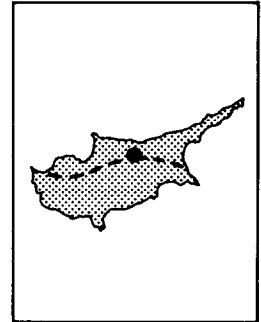


## Nicosia

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*This profile of Nicosia, the capital of Cyprus, focuses on a crucial aspect of its historical growth and emerging planning responses: the issue of urban land. In Nicosia, as elsewhere, an understanding of land markets and the actors and agencies involved in development processes is indispensable for the management of urban change and the effective implementation of planning strategies for future growth. The provision of land which is affordable and available to urban dwellers has become a central issue, especially in the developing world. Accordingly, the relationship between planning policies and land issues, so long ignored by many planning systems, has become the new focus of current practice and research.*

Nicosia has been the capital of Cyprus for many centuries. As the Middle Eastern outpost of Christianity from the 12th to the 14th century it developed important trading functions and was reputedly one of the richest towns in the region. The completion of the city walls in 1567 by the Venetian rulers consolidated what had become a widely dispersed town within a diameter of approximately 1.5 kilometres. However, the walls were insufficient to withstand an Ottoman attack in 1570 and the island came under Turkish rule for the next 300 years. The walls, however, have remained virtually intact to the present day and have, not surprisingly, an important effect on the spatial structure of the city.

The city was the administrative centre for the Turkish rulers, who lived in the northern half of the town. The Greek Cypriot merchants and craftsmen lived in the southern half – a segregated structure that never changed. The maze of narrow streets, which still characterizes the walled city, probably emerged at this time.

Much of the vernacular building style of the old city emerged in the second half of the 19th century. The readily identifiable imposing doorways, balconied first floors, spacious hallways and courtyards were built at this time.

The British, who occupied Cyprus in 1878, continued to use Nicosia as the capital but found the old city unhealthy and congested. Thus, as in many colonial capitals, the administrative and colonial residential areas were located outside the traditional nucleus – in this case, the walled city. At the first colonial census, in 1881, the population was about 11 000.

The expanding administrative, commercial, marketing and service functions that accompanied British rule soon followed the colonial lead and suburban growth outside the walls and along the main roads began. By 1931 the population had grown to 34 000. Rapid expansion took place in the post-war period and the CBD itself gradually outgrew the walled confines, especially in the more prosperous southern Greek-Cypriot sector. These trends accelerated rapidly after independence in 1960.

When Cyprus became independent,

Greater Nicosia had a population of about 100 000. By 1982 this had risen to 190 000. This is an estimate, for, as we shall see, defining the limits of the city is no easy task. Although by the standards of many rapidly urbanizing economies the growth of Nicosia was not particularly

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**'Nicosia is a primate city *par excellence*'**

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fast (less than 4% per year), in the context of the island (population about 630 000) these growth trends are significant. Nicosia is a primate city *par excellence*. It has 30% of the island's population and just less than 50% of the urban population in a country which is almost 60% urbanized. The drift to Nicosia and other main towns has been substantial rather than dramatic, since given the small size of the island major settlements are generally within commuting distance of villages. Nevertheless, the government has actively encouraged the transition from an agrarian to an urban-based manufacturing and commercial economy – especially after the division of the island in 1974 following the Turkish invasion. Nicosia has generally benefited most from these policies, as well as from the substantial influx of refugees (some 160 000) from the occupied north. Mostly rural in origin, these refugees have largely been accommodated in permanent housing estates in urban locations, especially in the southern fringes of Nicosia in the government-controlled part of the country (Figure 1).

As we have seen, Nicosia has been ethnically divided since the 16th century. This division was reinforced administratively in 1963 when the first post-independence intercommunal conflicts started. Since then the city has been permanently divided – as indeed has the whole island since 1974. Although this paper focuses on the now more rapidly growing southern part of the capital, the Turkish Cypriot sector is almost equally affected by the rapid urban spread.



