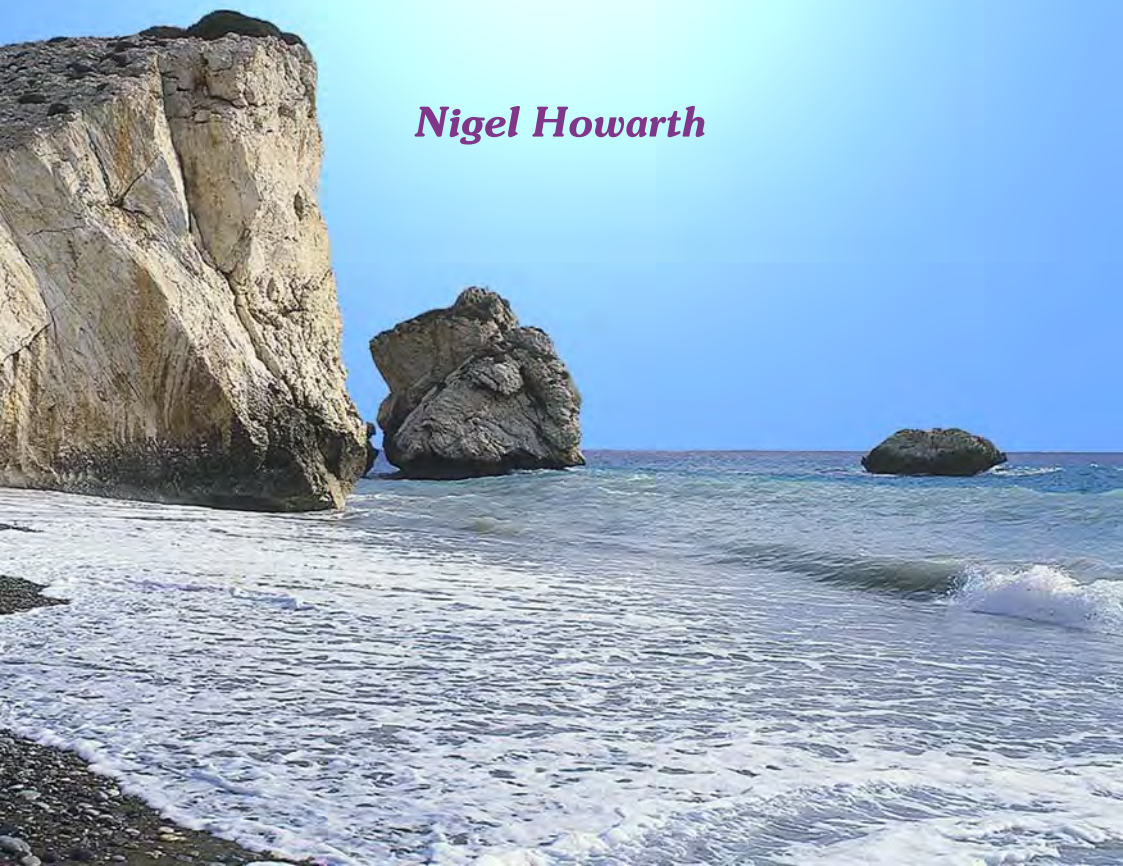


BUYING PROPERTY IN CYPRUS

Golden Commandments

Nigel Howarth



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CYPRUS

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Commandments

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Republic of Cyprus - Property Purchase Checklist

Welcome

I'm Nigel Howarth, thank you for taking the time to look at my **Golden Commandments**; I hope you find them interesting and informative.

I'm a former business consultant who first bought property in Cyprus in 1992. I ran my own consultancy firm for several years and my professional career took me around Europe and to many other parts of the world; I have lived in several countries, including: Hong Kong, Australia, South Africa and the Netherlands.

I first started researching Cyprus property back in 1984, when my wife and I decided we wanted to live here. Since then, my 'hobby' has turned into a 'passion'.

Cyprus is a wonderful place to own a home. It's particularly popular with the British and it's been estimated that more than 60,000 of us have homes on the island. Some, like me, have lived here for several years while others have holiday homes & visit the island regularly.

Warning

Many Britons looking to buy a home in Cyprus fail to appreciate that 'property' is the island's national sport with many individuals and companies playing the game with varying degrees of skill, professionalism and integrity.

Many are unaware of the different business culture in Cyprus and the fact that many lawyers work for the developers interests rather than those of the buyers.

As a consequence, buying property in Cyprus is not as safe as buying property in the UK and regrettably for some, their dreams of owning a home in Cyprus have turned into expensive nightmares.

If you are seriously considering buying a property in Cyprus and want avoid the many problems that others have suffered, I advise you to avoid buying property off-plan from a developer and buy a second-hand (resale) property, preferably one that has already been issued with its Title Deed.

Through its apparent inability or unwillingness to revise the Island's archaic laws or even enforce the current laws, the Cyprus government has allowed property buyers of all nationalities to be misled, cheated and abused by the 'crooks' and 'conmen' that plague the Island's property industry.

However, it would be wrong of me to give the impression that all property developers in Cyprus are crooks and conmen. There are many reliable, trustworthy and honest developers here. However finding these can prove difficult - and I urge anyone thinking of buying a property off-plan from a development company to research that company thoroughly and search the Internet to discover if others have experienced problems with the developer before committing themselves.

