public services as this is an important factor for investors' choice of jurisdiction.

Miller and Tabb (1973) proved that the patterns of urban residential location are a result of not only differences in tastes, as Tiebout suggests, but are also due to the distribution of income. The individual household when deciding on a place to live will weigh the income which can be earned against the services which will be supplied. As income opportunities and services rise, or as the tax bill falls, a location will become relatively more attractive. If upper income families pay more taxes than lower income families, logically a community composed of more upper income units would offer more in the way of public services with the same tax rate as would a jurisdiction composed of a larger group of low income persons. In fact, empirical evidence indicates that expenditure levels are higher in jurisdictions with lower tax rates. This is because a rich community needs a lower tax rate to provide the same service levels as a poor community. In exercising investor's preference through residential mobility, all families of whatever income would prefer to reside in the richer community since they would receive more benefits per tax dollar, thus maximizing their real income. The family gains more satisfaction from locally produced public goods per tax dollar paid according to Miller and Tabb (1973). Practically, the parents-investors are selecting the factor of good educational institutions for their children, retirees – better climate and medical services, business investors – the business climate, market growth potential, etc. For instance, Cyprus has ideal beaches in the whole Mediterranean, although it pays disproportionate attention to the quantity rather than quality of spending capacity of inbound tourism. That resulted in a lower level of services rendered to tourists with adverse repercussions to high spending individuals. The situation can be easily rectified by regulating such services with the view to upgrade them and make them attractive for high spenders (improvements of the hotels, restaurants, better organization of beaches, etc.)

3.5 The economic club good theory.

In the competitive markets the existing pressure turned citizenship into a commodity with which both states and investors seek to optimise their performance. According to Ong (2005), 'nation-states seeking wealth-bearing and entrepreneurial immigrants do not hesitate to adjust immigration laws to favour elite migrant subjects, especially professionals and investors'. Different ways of regulating and practicing of investor citizenship need an insight into the economic club good theory (Buchanan 1965), according to which 'Club goods are a type of good in economics, sometimes classified as a subtype of public goods that are excludable but non-rivalrous, at least until reaching a point where congestion occurs'. Membership in 'clubs' has an economic rationale and should be based on a cost-benefit analysis. The EU is also treated as a club of clubs, where, according to Frey and Eichberger (1999), states would seek to co-opt individuals who invest money in the polity. That is, polities produce club goods for their members and should therefore select for membership those individuals whose contribution will optimize the production of club goods.

According to Buchanan (1965), 'the bringing of additional members into the club also serves to reduce the cost that the single person will face'. This argument also explains the conditions for naturalisation, whereby an individual is often required to comply with certain pecuniary criteria so as to be allowed to become a citizen of a particular state. By contrast, those who are already members of the polity are not required to meet such criteria. The explanation of this asymmetry of the polity's behaviour towards its citizens and those aspiring to that status is that only those people whose contribution can help to decrease the shared costs of membership should be naturalized. This also supports Reich's (1991) 'idea that the citizens of a nation share responsibility for their economic wellbeing'. As the operation of markets within the polity entails transactions among individuals, companies, other states, etc., in order to maximize their economic security and performance, states seek to ensure that the naturalised individuals will pose no financial burden on their economies, Dzankic (2012).

3.6 Types of inflows under economic citizenship programs, macroeconomic impact and risks.

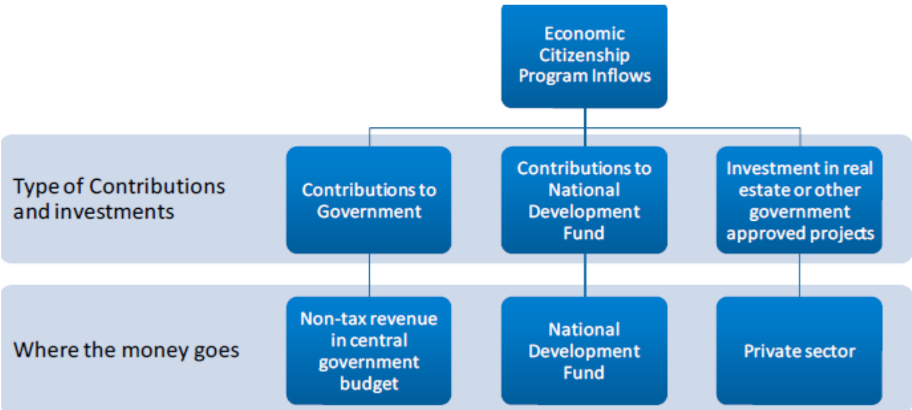
A clear explanation of the surge in interest in the economic citizenship programs (ECP) is given by Xu, El-Ashram and Gold (2015), since it may reflect a combination of growing wealth in emerging markets and an increase in global uncertainties and security issues. The increasing number of high net-worth individuals outside industrial countries would appear to be the critical factor on the demand side. The main reasons for the rise in demand from this group include: i) the desire for easier travel in the face of growing travel restrictions and encumbrances for nationals of non-advanced countries post 2001 World Trade Center attacks; ii) the search for a safe haven in the context of a deteriorating geo-political climate and increased security concerns, and iii) other considerations, like estate/tax planning. While accurate statistics are sparse, press reports and observations of trends in several countries indicate a surge in clients from China, followed by Russia, and a steady rise in clients from the Middle East, although to a much lesser degree.

Citizens from advanced countries also represent an important segment of applicants in some citizenship programs, generally motivated by lower tax regimes. Many small states have historically acted as tax havens that offered low or zero tax rates on personal and/or corporate income, secrecy laws on banking and few or no restrictions on financial transactions. Some ECPs have marketed their favorable tax treatment in an attempt to attract high net-worth clients seeking global tax planning.

However, more recently, tax havens have come under increased pressure from the OECD and the G20 to share tax and banking information to combat international tax avoidance, money laundering, and the financing of terrorism. Thus, the use of these citizenship/residency investor schemes for purposes of tax avoidance may become increasingly difficult as more advanced countries adopt anti-avoidance provisions in their tax legislation and enact financial transparency laws similar to the US Foreign Account Tax Compliance Act (FATCA). This has made it more difficult for US tax payers to conceal assets in offshore accounts through increased reporting requirements by foreign financial institutions.

Xu, El-Ashram and Gold (2015) explained the macroeconomic impact of economic citizenship propgrams' inflows. Depending on the program, there are mainly three types of inflows: i) contributions to government relating to registration or application fees, as well as fees to cover processing and due diligence costs; ii) non-refundable contributions to governments or quasi-government funds (e.g. National Development Funds (NDFs)); and iii) investments in the private or public sector, which can be often sold or redeemed after a specific time horizon. Investments in the private sector are mainly in the form of real estate, but can also be in other government-approved projects. Inflows under ECP look as follows (Table 2):

Table 2.



Source: Xu, El-Ashram and Gold (2015)

The macroeconomic impact of these inflows depends on the design of the program, and their magnitude and management. In small states, large ECP inflows could have significant spill overs to nearly every sector. Comprehensive statistical data (annual volume of applications – approved and rejected, volume of allocated investments, property acquired under citizenship programs, etc.) are not readily available as many of the programs have just been launched and countries mainly consider them as a ‘private’ state matter. Programs with private investment options would have a direct real sector impact, particularly on the construction and real estate sector, as well as the development of tourist accommodation. Contributions to the government and to the NDF, when spent or invested, could also impact the real economy.

The foremost impact of ECP investments is on the real sector, where it can bolster economic momentum. Programs with popular real estate or private investment options generate a direct positive stimulus, resembling the impulse created by a surge in FDI. These inflows boost private sector activity and employment, and can, in some cases, raise growth by a substantial amount. In St. Kitts and Nevis, for example, the inflows into the real estate sector are fuelling a construction boom, which has pulled the economy out of a four-year recession. Investment in the construction of new homes/units has a larger macroeconomic impact than the acquisition of existing property, which is mostly a feature of programs in European countries. Nonetheless, the rapid increase in Golden Visa residency permits in Portugal has reportedly bolstered the performance of the property market leading to a steep rise in prices of luxury real estate. While the impact of new construction on employment and income would be expected to be much larger, acquisition of existing property would still make a significant contribution by supporting the real estate market, household balance sheets, and, consequently, banks’ loan portfolios and collateral assets.

Notwithstanding the benefits, large scale investments in a small economy also pose substantial real sector risks. A large and too rapid influx of private investment through the program to finance real estate construction could also lead to wage and asset price pressures in a small state context, with potential negative repercussions to the rest of the economy. Further, the quality of new construction could decline as the result of demand pressures if regulation of real estate projects does not keep pace. This could eventually undermine the tourism sector since much of this construction, in most Caribbean countries, is related to expanding tourist accommodation, both in the form of rooms and villas.

Nevertheless, the inflows under these programs can be potentially vulnerable to sudden-stop risks. For example, a change of visa policy in advanced economies is a significant risk that can suddenly diminish the appeal of these programs and, if concerted action is taken, can even suspend their operation. Other constituent of risks could relate to increasing competition from similar programs in other countries or a decline in demand from source countries can also rapidly reduce the number of applicants, Xu, El-Ashram and Gold (2015). A simple example is that the joining of Cyprus to Schenghen area in August 2016 might decrease the volume of Russian tourists considerably as now the majority of them are mainly attracted by the simple system of getting visa (a Russian can obtain visa online within 1 day).

The above observation can be extremely vital for small states. Due to the fact that countries do not have official statistics on such flows it is impossible to predict a downward trend in the volume of applicants. Should the statistics be available the policy options could be worked out in order to mitigate these adverse implications while allowing small economies to capitalize on the possible benefits. Measures will also be needed to contain external risks and safeguard the financial system. Finally, establishing a strong governance framework and transparency will be critical to preserving the integrity and sustainability of these programs (Xu, El-Ashram and Gold, 2015).

3.6 Cross-border real estate inflows' determinants and barriers.

The study by Baum, Fuerst, and Milcheva (2015) searches for the determinants of cross-border capital flows into direct real estate markets. In particular, it investigates how existing institutional, regulatory/legal and real estate specific barriers affect cross-border real estate inflows and outflows in a sample of 24 developed and emerging countries. The authors state that 'property rights and taxation are important drivers of investment. Cross-border capital flows are restrained by regulatory limitations, exchange and ownership controls, government instability, crime and corruption within a country. Some aspects of the legal framework, regulation, and political stability are important for real estate investors' market perceptions, which may be explained by some real estate specific properties, such as the immobility of real estate and the complexity of real estate transactions.

Other institutional barriers such as fiscal regimes, differences in valuation standards, different property market conventions can also hinder foreign investment because they may impede active management of the properties. Besides economic growth, urbanization and demographics, a lack of transparency within the legal framework, administrative burdens of doing real estate business, socio-cultural challenges, and political instabilities deter international real estate investors.'

To assess the impact of different investment barriers on cross-border real estate flows, the authors collected a wide range of indicators characterizing the institutional, legal, socio-economic, and real estate specific realms. The database was composed of the following variables: property rights, freedom from corruption, fiscal freedom, government spending, business freedom, labour freedom, monetary freedom, trade freedom, investment freedom, financial freedom, voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, institutions' quality, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication, innovation, the number of listed companies, credit depth of information, current account-to-GDP ratio, savings-to-GDP ratio, credit-to-GDP ratio, population, GDP, etc.

On the basis of dataset of 24 countries in Europe and Asia the authors examined the dynamics of flows by disaggregating them into domestic and foreign inflows/outflows for each country and found out that 'Real estate market liquidity has the most significant impact on inflows of real estate, both domestic and foreign, suggesting that investors are well-informed about the real estate market and could be large global players who depend less on institutional barriers being more interested in the market entry and exit options. Moreover, the stance of the economy, returns and liquidity are more important drivers of domestic investment rather than barriers, such as property rights, government freedom, investment freedom, etc. This may be due to the fact that domestic investors have good knowledge of the local market so that they can anticipate such risks. However, the presence of institutional and legal barriers affecting the financial markets, the macro economy and real estate market transparency can indeed hinder capital exports into direct real estate. Real estate liquidity is another driver of real estate outflows.

The authors identify the most important drivers of international real estate investment, which are real estate investment opportunities, demographic characteristics, and market structure. It is also stressed that due to the immobility of real estate and the complexity of real estate transactions real estate investors in their market perceptions pay attention to some aspects of the legal framework, regulation, and political stability. Real estate exports increase with an easy access to the financial market, a good macroeconomic environment, and transparent real estate markets. In turn, the main driver of domestic and foreign real estate inflows is real estate market liquidity, having a significantly positive impact in countries that have high levels of liquidity.

3.7 Types of incentives for Chinese Foreign Direct Investments applied by governments in EU.

Another study by Meunier (2014) brings description of incentives with which national and local governments in Europe are trying to attract Foreign Direct Investments (FDI). Being a key driver of global economic integration, FDI overall promote economic growth for both the home and the host economies (even if it has costs as well). For the home economy, FDI opens up new markets, enables access to resources and allocates production efficiently, leading to a maximization of profits. For the host economy, this influx of foreign capital improves national economic performance because it leads to job creation in the short term and spillover of technology and know-how in the long term. Even if countries sometimes restrict the inflow of foreign capital under some circumstances (for instance related to national security or culture), they mostly compete to attract FDI through a variety of incentives because the benefits of hosting FDI are usually superior to its costs.

Since 2011the European Union has become the top destination for Chinese investment in the world, it is important to understand the grounds for that and psychology of a Chinese investor. The sovereign debt crisis in the Eurozone led to a global decline of FDI worldwide, as potential investors lost confidence in the face of economic uncertainty and capital dried up, therefore contributing to the economic downturn. While declining FDI worldwide, and especially in the EU, Chinese FDI started to rise, making the contrast more spectacular. Chinese investors, responding to their own strategic and commercial agenda, had their own motives for trying to penetrate the European market independently of the crisis. China has also become the largest outbound investor among emerging economies, ahead of Russia; indeed, it accounts for about a third of all FDI from emerging economies. Chinese companies have made some cheap acquisitions because these assets would not find another acquirer due to the crisis, which has enabled China to scoop up bargains in Europe’. The correct description of the Chinese investor psychology can be useful for the current thesis to consider possible incentives for foreign investors.

Meunier (2014) describes ‘a shower of incentives’ many governments are trying to apply in order to attract Chinese investors. A first type of incentives are financial and fiscal. In order to promote foreign investment in particular regions, sectors or skill levels, countries are offering: cash incentives (e.g. Spain offers ‘non-returnable subsidies’ for investment in depressed regions); reduced interest loans (e.g. Germany offers an ‘entrepreneur loan’ of up to EUR 25 million to investors); tax relief (e.g. Portugal created in May 2013 a 20 per cent tax deduction on investments of up to EUR 5 million); tax credits (e.g. France introduced in January 2013 a new ‘tax credit for competitiveness and employment’ which amounts to a reduction in social contributions); tax exemption (e.g. in April 2013 Greece passed a law including tax exemptions in certain ‘strategic investments’) and so forth.

A second type of incentives are operational, providing the investor with national and local government help in a variety of areas, such as: labor (e.g. Germany helps foreign investors with recruitment support, training support, wage subsidies and on-the-job training); R&D grants loans, tax credits and silent partnerships (e.g. in April 2013, the United Kingdom updated its tax-credit scheme for investment in R&D) and technology (e.g. incentives to create and acquire Intellectual Property in Ireland through an IP regime which provides a tax write-off for broadly defined IP acquisitions).

A third type of incentives, which have spread throughout Europe since the outbreak of the economic crisis, are related to rules of citizenship and residency. Unlike the previous two categories of incentives, they are not directed to companies, but to the individuals themselves. The trend in the EU is striking. In December 2012, Hungary adopted the ‘Hungarian investment immigration law’ granting residency to those investing at least EUR 250,000 in government bonds. In January 2013, Portugal instituted the ‘Golden Residence Permit’ which enables foreigners to acquire residency status in Portugal if they transfer at least EUR 1 million in capital, or create 10 new jobs in Portugal, or purchase property worth at least EUR 500,000. In May 2013, Cyprus started to grant citizenship to foreigners with direct investments in Cyprus of at least EUR 5 million. In September 2013, Spain passed a law granting residency status to non-EU investors in Spanish property of at least EUR 500,000.

European crisis contributed to the surge of Chinese FDI in Europe and did this surge occur as a result of an explicit strategy formulated by governments in EU Member States in order to dig their countries out of the crisis. ‘The European economic crisis created the opportunity for ‘bargain basement’ deals because of the simultaneous combination of lower demand and higher supply: fewer buyers were willing to invest while more assets were up for sale. Demand for European assets plummeted because of low growth prospects in the short term, leading to a decreased valuation in many EU countries. This was particularly visible in real estate assets, especially in countries that experienced a housing bubble (i.e. Spain and Ireland). Moreover, there was a lack of available European capital willing to invest in risky projects due to financial institutions hoarding cash to safeguard their own balance sheets (especially French and German banks), depressing the prices further. The economic crisis in Europe has also lowered, and even wiped out, the political resistance to Chinese investments at the EU level and slowed down the transition to a new supranational regime for FDI in the EU.

For understanding the psychology of Chinese investors the author states: ’China has sometimes acted opportunistically in Europe as a result of the crisis but it has not been arrogantly plundering European natural or industrial jewels. Even if profit maximizing is only one of the goals of Chinese investors, whose government orders them to ‘go abroad’ to conquer new markets and bring back technology, Chinese companies are not willing to jump into any investment only because it is available. Instead, they look for the right opportunity and invest further only if their first investment has been successful. If anything, Chinese potential buyers may have held out from investing in the countries, most severely hit by the crisis for fear that the markets had not bottomed out yet. Opportunity has not been judged independently from risk’.

Moreover, China has been careful not to provoke any political backlash in Europe. The new trend in Chinese FDI in Europe is a shift towards minority investments, a new trend ‘confirmed
by statements of senior Chinese government and business leaders supporting minority investments as a more prudent, accepted and efficient approach toward outbound investments’ (A Capital Dragon Index 2013).

The economic crisis transformed the time horizon of European politics. In hard times, beggars can’t be choosers. European policy-makers clearly prioritized short-term concerns (e.g. unemployment) over long-term concerns (e.g. cultural identity, national security). Here lies a major difference between the EU and the United States. Chinese foreign investment in the US, from telecoms to bacon products, has been scrutinized over the issue of national security, both because it is an institutional requirement and because the US perceives China to be its main security competitor over the next decades.

By contrast, the FDI policies of most EU countries are not dictated by the primacy of national security. A few countries, such as France, have identified ‘strategic sectors’ which require some kind of vetting of foreign investment, but the majority of Member States have no particular screening mechanism or vetting restrictions on FDI — and to most of them, a rising China is only a distant threat of no immediate relevance, while the economic crisis represents clear and present danger (Meunier, 2014).

3.8 Factors for property market selection.

According to institutional economics theory, the attractiveness of a country as an investment destination depends on its socio-economic environment and institutional framework. Therefore, other elements influencing or deterring FDI are market entry barriers encompassing a broad range of institutional, legal, and real estate specific risks.

