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NEWSLETTER JULY 2008

This month, our spotlight is on...

In a change to our promised newsletter, information about the Cyprus Association of Property Professionals (CAPP) will now be issued in next months edition.

Central Bank Eases Credit Control on Second Homes



Almost a year after its imposition to control speculation in the housing sector and uncontrolled lending by banks, the Central Bank has lowered the credit ceiling for buyers of second homes.

In a reverse of last July's decision instructing commercial banks not to loan more than 60 per cent of the price of a property, Central Bank have now allowed banks to loan 70 per cent while the buyer pays 30 per cent.

First-time buyers were not affected and can continue to borrow up to 80 per cent to purchase a property.

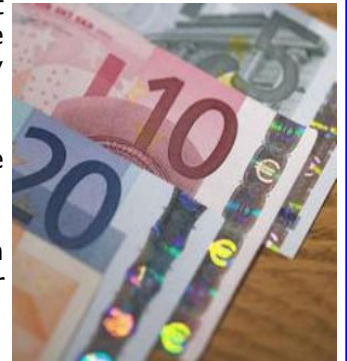
The move was made to ease the effect of the property boom and to stabilise rising prices, which would have created serious problems for the economy.

However, the building sector has been badly affected over the past 12 months, and recent figures show the government losing out significantly in tax revenue with the construction slowdown. In many cases, people were also borrowing the money from abroad.

A Central Bank official told Reuters the conditions under which the restrictions were imposed had now abated. "We are not making any relaxation... we are simply reverting to what was in effect last year," he said. "We now see the speculative interest has waned, and that prices have stabilised. Market conditions have changed. Qualitative data by banks and by developers suggests there has been a tapering off of this phenomenon."

The construction and real estate sector yesterday welcomed the Central Bank's move saying it would improve the situation, and make the market more competitive.

A statement said that with the decision, the Central Bank had realised that the curb on lending in 2007 had been mistaken. It was the property boom that fuelled the 3.3 per cent government surplus in 2007.



Next Month: Spotlight on Cyprus Association of Property Professionals (CAPP)

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