Legal advice

Regardless of what you are buying and from whom you are buying, it is vital that you take independent legal advice. The British High Commission has published a list of lawyers on its website who can offer advice in English that you can get by [clicking here](#).

At the end of this guide you will find a checklist showing the various stages involved in buying a property. Please use this to check that you have not forgotten anything and ensure that you complete each stage before moving onto the next.



Nigel Howarth

Golden Commandments

Here are my Golden Commandments that will help you avoid many of the problems associated with buying property, particularly if you are thinking of buying off-plan from a developer.

Ignore them at your peril!!

Take your time and do your homework

Buying property in Cyprus, or anywhere else for that matter, is not a process to be rushed. You need time to research the market and what's on offer and the area in which you are planning to buy. You also need to spend time researching the companies in the market place - using the right professionals will save you time, money and stress. Investing time at the beginning of the process will save you time, money and disappointment later.

This guide will tell you much about buying property in Cyprus. But there are other books, magazines and television programmes covering the wider issues of buying property overseas and living in a foreign country. The Internet is also a treasure trove of information.

But be warned - much information on the Internet comes from overseas property marketing companies, property developers, real estate agents, introduction agencies, etc. As these organisations make their money from property sales, the information and advice they provide is not always as accurate, objective and unbiased as you may wish.

There are on-line forums and bulletin boards like my [Cyprus Property Forum](#) where you can ask questions of those people who really know about the island - those of us who live and own property in Cyprus.

But again, be careful as some bulletin boards and on-line forums are run by organisations with vested interests in getting you to buy property.

Instruct an independent lawyer

The most common mistake people make when buying property in Cyprus is to appoint a lawyer who has been introduced or recommended to them by a property developer.

These lawyers are **not** independent and therefore cannot represent buyers' interests properly, effectively and honestly. And be in no doubt, if you try and penny pinch by using a developer's 'pet' lawyer or their so-called 'free' legal services, it could cost you a great deal of money in the long run!

Every week, my mailbox is full of emails from people who have signed contracts drawn up by these lawyers that provide them with very little, if any, protection under the law. And remember that once you have signed a contract drawn up by these rogues there is no escape!

Some buyers appear oblivious of the fact that overseas property marketing companies have financial and business interests with property developers and lawyers. These companies may receive commissions exceeding 15% on each sale they achieve and the lawyers to whom they introduce their clients are invariably in on the deal.

Before buying property in Cyprus, it is absolutely essential that you take expert, independent legal advice and agree lawyers fees before you start looking for property.

Do not sign any papers or hand over any money until you have sought advice from an independent lawyer with whom you can communicate effectively.

Under absolutely no circumstances should you use a lawyer who has been introduced or recommended to you by a vendor, agent or developer.

The definition of 'independent' is that the lawyer represents you and only you and who is not connected in any way with the other parties involved in the transaction.

The British High Commission in Nicosia publishes a list of English-speaking lawyers in Cyprus that you will find on their website by [clicking here](#).

Buying off-plan

Off-plan is by far the most common way that home buyers and property investors purchase new property; before construction work has started.

This approach benefits the developers as they can secure sales before the start of the construction work. However, it is not always such a good idea to buy off-plan as advertising and other promotional material often misleads buyers into believing that they are buying 'luxury homes' where in fact what they are buying is something entirely different.

Someone once asked me why all new houses, villas and apartments in Cyprus were advertised as being 'luxury homes'.

I quipped: "because if the developer manages to sell half a dozen to unsuspecting expatriates, he'll be able to retire in luxury".

OK, it's a joke; but you need to bear in mind that property is the national sport of Cyprus with many people playing the game with varying degrees of skill, professionalism, honesty and integrity.

It's been estimated that there are some 3,500 property developers in Cyprus, the majority of whom have received no professional or vocational training or hold any form of recognised qualification. Property developers are totally unregulated without any form of licensing system or regulatory authority.

Some property developers are very good indeed; some of them can only be described as sharks - secure in the knowledge that their political clout makes them 'untouchable'.

Developers are generally good negotiators and their sales techniques are designed to convince you of their honesty and integrity. They may wine you and dine you, take you to their homes for meals, give you gifts of fruit from their garden, and even invite you to a family wedding.

Do not be conned by sales techniques; developers are well practised at exploiting the renowned Cypriot hospitality for their own financial gain.

Always inspect properties under construction. Insist on viewing earlier properties they've built and speak with their owners about the quality of their work and their after-sales service. But be warned, do not allow the developer to take you to meet these people as there's a good chance that they will be masquerading as satisfied buyers whereas in reality they are being paid by the developer to give you a good impression.

Don't assume that bigger is better; the size of a property development company is no guarantee that its properties are of an acceptable quality.

You may find that the quality of properties built by some developers that target the expatriate market to be generally lower than those built by those who target a wider buying audience. So don't rule out a developer just because he hasn't got flashy offices, glossy promotional material or fluent English speaking staff.

You will also find many expatriates who will introduce you to 'reliable' property developers. Acting as 'property middlemen', they prey on the fears (and wallets) of their fellow countrymen.

It makes no difference whether you get conned by a generous and affable Cypriot or a 'helpful' expatriate, the end result will be exactly the same!