**Figure 1.** One of the housing estates for refugees from the 1974 Turkish invasion. Estates like this have accelerated the outward spread of the city.

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For the most part residential development has been a fragmented, plot-by-plot activity – almost without exception an individual, private activity – at least until recently. Thus, much of Nicosia's growth in the past 25 years has been unsystematic and unplanned; provided water and access were available an individual could develop his plot according to by-law regulations.<sup>1</sup> Resistance to the regulation of the overall physical development of the city has been strong – for example, the 1972 Planning Law<sup>2</sup> providing for strategic and local area plans still awaits a commencement order. Land development has come to occupy a significant and important position in the culture of the island. Respect for private ownership, together with the loose planning control and the effective working of the land market, has inhibited clandestine processes of urban development. These traditional cultural values are now being confronted by the pressures of the urban land market. It is the failure of the market which has given rise to the current

<sup>1</sup>Streets and Buildings Regulation Law, 1946 (last revised 1977). This is essentially a building by-law with some planning provisions.  
<sup>2</sup>Town and Country Planning Law 90/1972, (modelled on British 1968/71 Act).

problems of land development in Nicosia. This enhances the opportunity to introduce a more systematic planning framework (a Master Plan is currently being prepared under the auspices of a UNDP team); but its credibility will depend entirely on how land market problems are tackled.

*Land market instability.* Over the past five or ten years a long-standing paradox in Nicosia's land market has become acute. There is a very large supply of parcellated residential plots within and beyond the fringes of the city – far in excess of current or forecast developmental demand. Indeed, there is already an estimated supply of residential plots 50% above the forecasted demand for 2000 – land which is in effect already urbanized well in advance of needs. Moreover, about 25% of plots available for development within the urban area are vacant. In normal market conditions with this apparent oversupply land prices could be expected to fall or at least remain static. The paradox is that land prices are

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### 'land values are inflating at more than three times the general inflation rate'

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extraordinarily high and continuing upward movement confirms that substantial speculative processes exist.

A high nominal availability of land is contradicted by a low actual supply of developable land. There is an important distinction between development land (of which there is no overall shortage) and developable land. This distinction, whether it is caused by market failure (as in Nicosia) or by institutional blockages, is a characteristic of many rapidly urbanizing countries.

Land values in Nicosia are inflating by about 25% per annum (more than three times the general inflation rate) and peripheral land values are rising faster. It seems that land is being bought and sold but is either not coming onto the market

for individuals to develop in the traditional way, or is being bought far in advance of actual demand for housing. The results of this speculative cycle are clear to the planning agencies. First, there is now a market affordability crisis not only for lower-income groups wanting housing plots in Nicosia, but for middle-income groups as well. The capitalized value of a standard 25 metres x 21 metres plot (plot sizes are large in Cyprus generally) is now two or three times the average annual salary. Amortizing a loan over the standard repayment period of about eight years could amount to upward of 40–50% of average annual salary – and land is only half the total cost of a house. Second, even if a non-speculating family can afford to acquire land, it is often so burdened with debt that development has to be deferred – partially explaining the high vacancy rate of land. Finally, the relentless rise in value has generated a scramble for land of an unprecedented scale. Since this upward spiral has been sustained for some 30 years, even before land became such a highly marketized resource, price expectation is merely self fulfilling and speculation is now deeply entrenched.

As price does not act as a regulator land values will continue to rise. Given the unstable market and the already high stock of urbanized but underutilized land, strategic plans will require innovative policy instruments if some compatibility between land needs and development processes is to be achieved.