To determine the most important factors for market selection the author used the research of Falkenbach (2009), which presented the results of a questionnaire study among internationally investing property investors in Europe. The questionnaire included questions of the background of the respondent organization and their portfolios as well as questions on international property investments. For questions in market selection, the respondents were given a list of 12 factors that could have an effect on the market selection. The evaluation was done on a three-step conceptual scale (significantly – somewhat – not much). Table 3 summarizes the results:

Table 3. Factors affecting the attractiveness of market

Factor	n	Affects the attractiveness of market			Points
		Significantly	Somewhat	Not much	
Expected return on property investments	18	18			54
Expected economic growth in the country/area	18	12	6		48
Safety of title/property rights	16	15	1		47
Availability of professional services in RE sector	18	12	5	1	47
Taxation	17	11	4	2	43
Liquidity of property markets	17	10	6	1	43
Market size	18	10	4	4	42
Availability of market information and performance benchmarks	17	8	8	1	41
Existence of indirect investment possibilities	15	4	5	5	27
Diversification possibilities through low correlation of returns	13	4	4	5	25
Geographical nearness of markets to other target markets	13	2	7	4	24
Existence of other foreign players in the market	14	1	6	7	22

Source: Market Selection For International Real Estate Investments. Falkenbach (2009)

In the top three of the factors having the most importance in the market selection, respondents were fairly uniform in their responses, and they all regarded the factors having either a significant or medium impact. All respondents regarded the expected return on property investments to have a significant effect on the market selection. The second most important factor to affect market selection was the expected economic growth of the area, which was marked as a significantly affecting factor by two thirds of the respondents and as a factor having a medium impact by one third of the respondents. Also the safety of title was regarded as a significant factor by most of the respondents. The deviation in responses increases with the rank order. After the factors that were regarded significant by most of the respondents, there is a group of factors (availability of professional services in real estate sector, taxation, liquidity of property markets, market size and availability of market information and performance benchmarks), which still are regarded significant by many of the respondents, but on the other hand they do not have much effect on market selection for some investors. This would suggest that there would be some characteristics in the respondent profile that affect their attitude to the factor. For example the importance of the factors availability of professional services within the real estate sector and availability of market information might depend on the management strategy of the investors, as an investor recruiting local personnel has different needs than the one operating from e.g. another country. The effect on market attractiveness was more diverged, and the opinions were equally divided on the three options. Geographical nearness of other target markets was not a popular threshold criterion, but is still a factor that clearly has some kind of an impact on the market selection. The existence of other foreign players in the target markets, on the other hand, was commonly regarded as having a low importance, (Falkenbach, 2009). The above parameters are used for the purpose of this study.

3.9 Description of existing economic residence/citizenship programs in Cyprus, Greece, Malta, Portugal and Spain.

More detailed description of the programs that the countries under study offering, is given by Dzankic (2015). By an empirical classification of the different investor and residence programs in the 28 Member States of the EU the author compares the ways the different countries regulate access to membership on grounds of wealth. The effects of investor citizenship and golden residence programs are discussed in the broader EU context, taking into account the unique characteristics of European citizenship.

The research by Dzankic (2015) helped this thesis to compare pure citizenship, hybrid and golden residence programs.

CYPRUS: The 2013 Scheme for Naturalization of Investors in Cyprus by Exception on the basis of subsection (2) of section 111A of the Civil Registry Laws of 2002-2013 introduced several routes for the wealthy to obtain EU citizenship. One of these routes, presented in Table 4 (below) particularly aims at compensating the losses of investors incurred due to levies (A6). This route implies a 'stockholder citizenship' approach, because membership is commodified and exchanged not only for financial gain that the polity receives through investment, but also for the loss that the investors suffered due to the state's policies. The program was further revised in March 2014 and investment amounts have been changed (Dzankic, 2015).

Table 4. Citizenship by investment in Cyprus (pure program):

Article	Contribution requirement	Other requirements A1 – A6
A1	**Investment of 5 million euros in a state-owned company**	- Clean criminal record
A2	**Direct investment of 5 million euros**	
	Purchase of property	- Not on the list of persons whose property is frozen in the EU
	Purchase of company based or active in Cyprus	
	Purchase of bonds	
	Participation in company that carries out public work	- At least one visit to Cyprus
	*** could be reduced to 2 million euros for collective purchase of property amounting to 10 billion euros ***	
A3	**Incorporating, acquiring or investing € 5 million in Cypriot companies and employing 5 Cypriot nationals**	
A4	**Bank deposit of 5 million euros**	
A5	**Combination of A1, A2, and A3 in the amount of 5 million euros**	
A6	**Loss of investment of over 3 million euros due to measures introduced in the Bank of Cyprus or Popular Bank after 15 March 2013**	
	Possibility of combining with A1 and A2 to balance out losses of less than 3 million	

Source: Investment-Based Citizenship and Residence Programs In The EU. Dzankic (2015)

As can be seen from Table 4, the principal requirement for naturalization through investment in Cyprus is the pecuniary contribution, which varies from 3 million for losses, to 5 million in direct investments, deposits, or acquisitions. Additional criteria include a clean criminal record and at least one visit to the country. Interestingly, the 2013 Scheme for Naturalization of Investors in Cyprus also stipulates that periodic checks of whether applicants meet the conditions are possible, and that cases of breach may result in the deprivation of citizenship (B3, 2013 Scheme for Naturalization of Investors in Cyprus).

The above example shows the iterative relationship between EU citizenship and investor citizenship programs. On the one hand, Cyprus uses the benefits of EU citizenship to increase the value of its national citizenship and to attract a greater number of investors. On the other hand, the EU, and particularly EU citizenship, has proven to offer both opportunities for and constraints to the Cypriot investor scheme. First, in the aftermath of the bailout, the Cyprus government revised the investor citizenship program by lowering the investment amounts and by opening a special route for individuals who incurred losses as depositors in the course of bail in. Second, restrictions and periodic checks were a direct product of the Cypriot EU membership. These provisions allow Cyprus to deprive from its national - and by extension from EU citizenship - those individuals whose property is frozen at the EU level. This indicates an interesting twist in the dynamic between the status of (EU) citizenship and property rights; a dynamic that was historically central to the development of the notion of citizenship. In the case of investor citizenship in Cyprus, the possession of property is a precondition for the status of (national and EU) citizenship, while the freezing or deprivation of property by the EU (and not necessarily the individual's material losses) may result in the loss of (national and EU) citizenship.

MALTA: In October 2013, Malta adopted Act XV of 2013, which amended the Maltese Citizenship Act, Cap 188, and introduced the much-debated Individual Investor Program (IIP). This first draft of the IIP sparked negative reactions both from within Malta and at the EU level, because it proposed a direct exchange of Maltese citizenship for a contribution of 650,000 euros (due diligence and criminal record checks apply). The rationale behind Malta's IIP program has been the revenue associated with investor programs. According to the country's Minister of Interior Emmanuel Mallia, 'not only is this contribution paid by the applicant non-refundable but this will also help attract quality individuals to become Maltese citizens' (Maltese Community, 2013).

Malta revised its IIP in November 2013 by stipulating additional criteria, which included either the possession of property in the value of 350,000 euros, or the rental of property for at least 16,000 euros per year (article 4); and an additional investment of 150,000 euros into a project determined by the state authorities (article 5). The amended policy of Malta caused discontent among other EU Member States, which expressed concerns that such a program could potentially negatively affect EU-wide security and result in an influx of wealthy individuals with criminal backgrounds. As a consequence, the implementation of the IIP was put on hold for several months. Afterwards amendments related to one-year effective residence requirement were made and the current conditions for obtaining the citizenship of Malta through investment are presented in Table 5 (below).

Similar to Cyprus, the case of Malta also shows the iterative relationship between investor citizenship and EU citizenship. At the same time, Malta's IIP resonated at the level of EU citizenship as it showed how investment-based naturalization distorts citizenship regimes, because some of the Member States approach their national membership as a commodity, and EU citizenship as an opportunity structure, which increases the worth of their citizenship on the market.

Table 5. Citizenship by investment in Malta (hybrid program)

Provision	Contribution requirement	Other requirements
2 (d), Schedule of fees 1 (a)	**Contribution of 650,000 euros (main applicant)**	
	25,000 euros (spouse)	One year residence in Malta (180 days)
	25,000 euros (each minor child)	
	50,000 euros (each unmarried dependant between 18 and 26 years of age)	Clean criminal record, no major offences
	50,000 euros (each dependant over 55 years of age)	
2 (e), 5 (a – I), or 5 (a-II)	**Property purchase valued at 350,000 euros** **Lease of property at 16,000 euros per annum**	Due diligence – proof of moral standing
2 (f), 6	**Investment of 150,000 euros in bonds, debentures, or other projects determined by the state**	
Schedule of fees	**Due diligence fees**	Health certificate and insurance
2 (1) a	7,500 euros (main applicant)	
2 (1) b	5,000 euros (spouse)	
2 (1) c	3,000 euros (each child aged 13 to 18)	Oath of allegiance
2 (1) d	5,000 euros (each unmarried dependant between 18 and 26 years of age)	
2 (1) e	5,000 euros (each unmarried dependant between 18 and 26 years of age)	
2 (2) a	**Passport fee 500 eur**	
2 (2) b	**Bank fee 200 eur**	

Source: Investment-Based Citizenship and Residence Programs In The EU. Dzankic (2015)

According to Dzankic (2015), Golden residence programs (Table 6) are based on the pecuniary contribution as the key entry and stay criterion for the applicant. Naturalization is conditioned upon maintaining the resident status for several years in the given EU Member State.

Table 6. Golden residence programs (Greece, Malta, Portugal, Spain)

Country	Law /Programme	Contribution in euros	Duration and type of residence	Citizenship[14]
Greece	Greece Alien Act, art 26.	€ 0.3 million	2 years, temporary, renewable	7 years
Malta	Global Residence Programme	Own a property of € 0.275 million in Malta (€ 0.22million in the south of Malta; €0.25 million in Gozo OR Rent a property at minimum €9,600 per annum (€ 8,750 in the south of Malta and Gozo)	1 year, temporary, annual renewal	5 out of the last 7 years
Portugal	Regulation no 11820-A/2012	€1 million (investment must be maintained for 5 years) OR Creation of 30 jobs OR Purchase of property for at least € 0.5 million	1 year, temporary, renewed for 2-year periods after year 1	6 years
Spain	Law 14/2013, on the assistance to investors and their internationalisation	€2 million in debt bonds OR €1 million in Spanish companies OR Purchase of property for at least €0.5 million OR Entrepreneurial project resulting in jobs and development	2 years, temporary, renewable	10 years

Source: Investment-Based Citizenship and Residence Programs In The EU. Dzankic (2015)

These programs are not static, and since the start of the crisis in the Eurozone in 2009, several countries reformed or re-introduced golden residence programs. Spain and Portugal are among those countries. The preamble to the Spanish legislation for this program stipulates that, ‘Spain is experiencing a grave and large economic crisis, with acute social consequences. Between 2008 and 2012, almost 1.9 million companies in Spain have been destroyed’. This clearly correlates the country’s decision to revert to golden residence as a mechanism of dealing with the effects of the crisis (Dzankic, 2015).

Malta, which in late 2013 launched its investor citizenship scheme, also runs a golden residence program. Malta’s ‘Global Residence Program’ was launched in mid-2013, substituting the previous ‘High-Net-Worth Individuals Scheme’. The comparison of these two residence-based programs, reveals that the investment under the ‘High Net Worth Individuals Scheme’ was significantly higher: the minimum value of the purchased real estate was set at 400,000 euros (now 220,000-270,000); the minimum rental value was 20,000 euros (now 8,750-9,600); the lowest tax was set at 25,000 euros (now 15,000); and a 0.5 million euros bond was required. The lowering of the investment thresholds in Malta is an indicator of the ‘race to the bottom’, which does not happen as a result of the competition among countries. Rather, it depends on the competitiveness of the country itself and the changes in its economic outlook (Dzankic, 2015).

3.10 Discussions on ‘selling citizenship’: political, country image, economic and ethical implementation issues.

It is important to use the market approach when selling citizenship and the political, country image, economic and ethical implementation issues. According to Borna and Stearns (2002), selling citizenship can be justified on both theoretical and practical grounds. Economic theory would predict in a market economy, when there is a disparity between the supply of and the demand for a good or service, the price mechanism will bring equilibrium to the market. The market principle is efficient because the market decides who will immigrate. Implicit in the market solution is that the individual who is willing and able to pay will take into account the probability of his or her success in the US. or other country by comparing the present value of his or her future income streams with the current cost of citizenship. ‘Costs’ include the expenditure of money, time, and energy required to acquire citizenship. The ‘net present value’ in the decision to emigrate would have to include an implicit qualitative dimension for attributes such as freedom and security. Economies, therefore, would benefit not only directly in terms of cash flow, but also indirectly in terms of providing stimulants to economic activity. Macro productivity would benefit because of more efficient and effective division of labor’.

In the research by Shachar and Baubock (2014) twelve authors in a way of discussion contribute their commentaries from a global perspective on citizenship that has become primarily a resource for mobility. Some authors defend the ‘sale’ of citizenship by pointing out that it is less arbitrary and more transparent than other ways of acquiring citizenship (Kochenov), while others suggest that giving the ultra-rich a privileged access to ‘global mobility corridors’ (Barbulescu) raises concerns about fairness and justice (Owen).

The inevitable global marketplace creates a need for freer movement of labor. The question is not whether this movement will occur but how it will be implemented. The idea of selling citizenship rights as an alternative approach for allocating immigration and permanent residency. First presented is the rationale for using the market approach to selling citizenship. Next the political, country image, economic, and ethical implementation issues of the proposal are discussed. And last, selling citizenship is discussed in terms of ethical theory and frameworks.

In this study opposing Shachar and Spiro, Magni-Berton considers 'an example in which a foreigner asks for access to citizenship in those terms: 'I want to share the responsibility of my failures and achievements with you, and I'd like to invest in you and to be partly responsible of your achievements and your failures.' This is a touching statement of solidarity and identification with a group. I have called it the stockholder principle: individual citizens are like a joint-stock company in which fellow-citizens invest. The consequence of these collective investments is a shared responsibility for individuals' achievements. Moreover, the right to benefit from public support is associated with the duty to invest in other fellow-citizens' life projects. These duties are embodied in specific taxes for public investment. Thus, each citizen is also a stockholder with respect to other citizens.

Magni-Berton at the example of Malta stresses that investing money in Malta, whatever the amount, is one fair way, among others, to gain access to citizenship. But, if the Maltese law was fair, people would not be likely to invest € 650,000 to be naturalized. More probably, however, the fact that people are ready to pay this amount reveals that the law is in fact too restrictive and does not provide other reasonable ways to become citizen. Naturalization in Malta is possible after five years of residence, but it includes discretionary conditions, the severity of which can vary across time. In other European countries specific conditions and varying periods of residence are required. The greater the severity, the greater the price for passports.

The discussion reveals, 'that states have legitimate interests in 'inviting the rich, the beautiful and the smart' (Kochenov) and that investor citizenship is not essentially different from the widespread practice of offering citizenship to prominent sportsmen and women (Owen). Chris Armstrong observes that some states offer citizenship to foreigners who have served in their army or have otherwise provided exceptional service to the country. If investors really help to save a country from financial breakdown, offering them citizenship may be justified on grounds of emergency relief.

Unlike the long and complicated ordinary naturalization procedures, the cash-for-passport programs requirements towards naturalization, such as language competency, history knowledge, extended residency periods or renunciation of another citizenship, are waived as part of an active competition, to attract the ultra-rich. Also the key role of governments (not markets) is determined in securing and allocating the precious legal good of membership in the political community.

Borna and Stearns (2002) proposed the steps for implementing selling citizenship. The first step is to make the proposal palatable to citizens and the international community. This step would include creating a better-informed citizenry about the benefits of and present realities concerning immigration. Another issue to be faced is the public's understanding of charging uniform or differentiated prices for applicants. Under a selling proposal, price becomes an active ingredient in immigration policy. As in the marketing of any good or service, price may be used to de-market (reduce demand without harming it) or market (increase demand for selected ‘segments’). The question of differential pricing for groups raises some difficult policy decisions.

A second step would be a pricing strategy or determination of equilibrium and optimum prices. The appropriateness of price will depend largely on what immigration policy a country wants to pursue. For example, the state government will be acting as a monopolist and could set the price at a level that maximizes its revenue subject to certain constraints (for example, the number of applicants to be admitted). Marketing research methodologies are available to estimate demand. Trial and error tests, much like test markets, are possibilities. Another alternative would be marketing research of pricing (probably survey based). As with any product, managers would set prices based upon consumer reaction to combinations of product and attribute offerings.

To Smith (1977), price was nothing less than the total value one expends in acquiring a product. ‘The real price of everything, what everything really costs the man who wants to acquire it, is the toil and trouble of acquiring it. Smith's words still ring true. If participants in the global marketplace believe that immigrating to or emigrating from any other country is worth the ‘toil and trouble’, should not that opportunity be available to them if reasonable order can be maintained through price? Through ‘toil and trouble’ citizenship is rationed in way that provides better division of labor and incentives, increased business productivity, and more equal opportunity’.

Apparently a big discussion is raised about the waiving naturalization criteria (residence, language and knowledge of the country) for making it easier for investors. According to Dzankic (2012), there is a normative tension between those states that seek to maximize their economic utility and grant citizenship to investors by waiving all other naturalisation requirements, and those that uphold genuine ties with the polity as the core of citizenship by retaining them.

‘Nowadays, naturalization conditions are regulated, and seek to ensure the establishment of genuine ties between the individual and the polity. They often entail the individual’s physical link with the state (residence), his or her knowledge of the socio-cultural norms of the polity (language and culture tests), moral standing (proof of non-conviction), and financial sustainability (proof of income). Yet, citizenship by investment can be obtained with or without residence. The investment may grant the individual the right to reside in another state and acquire citizenship subject to residence and other criteria, or it may result in the outright conferral of citizenship. The countries offer premier residence to investors, with the assumption that the investment will yield significant economic benefits to their country’.

According to Borna and Stearns (2002), major ethical philosophies provide guidance for a proposal to sell citizenship. For example, utilitarianism (Mill, 1861) is the theory most compatible with such a proposal. The classic teleological or consequentialists' utilitarian argument would be that a system that allows movement of labor provides the greatest good to the greatest number. The desirable ends of maximum productivity and personal freedom supersede the possible harm to a relatively small group. Critics would point out, however, that the ‘small group’ adversely affected under a selling immigration policy might be as large as an entire country.

Another major criticism of utilitarianism is the need to anticipate consequences and the probability of consequences in order to make decisions. Policy makers would have to predict labour needs and flows and labour price elasticity for myriad markets. Economists already have a dismal history of anticipating a significant portion of economic outcomes. Notwithstanding these criticisms, a looming global marketplace portends a utility based approach to immigration to provide the most efficient means of production. The history of economic productivity sends a clear and irrefutable message: freer movement and individual choice mean greater per capita productivity. As long as the ‘costs’ (possible adverse effects of brain drain, human trafficking, etc.) are judged to be not too great, utilitarianism would argue for the selling proposal.

Cultural relativism also allows for selling citizenship. Cultural relativism is based on two important premises: the existence of cultural diversity and the cultural origin of values. Cultural relativists would argue that, in effect, citizenship is already being sold and most cultures consider the practice acceptable. A move to a more market driven model is only a matter of the degree of the practice. The attitudes of some citizens notwithstanding, selling citizenship has been acceptable for centuries. Because no absolute truths exist, cultural relativists would argue it is completely within ethical bounds given current sociology and societal values.

There is no doubt that basic rights or fairness issues are associated with a selling immigration Policy (Borna & Stearns, 2002). For a global economy to exist, ‘citizens of the world’ need to be free and able to pursue happiness and the good life - the goal of ethics and philosophical thought.

The period of greatest immigration/emigration coincides with the greatest improvement in welfare, not only in the immigrating countries like the US and Canada, but also in emigrating counties. Individuals relied on the opportunity to develop the virtues of honesty, fairness, hard work, and independence. Freer movement allows better ‘wholes’. Aristotle's ‘eudaimonia’, the end-state of virtues is, loosely, by definition the state of ‘flourishing’ or ‘doing well’. One can only do well and manifest and cultivate virtues if one has the opportunity to well (Borna & Stearns, 2002).

