

CYPRUS MARKET REPORT

MACRO ECONOMY

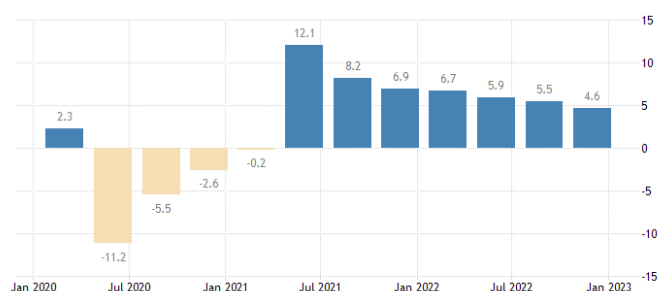
The Cypriot economy proved to be resilient in 2022, despite the many challenges posed on a global scale, which include successive years of supply-chain disruptions and suppressed economic activity caused by the Covid-19 pandemic, followed by the devastating war in Ukraine, which resulted in soaring inflation and high energy prices.

Amidst this turbulent environment, Cyprus managed to record the eighth-highest level of growth among European Union member states during the current year.

However, the Cypriot economy did not remain completely unscathed, with inflation rising here as it did elsewhere, particularly affecting the more vulnerable groups of the population.

At the same time, the state coffers filled up, boosted by both the elevated performance of certain economic sectors, combined with the aforementioned increase in prices, which, in some cases, had a positive effect on tax revenue.

GDP growth rate 2020Q1-2022Q2



Source: Ministry of Finance, IMF

The economy of Cyprus expanded 4,6 percent year-on-year in the fourth quarter of 2022, following a 5,5 percent rise in the previous period, flash estimates showed. It marks the seventh consecutive quarter of growth since the contraction Q1 2021, mainly supported by hotels & restaurants, transport & storage, information & communication, wholesale & retail trade, repair of motor vehicles and arts, entertainment & recreation. On a quarterly basis, GDP advanced 1,1 percent compared to a 1,3 percent growth in the previous period



↑ 7,1%

Inflation

Jan 2023/2022



↑ 4,6%

**GDP Growth Rate
(volume measures)**

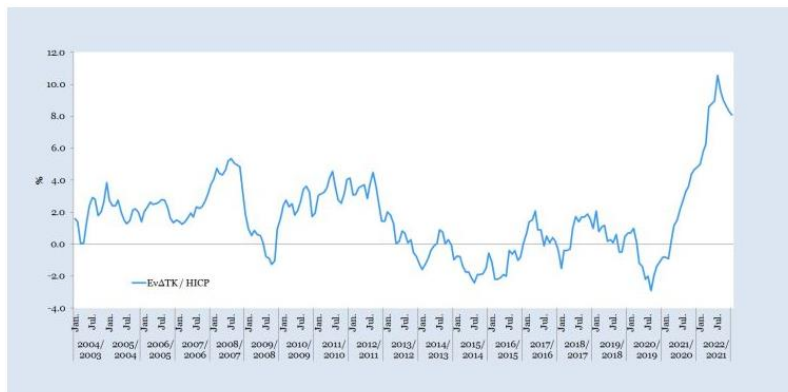
Oct-Dec 2022/2021

CYPRUS ECONOMIC GROWTH

The Cypriot economy experienced a strong growth rate of approximately 6 per cent in 2022, presenting a pleasant surprise after the Ministry of Finance's initial estimates of 2.7 per cent.

Despite Russia's war in Ukraine, which began in February 2022, the growth rate rose to 6.6 per cent in the first quarter of the year, 6.3 per cent in the second quarter, and 5.4 per cent in the third quarter.

HICP Inflation



Source: Ministry of Finance, IMF

CYPRUS ECONOMIC OUTLOOK

Industrial output slid 1% year on year in October (September: -1,3% yoy). The smaller drop was largely driven by an improvement in manufacturing and electricity supply output. That said, mining output grew at a more subdued pace in October.

Meanwhile, annual average industrial production growth fell to 1,9% in October (September: +2,2%), which marked an over one-year low.

Inflation (HICP) in December 2022 increased by 7,6% compared with an increase of 8,1% in November 2022. For the period January-December 2022 it stood at 8,1%.