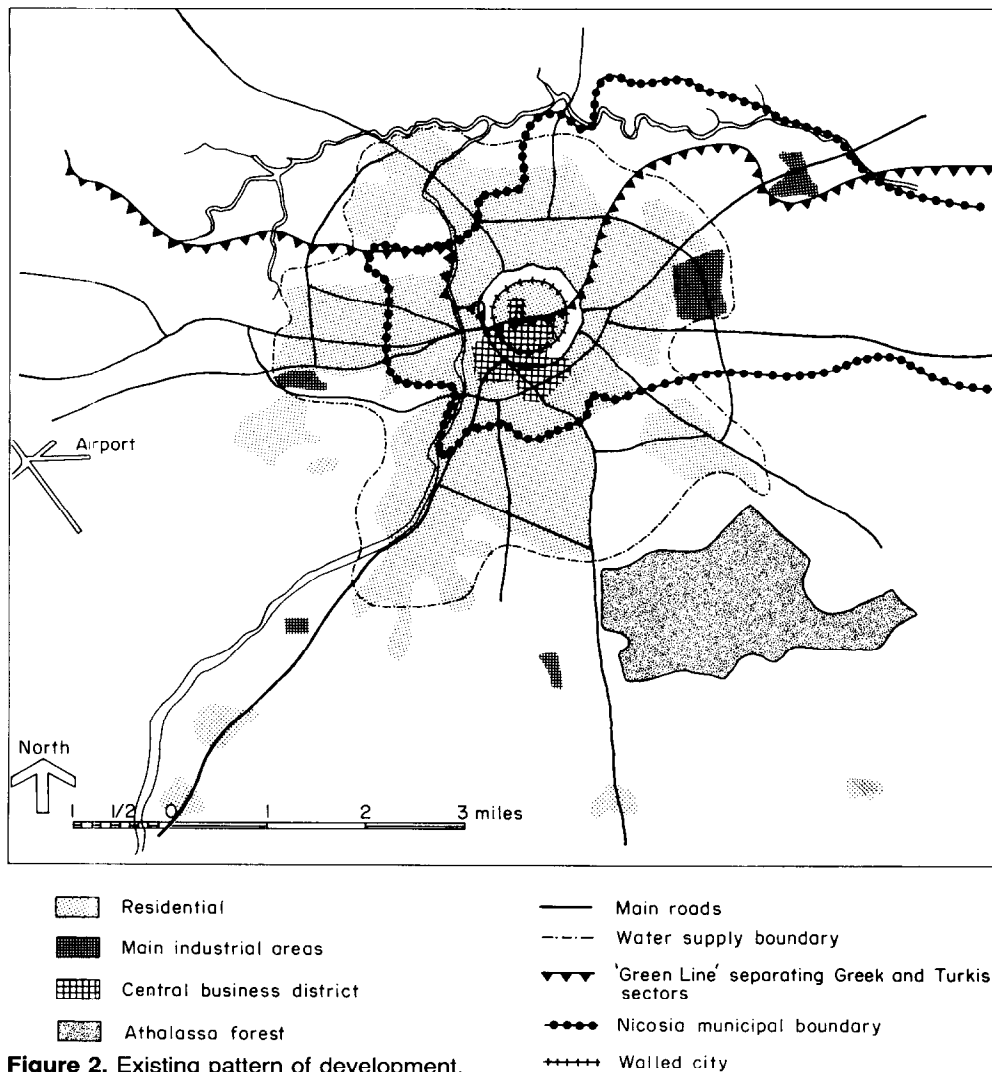
*Unconsolidated urban structure.* The most significant spatial consequence of this land market failure is the vast and unconsolidated spread of the city. The city is leap-frogging existing administrative and built up area boundaries (Figure 2). Even the water supply boundary to Nicosia, traditionally an effective tool of planning control in an island of great water shortage, no longer acts as a brake. The city is engulfing surrounding villages some seven or eight miles from the centre, but leaving behind undeveloped

land (Figure 3); gross urban densities have declined in Nicosia from 25 persons per hectare in 1960 to 12 persons per hectare in 1980. This is both expensive and inefficient for the country as a whole and for the individual inhabitants. The loss of high-grade agricultural land can be ill-afforded, since agriculture is an important facet of the export economy; it is especially inefficient since the country is being urbanized at an unnecessarily fast rate.