3.11 Importance of real estate market for the economy.

According to Golob, Bastic and Psunder (2012**),** the real estate market is very important for every country, not merely because it ensures construction structures and infrastructure necessary for life and work, but also because it has a strong, multiple impact on the development of nation's entire economy. Real estate market trends are strong indicator of trends in the entire economy. The authors study the influential factors in the real estate market, which are associated with investors, construction companies, economists and politicians. The changes on the real estate market result in varying investor expectations, as well as requirements regarding changes to the structure, quality, location and price of real estate property. Due to falling real estate sales, real estate prices decline simultaneously. The volume of loans has an impact on real estate values and speed of sales. Declining economic growth does have an impact on declining real estate transactions, resulting in ever-growing discounts. Purchasing a real estate property represents a better financial investment in the long term than any other investment, thus also offering protection against inflation. A real estate property maintains, or gains, value. Real estate properties on good locations have no influence on declining real estate prices. Even declining real estate prices have no influence on the prices of real estate properties on good locations and good construction quality.

A very useful example is given by Dzankic (2012) with respect to protection of already purchased property under the citizenship via investment program in St. Kitts and Nevis. 'The prospective applicants after purchase real estate in St. Kitts and Nevis become eligible for facilitated naturalisation on grounds of investment. In addition to a minimum investment in real estate (currently 400,000.00 USD), the real estate project may not be at the applicant's disposal. Rather, it needs to be selected from a list of property pre-approved by the federation's government and it may not be resold for five years after the purchase. The current list of property includes tourist resorts, harbour developments, golf course terrains, etc. (Government of St. Christopher and Nevis 2011, website), which reflects the aspiration of the islands to become an attractive tourist destination. In addition, any property purchased in St. Kitts and Nevis for the purpose of facilitated naturalization does not qualify any further buyers for investor citizenship. That is, if the person is granted citizenship of St. Kitts and Nevis after having used the real estate option, the property is removed from the list, which prevents the abuse of the property for naturalization purposes'.

Two general strands were described by the study of Dzankic (2012) as follows: 1) since the facilitated naturalisation for investors, is fully a discretionary tool of the governments, these programs must be thoroughly regulated; 2) facilitated naturalisation for investors through programs are developed in order to target specific aspects of the countries' economies. Investor citizenship programs have a clear economic rationale, and are designed to target the recovery of those industries, which have been affected the most by the global economic developments.

3.12 Overlook of Property legislation in the countries of the study, strong and weak aspects.

The below quick comparison of Property law in the countries of the study is important for the investor when choosing the property market to invest and considering such factors as the security of the investments, cost of the property maintenance as well as how easily it can be acquired and disposed. The legal part of this study is built on Cyprus property legislation analysis and the researches done by Yavuz (2006), Christoph and Schmid (2015).

The legal systems on land and rights with regard thereto in Spain, Portugal, Greece and Malta are very similar and have many common characteristics. They all belong in what is known as the Continental System of law which in its modern form it is derived from the Napoleonic Codes and is prevalent throughout the Continental Europe except Nordic and countries of the former Eastern block. Lawyers consider it a rigid and complicated system and not very friendly to the ordinary layman.

Cyprus in this respect has a clear advantage over all the said countries with a system of its own which is unique in the whole of the EU. The British who have ruled the country for almost a century blended the pre-existing Ottoman Law with its many continental characteristics with their own principles of common law and equity and created a system that enjoys the best of two worlds: the continental precision on the one hand and the English practicality on the other.

In contrast to the rigid doctrine of 'dominium' of the continental system which is an all-inclusive absolute right of land ownership, which cannot be divided into subordinate or different ownerships except usufruct, Cyprus recognizes and allows long term leases (15 years or more) or trusts of immovable property which if registered create a real estate in land which throughout its subsistence it is regarded as the ownership of the lessee or beneficiary to whom a title deed depicting his rights is issued. Thus a person who does not want to deprive his heirs of family property can lease it for a long period as can an investor who is interested to make a project and amortize his investment with a profit without having to acquire absolute ownership on it. (The Cyprus airports and the Limassol marina for example stand on leased land.) In such case the lessee's rights do not during the subsistence of the lease fall short of ownership and he can develop, mortgage, let or alienate them having only an obligation to surrender the land to the lessor at the expiration of the lease in the state that it will be or as the parties may agree.

Similarly an infirm or aged person can provide for his infant or even unborn heirs by transferring his property to trustees to hold it on their behalf according to the terms that he may dictate.

Cyprus has a unique and very efficient and functional lands and surveys department known as Ktimatologio.

In a colossal effort which took more than 20 years to complete (1880-1907) after a general survey every land holding was precisely delineated on detailed maps and recorded with its value at the time and its respective owner at the lands registry which issues title deeds for it in the name of its owner for the time being. All transactions affecting such property whether they may concern a transfer, division, merger, encumbrance, charge or right with regard thereto must be effected through the lands registry and be duly recorded. Such data are easily accessible to any person interested who at a small fee can carry out a search and easily find out whether the person with whom he intends to deal is the actual owner, whether the holding is subject to any mortgage or other encumbrance or impediment and generally whether it corresponds to the description given by the vendor or any other counterpart.

The general survey was updated in 1980 and in 2015.

Ownership is evidenced by a title deed issued by the lands registry and is an impregnable and inviolable proof of it. The sanctity of the title deed cannot be easily challenged and unlike all other European countries cannot be defeated by adverse possession of any kind. This is very important for foreign residents who can purchase property in Cyprus and rest at ease that once there has been issued a title deed in their name nobody can violate or impeach it.

The land registry is also invested with powers to grant to the owners of enclaved properties access to a public road with a right of way in the form of an easement through adjoining properties which is recorded in the title deeds of both the dominant and the servient tenements and fix the compensation payable to them; solve boundary disputes; decide on matters of division of holdings into smaller parts; merger of plots and other similar matters.

None of the other countries of the study and indeed no other country in all the European Union has such a complete system for land registration. In such countries mostly different Authorities are involved. Technical mapping and land survey is done by a Cadastre, also used for taxation purposes, whilst the Land Register is used for the registration of ownership and transactions or charges.

Whilst land holdings and their ownership are detectable in such registers (something which it is anyway necessary for the purposes of taxation) nevertheless their contents are not accurate and by no means conclusive or impregnable as registration is either not obligatory or limited to the registration of transactions or charges which are prepared and submitted mainly through notarial deeds.

In Spain and Malta for instance registration of ownership is not obligatory. Portugal is in the process of making it so, whilst Greece has been trying to set up a full registry for the past decades but not with much progress (Christoph & Schmid, 2015).

In all such countries prior to a sale a search can be carried out whereby a prospective investor can identify a particular piece of property, its owner and any encumbrances or charges thereon with the appropriate Authorities issuing certificates with all relevant details. Such details however are only evidence of what is stated therein and can be rebutted by evidence of claims to ownership or previous charges in a manner much easier than they can be challenged in Cyprus. In consequence an innocent investor with no knowledge of unregistered claims depends to a large extent whether the laws of the country in which the property is situated protects good faith and to what extent, e.g. the protection of an innocent purchaser who buys from a person who is not the real owner but he appears to be so in the register. Spain and Portugal where registration is merely declaratory (as opposed to the constitutive where the transaction is not complete unless registered) protect such purchaser whilst Greece does not.

In conclusion Cyprus is well ahead of all the other countries with which it is compared regarding Land Registry and registration of property and proprietary rights in general.

Cyprus has an additional advantage with a simple Law of Contract with regard to the acquisition or alienation of immovable property or rights thereon.
In all the other of the said countries transactions have to be done through notarial deeds prepared by notaries or lawyers who are private professionals who also carry out preliminary steps to a transaction, its execution and its final registration.

In Portugal and Malta a notarial deed is preceded by an obligatory formal binding preliminary agreement constituted in writing and notarially attested pending all preliminary investigations as to Ownership of the land forms the subject matter of the transaction or any impediments thereon which also fixes the date when the transfer deed will be executed and property will pass upon payment of any balance on the price. It can be said that it operates as an agreement of mutual options to sell and to buy (call and put option) according to the terms thereof at a prefixed date with consequences for breach in case of infringement.

In Greece and Spain the transaction is also complete with a notarial deed which should not necessarily be preceded by a preliminary agreement with all searches and investigations being carried out prior to its execution.

It is inevitable that such formalities and investigations apart from being in exhaustive are time consuming and expensive.

In contrast all such formalities are not necessary in Cyprus. A full search of title can be completed with the Lands Registry in a matter of days. With a very simple application by the prospective purchaser or his lawyer, the Lands Office at a very small fee will furnish him with a certificate (search) containing all details of the property (plot no. etc. making it identifiable on a map) registration number, extent, boundaries, the owner and the way he has acquired his ownership as well as any charges or rights in its favour or against it. (If e.g. it is subject to a right of way or life, trust or lease interest or if there is a right of way in its favour.)

Once a purchaser has verified the information given to him by the seller they both appear at the Land Registry where they sign a Declaration of Transfer which is duly recorded and a title deed is issued in his name within days with his acquisition marked on a plan/map attached to the title deed.

The sale unlike mortgages, charges or other dealings need not even be in writing although a written contract is advisable in order to avail the purchaser of the equitable remedy of specific performance whereby in case of denial on the part of the seller to transfer unto a buyer who has performed his obligations, the Court can order him to transfer or order the Lands Registry to make the transfer.

Prior to a transfer all taxes regarding the immovable property in question must be paid and on transfer fees are payable which escalate up to a maximum of 8% on the actual value of the property.

Like all of the countries under study, Cyprus is also divided into zones with published Town Planning characteristics for each zone clearly marked on maps which are commonly accessible according which a prospective buyer can easily consult in order to find out what kind of property he is buying and what are its potentials for use or development.

In consequence an investor prior to the acquisition of property he can easily find out what he is buying and what he can do with it or whether it is in any way encumbered and after his acquisition he will be at ease that he will be its absolute owner vis-a-vis the whole world.

Cyprus however has some disadvantages which arose by a rapid development that has recently taken place and which in some respects got out of control, especially with regard to building contracts or purchases of property under development. The proposition can be better exposed by the following example.

An owner of a plot of land with a title deed in his name obtains all necessary permits to develop it with the building of a block of 10 flats sold to 10 different persons from whom he receives the purchase price whilst under construction for the purposes which he has obtained a loan from the bank on the security of a mortgage of the plot.

In a normal situation if all goes well he will complete the building which if built according to the permits will be approved by the Authorities and a title deed will be issued for each flat with rights to the common areas such as corridors, staircases, lifts, etc., marked on them which he will transfer to his purchasers after paying his loan and having the property released from the mortgage.

However, if he deviates from the terms of his permit or defaults to the bank the purchasers will be left uncovered and whilst they will lose what they have bought or never acquire a proper title for it they will be left with a personal remedy against the vendor for damages which they will never recover if he becomes bankrupt.

Therefore it is very important for an investor intending to purchase property under development to ensure the capacity of the vendor/developer to perform his obligations, his financial position and integrity and obtain from him adequate guarantees for his performance.

In order to encounter against this problems and relieve a great number of innocent purchasers who have been thus aggrieved Cyprus Government has recently (July, 2015) passed legislation whereby it allowed deviations from the permits to be legalized and exempted from mortgages holdings for which the vendor cannot repay in cases where the purchasers have performed their own obligations under the contracts of sale.

Such unfortunate eventualities can be avoided in the future if buildings are checked at every stage of the construction to ensure that they are being built according to the conditions of the permits and when discrepancies will become remediable before they become irreversible and at the same time to render the developer liable to heavy personal penalties if he fails through a fault of his to transfer what he has sold and received money for it. At the same time banks availing loans to such developers should be made more careful to observe that any monies received from purchasers are paid towards the loan for the building and take immediate steps against defaulting developers at the time of the default instead of sleeping onto their security until a time when the debtor will be unable to respond.

Property taxes in Cyprus are not very significant. Apart from some very small amounts payable annually to the Municipalities for services, an annual charge is payable depending on its value for the time being. A general valuation which has been recently been carried out for the purpose has not yet been implemented due to disagreement and hence such charge is for the last 3 years payable on values of 1980 with some adjustments. At any rate such charge is presently insignificant and it is not estimated to be increased dramatically as the amount expected to be collected from this tax from the whole country is budgeted not to exceed €100m.

On the alienation of immovable property the vendor is liable to pay tax on any capital gains if any estimated at 20% between the value at which he has acquired it from the value of its disposal. E.g. if he has acquired the land at 100.000 and disposes of it at 400.000 he will pay 20% of the difference i.e. on 300.000. If he has acquire it before 1980 when the law was first put into effect or has inherited it the acquisition value will be that of 1980 adjusted accordingly as the basis of the cost of living index for every year.

Recently as part of the incentives given to boost up the property market which has suffered severely after the economic crisis of 2013 properties acquired from July 2015 until 31/12/16 will be totally exempt from capital gains tax irrespective of the time of their disposal where conveyance fees for transfers in their name will be reduced by 50%. Furthermore any rents desired from such properties will be free from income tax.

Many European countries impose one or more taxes on immovable property (Malta does not). Real property refers to the rights, interests, and benefits connected with real estate, which is the physical piece of land and any structures on that land. Taxes on land and buildings according to IMF and OECD include the following: recurrent, immovable; recurrent, net wealth; estates, inheritances, gifts; financial and capital transfers; other non-recurrent taxes and other recurrent property taxes (UN-HABITAT 2011b).

The recurrent immovable property taxes (under IMF 2010 classification code 1131) between the countries can be characterized as ‘no’, ‘low,’ ‘mid’ or ‘high’, where for reliance to be characterized as ‘low’, the revenues from that tax as a percentage of all tax revenues in the country did not exceed the 25th percentile of the countries reported. Similarly, those characterized as ‘high’ fell above the 75th percentile. Those characterized as ‘mid’ fell between ‘low’ and ‘high’.

Table 7 below summarizes which countries under study use which types of taxes and which tiers of government receive revenues from taxes on property.

Table 7: Property tax type, reliance and percentage accruing to different authorities for selected countries in the EU.

Country	Property Tax and Reliance on each type						Accruing to Authority		
	Recurrent, immovable	Recurrent, net wealth	Estates, inheritances, gifts	Financial & capital transfers	Other non-recurrent	Other recurrent property	Central	State	Local
Cyprus	Mid	Mid	Mid	Low	No	No	91.7	0.0	8.3
Greece	Low	Mid	Mid	High	Mid	High	87.8	0.0	12.2
Malta	No	No	Mid	High	No	No	100	0.0	0.0
Portugal	Mid	No	Low	Mid	No	No	0.4	0.0	99.6
Spain	High	Mid	High	High	Mid	No	0.7	58.9	40.4

Source: UN-HABITAT 2011b, p. 7.

The literature on property taxation offers much good advice on well-designed and administered property tax regimes. An important gauge of the performance of a property tax system is collection efficiency. Two measures are of interest: the percentage of property taxes assessed that are collected in the year that they first come due and the percentage of accumulated obligations that are eventually paid (along with penalties and interest). Little information is available on collection efficiency in many countries (UN-HABITAT 2011b). Therefore it is difficult to compare the countries under study according to this parameter. The importance of taxes generally in a nation’s economy and tax system has been well studied. This study calls for the importance for property taxes and, more specifically, the importance of recurrent taxes on immovable property to local government. Later the examining of all taxes on property as a percentage of GDP will be given.

3.13 Literature review summary

Summing up the literature review, it is important to understand that EU citizenship nowadays is complementary to national citizenship of Member States, which have sole prerogative to decide on their own how to ‘treat’ their citizenship. Therefore the immigrant investment programs cannot be unified, as they are designed by each Member State to target the recovery of industries, affected by the global economic developments, i.e. having a clear economic rational. These programs appear in pure or hybrid ways and becoming more and more popular between investors. In order to achieve the targets, the countries compete to enhance the attractiveness of such national memberships in the eyes of the investors, which are not ordinary migrants, but high-net-worth individuals. As investors are looking for the better financial investment in the long term, which can offer protection against inflation and most of European countries suffer from decline in real estate markets, the popularity of residence/citizenship via property investments is growing. Property investors pay attention to a set of factors when selecting the real estate markets. These factors constitute the parameters, basing on which the countries under study are further assessed. Apart from economic and financial parameters the investors are considering the climate conditions, education systems, country’s safety, health care indices. The Governments are using different approaches and incentives (financial, fiscal, operational, waiving some naturalization criteria) to maximize revenues from ECP contributions. Small EU countries can benefit a lot through these programs, compare to advanced countries, although there are might be barriers for cross-border capital flows, encompassing a broad range of institutional, legal, and real estate specific risks. Legal systems on land and rights in the countries of the study are very similar, although Cyprus has a clear advantage as has the own and unique system in the whole of EU.

4. Objectives and Hypothesis

As pointed in the Literature Review part, early and current studies on economic residency/citizenship programs revealed a strong connection between the economic rationale for the governments and growing ‘willingness’ from foreign citizens to reside in Europe through investing into property under certain ECP. And that process is having an upward trend regardless the political and economic crisis in the world and especially in European countries. According to that it is even more interesting to compare the chosen countries under certain parameters (living standards, property and investment markets, economy performance, etc.) and conclude what can be developed further in this field for Cyprus to give a boost to the economy through the better designed ECP.

The object of this research is the nature and strength of association between existing economic residence/citizenship programs in the proposed countries and the foreign investors’ choice.

The aim of this research is to study and to find out the determinants of the investors’ preferences for the choice of the economic residence/citizenship program, with a special emphasis on the quality of life or living standards, economic factors (classified into macroeconomic and microeconomic) and safety on the housing market.

The study hypothesizes that through multiple Regression Analysis the countries will be assessed under 24 parameters and it will be found, which country is a better option for a foreign investor’s choice to reside. The author assumes that Cyprus is the best country. If, as the result of the Regression Analysis, the best choice will be the other country, then what can be improved for Cyprus ECP.

Basing on the theoretical conclusions and the results of the proposed Methodology the author will make a suggestion on how Cyprus can be more attractive for foreign investors through the existing ECP, as well as through the assessment of the current property legislation of Cyprus, to identify its weaknesses and threats and propose the improvements.

5. Research Data

The research data set is generated from the following sources:

- Department of Land & Surveys, Cyprus Ministry of Interior
- Statistical Service of Cyprus (CYSTAT)

- Statistical Offices of the European Union (EUROSTAT)
- The national statistical service of Greece (ELSTAT)
- National Statistics Institute of Spain (INE.ES)
- Statistics Portugal (INE.PT)
- The National Statistics Office of Malta (NSO.GOV.MT)
- World Economic Forum (WEF)
- Global Property Guide. EU Office
- Property Rights Alliance
- Milken Institute (Santa Monica, Calif.)
- The World Bank
- The International Monetary Fund (IMF)
- Transparency International (EU Office)

6. Limitations

Since governments of the studied countries (except Malta) do not release regular statistics on their immigrant investor programs (such as approved/rejected number of foreign applicants for residency permits/citizenships, data on cash (EURO) obtained from ECP by each country, etc.) and keep this information confidential, making international comparison appeared rather difficult.

The value of investor programs is hard to compare, given the very different models they operate.

Annual Visa Restrictions Index 2014, compiled annually by Henley & Partners, is based on International Air Transport Association (IATA) database, which maintains the world's largest database of travel information, and is published annually. There are 219 destination countries (territories) in total. Nevertheless the maximum attainable score is 218 as one point is subtracted to account for a national traveling to their own country, with the exception of nationals who must hold a visa to re-enter their home country, and for nationals of countries not considered as a destination.