Unemployment



Source: Ministry of Finance, IMF

UNEMPLOYMENT

The number of unemployed persons in Cyprus decreased to 32.868 in the third quarter of 2022 from 32.903 in the second quarter of 2022.

Labour Force Survey (LFS) unemployment, in monthly seasonally adjusted terms, increased to 7,7% in December 2022 compared to 6,4% in December 2021.



↑ 6,8%

Unemployment Rate

3rd Quarter 2022



↑ 78,3%

Rate of Employment
(group of age 20-64)

3rd Quarter 2022



TOURISM MARKET REPORT

OVERVIEW

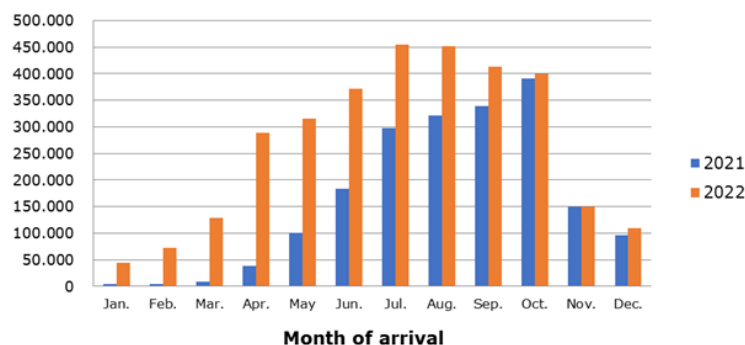
The arrivals of tourists reached 110.041 in December 2022 compared to 96.928 in December 2021, recording an increase of 13,5%.

For the period of January – December 2022, arrivals of tourists totalled 3.201.080 compared to 1.936.931 in the corresponding period of 2021, 631.609 in the period of January – December 2020 and 3.976.777 arrivals in the period of January – December 2019.

Arrivals from the United Kingdom were the main source of tourism for December 2022, with a share of 24,3% (26.708) of total arrivals, followed by Israel with 17,1% (18.801), Greece with 11% (12.055), Poland with 8,5% (9.316) and Germany with 4,5% (4.976).

For a percentage of 61,9% of tourists, the purpose of their trip in December 2022 was holidays, for 27,4% visit to friends and relatives and for 10,4% business. Respectively, in December 2021, 61,5% of tourists visited Cyprus for holidays, 29% visited friends or relatives and 9,5% visited Cyprus for business reasons.

Tourist arrivals, 2021 & 2022



Source: Statistical Service of Cyprus



↑ 61,2%

Tourism - Revenue

Jan-Dec 2022/2021



↑ 106,1%

Tourist Arrivals

Jan 2023/2022



REAL ESTATE MARKET REPORT

OVERVIEW

The Cypriot real estate market is showing a significant recovery despite the uncertainty in the economic environment triggered by the energy crisis with investors from Europe, but also Arab countries including Cyprus in their investment framework. The first eleven months of 2022 were the best for the sector since 2008, according to Land Registry figures.

According to the data, the sales documents filed in the land registry in the eleventh month of 2022, amount to 12074 lots, from 9063 last year, marking an increase of 33%. This is the best eleven-month period since 2008, when sales reached 14,043 units.

Sales documents to foreigners stand at 5,283 this year, up from 3,169 last year, up 66,7%, while sales to locals stand at 6,791, up from 5,894 last year, up 15,2%.

Compared to the eleventh month of 2019, real estate sales show an increase of 27,7%.

Paphos recorded the biggest increase of 66,2% this year, with sales documents amounting to 2614, from 1573 last year.

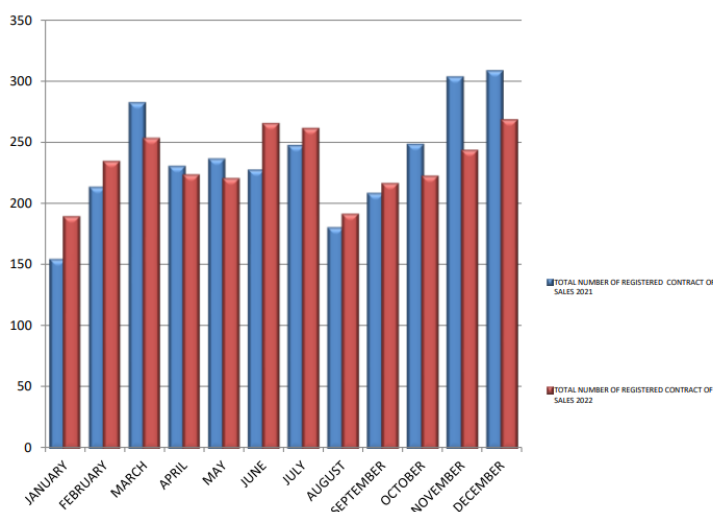
It is followed by Larnaca, where sales increased by 47,3%, reaching 2172, from 1475.

