

Diary of a Property Investor & Developer

By Dominic Farrell

Property investing decisions should be based on economics, financial analysis, common sense and a little bit of intuition. The aim of this diary is to give a real-life commentary on a typical week in the life of a property investor and developer.

Monday

Three airlines and five new routes to Cyprus for 2008

easyJet effect to boost Cyprus property market

easyJet's recent acquisition of GB Airways (see page 57) has accelerated the low-cost airline's entry into the Cyprus market. The airline will fly from both Manchester and London Gatwick to Cyprus from 30th March 2008. This news is what many people have been waiting for and will provide a clear and tangible boost for the economy. The 'easyJet effect' has two main economic benefits for property investors. Firstly, the arrival of a new player increases competition amongst all carriers and competition generally lowers prices and increases levels of service across the route. Secondly, property prices respond strongly as property ownership becomes more accessible, and lettings become more profitable the easier and cheaper it is to fly to a country.

Monarch Airlines has also announced that it will begin flying from London Gatwick in March and Manchester in May 2008, following the huge demand generated by the successful launch of its low-cost service from London Luton to Cyprus in March 2007.

Monarch will also increase its service from London Luton during the summer with an additional plane,

taking the number of scheduled flights to 14 per week. Prices are from £49 one way.

I predicted last year that if Monarch could prove the profitability of the UK to Cyprus low-cost airline model, others would follow and Monarch itself would expand its own routes. This has now happened. Additionally, British Airways has announced that it will begin a second daily scheduled service to Cyprus beginning on 1st July from London Gatwick, which will complement the already established route from Heathrow.

These announcements will provide a huge boost to the property industry in Cyprus, opening up the country to many more potential property buyers and tenants. With easyJet advertising a one-way ticket from Manchester to Cyprus for £37.99, let the party begin.

Tuesday

Cyprus and Malta join the Euro: the Euro Effect

You only have to consider the impact of the Euro and low interest rates on the property markets in Ireland and Spain to understand the 'Euro Effect'. The stability, confidence and low borrowing costs have a significant impact on both economies and property prices. The Euro represents 15% of world GDP and now both Cyprus and Malta have equal voting rights at the European Central Bank, alongside the other 13 member states of the Eurozone.

Historically, the greatest gains in property markets have been in the four years after adoption of the Euro, although in Cyprus we have seen prices rise by an average of 20% in 2007. Predictions for 2008 are 35% (Daily Telegraph 22nd December 2007)

Wednesday

Once a year I undertake a wealth check and also review my personal and company strategy. The numbers look very good and capital appreciation across my portfolio has been strong. An example to illustrate the point is:

Two houses completed in March 2007 after a two-year build period, purchase price £200,000, each now valued by

the bank at £380,000, representing a total gain of £360,000. The Return on Investment (ROI) is a very healthy 450%. This example will offer the opportunity for refinance and further investment thus pushing the return on equity higher.

Today I have also completed on two new plots of land in Cyprus, which will go into the company land bank for future development. I also received an offer on a plot of land purchased about six months ago at a 100% uplift on the original purchase price. Rapidly increasing land values and inflation in the construction sector (labour, cement and steel) are now feeding their way through to property prices. This cost-push inflation in the property market, combined with demand-pull from new entrants into the market, will propel the Cyprus market forward in 2008.

in outline. My property development strategy is clear and I will continue to expand the land bank and other options I have available. This will be an exciting year for everyone involved in the Cyprus property market, newcomers and veterans alike.

Personally, I am reflecting on my recent visits to Berlin and the French Alps and the sound investment opportunities these projects offer.

We have been looking at Berlin since December 2006 and had been unable to find a block which ticked all the right boxes – until now. We have secured a block of 25 apartments, in a prime residential area, which will be refurbished to the highest standards in order to command the best possible rents. One of the trendiest and most desirable streets in the whole of Berlin is yards from the



I declined the offer and will hold the land, certainly over the medium term. The location of the plot will continue to attract good offers, but the intrinsic value will be realised in four to five years' time given the Local Development Plan and my knowledge of the area.

Thursday

Today I am continuing to review my portfolio and line of attack for the year ahead in detail and for the next few years

block, as is the underground and bus routes. Another problem we had in the past was the mortgage finance, or should I say the lack of... We have found a solution to this problem and can offer competitive mortgages through Jet-to-Let Investments.

I have written about my trip to the French Alps elsewhere in this magazine, but suffice it to say, this is another scheme which ticks all the right boxes, including a stunning location.

Several of my staff and friends are looking to invest in these schemes. I will use some of the cash extracted during my wealth check to invest, thus increasing my return on equity and making my capital gains work very hard for me in different markets offering different things – a recovery play on the one hand in Berlin and a guaranteed nine-year income with good capital appreciation potential and 19.6% cashback in France.

Friday

My new development scheme, The Grove Spa Resort in Cyprus, is my focus today. Within 48 hours of launch we sold 75% of the scheme, which clearly made me happy and proved that a true five-star mixed-use scheme in Cyprus is in great demand. This is a unique development for Cyprus and has generated positive comments from both other developers and the industry in general.

I had a meeting with the designer of the Grove's Health Spa today. Cengiz (pronounced 'Jengis') Dervis is a top-class spa and gym designer. He has consulted on a number of luxury commercial and private gyms as well as spas and private members' clubs. Cengiz provides the level of professional experience required to make the Spa a true five-star facility, which will greatly enhance re-sale values and the lettings potential for owners at The Grove Spa Resort. As a future resident of this scheme myself, second best is not an option.

We are presently preparing to launch the next part of the scheme, which is a complete block, available ahead of time due to the demand from investors. We are holding the prices for the new block at The Grove Spa Resort at the initial release price of October 2007, although since then the market has moved by 2.65% in September, 3.75% in October and 2.51% in November. This represents

a total rise of 8.91% since we set the prices. Add this to the 12% discount to market value assessment from the Royal Institution of Chartered Surveyors Valuation in October and investors have 20.91% discount on market value as well as a firm foot on the booming Cyprus property market. Prices will rise on any remaining units at close of business on Friday 15th February 2008.

Dominic Farrell talks to Russell Cordingley on Jet-to-Let Radio about why he considers Cyprus to be a great investment for 2008 and why he chose to develop in south Larnaca. He explains how he broke the mould with the five-star Grove Spa Resort, the only one of its type on the island.

Visit:
www.jet-to-let-magazine.com/radio
to download the interview