The indexes from Numbeo.com, the world's largest free database of cities and countries worldwide, present manually collected data from websites of supermarkets, taxi company websites, governmental institutions, newspaper articles, other surveys, etc. The used heuristic technology might have the approximate results, be less accurate in estimation of prices. At the same time the data at Numbeo.com is not influenced by any governmental organization as it is not a sponsored price research. There is also a risk of cross currency comparison errors. The other possible limitation is that this Engine uses the data as old as 12 months, sometimes even 18 months (in cases, when there are very low number of entries and the indicators suggest that inflation in a country is low).

There is a threat of current pending or closest future changes in legislation in countries-contestants or in the entire EU, which cannot be considered by the study and at the same time might change some of its conclusions later on.

Transparency.org estimates the Corruption Perceptions Index (CPI), which is limited in scope as it cannot tell the full story of corruption in a particular country (100 in number). The CPI is just capturing perceptions of the extent of corruption in the public sector, from the perspective of business people and country experts. Therefore the study cannot rely on the ideal accuracy of Transparency.org results. The website contains the data up to 2014.

7. Research methodology

This work aims to assess five countries (Cyprus, Greece, Malta, Portugal and Spain) regarding their standard of living and economies performance.

The hypothesis is tested with the series of standard multiple Regression Analysis of collected parameters. Since multiple regression equation is a statistical process for estimating the relationships among a dependent variable and several independent variables (or 'predictors'). It is important to choose very reliable independent variables as the effects of less than perfect reliability on the strength of the relationship becomes more complex and the results of the analysis more questionable. With the addition of one independent variable with less than perfect reliability each succeeding variable entered has the opportunity to claim part of the error variance left over by the unreliable variables (Cohen, Cohen, West, & Aiken, 2003).

In order to avoid errors of the equation, independent variables were chosen from the reliable sources, publishing regularly update and true data, although some limitations, described in the previous Chapter, are admitted by the author. Based on the research of Falkenbach (2009), the author built a total set of 24 objective factors (independent variables, disclosed in details below), influencing the attractiveness of a particular economic residency/citizenship program in the chosen countries (Table 8).

In general, according to the author’s opinion, the independent variables must characterize the different aspects of investors’ decision-making process:

- macroeconomic factors, related to general situation in the national economy (real GDP, Consumer prices, Current account Balance, Unemployment rate, Legal rights protection, Political environment and Public Sector Corruption, etc.).

- microeconomic factors, focused on standard of living, safety, crime and health-care levels, condition of the property market, quality of housing, property prices yields, taxation, etc.

Table 8: Local Indexes

▪ The International Property rights (by rank) ▪ The International Property rights (score) ▪ Global Opportunity Index 2015 ▪ Real GDP 2015 ▪ Consumer prices 2015 ▪ Current account Balance 2015 ▪ Unemployment 2015 ▪ Corruption Index (Average 2006-2015) ▪ Direct Investments in USD (Ave. 2010-2014) ▪ Bank non-performing loans to total gross loans in % (Ave. 2010-2014) ▪ Government Debt to GBP (Ave. 2006-2015)	▪ House Price Index. Quarterly (Ave) ▪ Building Permit Index (Ave. 2008-2014) ▪ Construction Output (Ave. 2008-2014) ▪ Gross Rental Yield (Ave. 2011-2015) ▪ Health Care Index (Ave. 2012-2015) ▪ Safety Index (Ave. 2012-2015) ▪ Crime Index (Ave. 2012-2015) ▪ Travel freedom rank for the passport holders ▪ Round Trip Costs/fees: Property Reg., Real Estate Agent, Legal, Sales and Transfer (%) ▪ Sales Tax/VAT ▪ Corporate Tax 2015 ▪ Corporate Tax 2016 ▪ Personal Income Tax 2015

The International Property Rights Index 2010-2014 (by Property Rights Alliance) ranks and scores 97 countries worldwide and focuses on three areas: Legal and Political Environment (LP), Physical Property Rights (PPR), and Intellectual Property Rights (IPR). The selection of countries was determined by availability of sufficient data only.

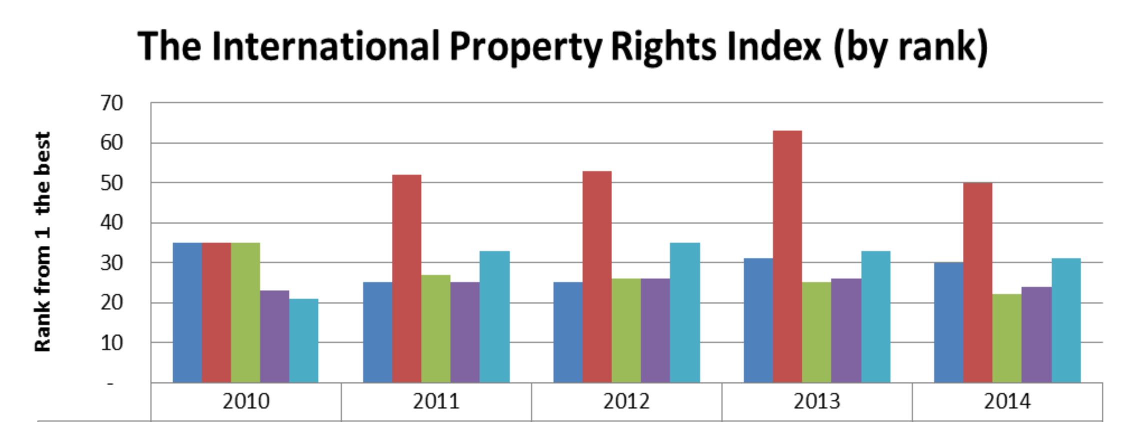
LP component consists of 4 items (Judicial Independence, Rule of Law, Political Stability, Control of Corruption) and provides an insight into the impact of political stability and rule of law in a given country. This component has a significant impact on the development and protection of physical and intellectual property rights.

PPR component consists of 3 items (Protection of Physical Property Rights, Registering Property, Access to Loans) and IPR consists of 3 items as well (Protection of Intellectual Property Rights, Patent Protection, Copyright Piracy) – both components reflect two forms of property rights and are crucial to the economic development of a country.

The underlining assumption of the IPRI is that there is a relationship between a property rights regime and the economic performance of a country. Specifically, the stronger the property rights regime, the better the expected economic performance.

The Index examines the relationship between property rights protections and economic outcome/production. The overall grading scale of the IPRI by rank (Table 10) ranges from 1 to 97, where 1 is the highest and 97 is the lowest. The IPRI by score (Table 11) ranges from 0 to 10, where 10 is the highest value for a property rights system and 0 is the lowest (i.e. most negative) value for a property rights system within a country. The same interpretative logic is applied to the three components and the ten items.

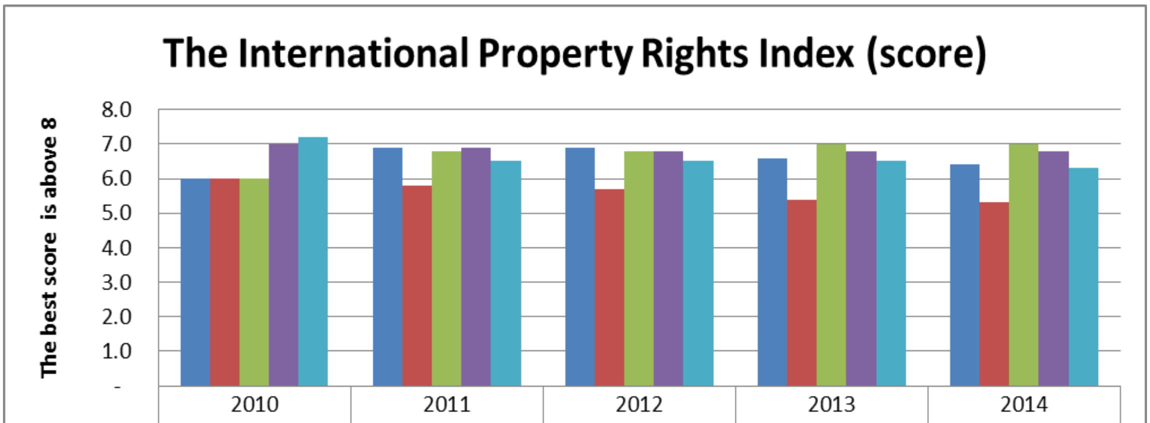
Table 10.



	2010	2011	2012	2013	2014
Cyprus	35	25	25	31	30
Greece	35	52	53	63	50
Malta	35	27	26	25	22
Portugal	23	25	26	26	24
Spain	21	33	35	33	31

Source: Property Rights Alliance

Table 11.

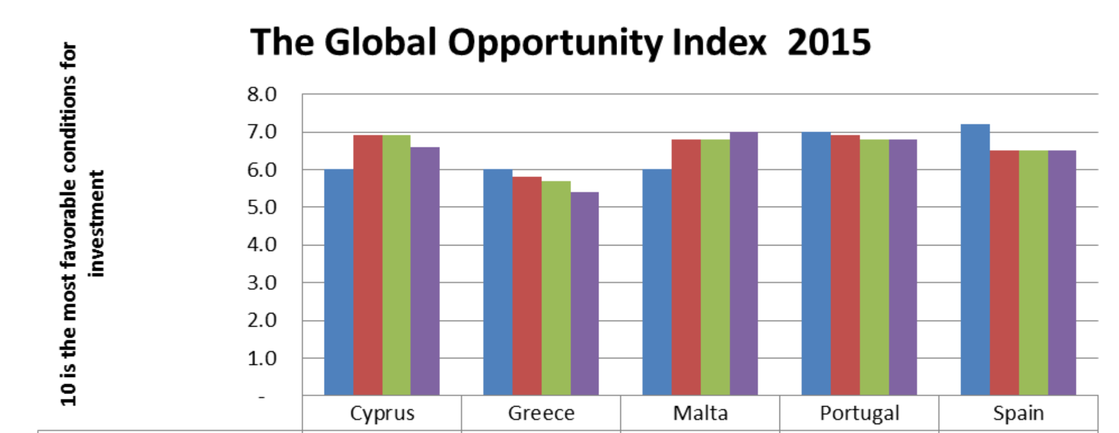


	2010	2011	2012	2013	2014
Cyprus	6.0	6.9	6.9	6.6	6.4
Greece	6.0	5.8	5.7	5.4	5.3
Malta	6.0	6.8	6.8	7.0	7.0
Portugal	7.0	6.9	6.8	6.8	6.8
Spain	7.2	6.5	6.5	6.5	6.3

Source: Property Rights Alliance

The Global Opportunity Index 2015 (Milken Institute, 2015) benchmarks and tracks countries' progress on 61 variables aggregated in four categories: Economic Fundamentals, Ease of Doing Business, Regulatory Quality, and Rule of Law. Each category measures an aspect of the power of economic and institutional factors to attract foreign direct investment. The assigned composite index value is the average score of the four categories (called component scores). Each variable is normalized from 0 to 1. Within each category, the normalized variables are then given equal weight and aggregated, resulting in a normalized category score between 10, indicating the most favorable conditions for investment, and 0, signaling the least favorable 0.1. The 2015 index covers 136 countries (Table 12).

Table 12.

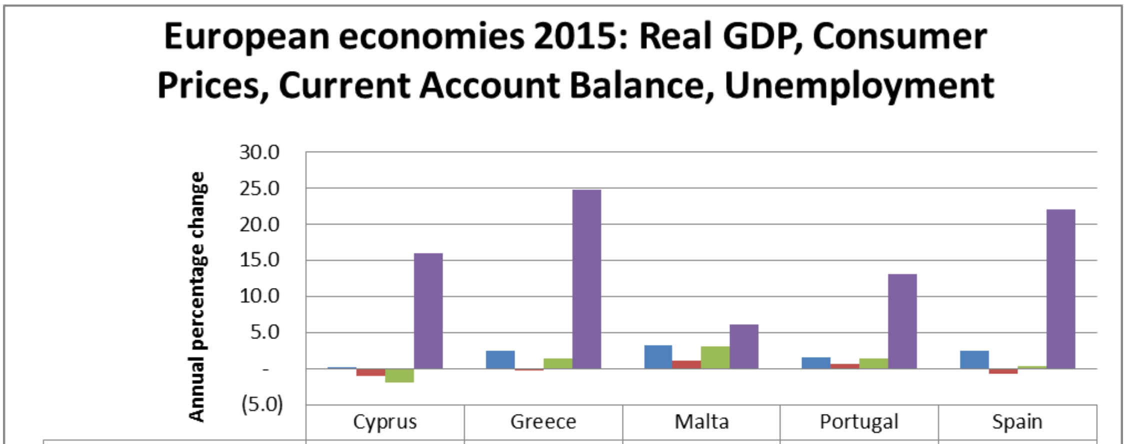


	Cyprus	Greece	Malta	Portugal	Spain
Economic Fundamentals	6.0	6.0	6.0	7.0	7.2
Ease of Doing Business	6.9	5.8	6.8	6.9	6.5
Quality of Regulations	6.9	5.7	6.8	6.8	6.5
Rule of Law	6.6	5.4	7.0	6.8	6.5

Source: Milken Institute

The **Economic Growth** of the countries for investment choice is the important criteria for investors. According to the projections presented in the World Economic Outlook 2015 (WEO) by International Monetary Fund, the economies of the countries under study are shown in the Table 13 and including such macro-economic indicators as Real GDP, Consumer Prices, Current Account Balance, Unemployment (as Annual percentage change). WEO database contains selected macroeconomic data series from the statistical appendix of WEO Report, which presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups and in many individual countries. The WEO is released in April and September/October each year.

Table 13.



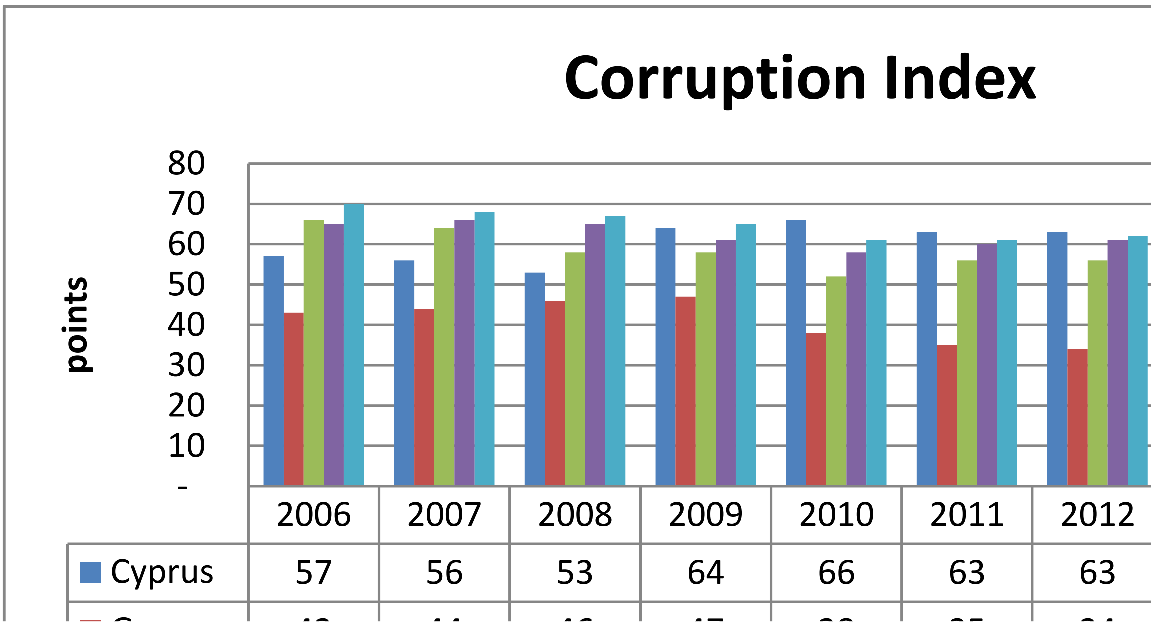
	Cyprus	Greece	Malta	Portugal	Spain
Real GDP	0.2	2.5	3.2	1.6	2.5
Consumer prices	(1.0)	(0.3)	1.1	0.6	(0.7)
Current account Balance	(1.9)	1.4	3.1	1.4	0.3
Unemployment	15.9	24.8	6.1	13.1	22.1

Source: International Monetary Fund

The Corruption Index 2015 (Transparency International, 2015) ranks countries and territories based on how corrupt their public sector is perceived to be. It is based on a survey of 3,000 businesspeople in 30 diverse countries around the world. It is a composite index – a combination of polls – drawing on corruption-related data collected by a variety of reputable institutions. The CPI reflects the views of observers from around the world, including experts living and working in the countries and territories evaluated.

A country’s score indicates the perceived level of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). Not one single country gets a perfect score and more than two-thirds score below 50. A country's rank indicates its position relative to 175 countries (Table 14). If an outside business/investor is worried about having to bribe local officials to get proper permits, can't trust the courts in the event of a payment dispute, has to consider political unrest in its calculations, or worse, nationalization, it reduces the chance that it will ever make sense to build a plant or sell into a country. Many investors are Transparency International's site.

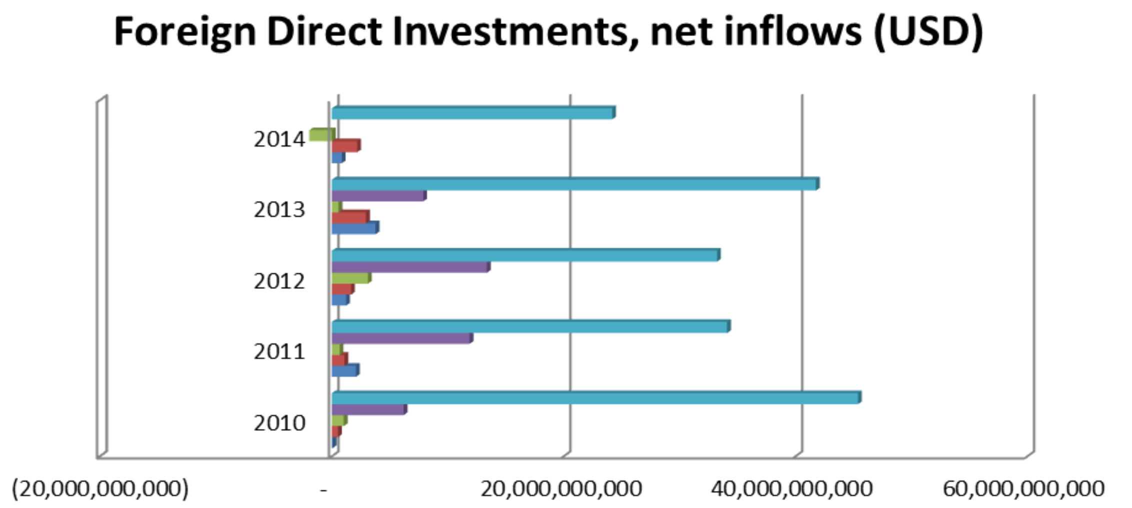
Table 14.



Source: Transparency International. EU Office

The World Bank gives statistics on **Foreign direct investments.** It is the net inflows of investment, the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy from foreign investors. Data are in current U.S. dollars (Table 15).

Table 15.