Property sales in Limassol also showed a 44,4% increase and 0,3% in Famagusta.

A decrease of 0,4% was observed in Nicosia. As for November, sales documents filed stood at 1293 compared to 1149 in November 2021, registering an increase of 13%. In October, the increase was 29%.

According to the data, in 2021, the sales documents filed amounted to 10347 units compared to 7968 in 2020, recording an annual increase of 29,9%.

PANCYPRIAN TOTAL NUMBER OF REGISTERED CONTRACT OF SALES FOR THE YEARS 2021-2022



Source: Department of Lands and Surveys

NEW DATA AND TRENDS

It is a common finding that the pandemic and the war in Ukraine have brought about significant changes in our daily lives and lifestyles. The new order of things forced families and households to reconsider goals and priorities, but also to make decisions that were not in the program. Such as, for example, finding a new property that meets the new upgraded criteria of 2022, but also the permanent setting up in another country.

There is increased demand in rentals which are more affordable.

Cyprus, with the comparative advantages it brings together and the opportunities it offers, is an attractive destination for starting a new life experience.

- Technology has become a very important part of the real estate purchase process, imposing the need for the highest standards in 2D / 3D virtual photos, videos and electronic tours. Shoppers now prefer virtual browsing visits, zoom meetings for further information and clarification, personalized videos that can be shared with family and friends, searching for services and favorite locations via Google Maps / Google Earth, etc.

- Millennials (Gen Y) and Gen Z are going to represent 70% of real estate market customers by 2025.
- The provision of many and important services and amenities has now become necessary. A more holistic approach to housing search is needed. Experienced buyers / investors are very demanding in their quest and emphasize detail, preferring properties that are environmentally friendly and close to communities that are committed to using sustainable practices and are family and animal friendly.
- Finally, high end buyers are much more demanding with experienced real estate brands that offer authenticity and trust, personalized management services, top online experiences and highly professional service that meets their needs and expectations.

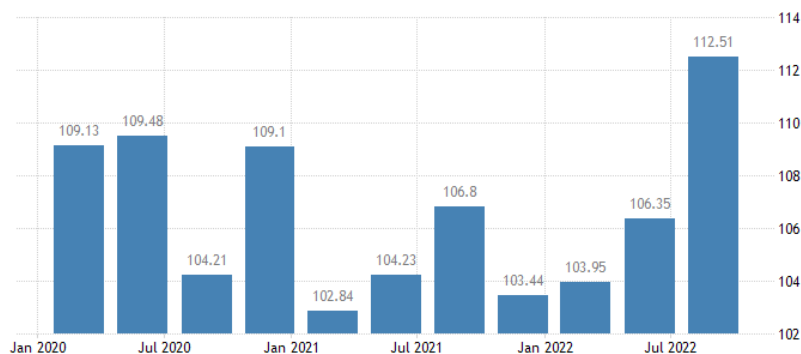


OVERVIEW

Residential Property Price Indices (houses and apartments) averaged 108.15 points from 2005 until 2022, reaching an all time high of 130.42 points in the second quarter of 2008 and a record low of 93.41 points in the first quarter of 2005. This page provides - Cyprus House Price Index - actual values, historical data, forecast, chart, statistics, economic calendar and news. Cyprus House Price Index - values, historical data and charts - was last updated on February of 2023.

In total, 9.000 apartments were transacted during 2022, compared to 7.000 during 2021, recording a 29% increase. During 2022, a total of 5.928 properties across Cyprus were acquired by foreigners (in terms of sale contracts filed at the DLS), compared to 3.691 properties during 2021, representing a 61% increase.

