

2021-01

# Paphos Real Estate since the beginning of the Global Financial Crisis, October 2008 . An analysis of trends and causes. A case study of Paphos

Levendis, Valendinos

Business Administration Program, School of Economic Sciences and Business, Neapolis University Pafos

---

<http://hdl.handle.net/11728/11727>

*Downloaded from HEPHAESTUS Repository, Neapolis University institutional repository*



**SCHOOL OF ECONOMICS , ADMINISTRATION AND  
COMPUTER SCIENCE**

**Paphos Real Estate since the beginning of the Global Financial  
Crisis, October 2008 . An analysis of trends and causes. A case  
study of Paphos**

Of the student

**Valendinos Levendis**

**Department of Economics and Business**

**2021**



**SCHOOL OF ECONOMICS , ADMINISTRATION AND  
COMPUTER SCIENCE**

**Paphos Real Estate since the beginning of the Global Financial  
Crisis, October 2008 . An analysis of trends and causes. A case  
study of Paphos**

of the Student

**Valendinos Levendis**

Submitted at the School of Economic , Administration and Computer  
Science in partial fulfilment  
of the requirements for obtaining the Degree of  
**MASTER OF SCIENCE**

January, 2021

# Copyright

Copyright © Valendinos Levendis , 2021

© Valendinos Levendis , 2021

*Page intentionally left blank*

PAPHOS REAL ESTATE SINCE THE BEGINNING OF THE  
GLOBAL FINANCIAL CRISIS, OCTOBER 2008 . AN  
ANALYSIS OF TRENDS AND CAUSES. A CASE STUDY OF  
PAPHOS

*Dissertation Approved*

*Supervisor*

*Dr. Nikolaos Apostolopoulos*

*Dean's Name*

*Dr. Maria Psillaki*

## Abstract

This dissertation entitled ‘ Paphos real estate since the beginning of the Global financial crisis , October 2008. An analysis of trends and causes . A case study of Paphos’, has been prepared by Valendinos Levendis, a student at Neapolis University Paphos , studying for MSc in Business Administration under the supervision of Dr. Nikolaos Apostolopoulos.

In Cyprus, with a total area of just about 9,200 square kilometers, of which about 37% is occupied by Turkish troops, it is easy to understand how important is the financial recourses of Real Estate. The Real Estate sector is one of the most important pillars of socio-economic development of Cyprus, as land is perhaps one of the most important leading factors of progress, prosperity and growth in the Cypriot economy.

The real estate industry has taken on significant importance in Cyprus in the recent years. However the Globe is still witnessing to this day the impacts of the Global financial crisis which is believed to be the worst since the last depression of the 30s. Furthermore the Cyprus real estate market was further inflicted due to the ‘haircut’ of 2013 , the coronavirus pandemic, the cancellation of the Cyprus Investment Program and last but not least the BREXIT. The importance of the thesis are the outcomes of the personal interviews by the use of a questionnaire with the Paphos real estate agents and developers , which revealed the consequences, causes and trends of the aforementioned scenarios, findings that reflects the overall Paphos property market.

## Dedication

I would like to dedicate my work to my father Crinos , mother Christina and my fiancé  
Ivana



## Acknowledgements

I would first and foremost , like to thank my supervisor, Dr. Nikolaos Apostolopoulos, for his advice and encouragement. Without his assistance and dedicated involvement in every step throughout the process, this thesis wouldn't be possible.

Moreover , I would like to express my deepest appreciation to all the interviewees that participated in the interviews.

## Table of Contents

Copyright .....	i
Abstract .....	iv
Dedication .....	v
Acknowledgements .....	vi
List of Figures .....	ix
CHAPTER 1 : INTRODUCTION .....	1
1.1 Scope .....	1
1.2 Justification and Rationale .....	1
1.3 Aims and objectives .....	3
CHAPTER 2: LITERATURE REVIEW .....	4
CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY .....	7
3.1 Introduction .....	7
3.2 Research philosophy .....	7
3.3 Research approach and strategy .....	8
3.4 Research techniques for data analysis .....	8
3.5 Sampling .....	10
3.6 Research techniques for data analysis .....	11
CHAPTER 4: THE REASONS AND CAUSES BEHIND THE GLOBAL FINANCIAL CRISIS OF 2008 .....	13
CHAPTER 5: CYPRUS ECONOMY TRENDS FROM 2005 UNTIL 2020 .....	17
5.1 Scope .....	17
5.2 GDP growth rate 2005/q1 – 2020/q2 all over Cyprus .....	17
5.2.1 GDP growth rate 2005/q1 – 2010/q4 .....	17
5.2.2 GDP growth rate 2010/q1 -2015/q4 .....	18
5.2.3 GDP growth rate 2015/q1 – 2020/q2 .....	19
5.3 Unemployment all over Cyprus for the years 2005 - 2020 .....	20

5.4 Inflation for the years 2005-2020 .....	21
5.5 Tourists arrivals all over Cyprus.....	22
5.6 Revenue from tourism in Cyprus from 2005 until 2019.....	24
5.7 Cyprus Consumer Confidence .....	25
CHAPTER 6: PAPHOS PROPERTY MARKET TRENDS FROM 2005 TO 2020 .....	27
6.1 Scope.....	27
6.2 Trend changes on the supply of properties in Paphos property market.....	27
6.3 Trend changes on the demand of properties in Paphos property market.....	33
6.4. Trend changes on the nationality of buyers for Paphos property market .....	36
6.5. Trend changes to the citizenship by investment scheme program from 2008 until 2018 all over Cyprus.....	41
6.6 Trend changes to the high-end residential property segment (over € 1,5 million) in Cyprus from 2010 until 2020.....	44
6.7 Trend changes on the prices of the properties in Paphos property market .....	46
6.8 Trend changes on the rent of the properties in Paphos property market .....	51
CHAPTER 7 : OUTCOME OF THE QUESTIONNAIRES .....	57
7.1 Scope.....	57
7.2 Findings from the personal interviews with the developers .....	57
7.3 Findings from the personal interviews with the real estate agents .....	68
7.4 Overall synopsis of the findings from the developers’ and real estate agents’ interviews .....	77
CHAPTER 8: CONCLUSIONS .....	79
8.1 Introduction.....	79
8.2 Conclusions.....	79
8.3 Limitations of the research .....	81
8.4 Further research .....	81
BIBLIOGRAPHY .....	83
APPENDIX 1.....	87

## List of Figures

Figure 1: GDP (2005-2010).....	17
Figure 2:GDP (2010-2015).....	18
Figure 3:GDP (2015-2020).....	19
Figure 4: Unemployment 2005-2020.....	20
Figure 5: Inflation 2005-2020.....	21
Figure 6: Tourist arrivals all over Cyprus 2005-2020 .....	22
Figure 7: Revenue from tourism (2005-2019).....	24
Figure 8: Cyprus consumer confidence survey 2006 – 2020.....	25
Figure 9: Building permits issued in Paphos 2005-2020.....	27
Figure 10: Building permits by Value .....	30
Figure 11: Building permits by Area ( sq.m.).....	30
Figure 12: Contract of property sales in Paphos area 2007-2020.....	33
Figure 13: Volume of property sales in Paphos area 2007-2020.....	35
Figure 14: Number of foreign buyers that submitted contract of sales vs Total contract of sales in Paphos land registry from 2008 until 2020.....	36
Figure 15: Market share of buyers in Paphos for the years 2008-2009 .....	38
Figure 16: Market share of buyers in Paphos for the years 2010 - 2011 .....	38
Figure 17: Market share of buyers in Paphos for the years 2012-2013.....	39
Figure 18: Market share of buyers in Paphos for the years 2014-2015.....	39
Figure 19: Market share of buyers in Paphos for the years 2016-2017 .....	40
Figure 20 : Market share of buyers in Paphos for the years 2018-2020.....	40
Figure 21: Total naturalizations all over Cyprus from 2008-2018.....	41
Figure 22 : European foreign investors VS Non-European foreign investors for 2018 until 2020 in Paphos.....	43
Figure 23: High- end residential properties over € 1,5 million all over Cyprus.....	44
Figure 24 : Changes of Apartment prices in Paphos 2010/Q2 - 2020/Q2 .....	46
Figure 25:Changes of House prices in Paphos 2010/Q2 - 2020/Q2.....	47
Figure 26 : Changes of Retail property prices in Paphos 2010/Q2 - 2020/Q2 .....	48
Figure 27: Changes of Warehouse prices in Paphos 2010/Q2 -2020/Q2 .....	49
Figure 28: Changes of office prices in Paphos 2010/Q2 - 2020/Q2.....	50

Figure 29: Changes of Apartment rent in Paphos 2010/Q2 - 2020/Q2 .....	51
Figure 30: Changes of House rent in Paphos 2010/Q2 - 2020/Q2 .....	52
Figure 31: Changes of Retail property rent in Paphos 2010/Q2 - 2020/Q2 .....	53
Figure 32: Changes of Warehouse rent in Paphos 2010/Q2 - 2020/Q2.....	54
Figure 33: Changes of Office rent in Paphos 2010/Q2 - 2020/Q2 .....	55
Figure 34:Percentage of property sales decrease since the global financial crisis and 'haircut' .....	58
Figure 35: The percentage of property prices decrease since the global financial crisis and the 'haircut' .....	58
Figure 36: The percentage of decrease on property prices due to corona virus .....	59
Figure 37: Percentage of increase on property sales due to CIP .....	60
Figure 38: Changes to the offered product .....	61
Figure 39: Average market share of clients .....	62
Figure 40: Percentage of 'passport' property sales in terms of number of transactions .....	63
Figure 41: Property market trend changes cause by the financial crisis.....	64
Figure 42: Property market trend changes caused by the 'haircut'.....	65
Figure 43: Decrease of property sales due to COVID-19.....	66
Figure 44: CIP ban effects on property developers .....	67
Figure 45: Percentage of property sales decrease since the global financial crisis and 'haircut' for the real estate agents .....	68
Figure 46: The percentage of re-sale property prices decrease since the global financial crisis and the 'haircut' .....	69
Figure 47:The percentage of decrease on resale property prices due to corona virus .....	70
Figure 48: Percentage of increase on property sales due to CIP ( Real estate agents) .....	70
Figure 49: Average market share of clients .....	71
Figure 50: Re-sale property market trend changes due to the financial crisis .....	72
Figure 51: Re-sale property market trend changes caused by the 'haircut' .....	73
Figure 52: Decrease of re-sale property sales due to COVID-19 .....	74
Figure 53: Increase on property sales due to the announcement of BREXIT .....	75
Figure 54 : Percentage of increase on property sales following the BREXIT.....	76
Figure 55: Percentage of decrease on property sales following the BREXIT .....	76

# CHAPTER 1 : INTRODUCTION

## 1.1 Scope

The scope of the thesis is to examine the trends and the causes behind real estate peaks and declines in Cyprus, more specifically in Paphos area.

## 1.2 Justification and Rationale

Cyprus over the last 12 years had a heavy blow in the Real estate market and generally in the overall economy following the Global Economic Crisis of 2008 , the ‘ haircut’ of 2013, the cancellation of the citizenship by investment scheme ,the coronavirus pandemic of 2020 and the Brexit . It is very important to understand the trends and the reasons following these occurrences in order to understand how the Cyprus real estate market, specifically in Paphos area is adjusting and coping. Are there any scenarios that benefited Cyprus? The Cypriot economy ? Do different scenarios cause changes in trends?

This dissertation will examine the Cyprus real estate market, specifically Paphos real estate market trends and reasons, while taking into consideration the various present and past scenarios that have impacted the real estate market and overall the Cyprus economy.

Unquestionably it is known that the impact of the Global Economic Crisis on the Cypriot property market was pernicious. In the last 12 years since the beginning of the Global Economic Crisis, Paphos developers have significantly reduced building new properties as they had a lot of ready unsold stock of properties. But because of the opening of the Chinese Market they have started building new developments, designed for this specific market, which this indicates that the trends have changed, the developers adjusted their products because of this scenario, as well as for the Russian Market. The Cypriot citizenship is obtained by foreign investors from China, Russia ,Taiwan ,India, Ukraine , Asia, etc., but the majority of investors were from China and Russia. It is worth mentioning that Chinese law unambiguously forbids dual citizenship for its citizens. Any Chinese who obtains another nationality ceases to be a Chinese national and is consider to be a traitor. The Chinese government has taken the relevant measures out of fear of a mass escape of capital from the country.

The Corona virus pandemic was confirmed to have set on foot in Cyprus on 9<sup>th</sup> of March 2020 . So far there are 28,125 confirmed cases, 2,057 are recovered and 163 deaths. Undoubtedly it is incontrovertible that COVID-19 has destroyed and damaged all Counties economies all over the world. Many Countries are in lockdown ( partial or completely ) , residents of other countries are not even allowed to travel to Cyprus and other countries, but even if they were allowed probably they wouldn't risk it. The impact is catastrophic , many hotels , bars, restaurants, car rental companies and other businesses are closed and the ones that are open aren't doing much. What is the impact of coronavirus on in Paphos real estate market? What is the impact of the BREXIT in Paphos real estate market? What are the real estate market trends caused by this unfortunate situation? how Paphos real estate market is coping?

This thesis will analyze , examine and attempt to discover the Cyprus Real Estate Market trends and the reasons leading to these trends concerning various past and present scenarios on Paphos area. The Global financial crisis of 2008, was 'born' by a bubble in the US shares and to the other asset prices, the US housing burst and this resulted to a chain wise fall in property prices and share prices around the world. To answer the question in this scenario it's needed to analyze data acquired from various sources regarding the state of the Cyprus property market before and after the global economic crisis in order to evaluate the impact of crisis, to observe the adapting Cyprus property market, the trends and reasons.

The year of the 'haircut' 2013, which is the fifth year after the global economic crisis. Cyprus therefore became the 'guinea pig' of Europe with a unique decision that essentially toppled its banking system. The unique and painful decision was to close Laiki Bank and the cut of deposits of Bank of Cyprus from 37.5% to 60% . This research will attempt to examine the impact of the haircut on the property market of Paphos. Also the citizenship by investment scheme which is active from 2008 , how this scheme affected the real estate market, are there any changes in trends, are there any changes in the target market of the developers and estate agents and the coronavirus outbreak. How COVID-19 affected Cyprus real estate market and are there any changes in trends ( target market, property prices, demand & supply etc.)

Last but not least how BREXIT will affect Cyprus real estate market and are there any changes in trends ( target market, property prices, demand & supply etc.)

### 1.3 Aims and objectives

The aim of this thesis is to examine the trends and causes behind the real estate peak and decline in Cyprus, more specifically in Paphos area. The present and past scenarios in the real estate market of Cyprus would be identified in order to understand the change in trends and additionally the major causes of these changes. The past scenarios refer to the global economic crisis of 2008, the ‘haircut’ of 2013, the citizenship by investment scheme and the present scenarios refers to the unfortunate coronavirus pandemic of 2020 and the Brexit.

In order to fulfil the aim the following objectives have been set:

- To scrutinize any pertinent literature findings on the issue
- To acquire a comprehensive understanding of what generated the Global Economic Crisis, the ‘haircut’ , the citizenship by investment scheme and the Brexit.
- To inspect the repercussions of the Global Economic Crisis , the ‘haircut’ , the citizenship by investment scheme , Corona virus and the BREXIT on Cyprus property market, specifically in Paphos area.
- To investigate the procedures and trends adopted by Paphos developers and real estate agents to deal with the various aforementioned scenarios.
- To arrive to conclusions as to the changes of the Cyprus property market trends and the reasons behind it.



## CHAPTER 2: LITERATURE REVIEW

A literature review is an evaluative report of information related to a selected research study. Literature information on how the Cyprus real estate market trends were during the global economic crisis, the ‘haircut’ and the citizenship by investment scheme are limited.

André Douglas , Pond Cummings (2011) support that the causes of the global financial crisis of 2008 are several and complex. Investigate reporters, academics and economists are trying to find out the failures that caused the catastrophic meltdown that almost destroyed the global economy.

“The onset of the financial crisis was triggered by the suspension of withdrawals from private equity funds invested in subprime securities that could not be priced given the lack of market trading.” (Duca John V. , Ling David C., 2015, P. 19)

According to Renaud (2010) an international consultant who specializes in financial development & real estate , the real estate market suffered a decline in housing prices during the global economic crisis. The growth in the sector is influenced by several factors such as risk-taking attitude of entrepreneurs , growth in global credit , the decision to open the real estate market to foreign ownership and high rate of in-migration.

Edward Glaeser , Wei Huang , Yueran Ma, Andrei Shleifer (2017)concluded that bursting real estate bubbles have traditionally done great harm when they are associated with financial crises . Bubbles that burst without banking meltdowns , are temporary events that seem to cause little long-run damage.

Daniel Hagemann, Monika Wohlmann (2019) are of the opinion that the global financial and economic crisis resulting from the US housing crisis has shown that house prices can have far-reaching consequences for the real economy. A.M Parhizgari , Ivelina Pavlova (2010) believe that the two most important periods are 2000-2006 and 2007-2008 in terms of an increase and a downfall in the property prices and returns.

Tony McGough , Jim Berry (2020) underpin that the volatility and instability in the real estate market was observed due to the previously economic and financial disturbances. Xiao Ma, Zhe Zhang, Yan Han, Xiao-Guang Yue (2019) support that the loss of foreign investors have potential implications in the Australian property market , the property construction activities are reduced , property prices dropped and the loss of foreign

investors in the Australian market requires the housing product to be changed in order to satisfy different buyer groups to remain economically viable. The global economic crisis led to the collapse of the U.S housing prices which is identified as a symptom rather than the cause of the crisis (Farmer, 2012).

According to Ekaterina Chernobai , Tarique Hossain (2017) sellers are too quick to sell when prices are climbing and hold on to properties longer when prices are dropping. Moreover Li (2013) author for the Department of Building and Real Estate for the Hong Kong Polytechnic University concluded that property investment is driven by easier availability of bank loans and more housing sales.

Furthermore increasing property prices have positive effect on land sale prices. Additionally E.N Klochkova , M.A Tolstyakova (2019) have found that the price on the housing market is one of the most difficult indicators to analyze , as it reflects trends in the commodity and financial markets, labor market, reacts to political, social and economic changes.

“ Cyprus built a significant internal and external imbalances in the run up to the global crisis . These were exacerbated by an oversized and weak banking sector heavily exposed to Greece, which posed large contingent liabilities onto the sovereign. The Greek debt restructuring, together with realized and prospective loan losses in both Cyprus and Greece, resulted in an assessment that the two largest banks were insolvent , triggering a loss of confidence and culminating in a banking crisis. The authorities responded through bold and unprecedented steps to address the banking problems. Troubled banks were resolved or restructured and recapitalized through participation of bank creditors , including uninsured depositors. This helped to ensure burden sharing and minimize fiscal costs”. (Fund , 2013, P. 2).

The 2013 ‘haircut’, “ crippled the economy and severely damaged the banking sector of Cyprus . A large segment of the Cypriot banking sector and the real economy vanished, the impact of household income , business income and employment, was devastating” (Scott Brown ,Demetra Demetriou,Panayiotis Theodosiou, 2018, P. 65)

Parker (2017) supports that the governments who have citizenship by investment schemes attract very rich Non-European investors to stimulate their country’s economy. Furthermore they offer to the wealthy Non-European investors a lot of advantages such as, European citizenship , access to visa free travel , tax advantages etc.

According to Veteto (2014) the citizenship by investment scheme is Malta's most valuable asset. Furthermore he adds that the advantages of the citizenship by investment scheme to Malta and other countries that have citizenship by investment scheme are huge and provide a respectable amount of wealth in the economies of the countries. Moreover Fossen (2018) believes that the ability to adapt , to learn , to think and borrow strategies from other island microstates in similar situations is the key that leads to the triumph of small island countries.

As claimed by Xin Gu, Shan Ying, Weiqiang Zhang, Yewei Tao (2020) construction companies were positively impacted by Corona virus pandemic . Moreover private firms suffered more than state-owned enterprises and foreign owned firms. Also smaller firms experienced an additional 30% decline compared to large- sized firms.

Moreover “ the pandemic has had a negative impact on the Hungarian housing market. The crisis increased by the spread of Covid-19 has stifled demand even in the short run, primarily because of the lack of willing-ness for personal contact and thus the postponement of house purchases” (Deak, 2020, P. 27). Furthermore Deak (2020) supports that in Budapest there is a decline in property development and that various new home projects are called off or postponed due to Covid-19.

Also according to Karine Avakyan ,Gennady Pratsko (2020) corona virus pandemic had a major crash on the economy of Russia and all over the world , including the real estate market.

## CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

### 3.1 Introduction

This chapter presents the methodology of data collection that the author has used for this dissertation as well as the examination of the research ideology, the strategy and the techniques of data analysis and collection.

### 3.2 Research philosophy

“The research philosophy you adopt contains important assumptions about the way in which you view the world.” (Mark Saunders, Philip Lewis, Adrian Thornhill, 2007, p.101)

Mark Saunders, Philip Lewis, Adrian Thornhill (2003) suggest that the main options for a research ideology are two, positivism philosophy and interpretivism philosophy.

According to Weber (2004) the researchers who are using positivism philosophy are trying to collect data that are true measures of reality, in other words they seek for truths ‘out there’. The positivism philosophy believes that everything can be proven and known and that there is always an answer and explanation for a research question.

On the other hand the researchers who are using interpretivism philosophy are trying to make sense of the world and believe that knowledge is acquired through social construction of the world, in other words they don’t seek for the ‘truth’ but focus on a socially agreed understanding, basically the research that uses interpretivism philosophy is trying to figure out the way people make sense around them. (Mark Saunders, Philip Lewis, Adrian Thornhill, 2003).

Moreover positivism philosophy uses large samples and quantitative research while interpretivism uses small samples and qualitative research.

Furthermore A.D.Jankowicz (2000) believes that researchers who are using interpretivism philosophy in their research allows them to acquire sufficient comprehension so that to forecast future outcomes.

The researcher by adopting the interpretivism approach attempts to persuade the audience about the significance, reliability and value of findings by using available information and proofs. The author will adopt the interpretivism philosophy due to the nature of the research question.

### 3.3 Research approach and strategy

The author by practising interpretivism philosophy during the construction of the research took over the part of a social actor which allowed him to understand and observe the different opinions and stands between the participants regarding the research questions. There are two types of research approach, deductive and inductive. Basically the deductive approach uses an existing already developed theory while the inductive approach collects acquired data to develop a theory (Mark Saunders, Philip Lewis, Adrian Thornhill, 2007), which allowed him to understand and observe the different opinions and stands between the participants regarding the research questions.

The author will use the inductive approach due to the nature of the research question as it seems the more suitable approach to answer those questions.

### 3.4 Research techniques for data analysis

The research design was based on personal interviews with the use of a questionnaire. A questionnaire is a research tool containing various questions in order of collecting data from the participants. They can be carried out by a telephone & video call, email or face to face. (McLeod, 2018). The main purpose of the questionnaire is to identify the Paphos real estate trends following the global financial crisis, the haircut, the citizenship by investment scheme, the Brexit and corona virus.

The interviewees were the CEOs of 10 Paphos property developers and the CEOs of 10 Paphos real estate agencies. The data was collected by one set of structured interviews with both closed and open questions. The questionnaire has 23 questions, 17 questions were addressed for both the real estate agents and developers and extra 6 questions only addressed to property developers.

The interviews were scheduled by a personal telephone call or by email in which the purpose of conducting the interview was explained and a questionnaire was given to the participants a week prior to the interview giving the participant the time to prepare and to prevent prolonged interviews by explaining the research topic. The author believes that face to face interviews are more reliable and would result in a better quality of data as the author explains the questions to the participant. The interviews lasted about 30 minutes each.

The questionnaire's questions are concentrated mostly on four main points being the following:

- How much has the global financial crisis and haircut affected their business and the overall Paphos real estate market.
- How much has the citizenship by investment scheme affected their business and the overall Paphos real estate market.
- How much has corona virus pandemic affected their business and the overall Paphos real estate market.
- How will BREXIT affect their business and the overall Paphos real estate market.

The author chose to include some open-ended questions in the questionnaires as he believes that it helps for the collection of significant data that it would not be possible to collect otherwise.

The purpose of conducting an interview in qualitative research "is not for statistical representativeness , but rather to identify specific groups of people who possess characteristics relevant to the phenomenon being studied" (Peter Fayers, Ron Hays, 2005, p.10-11) . In other words an interview is an important tool in order for the author to identify and record the life experiences of the participants which are reflective to the research's topic. (Manen, 2016)

As stated by (Rosalind Edwards, Janet Holland, 2013) you can use structured, semi-structured and unstructured interviews.

Stuckey (2013) stated that the researcher who is using structured interviews follows a specific set of questions in a predetermined order. Basically in structured interviews , questions are planned before hand and all the participants are asked and need to answer the same questions in the exactly same order.

Unstructured interviews don't follow a specific set of questions in a predetermined order, basically the researcher has no pre-planned questions (Essa Adhabi , Christina Blash Anozie, 2017).

Semi – structured interviews are " sufficiently structured to address specific topics related to the phenomenon of study and can be structured into segments moving fully open-ended towards more theoretically driven questions as the interview progresses" (Galletta, 2013,P.24). Basically in semi-structured questions the researcher asks the participants only a couple of predetermined questions , the rest of the questions are not planned beforehand.

The author has chosen to go through structured interviews for the purpose of this thesis and chose both open and closed ended questions in order to gain the advantages of this 2 types of questions . Also this approach created a friendlier and more relaxed environment for discussion for both the participants and the interviewer thus more accurate and reliable data was gathered.

The author would like to note that a potential problem with personal interviews is that the participants may deliberately or unintentionally provide not accurate answers in an effort to protect trade secrets from rivals or for other different reasons. The author assured the participants that their answers are strictly confidential and only used in the context for this thesis without referencing to persons or companies to prevent unrealistic and false data and to make sure that the answers will be as correct as possible.

Moreover the author having experience in the Paphos real estate market believes that the results of the thesis are accurate and reflects the Paphos real estate market.

### 3.5 Sampling

Based upon the nature of the qualitative research approach and structured interviews , the sample focused on a total of twenty interviewees, ten real estate agents and ten developers in the Paphos region. Even though the sample can be consider small, the author is confident that the participants represent the Paphos real estate industry as they are the major players , enjoying good reputation and having long experience in the real estate property market.

According to Steve Campell, Melanie Greenwood, Sarah Prior, Toniele Shearer, Kerrie Walkem, Sarah Young, Danielle Bywaters, Kim Walker (2020) purposive sampling contributes to the better matching of the sample to the aims and objectives of the research and therefore enhancing the accuracy ,strigency and credibility of the collected data and results.

### 3.6 Research techniques for data analysis

“Data analysis is the process of making sense out of data” (Sharan B. Merriam , Elizabeth J.Tisdell, 2015, P.202) . Basically qualitative analysis converts acquired data into findings. The author has given the same questionnaire and same questions except 6 to the real estate agents and developers. The data was collected , identified and analyzed by thoroughly examine each of the questionnaires. The answers for most questions were very similar between real estate agents and property developers. Then the findings from the thesis were linked and collated with the findings from the literature review to appropriately arrive to conclusions.



*Page intentionally left blank*

## CHAPTER 4: THE REASONS AND CAUSES BEHIND THE GLOBAL FINANCIAL CRISIS OF 2008

The Global Economic crisis undoubtedly had and still has today a negative impact in the countries and there people all over the world. On the 15th of September 2008 the investment bank Lehman brothers, one of the biggest financial institutions ran out of liquidity and filed for bankruptcy (Farmer, 2012). As the crisis advanced , stock market and the financial markets collapsed worldwide. The economic crisis was born in the United States but proliferated to the rest of the world. As the panic kicked investors began pulling their capital out of the banks and investment funds all over the globe. At the same time with the dysfunctionality of the financial markets and everyone tried to sell at the same time , the unwillingness of the businesses to invest and households reluctant to spend as confidence collapsed caused the unfortunate global economic crisis.

Mach (2019) is of the opinion that the real estate market is one of the markets which dramatically affected by the economic crisis with drops in property prices and a decreased demand and supply. “Complex financial instruments that incorporated subprime house mortgages lost their value as the housing bubble burst following ten years of continuous price rises based on expectations of a continuation of such increase” (Martin H. Wolfson , Gerald A. Epstein, 2013, P.215) . This incident is flawlessly congruous with the economic theory although at first thought is that it contravenes the law of demand. Sivitandiou (2011) believes that the increases in demand were not set off by the actual price increases but by the supposition of further increases in the future.

In general, property prices were risen by many factors such as the low interest rates, a lot of different mortgage options , prosperous economy and easy available credit . It was ‘easy’ back then to buy a property so buyers fueled by unrealistic and not viable property price estimations were rushing to buy properties before the prices will rise thus the increase on the property prices and the bubble bursts with such force that dragged the whole planet into the economic cliff. Ratajczak (2006) supports that low interest rates contributed to the attractiveness of home ownership. In fact about 70% of the Unites States households owns a property because of the falling interest rates made property ownership affordable. “ The roots of the crisis go back to a long period of low interest rates and excessive risk taking spurred by new financial products that allowed homeowners, banks and investors to borrow extensively without a solid backing of equity capital” (Risager, 2013, P.81).

Moreover the sub-prime loans were frequently given with the expectation that property prices would continue to increase that's why many times it was required to put a very small down payment or none with low and even without repayments at the beginning of the loan with the idea that even though many new homeowners couldn't afford to buy a property the increase in property prices would in the end work out that problem. But unfortunately as property prices decreased many sub-prime borrowers couldn't afford to repay their debt (Risager, 2013). All this factors allowed a lot of people to become homeowners who would otherwise never have been able to purchase a property, increasing the property prices even higher – as the demand risen. Basically anyone creditworthy or not, could get a mortgage, so billions of dollars every year flooded the securitization chain and therefore fictitious house prices soared, resulting in the largest financial bubble in history.

According to André Douglas,Pond Cummings (2011) estimates show that more than 25% of all United States households owe more on their home mortgage than their home is currently worth , basically nearly half of all homeowners who undertook sub-prime mortgages can't repay their loans, causing many to abandon their properties. In fact , “in Detroit, Michigan, more than forty square miles of abandoned housing sits vacant within its city limits as foreclosures and unemployment by some estimates, at nearly 50% have wreaked havoc on the city” (André Douglas,Pond Cummings, 2011, P.173)

Furthermore according to Vasilka Gaber , Stevan Gaber and Ilija Gruevski, (2014) the authorities were in fact ‘happy’ about the increase of real estate property prices and financial instruments and have done absolutely nothing to slow these trends . Actually they saw it as an indication of dynamism, strength and power of their economies. Moreover according to André Douglas,Pond Cummings ( 2011) housing market cover presented by government policies protected the expanding sub-prime market.

“Financial Crises are the result of the normal functioning of the economic and financial systems over the course of the business cycle” (Aziz, 2012, P.202) . In the United States of America, many real estate bubbles occurred but they didn't have such catastrophic economic and financial impact like the global financial crisis of 2008. Real estate bubbles cause mild real estate crashes and affects the economy but in a couple of years everything is back to normal. The U.S real estate bubble was actually caused by another bubble. The bursting of the dotcom bubble, accounting scandals and the collapse of the Wall Street bank Lehman Brothers was the final nail in the coffin and for many was the symbol of the destruction spawned by the global financial crisis. The United States real estate bubble

exploded leading to drops in property and share prices all over the world. This was caused from the financial globalization and the incorporation of the world's stock markets.