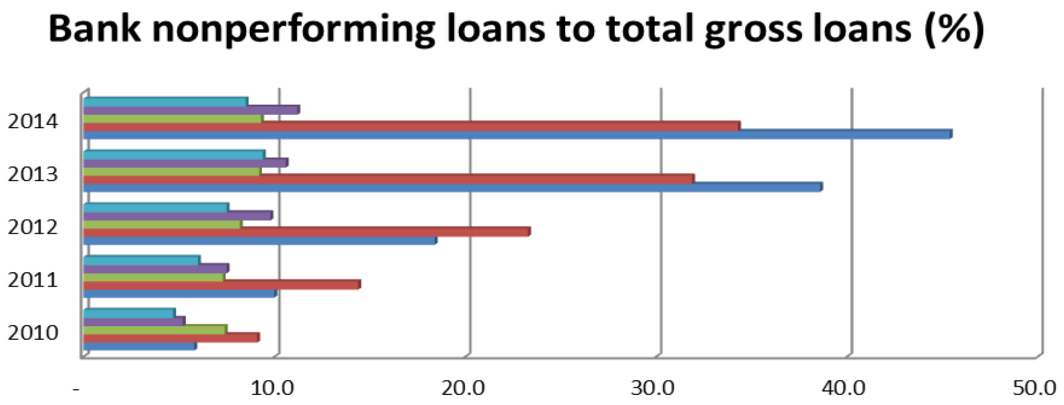
	2010	2011	2012	2013	2014
Spain	45,382,074,663	34,098,152,765	33,231,832,534	41,752,619,471	24,186,783,400
Portugal	6,187,057,515	11,878,396,627	13,377,449,646	7,881,591,922	
Malta	1,034,104,585	673,270,699	3,115,895,610	585,270,827	(1,950,595,106)
Greece	533,689,273	1,092,091,924	1,663,327,137	2,945,417,938	2,184,366,796
Cyprus	70,665,708	2,078,721,742	1,233,052,957	3,765,400,619	861,137,244

Source: The World Bank. Development Indicators

Bank nonperforming loans (The World Bank, 2015) to total gross loans (%) are the value of nonperforming loans divided by the total value of the loan portfolio (including nonperforming loans before the deduction of specific loan-loss provisions). The loan amount recorded as nonperforming should be the gross value of the loan as recorded on the balance sheet, not just the amount that is overdue (Table 16).

Rising competition between investors to buy non-core loans, being sold by European banks, has driven up prices in most areas and triggered a 40 per cent jump in the value of deals done in 2014. As more money pours into the sector — there is already €70bn of funds available to buy unwanted loans from banks in Europe — more investors are raising debt of their own to help finance the purchases of loan portfolios, PwC (2015). PwC said after surveying more than 60 buyers and sellers of loan portfolios that activity was shifting from more mature markets, such as the UK and Ireland, to more untapped countries, such as Italy.

Table 16.

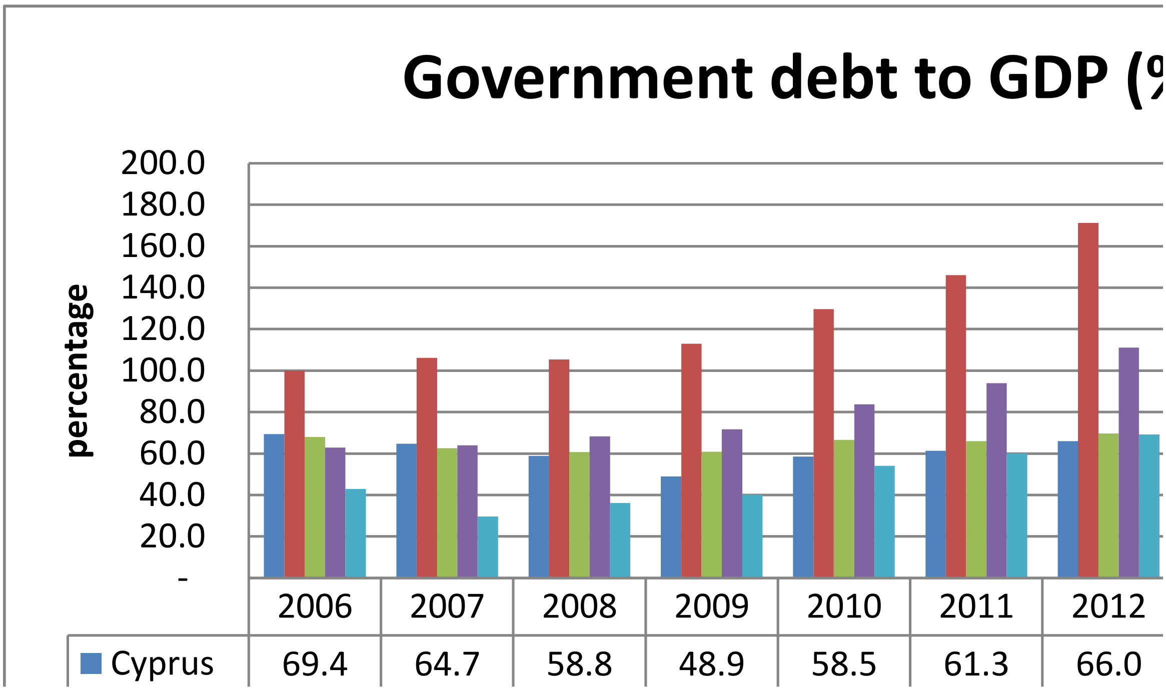


	2010	2011	2012	2013	2014
Spain	4.7	6.0	7.5	9.4	8.5
Portugal	5.2	7.5	9.8	10.6	11.2
Malta	7.4	7.3	8.2	9.2	9.3
Greece	9.1	14.4	23.3	31.9	34.3
Cyprus	5.8	10.0	18.4	38.6	45.4

Source: The World Bank. Development Indicators

Knowing if highly indebted country, which provides Economic Citizenship Program, is tending to reduce high Government (Public) Debt is particularly relevant. In some cases, the debt service cost on some of the public debt can exceed the potential rate of return on savings. Reducing debt could lessen the negative impact of the debt overhang on growth, expand borrowing capacity, and improve the fiscal balance. Trade-offs between increasing savings and reducing debt depend on the cost of debt, the return on saved assets, institutional capacity to manage a growing financial wealth and sound debt management principles (IMF, 2014). Government debt compares the cumulative total of all government borrowings less repayments that are denominated in a country's home currency. **Government debt to GDP** (Table 17) is used by investors to measure a country’s ability to make future payments on its debt, thus affecting the country borrowing costs and government bond yields.

Table 17.

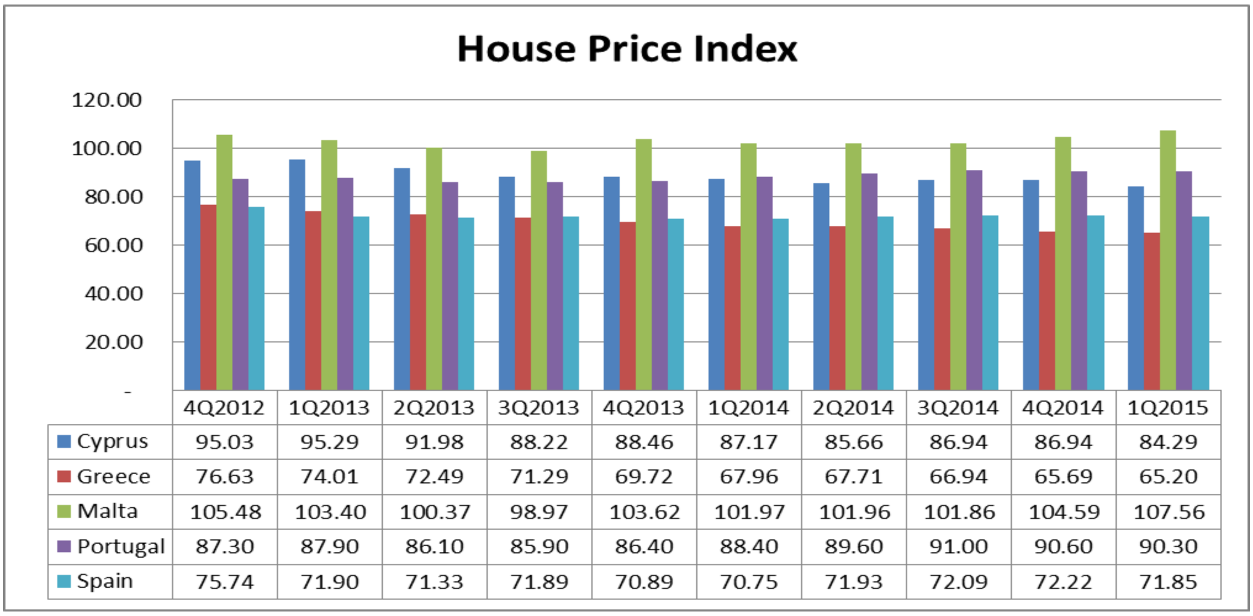


	2006	2007	2008	2009	2010	2011	2012
Cyprus	69.4	64.7	58.8	48.9	58.5	61.3	66.0

Source: www.tradeingeconomics.com/Eurostat

What defines market liquidity is a market's ability to facilitate the purchase or sale of an asset without considerable change in the asset's price. Alternatively, market liquidity is the asset's ability to sell quickly without having to reduce its price very much. The financial and economic crisis has highlighted the importance of correctly measuring the prices of real estate properties. The EUROSTAT **House Price Indices** (HPI) measures the changes in the transaction prices of dwellings purchased by households (Table 18). Note, information on Greece is not available.

Table 18.

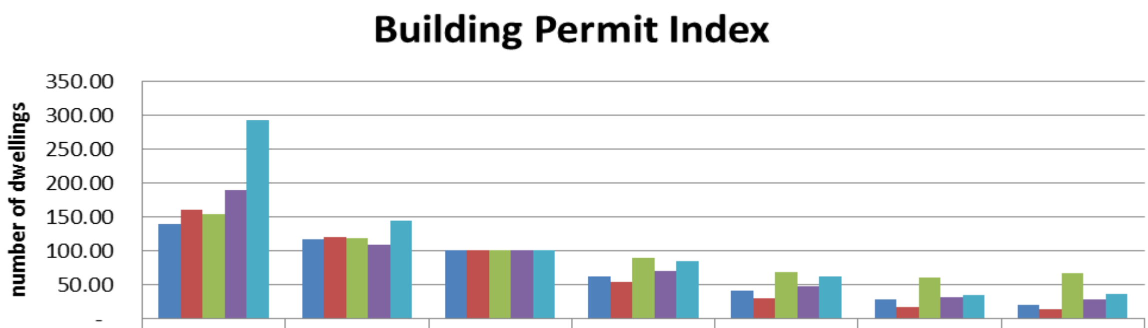


	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Cyprus	95.03	95.29	91.98	88.22	88.46	87.17	85.66	86.94	86.94	84.29
Greece	76.63	74.01	72.49	71.29	69.72	67.96	67.71	66.94	65.69	65.20
Malta	105.48	103.40	100.37	98.97	103.62	101.97	101.96	101.86	104.59	107.56
Portugal	87.30	87.90	86.10	85.90	86.40	88.40	89.60	91.00	90.60	90.30
Spain	75.74	71.90	71.33	71.89	70.89	70.75	71.93	72.09	72.22	71.85

Source: Eurostat

Among the Principal European Economic Indicators (PEEIs) from Eurostat, the statistical office of the European Union, the key indicators such as **Building Permit Index** (Table 19) and **Production in Construction Index** (Table 20) were used to compare the countries by the production activity and trends in construction industry.
Building Permit Index shows the future development of construction activity in terms of per square meter of useful floor. The current base year is 2010 (Index 2010 = 100). The index is presented in seasonally adjusted form. Growth rates with respect to the previous month (M/M-1) are calculated from seasonally adjusted figures while growth rates with respect to the same month of the previous year (M/M-12) are calculated from raw data.

Table 19.



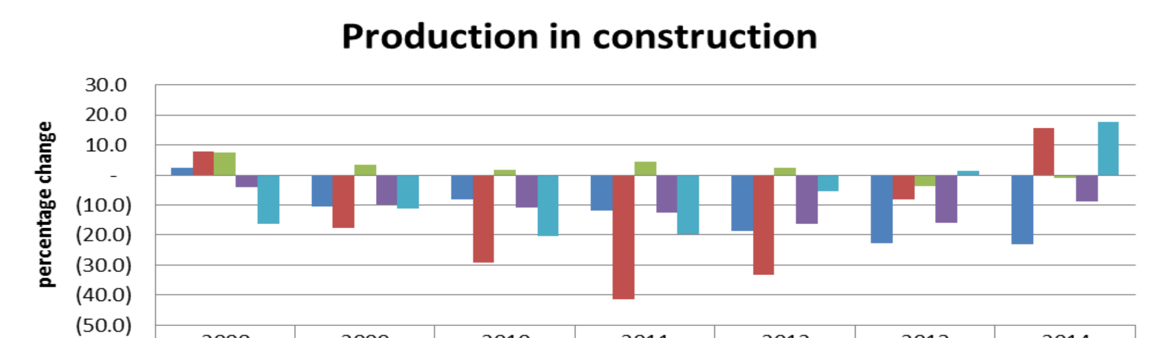
	2008	2009	2010	2011	2012	2013	2014
Cyprus	140.32	116.60	100.00	61.76	41.08	28.93	19.95
Greece	160.83	119.63	100.00	54.72	30.02	17.19	13.96
Malta	153.83	119.22	100.00	89.00	68.95	60.87	66.09
Portugal	190.27	109.03	100.00	70.23	46.93	30.58	28.70
Spain	292.73	143.69	100.00	85.02	62.82	34.11	36.41

Source: Eurostat news release 130/2015 – 17 July 2015

Production in Construction Index shows the output and activity of the construction sector. It measures changes in the volume of output on a monthly basis. Construction includes building construction and civil engineering. The construction sector in total corresponds to the NACE Rev. 2 section F but the split between building construction and civil engineering is based on the

Classification of types of Construction (CC1, CC2). Production in construction is compiled as a "fixed base year Laspeyres type volume-index". The current base year is 2010 (Index 2010 = 100). The index is presented in calendar and seasonally adjusted form. Growth rates with respect to the same month of the previous year (M/M-12) are calculated from calendar adjusted figures.

Table 20.

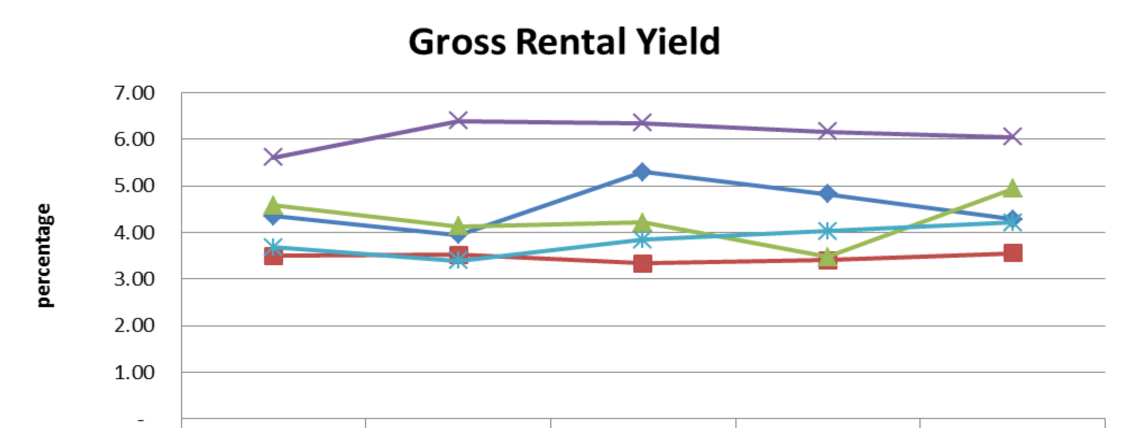


	2008	2009	2010	2011	2012	2013	2014
Cyprus	2.3	(10.6)	(8.0)	(11.8)	(18.6)	(22.8)	(23.2)
Greece	7.8	(17.5)	(29.2)	(41.3)	(33.4)	(8.2)	15.5
Malta	7.5	3.4	1.7	4.4	2.3	(3.8)	(0.9)
Portugal	(4.2)	(9.9)	(10.9)	(12.7)	(16.2)	(15.9)	(8.9)
Spain	(16.3)	(11.2)	(20.4)	(19.7)	(5.4)	1.4	17.5

Source: Eurostat news release 130/2015 – 17 July 2015

According to Numbeo.com the historical analysis shows the trends of countries under study in **Gross Rental Yield (2011 – 2015),** calculated as the total yearly gross rent divided by the house price (expressed in percentages), shown in Table 21.

Table 21.

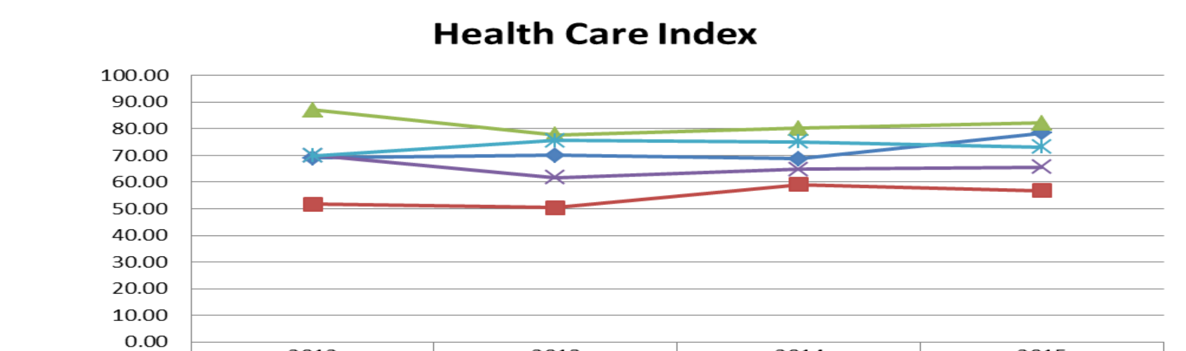


	2011	2012	2013	2014	2015
Cyprus	4.36	3.96	5.31	4.83	4.28
Greece	3.50	3.53	3.34	3.41	3.56
Malta	4.59	4.14	4.22	3.48	4.94
Portugal	5.62	6.40	6.36	6.17	6.05
Spain	3.69	3.40	3.85	4.04	4.22

Source: Numbeo.com

Health Care Index (Table 22) is an estimation of the overall quality of the health care system, health care professionals, equipment, staff, doctors, cost, etc. Each entry in the survey is saved as the number in the range [-2, +2], with -2 having meaning of strongly negative and +2 meaning of strongly positive.

Table 22.

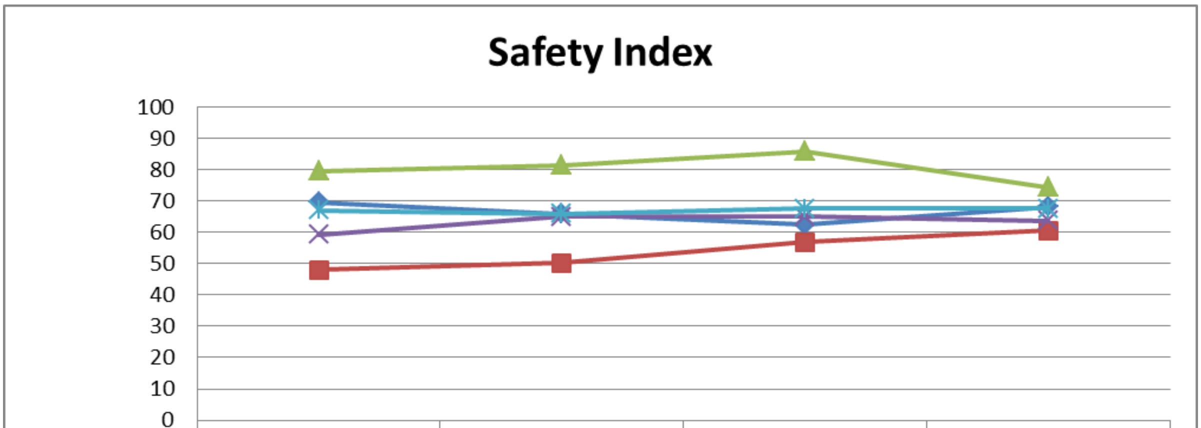


	2012	2013	2014	2015
Cyprus	69.00	70.00	68.73	78.36
Greece	51.76	50.4	59.02	56.73
Malta	87.04	77.78	80.15	82.18
Portugal	69.96	61.63	64.8	65.62
Spain	69.92	75.61	75.17	73.21

Source: Numbeo.com

Safety index by Numbeo.com is, on the other way, quite opposite of crime index. If the country has a high safety index, it is considered very safe (Table 23). Each entry in the survey is saved as the number in the range [-2, +2], with -2 having meaning of strongly negative and +2 meaning of strongly positive.

