



CYPRUS MARKET REPORT

Strong recovery in 2021, the dynamics are maintained in the coming years. However, the recovery will be much more gradual than initially projected. Positive growth rates are back in place although significant challenges and reformation of the market should be the main focus.

MACRO ECONOMY

The forecasts announced the strong recovery recorded by the GDP of Cyprus in 2021, revising the upward growth rate by 1.1 percentage points from 4.3% to 5.4%, thus in line with the estimate of the Ministry of Finance for a growth rate close to 5.5% for 2021, reaching pre-pandemic levels in the fourth quarter of the year.

Cyprus's GDP growth rate is higher than the average of both the Eurozone and the EU estimated at 5%. Indicatively, he continues, it is reported that economic activity recovered strongly in the first half of 2021 with the main lever for the growth of domestic demand, aided by fiscal incentives provided to support the economy due to the pandemic crisis. Then, in 2022 and 2023, GDP is projected to increase by 4.2% and 3.5% respectively.

The GDP growth rate in real terms during the third quarter of 2021 is positive and it is estimated at 5,5% over the corresponding quarter of 2020. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at 5,6%.

GDP growth rate 2018Q1-2021Q3



Source: Ministry of Finance, IMF

Finally, a significant improvement in public finances in the coming years. The general government deficit will be reduced to 4.9% of GDP in 2021, to 1.4% in 2022 and to 0.9% in 2023, with the help of continued economic growth and the withdrawal of measures for the pandemic. In addition, after the large increase in public debt to 115.3% of GDP in 2020, public debt should be reduced to 104.1% in 2021 and further reduced to 97.6% and 93.4% in 2022 and in 2023, respectively.

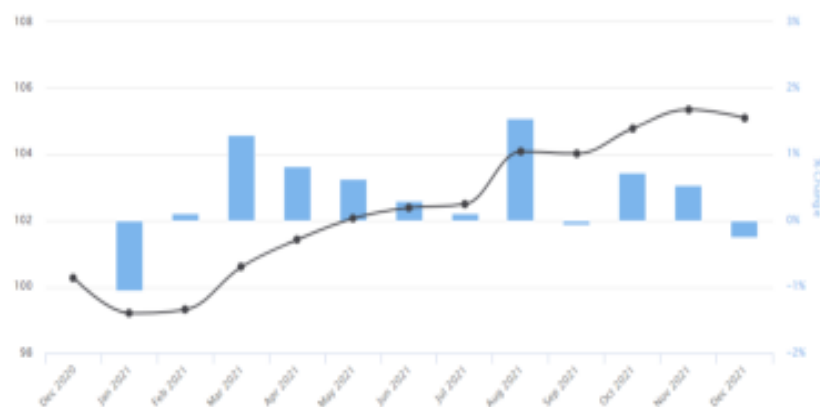
Employment is expected to be increased due to economic growth and the implementation of the Recovery and Sustainability Program and therefore, for 2021 the unemployment rate is projected to fall to 7.5% and even further in 2022 and 2023 to 7.1% and 6.6% respectively. It is emphasized that the unemployment rate in Cyprus for 2021 is estimated to be lower than the Eurozone average estimated at 7.9%.

Labour Force Survey (LFS)unemployment, in monthly seasonally adjusted terms, decreased to 6.4% in November 2021 compared to 8.0% in November 2020.

The unemployed persons, registered at the District Labour Offices on the last day of December 2021, reached 14.800 persons. Based on the seasonally adjusted data that show the trend of unemployment, the number of registered unemployed for December 2021 decreased to 14.336 persons in comparison to 15.015 in the previous month.

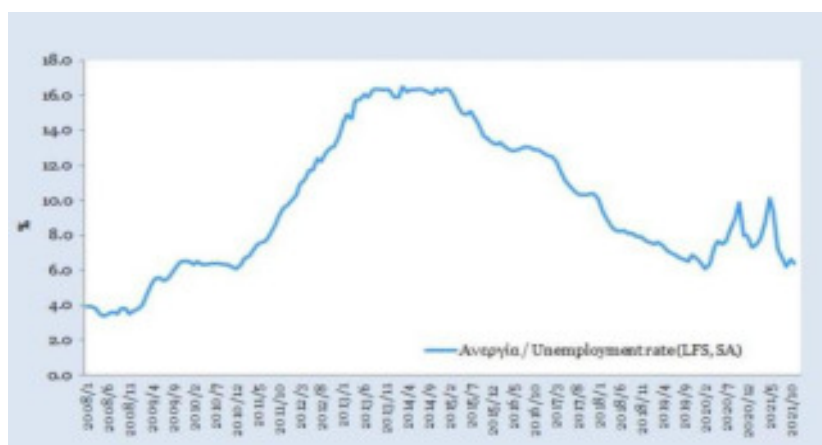
In comparison with December 2020, a decrease of 18.582 persons or 55,7% was recorded, attributed mainly to the sector of accommodation and food service activities (a decrease of 3.947), trade (a decrease of 3.839), manufacturing (a decrease of 1.247), construction (a decrease of 1.064) transportation and storage (a decrease of 946), as well as to the decrease of 1.479 persons recorded as newcomers in the labour market.