According to Ökte, (2012) the main reason of the crisis was the existence of a real estate bubble in the United States which was caused by the over expansionary monetary policies of the Federal Reserve Board since 2001 and global imbalances. “ With the explosion, the real estate bubble disruptive effects of the crisis on both the real economy and the financial system became more apparent. The general loss of confidence on the future course of the economy , weak regulatory structure, over indebtedness and increased risk appetite of investors were the factors that contributed to this deterioration” (Ökte, 2012, P.81)

Property prices have fallen and as a chain wise reaction led to a decrease in the prices of securitized sub-prime mortgages , affecting financial markets all over the world. As there was a real estate bubble for some time, there was an uncertainty for the real value of the properties and that created a confusion and unpredictability for the future property prices. It was impossible to make accurate economic and investment decisions and this disheartened the global economic activity. The increasingly rising unemployment , the shocking decrease in property and equity wealth and the loss in confidence households all over the globe, re-evaluated their budget and spending plans and switched to survival mode.

In conclusion unregulated and unmonitored lending , selfless borrowing and lending and government cover were a part in the collapse of the sub-prime loan market that led to the global economic crisis.

*Page intentionally left blank*

## CHAPTER 5: CYPRUS ECONOMY TRENDS FROM 2005 UNTIL 2020

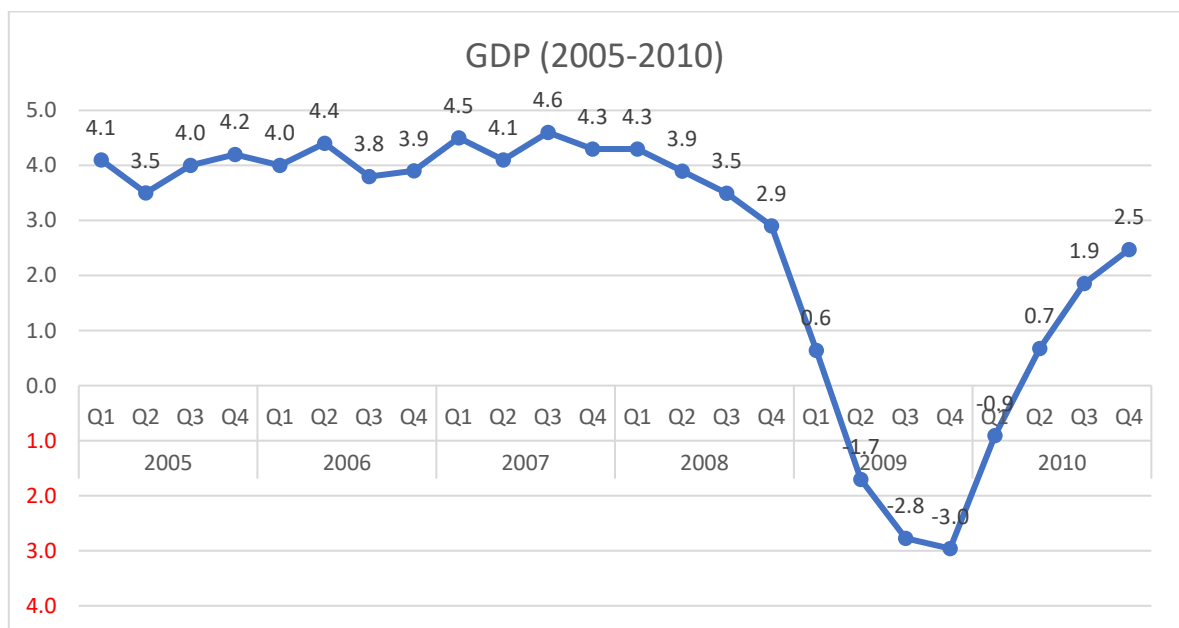
### 5.1 Scope

The aim of this chapter is to primarily analyze gathered data obtained from several sources regarding the state of Cyprus economy and then proceed to examine how the trends changed due to the global economic crisis, the haircut, citizenship by investment scheme and COVID-19.

### 5.2 GDP growth rate 2005/q1 – 2020/q2 all over Cyprus

#### 5.2.1 GDP growth rate 2005/q1 – 2010/q4

***Figure 1: GDP (2005-2010)***



*Source: Cystat*

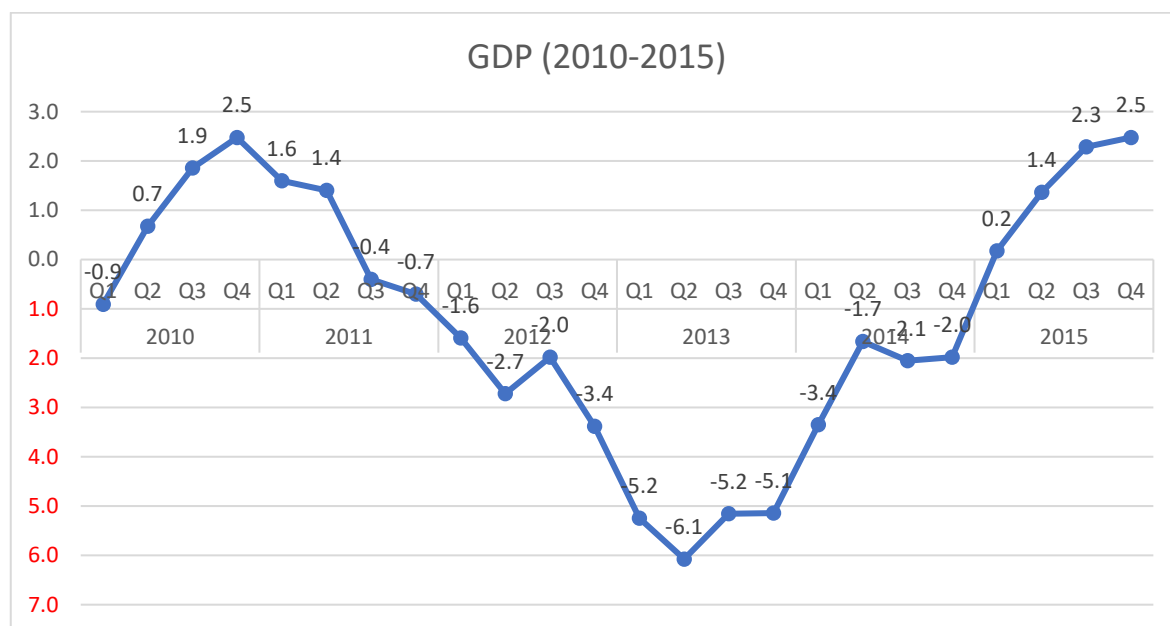
Gross Domestic Product (GDP) measures the value of final goods and services produced in an economy, basically it indicates how much has been earned within a country's national boundaries.

As seen in the above chart the GDP from 2005 until 2008/Q1 is positive and relatively stable with small ups and downs. The GDP growth rate in real terms during the 4<sup>th</sup> quarter of 2007 is approximately at 4.3% over the 4<sup>th</sup> quarter of 2006. For the whole year 2007, the

GDP is calculated at 4.4%. The growth of the GDP in real terms was mostly provided by the sectors of Financial Intermediation & Real Estate Activities (+8,0%), Construction (+5,0%) and Wholesale & Retail Trade, Hotels & Restaurants, Transports & Communications (+4,1%). For the year 2008 – the year of the Global Financial crisis (15<sup>th</sup> of September) we can see a gradual decrease during the 3<sup>rd</sup> Quarter (July, August, September). The deceleration of the economy is mostly attributed in the sectors of Hotels& Restaurants, Real Estate activities, Construction and Retail Trade. The GDP growth rate in real terms during the 4<sup>th</sup> Quarter of 2009 is calculated at -3,0% and is the first year that Cyprus has a negative GDP. The GDP growth rate during the 4<sup>th</sup> Quarter of 2010 is approximately 2,5% in contrast to the 4<sup>th</sup> quarter of 2009. The improvement in the economy during 2010 is largely attributed in the sectors of Tourism, Transports and Trade while Construction and Real Estate Activities showed negative performances.

## 5.2.2 GDP growth rate 2010/q1 -2015/q4

***Figure 2:GDP (2010-2015)***



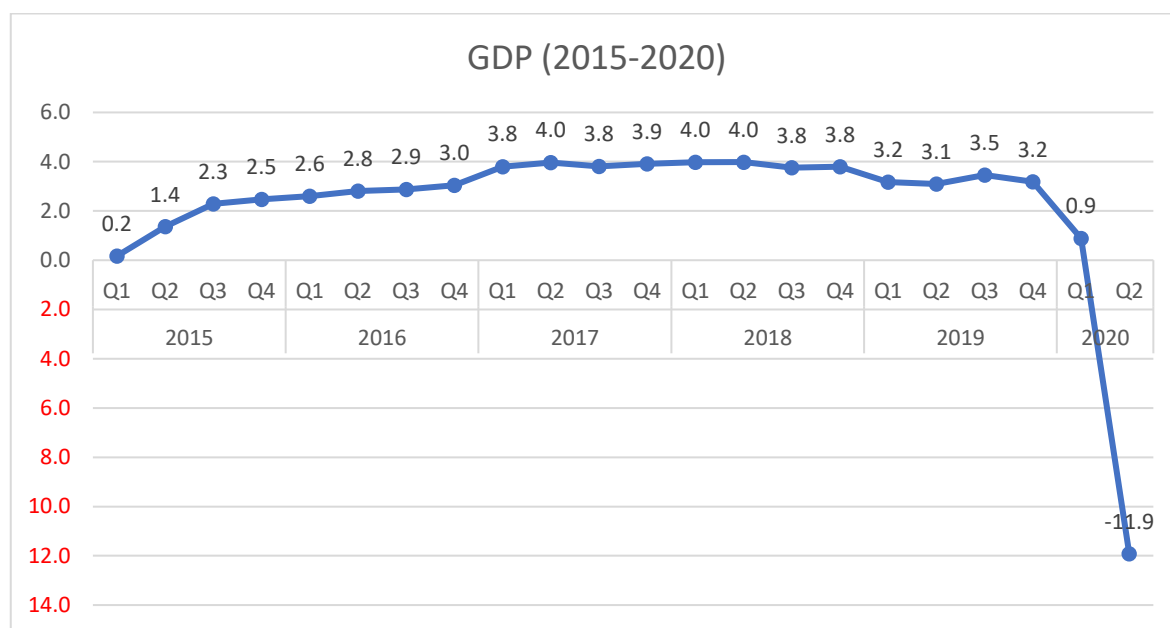
*Source: Cystat*

As shown at the above chart the GDP growth rate in real terms during the 4<sup>th</sup> Quarter of 2011 is negative and calculated at -0,7% in comparison to the 4<sup>th</sup> quarter of 2010. Negative growth rates were observed in the Construction and Real Estate sector. During the 4<sup>th</sup> Quarter of 2012 the GGP growth rate is negative and valuated at -3,4%. Negative growth rates were recorder in the Construction, Real Estate and Manufacturing sector while positive growth rate was observed by the sector of Legal and Accounting Activities. The

year 2013 is the year of the Cypriot ‘haircut’ and during the second Quarter the GDP is negative and the lowest that was recorded at -6,1% while the 4<sup>th</sup> Quarter is -5,1%. Negative growth rates were seen in the Manufacturing, Construction, Banking and Trade sectors while positive growth rates were observed in the Tourism sector. The GDP growth rate in the 4<sup>th</sup> Quarter of 2014 is negative at -2,0%. Positive growth rates were observed in the sectors of Hotels & Restaurants and Legal & Accounting Activities while negative growth rates were identified in the sectors of Manufacturing, Construction and Banking. In the year 2015 the GDP growth rate in real terms during the 4<sup>th</sup> Quarter is positive and estimated at +2,5% and is the first year were positive GDP growth was presented following the 2013 ‘haircut’ and the increase is mainly attributed to the sectors of Construction , Real estate Activities, Hotels & Restaurants and Financial service activities.

### 5.2.3 GDP growth rate 2015/q1 – 2020/q2

**Figure 3:GDP (2015-2020)**



Source: Cystat

As observed at the above chart the GDP growth rate in the fourth quarter of 2016 is positive and estimated at +3,0% over the corresponding quarter of 2015. The increase of the GDP growth rate is largely due to the sectors of Hotels & Restaurants, Retail & Wholesale trade , Construction & Real Estate Activities and Manufacturing while negative growth rate was seen by the sector of Financial service activities. During the 4<sup>th</sup> Quarter of 2017 the GDP growth rate in real terms is +3,9% over the corresponding quarter of 2016. The GDP growth rate is caused due to the sectors forementioned for the year 2016. The

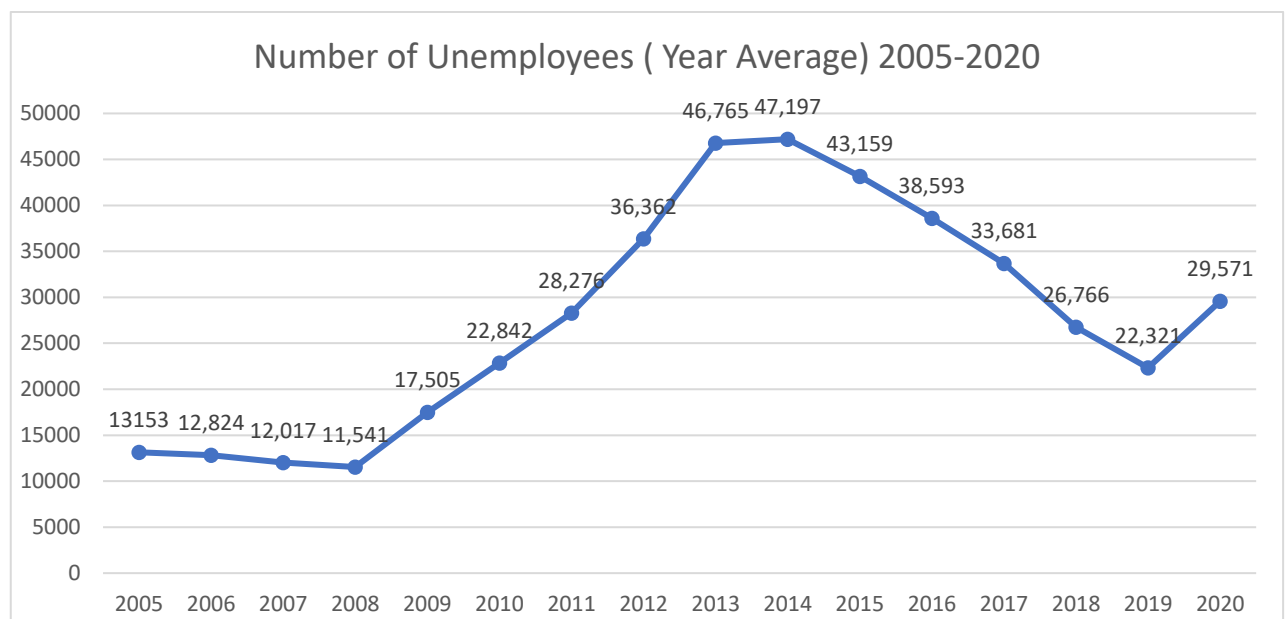


GDP growth rate in real terms during the 4<sup>th</sup> quarter of 2018 is positive and valued at +3,8%. During the 4<sup>th</sup> Quarter of 2019 the GDP growth rate is +3,2% . The year 2020 which is the year of the unfortunate Coronavirus Pandemic the GDP growth rate in real terms during the 2<sup>nd</sup> Quarter is at -11,9% over the corresponding quarter of 2019. The negative GDP growth rate is mostly due to the sectors of Hotels & Restaurants, Construction, Manufacturing, Transport, Wholesale and Retail Trade, Repair of Motor Vehicles, Entertainment and Recreation and other Service activities. The use of precautionary measures and relevant laws to handle the negative outcome of Corona virus had a direct impact on the Cyprus Economy. The preventive measures, the restrictions of citizen movements and the partial or total closure of businesses lead to a huge decrease on the 2<sup>nd</sup> Quarter of 2020.

In conclusion overall the largest growth driver during the years was Construction and Real Estate Activities , closely followed by Tourism , Wholesale and Retail trade.

### 5.3 Unemployment all over Cyprus for the years 2005 - 2020

**Figure 4: Unemployment 2005-2020**



*Source: Cystat*

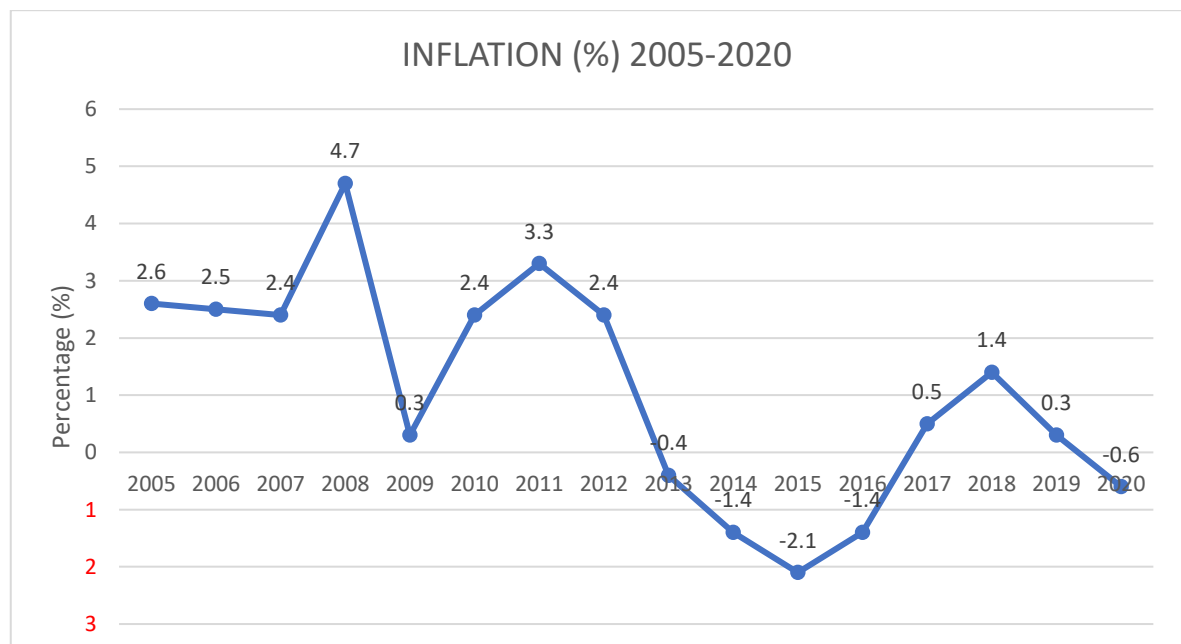
Unemployment is a measure of the number of jobless persons who are available to work, want to work and are actively searching employment.

As shown at the above chart the year 2008 which is the year of the Global Financial Crisis the unemployed on average all over Cyprus were 11,541 and is the lowest number from

2005 until 2020 because the Economy of Cyprus was booming. In the year 2009 the average number of unemployed were 17,505 and in the year 2012 the average number of unemployed were 36,362 , an increase of 108%. The year 2013 which was the year of the ‘haircut’ the average number of unemployed all over Cyprus was 46,765 and the following year 2014 the average number of unemployed were 47,197 which is the highest number of unemployed since the Turkish invasion in Cyprus in 1974 and in the year 2019 were 22,321, a decrease of 53%. The year 2020 which is the year of COVID-19 the average number of unemployed is 29,571 until October , an increase of 32% from the previous year. It is worth mentioning that in comparison with October 2019, an increase of 14,943 persons or 90,3% was recorded . Furthermore the registered unemployed persons on the 31<sup>st</sup> of October 2020 were 31,487. Taking into consideration the seasonally adjusted data ( adjusted data that show the trend of unemployment) the registered unemployed persons were 38,477 in comparison to 37,126 in the previous month. Probably the number of unemployed person will increase further more due to Covid-19 and the lockdown restrictions taken by the government.

#### 5.4 Inflation for the years 2005-2020

**Figure 5: Inflation 2005-2020**



*Source: Cystat*

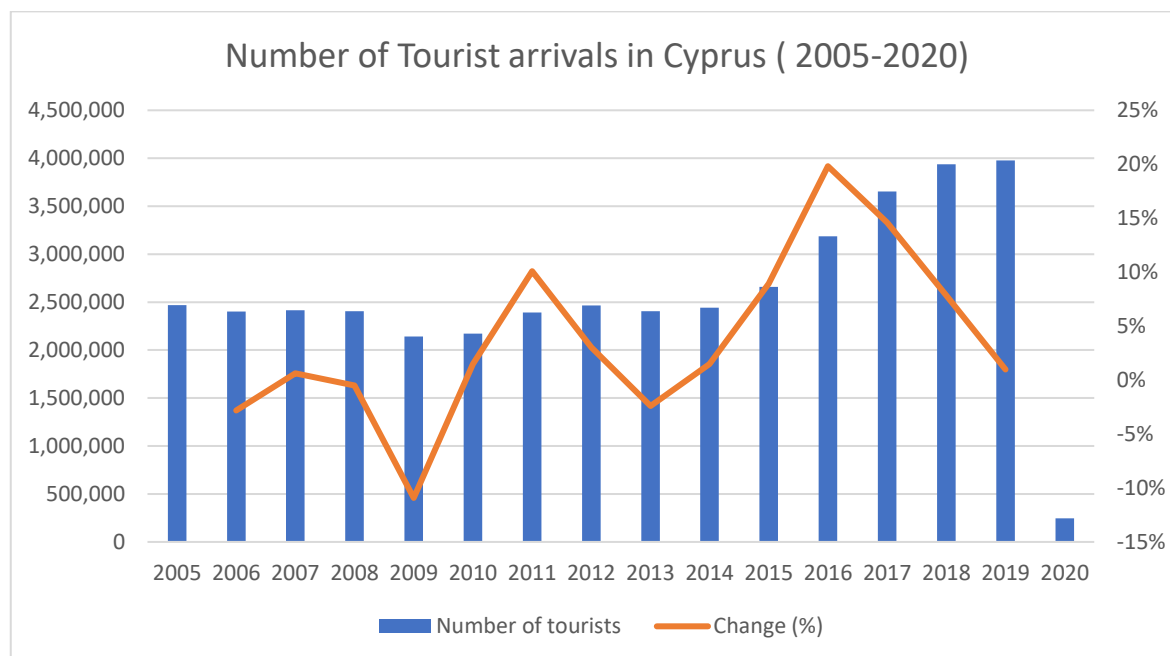
Inflation measures the increase in the prices of goods and services of daily and common use ( Housing ,clothing ,food etc.), basically it occurs when there is a sustained increase in

the general price level over a given period. If it is negative it's called deflation and represents falling price levels.

As seen at the above chart in the year 2008, which is the year of the Global financial crisis had the highest inflation rate based on the consumer price index of 4,7%. In comparison with 2005 the inflation in 2008 increased by 81% . Afterwards in 2009 there is a sudden drop on the inflation rate and is 0,3% . In comparison with 2008 the inflation rate in 2009 decreased by 94% . Furthermore we can observe a graduate increase between the years 2010 and 2011. In the year 2013 which is the year of the 'haircut' we can see a sudden drop of the inflation rate, which is negative (-0,4%) and this year we have deflation which represents falling price levels. In comparison with 2008 the inflation rate decreased by 109% .From 2013 until 2016 it is observed that there is deflation reducing the price levels further. Moreover from 2017 until 2018 there is an increase on the inflation rate. Inflation in Cyprus for 2020 which is the year of COVID-19 stood at -0,6% which is a deflation but it is expected to rebound to approximately 0,8% in 2021 according to the Cyprus Ministry of Finance.

## 5.5 Tourists arrivals all over Cyprus

***Figure 6: Tourist arrivals all over Cyprus 2005-2020***

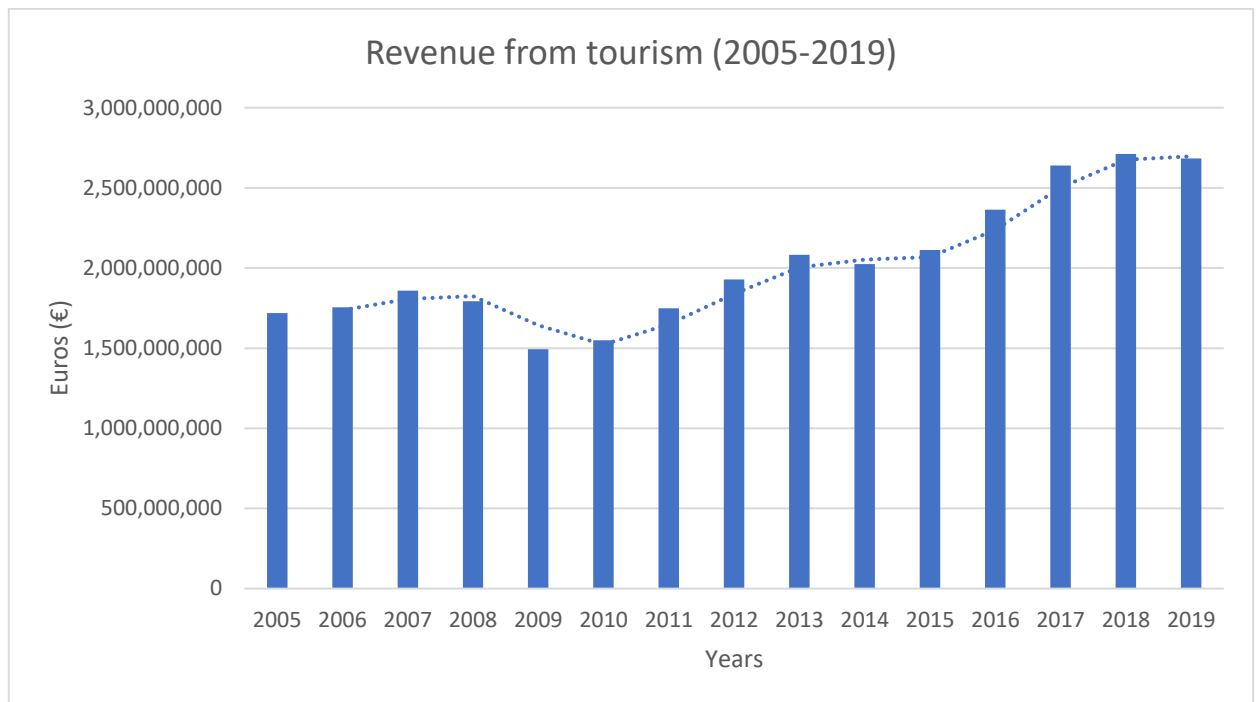


*Source: Cystat*

As shown at the above chart from 2005 until 2008 the tourist arrivals on the island is fairly stable with 2,470,100 tourist arrivals in 2005 and 2,403,800 in 2008 respectively . The following year 2009, one year after the beginning of the global financial crisis the tourist arrivals were 2,141,200 , 262,600 tourists less than the previous year or a decrease of 11% . Furthermore tourist arrivals are increasing from 2010 until 2012 with 2,173,000 tourist arrivals in 2010 and 2,464,900 in 2012. Moreover in the year 2013 , the year of the ‘haircut’ 2,405,400 tourist arrived in Cyprus which is 59,500 tourist less than the previous year or a decrease of 2% which is not a major decrease. We can observe how the global economic crisis has affected the economies all over the world and the uncertainty that it created with the decrease of the tourist arrivals in Cyprus. While in 2013 the year of the Cypriot haircut because it was endogenous crisis it didn’t affect the rest of the world like the global economic crisis did. From 2016 until 2019 the tourist arrivals were skyrocketed with 3,186,500 tourist arrivals in 2016 and 3,976,800 tourist arrivals in 2019 which is the biggest number of tourist arrivals so far in the island. In comparison with 2009 were the tourist arrivals were 2,141,200 and 2019 were the tourist arrivals were 3,976,800 , tourist arrivals were almost double or 86% increase of tourist arrivals. The year 2020 as of the 15<sup>th</sup> of March as Cyprus government banned all flights in the Republic due to COVID-19 only 246,555 tourists arrived , a decrease of 94% in comparison with the previous year. On the 9<sup>th</sup> of June Cyprus allowed entry in Cyprus from specific countries with strict restrictions but the sample size was very small to be analyzed. Pre-covid19 the number of tourists was steadily growing year by year due to the advantages Cyprus is offering over its competitive countries. Cyprus enjoys the best climate in the Mediterranean region , it has one of the lowest crime rate in Europe , friendly people, good communication system, legal system based on English legal system , English language widely spoken, member of European Union, one of the lowest business tax rate in the European Union etc.

## 5.6 Revenue from tourism in Cyprus from 2005 until 2019

***Figure 7: Revenue from tourism (2005-2019)***



*Source: Cystat*

The above chart shows the total revenue from tourism all over Cyprus from 2005 until 2019 . From 2005 until 2007 we can see a graduate increase in the total revenue from tourism with total revenue of € 1,718,300,000 in 2005 and € 1,858,100,000 respectively in 2007 . In 2008 , the year of the global economic crisis total revenues from tourism was reduced by € 65,300,000 or a decrease of 4% from the previous year. In 2009 was even worst with a decrease of € 299,600,000 or a decrease of 17% from the year 2008. We can see how the global financial crisis affected the Tourist revenue section of the economy of Cyprus . From 2010 until 2012 the total revenue from tourism is increasing with total revenues of € 1,549,900 in 2010 and € 1,927,700 in 2012 . In 2013, the year of the ‘haircut’ the total revenues actually increased by 8% from 2012 . Furthermore in 2013 is the first time in Cyprus that the revenues from tourism were in the 2 billion euro figure . From 2014 until 2019 the revenues from tourism is steadily increasing with small ups and downs and for the year 2019 the revenues from tourism were € 2,683,000. The year 2020 , unquestionably due to corona virus pandemic and the closure of airports in Cyprus the revenues from tourism will catastrophically decrease. Pre-covid19 the total revenues from tourism was gradually increasing and stabilizing. Cyprus attracted about 1,6 million tourist from the United Kingdom and about 600,000 tourists from Russia . These two major

markets are mostly high spenders and were increasing year by year due to the reasons mentioned previously and by some ‘new’ laws that contributed to the increase in demand for properties in Cyprus. The first recent law is that transfer fees for properties are half and the now banned since 1<sup>st</sup> of November 2020 citizenship by investment scheme and permanent residency to Non-European who are buying properties over € 2,000,000 was attracting lots of foreign buyers, especially Chinese and Russians.

## 5.7 Cyprus Consumer Confidence

**Figure 8: Cyprus consumer confidence survey 2006 – 2020**



source: *TheGlobalEconomy.com, Eurostat*

“The consumer survey contains standardized questions about the financial situation of households , general economic situation, inflation, unemployment , saving , intentions of making major purchases on durable goods or purchasing or building a home or buying a car. The survey gives an opportunity to analyze the tendencies in the development of public opinions on significant economic phenomena in Cyprus”. (theglobaleconomy, 2020) Basically the consumer economic sentiment valuates the degree of confidence and optimism that consumers have for the country’s economy. According to theglobaleconomy (2020) the consumer economic sentiment indicator calculates consumer optimism on a scale of 100 to -100 , where 100 means super confidence , 0 neutral and -100 intense lack of confidence. Furthermore the consumer confidence is calculated as an index of construction , of developments in the industrial , retail trade and consumer sectors.