This spatial pattern is of course the corollary of the speculative distortions of the land market – and is simply an expression of the search for lower cost affordable residential land further and further into the periphery. In these cir-

cumstances, the periphery itself is highly dynamic, since appreciating values in new locations cause speculative cycles to be set up and therefore continue the outward search for low-cost locations.

Supply of development land is locationally disjointed from demand which would prefer to find outlets nearer the built-up city. The sprawl of the city is mirrored by industrial development which is also forced into this outward migration. Infrastructure capacity, especially the primary road system, is unable to serve the diffuse demand. Such strong market processes are likely to make any comprehensive plans for the city outdated very rapidly and at worst irrelevant.



<sup>3</sup>Wills and Succession Law, 1945.

There are two other significant consequences of this process. First, traditional social norms, land tenure and land inheritance, institutionalized in the laws of the country,<sup>3</sup> allowed property to be divided amongst heirs – a concept of justice in inheritance. Again, this is a reflection of the strong symbolic value that land has had in Cypriot culture. Thus families in low occupational groups could achieve prestige and status by inheriting property. Whereas in the past land was essentially a non-marketized commodity, or at least values were relatively lower, this meant that a social/spatial mix was fostered since people built wherever they happened to own land in villages and towns. Underlying this randomness were the fragmented holdings and multiplicity of ownerships which the inheritance laws created. This also meant that rural migrants coming to Nicosia could probably gain access to a plot that was owned somewhere in the extended family – hence the lack of clandestine settlement.

Now, however, with the intense marketization of land in Nicosia and the periphery, the affordability crisis is generating residential spatial segregation of different socioeconomic groups – the more conventional format of metropolitan areas is now emerging quite fast in Nicosia.

There is a second consequence for which new planning policy initiatives are being generated. This concerns the historic core of Nicosia. Much of the 19th century vernacular style of the Levant contained within the 16th century Venetian walls of the city is now rapidly decaying (Figure 4). In part, the decay

can be attributed to the structural and spatial obsolescence of the area; to the movement of the CBD to an adjacent location outside the walls; and to the political troubles which divide the island and the city, causing blight where the 'green line' between Greek and Turkish Cypriot 'sides' passes through the city – especially in the core (see Figure 2).

However, the exploding city has also been responsible for this decay by drawing population and resources out of the core. Declining demand and conservationist controls have caused a filtering down of values as vacant property creates a price-reducing surplus, causing rent to

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**'many of the interventionist remedies lie outside conventional planning instruments'**

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fall. The core is thus an increasingly affordable location for the urban poor; but with low rents, maintenance is reduced and decay is setting in fast. Short-life manufacturing uses are evident; so too are derelict sites (adding to the stock of vacant plots). Where redevelopment has taken place it is insensitively designed and often functionally unsuitable in the tightly packed fabric of the old city. This is the unpromising but now conventional agenda for conservation policies which the government planners are beginning to explore. Such initiatives cannot be separated from the land market issue.

I have briefly reviewed some of the main blocks to a systematic land market



**Figure 3.** Sporadic development and a large supply of vacant plots characterize the unconsolidated urban fringe of Nicosia.



**Figure 4.** Within the walled city – physical decay and underuse indicate decline and obsolescence.

which is in tune with social and economic demand. However, the policy responses will be weak and little will be achieved unless the structural determinants of the land problem in Nicosia are clearly understood. Indeed, many of the interventionist remedies necessary to correct market failure and achieve more orderly planned development of the capital obviously lie quite outside conventional planning instruments and control.

*Marketization.* Until recently the various attributes of land were strongly rooted in the culture of the island; land supplied social status, as well as fitting into the long-term investment cycle of the family – a savings account for family needs, such as higher education and provision of a dowry house to a daughter. These functions were compatible with the universal process of buying and selling of land where the cultural value of such transactions was as important as the marketized values. The premium value of land in Nicosia created some disequilibrium, but by and large there was no great problem of availability of developable land.