Check out who you're dealing with

Some of the more nefarious property developers and others in the property business claim that they are members of various trade associations and internationally recognised professional bodies.

Others claim they have won prizes for their developments at international fairs and competitions.

Do not accept these claims at their face value. Always check with the organisation concerned that the company is a member and that any prizes they claim to have received are genuine.

Instruct your lawyer to get a profile of the company confirming the company's existence and listing information such as incorporation date, registered office, company number, status etc. and get a credit report.

Buying mortgaged property

Property developers often mortgage the land on which they are building:

- To help finance their construction projects.
- To help buyers to obtain a mortgage.

If you are buying a property and need a mortgage, the developer will act as your guarantor with the bank.

This may sound strange and you may ask: "Why should the developer act as my guarantor? Why can't the bank use the property I am buying as collateral for the mortgage as they did when I bought my home in the UK?"

The answer is all tied up in the unacceptable length of time it takes the authorities to issue Title Deeds which means that the banks cannot accept the property you are buying as collateral for the mortgage because it does not exist in the legal sense until its Title Deed has been issued.

There is a further 'twist' in this mortgage situation because the banks will not allow a property developer to act as a guarantor for a buyer's mortgage unless it has a claim on the land that he is developing. As a consequence, the developer is forced to take out a small mortgage on the land so that he can sell his properties to those buyers who need mortgages.

Unfortunately some developers exploit this situation and fail to repay their mortgages; some even increase their mortgages and use the money they receive from the bank and their customers who have bought property from them to help fund their next project (or buy their wives a new Mercedes).

Buyers are generally unaware of this mortgage situation and often end up buying property that is mortgaged without having taken necessary measures taken to protect their financial interests.

As a consequence they face the very real threat of losing their home and their money if the bank forecloses or if the development company goes into receivership and its assets are liquidated to repay the debts.

Protecting your interests

The first thing that your lawyer needs to do is request the Land Registry to conduct a search to establish if there are any charges or burdens (such as a mortgage) lodged against the title. This search will also establish whether the developer actually owns the land on which he is building. (See 'Does the developer own the land?')

If the land on which the property is to be built is mortgaged, it is essential that you repay a sum to the developer's mortgagee (his bank) that is proportionate to the value of the property you are buying. Once that payment has been made, the contract of sale will take precedence over that mortgage regardless of whether the whole amount of the mortgage has been paid.

This will overcome the problem that exists where developers fail to repay their mortgages or go into liquidation, which under the old laws could result in you losing your property and your money.

So if you purchase a property for (say) €200,000 and discover subsequently that the land is mortgaged for €8,000,000, you may pay the mortgagee €200,000 (or a smaller sum that is proportionate to the value of the property you purchased).

Bank guarantee

One way to help protect your interests when buying property off-plan is to obtain a 'bank guarantee' from the developer's bank.

A bank guarantee secures claims made by the buyer on the developer from default in delivery of Title Deeds and costs approximately 1.75% of the sum insured per annum.

For a bank guarantee to be most effective, your Contract of Sale needs to specify a date by which the developer undertakes to transfer separate Title Deed, which can take 10 years or more after taking delivery of the property.

If the developer fails to transfer Title Deed in the specified time period, you can make a claim against the bank guarantee. This should enable you to recover your money - and depending on the actual wording of the guarantee you could also receive interest on that money.

Does the developer own the land?

A Greek system is used in Cyprus called antiparochi (αντιπαροχή). This is an agreement between a landowner and a developer in which the landowner provides land to the developer in exchange for one or more of the properties he intends to build on that land.

Having discovered how much money developers are getting by selling the properties, landowners sometimes get greedy and decide they want a bigger slice of the action and attempt to negotiate a better deal with developers.

These negotiations can take many years to resolve and in some cases result in claims and counter claims and court actions brought on behalf of both parties.

While these negotiations are taking place, construction work is suspended until a settlement has been reached.

To avoid the possibility of unnecessary delays in taking delivery of an off-plan property, do not buy unless the developer is the sole owner of the land on which he is building.

Planning and building permits

The more nefarious property developers sell off-plan properties before the required Planning and Building permits have been issued for their construction. Some even start construction work before these permits have been issued - even though this is a criminal offence.

If you buy off-plan before the required permits have been issued, then you will be buying something that the developer does not have the authority to build; some consider that this is obtaining money under false pretences.

There have been many cases where people have bought off-plan based on artists' impressions, rather than approved plans, only to find that the property delivered to them differed significantly from what they thought they had bought. Not only had the design changed, but in some cases the size of the property had been reduced by more than a third and communal facilities, such as swimming pools, had not been built.

If you hand over money to a developer before permits have been issued for the construction of your property, you are putting your money at risk.

You have two options:

- *The safest option is to **walk away and find another property** for which Planning and Building permits have been issued.*
- *Alternatively, **put your stage and other payments in escrow until such time as the property developer presents the required permits and approved plans to your escrow agent.** (Your lawyer may act as your escrow agent). If you discover that the approved plans differ from the artist's impression, you may be able to recover your money.*

(The Cyprus government has recently introduced stricter planning legislation in efforts to prevent illegal building, but we have yet to see how effective this legislation will be in practice).

