

General Valuation Methodology at 01.01.2018 Values

The General Valuation at 01.01.2018 values was carried out by the Department of Lands and Surveys acting as the responsible Government authority for carrying out valuations for any purpose.

1. VALUATION METHODS

The new General Valuation at 01.01.2018 values was based on the internationally recognised valuation methods, which are widely used in Cyprus: the "Comparative Method", the "Development Method", and the "Cost Method" which is adopted in cases of properties for which no market is available. These methods are recognised by various standards, such as the European Valuation Standards, the International Valuation Standards, as well as the British Valuation Standards (RICS Valuation- Professional Standards). The "Guidelines for International Mass Valuations and Related Tax Policy" published by the International Association of Assessing Officers (IAAO) was also taken into account. In addition, the appropriateness of the methodology was confirmed by the International Monetary Fund's study dated December 2013, entitled «Implementation of the General Valuation for Immovable Property Tax».

2. DEFINITION OF “GENERAL VALUATION VALUE”

The general valuation at 01.01.2018 values was carried out on the basis of the current legislation, i.e. pursuant to the provisions of Part VII - Valuation of Immovable Property (Tenure, Registration and Valuation) Law, Cap. 224. According to the provisions of section 2, of this law, the definition of the "general valuation value" and the definition of the "value" are as follows:

“General valuation value”, in relation to immovable property, means the amount determined by carrying out a general valuation or a revaluation or a revision of a general valuation, which is as close as possible to the actual value.

“Value”, in relation to immovable property means the amount which the immovable property could be expected to yield if it were sold on the open market by a willing seller to a willing buyer.

It is highlighted that the definition of "General Valuation Value" should be interpreted in conjunction with the provisions of section 69(1) of the above-mentioned law, according to which the Council of Ministers orders a General Valuation to be carried out for the purpose of ensuring a modern and uniform valuation of the immovable property in order to reflect as closely as possible the "value" of the property. Uniformity is ensured by adopting values per square metre, per town planning zone, per geographical area, which are subject to adjustment according to the physical and legal characteristics of the land and buildings, ensuring that groups of properties with similar physical and legal characteristics have similar General Valuation Values.

The General Valuation at 01.01.2018 values does not constitute the market value of a property and may be used for tax purposes and payment of fees. In case a land owner or other person with an interest in a property needs an appraisal for other purposes, such as for purchase/sale, investment, borrowing, compulsory acquisition, he/she should consult a qualified real estate expert, member of the E.T.E.K. (Scientific Technical Chamber of Cyprus).

3. PROCEDURE FOR THE COLLECTION OF VALUATION CHARACTERISTICS

The Department has managed to continue seamlessly the process of collecting data and updating the database with new developments and/or modifications to existing units since the publication of the last General Valuation 01.01.2013, through the following routes:

- i. Upon a request of the owner for update of his/her title deed
- ii. Upon a request of the owner for correction of a mistake in the valuation of his property
- iii. Upon a request by the competent building authorities to the Department after a building permit has been issued or an existing building permit has been amended
- iv. The Director, on his/her own motion, proceeds with a request for correction of errors to correct valuation characteristics for large and specified developments or where errors and omissions are identified

The above process of collecting valuation characteristics of properties (natural and legal) from all over the country included, where necessary, local enquiries and extensive use of the modern technology, with the processing of satellite images and other geographical data and with comprehensive use of the integrated Land Information System. Furthermore, the Department has taken an innovative action and has developed a special web application linking all the competent building authorities (District Administrations and Municipalities) with our Department. In this way, when issuing a new building permit, the competent authorities have the responsibility to immediately enter all the valuation characteristics in the electronic system. To promote this application, the Department has held presentations and meetings with the relevant building authorities. Once these data have been verified and stored, an automated general valuation is carried out. The Department considers that the valuation database is almost fully up to date, especially after the introduction of the above application, and taking into account the other actions that it is taking in an effort to interface with the electronic systems of the Department of Town and Country Planning, the EAC, and other Government Departments in order to collect the required information.

4. GENERAL VALUATION PROCEDURE

The General Valuation at 01.01.2018 values was based on the natural and legal characteristics of the property and these were used in the Computer Assisted Mass Appraisal System as described briefly below:

a) Physical and legal characteristics of the property

i) The following characteristics have been used for the land:

- Type of Property
- Area
- Town Planning Zone
- Location under valuation/Special area
- Type of access
- Relation to the road
- Relation to road level
- Shape
- Obstacles (Pits, Caves, High Voltage Cables)
- Inclination
- Influence from Beach Protection Zone

ii) The following characteristics have been used for the buildings:

- Type of unit
- Unit areas (with weighting factors)
- Year of construction (with depreciation factor)
- Year of renovation (with depreciation factor)
- Type of renovation (complete/substantial)
- Category (luxury, A, B, C, D)
- Condition (very good, good, average, poor)
- Type of frame (reinforced concrete, metal frame, etc.)
- Problems (subsidence, cracks, moisture)
- View
- Development ratio

b) Adoption of the land and buildings value per square metre

For the adoption of the above values, research and analyses were carried out in all geographical areas of the non occupied Cyprus, per town planning zone and property type. The determination of the values for the Municipalities (except for the Municipality of Ipsona, the Municipality of Athienou, the Municipality of Lefkara and the Municipality of Tseri) was carried out in cooperation with private valuers through the purchase of services.