What has happened is that marketized processes have completely infiltrated the cultural processes of land supply. The

tradition of land withheld from development for ‘socially’ valid and acceptable reasons has been totally transformed. Now the consequence is the same – land is held off the market – but the reasons for doing this are simply to capitalize on an irreversible speculative spiral. Rapid urbanization and a consequently more location-specific demand than in the past, lack of other investment opportunities showing such a favourable return; these have all contributed to this change, especially in the growth-favouring conditions of Nicosia. Who owns land and who is buying and selling have also become important questions. It seems certain that different actors are involved in the process: not the individual family owner/developer of the past but development companies and corporate financial institutions. The evidence in Nicosia suggests the existence of one of a set of significant ‘moments of transition’ as Doebele has described the urban development cycle.<sup>4</sup> A fundamental restructuring of Nicosia’s land market is taking place.

*Investment.* Cyprus is a small economy with a limited domestic market. Apart from tourism (also highly speculative) there are no major outlets for investment

<sup>4</sup>W. Doebele, ‘Concepts of urban land tenure’, in H. Dunkerley *Urban Land Policy: Issues and Opportunities*, World Bank/Oxford University Press, Oxford, UK, 1983, p 68.

which can show levels of return comparable with urban land. With returns some three to four times higher than in other sectors, and with low holding and management costs, it is hardly surprising that the rising prosperity of the island finds land the best investment outlet, especially where capital appreciation is highest – on the urban periphery. It is this which has attracted speculative ‘developers’ to compete with ordinary family use.

Repatriation of overseas earnings is also fuelling this fund of investment and it can be argued that at least rising values have attracted this substantial in-flow. However, such investment also makes government intervention more contentious. Similarly, the Church, a powerful institution in the island, is also involved since it is the beneficiary of many land bequests. It may also be that reinvestment is taking place from tourism and manufacturing. A deinvestment in agriculture is obviously happening on the city’s periphery and it may be that windfall gains are quite widely distributed among poor peasant farmers. It is also possible that the impact of pent-up demand for housing following the 1974 invasion is still being experienced in a small way. However, it is mostly corporate finance and a new developer ‘class’ which is at the heart of the process.

Finally, the high premium value of land derives not only from the fact that it inherently generates better returns, but because as a central ‘commodity’ in the social fabric of the island it has always received favoured treatment from the government. Thus taxation and fiscal policies have always distorted the competing investment outlets by positively discriminating in favour of land.

*Housing finance and building materials.* The other two basic commodities of housing – finance and materials – also create problems for Nicosia’s inhabitants. Housing finance is difficult to obtain, collateral requirements are high, interest rates are comparatively high, and repayment periods of about eight years

squeeze repayment capabilities to the limit. There is a reluctance on the part of institutions to lend for land acquisition. At one level these are surprising features of a country where land and housing occupy such a central place in the society. Yet on the other hand these pressures have only become really significant since the marketization of land development – traditional mechanisms more attuned to small town and village environments are incompatible with contemporary ex-

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**‘people buy now at virtually any cost rather than see land prices soar beyond reach’**

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change processes in urban Nicosia. Even so, family borrowing is very highly geared, suggesting that people buy now at virtually any cost rather than see land values soar beyond their capacity in the future. The importance of the interaction of the land market failure with the inadequacy of housing finance provision is again an important area for policy making initiatives. The efficacy of strategic plans is dependent upon this issue being addressed, although at first sight it appears remote from the direct remit of land use planning for the city.

As might be surmised, much of residential Nicosia has been constructed by self-build processes. This construction was largely supported by subcontracted labour and did not take place at a petty commodity or subsistence level. Building technology was advanced but adjusted to the self help approach. Standards of construction and provision were high – average building costs are about £120 per square metre.<sup>5</sup> Yet for a variety of reasons the construction industry is also changing; and the changes funnel back into pressures on the land market. Building standards are rising, both because of government regulations and personal expectations. Registration and control of all contractor/builders is taking place. Both these changes make it more difficult and more costly for individual families to

<sup>5</sup>Republic of Cyprus Construction and Housing Report, Ministry of Finance, 1982.

build for themselves or with subcontracted labour. Materials and labour are being increasingly commodified.