Cyprus House Price Index



Source: Statistical Service of Cyprus

The 457 residential permits provided for the construction of 760 new homes (dwellings), comprising:

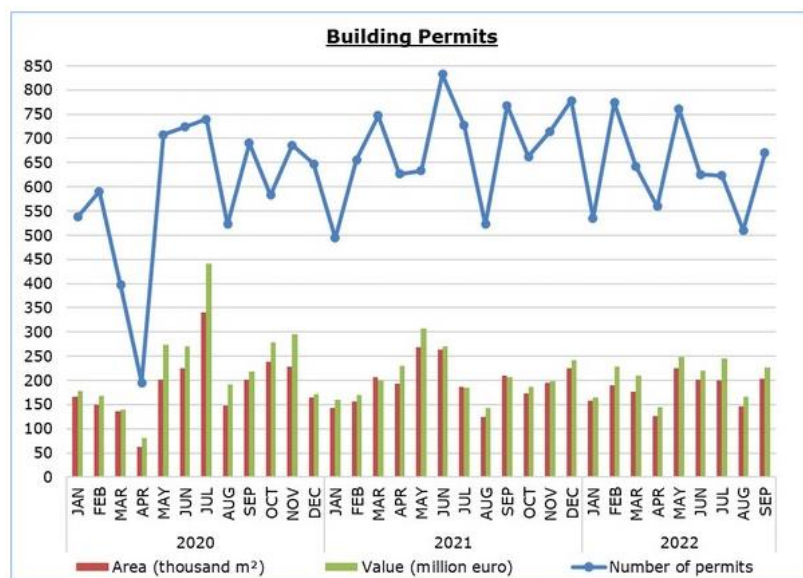
- **Single houses** – 290 (-11.3% from 327 in September 2021)
- **Two housing units** – 83 (up 18.6% from 70 in September 2021)
- **Dwellings in residential apartment blocks** – 374 (-18.2% from 457 in September 2021)
- **Dwellings in residential/commercial apartment blocks** – 13 (-75.5% from 53 in September 2021)

BUILDING PERMITS

The number of building permits authorised in Cyprus during September 2022 stood at 670. The total value of these permits reached €226.9 million and their total area 202.8 thousand sqm. These permits provide for the construction of 687 dwelling units.

Compared to September 2021, the number of permits issued fell -12,8%, their total area fell by -3,8%, but their total value rose by 10%.

Building permits and the construction sector in general is being impacted by increasing prices of construction materials, the effects of the war in Ukraine and inflation (that stood at 9% at the end of September.)



Source: Statistical Service of Cyprus

Number of Building Permits Per Category

The 670 permits were authorised for the following:

- **Residential buildings** – 457 (-11.6% from 517 in September 2021)
- **Non-residential buildings** – 96 (-33.3% from 114 in September 2021)
- **Civil engineering projects** – 41 (-18.0% from 50 in September 2021)
- **Division of plots of land** – 56 (up 21.7% from 46 in September 2021)
- **Road construction** – 11 (up 81.8% from 6 in September 2021)



↓ -5,1%

Building Permits (sqm)

Jan-Nov 2022/2021



OFFICE MARKET REPORT

OVERVIEW

Demand for business space in Europe jumped last year after the coronavirus, prompting higher asking rents, partially offsetting the price correction from rising interest rates.

Strong demand driven in part by businesses looking to bring staff back to the office shows rising funding costs have pushed up high-cost yields, tighter credit markets and risks of foreclosures, putting valuations under pressure.

Significant investments are recorded in this period in the office market, as 70,000 sqm are under construction or vacant in Nicosia alone. of new office buildings, while an additional 14,000 sqm are in the planning stage. A total of 84,000 sqm is expected to be built. of new offices by 2024 – 2025, as investors attempt to compensate for the deficit of new developments seen throughout the previous decade.

Nevertheless, industry executives do not seem to be worried about the future prospects of the market, as the demand for modern and mainly "green" offices is very high. Already, during the last half of last year, the absorption of offices (new leases) is estimated to have reached the record level of 25,000 sqm. This development proves that – despite the mediation of the pandemic and the prevalence of teleworking – most businesses choose physical presence for most of their staff, at least for some days a week.