Buying unobstructed views

Many people are prepared to pay extra for views overlooking the blue, glistening Mediterranean sea.

But you need to consider what your unobstructed view will look like when the area has been fully developed and you're surrounded by apartment blocks and other properties.

What may appear to be unobstructed views of the sea, mountains, etc. could be gone by the time your property's been built.

Unless you're on the edge of a precipice, someone will build in front of you. Maybe not next week, maybe not next month, but sometime in the not too distant future.

Check prices

If you're thinking of buying a new property from a developer, compare prices with similar properties by other developers in the area.

Make sure that asking prices are comparable with similar properties in the area you're thinking of buying.

Fixtures, fittings and finishes

Don't expect the fixtures, fittings and finishes you see in developers' show homes to be the same in the property you're thinking of buying.

It's a bit like buying a new car; where the showroom model usually comes 'fully loaded', you'll be lucky to get all four wheels on the standard model without paying a bit extra!

Ask for a set of specifications and list of fixtures and fittings included in the advertised price, the size of the plot and the size of the property.

Extras

Does the asking price cover everything you need - such as air-conditioning, heating, granite worktops, double glazing, window shutters, insect screens, solar heating panels, etc?

Make sure that everything you want is included in your contract of sale and beware of hidden extras.

Provisions

Some developers make 'provision' for central heating, air conditioning, telephone, satellite TV systems and other facilities.

These 'provisions' are usually just lengths of plastic pipe incorporated into the fabric of the building that will enable you to fit the extras at some later date.

Watch over your interests

It's not unknown for property buyers to arrive in Cyprus only to find that construction work on their 'luxury home' has yet to start or that the property they thought they would be moving into is nowhere near ready. Others discover that the completed property differs significantly from the one they thought they were buying, while some find that their luxury home has been poorly constructed and in need of much remedial work.

If at all possible, either stay in Cyprus while your property is being built or make regular visits to ensure that everything is progressing according to schedule.

If you are unable to visit Cyprus regularly while your property is being built to keep an eye, appoint an independent company or individual to watch over your interests during the course of construction.

Make sure you have someone on-island on whom you can rely to monitor progress and to ensure each stage of construction meets the required standard before handing over your money.

Taking delivery

Many off-plan buyers are eager to make their final stage payment, accept delivery of their new property and move in immediately without carrying out any checks on their property before doing so. Some of them then discover they have no permanent electricity supply or running water and there are problems with the property that need to be resolved.

However, as they have paid their money and accepted delivery, they discover that the developer is not interested in sorting things out.

To avoid this situation your lawyer needs to include a clause in your contract enabling you to hold back money for 'snagging'.

*Your lawyer also needs to include a clause that enables you to have the property professionally inspected by an **independent** surveyor to confirm that the property substantially complete and prepare a 'snag list' before you accept delivery.*

Furthermore, do not accept a property that has not been connected to the Electricity Authority's supply network or the mains water supply.

Legalities

Buyers often accept delivery and move into their new home without realising that they are committing a criminal offence. The Island's Streets and Building Regulations Law requires that a property must be issued with a 'Certificate of Final Approval' by the planning authorities before it can be legally occupied.

*A number of buyers in Paphos without Certificates of Final Approval have appeared repeatedly in front of the Paphos District Court charged with occupying their homes illegally. **Don't let this happen to you!***

Also, if the planning authority refuses to issue a 'Certificate of Final Approval' because of planning infringements, they may issue a Demolition Order (see page 23).

Whether you wish to take delivery of a property and move into it before the planning authorities have issued a Certificate of Final Approval is your decision. But by knowingly breaking the law, you may face 'difficulties' in any legal action you may wish to bring against the developer at a later date. You may also be charged with a criminal offence.

If you do choose to accept delivery of a property before its Certificate has been issued, I strongly advise you to put the developer under commercial pressure by holding back a significant sum of money until the Certificate of Final Approval has been issued by the Planning Authority.

Buying resale property

There is a lot of resale (second-hand) property for sale in Cyprus at the present time - and there are some good deals to be had if you're prepared to negotiate. One property advertising company claims it has 20,000 on its books. That's more houses and apartments than are built in Cyprus in a year!

Many people are desperate to sell - particularly property investors who have been misled into believing the marketing hype. But due to the unacceptable delay in issuing Title Deeds and the fact that the Cyprus banks may not give you a mortgage to buy a resale property unless it has its Title Deed, they have great difficulty in selling. If you have the ready cash and are willing to negotiate, there are some pretty good deals to be had. Some properties haven't even been lived in!

Not all of the resale properties advertised are suitable for permanent living - many are holiday homes. How can you tell? Simple - take a look at the kitchen. Holiday home kitchens are so small that you couldn't get a cat in one, let alone swing it around!

If you intend buying a resale property, use the professional eyes of an independent surveyor to inspect the property, prepare a report on its

condition, and provide you with an independent appraisal of its market value before entering into a sale agreement.

A structural survey reduces the risk of paying a premium price for a mediocre property or one that may require costly repairs.

When you engage a surveyor, do not use one that's been recommended or introduced to you by the estate agent selling the property.

If you plan to buy a resale property, make your offer subject to the findings of an independent structural survey and valuation.