Moreover, the housebuilding industry has been a leading sector of the economy since independence, especially through the government-led rebuilding of the economy shattered by the 1974 Turkish invasion. Housing accounts for a remarkably high 40% of gross domestic capital formation. Partly through the government's massive refugee rehousing programme and partly through private sector demand, the housebuilding industry has been restructured and institutionalized by the government. The consequent impact on materials, standards and labour inputs makes the industry less well adjusted to the needs of individual family housing processes in Nicosia. The net result is that

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**'social norms associated with land development are being destroyed'**

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self help is 'crowded out' and costs rise. Again individuals rush to get a foot in the housing market before land values escalate; for the more spent on land the less will be available for rising costs of construction.

*The dynamics of the land market.* The residential land development processes in Nicosia are being transformed. A whole complex of owners, financing mechanisms and acquisition methods are emerging side by side with a much more sophisticated development 'industry'. Formerly fragmented patterns of ownership and development are being increasingly consolidated into rather different hands. In short, residential development is being institutionalized, in part to tackle the problems of housing finance and construction which individuals are decreasingly able to solve for themselves. Simultaneously, this institutionalization is making it less easy for individuals to solve housing problems anyway, for the basic commodity of peripheral land is

being accumulated out of their hands. In the process social norms associated with land development are being destroyed. The endogenous failure of land development activity to adjust to the marketized needs of an urban location has thus had a dramatic exogenous impact on urbanization and disposition of growth in Nicosia.

In this situation, the idea of a phased release of development land according to a strategic land use plan is unlikely to be successful by itself. Without a complex range of other policy instruments, often substantially removed from conventional physical planning tools, the unstable market and discontinuous growth will continue uncontrolled, with or without a plan. The following are policy options for controlling the Nicosia land market.

(1) *Master plan.* In preparation, this is due for approval by 1985. An overall population of 260 000 is forecast by the year 2000; spatial containment and consolidation are priorities. Anticipating the development trends in a divided city is of course hazardous, especially if some form of reunification takes place.

A formally agreed strategy is obviously an essential part of the policy framework for Nicosia. But it is, in effect, only the starting point; by itself it is unlikely to make more than a passing impression on the land problem. The key to its relevance will lie in the generation of an array of additional instruments dovetailed into the planning framework.

(2) *Organization.* Because of the small size of the island most public administration in Cyprus is highly centralized. The planning machinery – plan preparation and development control – is located in the Department of Town Planning and Housing within the Interior Ministry. The Municipality of Nicosia has few effective planning powers; however, it has a well organized consultative role with the department, and in the continuing absence of statutorily approved plans it administers the by-law regulations for development. The contentious issue of how the



planning system is to be divided between central and municipal governments as envisaged in the 1972 Planning Law remains to be resolved. This is one reason why the legislation has not yet been activated. Until this happens the mobilization of the forthcoming master plan is likely to suffer the same fate as the indicative strategy for Nicosia in the 1970s; without the powers to implement and with the ineffective development control powers of the by-law regulations little will be achieved.

Furthermore, the boundaries of the municipality are tightly drawn, encompassing little of the post-independence suburban growth of the city; the remaining area is administered by improvement boards. Coordination of Nicosia's planned growth will require, as a precondition, administrative reorganization.

(3) *Fiscal controls.* Increasingly, effective management of urban growth depends on fiscal control of development processes. Imposition of development land taxes or capital transfer taxes might have some impact, although in Nicosia they are likely to be passed on in land sales and therefore to penalize lower income groups; moreover, experience suggests such taxes do not necessarily encourage development and do not in the short term curb speculation.

More promising, however, is the current investigation of site value rating, which is more likely to encourage development. Differential rates, both spatially and temporally, could be used to consolidate the development of urban fabric – especially the vacant plots. It will be difficult to get the rate levels right (they will need to be close to the inflation rate) and to avoid arbitrary alterations. Nevertheless, the potential to force land onto the development market and to stabilize prices seems well suited to the existing conditions in Nicosia.