Table 23.

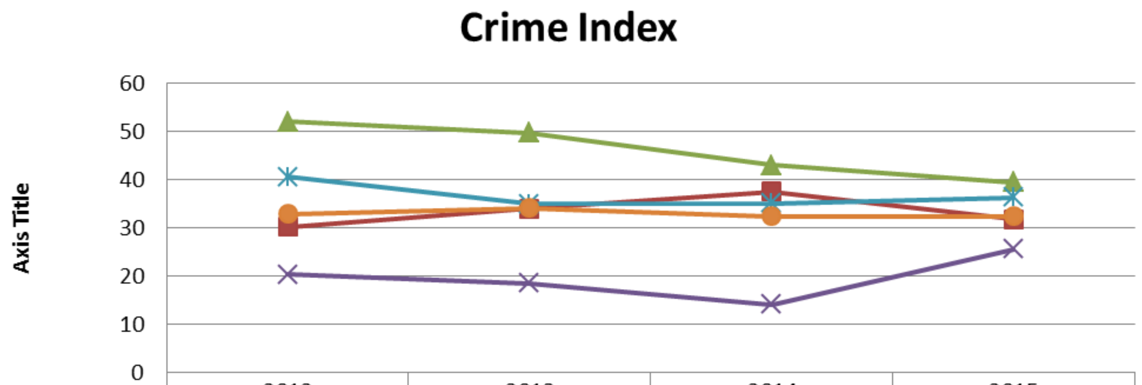


	2012	2013	2014	2015
Cyprus	69.73	65.98	62.44	68.22
Greece	47.97	50.24	56.95	60.56
Malta	79.69	81.46	85.83	74.45
Portugal	59.36	65.04	64.94	63.71
Spain	67.04	65.88	67.58	67.61

Source: Numbeo.com

Crime Index by Numbeo.com (Table 24) is an estimation of overall level of crime in a given city or a country. Crime levels lower than 20 are considered as very low, crime levels between 20 and 40 as being low, crime levels between 40 and 60 as being moderate, crime levels between 60 and 80 as being high and finally crime levels higher than 80 as being very high. Each entry in the survey is saved as the number in the range [-2, +2], with -2 having meaning of strongly negative and +2 meaning of strongly positive.

Table 24.



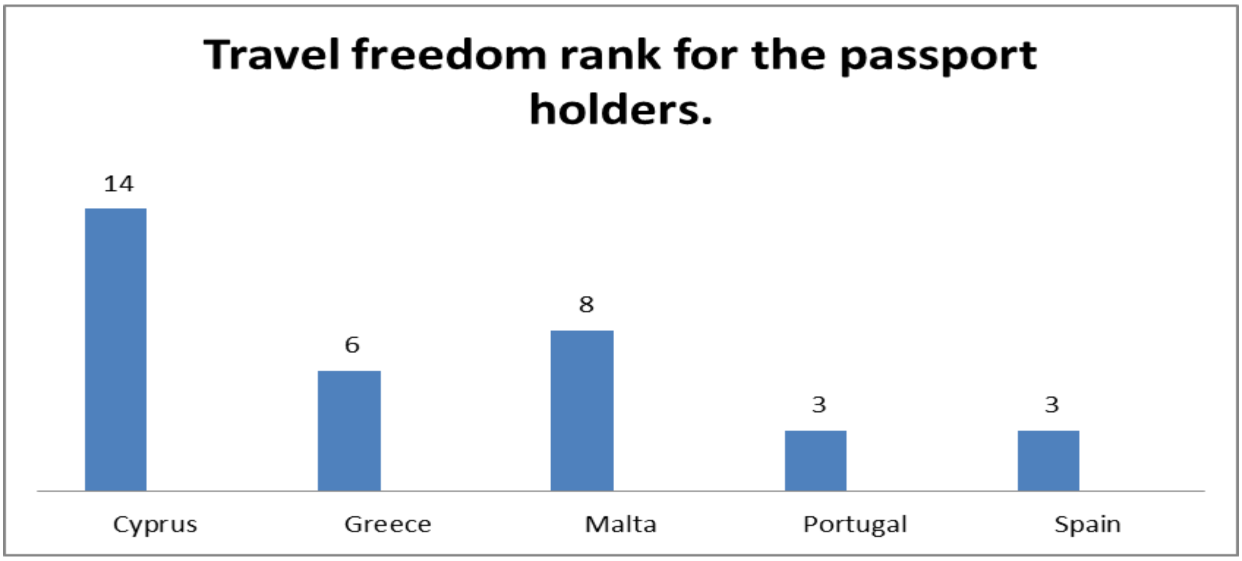
	2012	2013	2014	2015
Cyprus	30.27	34.02	37.56	31.78
Greece	52.03	49.76	43.05	39.44
Malta	20.31	18.54	14.17	25.55
Portugal	40.64	34.96	35.06	36.29
Spain	32.96	34.12	32.42	32.39

Source: Numbeo.com

Travel Freedom Rank for passport holders 2014 (The Henley & Partners, 2014) is produced in cooperation with the International Air Transport Association (IATA), which maintains the world's largest database of travel information, and is published annually. Countries are listed according to the numbers of other countries to which visa-free access is possible, the highest score achieved, are ranked in first position. The ranking was created with visa regulations effective on 20 May 2014 (Table 25).

The borderless zone created by the Schengen Agreements, the Schengen Area, currently consists of 22 EU countries (including Greece, Malta, Portugal, Spain). Cyprus along with Bulgaria and Romania are not yet full members of the Schengen area and will join it in August 2016. Cyprus also is not a participant to Visa Waiver Program (VWP) applied by the US Government (visa-free visit to USA, Canada, Mexico, Bermuda and Caribbean islands),

Table 24.



Source: The Henley & Partners (2014)

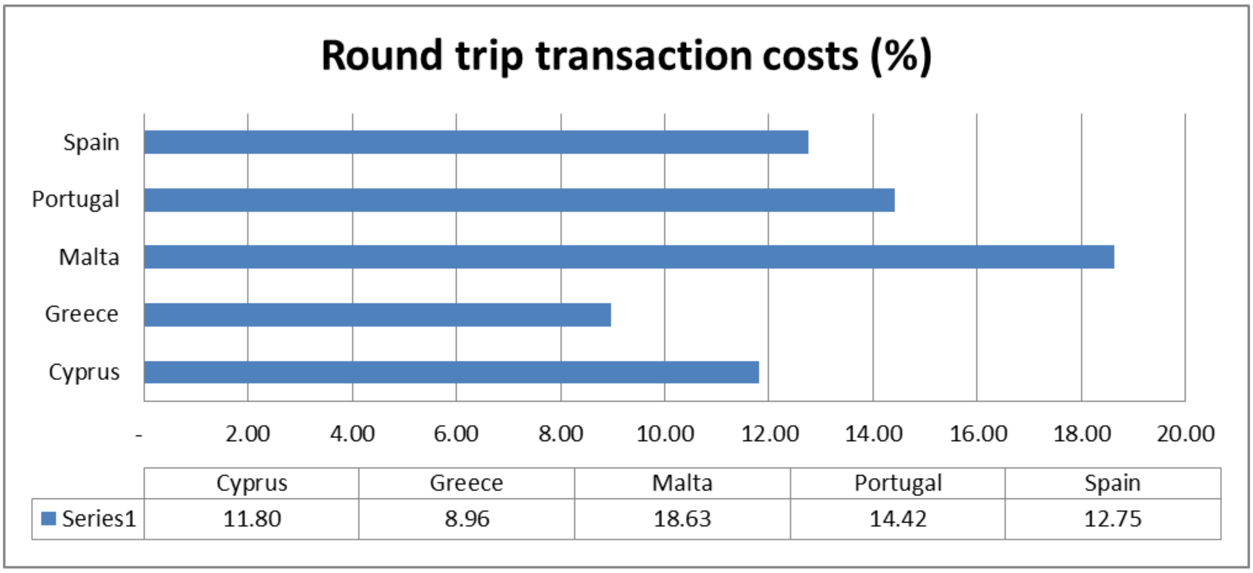
Round trip transaction costs (%) by Global Property Guide (Table 25) give the total cost of buying and then re-selling a residential property, including all costs (except the sale price itself), expressed as percentage of the property value. Assumptions were made that the property is purchased by a non-resident foreigner in the country where he/she is buying; the property is worth US$250,000 (250,000 for Europe); the property is paid in cash; the property is a condominium located in a major city; the property is not newly-built; the property is bought from an individual and not a developer or real estate holding company.

Transaction costs can be broken down into four major cost areas:

- Registration costs
- Real estate agent fees
- Legal fees
- Sales and transfer taxes

Other incidental costs (survey fees, residency permit cost, or company setup costs), are not included in our calculations. In most cases value added tax (VAT) is not included, because our figures reflect the purchase of old, not new, properties.
Although the transaction costs data sources can't be trusted 100% as the Source doesn't have the capacity to do original legal research, and in this area, it is often not in lawyers or realtors best interests to be particularly clear about the minutiae of charges.

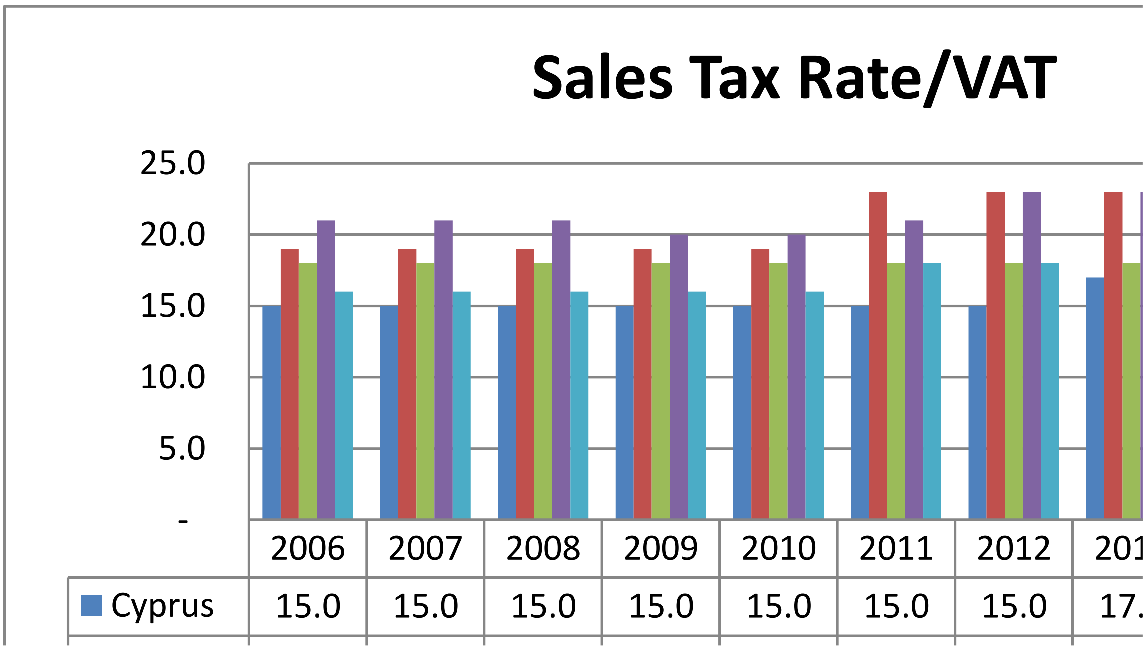
Table 25.



Source: Global Property Guide Research

Sales tax rate (Table 26) is a tax charged to consumers based on the purchase price of certain goods and services.

Table 26.

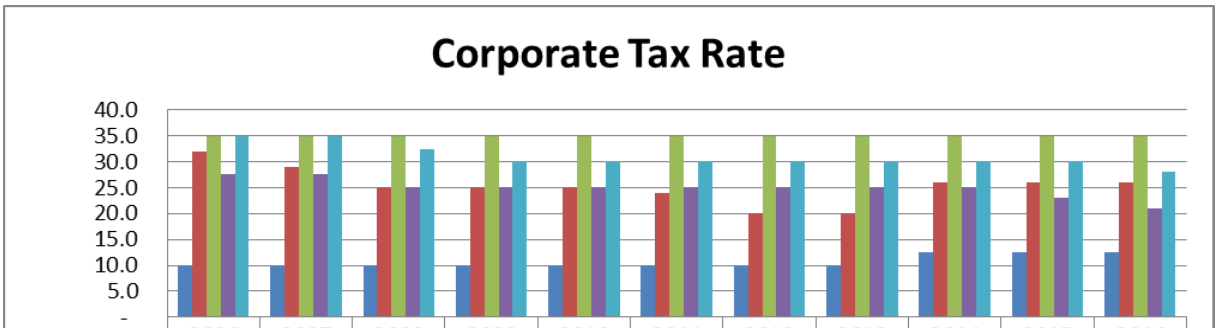


Source: www.tradeingeconomics.com/Eurostat

Revenues from the **Corporate Tax Rate** (Table 27) are an important source of income for the government of a country, but at the same time important parameter for foreign investors planning to localize business. Corporate Income tax rate is a tax collected from companies.

Its amount is based on the net income companies obtain while exercising their business activity, normally during one business year. High corporate taxes divert capital away from a country corporate sector toward other countries. They therefore limit investments that would raise the productivity of local workers and would increase real wages. As corporations seize innumerable opportunities to shift income to lower-tax jurisdictions, tax revenue of a country falls (Harvard Business Review, 2012).

Table 27.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cyprus	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	12.5	12.5	12.5
Greece	32.0	29.0	25.0	25.0	25.0	24.0	20.0	20.0	26.0	26.0	26.0
Malta	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Portugal	27.5	27.5	25.0	25.0	25.0	25.0	25.0	25.0	25.0	23.0	21.0
Spain	35.0	35.0	32.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0	28.0

Source: www.tradeingeconomics.com/Eurostat

Personal Income Tax (Table 28) rate is a tax collected from individuals and is imposed on different sources of income like labour, pensions, interest and dividends. Personal Income Tax Rate can be also very important factor for investors' choice about the country to live.

Table 28.

	2006	2007	2008	2009	2010	2011	2012
Cyprus	30.0	30.0	30.0	30.0	30.0	30.0	30.0

Source: www.tradeingeconomics.com/Eurostat

After the raw data collection the main issue confronted was to determine a Depended Variable. It turned to be quite complicated due to the fact that all variables prove to be independent. Therefore, the author developed *d formula* - a mathematical representation of the objective function concept.

All the parameters for each country were analysed one-by-one and the best score (either the highest or the lowest) was recorded in D column (Table 29). The main idea of *d formula* is that the reference criterion for each index is the max value of the 5 countries (if the criterion is positive such as GDP, Safety Index, Health Care index, etc.) and minimum of the 5 countries (if the criterion is negative such as Crime Index, Unemployment, Corruption Index, etc.) In other words, d formula is constructed in a way that it contains the best option (country) in each case.

$$d(i_s) = \begin{cases} \min(i_s), & i_s * a < 0 \\ \max(i_s), & i_s * a \geq 0 \end{cases}$$

where:

- **s** is each instance of series
- **i** stands for each independent variable
- **d** is the dependent variable
- **a** is the coefficient of correlation of the indepdent variable to the standard of living

A very important assumption in regression is that the dependent variable is normally distributed. Normality is used to describe a symmetrical, bell-shaped curve, which has the greatest frequency of scores around in the middle combined with smaller frequencies towards the extremes (Pallant, 2005). In order to avoid numerical instabilities, the raw data for independent and dependent variables should be normalized, i.e. be at the same order as order of magnitude. Only Direct Investments in USD (Ave. 2010-2014) found to be an outlier so it was divided with E+09.

Table 29.

	Cyprus	Greece	Malta	Portugal	Spain	D
The International Property rights (by rank)	29.2	50.6	27	24.8	30.6	50.6
The International Property rights (score)	6.56	5.64	6.72	6.86	6.6	6.86
Global Opportunity Index 2015	26.4	22.9	26.6	27.5	26.7	27.5
Real GDP 2015	0.2	2.5	3.2	1.6	2.5	3.2
Consumer prices 2015	-1	-0.3	1.1	0.6	-0.7	-1
Current account Balance 2015	-1.9	1.4	3.1	1.4	0.3	3.1
Unemployment 2015	15.9	24.8	6.1	13.1	22.06	6.1
Corruption Index (Average 2006-2015)	61.4	40.6	57.8	62.4	63.8	63.8
Direct Investments in USD (Ave. 2010-2014)	1.601796	1.683779	0.691589	7.864899	35.73029	35.73029
Bank non-performing loans to total gross loans in % (Ave. 2010-2014)	23.64	22.6	8.28	8.86	7.22	7.22
Government Debt to GBP (Ave. 2006-2015)	71.68	138.04	65.89	94.12	60.64	60.64
House Price Index. Quarterly (Ave)	88.998	69.764	102.978	88.35	72.059	102.978
Building Permit Index (Ave. 2008-2014)	72.66286	70.90714	93.99429	82.24857	107.8257	107.8257
Construction Output (Ave. 2008-2014)	-13.2429	-15.1857	2.085714	-11.2429	-7.72857	2.085714
Gross Rental Yield (Ave. 2011-2015)	22.725	17.32	21.36	30.585	19.18	30.585
Health Care Index (Ave. 2012-2015)	71.5225	54.4775	81.7875	65.5025	73.4775	81.7875
Safety Index (Ave. 2012-2015)	66.5925	53.93	80.3575	63.2625	67.0275	80.3575
Crime Index (Ave. 2012-2015)	33.4075	46.07	19.6425	36.7375	32.9725	19.6425
Travel freedom rank for the passport holders	14	6	8	3	3	3
Round Trip Costs/fees: Property Reg., Real Estate Agent, Legal, Sales and Transfer (%)	11.8	8.96	18.63	14.42	12.75	8.96
Sales Tax/VAT	19	23	19	19	19	19
Corporate Tax 2015	12.5	26	35	23	30	12.5
Corporate Tax 2016	12.5	26	35	21	28	12.5
Personal Income Tax 2015	35	46	35	56.5	52	35

The next step is to compare each country with the best option and depict correlations between the various indexes for Cyprus and the other 4 countries (Figures 1- 4). The formula and correlation factor (R-squared) derived is shown under each Figure.

The multiple correlation factor generalizes the standard coefficient of correlation. It is used in multiple regression analysis to assess the quality of the prediction of the dependent variable. It corresponds to the squared correlation between the predicted and the actual values of the dependent variable. It can also be interpreted as the proportion of the variance of the dependent variable explained by the independent variables (Abdi, 2007).

R-Squared indicates how well data fit a statistical model. It provides a measure of how well observed outcomes are replicated by the model, as the proportion of total variation of outcomes explained by the model. R^2 is the square of the coefficient of multiple correlation. In all cases, the coefficient of determination ranges from 0 to 1, with lower values indicating insignificant correlation and high values represents a significant correlation, i.e. a perfect fit.