As shown at the above chart in 2005 until 2006 the consumer economic sentiment indicator was approximately -23 to -21 which indicates that the consumer confidence was relatively low. From 2007 until 2008 we can see an increase on the consumer confidence indicator, as consumers were optimistic about the economy seeing that the housing market and Cyprus economy were booming. After the global financial crisis of 2008 until the year 2013 we can see a major loss of consumer confidence and for the year 2013, the year of the 'haircut' it can be observed that the indicator was the lowest so far in Cyprus at -59. After the Cyprus 'haircut' a lot of people lost a lot of their bank savings but they also lost their optimism and confidence for the future. From 2014 until 2019 the confidence was increasing with the highest at 3,5 in 2018. Consumers started to feel confident for the economy. In 2020 can be seen a sudden drop of the consumer confidence, a drop of -35. The loss of consumer confidence was due to the COVID-19 pandemic. In conclusion we can see how the consumer confidence and trends are changing due to different scenarios.

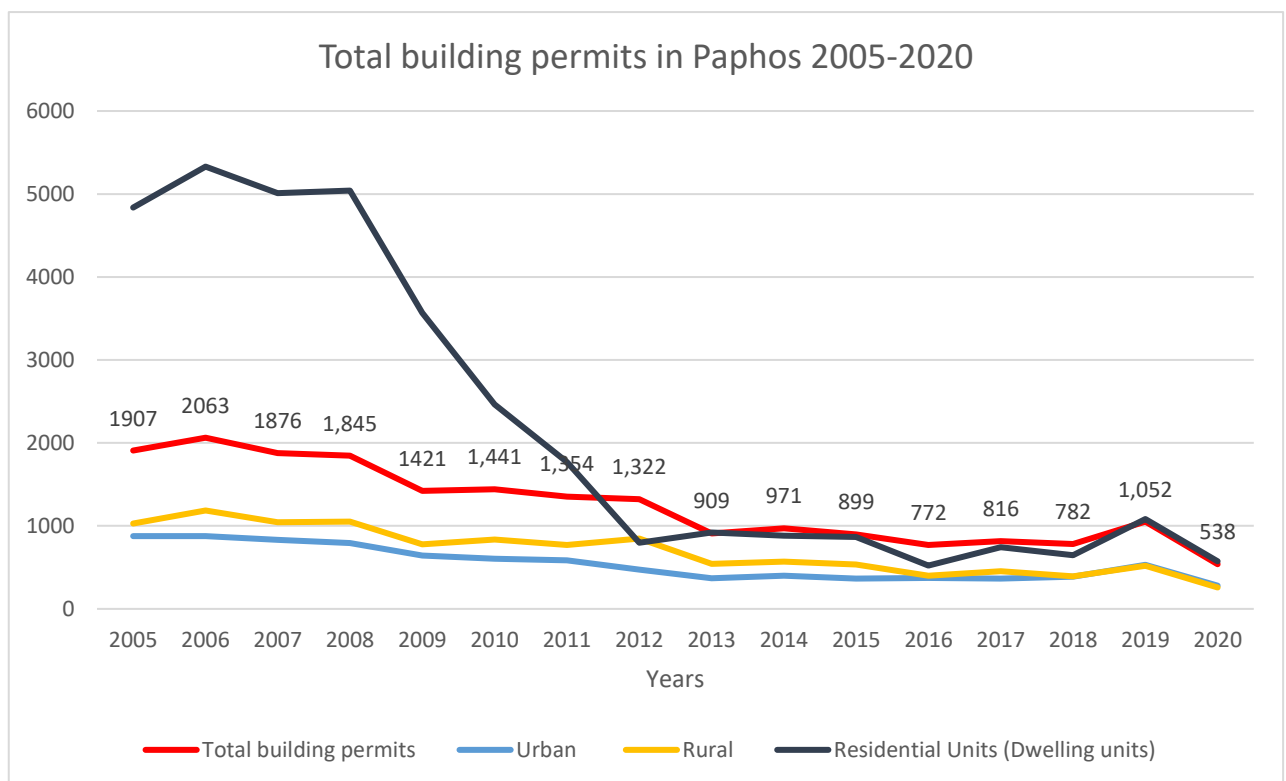
## CHAPTER 6: PAPHOS PROPERTY MARKET TRENDS FROM 2005 TO 2020

### 6.1 Scope

The aim of this chapter is to examine and analyze acquired data from various sources regarding Paphos property market before and after the global economic crisis, the ‘haircut’ and COVID-19 in order to observe the trends and the reasons behind those trends.

### 6.2 Trend changes on the supply of properties in Paphos property market

***Figure 9: Building permits issued in Paphos 2005-2020***



*Source: Cyprus land registry, Cystat*

According to the Cypriot Town planning and Building department, development is defined as the : “ carrying out of building , engineering , mining or other works in, on, over or under immovable property, or the execution of any substantial change in the use of any immovable property” . In order for someone to build in Cyprus it’s required to acquire building permit and planning permission.

As seen at the above chart , the building permits in Paphos area (red colour) at the end of the year 2005 were 1,907, which 877 building permits were for developments in the urban area (blue colour) of Paphos and 1,030 were for developments in the rural area (yellow



colour) of Paphos. The total number of residential property units (black colour) for 2005 was 4,835 units. For the year 2006, the building permits in Paphos were 2,063, which 877 building permits were for developments in the urban area and 1,186 were for developments in the rural area. The total number of residential property units were 5,330, a 10% increase from the previous year.

In 2007 the building permits in Paphos area were 1,876, which 831 building permits were for developments in the urban area and 1,045 were for developments in the rural area of Paphos. The total number of residential property units were 5,011 units.

Furthermore the year 2008, which is the year of the Global financial crisis, the building permits in Paphos area were 1,845, which 795 were building permits for developments in the urban area and 1,050 for developments in the rural area. The total number of residential property units were 5,042 units.

In the year 2009, one year after the global economic it can be observed that the building permits were reduced by -23% in comparison from the previous year. At the end of 2009 the building permits were 1,421, which 642 building permits were for developments in the urban areas and 779 building permits for developments in the rural areas. The total number of residential units were 3,569 units a decrease by -29% in comparison with the previous year.

In the year 2010, two years after the global financial crisis the building permits were 1,441, which 605 building permits were for developments in the urban areas of Paphos and 836 for developments in the rural areas of Paphos. The total number of residential units were 2,462 units, a decrease of -50% in comparison with the year 2008, the year of the crisis.

Moreover at the end of 2011, 1,354 building permits were issued, which 585 of them were for urban developments and 769 for rural developments. The total number of residential units were 1,770 units, a decrease of -64% in comparison with 2008.

In addition in 2012, one year before the 'haircut and five years after the global financial crisis, 1,322 building permits were issued, which 475 were for urban developments and 847 for rural developments. Remarkably the number of residential units were 799, a decrease of -55% from the previous year and -84% from 2008. From 2009 until 2012 a major reduction of building permits can be observed. This is due to the global financial crisis of 2008, as the uncertainty and pessimism of the future increased, the building permits decreased as well, as a lot of developers had already unsold stock of properties.

In 2013, the year of the 'haircut' , 909 building permits were issued , which 368 of the building permits issued were for urban developments and 541 for rural developments. The number of residential units were 920 units. At the end of the year 2014, one year after the 'haircut' , 971 building permits were issued, 401 for urban developments and 570 for rural developments. The total residential units were 883 units. In 2015, 2 years after the 'haircut' , 899 building permits were issued, from which 365 were for urban developments and 534 for rural developments. The total number of residential units were 865 units.

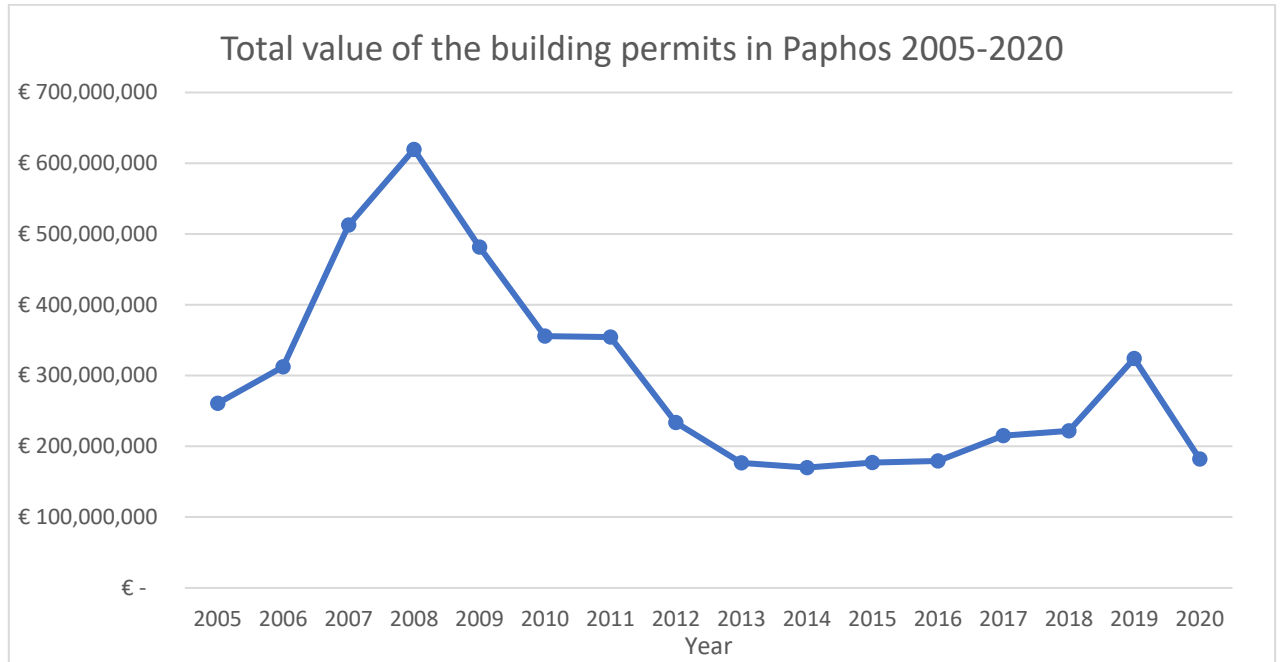
The year 2016, the eighth year after the global economic crisis, the building permits were 772, which 373 building permits were for urban developments and 399 for rural developments. The total number of residential units were 522 . In comparison with 2008, the year of the economic crisis, the residential units were decreased by -90% and in comparison with 2013, the year of the haircut the residential units were decreased by -43%. Moreover in 2017, the ninth year after the global economic crisis, 816 building permits were issued, were 364 building permits were for urban developments and 452 building permits were for rural developments. The total number of residential units were 743 units. Furthermore in 2018 , the tenth year after the global financial crisis , 782 building permits were issued, which 389 building permits were for urban developments and 393 for rural developments. The number of rural and urban developments are almost the same as opposed to the previous years were building permits for rural developments are more. The total number of residential units were 646 units.

In 2019 the building permits were significantly increased from 2013, the year of the haircut. The building permits that were issued in 2019 were 1,052 , out of which 531 building permits were for urban developments and 521 were for rural developments. The building permits for rural and urban developments are almost the same. The total number of residential units were 1,084 units, and is the highest number of units since 2012.

In 2020, the year of corona virus pandemic, 538 building permits were issued from January until July. The building permits for urban developments are 280 and 258 for rural developments. The total number of residential units are 574 units.

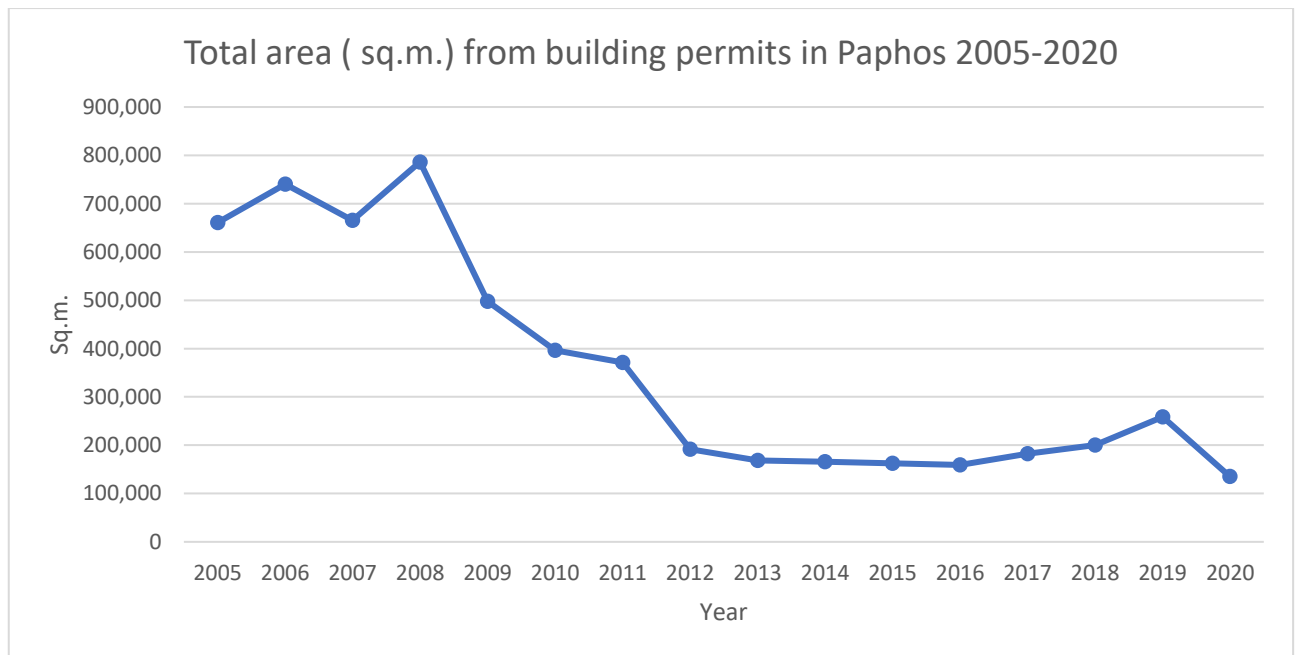
In order to arrive in conclusions and understand the whole image the building permits value and area (sq.m.) must be examined and analyzed.

**Figure 10: Building permits by Value**



Source: Cyprus land registry, Cystat

**Figure 11: Building permits by Area (sq.m.)**



Source: Cyprus land registry, Cystat

The above charts indicates the total value in euros and the total area in sq.m. of the building permits that were issued by municipal authorities and district administration in Paphos area.

In 2005 the total building permits were 1,907, the total area of square meters is 660,508 and the value of the building permits was € 260,880,000 . Each year the area and value of

the building permits was increasing until 2008. In 2008, 1,845 building permits were issued, the total area was 786,281 sq.m and the value was € 619,607,000 , which is the highest building permits value in Cyprus. Although in 2006 building permits issued were 2,063 and the residential units 5,330 which is the highest number of building permits issued and number of residential units in Paphos , the total value was € 312,332,000 , approximately 50% less value than 2008. From 2006 until 2008 Paphos property development was booming due to the high demand for properties. Investors were buying properties and they were waiting for the property market prices to increase and then selling them for a very large profit . Many opportunists realized this trend and bought pieces of land in order to build properties and sell them .Also a lot of people who owned pieces of land became ‘developers’, as they saw this trend/opportunity to make profit ,increasing, thus the sudden increase for building permits in 2006 until 2008.

In 2009 , one year after the global financial crisis the number of building permits were 1,421, the total area was 497,890 sq.m. , 37% decrease from 2008 , and the total building permits value was € 481,535,000 , 22% decrease from 2008. In 2010, two years after the global economic crisis, the building permits increased but this doesn’t mean anything, since the total area was 396,520 sq.m. and the total value was € 355,911,000 which is approximately a decrease of 50% and 43% respectively. The number of building permits that are issued , the area and value of the building permits are rapidly decreasing until 2013. The year 2013 which is the year of the ‘haircut’ the total number of building permits issued was 909, the total area was 168,334 sq.m. and the total value was € 176,533,000 , a decrease of 72% in value since 2008 . As seen from the above figures ,in 2014 until 2016 the value and area of building permits issued are stable with small ups and downs.

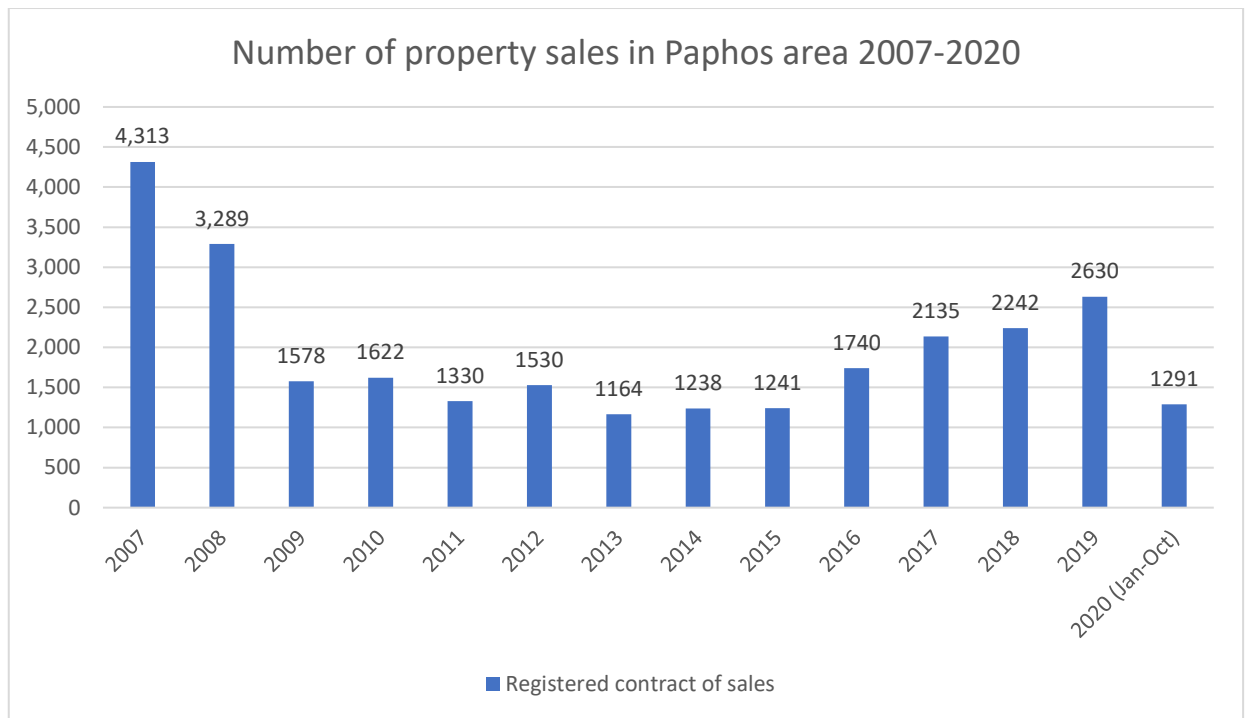
In 2016 until 2019 we can see an increase in both the value and area of the issued building permits. Specifically in 2019 the building permits were 1,052, the total residential units were 1,084, the total area was 258,418 sq.m. and the total value of € 324,282,000 , which is the highest numbers since the global financial crisis of 2008. It is worth mentioning that since the ‘birth’ of the citizenship by investment scheme in 2008 , various modifications and changes were applied to the program to make it more appealing to foreign investors. In 2008 in order for an investor to acquire a Cypriot citizenship , had to invest at least € 25,660,862 or 15 million Cypriot pounds in properties , businesses, government bonds etc. Since then ,many changes were made , for example in 2011 , in 2013 and in 2014, but

the most major change was made in 2016 were Cyprus exited from the Memorandum in order to be able to join the post-memorandum economic policy of the state. Thus the Cypriot government reduced the required amount in order to acquire European citizenship to € 2,000,000 plus a permanent residence with minimum cost of € 500,000 in order to make more appealing and attract foreign investors and to reduce the non-performing loans as the real estate and business sectors have the largest exposure to the banks. Perhaps that is why in 2016 until 2019, an increase can be seen in the building permits issued area and in the building permits value, due to the increased demand that was caused by the citizenship by investment scheme.

In 2020, which is the year of COVID-19 we can see a considerable decrease in the number of issued building permits as well as in the area and value of the issued building permits. The acquired data was from January until July, were 548 building permits are issued, the total area is 135,018 sq.m. and the total value is € 182,171,000. Due to the government restrictions in order to prevent the contagious of COVID-19 a lot of government buildings were partly or fully closed, as well as the lockdown of the cities was very difficult for someone to issue a building permit etc. Furthermore from the 1<sup>st</sup> of November 2020 the citizenship by investment scheme was banned from Cyprus following the Al-Jazeera scandal and it is certain that the building permits, area, value and residential units will decrease further more in the future.

### 6.3 Trend changes on the demand of properties in Paphos property market

***Figure 12: Contract of property sales in Paphos area 2007-2020***



*Source: Cyprus land registry*

The chart above provides information regarding the number of transaction activity in Paphos property market, basically it indicates the number of property sales from 2007 until 2020.

The year 2007 was the peak of Paphos property market, the housing industry was booming and the demand and supply for properties was at the top. In 2007, 4,313 contract of sales were submitted in the Paphos land registry. In 2008, the year of the global financial, a significant decrease can be seen in the number of property sales, a decrease of 24% as opposed to the previous year. In 2009, 1 year after the global financial crisis the decrease was even more severe with a decrease of 63% comparing to 2007. From 2009 until 2013 the number of sales are decreasing with small ups and downs. In 2013, the year of the ‘haircut’ had the lowest number of property sales since the beginning of the global financial crisis, the number of sales were 1,164 or a decrease of 73% in comparison to 2007. From 2014 until 2020 an increase of the number of property sales can be seen, especially in 2016 were the property sales were 1,740, 499 more property sales from 2015. As said before, perhaps this sudden increase of property sales was from the changes in the citizenship by investment scheme to attract foreign investors. The year 2019, had the

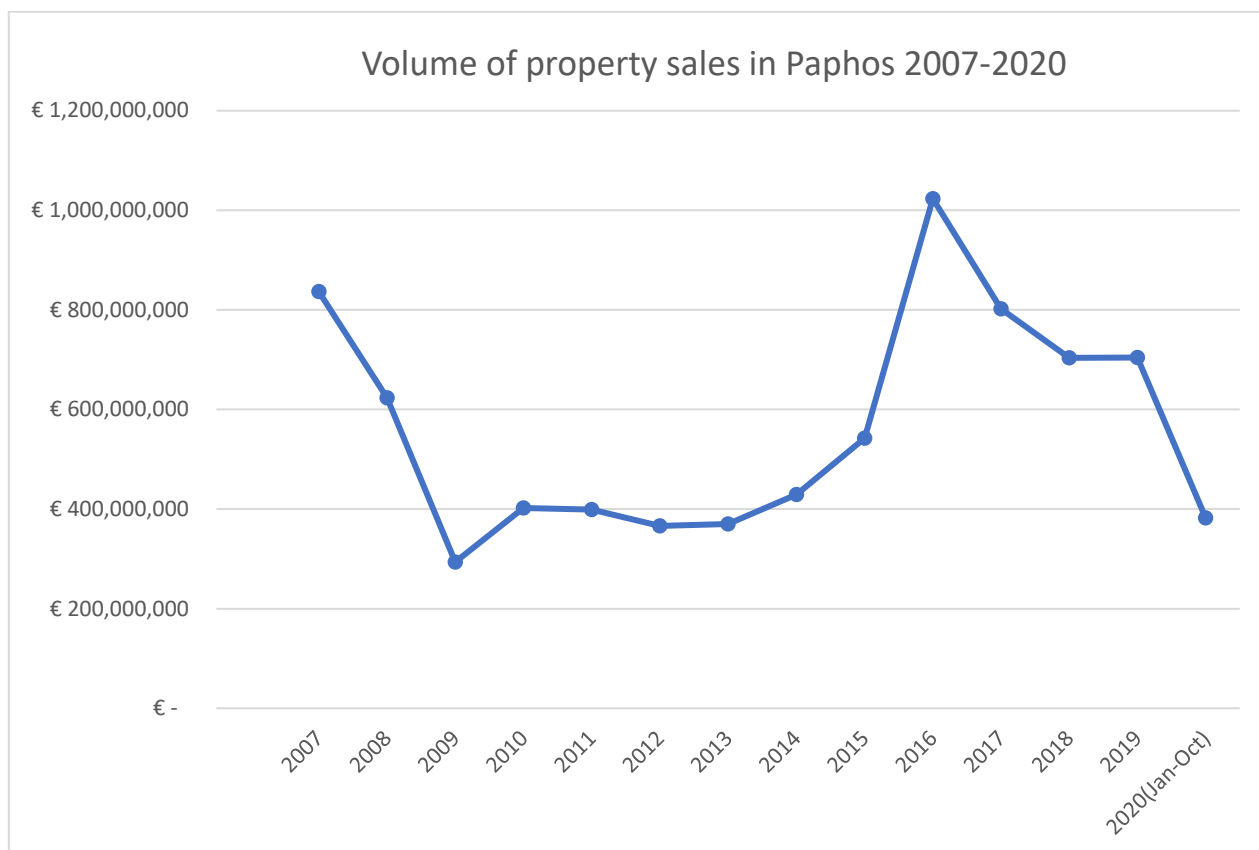
highest number of sales since the global financial crisis, with 2,630 property sales.

According to the information provided by the chart it looks that Paphos property sales are increasing, especially in 2019.

The increase in property sales observed in the recent years, especially in the year 2019 , was reversed in the first half of 2020. According to the data collected by the Paphos land registry the number and volume of property sales was significantly decreased compared to 2019. In 2020, 1,291 contract of sales were submitted to Paphos land registry , a decrease of 51% in comparison with the previous year. This decrease was attributed mainly to the following factors:

- The ban of the citizenship by investment scheme where a Non-European investor could acquire European citizenship by buying or constructing properties up to € 2,000,000 plus the purchase of a property up to € 500,000. It is certain that the ban will affect not only the property market but also the various sectors that are dependent by the property market such as labor, building materials, construction, architects, designers, engineers, developers, lawyers etc.
- The spread of the corona virus pandemic causing legal and natural persons to postpone or to cancel the transactions due to the uncertainty that exists. Furthermore the government restrictions, travel bans in and out of Cyprus and partial or total lockdown of businesses had a significant impact on the number of property sales .The property market was inevitably affected by the coronavirus and as a result the level of transactions are reduced in comparison with 2019.

**Figure 13: Volume of property sales in Paphos area 2007-2020**



*Source: Cyprus land registry*

The chart above shows the volume of sales in Paphos area from 2007 until 2020.

In 2007, one year before the global economic crisis, the property market of Paphos was booming with € 836,666,787 volume of sales accepted by Paphos Land registry. In 2008 , the year of the global financial crisis the volume of sales was € 623,131,295, 26% decrease from 2007. A lot of buyers pulled out and investors who were thinking to buy properties changed their mind due to the uncertainty caused by the global financial crisis.

The year 2009, was the worst year regarding the volume of sales , which was € 293,688,544 , a decrease of -53% from 2008 and a decrease of -65% from 2007.

In 2010 until 2011 an increase on the volume of sales can be observed, with € 401,903,850 volume of sales in 2010 and € 399,201,568 volume of sales in 2011, an increase of about 38% from 2009.

In 2012 and 2013, the year of the ‘haircut’ a decrease of volume of sales can be seen , with € 366,272,154 volume of sales in 2012 and € 370,268,916 volume of sales in 2013.

From 2014 until 2016 a remarkable increase can be seen in the volume of sales, especially in 2016, although the number of sales were 1,740, the volume of sales was € 1,023,345,414 , the highest in the history of Cyprus even higher than 2007. The volume of sales perhaps

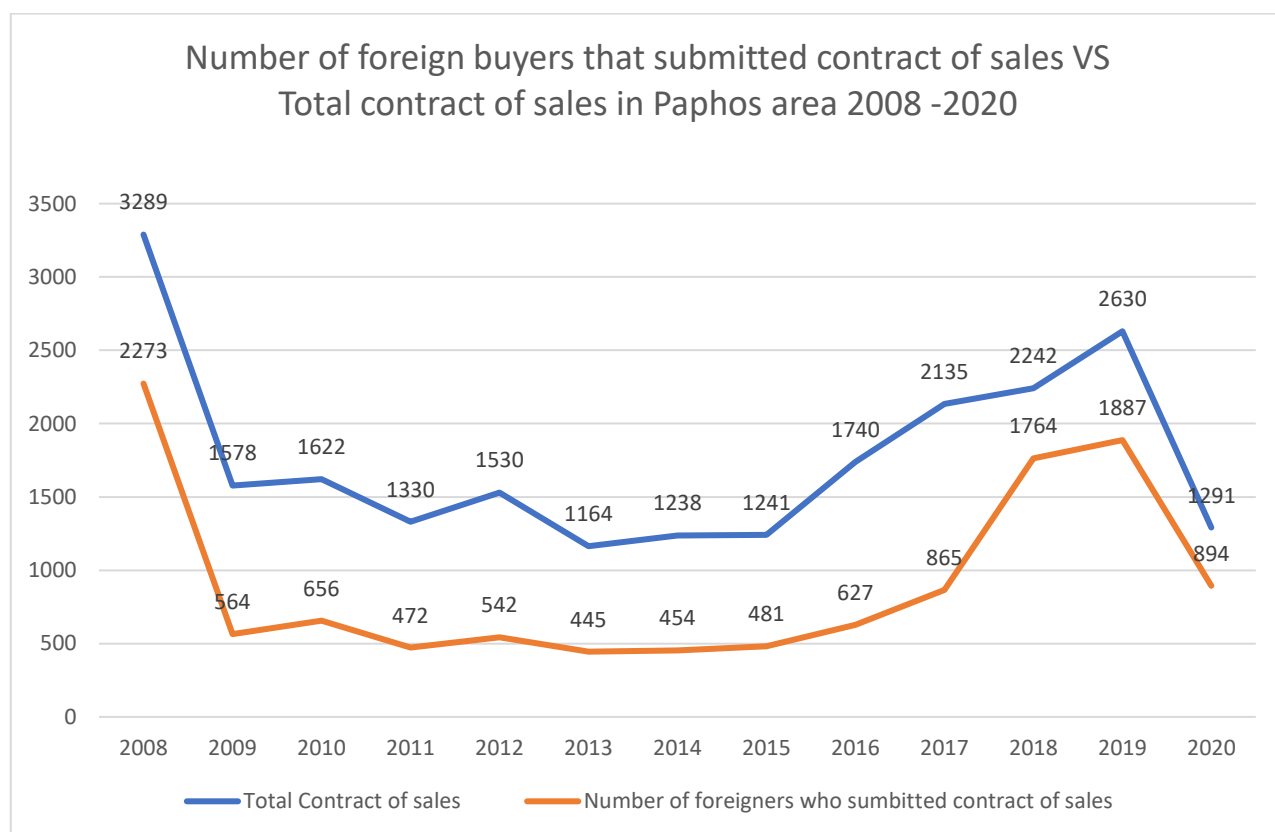


was increased due to the changes by the Cyprus government to the citizenship by investment scheme, making it more attractive to foreign investors.

From 2017 until 2019 the volume of sales decreased, but still the volume of sales was high in comparison from the previous years, especially 2009. The year 2020 (January – October), which is the year of the coronavirus pandemic the volume of sales was € 382,012,512, a decrease of -46% in comparison from last year and is the lowest volume of sales since 2009. This was caused due to the factors that were mentioned before (page 34).

