

CBI Investment Programme: Bargain prices on city centre real estate

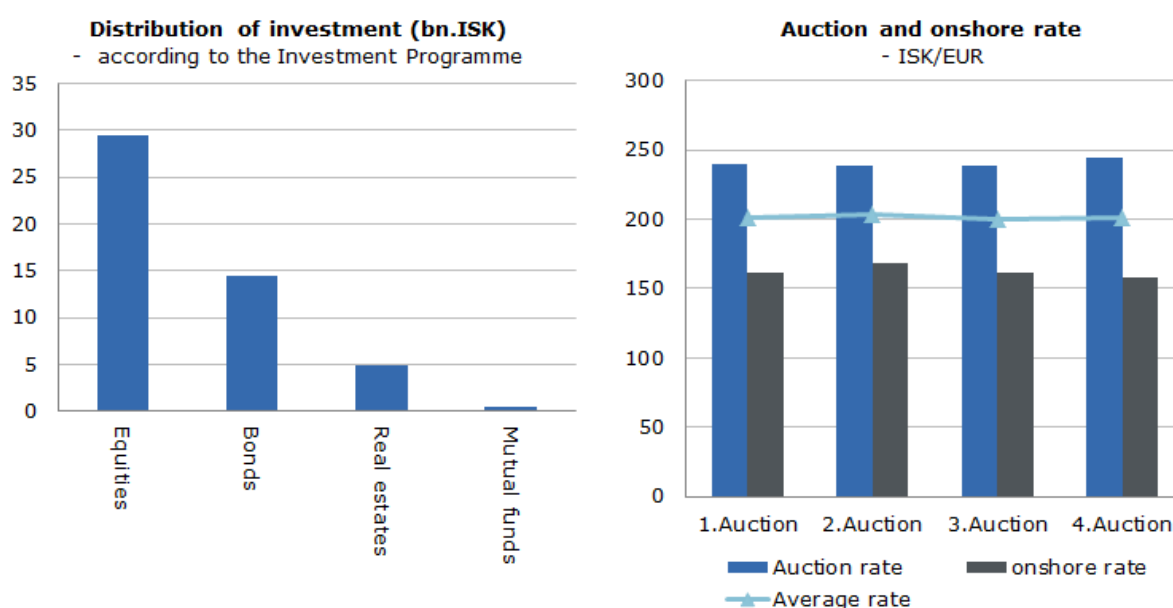
- Real estate prices in central Reykjavík (measured in euros) are among the lowest in Europe. Reykjavík is one of the cheapest six capitals in Europe in terms of down town property; for example, cities in Malta, Croatia and Serbia are all more expensive. If the discount given through the CBI currency auctions is factored in, real estate prices in Reykjavík fall a further two places, becoming the fourth lowest in Europe.

CBI Investment Programme: Bargain prices on city centre real estate

Since March the Central Bank of Iceland (CBI) has been offering the so-called Investment Programme in its foreign exchange auctions. The programme gives investors the chance to sell foreign currency in exchange for Icelandic krónur to be invested domestically, provided that the investment remains in Iceland for a long-term commitment period. The bonus for investors who choose to bring in foreign exchange this way is that half of the amount brought into the country is sold at the onshore rate while the remainder is sold at the auction price, i.e. at a big discount.

In the four auctions held so far, investors have brought €245.2 million into the country, or 50 billion ISK (according to the average auction price). Investors have received an average discount of 20% off the listed exchange rate; in other words, investors have received an average of 24% more krónur for every euro they sell than they would from a domestic bank.

The figure below clearly shows that demand has been highest for equities and bonds (approx. 90%) while only 10% of investments were in real estate and 1% was in mutual funds.