Powers already exist under the 1972 law to levy betterment taxes and these may work as an effective adjunct to site value rating.

(4) *Public intervention in land.* In 1982, after nearly a decade of preparation, the Cyprus Land Development Corporation (CLDC) and the Cyprus Housing Finance Corporation (CHFC) began operations. The objective of both these agencies is to provide mortgage finance and housing or serviced plots at affordable prices for lower-income groups. Each agency was capitalized with a C£500 000 grant<sup>6</sup> and a loan of C£1 million from central government at soft interest terms. CLDC received an additional C£1 million government-directed loan from clearing banks. Although operating throughout the government-controlled south of the island, clearly the intention is to help tackle the supply of urban housing in areas of most intense pressure – primarily Nicosia.

The importance of these agencies is that they demonstrate the first significant entry of the state into the general problems of housing supply – the rehousing of 40 000 refugee families, vital though it has been, is a specialized initiative. Given the strength of private interests in all sectors of Cypriot life, it is unlikely that these corporations will develop into large-scale public intervention institutions in land supply and assembly (through compulsory acquisition for example). Nevertheless, they will continue to provide a small but significant channel of entry to the housing market in Nicosia. Some 180 units in the city have been or are being developed by CLDC at 75% of the private development costs for comparable units.

(5) *Building standards.* A notoriously thorny issue is the movement up or down of housing standards and their comparability from country to country. In Nicosia, plot sizes, high permissible plot ratios (2:1) are on the generous side – enshrined in the Building Regulation Law – because they reflect traditional social needs of extended family accommodation. Nevertheless, they lead to excessive consumption of land, low gross densities of population and intensive site coverage.

Significant savings could probably be made in land costs per house and land consumption if plot sizes were reduced. This policy has been followed in many government housing programmes elsewhere in the world as an effective way of increasing affordability. In Nicosia, with entrenched private development and rising expectations, very high standards are unlikely to be pruned.

(6) *Conservation.* One of the constraints to conservation and rehabilitation of the old core of Nicosia is the fact that owners are squeezed by low rental levels on the one hand and restrictive conservation policies on the other which prevent the realization of higher use value through renewal/redevelopment. To break this vicious circle an interesting and experimental initiative is being adopted. A transfer of part of the development rights from the core to other sites or to owners outside the conservation area is permitted. This simultaneously introduces some flexibility into the development market by making development profitable but, by transferring some of the development, overdevelopment of plots in the core is prevented. Thus widespread and severe decay may be arrested, since renewal can take place under controlled conditions with the profitability of transferred rights acting as an incentive to more sympathetic building in the core. As yet it is too soon to report on the effectiveness of this programme.

Although much damage has been done to the core, the careful and successful reconstruction of a small part of the conservation area has been a valuable demonstration project. The credibility of active conservation policies is now established, although an uphill battle still remains in a hyperactive development market.

*Conclusions.* Nicosia's problem is not one of land shortage or overcrowding as in most rapidly urbanizing countries. As we

have seen, no more land is needed (with a 50% oversupply) and standards are high (2.7 occupancy rate per dwelling). The problem is, rather, to achieve a better supply and use of the present stock of parcellated urban land.

To do this requires the transition from a rampant free market which has dominated the growth and development processes of the city to more orderly expansion. And this transition has begun.

This profile has two significant conclusions. First, is the importance of demonstrating why the planning system is trying to tackle the market and to make clear what aspects of market failure are being remedied so that the market may work more efficiently. The continued existence of the market is an important proviso.

Second, the simultaneous development of conventional land use instruments with fiscal approaches to development management and planned growth is a significant policy initiative. In this area co-ordination will be critical.

These major new initiatives are, in essence, designed to help people who are playing in a new urban development game, but with old rules. Already the intervention may have come too late.

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