#### 6.4. Trend changes on the nationality of buyers for Paphos property market

***Figure 14: Number of foreign buyers that submitted contract of sales vs Total contract of sales in Paphos land registry from 2008 until 2020***



*Source: Cyprus land registry*

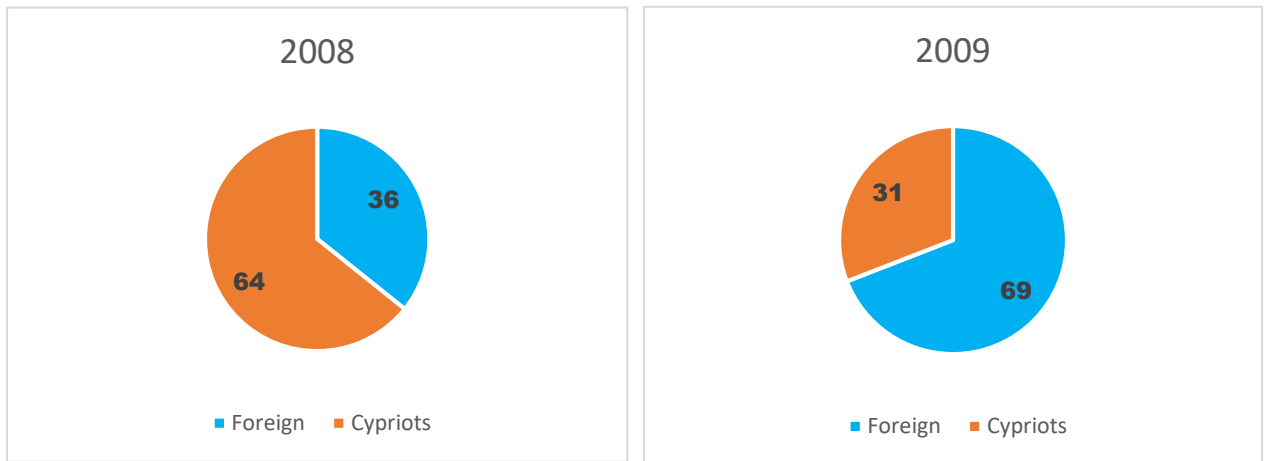
The above chart indicates the number of foreign buyers that submitted sale contracts to the Paphos land registry in comparison to the total contract of sales. This comparison will help to identify the importance and share of foreign buyers in the real estate market of Paphos. Unfortunately there is no data available for the number of foreign buyers who submitted sale contracts in Paphos for the year 2007, which would be very helpful in order to see the submitted sale contracts from foreigners before the global economic crisis.

Beginning with the year 2008, the year of the global economic crisis until the year 2013, which is the year of the ‘haircut’ a serious downfall of the total contract of sales and the contract of sales by foreigners can be seen. The total sale contracts in Paphos area at the end of the year 2008 were 3,289 and the total sales contracts to Non-Cypriots were 2,273 , which means that the buyers were 69% foreigners and 31% Cypriots . In 2013, which is the year of the ‘haircut’ and the year with the lowest number of sales documents , the total sales contracts that have been submitted in Paphos land registry were 1,164 and the total sales contracts to Non-Cypriots were 445 which is the lowest number of contracts of sales submitted by foreign buyers as well . This means that the buyers were 38% foreigners and 62% Cypriots .

Moreover from 2015 until 2019 a remarkable increase is detected on both total sales contracts and on the sale contracts by foreigners. More specifically in 2015 , the total sale contracts were 1,241 and the total sale contracts to Non-Cypriots were 481, which means that the buyers were 39% Non-Cypriots and 61% Cypriots. At the end of the year of 2019 , the total sale contracts in Paphos area were 2,630 and the total sale contracts to Non-Cypriots were 1,887, which means that the buyers were 72% foreigners and 28% Cypriots. This increase of foreign buyers is mainly attributed due to the citizenship by investment scheme. The contribution of the citizenship by investment scheme can be seen more clearly in the chart of the volume of property sales in Paphos , as the properties that were bought by Non-Cypriots in order to acquire European citizenship are very expensive properties at least € 2,000,000.

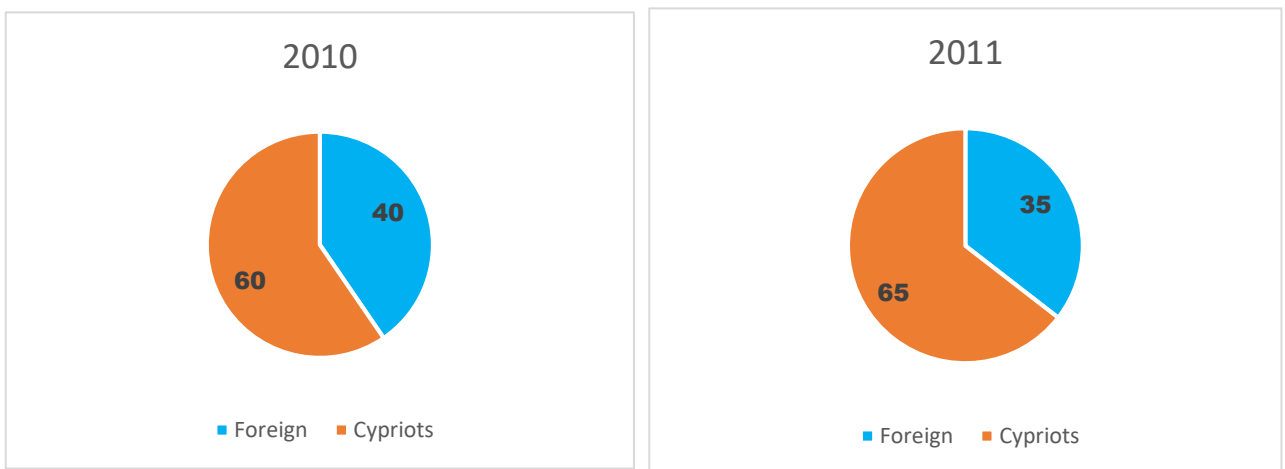
The year 2020, which is the year of corona virus pandemic , from January until October the total number of contract of sales in Paphos area are 1,291 and the total sale contracts to Non-Cypriots are 894, which means that the buyers were 69% Non- Cypriots and 31% Cypriots.

**Figure 15: Market share of buyers in Paphos for the years 2008-2009**



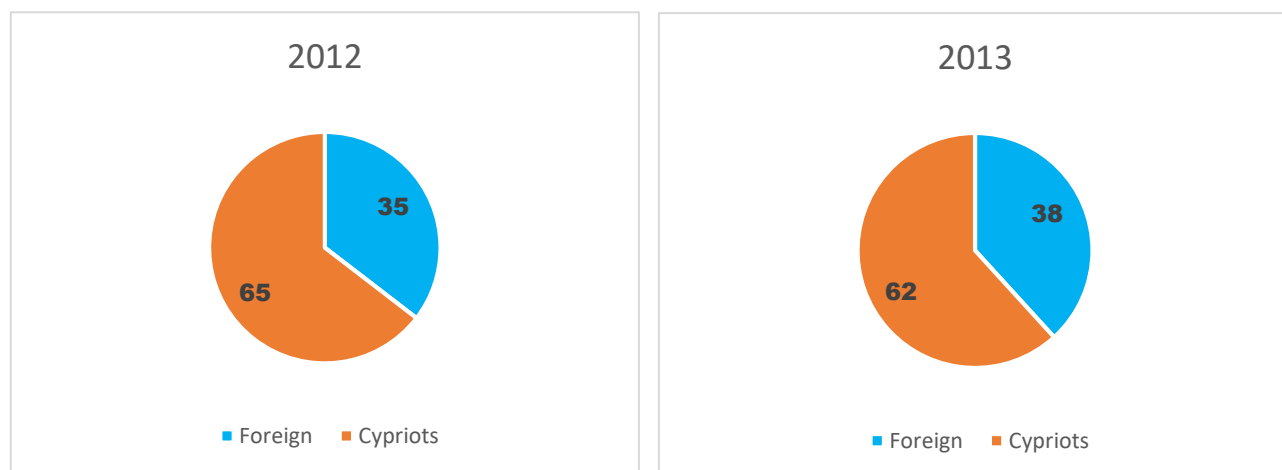
As seen at the above charts at the end of 2008, the year of the global financial crisis , the buyers who submitted contract of sale in Paphos land registry were 36% foreigners and 64% Cypriots. The year 2009, one year after the global financial crisis , the buyers who submitted sale document in Paphos land registry were 69% foreigners and 31% Cypriots.

**Figure 16: Market share of buyers in Paphos for the years 2010 - 2011**



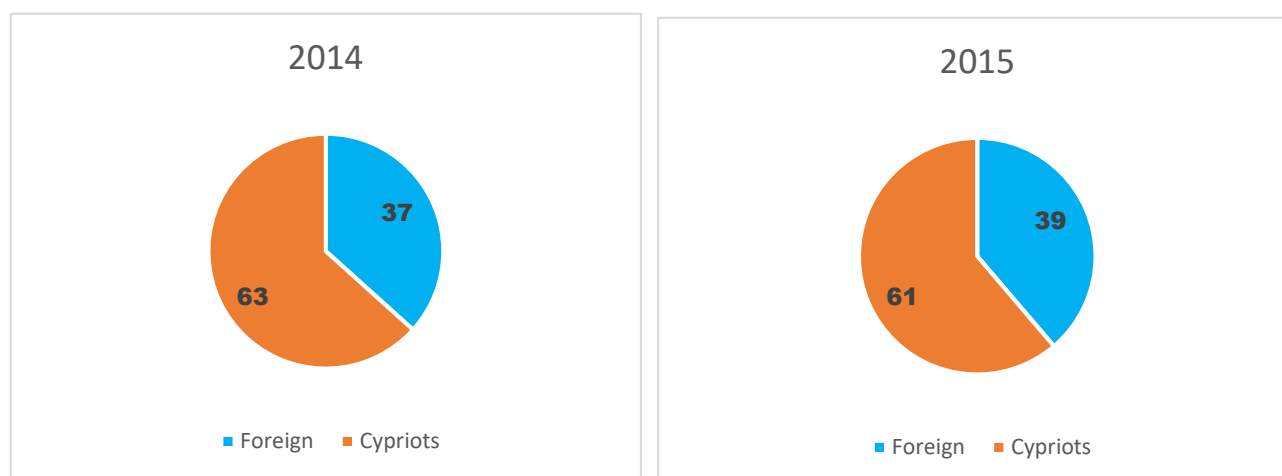
As seen at the above charts at the end of 2010, 2 years after the global economic crisis, the buyers who submitted sale documents in Paphos land registry were 40% foreigners and 60% Cypriots. During the year 2011, the buyers who submitted sales contracts were 35% foreigners and 65% Cypriots.

**Figure 17: Market share of buyers in Paphos for the years 2012-2013**



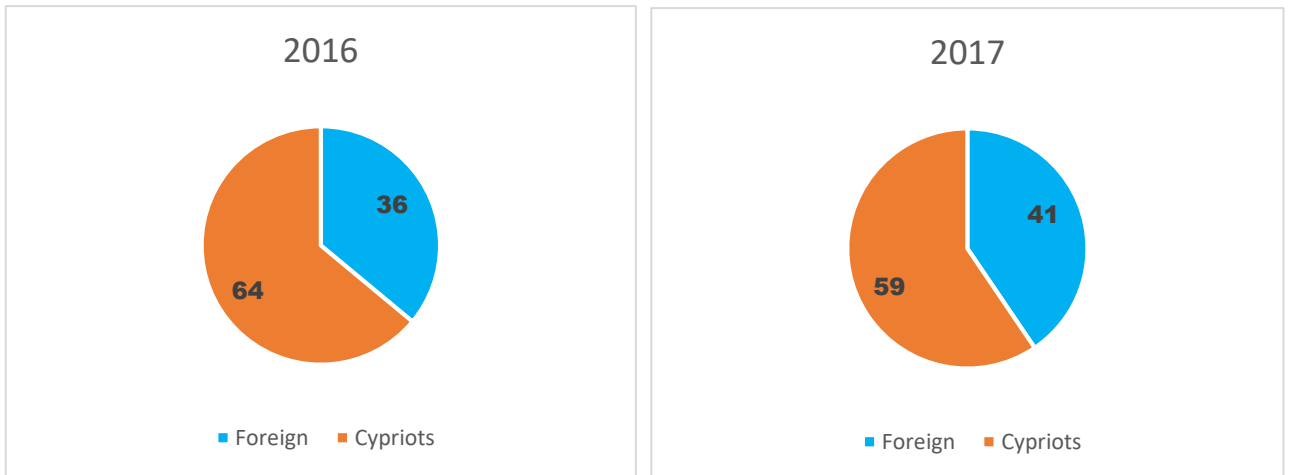
According to the above charts in 2012 , the buyers who submitted sale documents were 35% foreigners and 65% Cypriots . Moreover in 2013, which is the year of the ‘haircut’, the buyers who submitted sale documents in Paphos land registry were 38% foreigners and 62% Cypriots.

**Figure 18: Market share of buyers in Paphos for the years 2014-2015**



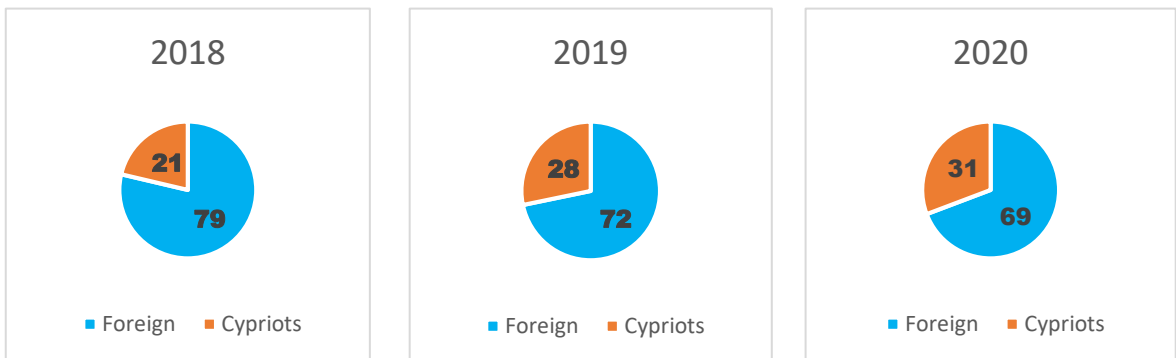
Based on the above charts in 2014, the buyers who submitted sale documents were 37% foreigners and 63% Cypriots. The following year , the buyers who submitted sale documents were 39% foreigners and 61% Cypriots.

**Figure 19: Market share of buyers in Paphos for the years 2016-2017**



In accordance with the above charts at the end of the year 2016, the buyers who submitted sales documents were 36% foreigners and the rest 64% were Cypriots and in 2017, 41% were foreign buyers and 59% Cypriot buyers who submitted sale documents in Paphos land registry.

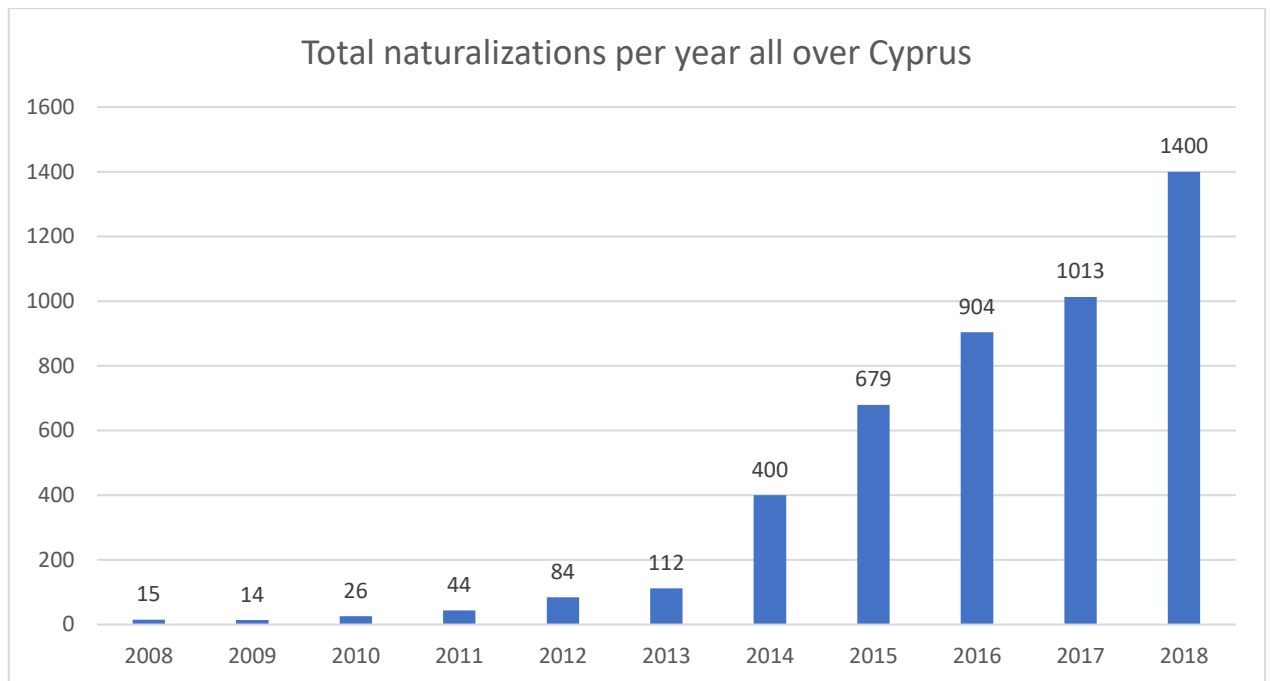
**Figure 20 : Market share of buyers in Paphos for the years 2018-2020**



As specified by the charts above in 2018 , the buyers who submitted sales documents were 79% foreigners and 21% Cypriots. Foreign buyers were more than Cypriot buyers as opposed to the previous years , except 2008. Furthermore in 2019 , again the foreign buyers were more than the Cypriot buyers . Lastly in 2020 , the year of the COVID-19 , 69% were foreign buyers and 31% were Cypriot buyers.

## 6.5. Trend changes to the citizenship by investment scheme program from 2008 until 2018 all over Cyprus

***Figure 21: Total naturalizations all over Cyprus from 2008-2018***



*Source: Ministry of Interior of Cyprus*

The aim is to understand how the changes of the citizenship by investment scheme affected the number of naturalizations per year all over Cyprus, basically to identify the changes of the number of foreign investors who bought properties in order to acquire a European /Cypriot Citizenship.

In 2008, which is the year of the global financial crisis was also the year of the ‘birth’ of the citizenship by investment scheme . But the program didn’t attract investors as the criteria for a Non-European to acquire Cyprus passport weren’t so attractive. In 2008 a Non-European investors had to invest € 25,000,000 in properties, or bank deposits of at least € 17,000,000 or to own a company or companies in Cyprus that had a turnover of at least € 85,000,000.

In 2011 , the Cyprus government made some changes on the program to make it more attractive. Non-European investors had to invest € 10,000,000 in properties or government bonds , or bank deposits of at least € 15,000,000 or to own a company or a number of companies in Cyprus that had a turnover of at least € 10,000,000 per year in average and the 1/3 of the employees to be Cypriot Citizens.

In 2013 , which is the year of the ‘haircut’ Cyprus government applied even more changes to the program. Non- European investors had to buy a permanent residency in Cyprus at least € 500,000 plus to invest € 5,000,000 in properties . Furthermore Non-European investors who lost at least € 3,000,000 due to the ‘haircut’ could also apply an application in order to acquire Cypriot citizenship. From 2013 until 2014 we can see a big increase of the total naturalizations per year, especially in 2014 were the total naturalizations in Cyprus are 400 ( 214 investors plus 186 family members) , a huge increase since 2008 . In 2016 , Cyprus exited from the Memorandum in order to be able to join the post-memorandum economic policy of the state. Thus the Cypriot government reduced the required amount in order to acquire European citizenship to € 2,000,000 plus a permanent residence with minimum cost of € 500,000 in order to make it more appealing to the foreign investors and to reduce the non-performing loans as the real estate and business sectors had the largest exposure to the banks. In 2016 the total naturalizations in Cyprus were 904 ( 443 investors & 461 family members). In 2018 the total naturalizations were 1,400 ( 700 investors + 700 family members) . Unfortunately there is no data available regarding the total naturalizations for the years 2019 and 2020 .

A lot of Non-European investors chose Cyprus ,over other competitive countries that also apply citizenship by investment scheme due to the Cyprus program attractiveness and preferential tax system.

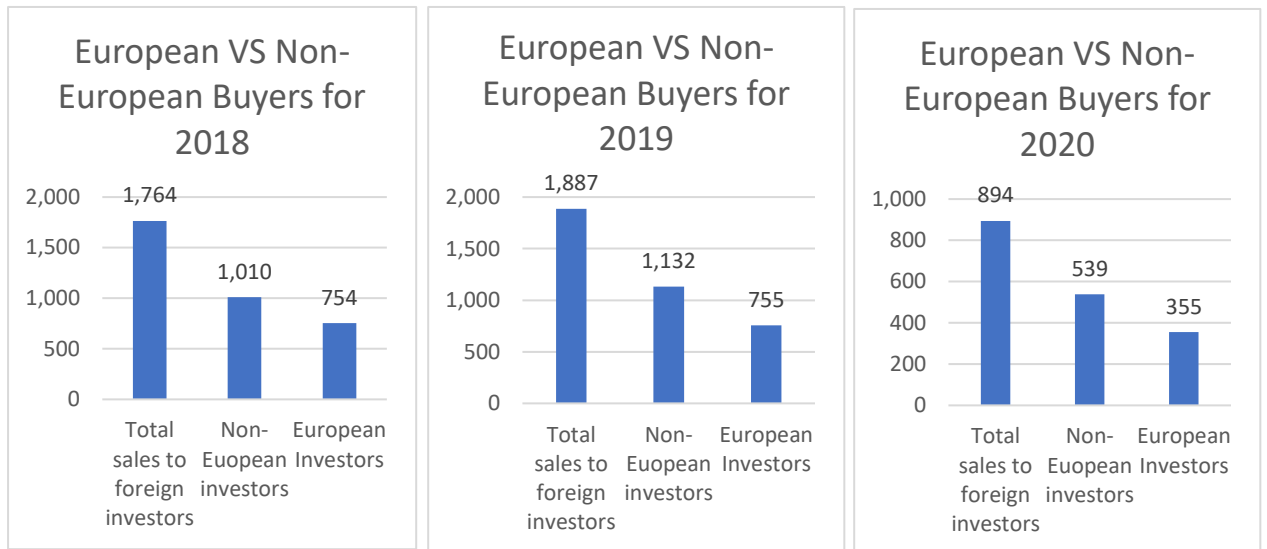
It is clear how the changes of the program affected the interest of the Non-European buyers. The more attractive the program was becoming the more Non – European investors were investing in Cyprus . The total naturalizations until 2008 were 4,691 ( 2,385 investors plus 2,306 family members) and the investors were mainly from Russia, Middle East , Vietnam ,Ukraine and China .

Unquestionably since the creation of the citizenship by investment scheme the contribution of this program to Cyprus economy was huge following the unfortunate events of 2008 and 2013, in other words the citizenship by investment scheme ‘saved’ Cyprus economy by raising a reported 8 billion euros to sustain the Cyprus economy. It is worth mentioning that the program changed 10 times ( only the major changes are mentioned in this thesis) in order to attract more Non- European investors and cash flow in the Cypriot economy.

Unfortunately the citizenship by investment program since the 1<sup>st</sup> of November 2020 was cancelled due to the Al Jazeera scandal that exposed the corruption of some government

officials, lawyers , estate agents etc., involved in the citizenship by investment scheme. The outcome of the ban is yet to be analysed but for sure it will affect a lot of sectors of the Cyprus economy and not only the Real estate sector.

**Figure 22 : European foreign investors VS Non-European foreign investors for 2018 until 2020 in Paphos**



*Source: Ministry of Interior of Cyprus*

According to the information acquired by the Ministry of Interior of Cyprus , in 2018 the total sales in Paphos to foreign investors are 1,764, which 754 were from European buyers and 1,010 from Non – European buyers . Moreover in 2019 the total sales in Paphos to foreign investors are 1,887 , which 755 were buyers from European countries and 1,132 were buyers from Non-European countries. In 2020 the total sales in Paphos to foreign investors are 894, which 355 are from European buyers and 539 from Non-European buyers.

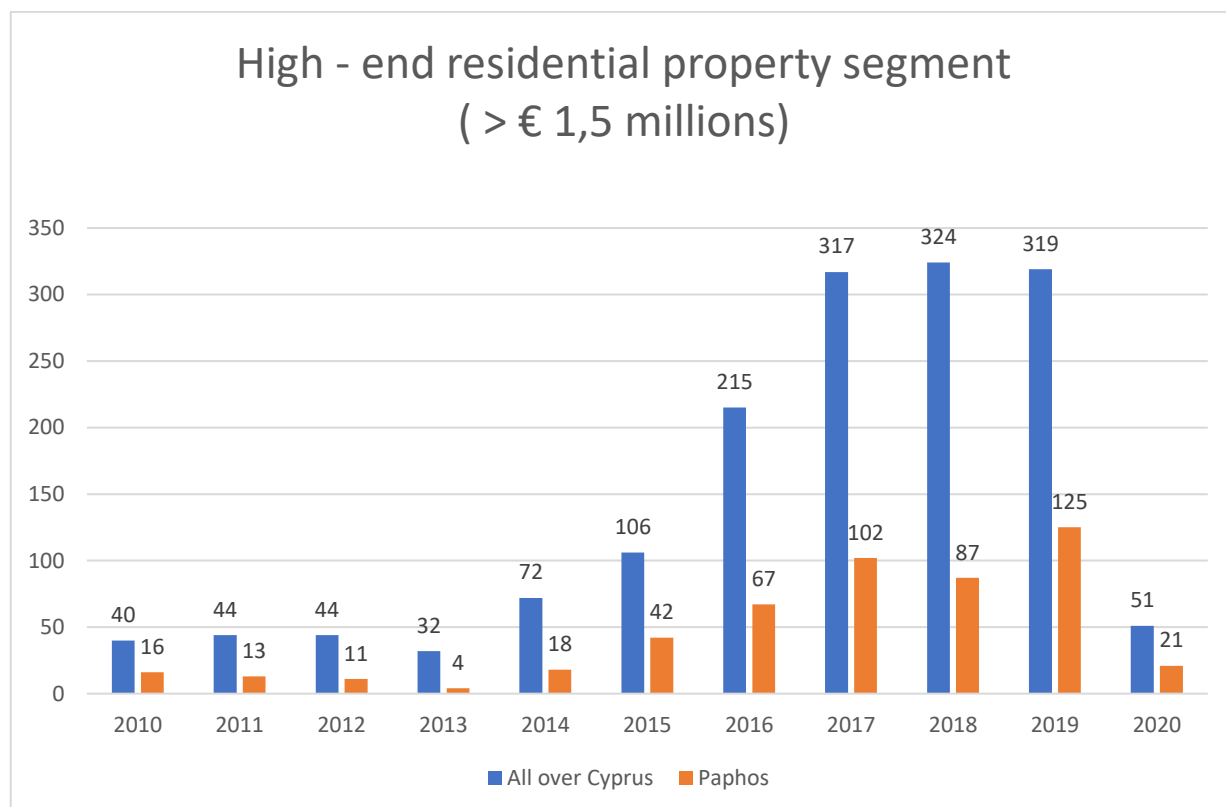
Unfortunately there is no data for the previous years that separates the foreign buyers to Europeans and Non-Europeans buyers. Nevertheless with the presented available data it is obvious that the Non -European buyers are more than the European buyers. Mainly the Non-European buyers are buyers from Russia, China, Ukraine , Arab countries etc ,who bought properties in Cyprus in order to acquire the European citizenship. The Non-Europeans investors were more than the European investors throughout the years. It is clear how important is this specific market to the property market industry but also to Cyprus. Many developers that owned to the banks and were very close to bankruptcy began to recover due to the citizenship by investment scheme . A good example of the remarkable recovery of the Cypriot real estate market are the ‘Towers’ in Limassol and a



lot of luxurious developments that were created by the developers in order to satisfy the demand for such properties by the Non-European investors such as Korantina' s Cap St. Georges Beach club in Paphos , the under construction Soho resort in Kato Paphos and many more other projects.

## 6.6 Trend changes to the high-end residential property segment (over € 1,5 million) in Cyprus from 2010 until 2020

**Figure 23: High- end residential properties over € 1,5 million all over Cyprus**



*Source : Department of Land and Surveys (DLS)*

The above chart shows the high – end residential property segment which is the purchase of properties of over € 1,5 millions in Cyprus and more specifically in Paphos. Obviously such properties are linked directly to the citizenship by investment scheme.

As seen at the above chart luxury real estate had a direct hit due to corona virus pandemic. It is worth mentioning that these data do not yet include the downturn that will occur in the market since the end of the Cyprus investment program.

According to PwC (PriceWaterhouseCoopers) the total value of transactions for such properties during the 1<sup>st</sup> semester of 2020 was € 117 millions, a decrease of 78% in contrast to the corresponding period of 2019. The biggest fall was reported in Paphos and

Limassol regarding the total value of luxury property transactions , a fall of 61% and 65% respectively , while Nicosia , which depends mainly on domestic demand, had the lowest blow of 31% drop.

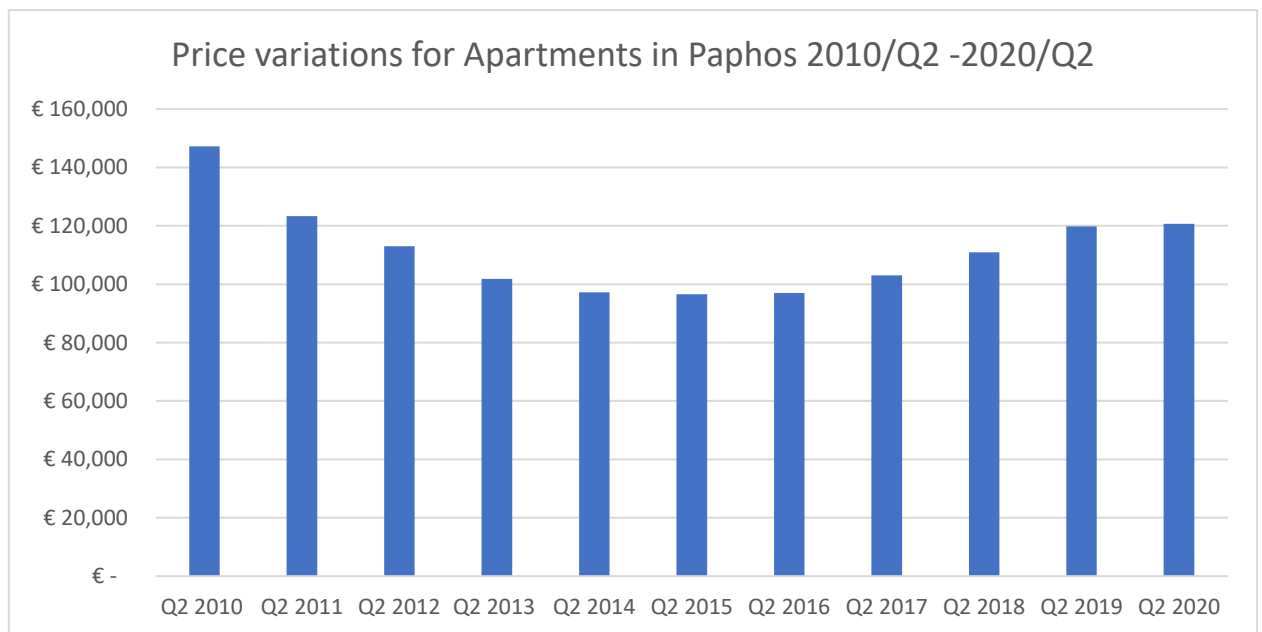
During the 1<sup>st</sup> semester of 2020 , the transactions of luxurious properties in Cyprus were 51 and in Paphos were 21 , marking a sharp drop of 84% and 83% respectively in contrast to the previous year. Any comparisons with the 2019 , should be done keeping in mind that the market for such properties showed an unusually high number of transactions from foreign investors , especially during January – May. The restrictions that were applied during lock down and the travel bans made impossible to the foreign investors to travel to Cyprus deteriorating even further the key indicators of the market.