Consumer Price Index (CPI)

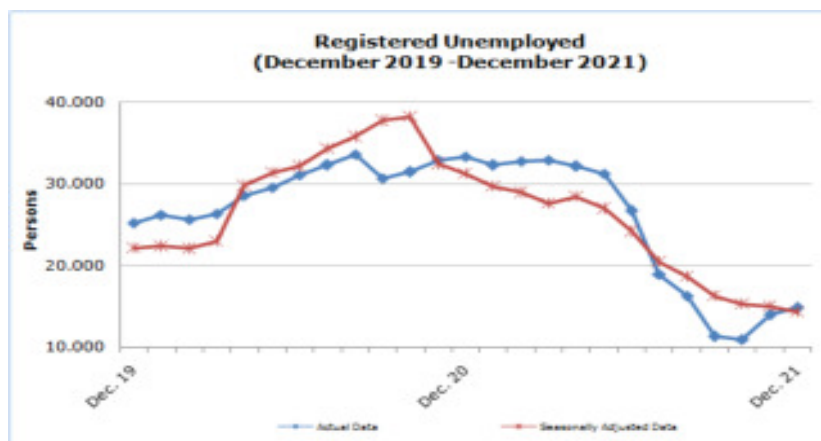


Source: Statistical Service of Cyprus

Unemployment Rate



Source: Ministry of Finance, IMF



Source: Statistical Service of Cyprus



TOURISM MARKET REPORT

The decline recorded by the tourism sector seems to be reversed, as it showed signs of recovery.

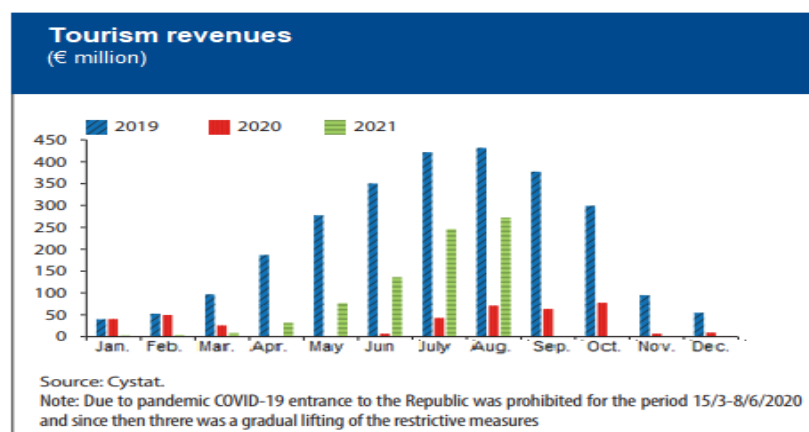
OVERVIEW

The arrivals of tourists reached 148.973 in November 2021 compared to 8.952 in November 2020 and to 169.392 tourist arrivals in November 2019.

For the period of January – November 2021, arrivals of tourists totaled 1.840.003 compared to 621.927 in the corresponding period of 2020, recording an increase of 195,9%, and a decrease of 52,4% compared to the period of January – November 2019 (3.866.447 arrivals).

Arrivals from the United Kingdom were the main source of tourism for November 2021, with a share of 22,7% (33.829) of total arrivals, followed by Germany with 10,0% (14.945), Russia with 9,6% (14.236), Poland with 8,8% (13.105), Greece with 8,5% (12.629) and Israel with 7,7% (11.474).

For a percentage of 75,8% of tourists, the purpose of their trip in November 2021 was holidays, for 13,3% visit to friends and relatives and for 10,9% business. Respectively, in November 2020, 39,4% of tourists visited Cyprus for holidays, 25,5% visited friends or relatives and 35,1% visited Cyprus for business reasons.