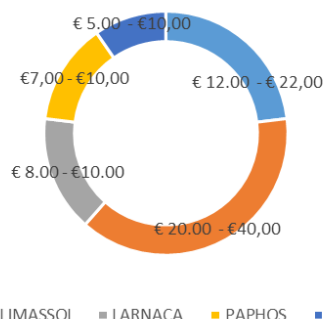
The high demand is also reflected in the rent prices, which are now 23 euros/sqm on a monthly basis for Nicosia, while there have also been cases of leases in Limassol at the level of 45 euros/sqm.

The issue that may cause some "upheaval" in the office market is what will happen to the older properties, which companies, multinationals and non-nationals, but also the public, leave in order to relocate to the new buildings being built today, or are to be built in the future. These properties, having been built mainly in the period 1990 – 2010, will require significant capital to be energy-efficiently upgraded if their owners wish to continue attracting new tenants. Alternatively, it is possible for them to change their use, although again this is not a particularly simple matter. Therefore, how this real estate stock will be utilized in the coming years is a question that has yet to find a satisfactory answer.

OFFICE SALE PRICES PER SQM 2022



OFFICE RENT PRICES PER SQM 2022



Source: Danos Analysis



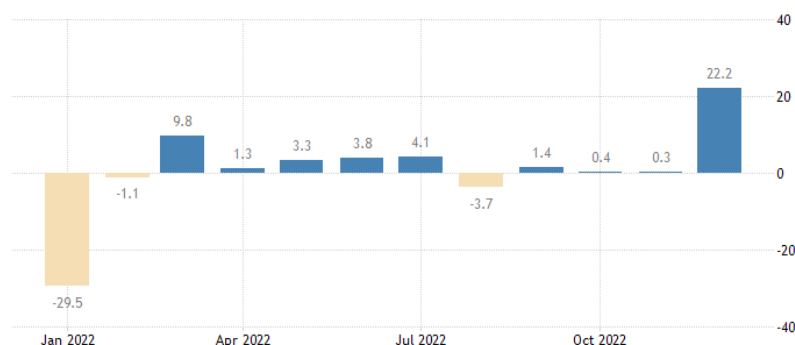
RETAIL MARKET REPORT

OVERVIEW

The retail sector is declining this year due to international events. War, supply chain shock and high interest rates are some of the main reasons why the industry is going through one of the most difficult periods in its modern history.

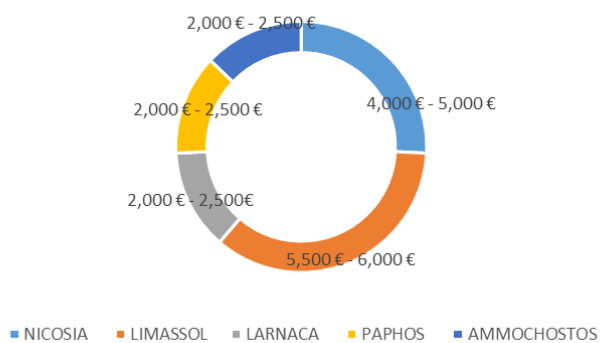
Retail Sales MoM in Cyprus averaged 1.20 percent from 2000 until 2022, reaching an all time high of 38,60 percent in May of 2020 and a record low of -43,30 percent in January of 2013. This page provides the latest reported value for - Cyprus Retail Sales MoM - plus previous releases, historical high and low, short-term forecast and long-term prediction, economic calendar, survey consensus and news.