As mentioned before this section is directly linked to the citizenship by investment program, the ban of this program creates uncertainty regarding the future of this segment and may intensify the need to redefine the development activity in Cyprus.

## 6.7 Trend changes on the prices of the properties in Paphos property market

RICS ( Royal Institute of Chartered Surveyors) is internationally recognised and it is considered as an excellent indicator for valuers , investors and those involved in real estate activities in order to follow the trends of the real estate market. Basically RICS analyses real estate prices by geographical area and by type of property . It also creates recognizable measures for property prices and provides reliable indications of changes in property prices.

**Figure 24 : Changes of Apartment prices in Paphos 2010/Q2 - 2020/Q2**



*Source : RICS*

Unfortunately there is no available data for the previous years in order to understand even better the property market prices trends from 2007 until today , but without doubt the property prices were higher in 2007.

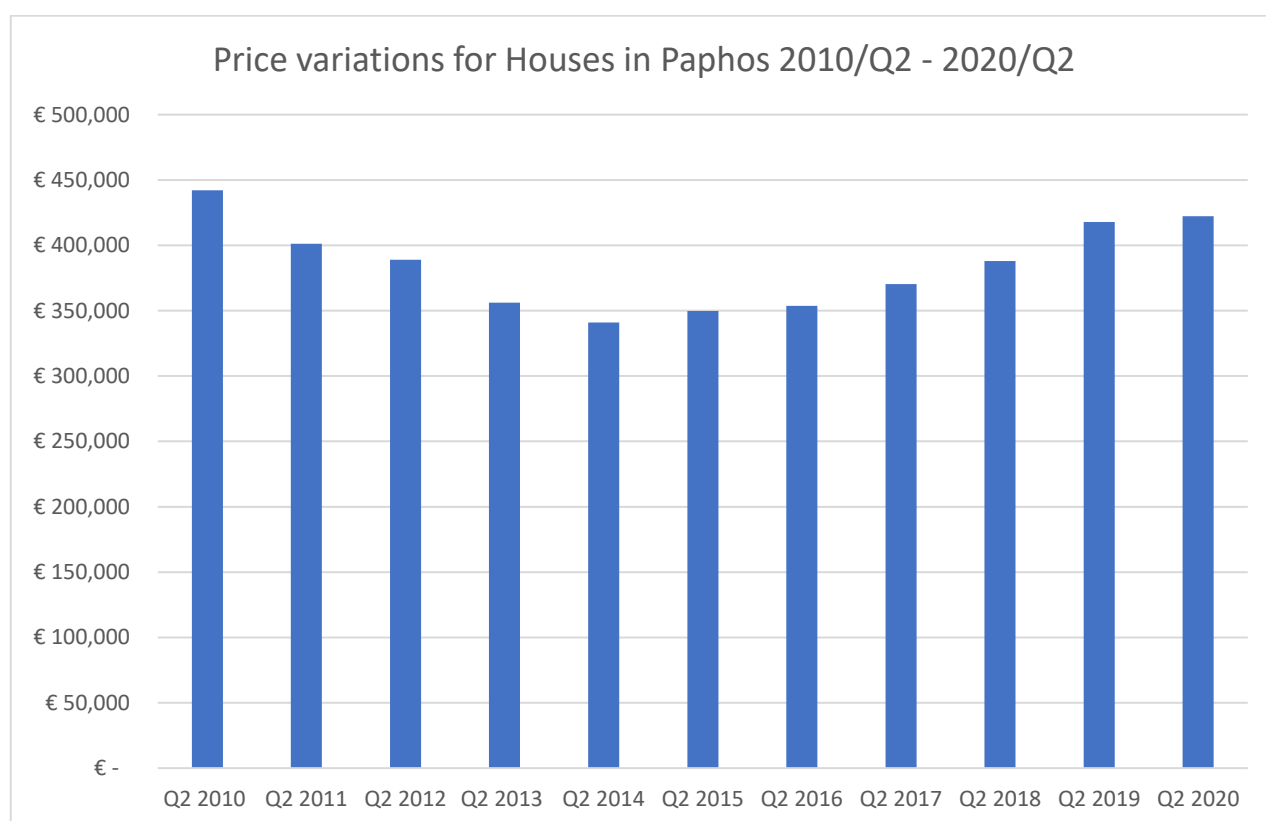
The RICS real estate price index has been constructed with a hypothetical model for every type of property .

The above chart indicates the price variations for apartments in Paphos area. An apartment for RICS is a medium quality two bedroom apartment with 85 sq.m. covered areas .

In the second quarter of 2010 the average price for an apartment was € 147,220 . In the second quarter of 2011 the average price for an apartment was € 123,294, which is a

decrease of 16% from the previous year . During the second quarter of 2013, the year of the ‘haircut’ , the average price for an apartment was € 101,822 which is a 31% decrease from 2010 . According to RICS apartment prices continued to decrease until 2015 . In 2015 the price for an apartment was € 96,545 , which is 34% decrease in comparison with 2010. In 2016 until 2020 the prices started to rise due to the high demand for apartments , specifically in the second quarter of 2016 the average price for a two bedroom apartment was € 97,028 and in the second quarter of 2020 which is the year of the corona virus the average price for a 2 bedroom apartment is € 120,658 .

**Figure 25:Changes of House prices in Paphos 2010/Q2 - 2020/Q2**

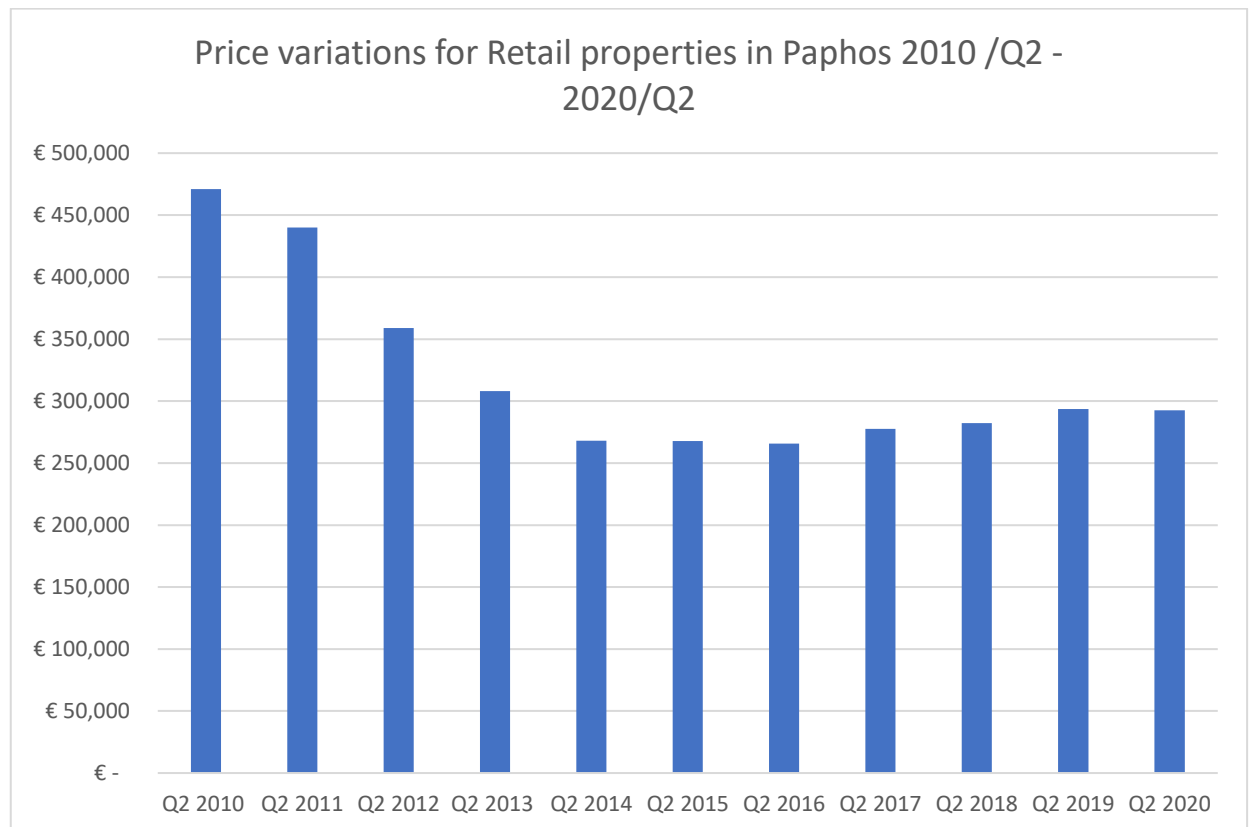


*Source : RICS*

The above chart indicates the price variations for houses in Paphos area. A house for RICS is a medium quality three bedroom semi-detached house of 250 sq.m. , with an average size garden . At the end of the second quarter of 2010 the average price for a house was € 442,000 . In the second quarter of 2011 the average price for a house was € 401,149 , a decrease of -9 % compared to 2010. The house prices continue to decrease until 2014, where the average price for a house was € 340,852, a decrease of 19% in contrast to 2010.

From 2015 until 2020 the prices were increasing . In the second quarter of 2020 the average price for a house was € 422,204 which is very close to 2010 which an average price for a house was € 442,000 .

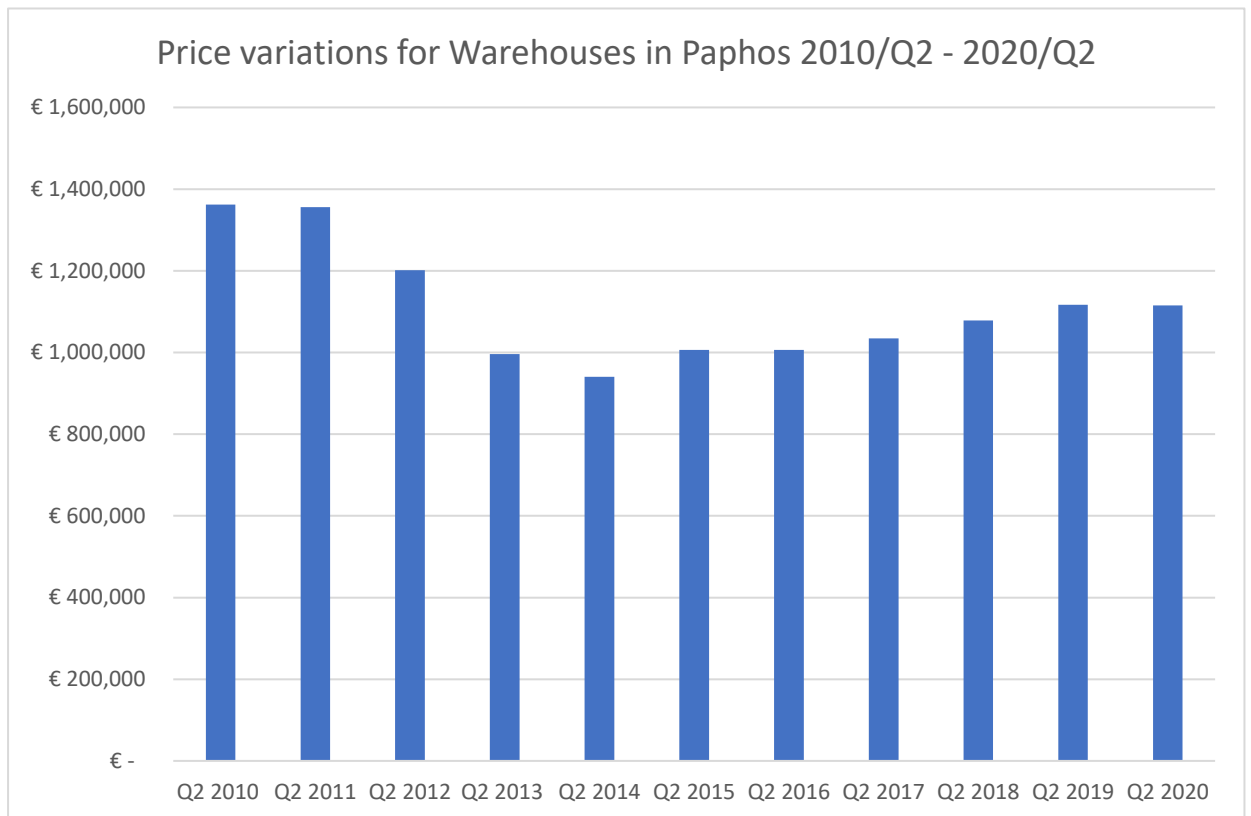
**Figure 26 : Changes of Retail property prices in Paphos 2010/Q2 - 2020/Q2**



*Source : RICS*

The chart above shows the price variations for retail properties in Paphos area. A retail property for RICS is a high – street retail property of 100 sq.m. ground floor area with 50 sq.m. mezzanine . In the second quarter of 2010 an average price for a retail property was € 471,000 . At the end of the second quarter of 2011 the average price for a retail property was € 440,063. Prices for retail properties continue to decrease until 2016. In 2016 the average price for a retail property was € 265,701, a decrease of 44% in contrast to 2010 . From 2017 until 2019 the prices for retail properties started to increase . In the second quarter of 2020, a small decrease can be seen, the average price for a retail property was € 292,557, an increase of 10% in comparison to 2016.

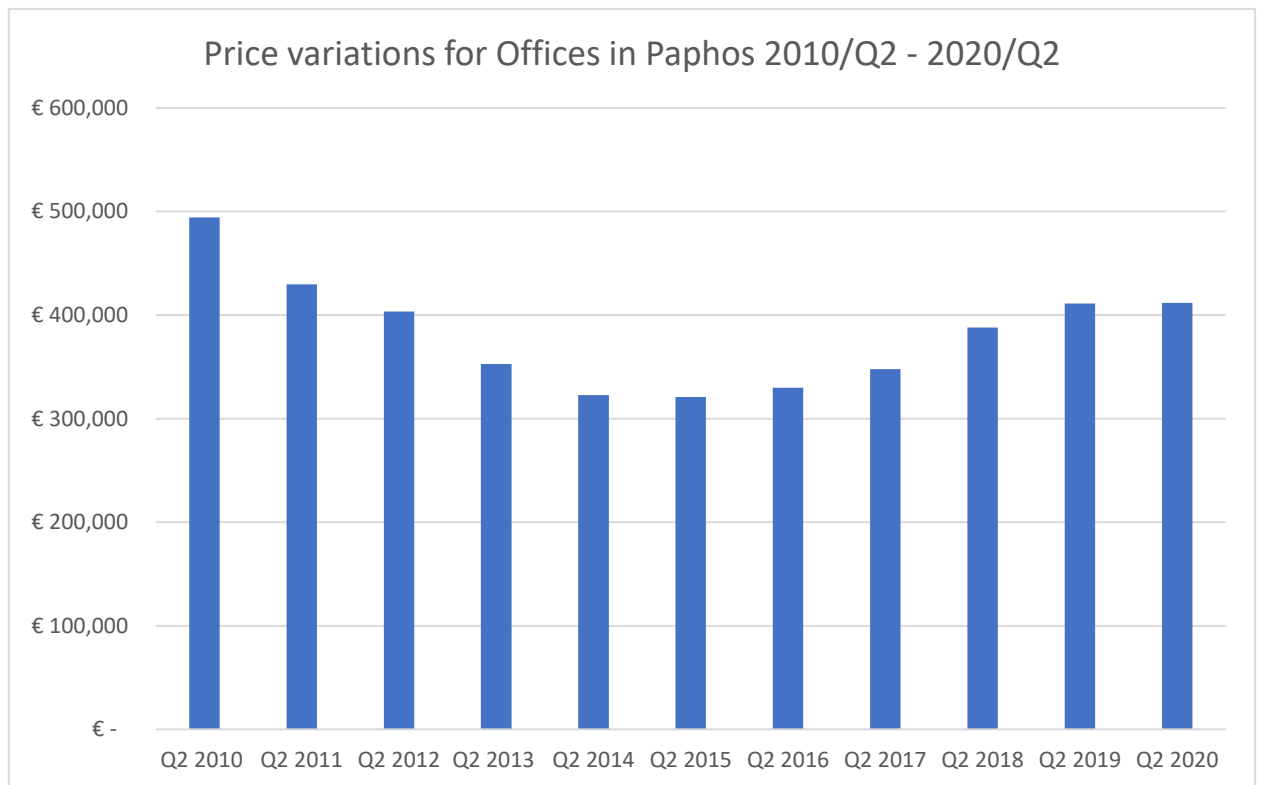
**Figure 27: Changes of Warehouse prices in Paphos 2010/Q2 -2020/Q2**



*Source : RICS*

The above chart designates the price variations for warehouses in Paphos area. A warehouse for RICS is a 2,000 sq.m. warehouse with 200 sq.m. office spaces situated in a Light industrial area. In 2010 the average price for a warehouse was € 1,362,000 and in 2011 was € 1,355,469 , which is a very small price decrease. In 2013, which is the year of the haircut the average price for a warehouse was € 995,840 which is a decrease of 27% in contrast with 2010. The prices continue to decrease until 2014. In 2015 and 2016 the prices were stable at € 1,006,509. From 2017 until 2019 the prices started to increase. In the second quarter of 2020, a small decrease can be observed , the average price for a warehouse was € 1,115,286 .

**Figure 28: Changes of office prices in Paphos 2010/Q2 - 2020/Q2**



*Source : RICS*

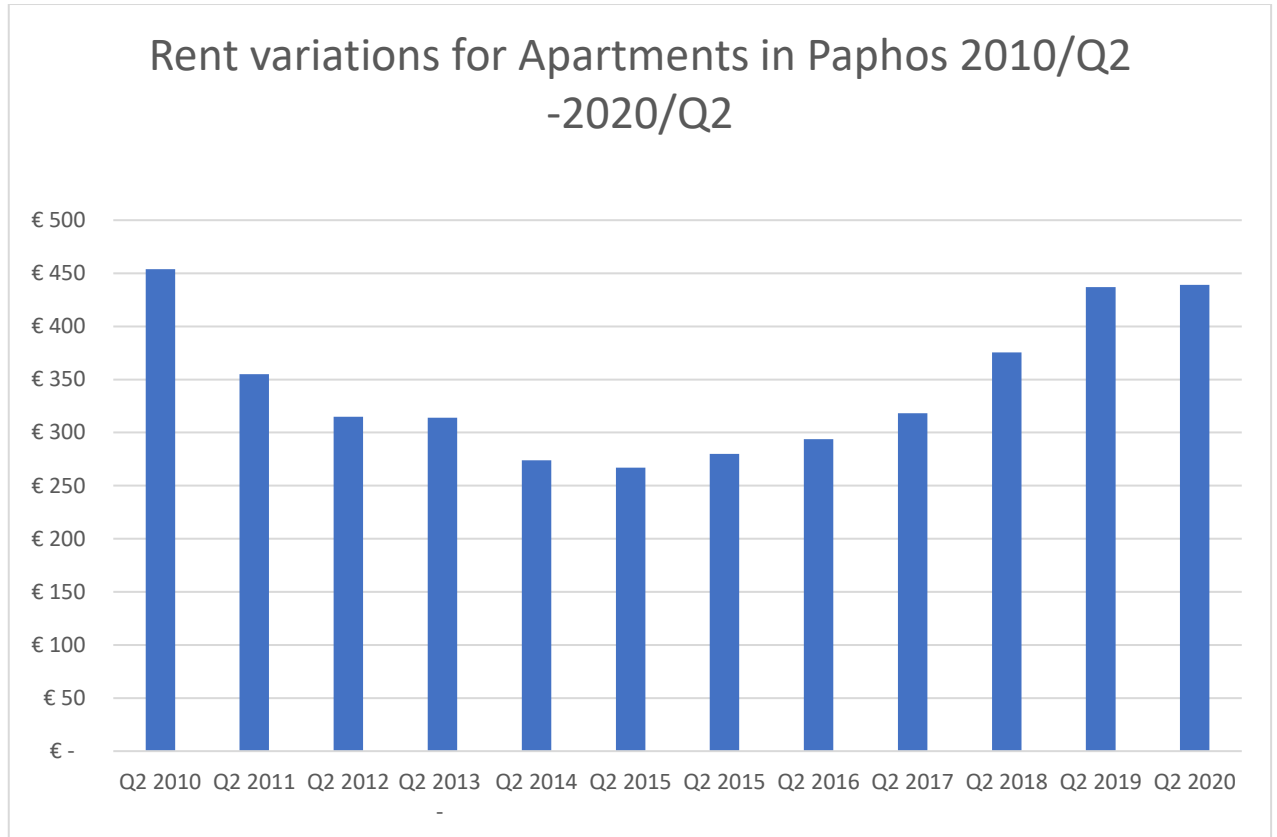
The chart above shows the price trends for offices in Paphos. An office for RICS is a grade A office ( brand new or renovated to high specifications/standards ) of 200 sq.m. in the city center. In 2010 the average price to such offices was € 494,200 and in 2011 was € 429,638 , which is a decrease of 13% .The prices continued to decrease until 2015 were the average price was € 320,835. From 2016 until 2019 an increase of the average office price can be seen where in 2019 the average price was € 411,231 . In 2020 the price is about the same as 2019.

In conclusion the biggest price decrease between the second quarter of 2010 and the second quarter of 2020 was in the retail properties with a decrease of 38% , followed by the decrease of apartment and warehouse prices of 18% and the price for offices which has decreased by 17% . Houses have been decreased by 4%

## 6.8 Trend changes on the rent of the properties in Paphos property market

Unfortunately there is no available data for the previous years in order to understand even better the property rental market trends from 2007 until today.

**Figure 29: Changes of Apartment rent in Paphos 2010/Q2 - 2020/Q2**

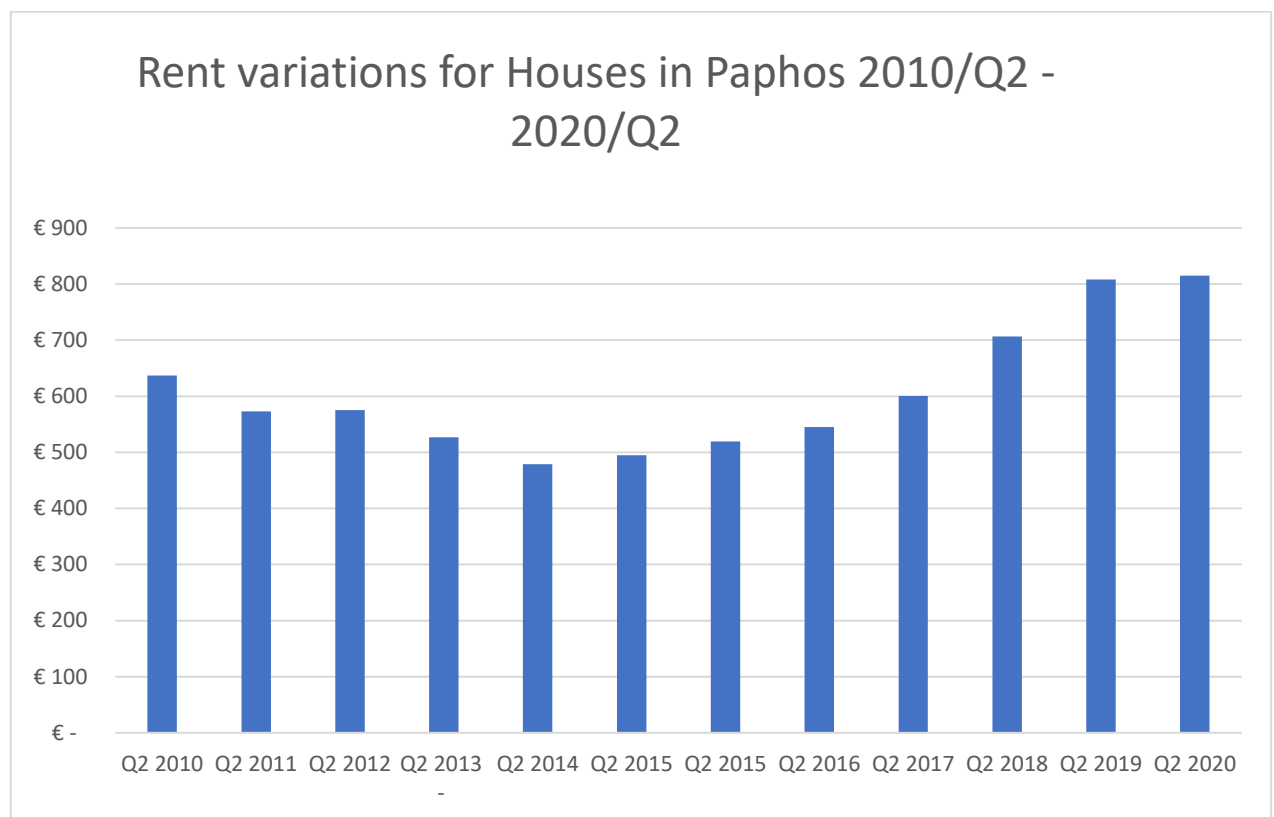


*Source : RICS*

The above chart shows the rent trends for apartments in Paphos .According to RICS the average rent for an average 2 bedroom apartment was € 454/month and in 2011 was € 355/month, a decrease of 22%. In 2012 and 2013 , which is the year of the haircut , the average rent had decreased but remained stable at € 315/month . From 2014 until 2015 the rent had decreased and in 2015 was € 267/month , which is a decrease of 41% in contrast to 2010. From 2016 until 2020 the rent started to increase and in the second quarter of 2020 the rent was € 439/month which is very close to 2010 which was € 454/month.



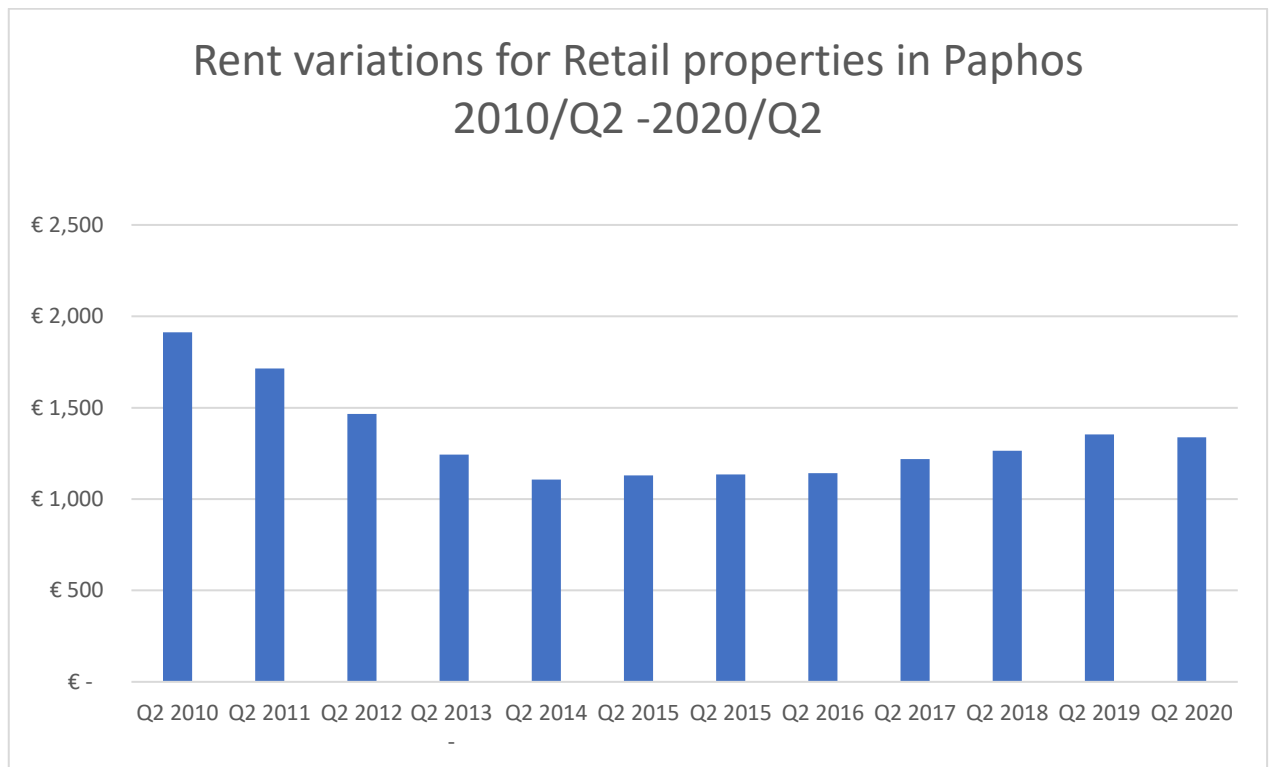
Figure 30: Changes of House rent in Paphos 2010/Q2 - 2020/Q2



Source : RICS

The above chart indicates the rent trends for houses in Paphos. In the second quarter of 2010 the average rent for a 3 bedroom house was € 637/month and in 2011 was € 573 /month, a decrease of 10% . In 2013 which is the year of the haircut the average rent for a house was € 527/month. In 2014, which is one year after the ‘haircut’ the average rent for a house was € 479 /month which is the lowest rent from 2010 until 2020. From 2015 until the second quarter of 2020 the average rent prices have significantly increased. Actually in 2020 the average rent for a house is € 815/month which is actually higher from 2010 , an increase of 28%.