Source: Central Bank of Iceland

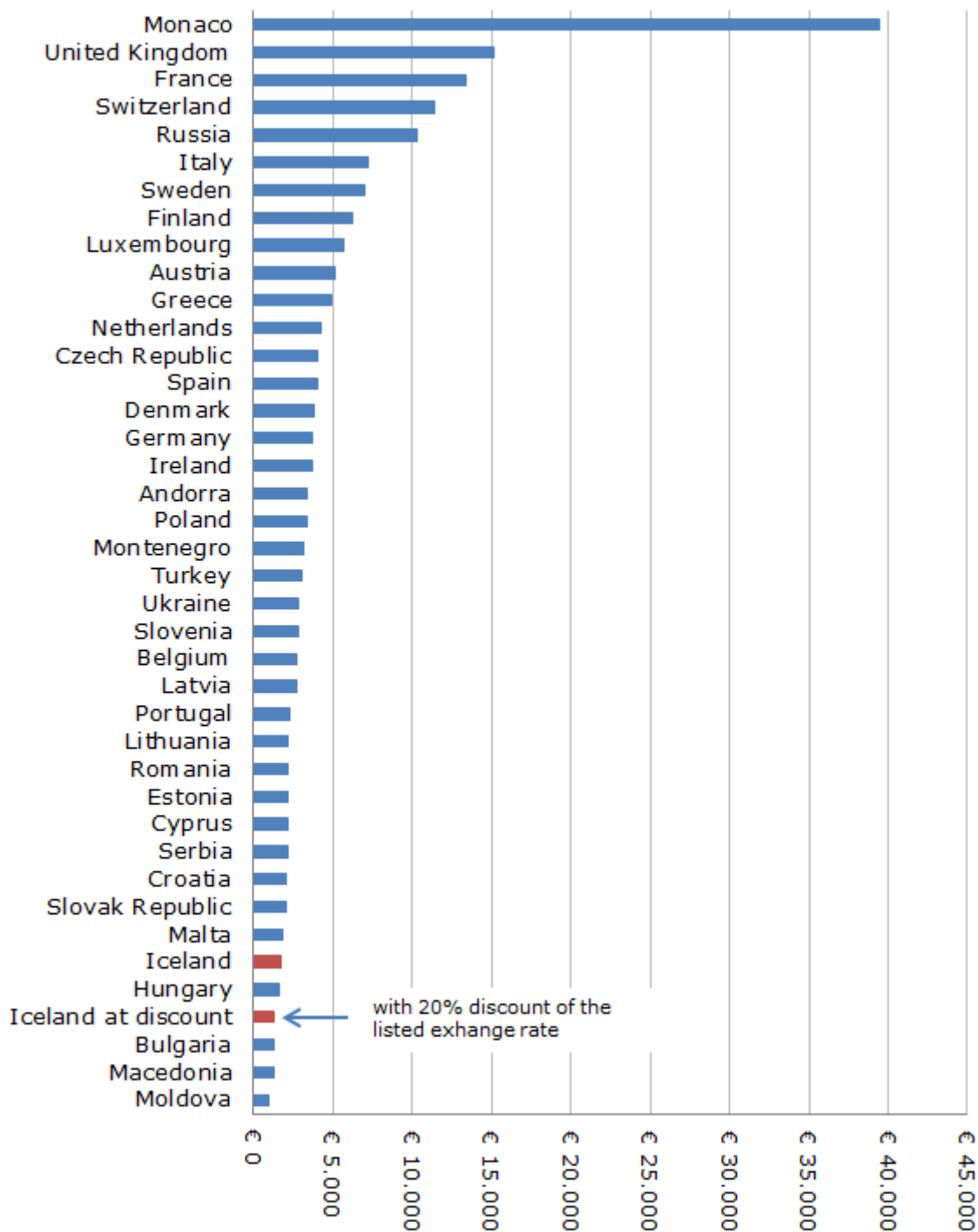
Are investors increasingly focusing on Icelandic properties?

Real estate prices in central Reykjavík (measured in euros) are among the lowest in Europe. Reykjavík is one of the cheapest six capitals in Europe in terms of down town property; for example, cities in Malta, Croatia and Serbia are all more expensive. If the discount given through the investment programme is factored in, real estate prices in Reykjavík fall a further two places, becoming the fourth lowest in Europe. Only real estate in the capitals of Bulgaria, Macedonia and Moldova costs less according to this comparison.

The prices of real estate in Reykjavík are therefore not high by international standards and it could be argued that real estate in Reykjavik is available for bargain prices at the moment. Although unemployment is rather high historically in Iceland, a rate of 7-8% is not considered high internationally. There have also been clear signs that an economic recovery is underway, and Iceland is ranked in the top half of Europe's richest countries according to a new survey by Eurostat.

With this in mind, it is not unlikely that investors will increasingly turn their focus to real estate in Central Bank auctions in the coming months.

Average per square metre (sq. m.)
 -apartments located in the centre of the most important city



Source: Global property price

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