Source: Statistical Service of Cyprus

Despite the current global clampdown on tourism, Cyprus opened up early after successfully containing its exposure to the coronavirus pandemic and launching industry incentives and support measures to welcome visitors.

Tourism has been one of Cyprus' top economic performers for decades, and the last five years have been record breaking in both the number of arrivals and revenue thanks to reforms and upgrades. In 2019 the country welcomed almost 4 million visitors with total revenue estimated at €2.7 billion, proving the long-standing appeal of Cyprus as a top European holiday destination.

As well as growing numbers of visitors, Cyprus has attracted millions in FDI into tourism-related projects. World-renowned hotel chains like Radisson and Sofitel are establishing themselves on the island, luxurious yacht marinas are beginning to spring up in every coastal region, and in 2021 Cyprus will be home to Europe's largest integrated casino resort led by entertainment giant Melco. Income from tourism accounts for more than 20% directly and indirectly of the country's GDP, but according to latest estimates the sector has the long-term potential to contribute around 25% to the country's economy - making tourism a key pillar of the economy with vast potential for further sustainable development.

Tourism

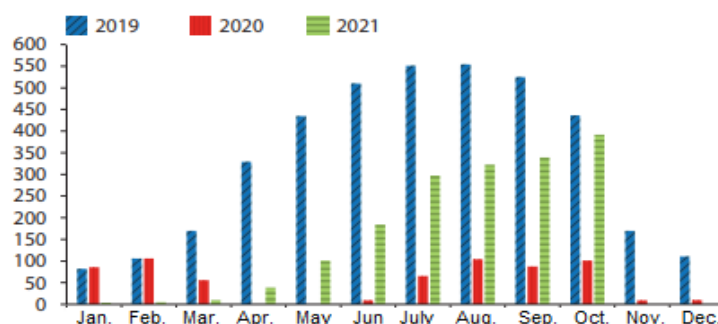
	Tourist arrivals (thous.)	Tourist receipts (€ million)	Expenditure per person (€)
2019	3.976,8	2.683,0	674,7
2020	631,6	392,0	620,6
annual % change	-84,1	-85,4	-8,0
2020 Jan. - Aug.	424,9	235,6	554,5
2021 Jan. - Aug.	960,2	777,0	809,2
annual % change	126,0	229,8	45,9
2020 Jan. - Oct.	613,0	n/a	n/a
2021 Jan. - Oct.	1.691,0	n/a	n/a
annual % change	175,9	n/a	n/a

Source: Cystat.

Note: Due to COVID-19 pandemic entrance to the Republic was prohibited for the period 15/3-08/06/2020 and since then there was a gradual lifting of the restrictive measures.

Tourist arrivals

(number of travelers, thousands)



Source: Cystat.

Note: Due to pandemic COVID-19 entrance to the Republic was prohibited for the period 15/3-8/6/2020 and since then there was a gradual lifting of the restrictive measures

Tourist Arrivals – Purpose of visit

Purpose of visit	Percentage (%)		
	Nov 19	Nov 20	Nov 21
Holidays	70,6	39,4	75,8
Visiting friends & relatives	13,9	25,5	13,3
Business	15,5	35,1	10,9

Source: Statistical Service of Cyprus



REAL ESTATE MARKET REPORT

The Real Estate Sector has been facing significant challenges as a result of the COVID-19 pandemic, however prime locations remain attractive and still stand to hold investors interest.

OVERVIEW

The real estate market is gradually returning, approaching in many cases the data of 2019. In fact, the transfers of real estate until November 2021, were more in all provinces compared to the corresponding period of 2019.

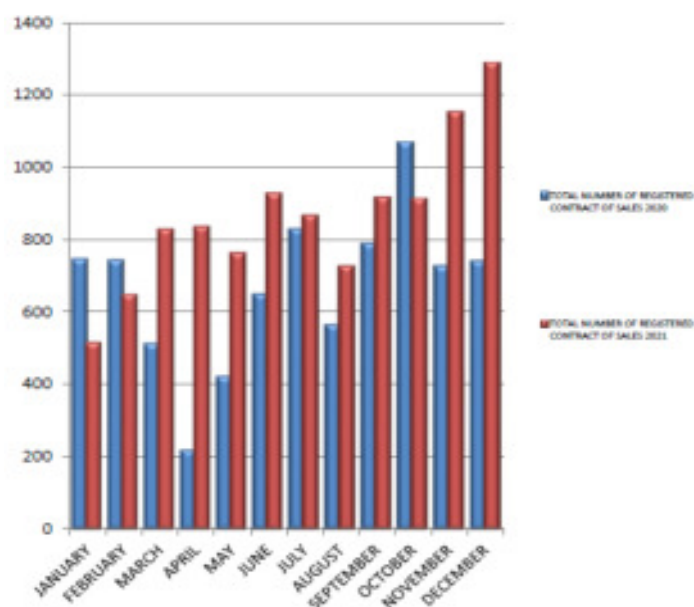
The recovery trajectory in which the real estate market in Cyprus seems to be entering is reflected in the increase of sales in 2021, as shown by the official of the Department of Land Registry and Surveying.