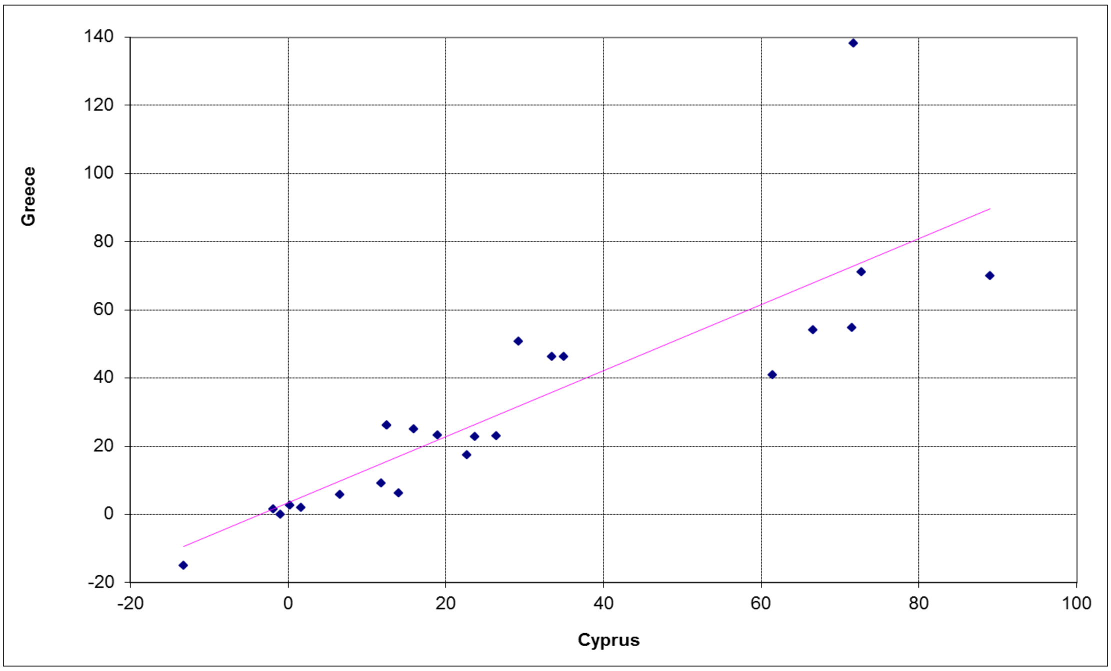


Figure 1: *Correlation of Cyprus with Greece*

*Greece = 3.485776 + 0.969024 * Cyprus ; R-Squared = 0.721291*

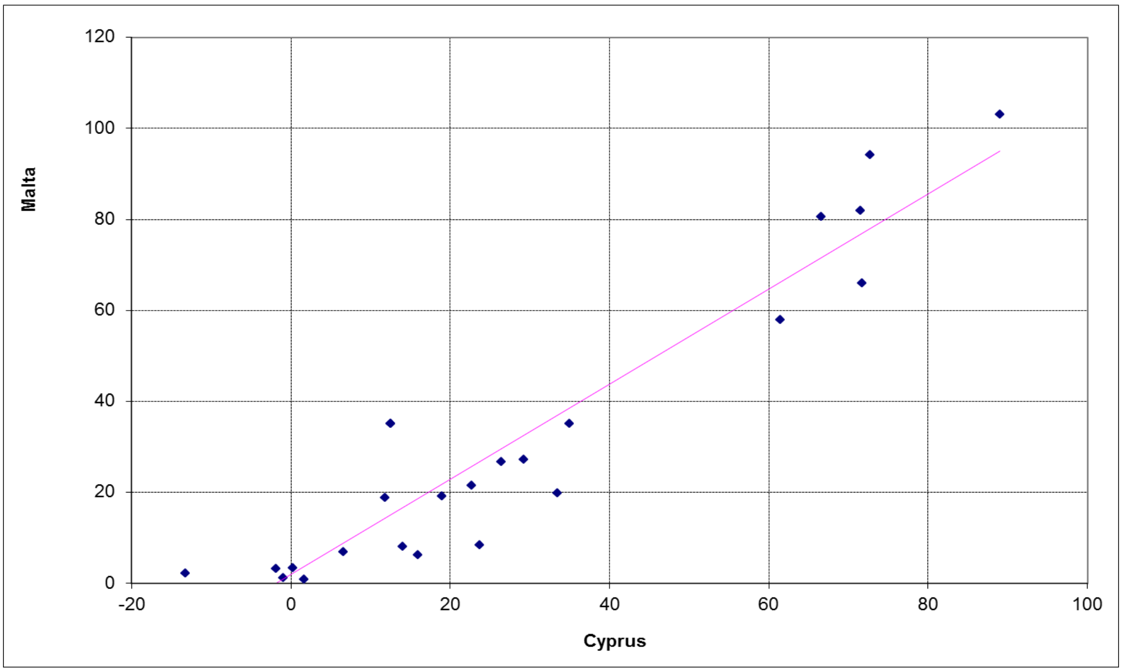


Figure 2: *Correlation of Cyprus with Malta*

*Malta = 1.947824 + 1.046131 * Cyprus ; R-Squared = 0.887901*

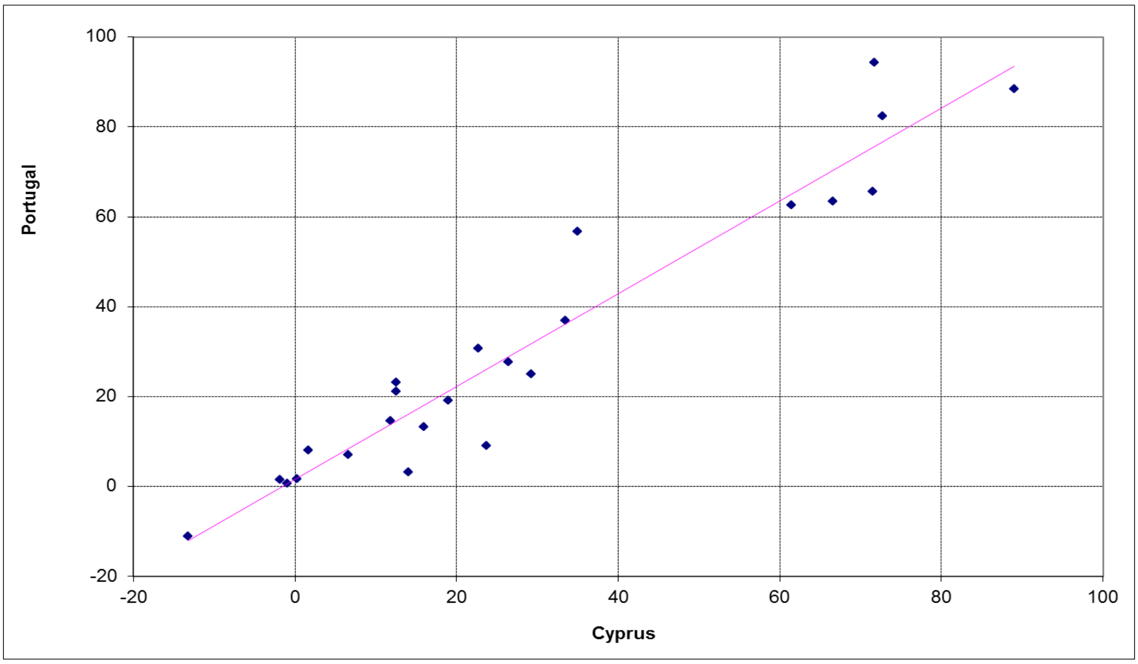


Figure 3: *Correlation of Cyprus with Portugal*

*Portugal = 1.628075 + 1.031193 * Cyprus ; R-Squared = 0.924734*

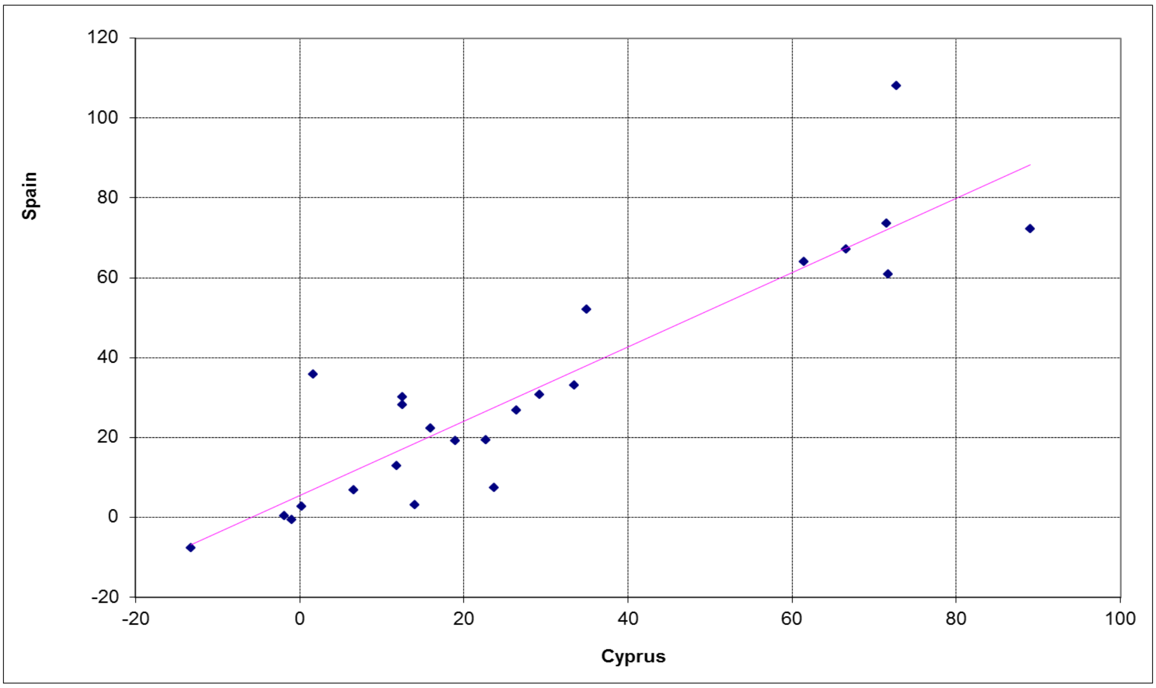


Figure 4: *Correlation of Cyprus with Spain*

*Spain = 5.461852 + 0.930679 * Cyprus ; R-Squared = 0.812376*

It is obvious that the higher correlation found is 0.924734 between Cyprus and Portugal.

Comparing the R2, R-Squared turned to be higher is in the figure 3. Examining the correlation between Cyprus and Portugal the R-Squared is 0.924734 meaning that 92% of the total variation in dependent variable can be explained by the linear relationship between independent and dependent variable. This means that, the regression line that best represents the data is in the case of Portugal. A perfect correlation would be if R-Squared would be equal to 1.

Looking to the slopes, Cyprus has the highest coefficient in the case of Malta. This means, when standard of living in Cyprus increases by 1, the standard of living in Malta increases by 1.05 while in Portugal increases by 1.03

Multiple correlations between countries are depicted in the Table 30. Additionally correlation between each country and the optimum D parameter (described earlier) is set.

Spain was found to have the higher correlation with the objective function (0.9398) meaning that Spain has the best standard of living according to this approach.

Later in the regression other 2 results will be described (coefficient and t-test).

Additionally, Cyprus was found to have high correlation to Portugal standard of living (0.9616), to Malta (0.9423), to Spain (0.9013) and the lowest to Greece (0.8493).

Table 30.

	Cyprus	Greece	Malta	Portugal	Spain
Cyprus	1.0000	0.8493	0.9423	0.9616	0.9013
Greece	0.8493	1.0000	0.7668	0.9014	0.7664
Malta	0.9423	0.7668	1.0000	0.9285	0.9175
Portugal	0.9616	0.9014	0.9285	1.0000	0.9220
Spain	0.9013	0.7664	0.9175	0.9220	1.0000
D	0.9200	0.7251	0.9352	0.8954	0.9398

Figure 4: Multiple Correlation Matrix

Multiple Regression Analysis generates an equation to describe the statistical relationship between one or more predictor variables and the response variable. Once it is identified how these multiple variables relate to the dependent variable, it is possible to take information about all of the independent variables and use it to make much more powerful and accurate predictions about why things are the way they are.

Standard multiple regression can only accurately estimate the relationship between dependent and independent variables if the relationships are linear in nature. If the relationship between independent variables (IV) and the dependent variable (DV) is not linear, the results of the regression analysis will underestimate the true relationship (Cohen and Cohen, 1983).

There were constructed the three components of regression output in Excel:

Regression Statistics	
Multiple R	0.9646
R Square	0.9305
Adjusted R Square	0.9112
Standard Deviation of Regression	9.9895
Observations	24
D.F.Numerator	5
D.F.Denominator	18

Analysis of Variance (ANOVA)

Source	Sum of Squares	d.f.	Mean Square	F	P-value
Regression	24044.52124	5	4808.904249	48.190143	0
Residual	1796.223699	18	99.7902055		
Total	25840.74494	23			

Dependent Variable	D			
Independent Variable	Coefficient	Standard Error	t-stat	P-value
Constant: a	-1.4096	3.0940	-0.455588059	0.6541
Cyprus	0.5413	0.3057	1.770974268	0.0935
Greece	-0.0955	0.1695	-0.563151751	0.5803
Malta	0.3088	0.2343	1.317865396	0.2041
Portugal	-0.2729	0.3830	-0.712496037	0.4853
Spain	0.6326	0.2086	3.032945182	0.0072

As a result the final model was found:

D (objective) = -1.409569695 + 0.541301854*Cyprus - 0.095462883*Greece + 0.308755724*Malta - 0.272860559*Portugal + 0.63262363*Spain

The coefficients (0.541301854, etc.) mean that when, for example, Cyprus values change for 1 unit the objective function D changes as much the coefficient value is. This is a second criterion of the influence of the independent variables (countries) to the dependent D.

If the coefficient is big it means that, if the country values rise, then the objective function rises. Particularly, when the values of Cyprus, Malta and Spain increase by 1 unit then, the dependent variable (D) increases by 0.5413, 0.3088 and 0.6326 respectively. The highest value was found for Spain (0.6326). Greece and Portugal have negative correlation (-0.0955 and -0.2729), which means that their influence to the dependent variable D is negative. Portugal has a greater negative effect (-0.2729) to the dependent variable than Greece (-0.0955) but this cannot say nothing significant because p values are too high, which means that these coefficients are not statistically significant.

The third parameter t-value - measures the difference between an observed sample statistic and its hypothesized population parameter in units of standard error. The t-test represents the probability that a particular variable has linear correlation with the objective.

Before the test is performed, a threshold value is chosen, called the significance level of the test, traditionally 5% or 1% and denoted as α. If the p-value is equal to or smaller than the significance level α, it suggests that the observed data are inconsistent with the assumption that the null hypothesis is true and thus that hypothesis must be rejected.

P-values evaluate the accuracy of the model, how well the sample data support the argument that the hypothesis is true. High p-values mean that the data are likely with a true null. For example, in the case of Greece p-value is equal to 0.5803, which means that the null hypothesis cannot be rejected. This indicates that this variable (or country) is statistically insignificant. On the other hand, a low p-value suggests that the sample provides not enough evidence to support the null hypothesis, this means that in the case of Spain where the p-value is equal to 0.0072, the null hypothesis is strongly rejected and it follows that the variable is statistically significant.

Lower p-values are for Spain, Cyprus and Malta.

Results of the analysis:

The aim of this analysis was to develop a methodology assessing the standard of living of five countries. This was achieved through D function. Twenty four different parameters were examined in order to see how they influence the standard of living. The better standard of living makes an investor's decision to reside stronger. Some of these independent variables have positive effect to the standard of living (GDP, Health care index, etc.) and some other have negative effect (Unemployment, Corruption Index, etc.) to the standard of living. Each parameter was examined one by one for each country separately and D-function was constructed indicating the best option in each case. Doing a regression where the dependent variable is D and independent variables are 5 countries, each country was compared with this best option. This will show how well the data fits the model and the standard of living.

At the same time internal correlations between countries were examined and the higher correlation was found between Cyprus and Portugal (0.9616), the lower - between Greece and Spain (0.7664). These observations are reasonable and can be explained by the standard of living level – highest (Spain) and lowest (Greece). Spain found more correlated with the standard of living (D=0.9398), Greece – less (D=0.7251).

In the above regression the R-Squared shows, the data for Spain is closest to the fitted regression line with higher correlation to the objective D. The coefficient of Spain is also the highest between all 5 countries. This shows that when any independent variable increases by 1 unit then the dependent variable increases more in the case of Spain. It can be concluded that the best standard of living is in Spain with higher positive coefficient (0.6326) and it is statistically significant with p-value equal to 0.0072.

Cyprus is the second country that has high economies performance. This is shown from the results of the regression above. The second high coefficient (0.5413) Cyprus has with p-value 0.0935. P-value is small enough to say that Cyprus is statistically significant in the regression above.

Malta is correlated with objective function 0.9352. The regression line represents well the data and it is positively correlated with the dependent variable D (0.3088) with p-value equal to 0.2041. Malta is not significant as Spain or Cyprus, but still it has lower p-value than another two countries, Greece and Portugal, which are negatively correlated with dependent variable and with high p-value. Therefore the null hypothesis cannot be rejected. So, these two countries are not statistically significant in a regression where the dependent variable is D, the objective variable that was constructed including the best choice for each independent variable that was examined at the beginning.

Since the raw data were collected from reliable sources and the main assumptions hold, the regression analysis depicted a high R-Squared (0.93) meaning that the model is robust. Coefficients and t-test also examined to analyse the sensitivity of each country's fluctuations to the d-function and the probability that the relationships are indeed linear.

8. General Conclusions and Suggestions.

The research examines the Economic Residency/Citizenship Programs in five countries (EU members) of South Mediterranean. These programs are unified by the economic rational, but differ by their design and criteria. Therefore, a perspective property investor cannot compare the programs on the grounds of their terms and conditions only, but also in connection with the standards of living in the countries offering these programs. For the purpose of the study the particular segment of investors is considered, who prefer to reside in a EU country of Mediterranean basin, which is safe, sunny, has quick access to the sea and at the same time has an economy growth prospects. All criteria and factors determining the investor’s choice were thoroughly studied and the conclusion is made – the best option is Spain by the standard of living, followed by Cyprus. Nevertheless, Cyprus is the only country out of five ones, which operates the pure investor citizenship program. That means that after an investor (and his family) meets all criteria, the citizenship can be granted immediately and without any other pre-requirement to reside.

The study examined the relationship between the real estate market and the entire economy, which is boosting when the property market is growing. Purchasing real property represents a better financial investment in the long term than any other investment, thus also offering protection against inflation. The analysis of legal systems on land and rights proved that Cyprus is well ahead of all the other countries under study (unique and very efficient and functional Land Registry with regard to registration of property and proprietary rights, a simple Law of Contract with regard to the acquisition or alienation of immovable property or rights, etc.).

What can help the further study of the Economic Residency/Citizenship Programs is the EUROSTAT release of regular statistics on these programs (i.e. approved/rejected number of foreign applicants for residency permits/citizenships, cash inflows in EURO under ECP by each country, foreign investments into property, etc.).

Applying the results of the regression analysis the author believes that Cyprus can be upgraded to become the best option for citizenship available to an investor and would not be far from perfection if the Cypriot Authorities will make some more improvements in addition to those they have already made since the beginning of the program, as it is referred to above.

As said earlier, very recently (July, 2015) a law allowed discrepancies in buildings to be legalized, thus opening the gate to a legal title deed to thousands of innocent purchasers.

More recently (September, 2015) innocent purchasers, who have paid for their properties subsequently mortgaged by irresponsible developers, have been relieved from foreclosure by mortgagee banks. Such drastic steps would have been unnecessary if the state regulated by legislation the greed of land dealers, developers and the building industry is general.