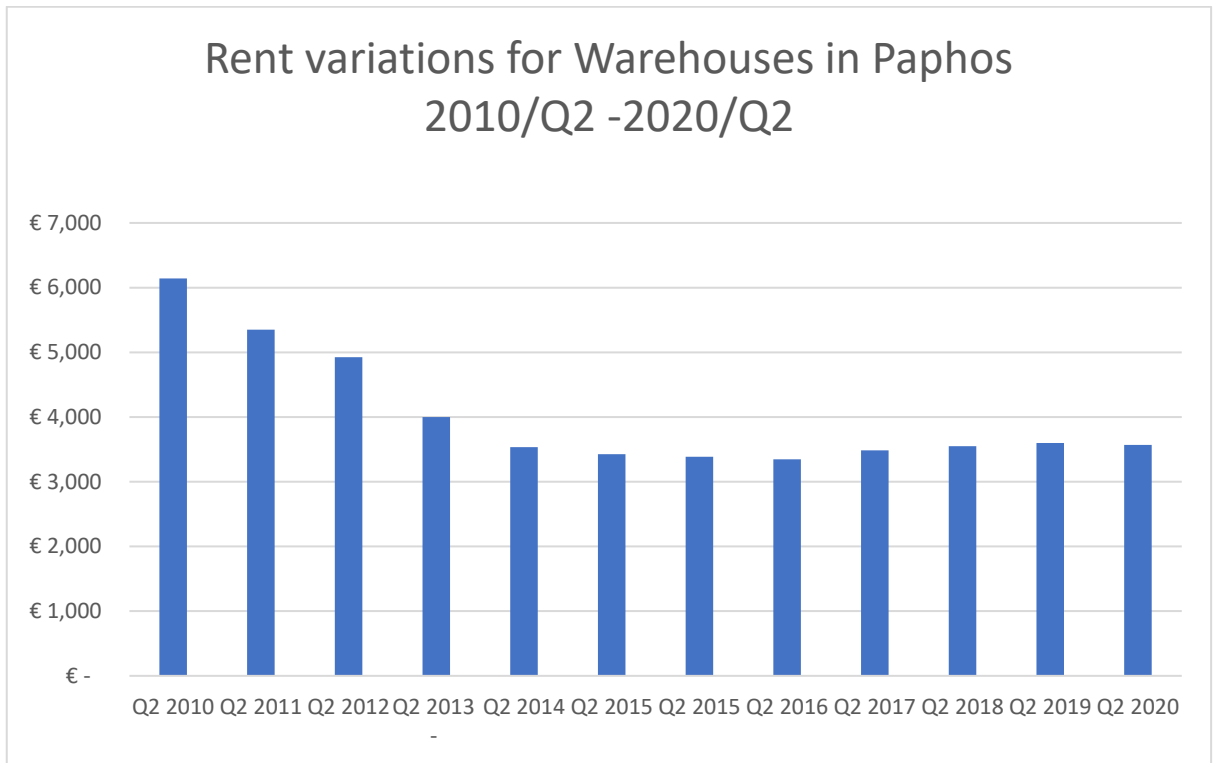
Figure 31: Changes of Retail property rent in Paphos 2010/Q2 - 2020/Q2



Source : RICS

The above chart shows the rent trends for retail properties in Paphos. In 2010 the average rent for a retail property was € 1,912/month and in 2011 was € 1,714/month which is a decrease of 10% . In 2012 the average rent was € 1,465 and 2013 which is the year of the haircut was € 1,244/month , a decrease of 45% in comparison to 2010. In 2014, one year after the 'haircut' the rent for retail properties was at its lowest point at € 1,107/month or a decrease of 42% in contrast with 2010 . The rent continue to decrease until 2016 with very small ups and downs. From 2017 until the second quarter of 2020 the average rent for retail properties had increased , more specifically in 2020 the average rent was € 1,338/month .

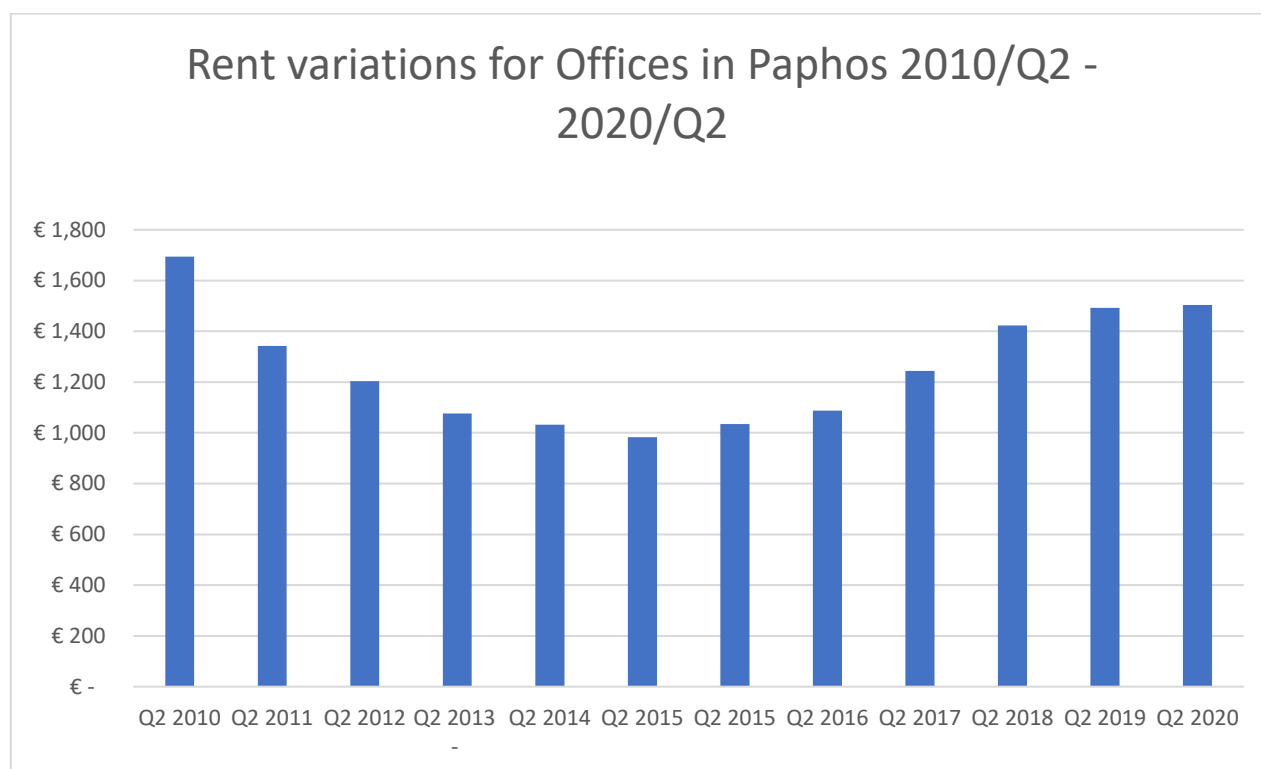
Figure 32: Changes of Warehouse rent in Paphos 2010/Q2 - 2020/Q2



*Source : RICS*

The above chart indicates the rent trends for warehouses in Paphos . In 2010 the average rent for a warehouse was € 6,140/month and in 2011 the average rent was € 5,350, which is a 13% decrease in contrast to the previous year. In 2013 which is the year of the ‘haircut’ the average rent for a warehouse was € 4,001 a decrease of 35% as opposed to 2010. The rental prices continue to decrease until 2016 which was the lowest rent recorded of € 3,344 /month , a decrease of 46% in contrast to 2010. In 2017 until 2020 the average rent for warehouses started to have a slight increase. In 2020 the average rent was € 3,568/month .

Figure 33: Changes of Office rent in Paphos 2010/Q2 - 2020/Q2



Source : RICS

On the above chart can be observed the rent trends for offices in Paphos. In 2010 the average rent for an office was € 1,694/month and in 2011 was € 1,342/month , a decrease of 21% . In 2013 the average rent was € 1,076 /month a decrease of 36% comparing to 2010. In 2015 the biggest rent decrease was recorded where the average rent was € 983/month. From 2016 until the second quarter of 2020 the average rent for offices has increased and more specifically in 2020 the average office rent was € 1,504/month.

In conclusion the biggest rent decrease between the second quarter of 2010 and the second quarter of 2020 was in the warehouses with a decrease of 42% , followed by the decrease of retail properties of 30% and the decrease of offices rent of 11% . The apartment rent decreased by 3% and remarkably the average rent for houses has increased by 28%

*Page intentionally left blank*

## CHAPTER 7 : OUTCOME OF THE QUESTIONNAIRES

### 7.1 Scope

The aim of this chapter is to analyse and examine primary data acquired from the interviews with Paphos licensed real estate agents and developers by the use of questionnaires. The author will transform such data into findings.

### 7.2 Findings from the personal interviews with the developers

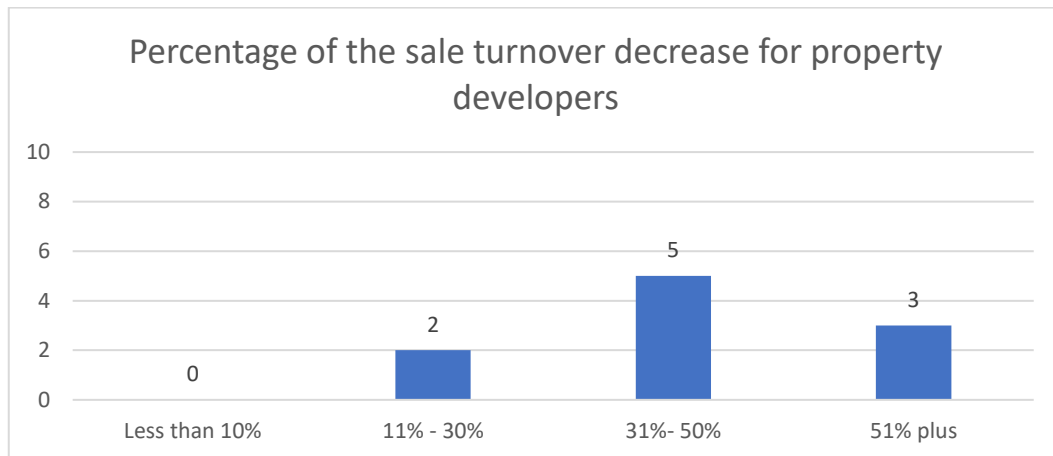
According to Steve Campell, Melanie Greenwood, Sarah Prior, Toniele Shearer, Kerrie Walkem, Sarah Young, Danielle Bywaters, Kim Walker (2020) purposive sampling contributes to the better matching of the sample to the aims and objectives of the research and therefore enhancing the accuracy, stringency and credibility of the collected data and results.

The author would like to note that although the sample of twenty interviewees with developers and estate agents could be considered as being small, nevertheless it is an excellent representative sample of the Paphos real estate agents and developers as it speaks for most of the active real estate agents and developers of Paphos and their behaviour and professional views reflects Paphos real estate market.

#### **Effects of the Global Financial Crisis and the ‘Haircut’ on the Interviews companies**

All of the 10 participants were impacted by the global financial crisis of 2008 and by the ‘haircut’ of 2013. The chart below indicates the percentage of decrease on their sales turnover since the beginning of the global financial crisis and the ‘haircut’

**Figure 34: Percentage of property sales decrease since the global financial crisis and 'haircut'**

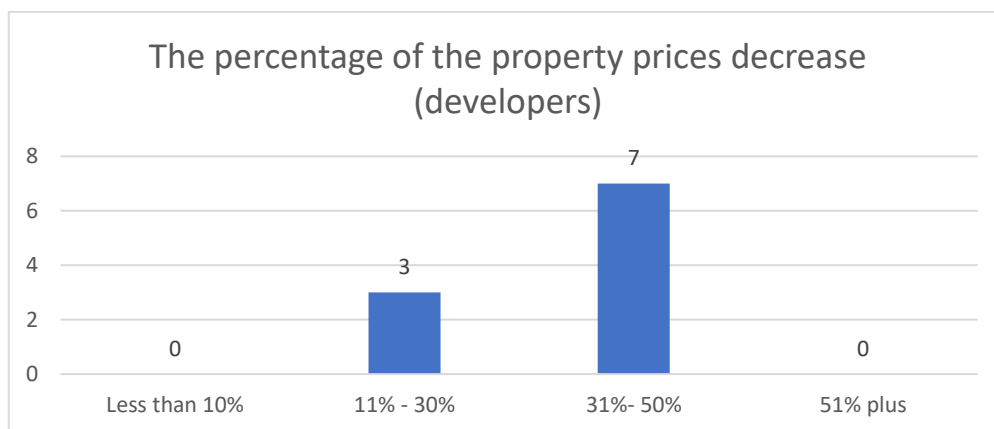


The majority , 5 out of 10 participants or 50% had a decrease on their sales turnover of 31% - 50% , since the beginning of the financial crisis of 2008 and the ‘haircut’ of 2013. Furthermore 2 out of 10 participants or 20% had a reduction on their sales turnover of 11%-30% and 3 out of 10 participants or 30% had a reduction on their sales turnover of more than 51% since the beginning of the financial crisis of 2008 and the ‘haircut’ of 2013.

**Property prices trends since the global financial crisis and the ‘haircut’**

All of the participants said that the selling prices of the properties dropped due to the global financial crisis of 2008 and the ‘haircut’ of 2013. The chart below shows the percentage of property prices decrease.

**Figure 35: The percentage of property prices decrease since the global financial crisis and the 'haircut'**

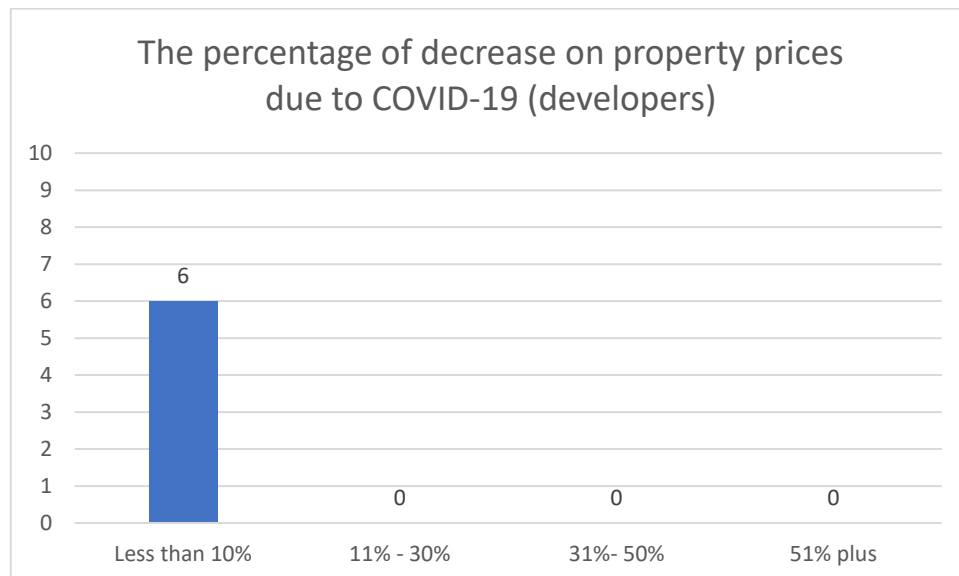


The great majority, 7 out of 10 or 70% of the participants said that Paphos property prices had a decrease of 31% - 50% and 3 out of 10 , or 30% of the participants said that Paphos property prices had a decrease of 11%-30% since the global financial crisis and the ‘haircut’.

### **Property prices trends following COVID-19**

The majority, 6 out of 10 or 60% of the interviewees support that the property prices have dropped due to COVID-19 and 4 out of 10 or 40% of the interviewees said that corona virus didn’t affect property prices. The chart below shows the percentage of decrease on property prices caused by coronavirus

***Figure 36: The percentage of decrease on property prices due to corona virus***



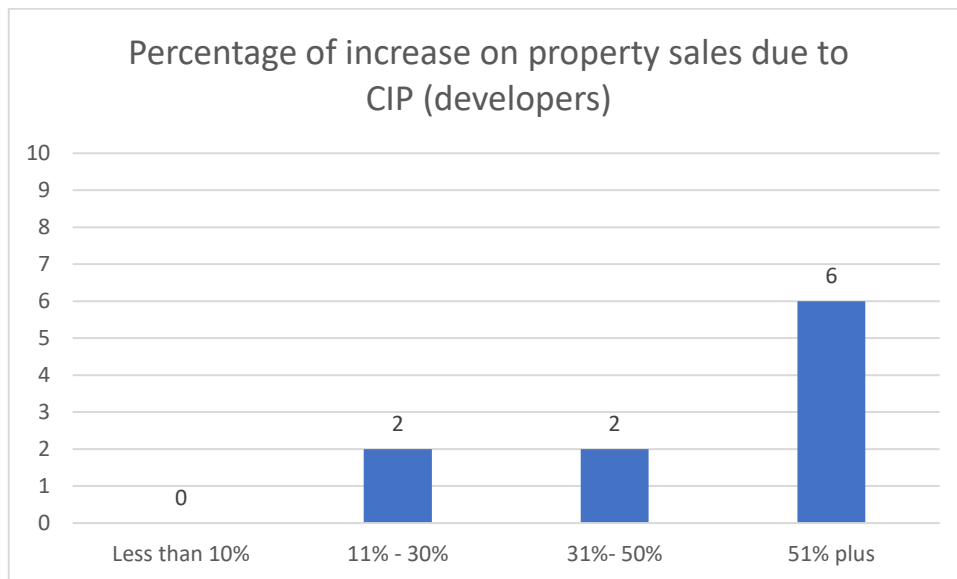
The 6 interviewees that supported that the property prices have dropped due to COVID-19 also mutually claimed that the decrease of property prices is less than 10%.



## **Cyprus Investment Program (CIP) effects on Paphos property sales**

All of the participants supported that the citizenship by investment scheme increased their sales. The chart below shows the percentage of increase on their sales due to the citizenship by investment scheme program.

***Figure 37: Percentage of increase on property sales due to CIP***



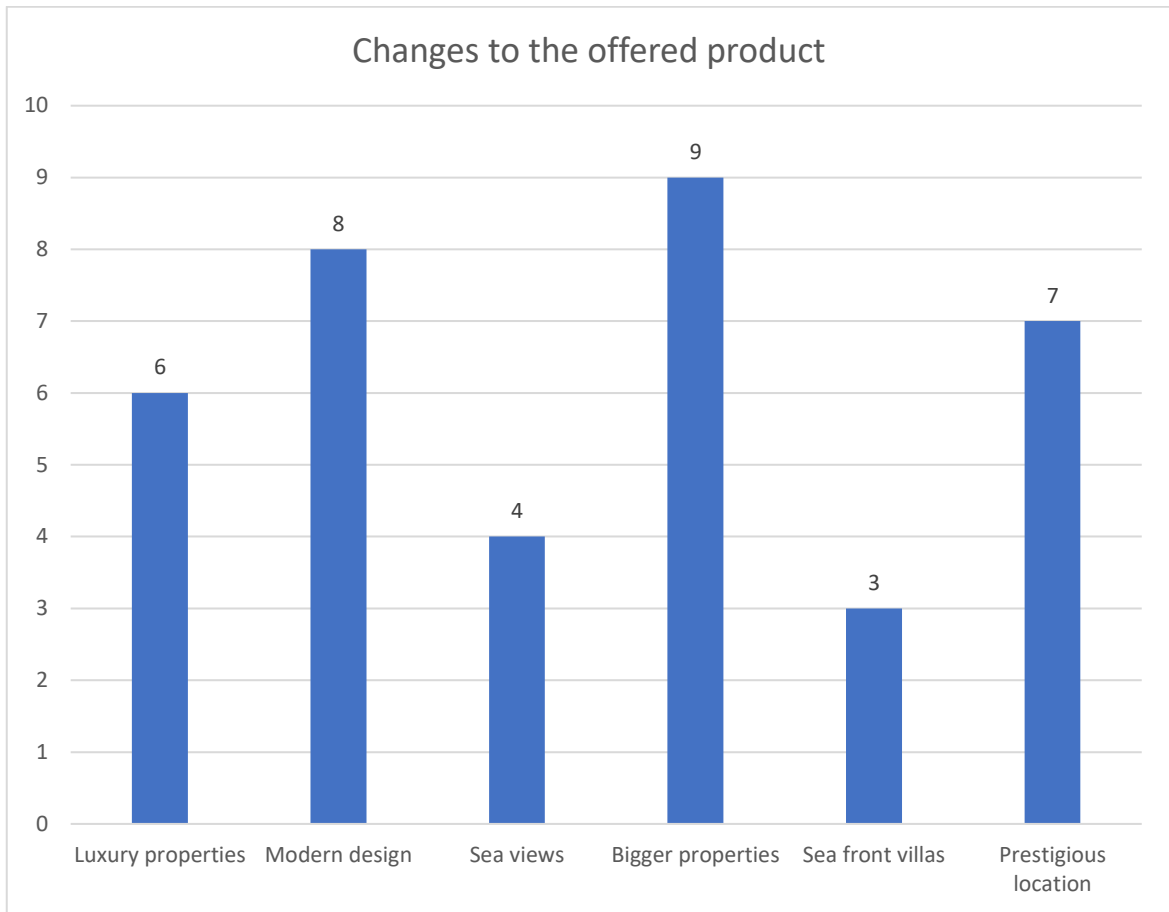
The great majority, 6 out of 10 or 60% of the participants support that the percentage of increase on their sales had an increase of more than 50% due to the citizenship by investment scheme.

Also 2 out of 10 or 20% of the interviewees support that the percentage of increase on their sales had an increase of 31% - 50% and the rest 20% of the interviewees said that the percentage of increase on their sales had an increase of 11% - 30% due to the citizenship by investment scheme.

## **New property developments because of the citizenship by investment scheme and the changes to the offered product**

All of the interviewees said that they built new developments targeting foreign investors that want to acquire Cyprus citizenship. According to the chart below the following product changes were made to the offered product in order to satisfy the new market/trend.

***Figure 38: Changes to the offered product***



All of the interviewees support that they made changes to their product in order to satisfy the new market/trend. The participants support that they were building bigger luxurious and modern properties in prestigious locations. Some of them were sea front villas and some of them have sea views. Overall the interviewees support that they build about 28 projects with 250 units all together.

All of the interviewees when they were asked if they were building developments before the citizenship by investment program they said yes and the findings are approximately 18 projects with 150 units, but they also note that most of the units were apartments and less luxurious properties.

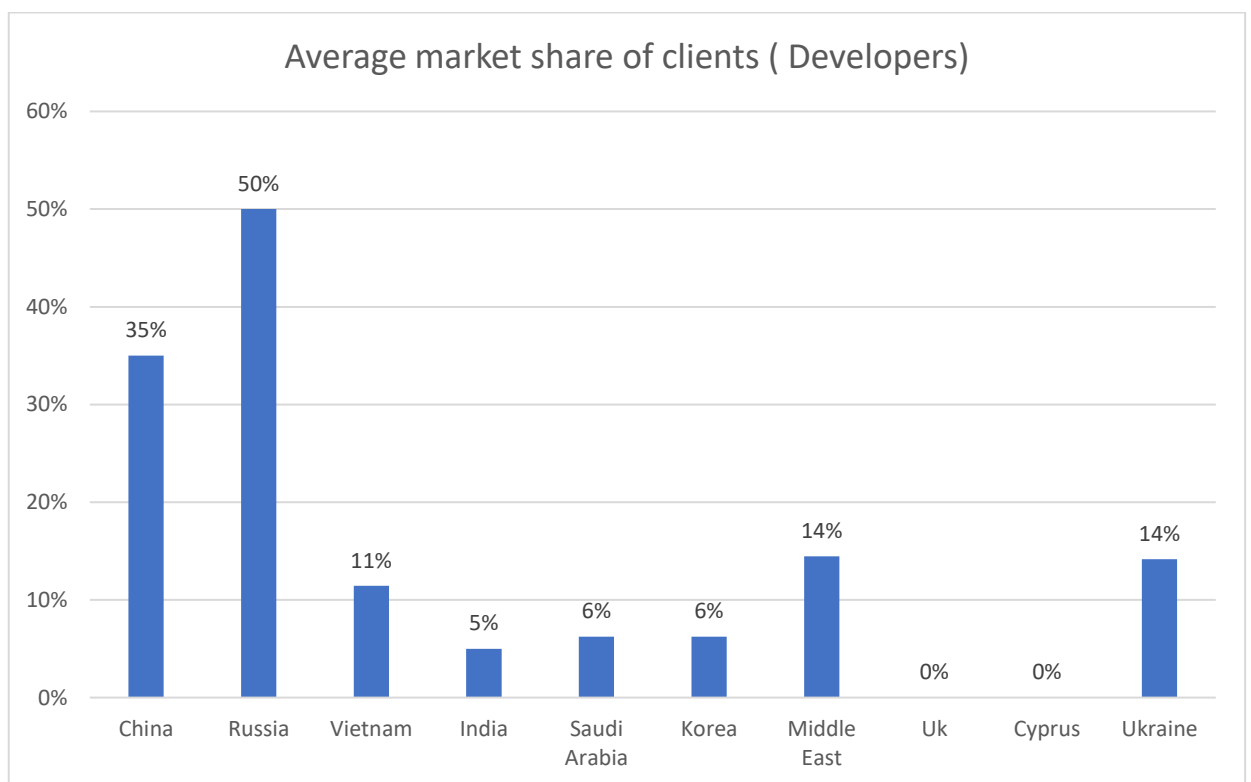
They also supported that the citizenship by investment scheme motivated them to build new developments. Unquestionably since the creation of the citizenship by investment scheme the contribution of this program to Cyprus economy was huge following the unfortunate events of 2008 and 2013, in other words the citizenship by investment scheme

‘saved’ Cyprus economy by raising a reported 8 billion euros to sustain the Cyprus economy

### **Percentage of share market trends – Developers’s view**

The chart below indicates the clients origin of the interviewees. This will help to identify which countries have the highest market share in Paphos area.

***Figure 39: Average market share of clients***



According to the findings of the interviews the highest market share , or the most clients came from Russia and China a percentage of 50% and 35% respectively. Following is the countries of Middle East and Ukraine at both 14% and Vietnam at 11% . The lowest market share came from India at 5% , Saudi Arabia and Korea at 6% .

The market share of clients from UK and Cypriot is 0% because the developers are selling to Non-European investors that want to acquire European / Cypriot citizenship.

Taking into consideration the findings it is concluded that the main players or the biggest market share is claimed by Russians and Chinese investors.

### **Property prices trends due to the citizenship by investment scheme**

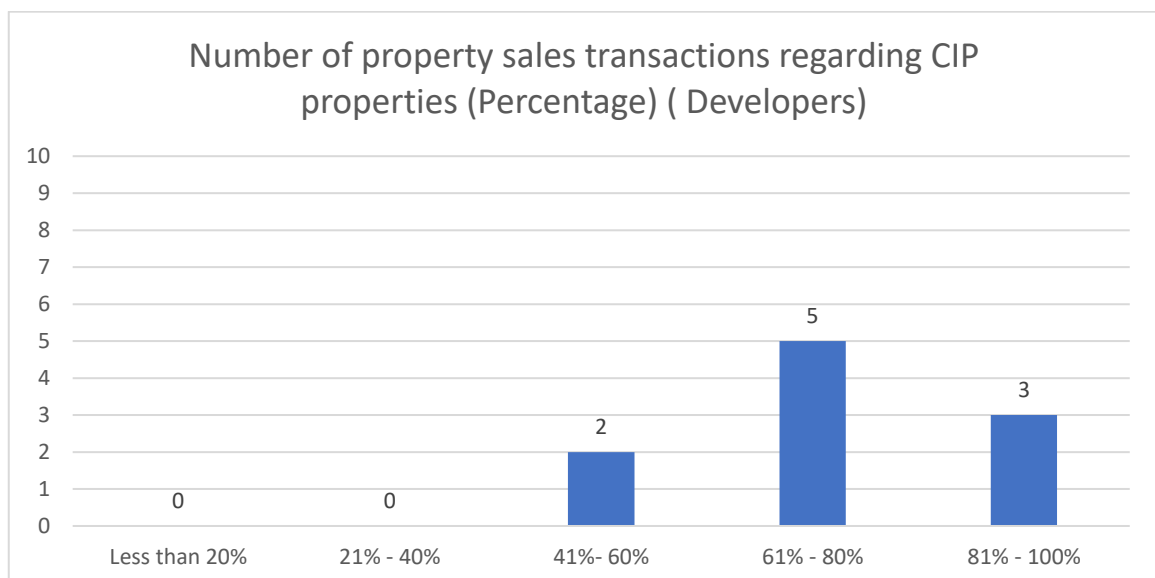
All the participants confirmed that indeed they had increased the property prices of new developments because of the citizenship by investment scheme. On average the participants increased their property prices approximately 10%. They noted that this increase is justifiable as they have more expenses to cover for example they are building luxurious properties, expensive building materials, marketing, advertising to international portal, paying higher commissions to foreign agents etc.

Furthermore the great majority, 9 out of 10 or 90% of the developers have hired more employees because of the CIP. Also all the developers are paying higher commissions for sales related to 'passport' properties. On average the commission they are paying to the real estate agents is approximately 10% -20%.

Taking into consideration the above and the nature of the citizenship by investment scheme's requirements in order for a Non-European investor to acquire European citizenship the increase for such type of properties is justifiable according to the property developers.

### **Number of property sales transactions coming from 'passport' properties**

***Figure 40: Percentage of 'passport' property sales in terms of number of transactions***



The majority, 5 out of 10 or 50% of the interviewees support that the percentage of their property sales in terms of number of transactions that comes from properties for citizenship purposes is 61% -80%. Furthermore 3 out of 10 or 30% of the developers said

81% -100% and the rest 20% of the developers said that the percentage of their property sales that comes from citizenship purposes properties is 41%-60% .

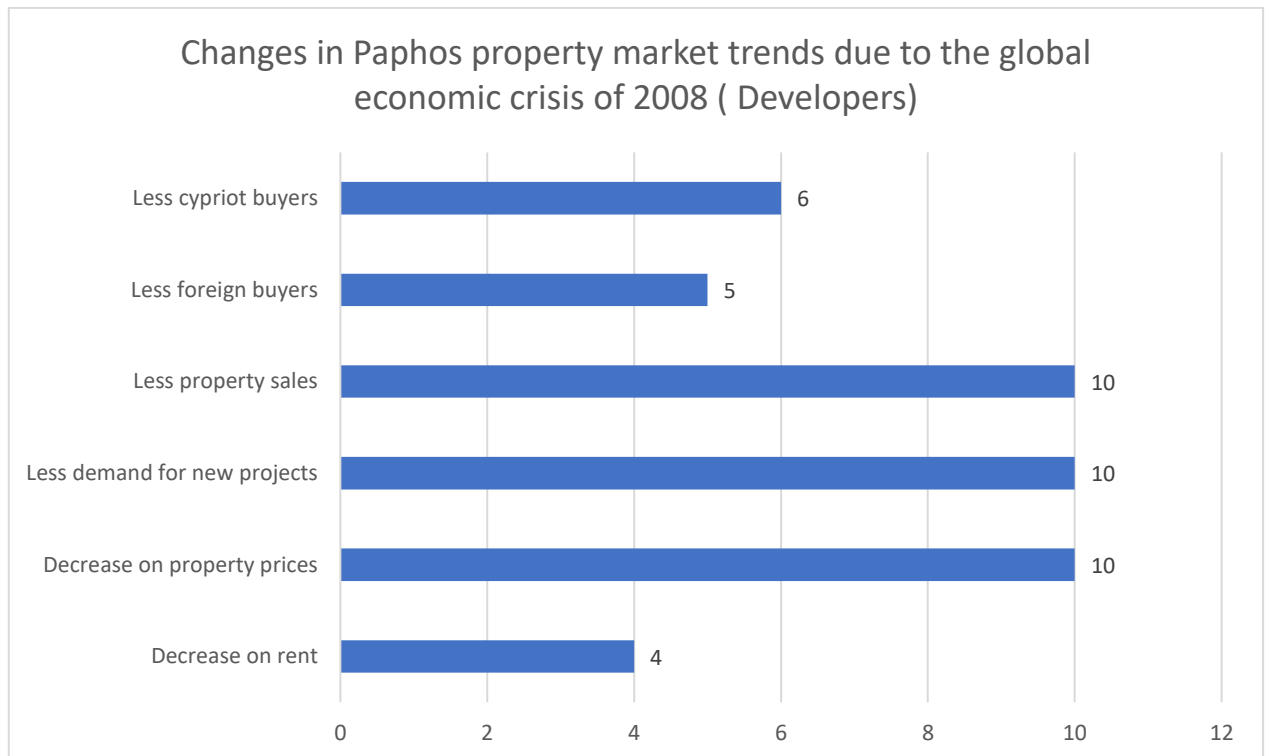
Taking into consideration the above it can be seen how important was the citizenship by investment scheme to property developers.

Furthermore the great majority of the developers said that the Cyprus Investment program, the Permanent Residency, their networks and marketing have contributed to the increase of their business and property sales.

