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CYPRUS WEEKLY
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Qatari mega deal in balance

GOVERNMENT SEEKING MIDDLE GROUND IN NEGOTIATIONS WITH EMIRATE

By ***Annie Charalambous***

he government still believes the much-publicised Cyprus-Qatar development deal in Nicosia is on the cards but significant obstacles – political and economic – have to be overcome.

"The situation is not easy. However, I am optimistic that at the end of the day we will reach an agreement that will be to the benefit of the Cypriot economy," Finance Minister Charilaos Stavrakis told a press conference.

"It's not easy when countries, such as Turkey and Greece, give land for free and we cannot do so. Our legislation does not allow us to do so," he added.

Stavrakis paid a lightning visit to Qatar over the weekend accompanied by Government Spokesman Stefanos Stefanou amidst reports that the $150m joint project was on the verge of collapsing.

The sticking point is the evaluation of the prime plot opposite the Hilton Hotel which will determine the corresponding investment by Qatar.

The Opposition believes the land's value is about €150m, while the Finance Ministry and the appointed property evaluator have indicated they would accept an offer no less than €100m.

However, the Qataris are estimating the land at just €50m.

Asked whether the government is ready to make sacrifices in relation to the land evaluation, Stavrakis said: "We cannot say that the property price is of no importance".

"But there are, indeed, other more significant factors that will be taken into account by the Board of Directors that undertook the analysis on the basis of the new data".

Clarifying that there is no time-frame as to the implementation of the agreement, he said: "Since it is a joint venture, we have every right to make sure that the project will be viable".

A revised proposal of Qatari Diar is said to include the difficult political formula of payment of €50m by the Qatari company for the land with the prospect that the Cypriot government will receive 100% of the profits generated.

It seems to be a very difficult decision for the government which is keen not to leave the prospect of cooperation with Qatar unexploited.

But it is also painfully aware that it will have to explain why the state land will be allocated to the joint venture at a lower price than the evaluation of its consultants – a fear repeatedly expressed by the Opposition.

Stavrakis believes that the investment of Qatar in the project will pave the way for other "significant" investments from the oil-rich nation.

"The Qatari business world follows the steps taken by their Emir. If this project goes ahead, many significant investment opportunities will follow. Qatar is a world economic power that we cannot afford to ignore," he said.

Last week, it was officially confirmed that a letter had been sent from Qatar to the government but details were not given out.

Insiders told the Weekly that its content could be interpreted in many ways, but that it was clear the deal was off considering they offered 'peanuts' for the land.

"But the money or the land's value is not the real problem. The problem is Turkey which is behind all efforts to prevent any substantial cooperation between Qatar and Cyprus," they also said.

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Why overseas homeowners might have to sell up

any Britons who bought homes abroad might be forced to sell up in 2011 as currency movements go against them and rental income which they need to cover the mortgage fails to materialise, says a new analysis.

The report, by foreign exchange broker Currencies.co.uk, claims that more than a third of the homeowners who let out properties within the eurozone saw lower occupancy rates in 2010 and therefore lower rental income than expected when they arranged their mortgages to buy.

The broker also says that many owners are having to convert more sterling than originally planned to meet mortgage repayments, property maintenance costs and local taxes.

"Falling rental income, coupled with falling house prices in countries such as Spain, Greece and Ireland, and the continued volatility of the euro, may result in over 150,000 British-owned eurozone properties hitting the market this year", claims the company.

According to a Mintel survey, more than 400,000 British households have a home abroad - so almost half of them could be thinking about a sale to ease money worries.

International agents Knight Frank says the current value of British-owned homes in the eurozone alone is already around £47.5b.

Stephen Hughes, director of Currencies.co.uk, says a growing number of overseas owners are becoming uncomfortable about political and economic problems in countries where they bought - notably Portugal, Spain and Italy.

There is much less scope to earn regular rental income from homes in these countries as fewer visitors decide to go there.

Consequently many homes are going on sale at the same time - and owners in some parts of Spain have had to cut prices by 10%-15% soon after going on sale to attract interest from buyers.

"Many pensioners who went to live abroad when the pound bought €1.50 are struggling to make ends meet with an exchange around 1.2", says Hughes.

Other buyers took money out of their UK homes at the peak of the boom to buy a home abroad with cash, he adds. Now many would like to sell abroad, to repay all or most of the loan which they took out in the boom.

Currencies.co.uk also says the proceeds from selling abroad are fluctuating wildly, in line with currency changes.

For instance, a home sold for €200,000 in March 2010 would have produced £182,000 back in this country. But a sale of the same property three months later, in June, might have generated only £161,000.

One leading property agent in Greece, Oonagh Karanjia at Crete Property Consultants, acknowledges that prices fell 13%-15% in 2010, as Greece was rocked by euro-crises.

But she does not see many Britons as forced sellers: "People who arranged mortgages to live on Crete usually want to stay at their home for long periods themselves.

"The market relying strongly on holiday rentals is largely based in Spain, where many more new homes had to be sold during the boom years." *(PA)*