

RICS launches Cyprus Property Price Index

“The index covers residential and commercial property”

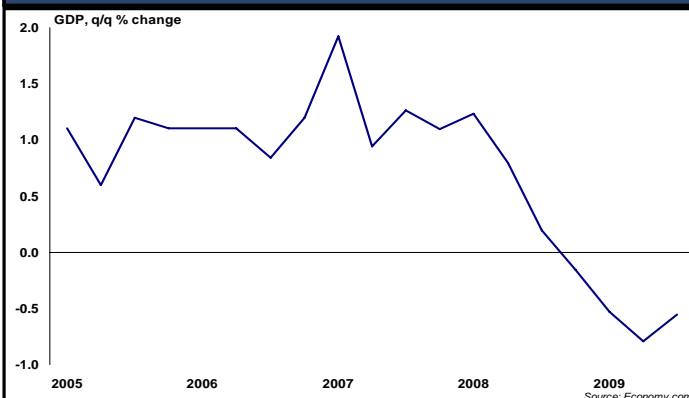
- This week saw the introduction of the quarterly RICS Cyprus Property Price Index, the first of its kind in the country. There are four broad dimensions to this index. First, the index tracks property in the following five urban areas: Limassol, Nicosia, Larnaca, Paphos, Paralimni-Famagusta. Second, the index tracks both the residential and commercial property market; on the residential side, the index covers apartments and houses and on the commercial side, the index covers offices (CBD), retail (high street) and warehouses. Third, the index tracks average unit price and average monthly rent. Fourth, the index is based on valuation estimates for hypothetical properties i.e. properties that satisfy certain assumptions; it is not based on estimates for actual properties.

“The property market should perform better in 2010 than in 2009”

- On the residential side, apartment and house prices were relatively evenly distributed across the country. The highest average house prices were recorded in Nicosia (€523,438) and the lowest were recorded in Famagusta-Paralimni (€412,500). Likewise, for flats, the highest average price was recorded in Larnaca (€187,590) and the lowest in Famagusta-Paralimni (€153,790). However, on the commercial side, there was far more sectoral and regional divergence in yields. The highest yields were generally found in the retail sector (7.8% in Nicosia and 7.5% in Larnaca) and the lowest in the warehouse sector (2.9% in Nicosia and 4.2% in Limassol). From a regional perspective, yields were generally lowest in Paphos and highest in Famagusta-Paralimni.

- Looking forward, the 2010 outlook for the Cypriot property market remains negative. But, concomitant with recent improvements in the macroeconomic news flow, property prices are likely to fall by less than in 2009. Indeed, the economy shrank by less in the latest GDP reading (-0.56% q/q in Q3 vs. -0.79% q/q in Q2) and the unemployment rate stabilised in December at 6.1%. In our view this suggests the market is near to reaching a floor and we expect the market to trade sideways of the next couple of quarters.

Outlook for property is less negative, in line with economy



Brazilian commercial property outperforming most emerging markets

“BCB likely to raise rates at next meeting...”

- Several Brazilian economic data releases are due next week that are both central to the interest rate and in turn, property market outlook. On Monday 8th official CPI IPC-S, which measures consumer inflation in Brazil's largest metropolitan area, Sao Paulo, is due. On Tuesday 9th the FIPE CPI index, which also measures inflation in Sao Paulo, is due. On Wednesday 10th December capacity utilization and the February IPG-M, the general price index released for financial markets is due.

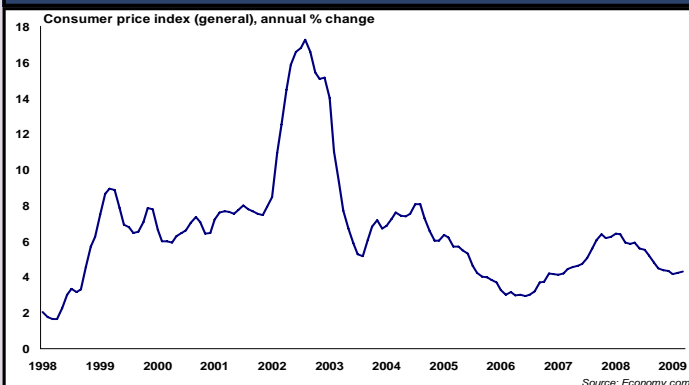
“..this will not rock the commercial property market for the time being”

- These releases are likely to sway Banco Central Do Brazil's (BCB) monetary policy committee, COPOM, to raise interest rates at its next meeting on March 17th. The main policy rate, the SELIC overnight rate, has been on hold at 8.75% since last July. However, official CPI reached 4.3% in December, (the highest since September) and last week, the BCB survey of CPI inflation expectations reached 4.66% (median projection), above the Bank's 4.5% target. This coincides with a very strong macro economic backdrop; the manufacturing PMI climbed to 57.8 in January, while the services PMI at 54.2 was only slightly below November's high of 55.2.

- Although gradually rising interest rates may have some impact on the Brazilian commercial property market later on in the year, in the near term the market is likely to remain firm. Indeed, the RICS Global Commercial Property Survey Q4 results show that the Brazilian market is one of the strongest markets in the

world. Investment transaction activity increased more than anywhere else in the world over the quarter (the net balance was +61), while available space declined faster than anywhere else (the net balance was -27). As a result, rental expectations remain very elevated (the net balance was +45) and capital value expectations (the net balance was +59). Under these market conditions, it will take more than a newly cautious central bank to seriously dent confidence.

