

Enhancing mass property valuation in Cyprus

Final Report

Technical Support Instrument

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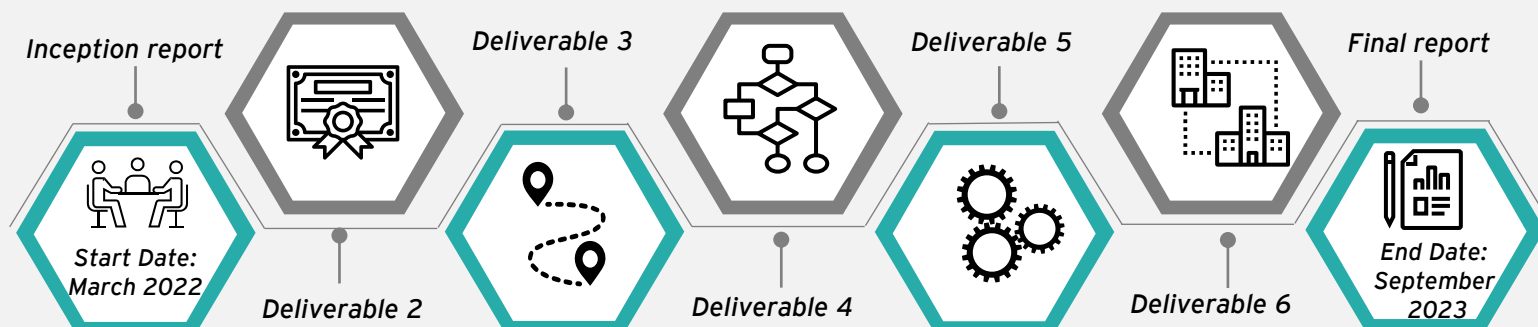
Enhancing mass property valuation in Cyprus

Project Factsheet

The project was carried out with funding by the European Union via the Technical Support Instrument, in cooperation with the Directorate-General for Structural Reform Support of the European Commission

This is the Enhancing Mass Property Valuation in Cyprus' Project (Request for Service: REFORM/SC2022/001) factsheet, which includes the project's timeline, objectives and key findings.






Project Implementation Plan



Deliverables Overview



Project objectives

-  **Deliverable 2:** Identify existing status quo relating to the processes and procedures for the issuance of title deeds and provide recommendations for their improvement.
-  **Deliverable 3:** Create a Strategic Plan for the establishment of a functional Key Addresses Register ('KAR') and road network dataset.
-  **Deliverable 4:** Provide recommendations in relation to the organisational structure of the general valuation branch within the DLS, in order to enable the streamlining of the branch's operational framework and ensure the efficiency of property valuations.
-  **Deliverable 5:** Review the DLS current valuation methodology and suggest enhancements to the parameters and methodology in accordance with best practises. Advise on an improved and upgraded automated valuation model based on market methodologies.
-  **Deliverable 6:** Provide a guidance for building a Transaction and Rental based Price Index. Propose a methodology based on EU best practise examples and validate it through a pilot study. Define the technological requirements that will allow the implementation of the methodology.

Project key activities and findings

Deliverables	Key activities & findings
<p>2</p>  <p>Recommendations on improving the issuance of title deeds</p>	<ul style="list-style-type: none"> As is situation showed that information sharing between the DLS and other government authorities is very limited, there is no uniform interpretation / application / enforcement of legal framework, lack of timeframes for processes/applications and where construction has irregularities/unfinished works title deed cannot be issued. Assessment of EU and UK best practices indicated reliance on parties' documented intention for registering new / transferring title deeds, serious consequences for wrongdoers, provision of guarantees by developers as security for buyers and no utility connectivity unless completion of construction is validated by governmental body. 15 suggestions were made on internal and external procedures which the DLS is involved in and amending the existing legal framework to enhance title deed issuance.
<p>3</p>  <p>Geographical analysis: strategic plan for developing a Key Address Register</p>	<ul style="list-style-type: none"> Developed a Strategic Plan for a national Key Addresses Register (KAR) based on existing geospatial analysis in Cyprus. The KAR will utilize GIS technologies for geocoding at the property/building level, providing a comprehensive dataset on Cyprus' address and road network. Current situation review revealed no central source of geospatial clean data, ineffective communication and legal framework, and limited GIS experts. EU practices highlight Local Authorities as key data producers with quality incentives. Strategic Plan components include a data management plan, proposed governance model. Implementation recommendations, risk and financial assessment, and an action plan. Prepared a two-year Action Plan for the establishment of the KAR.
<p>4</p>  <p>Review of the organisation of the general valuation branch</p>	<ul style="list-style-type: none"> Current situation review revealed a lack of dedicated employees for General Valuation and lack of continuity in the execution of mass property valuation-related tasks. List of requirements revealed the need for designated employees for General Valuation, ongoing process, enhanced specialization and system autonomy. EU best practices review revealed the existence of dedicated and qualified people responsible for mass property valuation and the existence of a fully automated process. Developed two comprehensive and detailed organizational structure options. Prepared an implementation roadmap for the establishment of the chosen structure.
<p>5</p>  <p>Review of the commercial property valuation methodology</p>	<ul style="list-style-type: none"> Model review suggested to explore alternative methods for income generating properties. Data review and analysis revealed data quality issues. Data enhancement is recommended. Provided review of EU best practices on AVMs. Examination of regression-based AVMs using comparable sales data and performance of statistical tests did not produce satisfactory results due to inadequate data. Provided methodological guidance on regression models that can be implemented once DLS obtains adequate number of transactional data. Proposed income capitalisation approach as a hotel valuation model and provided valuation template and valuation model guide.
<p>6</p>  <p>Guidance for building a Transaction and Rental based Index</p>	<ul style="list-style-type: none"> Based on academic literature and EU best practises Hedonic regression is evaluated as the best method for constructing Residential Indexes. No one-size fits all methodology. A deep understanding of the market's unique characteristics and dynamics is needed. Proposed two methodologies based on the Hedonic method: i) the Rolling time weighted model, and ii) the Time Dummy Model. Results from both methodologies closely aligned with and exhibited similar trends and patterns as CBC's index.

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