



Turkish invasion highlights land value

CIVIL WAR in the Lebanon has imposed severe strains on the housing market in Cyprus.

Arab refugees have fled the desimated city of Beirut by the boatful, and the Cypriot ports of Limassol and Larnaca have been their safe havens.

But these merchants of the east, homeless but often rich, have forced rents sky-high.

One result is that Cypriot families have been priced out of the rented sector in the towns along the southern coast.

So the island needs renewed growth in construction of private sector housing.

There is evidence, however, that the authorities have made the common mistake of misreading the economic signals.

Normally, the house-building cycle would have serious macro-economic implications for the rest of society. This is not so in Cyprus, however, where exceptionally low unemployment rates of 1% - 2% are normal.

Nonetheless, the house-building cycle does have an influence on the quality of life of island residents. And that cycle is determined, in the main, by price trends in the land market.

CONSIDER the evidence in the table below. The number of dwellings completed rose continuously except for 1980.

But how do we explain this dip in growth?

Not, it seems, on the basis of the rent index: Cyprus law regulates the rents of many dwellings, and these

have not risen as fast as the costs of labour and materials.

The peak year for construction was 1979. The official explanation for this is as follows:

"The structural changes that were recently observed in the construction sector continued to a certain extent and into 1982. Construction in housing reached a peak in 1979 when it amounted to 63.5% of the total output. As the pressure for housing the refugees eased off, its share declined gradually to 54.0% in 1982."

Report by FRED HARRISON

So here we have the argument that the heavy post-invasion demand for housing had been largely satisfied, so there was a cut-back in private sector construction.

The competing explanation, which is fully documented elsewhere,² is that the price of land was so high that people's aspirations for new homes could not be fulfilled.

In the case of Cyprus, this is the evidence.

The price of building land rose by 5% to 10% in the years 1974 to 1978. Then, between 1978 and 1980, it leaped by a record 20%, easing off to a 10% to 15% rate of increase in the first years of the 1980s.

CYPRIOTS prefer to buy land and build their homes, rather than enter the rented sector.

It would appear, then, that the

downturn in construction in 1979-80 can be attributed to the remarkable increase in the price of residential land.

Further evidence for this argument can be gleaned from research conducted by William Doebele, the Professor of Advanced Environmental Studies at Harvard University.

In June 1981, he flew to Cyprus as a U.N. consultant, to advise the Cyprus Land Development Corporation on its operational strategies.

The objective of the C.L.D.C. is to lower the costs of land and housing for moderate-income families who were excluded from the private market.

Professor Doebele found that, between 1976 and 1981, the index of earnings for government employees had increased by almost two-and-a-half times.

The cost of site development had doubled to C£1,500 per donum (= 0.302 acres), while the index of construction costs (labour and materials) had increased by about 62%.

The cost of suitable sites, however, had increased by a massive four-fold.³

A U.N. report published in 1977 found that C£2,000 was a reasonable average figure for land that could be purchased by the C.L.D.C. In July 1981, that figure had leapt to between C£8,000 and C£12,000.

Surely there can be little doubt that the drop in house construction in 1979-80 was due to over-priced land, rather than the satisfaction of consumer demand?

DESPITE the presence of an occupation army, Cyprus remains one of the safest countries in the Middle East.

It is socially stable, and has now regained its pre-invasion economic prosperity.

So the island will continue to offer a refuge for people driven from their homes by wars in the neighbouring Arab countries.

That is why the government in Nicosia ought now to pay special attention to the construction industry, and particularly the way in which land is used.

For quite apart from the demands that will continue to be imposed on the island by migrants, the Cypriot preference for large residential plots needs to be re-examined.

According to Professor Doebele: "The historic standard plot of 5,600 sq ft. (almost 1/8th of an acre)

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● New homes – but at what price?



THRACE has always been Greece's borderland between Europe and Asia: today, it is the flashpoint between Greece and Turkey. Almost all of Greece's Muslim population, 120,000-strong, is located in this region. Discrimination against the Muslims could be the excuse that Ankara needs to launch an attack similar to the Cyprus operation in 1974.

TERRITORIAL disputes are at the heart of the Graeco-Turkish conflict.

The smallest local quarrel assumes major diplomatic significance in Athens and Ankara.