### **Changes in the property market trends due to the financial crisis of 2008**

All of the developers support that the global financial crisis has affected the Paphos property market. The chart below shows the Paphos property market trends that have changed by the crisis

***Figure 41: Property market trend changes cause by the financial crisis***



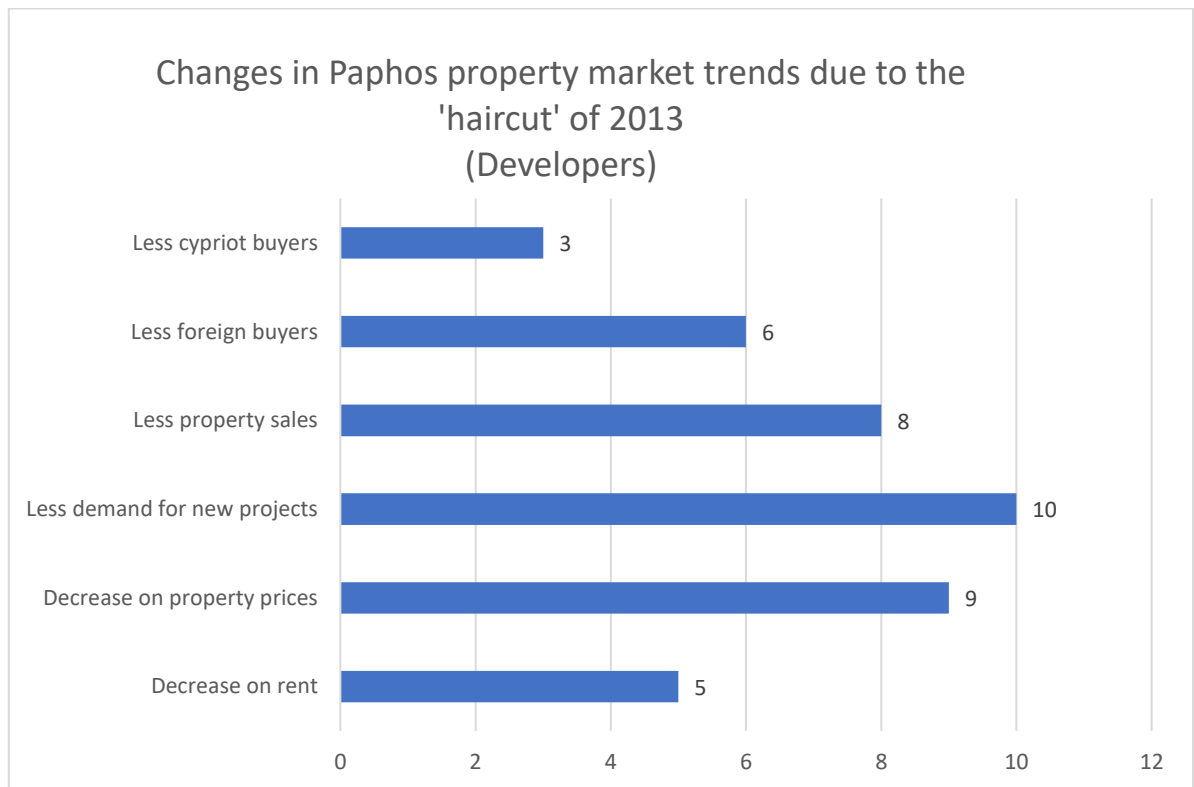
All of the developers said that property sales have dropped, there was less demand for new projects and that the property prices were decreased. Moreover 6 out of 10 or 60% of the interviewees support that the Cypriot buyers were less and 5 out 10 or 50% of the

developers said that the Foreign buyers were less . Furthermore 4 out of 10 or 40% said that the rent had decrease due to the global financial crisis of 2008.

### **Changes in the property market trends due to the 'haircut' of 2013**

All of the developers support that the 'haircut' has affected the Paphos property market. The chart below indicates the Paphos property market trends that have changed by the 'haircut'

***Figure 42: Property market trend changes caused by the 'haircut'***



All of the interviewed developers claim that there was less demand for new projects . Moreover 90% of the developers said that property prices have dropped and 80% support that property sales were decreased . Moreover 6 out of 10 or 60% of the interviewees support that the Foreign buyers were less and 3 out 10 or 30% of the developers said that the Cypriot buyers were less. Lastly 5 out of 10 or 50% of the interviewed developers claim that rent had decreased.

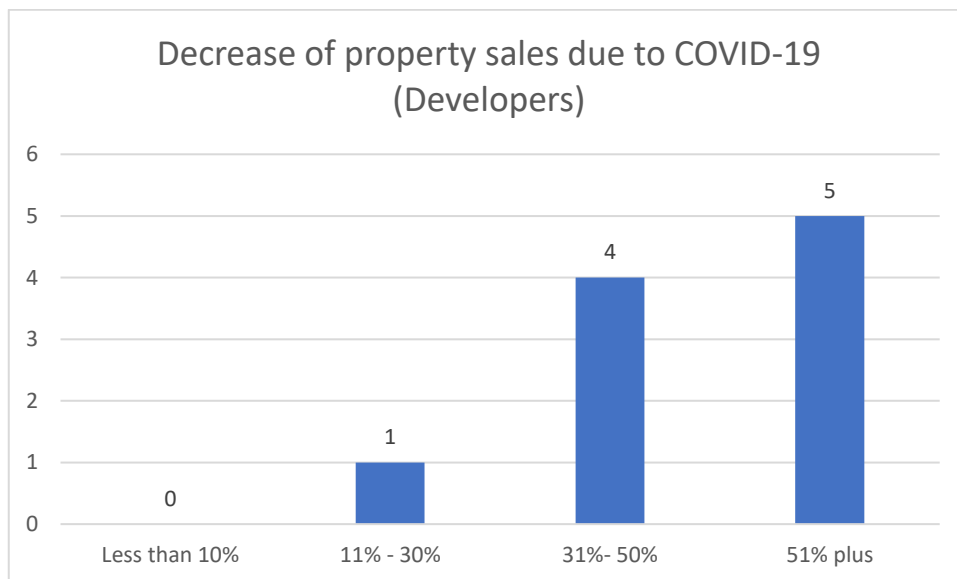
## **Changes in the property market trends due to the citizenship by investment program**

All of the interviewed developers said that there was a new kind of clients, Chinese , Russian, Indian , Vietnamese, Koreans etc. Also the property prices for new properties were increased as well as the budget increased for such properties € 2 million – € 2.5 million. They also supported that the major causes of these changes were the ‘passport’ properties and the limits of € 2 million – € 2 .5 million, property investment needed.

## **Property prices trends due to the corona virus pandemic**

All of the questioned developers support that corona virus pandemic will have a great impact on Paphos real estate market. The chart below show the percentage of decrease on the interviewees property sales.

***Figure 43: Decrease of property sales due to COVID-19***

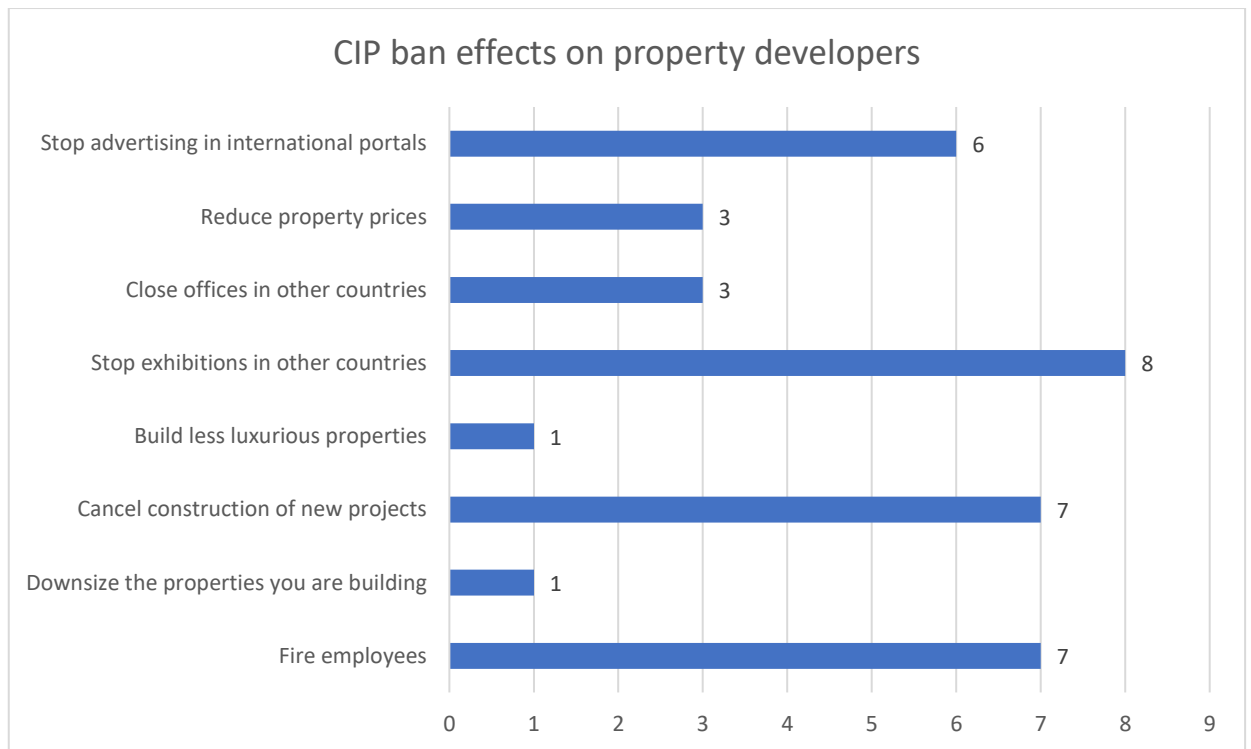


The majority , 5 out of 10 or 50% of the developers state that the decrease of their property sales due to coronavirus was more than 50% . Also 4 out of 10 or 40% said that the decrease of their property sales due to corona virus was between 31% to 50% and only one developer said 11% - 30% .

## **The effects of the cancellation of the citizenship by investment program on property developers**

All of the questioned developers sales were affected caused by the cancellation of the citizenship by investment scheme. The chart below shows this effects.

***Figure 44: CIP ban effects on property developers***



The majority , 80% of the interviewed developers support that they have stopped exhibitions in other countries . Also 70% of the developers said that they have cancelled the construction of new projects and they fired employees.

Moreover 60% claim that they have stopped advertising on international portals and 30% said that they have closed offices in other countries and also 30% said that they have reduced their property prices.

Furthermore 1 of the developers said that he will build less luxurious villas and to downsize the property size on new projects he will build.



**The effects on sales from the announcement on the 23rd of June 2016 that the UK has decided to leave the European Union from 1/1/2021**

All of the developers said that the announcement that the UK will exit Europe ( Brexit) didn't affect their sales.

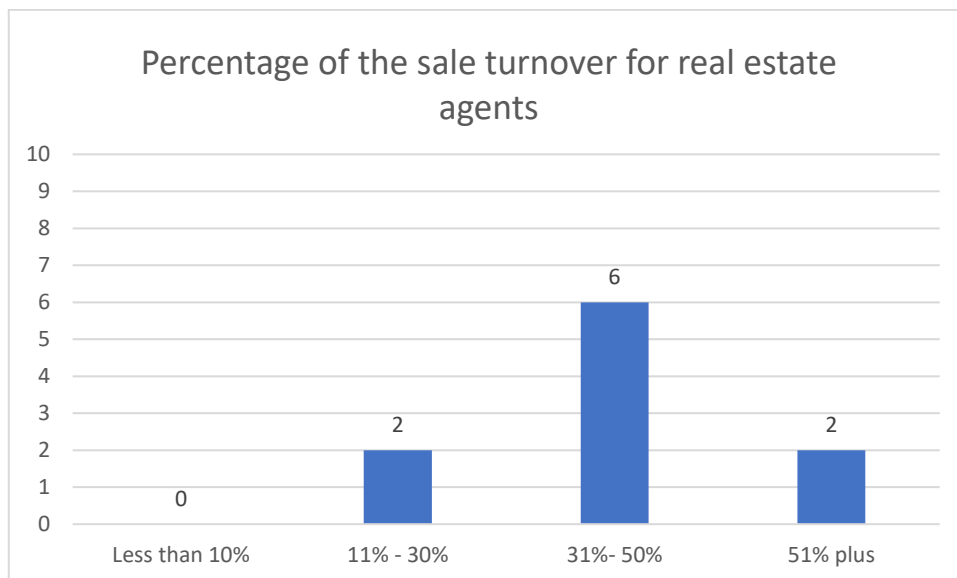
Furthermore when they were asked that from the 1<sup>st</sup> of January 2021 , the UK will not be part of the EU, do you think that this change will affect your sales ? all of them answered no , because their market were not British clients as they were already in Europe and were not buying in order to get a passport.

7.3 Findings from the personal interviews with the real estate agents

**Effects of the Global Financial Crisis and the 'Haircut' on the Interviews companies**

All of the 10 participants were impacted by the global financial crisis of 2008 and by the 'haircut' of 2013. The chart below indicates the percentage of decrease on their sales turnover since the beginning of the global financial crisis and the 'haircut'

**Figure 45: Percentage of property sales decrease since the global financial crisis and 'haircut' for the real estate agents**



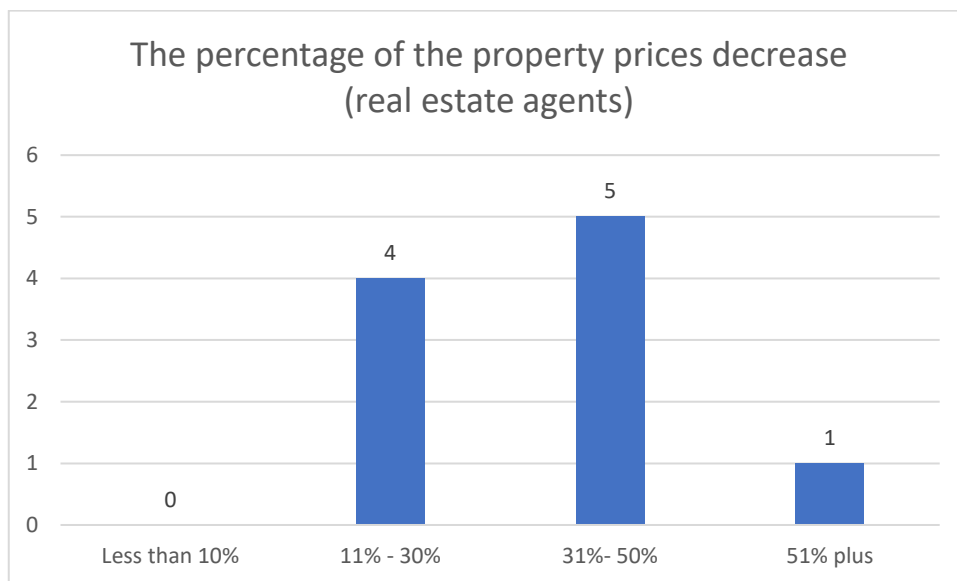
The great majority , 6 out of 10 participants or 60% had a decrease on their sales turnover of 31% - 50% , since the beginning of the financial crisis of 2008 and the 'haircut' of 2013. Furthermore 2 out of 10 participants or 20% had a reduction on their sales turnover of 11%-30% and also 2 out of 10 participants or 20% had a reduction on their sales turnover

of more than 51% since the beginning of the financial crisis of 2008 and the ‘haircut’ of 2013

### **Re-sale property prices trends since the global financial crisis and the ‘haircut’**

All of the interviewed real estate agents support that the selling prices of the properties dropped due to the global financial crisis of 2008 and the ‘haircut’ of 2013. The chart below shows the percentage of property prices decrease.

***Figure 46: The percentage of re-sale property prices decrease since the global financial crisis and the ‘haircut’***

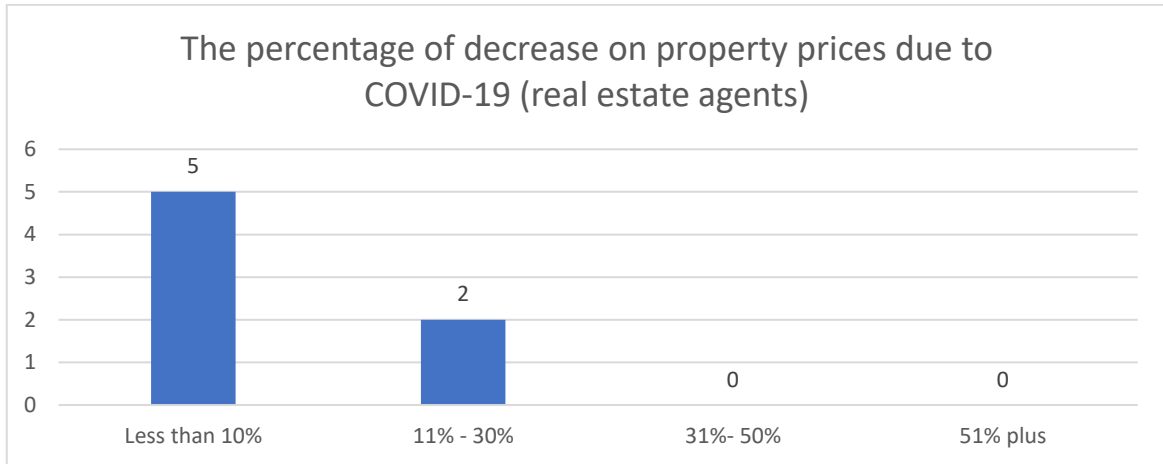


Most of the interviewed estate agents, more specifically 50% claim that their clients have reduced their prices between 31% - 50% and 4 out of 10 real estate agents support that Paphos property prices had a decrease of 11% -30% and only 1 real estate agent said that the decrease was more than 50% since the global financial crisis and the ‘haircut’.

### **Resale Property prices trends following COVID-19**

The majority, 7 out of 10 or 70% of the interviewed real estate agents claim that the property prices have dropped due to the coronavirus and 4 out of 10 or 40% of the interviewees said that corona virus didn’t affect property prices. The chart below indicates the percentage of decrease on property prices caused by coronavirus.

**Figure 47: The percentage of decrease on resale property prices due to corona virus**

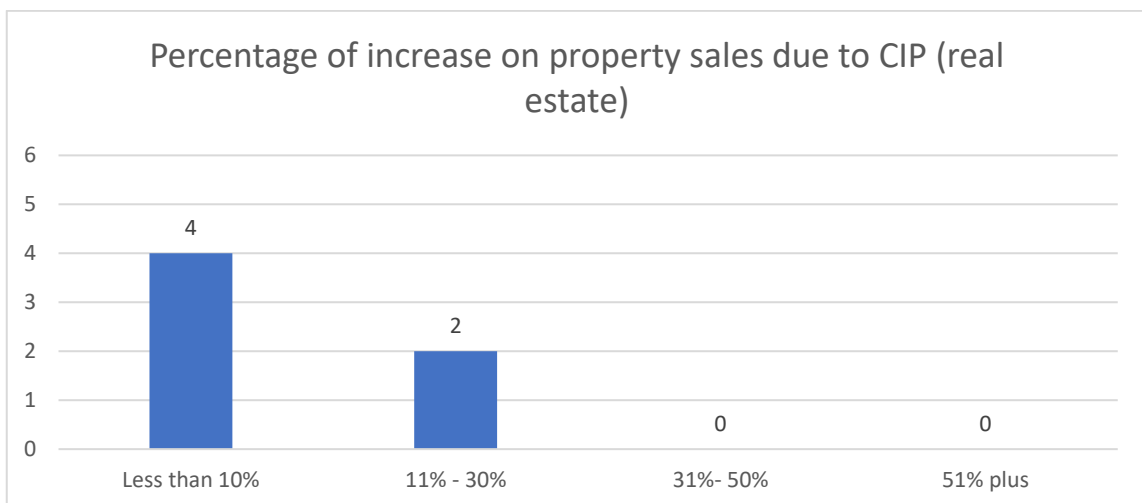


The 7 interviewed real estate agents that supported that the property prices have dropped due to COVID-19, 5 out of 7 claim that the decrease of property prices is less than 10% and the rest support that the decrease of property prices is between 11% -30% .

**Cyprus Investment Program (CIP) effects on Paphos property sales**

The majority of the interviewed real estate agents, 6 out of 10 support that the citizenship by investment scheme increased their sales and 4 out of 10 claim that it didn't affect their sales. The chart below shows the percentage of increase on the 6 real estate agent companies who claimed that the citizenship by investment scheme increased their sales.

**Figure 48: Percentage of increase on property sales due to CIP ( Real estate agents)**

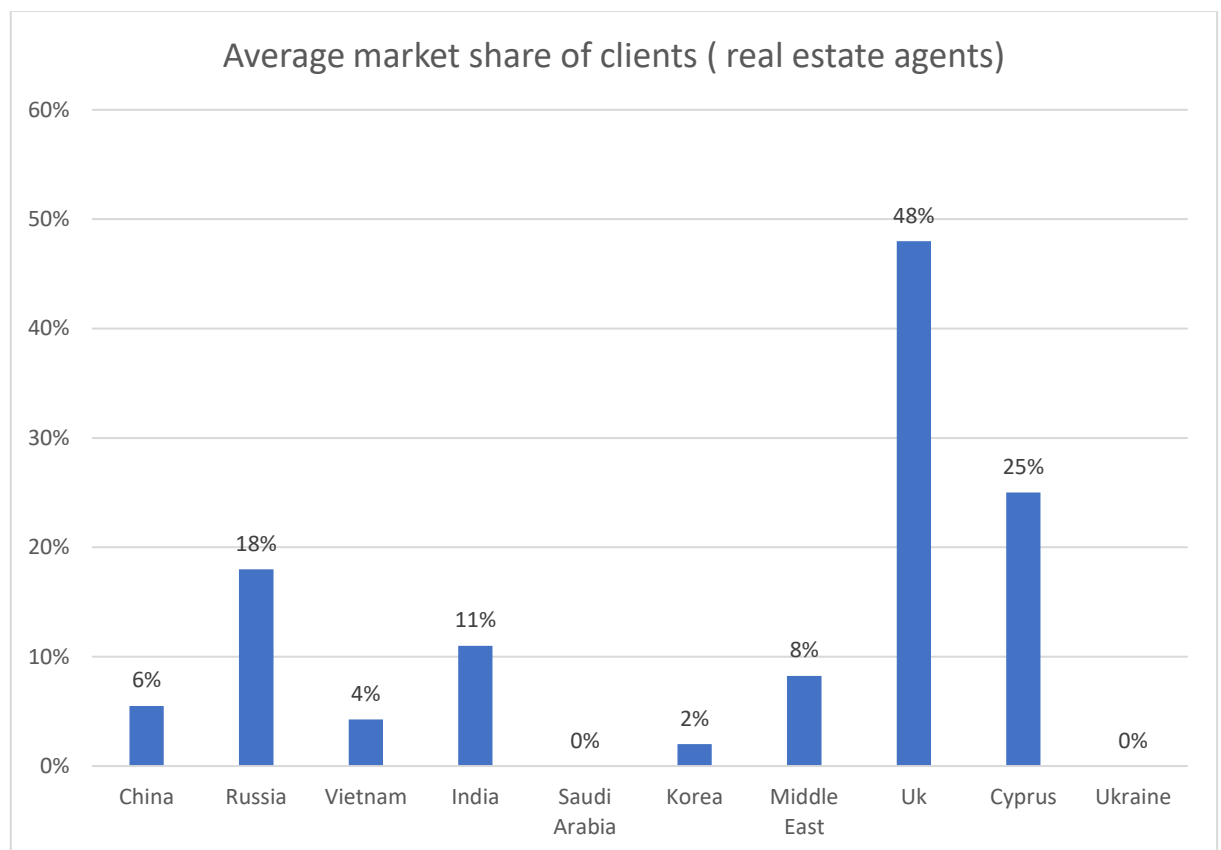


The majority , 4 out of 6 real estate agents said that the percentage of increase on their property sales because of the citizenship by investment scheme was less than 10% while the rest 2 real estate agents claim that the increase was 11% -30%.

### **Percentage of share market by Nationality of buyers – Real estate agents’s view**

The below chart shows the clients origin of the interviewed real estate agents. This will help to identify which countries have the highest share in Paphos area according to real estate agents.

***Figure 49: Average market share of clients***



As shown at the above chart , according to the interviewed real estate agents, on average the highest market share place goes to the UK at 48%, following by Cypriot clients at 25% and Russia at 18% . Furthermore India at 11% and countries of Middle East at 8% . Chinese at 6%, from Vietnam at 4% and from Korea at 2%. The real estate agents didn't have clients from the Ukraine and Saudi Arabia , or if they had they were very few.

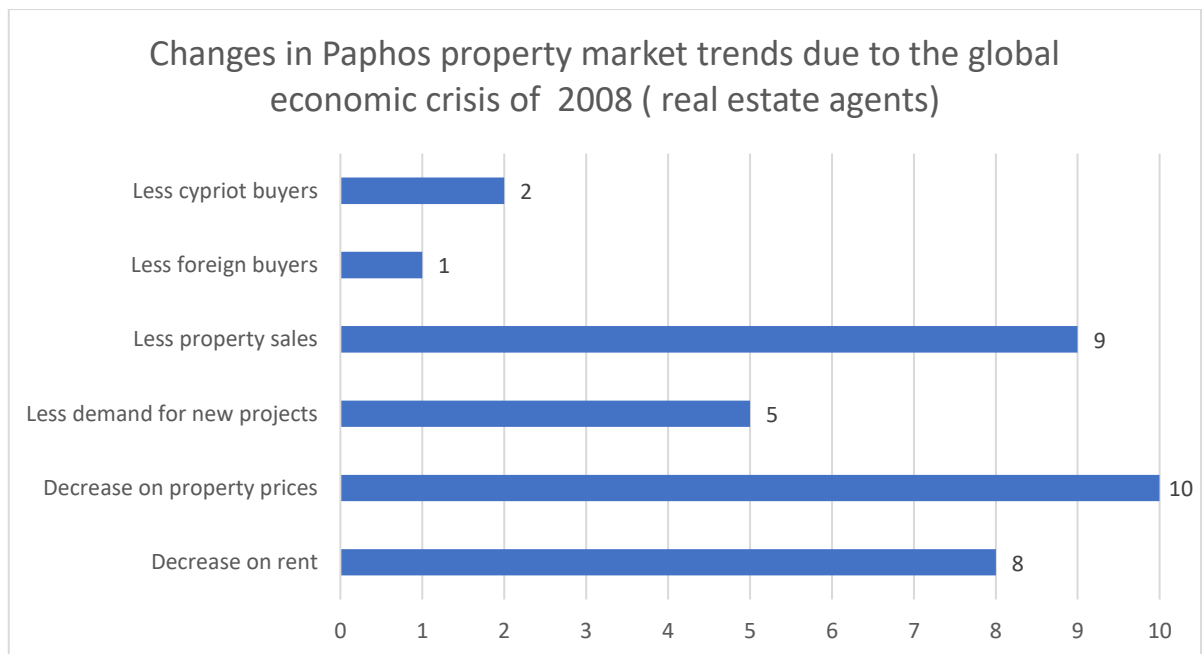
**Number of property sales transactions coming from ‘passport’ properties – real estate agents’s view**

All of the 10 interviewed real estate agents mutually agreed that the percentage of their property sales in terms of number of transactions that comes from ‘passport’ properties were less than 20%. The reason is that ‘passport clients apply to the developers direct or through their foreign estate agents. The Paphos estate agents mainly deal in Resale properties.

**Changes in the resale property market trends due to the financial crisis of 2008- real estate agents’s view**

All of the interviewed real estate agents claim that the global financial of 2008 had impacted Paphos property market. The below chart indicates the Paphos property market trends that have changed due to the economic crisis.

**Figure 50: Re-sale property market trend changes due to the financial crisis**



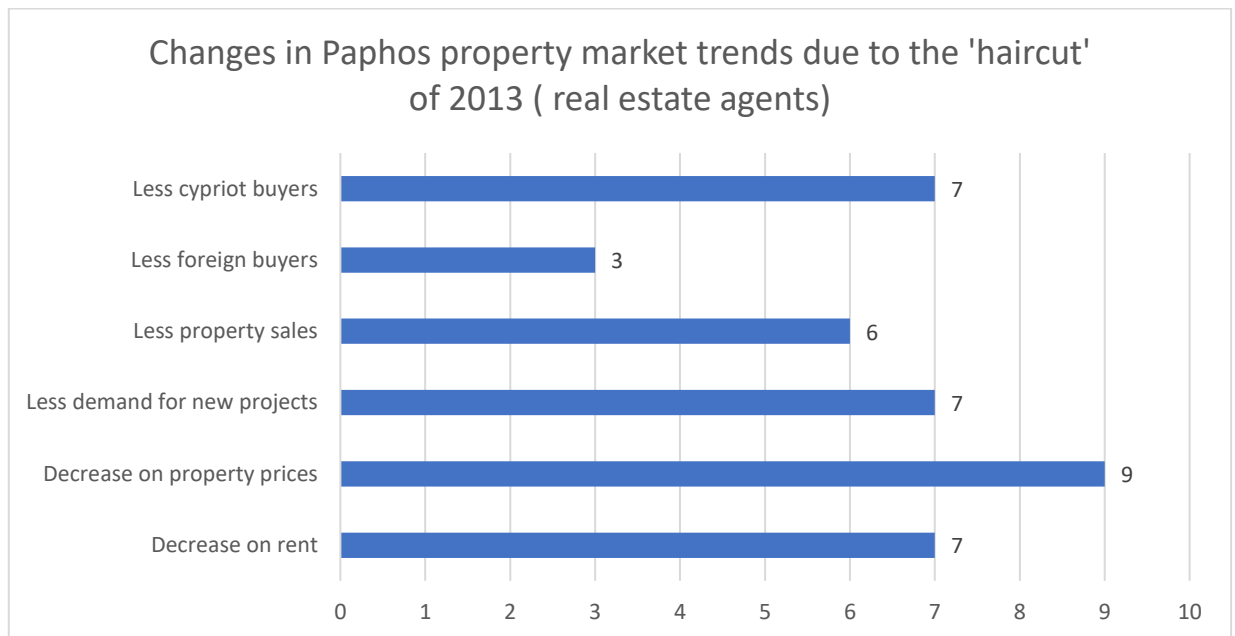
All of the interviewed real estate agents claim that their clients (sellers) have reduced their prices . Furthermore 9 out of 10 or 90% said that the property sales were decreased and 8 out of 10 or 80% support that the rent had decreased as well. Moreover 5 out of 10 noted that there was less demand for new projects and 2 out of 10 said that the Cypriot buyers

were less. Only 1 real estate agent claims that the demand for properties from Foreign buyers was reduced.

**Changes in the resale property market trends due to the ‘haircut’ of 2013- real estate agents’s view**

All of the interviewed real estate agents support that the ‘haircut’ of 2013 had impacted Paphos property market. The impact can be seen in the chart below which indicates the Paphos property market trends that have changed due to the ‘haircut’.