Buying resale property from a developer

Due to the delays in issuing Title Deeds, you may find that the person selling the property is a property developer.

In this situation you need to follow much of my advice provided in the 'Buying property off-plan' section.

Buying as an investment

Cyprus has become increasingly attractive to overseas property investors with the buy-to-let property market now accounting for more than 25% of overseas property sales. The 'traditional' investment market has concentrated on the tourist sector where income from buy-to-let properties has plummeted in recent times due to a massive oversupply and the nefarious activities of some developers.

The RICS Cyprus property price index, which is published quarterly, provides residential yields for residential houses and apartments located in different regions of the island. You can read their latest report in the [Cyprus Property News Magazine](#).

The influential and well respected [Global Property Guide](#) says that yield in Cyprus are "Very Poor". It also gives Cyprus a long term investment rating of 1 star out of a possible 5.

Jet-to-let investments

If you plan to buy a property and rent it out to tourists and holidaymakers for periods of less than 30 days, you will need to obtain a licence from the Cyprus Tourism Organisation (CTO) if the property is in a tourist zone.

Renting property to tourists and holidaymakers without a CTO licence is a criminal offence.

There is currently some debate as to whether EU Directives, which take precedence over the requirement to have a CTO license, have been incorporated into the laws of Cyprus.

Buying unseen

I'm surprised by the number of people who contact me having invested in Cyprus without having visited the island to see what they are getting for their money. It comes as no surprise to me that many of these end up being disappointed with their purchase.

Some investors truly believed they are saving money by not visiting Cyprus! Would you buy a property in the UK without visiting the area? Of course not!

Do not buy property in Cyprus without visiting the island to see exactly what you are getting for your money and where it's situated.

Some property developers and overseas marketing companies offer low-cost property inspection trips from the UK. If you take one of these, you may be given very little free time to carry out independent viewings.

Under absolutely no circumstances should you allow yourself to be pressured into buying something without doing some independent research and taking independent legal advice. Visit the island independently and assess the true situation for yourself.

A more sensible investment strategy is to buy property in one of the residential suburbs of the towns or Nicosia (the capital city) where there's a

steady demand for long-term (one year and more) rentals. Although the weekly rate you achieve will be lower, this will be more than offset by the longer rental period and your overheads too will be considerably lower. Also, a CTO licence is not needed to rent long-term.

Marketing 'hype'

What looks ideal on some of the overseas property TV channels, may not suit you in the slightest.

Many of these programmes get their expenses paid by agents and developers touting for business.

Remember that overseas property magazines rely on advertisers to pay their running costs and salaries. They will therefore paint very rosy pictures of owning investment properties to keep their advertisers happy and the money rolling in.

Have you seen those TV programmes in which Mr & Mrs X have been flown to a country to find their dream property? How many times have they decided not to buy the property they liked, but said they'd like to visit the country again for a better look around.

The next big thing - If you think this describes Cyprus, I'm afraid you've missed the boat. So now when you open up your Sunday supplements and read about Cyprus being the "new pearl", "hidden treasure", "unspoiled landscape", "step back in time", etc you can bet your life that it's a journalist angling for a free holiday in return for an article.

Don't believe the marketing hype; do your own independent research to assess the true situation for yourself.

Don't waste your money on low-cost inspection visits. Put the money towards a two week holiday in Cyprus, hire a car and tour the island to see what's on offer.

Biggest myths

(apart from those of ancient Greece and the Arthurian legends)

Guaranteed rental returns. Invariably, these are built into the price you're paying, so you're actually paying over the odds but being made feel you're doing very well out of the deal. Some developers offer 'guaranteed rental income' for the first one or two years; some even 'give' away cars in their efforts to induce speculators.

Long rental seasons. Cyprus is always touted as an all-year-round holiday destination; this is a fallacy. If you think you're going to rent out your holiday home for 10 months of the year, think again!

The best you can reasonably expect is 10 to 15 weeks rental - and that's assuming you've got a top-of-the-range property in an ideal location. If all you have is a 'typical' holiday apartment, your chances of covering even your basic running costs are extremely slim.

Prices certain to rise. Like everywhere else in the world, the demand for property in Cyprus resulted in increasing prices. However, the bad publicity and the credit crunch are taking their toll. Property prices in some parts of the island have plummeted 30%.

Make money by buying and flipping. The days of buying an off-plan property and then selling it at a profit before it's finished are long gone (as investors who bought 1,500 holiday lets in Paphos discovered).

Your rental income will cover your mortgage. I can assure you that it will not! You should plan on receiving no more than a 4% (gross) return on your investment.

No-one's going to build in front of you. Oh yes they will! Maybe not next week, maybe not next month, but sometime in the not too distant future.

Reward risk ratio

When making any sort of investment, you need to bear in mind that big returns may only be achieved by taking big risks.

One very big risk that property investors in Paphos took was to buy off-plan properties being advertised at half their market value. The registered estate agent that fronted the sales has since closed down while the director of the development company skipped the island with an estimated £3,000,000 of investors money.

Be careful to assess the possible downsides to an investment property as well as the enticing investment numbers that could be achieved if all goes according to plan.

Overseas property exhibitions

These are fast becoming a waste of time for everyone; lots of hype, hard selling and glossy brochures.