The damming of a river is interpreted as part of a long-term strategy for conquest: that's why the Evros river is watched with anxiety by the two powers.

The Evros marks the Thrace border. At the village of Dilofos, it passes a wooded island called Tsiplak.

A few years ago, the Turks dammed the river on their side and claimed the island as Turkish territory. Local Greeks fear that this kind of provocation could lead to military manoeuvres that would end in a full-scale war.

The most likely cause of military conflict, however, is the way in which Greece treats the Turkish-speaking Muslims of Thrace.

Everyone in the region agrees that relations between Muslims and Christians are good. Discrimination, however, is not difficult to recognise.

- Muslim houses tend to be smaller, older and in poorer condition compared with the modern blocks of flats owned by Christians.

- The law does not treat both religious groups equally. Muslims complain that it is difficult for them to get drivers' licences for tractors.

- Local administrators do not respond to the needs of Muslims as quickly as to the needs of Christians.

BUT THE starkest evidence for discrimination is to be found in the law relating to land ownership.

A law passed in 1938 regulated land deals in border regions.

Until 1965, it seems, this caused no ethnic problems. Then, according to one mufti, the trouble began. "We are not free to buy and sell land. A Muslim can't sell any immovable property to another Muslim, but he can to a Christian. I believe the government is trying to throw us out slowly."*

Thracians claim that relations between Muslim and Christian have deteriorated since the conflict over Cyprus.

TURKEY, however, believes that the Greeks have adopted a punitive stance towards Muslims – which is why they sent their troops into Cyprus in the first place, to defend the Turkish-speaking population against the threat of a coup inspired by Greece.

GREECE, on the other hand, argues that Turkey still aspires to territorial aggrandisement – as evidenced by her claim on islands in the Aegean sea.

With claim and counter-claim, the original cause of the disputes (the desire for land) is lost in the prejudices of religion.

*E. Hadzipetros, 'Thrace: A Glimpse at the Borderland', *The Athenian*, February 1984.

● CYPRUS – from p.69

may be inefficient for moderate-income housing under modern conditions. It may be an excessive use of land, requiring longer roads, drainage, water, sewers, electric and other service facilities.

"It leads to a relatively spread pattern of urbanization, causing longer journeys to work, shopping and recreation, and greater energy consumption."⁴



● Prof. William Doebele

These social costs are normally associated with land speculation: in Cyprus, this is not the usual motive, but its impact is still the same.

More compact urban environments result in higher living standards and lower infrastructure costs.

In a free market society, this can be best achieved by reforming the property tax: if everyone had to pay the full economic cost of his land-holding to the community (with reciprocal reductions in other forms of taxation), the size of house plots would be tailored to actual need.

The Turkish invasion has reminded Cypriots (both Greek and Turk) that land is a precious resource: the *most* precious resource.

It therefore needs to be conserved and used economically, to the best advantage of the whole community.

Before many more acres are needlessly wasted under concrete, the government of Cyprus ought to re-evaluate its fiscal policy and town planning procedures, to see how it might improve its goals of a prosperous – and united – community.

REFERENCES

1. *Construction and Housing Report 1982*, No. 5, Nicosia: Dept. of Statistics, Ministry of Finance, 1984, p. 14.
2. Fred Harrison, *The Power in the Land*, London: Shephard Walwyn, 1983.
3. William A. Doebele, *Cyprus Land Development Corporation, Report on Policies Recommended for the beginning of operations*, Nicosia, 1981, pp.29-30.
4. *Ibid.*, p.5.

RENT, LABOUR AND MATERIALS: prices indices, 1973-1982

	Rent	Labour	Materials	Dwellings completed (private sector)
1973	100.0	100.0	100.0	—
1974	103.4	118.4	126.6	—
1975	101.1	112.6	129.4	—
1976	101.3	114.0	137.7	1 698
1977	104.5	130.6	143.9	2 400
1978	113.3	172.7	151.6	3 952
1979	125.5	211.0	173.1	5 496
1980	138.7	265.3	200.3	5 286
1981	149.0	316.6	227.5	5 429
1982	154.4	356.1	238.8	5 604

SOURCE: *Construction and Housing Report 1982*, Nicosia: Ministry of Finance, Dept. of Statistics and Research.