***Figure 51: Re-sale property market trend changes caused by the 'haircut'***

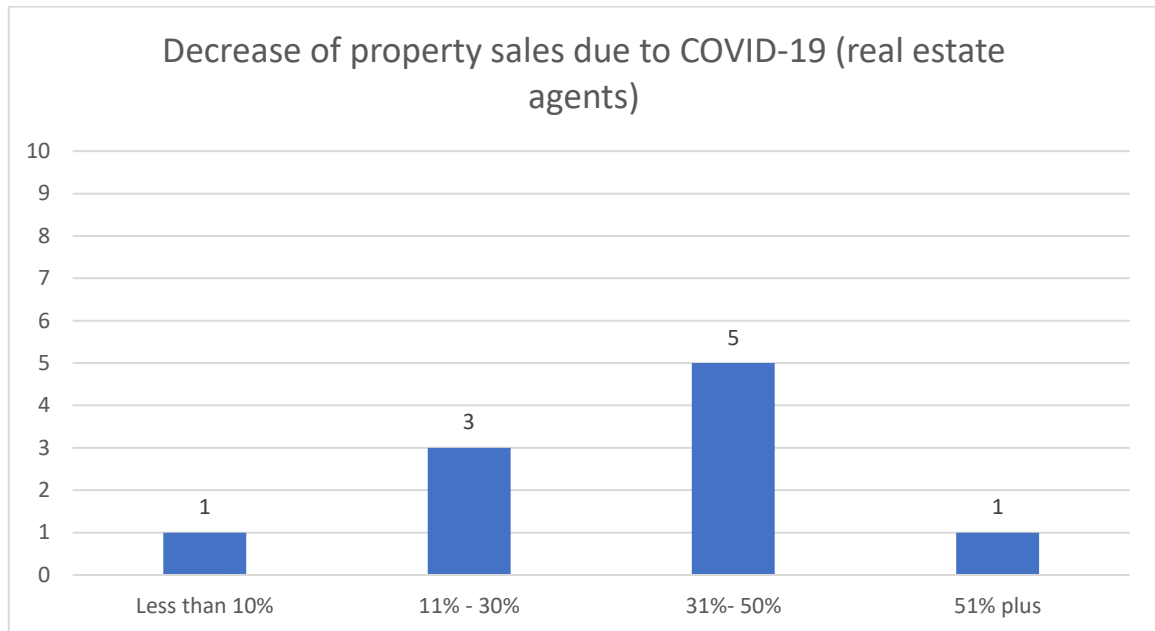


The great majority , 9 out of 10 of the interviewed real estate agents said that the property prices were reduced due to the ‘haircut’. Moreover 7 out of 10 real estate agents support that the property demand from Cypriot buyers was reduced , the demand for the construction of new projects and rent was decreased. Furthermore 6 out of 10 real estate agents claim that the property sales were decreased and 3 out of 10 said that the demand for properties purchases from Foreign buyers was reduced.

## **Re-sale property prices trends due to the corona virus pandemic**

All of the interviewed real estate agents claim that COVID-19 will have a great impact on Paphos real estate market. The below chart indicates the percentage of the decrease on the real estate agents property sales.

***Figure 52: Decrease of re-sale property sales due to COVID-19***



The majority, 5 out of 10 or 50% of the interviewed real estate agents claim that the decrease of their property sales due to COVID-19 was between 31% - 50% . Moreover 3 out of 10 or 30% said that the decrease was 11%-30% . Only 1 real estate agent supports that the decrease was less than 10% as well as only 1 real estate agent supports that the decrease of his property sales due to coronavirus was more than 51%.

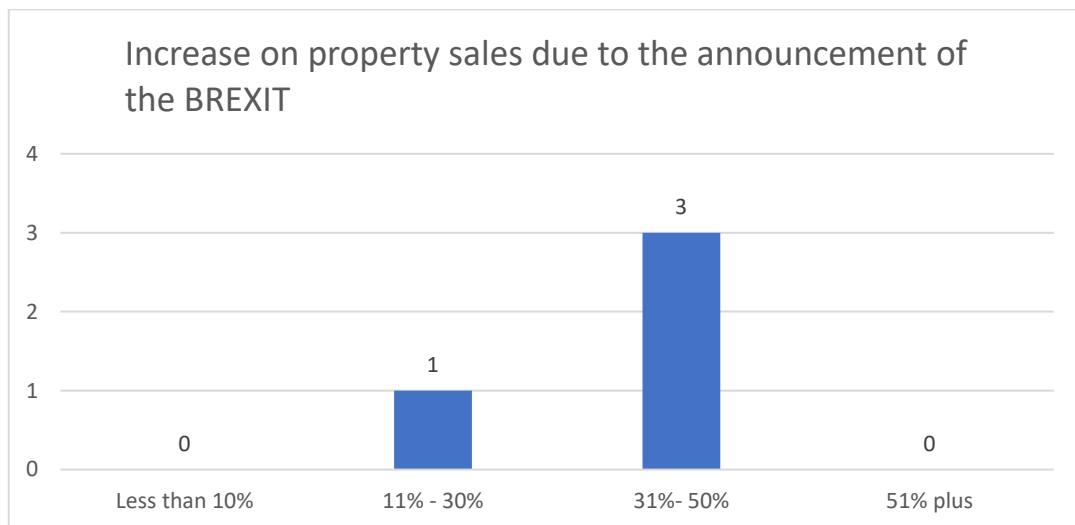
## **Cancellation of the citizenship by investment scheme impacts in Paphos property market**

All the interviewed real estate agents except one believe that the ban of the citizenship by investment scheme on the 1<sup>st</sup> of November 2020 will have a great impact on Paphos real estate market.

**The effects on sales after the announcement that the UK has decided to leave the European Union at 1/1/2021**

The majority ,6 out of 10 or 60% of the real estate agents said that their sales were not affected following the announcement and 4 out of 10 or 40% of the real estate agents claim that their sales have increased following the announcement of the BREXIT ,in 2016. The chart below indicates the increase of the 4 real estate agents property sales.

***Figure 53: Increase on property sales due to the announcement of BREXIT***



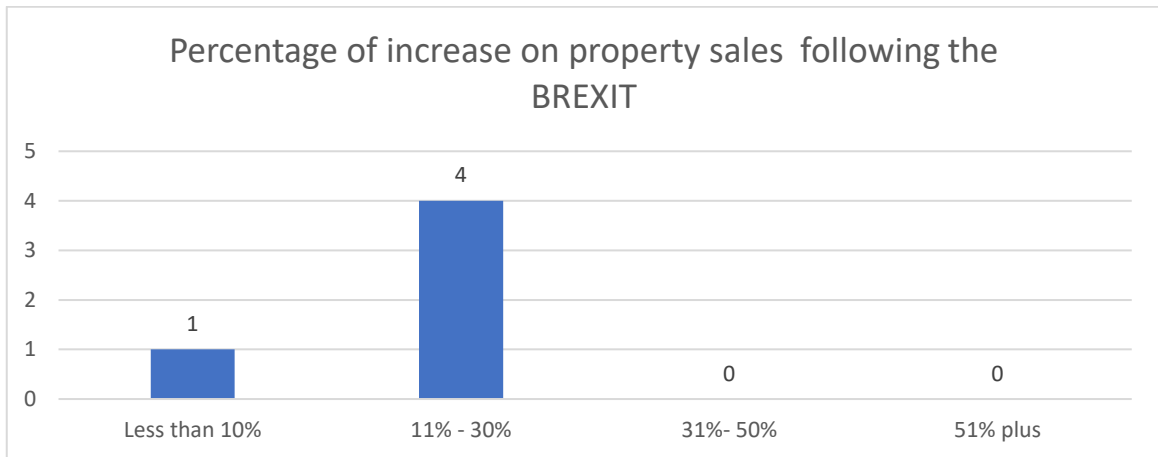
The majority, 3 out of 4 real estate agents support that their property sales had increased between 31%-50% and 1 real estate agent claim that her property sales had increased between 11%-30% following the announcement on the 23<sup>rd</sup> of June 2016 that the UK had decided to leave the EU on the 1<sup>st</sup> of January 2020.

**The effects on property sales after the 1st of January 2020 when the UK will leave EU**

The majority , 5 out of 10 or 50% of the real estate agents believe that their sales will increase after the BREXIT. Moreover 2 out of 10 or 20% believe that their sales will decrease and 3 real estate agents believe that their sales will not be affected after the BREXIT. The two charts below show the presumed increase and decrease.

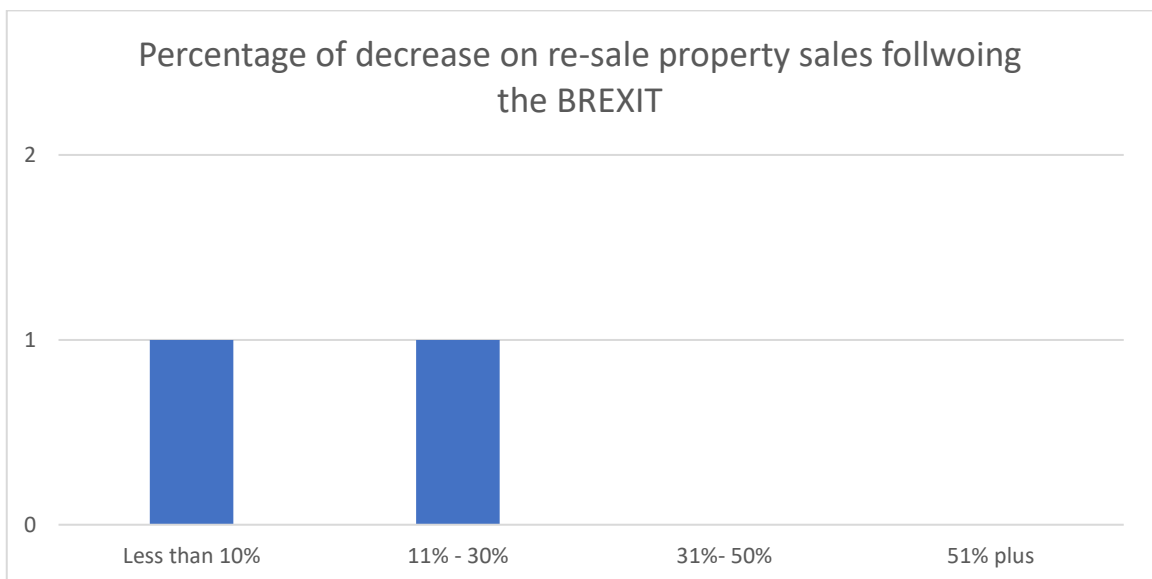


**Figure 54 : Percentage of increase on property sales following the BREXIT**



The great majority, 4 out of 5 or 80% of the interviewed real estate agents anticipate positively that their property sales will increase between 11% -30% while one real estate agent anticipates that his property sales will increase less than 10% after the BREXIT.

**Figure 55: Percentage of decrease on property sales following the BREXIT**



Only 2 real estate agents believe that their property sales will decrease. One believes that his property sales will decrease less than 10% and the other believes that her property sales will decrease between 11% to 30% after the BREXIT.

## 7.4 Overall synopsis of the findings from the developers' and real estate agents' interviews

All interviewed real estate agents and developers have been affected by the Global financial crisis of 2008 and the 'haircut' of 2013. The great majority had a decrease on their sales turnover of 31%- 50%. In the beginning 2008 -2013 prices for rents and property prices dropped by up to 50% .

All of the interviewed estate agents said that they noticed some property price increase which stopped with Corona virus outbreak in the early 2020 but still property prices are around 30% lower than 2008.

Furthermore just after the 'haircut' the decrease in prices and sales was around 50% but eventually it became less, around 30% and Cypriot buyers started investing in properties as they did not trust having money in Banks, from the bad experience of the Bank's 'haircut' in March 2013. Also the reduction of the Bank's interest rates on deposits and higher return from property rents has led Cypriots preferring to invest in properties rather than to have money in the banks.

Moreover a new kind of clients brought 'fresh' money in the economy of Cyprus. This clients were mainly from China, Russia, India, Vietnam and Korea. The property prices were increased for new developments and the budget increased between €2 million - € 2,5 million as the minimum price for 'passport' properties was € 2 - €2,5 millions in order for a Non-European investor to acquire Cypriot/European citizenship.

The great majority of the interviewees support that the cancellation of the citizenship by investment scheme will have a great impact on Paphos Real Estate Market. As claimed by them new expensive properties ( passport properties) will remain unsold. Property prices for 'passport' properties will have to drop by up to 50% in order to sell. Demand will drop and also supply will drop as developers will not build new expensive properties anymore. Furthermore the great majority of the developers already fired a lot of their employees , they have cancelled projects and stopped exhibitions in other countries.

But demand for resale properties will increase provided Corona virus is finished and prices will start increasing.

Also corona virus pandemic had a great impact in the Paphos property market. The already low property prices have dropped by another 5%-10% since the start of Corona-virus. If it carries on, the property prices will decrease even more as the demand also decreased by

around 50% and supply decreased as well. If scientists find a cure for coronavirus then we will see price and demand increase by 10%-20% over 1-2 years and supply will also increase as the property sellers will return. It is a fact that many property owners in Paphos area are Non-Cypriots and live abroad, when permitted they will return and some will put their properties on the market for sale.

Moreover all the interviewed developers said that the BREXIT will not affect their sales as they don't target the British market, but the majority of the interviewed real estate agents said that their sales will increase following Brexit between 11%-30%. Many believe that the British always liked Cyprus and the advantages that offers especially to the British people such as climate, English widely spoken, legal system based on UK legal system, drive on the same side, the British bases etc. Especially now with the corona virus and the lockdowns of people, as soon as it is over , British people will look forward to travelling and owning property in warm climates, like Cyprus climate.

## CHAPTER 8: CONCLUSIONS

### 8.1 Introduction

The aim of this chapter is to determine whether the aim of this thesis is fulfilled through the objectives and methodologies set-up in the early stages of the dissertation.

### 8.2 Conclusions

The aim of this research has been exhaustively researched through the achievement of the stated objectives. The research scrutinizes the case study of the Paphos property market since the beginning of the Global financial crisis of 2008: it examines the impact of the global financial crisis on the market, the impact of the 'haircut' on the market, the impact of the citizenship by investment scheme, the impact of Brexit and Coronavirus pandemic on the Paphos property market.

By the help of the personal interviews with local developers and real estate agents, crucial findings have been identified and collected regarding the market trends caused by the aforementioned scenarios. Most of the property trends correspond with the literature findings. Even though limited literature reviews were found regarding the Cyprus 'haircut', the coronavirus Pandemic but also none for Brexit regarding how it will affect Cyprus property prices. The personal interviews helped to get a comprehensive understanding regarding these issues.

Unquestionably the global economic crisis and the 'haircut' have greatly affected the Paphos property market. In the beginning of the global financial crisis and the 'haircut', rental and property prices dropped by up to 50%. Moreover just after the 'haircut' the property prices and property sales were around 50% lower than 2007, the year of the 'boom'.

The constant uncertainty caused by the corona virus pandemic affected Cyprus. It is a fact that the lost income from Tourism shrinks even more the economy of Cyprus. The question is when will the recovery begin and how long will it take for the property market to go back to the returns of previous years. This is not easy to predict, as the global recovery will depend on health issues (availability and success of the vaccine), the financial impact of the pandemic and the expected return of consumer confidence. The property market

recorded reductions due, among other things, the travel restrictions, both domestic and foreign, as well as the abolition of the Citizenship by investment program.

After an interview with Mr. Michael Michael, Chairman of Invest Cyprus by the newspaper Fileleftheros (Sunday, September 1, 2019) , he stated that the citizenship by investment program is a tool that was used during the period of the economic crisis. The Cyprus Investment Program ( CIP) contributed the most to the recovery of the real estate and construction sector with a chain of positive effects on the overall economy by reducing the non-performing loans of the banks. In addition , it has helped to reduce significant negative indicators of the economy, such as unemployment.

Now with the cancellation of this program the demand and supply will decrease as developers will not build new expensive properties . Moreover many developers fired a lot of their employees ( architects, builders, salesmen, engineers etc.) that were hired specifically because of the citizenship by investment program.

The ban of the CIP will definitely have substantial consequences in the Real estate market especially for high value properties something which however is not yet ascertained, since some time must pass, in order to accurately record the effects on the sale volumes and values. The expected effects will be the immediate and significant drop in demand and the effects on the construction sector will be immediate, but the full effects will need sometime to show.

Last but not least with UK leaving Europe ( Brexit) there are different opinions whether the British will continue to buy properties in Paphos. The majority of the interviewed estate agents believe that their sales will increase because of the BREXIT. But we cannot know for sure because there are many reasons that will contribute to the increase or decrease of the British market such as the currency exchange with fluctuations of sterling, UK pounds against euro, Cypriot government laws regarding British living and working in Cyprus etc. which will be known in the very near future.

The pandemic , the consequent economic crisis and the end of the Cypriot Investment Program will affect property demand and property prices even more. Again these effects will be seen and measured in the near future.

### 8.3 Limitations of the research

Even though the research aim and objectives were achieved, there were some limitations to the research . In the analysis of the data acquired by the questionnaires perhaps the interviewees willingly or unwillingly gave wrong answers for example in question 1 , how much the percentage of your sale turnover has decreased since the beginning of the financial crisis and the ‘haircut’ or perhaps the interviewees didn’t want to tell the author the truth for example how much commissions they pay to their agents or how much their sales dropped due to the ban of the CIP etc. for various reasons . Also because of the nature of their business it was not easy to arrange an appointment with more interviewees. But still the author is confident that the sample of the 20 interviewees is very representative and reflects the Paphos property market.

The author support that if more findings were available on specific literature review in the Brexit and Corona virus effects on the International property market , the research could investigate more accurately in terms of comparative effects in other real estate markets of other countries. Nevertheless these limitations have not affected the research and the aim and objectives have been sufficiently accomplished.

### 8.4 Further research

Unfortunately , the ban of the Cyprus Investment Program is now a reality and a further research could be done on the strategies that can be used to address this problem satisfactorily.

Another area of research needed for the future will be the new priorities and strategies of the property developers after the abolition of the CIP program. The results of a research on this topic could be useful in order to identify for example the new target markets , how the developers cope with the abolition of the CIP, etc.

Moreover another area of research needed to be done as soon as possible after the Al-Jazeera video which vilified and disparaged Cyprus in the whole world is in the topic of transparency : the substantial enhancement of transparency which would make Cyprus more competitive, more trustworthy and even more attractive to foreign investors.

The author believes that another major area of research needed for the future would be the effects of Brexit in the Cyprus real estate market.

Finally the effects of the recent Pandemic on the property market should be identified and measured. As the effects are very recent but quite drastic in the near future we will be able to identify the effects and the measures taken by the Real Estate Industry in order to cope.

## BIBLIOGRAPHY

- A.D.Jankowicz, 2000. *Business Research Projects*. 3rd Edition ed. London: Thomson Learning.
- A.M Parhizgari , Ivelina Pavlova, 2010. The boom and the lean times in global REITs; the 2000-2008 period. *Journal of European Real Estate Research*, 3(2), pp. 81-95.
- André Douglas,Pond Cummings, 2011. RACIAL CODING AND THE FINANCIAL MARKET CRISIS.. *Utah Law Review*, 2011(1), pp. 141-221.
- Aziz, B., 2012. Financial Crisis 2007-2009. How Real Estate Bubble and Transparency and Accountability Issues Generated and Worsen the Crisis.. *Fronterizos Estudios*, 13(26), pp. 201-221.
- Daniel Hagemann, Monika Wohlmann, 2019. An early warning system to identify house price bubbles. *Journal od European Real Estate Research*, 12(3), pp. 291-310.
- Deak, F., 2020. Real estate markets. Coronavirus epidemic causes a significant reduction in real estate market activity.. *Report on Financial Stability (Magyar Nemzeti Bank)*, pp. 27-31.
- Duca John V. , Ling David C., 2015. The Other (Commercial) Real Estate Boom and Bust: The Effects of Risk Premia and Regulatory Capital Arbitrage.. *Working Papers Series (Federal Reserve Bank of Dallas)*, Issue 1504, pp. 1-43.
- E.N Klochkova , M.A Tolstyakova, 2019. Market of the residential real estate: trends and prospects. *Statistika i Èkonomika*, 16(3), pp. 24-33.
- Edward Glaeser , Wei Huang , Yueran Ma, Andrei Shleifer, 2017. A Real Estate Boom with Chinese Characteristics. *The Journal of Economic Perspectives*, 31(1), pp. 93-116.
- Ekaterina Chernobai , Tarique Hossain, 2017. Determinants of house buyers' expected holding periods in boom and bust markets in California. *International Journal of Housing Markets and Analysis*, 10(2), pp. 256-281.
- Essa Adhabi , Christina Blash Anozie, 2017. Literature review for the type of interview in qualitative research. *International journal of Education*, 9(3), pp. 86-97.



- Farmer, K., 2012. *Financial Crises : Causes, Management and Economic Impact*, New York: Nova Science Publishers.
- Fossen, A. v., 2018. Passport sales: how island microstates use strategic management to organise the new economic citizenship industry. *Island Studies Journal*, 13(1), pp. 285-300.
- Fund, I. M., 2013. Cyprus : Request for Arrangement Under the Extended Fund Facility. *Washington, D.C. : INTERNATIONAL MONETARY FUND..*
- Galletta, A., 2013. *Mastering the Semi-Structured Interview and Beyond*, s.l.: NYU press.
- Karine Avakyan ,Gennady Pratsko, 2020. Impact of the coronavirus pandemic in 2020 on the real estate market in Russia: legal aspects. *E3S Web of Conferences.*, Volume 210, pp. 1-9.
- Li, J., 2013. What causes China's property boom?. *Emerald Group Publishing Limited*, 31(1), pp. 4-21.
- Mach, Ł., 2019. Measuring and assessing the impact of the global economic crisis on European real property market. *Journal of Business Economics and Management*, 20(6), pp. 1189-1209.
- Manen, M. v., 2016. *Researching Liven Experience*. 2nd ed. New York: Routledge .
- Mark Saunders, Philip Lewis, Adrian Thornhill, 2007. *Research Methods for Business Students*. 4th ed. Harlow: Prentice Hall.
- Mark Saunders, Philip Lewis, Andrian Thornhill, 2003. *Research methods for business students*. 3rd Edition ed. Harlow: Prentice Hall.
- Martin H. Wolfson , Gerald A. Epstein, 2013. *The Handbook of the Political Economy of Financial Crises..* New York: Oxford University Press.
- McLeod, S., 2018. *Simply Psychology*. [Online]  
Available at: <https://www.simplypsychology.org/questionnaires.html>  
[Accessed 31 December 2020].
- Ökte, K. S., 2012. THE FINANCIAL CRISIS OF 2008 IN THE USA: AN OVERVIEW..  
*Journal of the Faculty of Economics* , 62(1), pp. 81-101.

- Parker, O., 2017. Commercializing Citizenship in Crisis EU: The Case of Immigrant Investor Programmes. *Journal of Common Market Studies* , 55(2), pp. 332-348.
- Peter Fayers, Ron Hays, 2005. *Assessing quality of life in clinical trials*. 2nd ed. New York: Oxford University Press.
- Ratajczak, D., 2006. Is There a Housing Bubble?. *Journal of Financial Service Professionals*, 60(1), pp. 39-44.
- Renaud, B., 2010. Dubai's Real Estate Boom and Bust of 2002 - 2008: Dynamics and Policy Responses.. *Housing Finance International*, 24(4), pp. 6-17.
- Risager, O., 2013. Adjusting to the Financial Crisis: How Emerging Markets and Developed Economies Have Fared.. *Copenhagen Journal of Asian Studies*, 31(2), pp. 79-105.
- Rosalind Edwards, Janet Holland, 2013. *What is qualitative interviewing*. [Online] Available at: [http://eprints.ncrm.ac.uk/3276/1/complete\\_proofs.pdf](http://eprints.ncrm.ac.uk/3276/1/complete_proofs.pdf)
- Scott Brown ,Demetra Demetriou,Panayiotis Theodosiou, 2018. Banking Crisis in Cyprus: Causes, Consequences and Recent Developments.. *Multinational Finance Journal*, 22(3/4), pp. 63-118.
- Sharan B. Merriam , Elizabeth J.Tisdell, 2015. *Qualitative Research : A guide to design and implementation*. 4th ed. San Francisco: Jossey-Bass.
- Sivitandiou, R., 2011. Basic Real Estate Economics. In: P. Sivitanides, ed. *Market Analysis For Real Estate*. 1 ed. s.l.:s.n., pp. 33-35.
- Steve Campell, Melanie Greenwood, Sarah Prior,Toniele Shearer, Kerrie Walkem,Sarah Young,Danielle Bywaters,Kim Walker, 2020. Purposive sampling: complex or simple? Research case examples.. *Journal of Research in Nursing*, 25(8), pp. 652-661.
- Stuckey, H., 2013. Three types of interviews: Qualitative research methods in social helath. *Journal of Social Health and Diabetes*, 1(2), pp. 56-59.
- theglobaleconomy, 2020. *theGlobalEconomy*. [Online] Available at: [https://www.theglobaleconomy.com/Cyprus/consumer\\_confidence\\_survey/](https://www.theglobaleconomy.com/Cyprus/consumer_confidence_survey/) [Accessed 7 December 2020].

- Tony McGough , Jim Berry, 2020. Pricing risk and its use in modelling real estate market yields. *Journal of Property Investment & Finance*, 38(5), pp. 419-433.
- Vasilka Gaber , Stevan Gaber , Ilija Gruevski, 2014. THE AMERICAN REAL ESTATE BUBBLE - TRIGGER FOR THE BIGGEST FINANCIAL CRISIS IN THE LAST CENTURY.. *Perspectives of Innovations, Economics & Business*, 14(1), pp. 21-27.
- Veteto, J., 2014. The Alienability of Allegiance: An International Survey of Economic Citizenship Laws. *The International Lawyer*, 48(1), pp. 79-103.
- Weber, R., 2004. The Rhetoric of Positivism Versus Interpretivism: A Personal View.. *MIS Quarterly*, 28(1), pp. 1-10.
- Xiao Ma, Zhe Zhang, Yan Han, Xiao-Guang Yue, 2019. Sustainable Policy Dynamics—A Study on the Recent “Bust” of Foreign Residential Real Estate Investment in Sydney. *Sustainability*, 11(20), pp. 1-21.
- Xin Gu, Shan Ying, Weiqiang Zhang, Yewei Tao, 2020. How Do Firms Respond to COVID-19? First Evidence from Suzhou, China.. *Emerging Markets Finance & Trade*, 56(10), pp. 2181-2197.

## APPENDIX 1

### QUESTIONNAIRE FOR PROPERTY DEVELOPERS AND REAL ESTATE AGENTS

The purpose of this questionnaire is to identify the trends and reasons behind real estate peaks and declines in Cyprus, more specifically in Paphos area.

#### **Instructions:**

Please fill in the blank, by ticking the box next to your answer or write your comments.

1) Name of Developer/Real Estate Agent optional):.....

2) Participant position in the company: .....

3) How much do you think the percentage of your sale turnover has decreased since the beginning of the financial crisis and the 'haircut'?

less than 10%     11% - 30%     31% - 50%     51% plus

4) Did the selling prices of the properties dropped due to the global financial crisis of 2008 and the haircut of 2013 ?

Yes     No

If yes , by what percentage:

less than 10%     11% - 30%     31% - 50%     51% plus

5) Did the selling prices of the properties dropped due to COVID-19?

Yes     No

If yes , by what percentage:

less than 10%     11% - 30%     31% - 50%     51% plus

6) Did the citizenship by investment scheme increase, decrease or didn't affect your sales?

Increase     Decrease     Didn't affect

If increase/decrease ,by what percentage:

less than 10%     11% - 30%     31% - 50%     51% plus

7) Did you build new developments targeting investors that want to acquire citizenship before the program's cancellation? **(This question is only for developers)**

Yes     No

If yes , how many projects and units?.....

If yes , did you make any changes into the product offered in order to satisfy the new target market ?

Luxury properties     Modern design     Sea views  
 Bigger properties     Sea front villas     Prestigious location  
 Other :.....  
.....

8) Were you building new developments before the citizenship by investment scheme? **(This question is only for developers)**

Yes     No

If yes , how many projects and units?.....

9) Did the citizenship by investment scheme motivated you to build new developments?**(This question is only for developers)**

Yes

No

10) What percentage of your sales have been from the countries below ?

China	<input type="checkbox"/>	Russia	<input type="checkbox"/>	Vietnam	<input type="checkbox"/>
Korea	<input type="checkbox"/>	India	<input type="checkbox"/>	Saudi Arabia	<input type="checkbox"/>
Cyprus	<input type="checkbox"/>	UK	<input type="checkbox"/>	Middle East	<input type="checkbox"/>
Other: .....			<input type="checkbox"/>		

11) Did you increase the selling prices of your properties since the beginning of the citizenship by investment program? **( This question is only for developers)**

Yes

No

If yes, by what percentage ? .....

12) Did you hire more employees since the beginning of the CIP  
**( This question is only for developers)**

Yes

No

13) Are you paying higher commissions for sales related to CIP?**(This question is only for developers)**

Yes

No

If yes, indicate how much higher are these commissions: .....

14) What percentage of your property sales in terms of number of transactions comes from "passport" properties?

- less than 20%    21% - 40%    41% - 60%    61% - 80%    81%-100%

15) Please list five reasons that have contributed to the increase of your business, by importance with 1 being the most important and 5 the least important ?

- 1) .....  
2) .....  
3) .....  
4) .....  
5) .....

16) Did you notice any changes in Paphos property market trends following the global economic crisis of 2008?

Yes       No

If yes , what where the trends ?

- Decrease on rent    Decrease on property prices    Less demand for new projects  
 Less property sales    Less foreign buyers       Less Cypriot buyers  
 Other :.....  
.....  
.....

If yes , what where the major causes of these changes?.....  
.....  
.....  
.....  
.....

17) Did you notice any changes in Paphos property market trends following the 'haircut' of 2013 ?

 Yes No

If yes , what where the trends ?

Decrease on rent     Decrease on property prices     Less demand for new projects

Less property sales     Less foreign buyers     Less Cypriot buyers

Other :.....  
.....  
.....

If yes , what where the major causes of these changes?.....  
.....  
.....  
.....

18) Did you notice any changes in Paphos property market trends following the citizenship by investment scheme ?

 Yes No

If yes , what where the trends ?.....  
.....  
.....  
.....

If yes , what where the major causes of these changes?.....  
.....  
.....  
.....



19) Do you think that Corona Virus pandemic will have a great impact on Paphos Real Estate Market

 Yes No

If yes how ? ( target market, property prices, demand & supply etc)

.....

.....

.....

.....

.....

.....

.....

If yes , will your sales : Increase  Decrease  None

If yes, by what percentage:?

less than 10%    11% - 30%    31% - 50%    51% plus

20) Do you think that the ban of the citizenship by investment scheme on the 1<sup>st</sup> of November will have a great impact on Paphos Real Estate Market

 Yes No

If yes how ? ( target market, property prices, demand & supply etc)

.....

.....

.....

.....

21) Following the ban of the citizenship by investment scheme did you : ?

- Fire employees
- Downsize the properties you are building
- Cancel under construction projects
- Build less luxurious properties
- Stop exhibitions in other counties
- Close offices in other countries
- Reduce property prices
- Stop advertising in international portals
- Other

.....

.....

.....

.....

22) On the 23<sup>rd</sup> of June 2016, the UK has decided to leave the EU on 1/1/2021. Has this decision affected your sales ?

Yes       No

If yes , did your sales Increase  OR Decrease

If yes, by what percentage (Increase/Decrease):?

less than 10%     11% - 30%     31% - 50%     51% plus

23) From 1/1/2021, the UK will not be part of the EU . Do you think that this change will affect your sales?

Yes

No

If yes , will your sales Increase

OR Decrease

If yes, by what percentage (Increase/Decrease):?

less than 10%

11% - 30%

31% - 50%

51% plus

Date:.....

**Disclaimer:**

All responses to this questionnaire are strictly confidential and will be used only for research purposes without any direct or indirect reference on persons or companies.