Specifically, compared to 2020, Pancyprrian sale contracts, increased in 2021 by 30%, as they amounted to 10374, compared to 7968 in the previous year. The upward trend in sales documents started in March, and compared to the corresponding months of 2020 continued throughout the year, with the exception of October when a decrease of 14% was recorded. From 1164 in October 2020, to 911 in October 2021.

The month with the most sales contracts in real numbers in 2021 was December, when they rose to 1284 compared to 737 in December 2020. However, in percentage points, the largest increase was recorded in April and was 285% (832 in April of 2021 compared to 216 in April 2020). On the other hand, the month with the fewest sales documents in 2021 was January with 513, compared to 742 in January 2020, and a decrease of 31%.

Real estate sales incised relatively a month before the end of 2021, reversing the negative climate of October and creating strong expectations that the year will end with a positive sign.

PANCYPRIAN TOTAL NUMBER OF THE CONTRACT OF SALES FOR THE YEARS 2020-2021



Source: Department of Lands and Surveys



RESIDENTIAL MARKET REPORT

The Residential Property Price Index recorded a recovery in the 2021 after one year of falling prices.

OVERVIEW

Housing prices in Cyprus in 2021 showed a recovery, especially in terms of apartments, in contrast to the prices of commercial real estate, which recorded reductions during the same period.

Specifically, according to available data of the Index Housing Prices (HRC) of the CBC in the first and second quarter of 2021 house prices recorded quarterly increases of 0.5% and 0.3%, respectively, while according to the RICS Cyprus index prices of shops, warehouses and offices recorded decrease in the first half of 2021 by 5.2%, 4.3% and 0.9%, respectively.

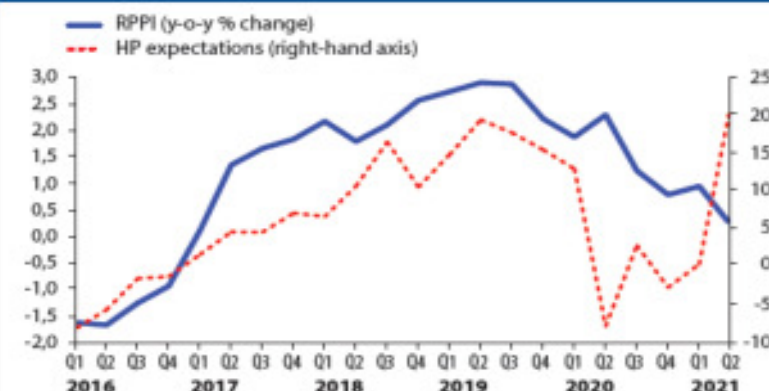
In addition, according to preliminary data of the CBC for the third quarter of 2021 there is a continuing increase in house prices which is still driven by the purchase of apartments.

House and Apartment price indices (annual change, %)



Source: CBC.

Residential property price index (RPPI) vs House Price Expectations for the next three months



Sources: CBC, European Commission.

The rise in house prices is also in line with broader macroeconomic developments, such as the GDP growth rate which continues to be significant. More recent indicators such as the index of real estate price expectations for the next three months published in the European Commission's Economic Conjuncture Surveys, are in line with the growth of the sector, recording a positive sign in the first half of 2021.

The continuing increase in demand for real estate properties from domestic buyers, which continues to support the market, is strengthened to some extent by the signs of stabilization of real estate demand from foreign investors.

The increased demand from domestic buyers is favored by the continuing environment of low interest rates, while the fact that lending criteria remain at relatively strict levels is an indication that to a large extent the new mortgage lending will continue to be sustainable. An important role in maintaining prices, regardless of demand, seems to be played by the increase in construction materials, especially in the third quarter of 2021.