I was contacted by someone who had visited one of these exhibitions and was interested in buying an apartment in Limassol. Not only was the apartment hugely overpriced, it was bordering on the Linopetra industrial estate and on top of the Limassol/Nicosia motorway and about 2 miles from the sea. Not an ideal location for a jet-to-let holiday apartment!

Be clear on what you want from the property

Be aware that buying a property for your own use and buying a property as an investment are two totally different things.

Be clear before you buy a property exactly what you want it for; investment or personal use.

Exit strategy

One day, you may want to sell your investment on to someone else. So think about what's attractive to others.

Just because you want a secluded place away from the sea and the main towns, that doesn't mean others will. Work out your exit strategy.

Rental tax

In addition to declaring any rental income you receive to the income tax authorities in your country of residence, landlords are also required to declare their rental income to their local Community or Municipal office in Cyprus.

The Community/Municipality sets the rate at which this tax is levied which should not exceed 5%. (If you fail to declare this income, you may be issued with a tax bill based on the Community/Municipality's estimate of the income).

Title Deeds

Unfortunately, no guide about property in Cyprus would be complete without saying a few words about Title Deeds. These, or rather the lack of them, are a cause of grave concern and great expense to many of those who have bought property.

Title Deeds, more correctly known as "Certificates of Registration of Immovable Property" in Cyprus, are formal documents that serve as evidence of property ownership. (Immovable property is a term that relates to land and buildings, trees and plantations, rivers, wells, and all rights relating to land and buildings).

Each piece of Immovable Property has an associated Title Deed containing information including its registered owner, its size and its location.

The process of conveyancing is the transfer of title (ownership) to a property from one person to another. And once this process is finished, which is known as 'completion' in England and 'settlement' in Scotland, the property is registered in the name of the person to whom title has been transferred who then becomes the property's legal owner. In Cyprus, this involves the re-issue of the property's Title Deed which will bear the name of the 'new' registered owner.

Delays

In October 2008 the Department of Lands and Surveys, the Government department responsible for issuing Title Deeds, announced in Parliament that 29,949 properties have been sold to non-Cypriots for which Title Deeds have yet to be issued. It went on to say that during the past three and a half years it had transferred 4,400 properties to non-Cypriot buyers.

From these figures, and if past performance is anything to go by, it's going to take the Department almost 24 years to transfer the 29,949 properties that it currently has in the pipeline.

How long will it take to get Title Deeds

Some property developers will tell you that it may take 2, 5 or even 10 years to get your Title Deeds. This is being somewhat 'economical with the truth'.

True, you may get your Title Deeds in 2, 5 or 10 years, but on the other hand you could also have to wait 12, 15, or even 24 years!

The average time is just under 12 years.

What causes the delays in issuing Title Deeds

There are many causes for the delays in issuing Title Deeds; among them:

- Property developers not clearing mortgage debts on the land on which they've built properties and which they've subsequently sold to unsuspecting buyers. *(Providing that you have repaid an element of the developer's mortgage as advised on page 8, you will avoid this problem).*
- Bureaucratic delays in the Land Registry and other central Government and local Government departments.
- Planning infringements caused by property developers deviating from the various permissions and permits issued for the construction of their developments. *(The Cyprus government has recently strengthened the Island's planning laws, but we have yet to see how effective they are in practice).*
- Planning infringements caused by those who have bought property and then made changes without the required permissions and permits.

Why is a Title Deed so important?

As buyers are not considered to own a property in Cyprus until its Title Deed has been registered in their name, this presents them with a number of problems as without Title Deeds:

- Buyers do not own the property and are therefore unable to enjoy the full benefits of property ownership; including the right to sell or transfer it to anyone they wish without the agreement of its registered owner.

Should buyers wish to sell, they need to cancel or transfer their contract of sale at the Land Registry enabling its registered owner to enter into a new sale agreement with their buyer.

I know some people who have been charged more than €34,000 by the registered owner, disreputable property developers, for this 'privilege'.

- The Cyprus banks and other financial institutions do not grant mortgages on resale properties without Title Deeds. As a consequence, those wishing to sell their property have to find a cash buyer.
- To supplement their retirement pensions, elderly people sometimes wish to raise money against their property through equity release loans and other schemes. Until the property's Title Deed is registered in their name, this is not possible.
- In some circumstances the registered owner of the property can still raise a mortgage on the land on which a property is built without the buyer's permission - even though the buyer may have paid for 'their' property in full and may have been living in it for many years.
- The more disreputable property developers prey on buyers without Title Deeds by extorting huge amounts of money from them claiming that it is Immovable Property Tax.

One 84 year old lady I helped bought her house in 1982. In 2007, when her Title Deeds were finally issued, the property developer demanded more than €25,000 in unpaid property tax and threatened to withhold her Title Deeds until she paid up! Fortunately her lawyer pursued her case in court where, a year later, the judge ruled in her favour.

The amount of Immovable Property Tax she owed to the Government after living in her home for 26 years? A mere €430!

- Some people have unwittingly bought and paid for property that has been built illegally; constructed without Planning or Building permits. If a property has been built illegally, the authorities may issue a 'Demolition Order' resulting in its destruction. (I know of several people facing this threat).
- Buyers are unable to make any substantial changes to the property without the consent and the agreement of the Title Deed holder (who will need to submit a Planning Application to the relevant authority).