For the adoption of the values, the comparative sales of the last few years as recorded in the records of the D.L.S have been taken into account and, where necessary, the appropriate updates have been made. A survey of building construction costs was also carried out in conjunction with the Department of Public Works and the Statistical Service.

5. COMPUTER ASSISTED MASS VALUATION

All relevant parameters were entered into the electronic system for conducting mass valuations (specialised software in the Land Information System) available to the Department and a mass valuation was performed. The use of similar Computer Assisted Mass Appraisal Systems (CAMAS) is being adopted by several countries worldwide, due to the advantage of conducting automated mass valuations in a very short time, saving time and costs for the citizen.

6. GENERAL VALUATION RESULTS AND QUALITY CONTROL

The results of the General Valuation at 01.01.2018 values have been evaluated by competent officers of the Department, through various quality control - ratio studies procedures, in order to ensure accuracy and uniformity, and that the values have been fluctuated within the predefined indicators based on international standards. There is a table for verifying results at district level for the land and the units separately, which is shown below. The following method of assessing results forms an international standard of the International Association of Assessing Officers (IAAO), which is widely used by Government Organisations and/or Local Authorities. For further details see https://www.iaao.org/media/standards/Standard_on_Ratio_Studies.pdf. More specifically, the column titled "No. of Observations" in the table below presents the properties (vacant land and separate units) identified for which sales have taken place between January 2015 to June 2019. The sales from January 2015 to December 2017 have not varied much in terms of price fluctuation as a general assumption.

Average Ratio

The column titled "**average ratio**" presents the average of the ratio (**Ratio = General Valuation at 01.01.2018 Values / Sales Price**) of the total number of observations per district and property type.

Median Ratio

The column called "**median value ratio**" presents the median ratio of the observations when sorted in ascending order.

Based on the results of the above two location indicators (average and median value), the best value is considered to be the one where the ratio in both cases is close to one. According to the international standard, as a general principle, there are acceptable maximum and minimum limits of variation, which are between **0.9** and **1.1** and these can be varied according to the type of property.

Coefficient of Dispersion-COD

The column titled "**Coefficient of Dispersion (COD)**" presents a measure of determining the variance or the uniformity for the same or similar properties. It calculates the average percentage of price variation (ratio) from the median (median ratio). According to the international standard, as a general principle, there are acceptable maximum limits of variation, which for the land are from 0 to 0.30 or 30% and for the units from 0 to 0.20 ή 20%. The percentages within these limits vary according to the type of property (e.g. residential, retail, office, industrial, etc.) and the geographical area in which the properties are located (urban or rural). The smaller the variation is, the better the uniformity of property prices.

QUALITY CONTROL OF GENERAL VALUATION RESULTS of 01.01.2018 (Ratio Studies - GV1.1.2018/SalesPrice)					
DISTRICT	PROPERTY TYPE	NO. OF OBSERVATIONS	AVERAGE RATIO	MEDIAN RATIO IAAO Standard 0.9<=R<=1.1	COEFFICIENT OF DISPERSION – COD (IAAO Standard COD <=30)
NICOSIA DISTRICT	LAND	3745	1.08	1.04	0.29
NICOSIA DISTRICT	UNITS	3321	0.92	0.91	0.16
LARNACA DISTRICT	LAND	1871	1.06	1.01	0.29
LARNACA DISTRICT	UNITS	3473	0.99	0.97	0.20
AMMOCHOSTOS DISTRICT	LAND	811	0.96	0.91	0.32
AMMOCHOSTOS DISTRICT	UNITS	1059	0.86	0.85	0.19
LIMASSOL DISTRICT	LAND	3065	1.00	0.94	0.37
LIMASSOL DISTRICT	UNITS	5478	0.90	0.84	0.28
PAFOS DISTRICT	LAND	1045	0.96	0.95	0.31
PAFOS DISTRICT	UNITS	4927	0.97	0.94	0.22
NOTE: Observations (plots/units) relating to loan restructurings, historic and temporary properties and Turkish-occupied plots that set the value to zero at 01.01.2018 have been removed. In addition, plots that were marked "There are buildings" were removed from the sales file.					

The statistical software "SPSS" has been used to calculate the above statistical results. Lastly, the sales that have been used are the unadjusted sales for time at the date 01.01.2018 and therefore the statistical results are considered to be **even more accurately** updated.

The D.L.S has made every effort to ensure there is uniformity between the General Valuation Values at 01.01.2018 values calculated and they are as close as possible to the market value. The above results are part of a more detailed study, which is in progress and will be published at a later stage in order to provide better and more comprehensive information to the citizen.

All processes relating to the General Valuation have been certified by the Quality Management System standard **CYS EN ISO 9001:2015**.

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