This fact makes it especially important to continuously monitor the real estate market to see if there will be influence for good trend in the sector, despite the problems observed in the market as a result of epidemiological developments, as well as the existing effort to sell real estate from the portfolios of banks and credit companies to the market.

Real estate sector

(annual change, %, unless otherwise stated)

	Jan. - Oct. 2020	Jan. - Oct. 2021	Oct. 2020	Sept. 2021	Oct. 2021
Sales contracts (total)	-23,9	21,6	30,9	16,3	-14,4
Sales contracts (locals)	-16,1	29,4	43,3	9,3	-22,3
Sales contracts (foreigners)	-33,8	9,0	12,3	30,4	0,8
Building sentiment indicator (average of index)	-11,0	-19,8	-11,3	-19,6	-16,4
Property price expectations for the next 3 months (average of index)	2,4	28,7	1,6	54,0	67,0
Price index of construction materials *	-0,6	8,9	-0,5	-0,8	n/a

Sources: Cystat, DLS, European Commission.

* The data are until September 2021.

Lending criteria and interest rate on housing loans

(annual change, %)





OFFICE MARKET REPORT

Over 2021, the office market in Cyprus enjoyed a period of stability, which reflects solid economic growth. The last four years of economic growth has opened opportunities for the construction of office facilities intended mainly for multinational companies.

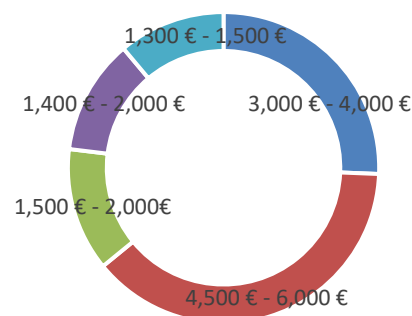
OVERVIEW

The past years of economic growth created opportunities for the construction of Grade A office facilities intended mainly for multinational companies.

In turn, that has attracted the attention of local and foreign investors seeking to acquire office assets. The market is small; nonetheless it is quite active and has resulted in Grade A office prime yields ranging around 5% .

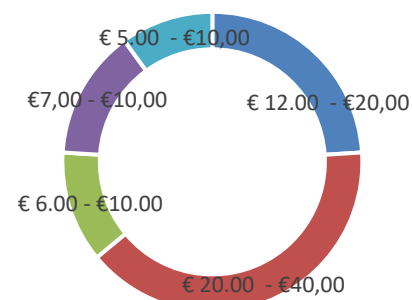
The core location preferred by occupiers is the CBDs although numerous modern buildings are being developed in more decentralized areas. During the past few years, there has been a great office development, with luxurious buildings, some of which are in their final stages, while others are undergoing significant construction works. The supply of office space in central locations within the cities is gradually meeting the demand of previous years and created opportunities for overseas headquartering relocation of multinational companies.

OFFICE SALE PRICES PER SQ.M 2021



■ NICOSIA ■ LIMASSOL ■ LARNACA ■ PAPHOS ■ AMMOCHOSTOS

OFFICE RENT PRICES PER SQ.M 2021



■ NICOSIA ■ LIMASSOL ■ LARNACA ■ PAPHOS ■ AMMOCHOSTOS

Source: Danos Analysis



RETAIL MARKET REPORT

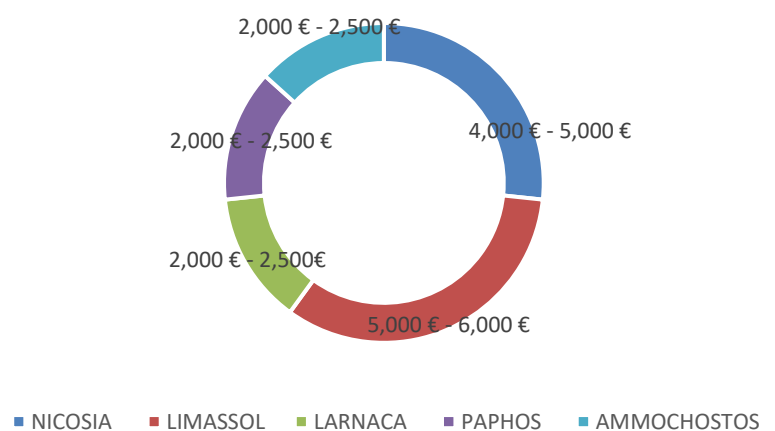
The Retail Sector has been facing significant challenges as a result of COVID-19 pandemic and the rise of the e-commerce.