Buyer may have recourse through the courts, but the judicial system is a hopeless mess and legal action expensive. In one case I know of it took ten years for a case to come to court and although the judgement was in favour of the buyer, he spent a further ten years trying to get the court's judgement enforced. Eventually he gave up having spent all his money on lawyers.

The situation has now reached a stage where people, very sensibly, are refusing to buy property that does not have a Title Deed.

An end in sight to the Title Deed fiasco?

The Cyprus Property Action Group and others have written to MPs and MEPs highlighting the issues and seeking their support to get the Title Deed problems and frauds resolved.

I spoke at some length with a former colleague, Lord Jones of Cheltenham, who tabled five written questions in the UK House of Lords.

More recently, questions have been raised in the EU Parliament and a number of petitions have been launched in the UK and Europe aimed at spurring the Cyprus government into action.

Revised laws introduced

In 2011, the Cyprus government revised a number of laws relating to property and planning matters. These, it hopes, will bring an end to the problem affecting an estimated 130,000 properties without Title Deeds.

The revised laws include a 'new' Specific Performance Law that provides new buyers with added protection, changes to the planning legislation to reduce bureaucratic delays and speed the issue of Title Deeds, and a three year Town Planning Amnesty.

The Town Planning Amnesty allows for the legalising of certain planning irregularities that existed on 8th April 2011 on payment of a fine. This will enable those properties to be issued with their Title Deeds.

Other changes to the planning legislation have been introduced that should enable Title Deeds to be issued quicker than in the past.

But no-one has experience of these revised laws as they have only recently come into effect. Keep an eye on my [Cyprus Property News](#) magazine where I'll be reporting on progress.

Advice for financing your purchase

Do the numbers

Make sure you know your budget before you start looking at properties – this should include at least a provisional mortgage offer if you plan on borrowing money.

If borrowing money, your repayments will stretch over several years during which time lending criteria and borrowing costs may change.

Discuss the long term repayment with a financial specialist before proceeding.

Beware exchange rate movements

Exchange rates do not need to move much to affect the value of your purchase. When you start looking, £100,000 may buy you a certain property – a 10% drop in the value of the £ against the Euro, for example, may put that property out of your budget. If you've already signed contracts to buy, this will cause you a problem.

Speak to specialists in this area and secure your rate of exchange early.

The rate fluctuations will also affect the costs of mortgages (if you raise the mortgage overseas and earn your income at home).

Again, speak to a foreign exchange specialist to highlight the risks and to take appropriate action.

In recent years many people were advised to take Swiss Franc mortgages. The loans were an easy sell as the interest rate was much lower than that available in the Cyprus pound (which became the euro in January 2008) or sterling. Borrowers were asked to pay about 8 per cent on mortgages in Cyprus pounds or Euros while Swiss franc loans offered rates of about half that.

But more recently, the value of the Swiss Franc has increased dramatically and the banks have increased their margins. The overall effect is that some people's mortgage repayments have almost doubled.

In most cases it is probably best if your mortgage is in Euros. This will avoid the problem of your mortgage liability increasing relative to the cost of your property.

Financing

Once you sign a contract to purchase a property you are committed to buy or face the prospect of incurring severe penalties; the vendor may bring a civil action against you if you fail to proceed with the purchase.

It is therefore essential that if you plan on taking out a mortgage to buy a property, that mortgage must be in place **before** you sign a contract to buy the property.

Make sure that you financing arrangements have been agreed and authorised before signing a contract to buy.

Mortgages

Some developers offer financial schemes that they have set up with various banks to help potential buyers arrange a mortgage. Once you have paid your deposit, some of these schemes enable you to pay nothing more until you take delivery of the property.

However, as they build the property, developers will require payment as they complete various stages of construction and will request payment from your mortgage lender. Under Power of Attorney arrangements, lawyers will sanction these payments and the mortgage lender will pay the money and add interest to the total amount of your mortgage.

As a consequence, the amount of your loan will increase and therefore your regular mortgage repayments may increase dramatically.

Unfortunately, lawyers do not always advise their clients of these payments and some have been known to authorise payments even though work on a particular stage of construction has not been completed.

Seek specialist independent financial advice before signing up to any mortgage offers that may appear tempting.

Ensure that your financial advisor is registered with the [Financial Services Authority](#). If you receive bad advice or are mis-sold a mortgage, you may complain to the Authority and make a claim against your advisor. Should you be successful, but your advisor is unable to meet your claim the [Financial Services Compensation Scheme](#) may be able to assist.

Other points to bear in mind are that most mortgage lenders will charge you a minimum 1% arrangement fee and that the Land Registry will charge you a further 1% when the mortgage is registered with them.

Put together a realistic budget

Don't waste your time looking at properties that are well outside your budget.

Be realistic and add in a contingency of 10% to 15% to cover legal expenses, cost overruns, unexpected problems or extra paperwork.

If you are buying an apartment or some other type of property in a complex with shared facilities such as a swimming pool, gardens, tennis courts, etc., don't forget to include the common management expenses in your budget.

Life insurance

If you are taking out a mortgage, take out a life insurance policy or a mortgage protection plan so that in the event of a critical illness or your untimely death the mortgage will be repaid in full.

