

MARKET RECOVERY IS MORE THAN A HIGH-RISE TREND

THE CYPRUS PROPERTY MARKET IS NOW RECOVERING, THOUGH IT STILL HAS A LONG WAY TO GO IF IT IS TO RETURN TO ITS PRE-CRISIS STATE, SAYS YIANNIS MISIRLIS, FOUNDING DIRECTOR OF IMPERIO GROUP, WHO NOTES THAT, CONTRARY TO POPULAR BELIEF, HIGH-RISE LUXURY APARTMENTS IN LIMASSOL ONLY ACCOUNT FOR AROUND 11% OF SALES.

Fourteen years after the creation of Imperio Group, what would you say is the key to its success?

The key to success is staying true to your values, on both a personal and professional level. Socrates once said “*The greatest way to live with honour in this world is to be what we pretend to be*”, and that means staying true. The real work of our lives is to understand what matters the most, discover who we may become in the future, and then help as a result. At Imperio, from the very beginning, our target has been to design, build and provide the market with exquisite properties that would not only become landmarks for the cities they are located in but would also serve as a “home” for the people or organisations they house. I believe that the consistent passionate work of our young and talented team has achieved exactly that. In almost 14 years, we have established Imperio as a recognizable brand driven by unique design characteristics, quality, reliability, and extremely high customer satisfaction. In just over a decade, we have grown into a truly global organization with an active presence on three continents.

How do you view the Real Estate industry right now? Do you think it has bounced back from the post-2013 slump?

Real estate is a cyclical business. Our job as businessmen is to understand each phase in the cycle, so we avoid taking unnecessary risks. Although the recession of 2010-2013 had a strong adverse effect on our industry, I strongly believe that the market is now recovering. “Bouncing back” might be a misleading term to use at present as it suggests that the market has fully recovered. We have still a long way to go to achieve full recovery. After all, the numbers speak for themselves: over 21,000 units were sold in 2009, but under 9,000 units were sold last year (2017). Having said that, there is definitely increased movement in the market, largely driven by the positive developments in the economy, which has registered a GDP growth rate of over 4%. Other factors include the restored confidence of property buyers, both at an international and local level, while the Government’s introduction of tax incentives, such as the reduced real estate transfer fees and the abolishment

of immovable property tax, have greatly contributed to fuelling growth in the property market.

There appears to be a local trend towards high-rise luxury properties at present. Do you see this continuing in the foreseeable future?

On a global scale, buyers are turning towards high quality residences with 5-star amenities and impressive views and Cyprus is just beginning to follow in the same direction. Until recently, the market was more focused on villas; now that demand is shifting and the market is responding accordingly. Yet, it is important that we put things in perspective: In 2017, Limassol sold about 400 units in high-rise buildings from a total of almost 3,500. So, the city’s dependency on high-rise luxury apartments is only around 11%.

Isn’t there a danger that, once again, the industry may become over-reliant on foreign buyers?

International property investors have always been – and will always be – a very important part of the equation in



The Icon, Limassol

Tackling the NPL issue requires both a clean-up programme and the implementation of a distinct and advanced operating model

Cyprus. The key is to make sure that both we, as a business community, and the authorities act and behave wisely to avoid over-reliance on any single market segment or product. At the moment, the market fundamentals are good. No single foreign market dominates sales in Cyprus, so it is safe to say that there is no risk of over-reliance. The efforts made by the professionals in our industry to promote our country on a global scale and attract Cyprus-lovers to the island are delivering results. At the same time, the local market is regaining its strength.

How successful has the government's Citizenship by Investment Scheme been? Do you think that it should be extended indefinitely?

The Citizenship by Investment scheme is not something we invented in Cyprus.

Countries like Australia, Canada and the USA have been offering such schemes for decades. Where authorities around the world aim to jump-start economic activity in a given sector – and in the case of Cyprus the real estate sector – investment incentives have proved instrumental to strengthening development. Therefore, I do not believe that these schemes should be abolished or altered in any way. Such practices are a suitable tool for development in Cyprus, and we should continue to welcome foreign investors who would like to relocate and move part of their wealth to Cyprus. However, I feel that this scheme is receiving more media coverage – and more credit – than it deserves. The recent leak from the Parliament revealed that in 2017, the Citizenship by Investment scheme attracted 503 investors who in-

vested in roughly 1,000 properties, from a total number of over 8,700 units sold that year. That amounts to, again, close to 11%, not more.

In your opinion, what would be the best strategy to be followed by the Government and the banking sector in order to tackle the problem of NPLs?

Non-performing loans are always an area of concern for banks and these are a consequence of a weak economic environment, which significantly reduces the capacity of borrowers to fulfil their debt obligations. Hence, tackling the NPL issue requires both a clean-up programme and the implementation of a distinct and advanced operating model ensuring that problematic loans are addressed effectively at an early stage – the sooner, the better! The scale and substance of

the clean-up depend very much on the characteristics of the portfolio. Actions that are often taken include portfolio sales, outsourcing to overcome an acute capacity shortage, etc. In practice, the ability of a bank to absorb losses resulting from a clean-up is very often a limiting factor. In addition to one-off actions, banks also need to enhance their NPL management capabilities. Obviously, the ability to manage problematic portfolios in an effective and timely way will be crucial for many banks in the near future, in order to relaunch profitability and comply with the expectations of the Central Bank. To do so, banks have to be diligent in designing a comprehensive approach, which should define both the credit management strategy and a coherent operating model. This will require significant investments to build dedicated infrastructures, acquire skills and know-how, review the organizational design and define governance models. Key to the necessary changes is the mindset: credit management is not the source of bad loans, but if it is done well, it will create additional value for the bank.

Of your many developments, give us some information about what you consider to be your flagship project right now.

Imperio is now constructing The Icon,

and we are proud to be the “architects” behind one of Limassol’s landmark residential developments that will decorate the city’s skyline for decades to come. The Icon is a sophisticated development in terms of architecture and design and it will meet the highest interior design standards. It can be compared to high-rise developments we see in London, Miami and New York. Construction work began earlier this year, and occupancy is planned for 2020. 

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