OVERVIEW

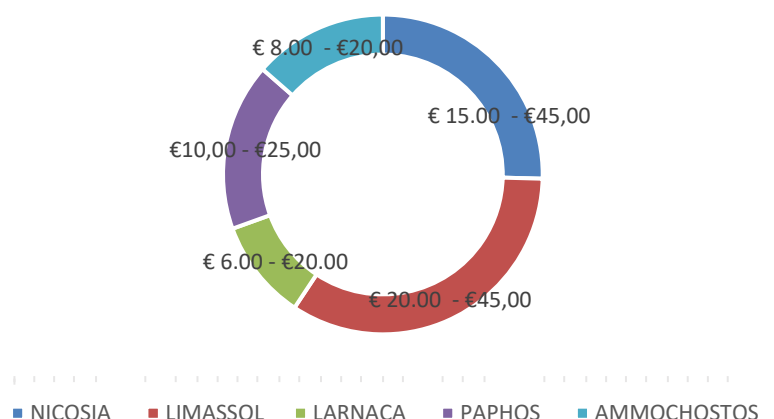
The retail market has been significantly challenged during the whole of 2020 as well as the 2021. National lockdowns, movement restrictions and flight bans, have negatively affected the operation of the retail market that is now in the process of stabilization and adaptation to new norms, gradually transforming their operations to e-commerce avenues. The year ended with shopping malls and street retails closed as part of the ministry of health decree for the prevention of the widespread of the pandemic, which has created issues in the ability of retailers to keep up with their rental obligations and as result, a number of businesses have been unable to maintain their operations.

The purchases of stores and shopping malls are concentrated in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos).

SHOPS SALE PRICES PER SQ.M 2021



SHOPS RENT PRICES PER SQ.M 2021



Source: Danos Analysis



LOGISTICS MARKET REPORT

The Logistics Sector is growing the last years. Rise of e-commerce logistics and increased domestic consumption will pave the way for the industry to grow further in future.

COVID-19 pandemic set in motion new trends creating challenges and opportunities for companies, digital transformation, resilience and agility key priorities and has a crucial role in attracting investment.

OVERVIEW

Following the breakout of the COVID-19 pandemic, the Industrial/Logistics asset class has presently become the most attractive financing option for a majority of banks in Central & Eastern Europe (CEE).

In the modern, highly competitive, ever-changing and challenging business environment, the role of Supply Chain and Logistics is emerging as strategically important in companies' efforts to ensure competitive advantage. By fully leveraging the possibilities that Logistics and Supply Chain offer, and undertaking the necessary investments, companies can expect significant measurable financial, operational and quality results.

E-commerce remains a key driver of occupier demand, now contributing almost a quarter of total take-up.

The transportation and logistics industry is confronting immense and radical changes: digital transformation, new market entrants, changing customer expectations, and new evolving business models.

Today's transportation and logistics worlds are being disrupted on all fronts. Freight forwarding, passenger transport, shipping, rail and aviation – almost all transport modes and business models are affected by changing customer expectations, new technologies and new players accessing transportation and logistics markets.

Supply Chain & Logistics sector is of critical importance for the growth of our economy. Meanwhile, one of the trends that have emerged after the pandemic is the need for European companies to seek sources and supply chains closer to home. If confirmed, this trend presents a major opportunity for Cypriot companies and for the Supply Chain and Logistics industry in particular.

The logistics market continues to be buoyant, with occupier demand remaining robust and investment into industrial and logistics assets continuing to boom.



SIGNIFICANT PROJECTS & TRANSACTIONS

- Larnaca Port & Marina Development
- Upgrade Project of Nicosia city center commercial triangle (Makariou, Stasikratous, Evagorou)
- The Aristo Eagle Pine Golf Resort in Limassol
- The Aristo Venus Rock Golf Resort in Paphos
- The Berengaria Hotel Spa in Prodromos village at Troodos Mountains
- Limassol Greens Golf Resort
- The Vasa Golf Resort in Vasa Kellakiou village of Limassol
- Elea Estate in Paphos
- St Elizabeth Golf Resort in Limassol
- Old GSP Nicosia stadium makeover

LANITIS PROPERTY next to Limassol Marina – recently sold through JLL - ATHENS ECONOMICS and sub construction Danos International Property Consultants & Valuers

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