Do not allow a critical illness or your untimely death to result in financial problems for your family. Ensure you have adequate insurance cover or other protection plans in place.

Planning to emigrate?

It used to be the case that the majority of British expatriates living in Cyprus were mature couples looking to enjoy their retirement in the sun. The majority of these were retired professionals or former service personnel who had sufficient financial resources to enjoy the 'good life'.

In addition, Cyprus attracted many offshore companies due to its favourable tax regime. These included overseas branches of foreign businesses operating in the region, import/export companies, etc. The majority of those running these business make a very good living and many have settled here permanently with their families; mainly in Limassol and Nicosia.

Other enterprising individuals, spotting opportunities in the market, moved to Cyprus and set up various trade and services companies, electricians, plumbers, carpenters, etc., focusing on the needs of the expatriate community.

But things changed in 2004 when Cyprus acceded to the European Union. Britons and other EU citizens wishing to work in Cyprus found it much easier to do so as the laws and processes involved in obtaining work permits were either relaxed or removed completely. As a consequence younger people, often with families, moved to the island hoping to enjoy a better lifestyle and a better environment in which to bring up their children. Their experiences and successes have been mixed.

Some of the newer arrivals have visited Cyprus on holiday and believe they will be able to get off the plane and walk into a job. The reality, unfortunately, is somewhat different. Finding well-paid employment in Cyprus can be difficult if you do not have a good command of the Greek language or a specialist skill. But if you have the necessary drive, determination and ambition, you can make a living on the island, although typical salaries are lower than those in the UK.

Try before you buy

Some people find out too late that Cyprus is not the place for them. They find it too difficult to settle in a foreign country and earn their living or discover that family ties are too great. Others buy property in haste and later regret their decision.

Many try to sell up after a year or two and return to the UK, while others move to somewhere on the island more to their liking.

If you're planning to live in Cyprus permanently I strongly recommend that you rent somewhere for at least six months, preferably a year, before committing yourself.

This will give you time to find out whether you'll be happy living in Cyprus, talk to other expatriates who live here about their experiences, find out the true cost of living for yourself, see how lively (or not) the popular tourist destinations are out of season, and look around the island to find your ideal place to live.

There are many properties for rent in Cyprus; the longer the rental term the better deal you'll be able to get. If you're thinking about buying in one of the resort areas, rent outside the main tourist season. This will give you the opportunity to experience what living there's like at the quiet time of the year when there are fewer people about and some of the local facilities are closed for the winter.

But don't rush into renting the first property you see. Stay in a hotel or rent a holiday apartment for a few weeks to allow yourself enough time to have a good look around and find something that you really like.

Renting greatly reduces your chances of making a purchase that you may later regret.

Republic of Cyprus Property Purchase – Check list

Lawyers

- Find your own independent lawyer (i.e. a lawyer who is not connected with anyone else involved in the transaction)
- Ensure that the lawyer is registered with the Cyprus Bar Association
- Ensure that the lawyer has professional indemnity insurance
- Agree fees in advance with your lawyer

Land Registry

- Ensure your lawyer conducts a search with the Land Registry to check for existing mortgages or any other claims against the property that may pose difficulties for you
- If a mortgage exists ensure your lawyer obtains a 'waiver' from the mortgagor
- Ensure the land is registered in name of the person or company from whom you are purchasing

Banks/Payment

- Do not sign any papers or hand over any money without seeking the advice of your lawyer
- Agree in advance staged payments based on construction progress if buying off-plan - ensure these are in your contract
- Hold back a sum of money for snagging - ensure this is in your contract
- If obtaining a mortgage confirm interest rates and margin with bank and ensure you have sufficient life insurance cover
- If purchasing off-plan request a bank guarantee from the developers bank
- Be very aware of potential fluctuations in exchange rates which could affect the overall costs

Pre-built/resale homes

- Employ an independent surveyor and ensure that any contract is subject to a survey
- If remedial work is required, obtain written estimates
- Ensure any estate agent you use is registered

Planning and building permits

- On all purchases, (off-plan, pre-built and re-sale), ensure the required planning and building permits are/were issued before proceeding by the District Office (This includes permission to build)

Taking delivery

- Before accepting delivery, consider having the property inspected professionally by an independent surveyor who will also prepare a snagging list of items requiring attention - ensure this option is in your contract
- Do not accept delivery if the property has not been connected to the electricity supply grid and mains water supply
- Prior to moving into any property ensure that you are given a Certificate of Final Completion

Title Deeds

- Title deeds can take many years to obtain. If you intend to sell your property at a later date, potential buyers may find it difficult/impossible to obtain a mortgage if you do not hold the title deed.
- If title deeds are not available at time of purchase, ensure your lawyer includes a 'right to sell' clause in your contract and caps the amount the vendor may charge should you sell the property before Title Deeds have been issued in your name.
- Until Title Deeds have been issued in your name, do not make any substantial changes to the property without the consent of the vendor.

Contract

- In your contract include reference to:
 - completion and stage payment dates, (including penalties for late delivery)
 - compliance with construction law and Cyprus regulations
 - a guarantee against defects that may show up at a later date
 - reference to cancellation and resale options
 - Inclusion of the key points raised above