If, for instance, architects or building contractors would be held liable for defects in their buildings with serious repercussions in case of default, the quality of buildings would be automatically improved. If such liability was extended in the sphere of criminal responsibility the deterrent would be more drastic. For instance, a developer would think twice before exceeding the conditions of his permit if he knew that by doing so he would end up in prison.

Another suggestion could be a General National Insurance Scheme, mandatory for all developers and contractors. Say, a 5-year warranty against hidden (latent) defects on newly built and converted homes. It will provide property buyers with the number of significant benefits, including:

- a full 5-year protection against losses resulting from defects in the design and/or materials and/or workmanship of a property that results in major damage to the structural elements.

- the claim will be settled without the buyer having to prove negligence or blame on behalf of the developer or contractor. This avoids the lengthy delays in making repairs, the costs of reports from independent engineers and expensive litigation proceedings.

- in case when the property being re-sold, the insurance cover is transferable to the new buyer.

- should the developer or contractor become insolvent or fail to carry out their responsibilities the insurance remains intact.

- in case the developer will choose the additional options (in order to gain a competitive advantage over its rival) available in insurance, buyers will also benefit from a 5-year warranty covering the waterproofing of roofs, external walls and basements, costs of accommodation and loss of rental income while repairs are being made.

To be accepted into this scheme a developer must achieve the warranty standards by passing a technical assessment test – an audit of the property's design to ensure it meets the construction requirements. It will help to improve the construction quality and restore the tarnished reputation of Cyprus construction industry.

Building permit could be issued for each stage of the building requiring approval of a stage before a developer would be allowed to proceed with the next. For instance a developer who completes the foundations of a building should not be allowed to proceed with any further stage before the foundations are inspected and approved by the Authorities. This would prevent irreparable damage or irreversible situations which could cause an investor to remain without a proper title for ever.

Land divisions of blocks of houses built on one plot should be allowed at the beginning of the construction rather than at the end, thus saving the investor and all concerned with endless bureaucracy preventing divisions unless every detail of every building or infrastructure in the whole development is checked. A process, which in some cases may take years.

Bureaucracy in the processing application for nationality by exemption could be substantially curtailed by setting up 'One stop' service for checking the applicants who must meet the basic criteria. At present applications with all necessary documentation are submitted to the Department of Immigration of the Ministry of the Interior which after a prima facie examination forwards them to the Ministry of Finance in order to check the sufficiency of the monetary deposit and the purchase of the immovable property required for the purpose. Such Ministry returns it to the Ministry of the Interior which after rechecking forwards it to the Council of Minister for approval after which back again for further checking with the Police for checks on the criminal record and then back again for the issue of the certificate of nationality issued in duplicate to the applicant who must go to Court for an oath of allegiance to the Cyprus Constitution before nationality is granted. All these checks could be made at one stop which would save considerable time and money.

In addition to the above a provision of the legislation holding estate agents personally liable for manifest discrepancies in the holdings they sell would be a good incentive for propriety on their part.

The other improvements of Cyprus image as the destination for foreign investments apply to:

- Improvement of tourism and tourist infrastructure. Incentives for upgrading of hotels, restaurants and existing infrastructure (including archaeological and other cultural sites), as well as the addition of new projects such as casinos, rehabilitation resorts, theme parks and other facilities.

- Building more marinas, including small ones. Promote marina developers as the marinas are key in efforts to improve the island's tourist product and attract high revenue-earning tourists.

- Promote tourism during the winter months (December - March) in order to reduce the tourism seasonality effect (concept of ‘sun and sea’ - Cyprus as a summer destination). Accelerate the construction of Golf resorts, since they are preferred more in winter. Development/ conversion of ‘Condo Hotels’. Promote athletic, medical and religious tourism.

- Exploitation of mountains and village tourism with incentives to small hotels / resorts.

- To extend both the number of originating airports and aircraft operators.

- Further upgrade of public transport (especially bus) network. These measures will lessen the traffic congestion as well as facilitate travelling of the people between towns and within city centres.

- Organization of beaches. Extending swimming areas by limiting multiplicity of water sports passages. Regulating water sports, etc.

Finally, this study has laid a foundation for the understanding of how property investors’ attitudes towards Economic Residence/Citizenship Programs are shaped. The author employed a large set of independent variables for which empirical evidence was found in earlier studies on residence/citizenship via investment. Although some variables are not available (the missing statistics on ECP by EUROSTAT stated before) and they could potentially be important, this research presents a snapshot of the situation at one point in time. Further research is needed to see if these findings are robust over a long period of time or demand adjustments or corrections. Notwithstanding the said limitations, it should be seen as an important first step in unravelling why foreign investors choose a particular country under study and what else can be adopted by Cyprus in order to improve the performance of the ECP model.

9. Bibliography

Abdi, H. (2007). The Kendall Rank Correlation Coefficient. *NJ Salkind Encyclopedia of Measurement and Statistics*. Retrieved from: https://www.utd.edu [Accessed: 30 August 2015].

Baum, A. (2015). Cross-Border Capital Flows Into Real Estate. *Real Estate Finance*, 03/2015; 31(3):103-122.

Berry, W. D., & Feldman, S. (1985). *Multiple Regression in Practice. Sage University Paper Series on Quantitative Applications in the Social Sciences*. Series No. 07-050. Newbury Park, CA: Sage Publications, Inc.

Borna, S., & Stearns, J. (2002*).* The Ethics and Efficacy of Selling National Citizenship. *Journal of Business Ethics,* 37 (2):193 - 207 (2002)

Buchanan, J. (1965). An Economic Theory of Clubs. *Economica, New Series,* Vol. 32, No. 125 (Feb., 1965), 1-14

Carrera, S. (2014*).* How Much Does EU Citizenship Cost? The Maltese Citizenship-For-Sale Affair: A Breakthrough For Sincere Cooperation In Citizenship Of The Union? *Liberty and Security in Europe Paper,* No. 64. Retrieved from: http://ssrn.com [Accessed: 12 August 2015].

Cia.gov, (2015). The World Factbook. Retrieved from: https://www.cia.gov [Accessed: 19 August 2015].

Chin,W., Dent, P., & Roberts, C. (2006). An exploratory analysis of barriers to investment and market maturity in Southeast Asian cities. *Journal of Real Estate Portfolio Management*, 12(1), 49–58.

Clos, J. (2015). Property tax regimes in Europe. *UN Habitat*. 14 (1), 58 -59.

Cohen, J., Cohen, P., West, S. G., & Aiken, L. S. (2003). *Applied multiple regression/correlation analysis for the behavioural sciences* (3rd ed.). Mahwah, NJ: Lawrence Erlbaum Associates.

Cyprus.gov.cy. (2015). The Law of Contract. Chapter 149 of the Laws of Cyprus. Web portal of the Republic of Cyprus. Retrieved from: http://cypruslaw.narod.ru/CAP149CY.htm. [Accessed: 26 August 2015].

Cyprus.gov.cy. (2015). Laws regarding Taxation. Web portal of the Republic of Cyprus. Retrieved from: http://www.cyprus.gov.cy [Accessed: 26 August 2015].

Cyprus.gov.cy. (2015). The Aliens and Immigration Law (Laws regarding foreigners in Cyprus). Web portal of the Republic of Cyprus. Retrieved from: http://www.cyprus.gov.cy [Accessed: 26 August 2015].

Creswell, J. (2015). Planning, conducting, and evaluating quantitative and qualitative approaches to research. Upper Saddle River, NJ: *Merrill/Pearson Education*, 29, 1-10.

D'Arcy, E., & Keogh, G. (2009). Property market efficiency: an institutional economics perspective. *Journal of Urban Studies*, 36(13), 2401-2414.

Department of Lands & Survey. (2015). Fees & Charges Law, CAP.219. Retrieved from: http://www.moi.gov.cy/moi/DLS/dls.nsf [Accessed: 26 August 2015].

Department of Lands & Survey. (2015). Immovable Property (Tenure, Registration & Valuation) Law CAP. 224. Retrieved from: http://www.moi.gov.cy/moi/DLS/dls.nsf [Accessed: 26 August 2015].

Department of Lands & Survey. (2015). Immovable Property (Transfer and Mortgaging) Law *9/65.* Retrieved from: http://www.moi.gov.cy/moi/DLS/dls.nsf [Accessed: 26 August 2015].

Department of Lands & Survey. (2015). The Acquisition of Immovable Property (Aliens) Law, CAP.109. Retrieved from: http://www.moi.gov.cy/moi/DLS/dls.nsf [Accessed: 26 August 2015].

Department of Lands & Survey. (2015*).* The Capital Gains Tax Laws 1980-2015. Retrieved from: http://www.moi.gov.cy/moi/DLS/dls.nsf [Accessed: 26 August 2015].

Department of Lands & Survey. (2015). The Sale of Land (Specific Performance) Law of 2011, [8(I)/2011]. Retrieved from: http://www.moi.gov.cy/moi/DLS/dls.nsf [Accessed: 26 August 2015].

Department of Lands & Survey. (2015). The Town Planning Law 1972 (90/1972). Retrieved from: http://www.moi.gov.cy/moi/DLS/dls.nsf [Accessed: 26 August 2015].

Dzankic, J. (2015). Investment-Based Citizenship And Residence Programmes In The EU. *Robert Schuman Centre for Advanced Studies European Union Democracy Observatory on Citizenship.* Retrieved from: http://eudo-citizenship.eu/commentaries/citizenship-forum/citizenship-forum-cat. [Accessed: 16 July 2015].

Dzankic, J. (2012). The Pros and Cons of Ius Pecuniae: Investor Citizenship in Comparative Perspective. European University Institute. *RSCAS Working Papers*, 2012/14

European Commission. (2014). Press Release: Joint Press Statement by the European Commission and the Maltese Authorities on Malta's Individual Investor Programme (IIP), European Commission – MEMO/14/70, 29.01.2014.

Europarl.europa.eu, (2015). European Parliament: Resolution on the sale of EU citizenship. Retrieved from: ttp://www.europarl.europa.eu/sides [Accessed: 14 August 2015].

European Parliamentary Research Service. (2014). EU Citizenship and residence permits for sale. Retrieved from: http://epthinktank.eu/2014/01/15/eu-citizenship-and-residence-permits-for-sale/. [Accessed: 05 August 2015].

EUROSTAT, (2015). Release calendar for Euro indicators - Eurostat. Retrieved from: http://ec.europa.eu/eurostat/news/release-calendar. [Accessed: 26 August 2015].

Falkenbach, H. (2009). Market Selection For International Real Estate Investments. *International Journal of Strategic Property Management,* 13.4, 299-308.

Farnham, M., & Sevak, P. (2006). State fiscal institutions and empty-nest migration: Are tiebout voters hobbled*? Journal of Public Economics*, 90, 407-427.

Frey, B., & Eichberger, R. (1999). *The new democratic federalism for Europe: functional, overlapping, and competing jurisdictions.* Cheltenham, UK, Edward Elgar.

Golob, K., Bastic, M., & Psunder, I. (2012). Analysis Of Impact Factors On The Real Estate Market: Case Slovenia. *Engineering Economics,* 23.4, 132-155.

Green, J. C., Caracelli, V. J., & Graham, W. F. (1989). Toward a conceptual framework for mixed-method evaluation designs. *Educational Evaluation and Policy Analysis,* 11 (3), 255-274.

Guide, G. (2015). *Buy/Sell Price In Europe. Round Trip Transaction Cost In Europe.* Globalpropertyguide.com. Retrieved from: http://Globalpropertyguide.com. [Accessed: 16 August 2015].

Guide, G. (2015). *Cyprus housing market remains depressed, but interest rates are falling and transactions are rising.* Globalpropertyguide.com. Retrieved from: http://Globalpropertyguide.com. [Accessed: 16 August 2015].

Han, J. (1996). Targeting markets is popular: A survey of pension real estate investment advisors, *Real Estate Finance,* 13(1), 66–75.

Howe, K. R. (1988). Against the quantitative-qualitative incompatibility thesis or dogmas die hard. *Educational Researcher,* 17, 10-16.

Imf.org, (2015). *IMF World Economic Outlook (WEO), April 2015: Uneven Growth: Short-And Long-Term Factors*. Retrieved from: http://www.imf.org/external/pubs/ft/weo/2015/01/ [Accessed 15 Aug. 2015].

Ine.es, (2015). *Instituto Nacional De Estadistica. (Spanish Statistical Office).* Retrieved from: http://www.ine.es/en/welcome.shtml [Accessed 13 Aug. 2015].

Ine.pt, (2015). *Statistics Portugal.* Retrieved from: https://www.ine.pt [Accessed 13 Aug. 2015].

Internationalpropertyrightsindex.org, (2014). *IPRI 2014.* Introduction By Hernando De Soto. Retrieved from: http://internationalpropertyrightsindex.org/ [Accessed 15 Aug. 2015].

Johnson, E., & Walsh, R. (2013). The effect of property taxes on vacation home growth rates: Evidence from Michigan. *Regional Science and Urban Economics*, 43 (5). 740-750.

Harvard Business Review. (2012). *A Better Way to Tax U.S. Businesses.* Retrieved from: https://hbr.org/2012/07/a-better-way-to-tax-us-businesses/ar/1. [Accessed: 19 August 2015].

Healthpowerhouse.com, (2015). *Euro Health Consumer Index.* Retrieved from: http://www.healthpowerhouse.com [Accessed 14 Aug. 2015].

Ec.europa.eu, (2015). Crime statistics - Statistics Explained. Retrieved from: http://ec.europa.eu/eurostat/statistics-explained/index.php/Crime_statistics [Accessed 13 Aug. 2015].

Kreta Eiendom, (2015*).* Greek Legislation. *Kreta Eiendom.* Retrieved from: http://www.kretaeiendom.com/legislation/greek-legislation/. [Accessed: 23 August 2015].

Kyriakides, N. (2015). The Cyprus Economy. Retrieved from: http://www.ccci.org.cy/wp-content/uploads/2015/03/Deloitte.pptx [Accessed: 15 July 2015].

Lee, S. (2001). The risks of investing in the real estate markets of the Asian region. Working Paper of Department of Land Management, *The University of Reading*, 6

Lee, S. (2005). Gauging the investment potential of International real estate markets. Working Paper of Real Estate and Planning, *The University of Reading*, 19

Magni-Berton, R. (2015). Citizenship For Those Who Invest Into The Future Of The State Is Not Wrong, The Price ed. By Shachar, A. and Bauböck, R., 11-12. EUDO/RSCAS Working Paper 01/2014. *Florence: EUI.*

Malta Property Listings, (2015). Malta Property Laws - Malta Property Listings. Retrieved from: http://maltaproperty.com.mt/malta-property-laws/. [Accessed: 23 August 2015].

Maltese Community (2013). Malta Government Establishes Highy Controversial Individual Investor Programme. Maltese Community Council of Victoria. 18 November. Retrieved from: http://www.mccv.org.au/malta-government-establishes-highly-controversial-individual-investor-programme/.[Accessed: 24 July 2015].

Meunier, S. (2014). Beggars can't be Choosers: The European Crisis and Chinese Direct Investment in the European Union, *Journal of European Integration*, 36:3, 283-302

Mill, J. S. (1861). Utilitarianism. London. 17, 10-16.

Moi.gov.cy. (2015). Ministry of Interior - Scheme for Naturalisation of Investors in Cyprus by Exception. Retrieved from: http://www.moi.gov.cy/moi/moi.nsf. [Accessed: 26 August 2015].

Morgan Kousser, J. (1974). The Shaping of Southern Politics: Suffrage Restriction and the Establishment of the One-Party South, 1880-1910. New Haven, Connecticut: *Yale University Press.*

Nso.gov.mt. (2015). About NSO. Retrieved from: http://Nso.gov.mt,. [Accessed: 13 August 2015].

Numbeo.com., (2015). The Biggest Internet Database About Cost Of Living, Housing Indicators And Many Other Informations About Cities And Countries!'. Retrieved from: http://Numbeo.com. [Accessed: 13 August 2015].

Pavlov, A., & Wachter, S. (2008). Mortgage Put Options And Real Estate Markets. *J Real Estate Finance Econ.*, 38.1, 89-103.

Ong, A. (2005). (Re)Articulations of Citizenship, *Political Science and Politics* 38/4, 697-699

Osborne, J., & Waters, E. (2002). Four assumptions of multiple regression that researchers should always test. *ERIC Digest*, 8(2), 117-125.

PwC, (2015). Emerging Trends In Real Estate Europe 2015. Retrieved from: http://www.pwc.com/gx/en/asset-management/emerging-trends-real-estate/download-the-european-forecast.jhtml [Accessed: 16 August 2015].

Reich, P. (1991). *The Work of Nations: Preparing Ourselves for 21st Century Capitalism*, New York: Vintage Press.

Remetey-Fulopp, G. (2015). Cadastral Geographic Information Systems in Europe. Retrieved from: http://www.gsdidocs.org/gsdiconf/GSDI-7/papers/NIgr. [Accessed: 29 August 2015].

Schmid, D. C. (2015). Real Property Law and Procedure in the European Union. European University Institute (EUI). Retrieved from: http://www.eui.eu/Documents/DepartmentsCentres/Law/GeneralReport.pdf [Accessed: 26 August 2015].

Shachar, A,. & Baubock, R. (2014). Should Citizenship Be for Sale? Robert Schuman Centre for Advanced Studies Research Paper No. 2014/01. *SSRN Electronic Journal.* Retrieved from: http://ssrn.com/abstract=2380665 orhttp://dx.doi.org/10.2139/ssrn.2380665 [Accessed: 26 July 2015].

Skade, T. (2015). Global migration patterns of the super rich. *Destiny*. Retrieved from: http://www.destinyconnect.com. [Accessed: 26 July 2015].

Smith, A. (1977). *Marketing and the Public Interest, Proceedings of the Symposium in Honour of E. T. Crether.* Marketing Science Institute, Cambridge, MA, 17.

SHOREX CAPITAL. (2015). Cyprus - Citizenship. Retrieved from: http://www.shorexcapital.com/en/. [Accessed: 18 July 2015].

Spiro, P. J. (2008) *Beyond Citizenship: American Identity After Globalization.* New York: Oxford University Press.

Sumption, M., & Hooper, K. (2014). *Selling Visas and Citizenship: Policy Questions from the Global Boom in Investor Immigration.*Migration Policy Institute. Washington, DC. Retrieved from: http://www.migrationpolicy.org/research/selling-visas-and-citizenship-policy-questions-global-boom-investor-immigration. [Accessed: 22 August 2015].

Tabb, W. K., & Miller, S. M. (1973). New look at a Pure Theory of Local Expenditures. *National Tax Journal.* 26 (2), 161-176

Tashakkori, A., & Teddlie, C. (2003). Handbook on mixed methods in the behavioral and social sciences. Thousand Oaks, CA: *Sage Publications*, 17(1), 267-294

Transparency International. (2015). The Global Anti-Corruption Coalition. Retrieved from: https://www.transparency.org/. [Accessed: 10 August 2015].

Travel and Tourism Competitiveness Report. (2015). Index Results—The Travel & Tourism Competitiveness Index Ranking 2015. Retrieved from: http://reports.weforum.org. [Accessed: 21 August 2015].

UN-HABITAT. (2011). *Property Tax Regimes in Europe.* New York: United Nations.

Xu, X., El-Ashram, A., & Gold, J. (2015). *Selling Visas And Citizenship: Policy Questions From The Global Boom In Investor Immigration*. International Monetary Fund.

Yavuz, A. (2006). A Comparative Analysis of Cadastral Systems in the EU Countries According to Basic Selected Criteria. Retrieved from: https://www.fig.net [Accessed: 29 August 2015].

Zhu, M. (2015) Housing Markets, Financial Stability and the Economy. Retrieved from: https://www.imf.org/external/np/speeches/2014/060514.htm/. [Accessed: 22 August 2015].