



Home-owning dream turned nightmare

Increase in house prices blows property buying into smithereens for young couples

By Kyriacos Kiliaris

The dream of owning a home is becoming a nightmare for Cypriot millennial couples as a 20% increase in prices in the past year has made buying a house impossible, with the average sale around EUR 350,000.

Stakeholders are warning that with the rate of house building rising, and if corrective measures are not taken, the fabric of Cypriot society will be shredded.

In comments to the Financial Mirror, Angelos Constantinou, head of BNP Paribas/ Danos Real Estate's research department, pinned the estimated 20% increase in the cost of new houses to the rising cost of building materials.

"Following the COVID pandemic, we saw a boom in demand for housing projects, as people were trying to get their lives on track after two years of restrictions and uncertainty.

"This was made worse with the war in Ukraine, which added pressure on trade and transportation of raw materials, pushing the cost further up," said the real estate expert.

Constantinou said a young couple would need to pay at least EUR 340,000 to buy their own home.

"Buying an average house, nothing fancy, in non-high-end urban areas will put a family out by anything between 340,000 and close to half a million.

"For a smaller home of 170 square metres, for which a reduced 5% VAT applies, a family will definitely need well over EUR 300,000.

He added that if a family is looking to buy a more comfortable house of 220 square metres, they will need at least EUR 440,000.

"And that is if they are willing to settle for areas that are not so popular, as let's say Engomi and some areas in Strovolos in the capital.

"In high-end areas in Limassol, that's a whole different ballgame."

He said that prices for the same property a year ago would start from something close to EUR 250,000.

"Unfortunately, things are set to get worse for couples



looking for a home to start their family as the cost of building materials continues to rise.

"Last week, iron rods saw a 15% increase, going from EUR 115 per tonne to EUR 135. This will have a chain effect on all materials in the coming weeks."

Rejection

Constantinou said real estate agents had seen a third of clients on the market for a house withdraw their interest in the past year.

"They just can't afford to buy a house anymore.

"People who had loans approved, following the increase of building costs, had to return to their banks to ask for more money.

"The vast majority of these cases were rejected."

He added that the drop in demand would inevitably impact the construction industry as developers will be hesitant to move on to their next project without selling all available housing units.

"Going ahead with new projects while demand is in a slump would be playing with fire, bringing a new crisis".

The Technical Chamber of Cyprus (ΕΤΕΚ) advises the government on building and is particularly concerned over the consequences of increased house prices on society.

"It is now next to impossible for young couples to own their own home.

"Some 20 years ago, couples starting their families were able to obtain housing loans which they were able to pay off within six to seven years," said ETEK's Chair Constantinos Constanti.

He explained it will now take couples more than 20 years to pay off a loan of several hundred thousand euros.

"One-third of the household's earnings would be going to pay off the loan.

"The difference is that houses are multiple times more expensive than they were a couple of decades ago, while salaries have only increased by 30%.

He argued that young couples' incapability to buy a house creates a loss of future wealth.

"It is no secret that Cyprus' growth in recent years has been backed by business loans taken out by people wanting to start their own business with their home as collateral.

"This will no longer be an option for young people who may want to venture into the business world.

"What is more, people in the past have also been taking out student loans to put their children through university. They will not have that option now," said Constanti.

Go green

He argued that Cyprus' future generation is denied potential wealth.

Furthermore, as he noted, owning a home as a family is part of Cypriot culture.

"Families who cannot afford a house are frowned upon by the rest of the society, with complications including tension in their relationship, and their children being taunted at school."

Constanti said that authorities and stakeholders need to go through affordable housing alternatives while reviewing the culture of building in Cyprus.

"We need to seriously rethink the materials we are using to build our houses, turning to cheaper and greener materials.

"One of the studies we have commissioned and expected to be concluded next week will give us an idea of what and how recyclable materials can be used in housing construction."