Cyprus Retail Sales

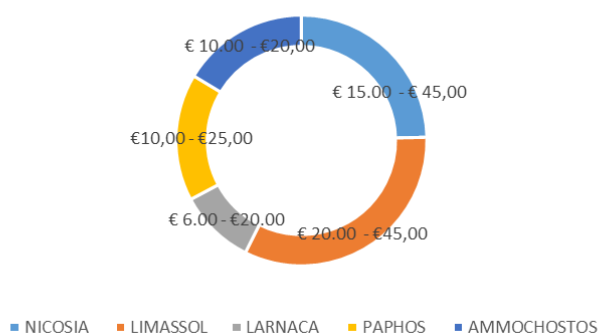


Source: Ministry of Finance Cyprus

SHOPS SALE PRICES PER SQM 2022

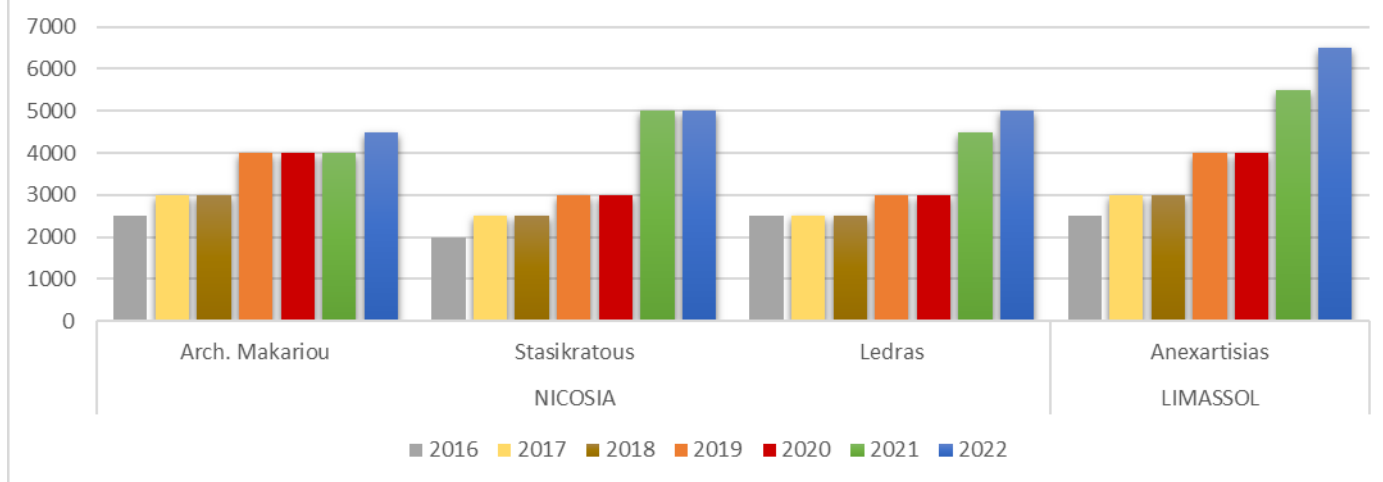


SHOPS RENT PRICES PER SQM 2022



Source: Danos Analysis

SHOP SALE PRICE PER SQ.M IN NICOSIA AND LIMASSOL



Source: Danos Analysis



LOGISTICS MARKET REPORT

OVERVIEW

The drastic changes brought about by innovation and technology, with the catalytic impact of the pandemic, directly affect business models, the production chains that support them, as well as logistics, which are a fundamental element of these processes. In recent years, supply chains have experienced the greatest disruption in their operation since World War II. In order to maintain and develop its competitiveness, the industry must respond by optimizing time and resources and making significant investments in innovation.

At a time when companies around the world are redesigning their supply chains, Cyprus, located at the crossroads of three continents, is ideally positioned to develop into a regional logistics hub. Transport and logistics infrastructures are among Cyprus' most important comparative advantages as an investment destination.

As an island nation, Cyprus relies heavily on its transport links via extensive air connections and its sophisticated multipurpose ports crucial to export and import activities.

Conveniently located, Cyprus is easily accessed with minimum diversion from the main arterial routes.

This coupled with the country's good infrastructure and the pro-business stance has boosted its status as a prominent regional base for cost-effective cargo transport and processing.

Cyprus' potential as a transshipment hub is also becoming evident, as manufacturers and distributors realize that while the island economy itself may be small it is only an hour's flying time from 200 million potential customers and four hour's flight from over 2 billions of people.

Following the natural gas discovery in its waters, the island has attracted some major global players such as ExxonMobil, ENI, Shell and Total who have chosen the island as the natural service center for their regional operations, taking advantage of Cyprus' specialized logistics and port services for this growing industry.



SIGNIFICANT PROJECTS & TRANSACTIONS

- The Floating Scapes - 5* resort in Larnaca
- Larnaca Port & Marina Development
- City of Dreams - Casino Resort in Limassol
- Unity Apartments, Limassol
- Limassol Greens, Limassol
- Yoo Limassol By Philippe Starck, Limassol
- Sea Horizon Tower, Limassol
- The Landmark Nicosia

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