Consumer price inflation has started to edge higher



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New Zealand housing market to strengthen further

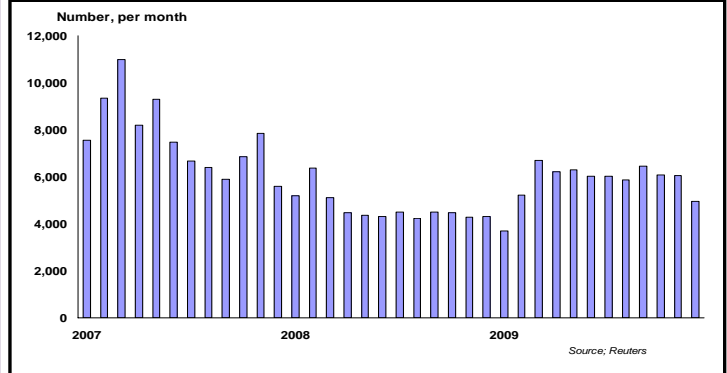
“House prices have recovered smartly in recent months..”

“..with further price rises likely as the labour market improves”

- Monday 4th sees the release of the latest property price data in New Zealand. January figures for residential house prices are released by Quotable Value, a government agency, and RICS expect some further improvement in prices for the month. Other house price indicators such as those from the Real Estate Institute of New Zealand (REINZ) confirm that prices have rebounded smartly over the last 4 months. That said, sales activity in December witnessed some pullback, falling 18% on the previous month according to REINZ. Similarly, prices fell back by 0.9 % although RICS expect the falls to be temporary and largely due to seasonal fluctuations.
- The economic data continues to suggest that the recovery is gaining traction. Retail sales rose firmly in November as the pick up in the housing market and improved consumer sentiment pushed sales up by 2.4% on a year ago. Lead indicators such as business surveys also point to further gains in the economy during the first quarter of 2010. The Bank of New Zealand's PMI index for manufacturing strengthened for the fourth month in a row in December taking it to a two year high. Similarly, the ANZ- Roy Morgan consumer confidence index rose to a three year high in January indicating that consumers are now responding to the strong economic medicine.

- The strength of the emergency support measures has been unprecedented. Interest rates in New Zealand were slashed by 575 basis points following the global economic downturn and remain at 2.5%. The central bank has indicated that rates are likely to remain on hold until mid year to support the recovery, as inflationary pressures remain tame. The latest CPI release showed inflation easing in the fourth quarter falling by 0.25% on Q3. Further improved signs should emerge from both the business PMI on Thursday 11th and December's retail sales data due on Friday 12th.

Home sales suffered the usual seasonal fall back in December



Canadian housing construction moving firmly higher

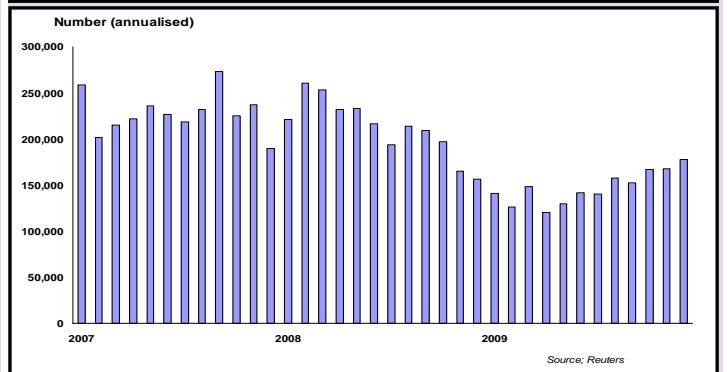
“Housing starts are set to climb at least 25% compared to a year ago...”

“...with pre crisis highs in house prices set to be reached in the next six months”

- Several pieces of key property data are released next week in Canada. On Monday 8th housing starts data for the month of January will be released whilst on Thursday 11th new home price figures for December are due. RICS expect both figures to confirm that a property market recovery is gaining traction. Indeed, even if housing starts were to remain constant in January at around 178,000 on an annualised basis, statistical effects (from the sharp fall off in activity a year earlier) imply that annual growth in starts should exceed 25%. This compares to annual growth rates of 2% and 14% in November and December respectively.
- Recent economic data has been mostly encouraging. Stats Canada reported that GDP advanced 0.4% in November which should ensure GDP growth of over 3.5% in the fourth quarter of the year. That said, some indicators have also provided less robust signals. The recovery in Canada's job market stalled in December as employers unexpectedly cut 2,600 jobs having seen a sharp rise in hiring in November. Due to the lagging nature of the unemployment statistics, RICS expect the labour market recovery to remain on track in early 2010 adding support to the property sector.

- House prices continued to edge up in November. The 0.4% gain on the previous month was the fifth consecutive month that prices have moved higher. Indeed, the current trend should see house prices return to their pre crisis highs within the next 6 months having only fallen a mere 3.5% during the recent downturn. The rise in prices should add renewed support to building activity. This week's building permits data is already showing a return to pre crisis levels of activity which will provide some cheer to the construction sector.

Canadian housing starts to continue recovery



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