

Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

CYPRUS PROPERTY MARKET 2nd SEMESTER 2013



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1. Cyprus in General

Cyprus is situated in the north-eastern corner of the Mediterranean basin, close to the busy trade routes linking Western Europe with the Arab World and the Far East. It covers an area of about 9,251-sq. km. (3,570 sq. miles), making it the third largest island in the Mediterranean after Sicily and Sardinia.



The capital of the island, Nicosia, with a population of 275,000 approximately, is the main administrative and business centre and is situated to the east of the geographical centre of the island. Limassol, the second largest city with a population of 200,000 people, is situated in the southwest part and is an important seaport, industrial and tourist centre. Larnaca, with a population of 125,000 people, is situated in the south part and is the location of the main international airport with rapidly expanding tourist industry as well as the International Free Trade Zone area. Paphos, with a population of 100,000 people, is on the West Coast with a strong tourist industry and the location of the second airport in Cyprus.



The Republic of Cyprus has a presidential system of government. The president is elected for five years directly by the people in a secret ballot with universal suffrage. Currently, the President is Mr. Nicos Anastasiades. The House of Representatives is the island's legislative body and it consists of 56 elected members who serve a five year term. The legal system is based in English law. Cyprus is a member of the European Union, the United Nations, the Commonwealth and the Council of Europe.



38% of Cyprus's territory is under Turkish military occupation since 1974. Ongoing meetings and negotiations between the Greek Cypriots and Turkish Cypriots are on the way to resolve the Cyprus problem.

2. Economic Overview

INDICATOR	VALUE	PERIOD
- Population (in the Government controlled area)	862,0th	31/12/2011
Consumer Price Index	115,75	Dec 2013
Inflation	-2.9%	July-Sep 13
Employment Rate 20 - 64 years old (Labour Force Survey)	66.9%	July-Sep 13
Unemployment (Labour Force Survey)	16.2%	Jul-Sep 13
Registered Unemployed	52.783	Dec 2013
GDP growth rate at constant prices	-5.3%	Oct-Dec 12/13
Tourist Arrivals	54.813	Dec 2013
Revenue From Tourism	€ 59.2 m	Nov 2013

Cyprus has been in an economic recession since mid-2011 as the turbulence in its banking and financial sector led to reduced investment and consumption. Since March 2013 Cyprus has been in an Economic Adjustment Programmed agreed with the Troika (IMF, European Commission and European Central Bank) that aims to restore confidence, fix fiscal imbalances and enhance competitiveness in the economy.

The GDP growth rate in real terms during the third quarter of 2013 is estimated at -5,3% over the corresponding quarter of 2012.

Negative growth rates were recorded by virtually all sectors of the economy.

It must be noted that the Cyprus government will proceed with the privatization of the big state-owned enterprises in Cyprus as agreed in the memorandum.

3. Cyprus Property Market in General

The second quarter of 2014 saw property prices fall across most of Cyprus. The latest RICS Property Index recorded significant falls across Cyprus major urban areas, with property prices and rents falling in most districts.

Over the quarter, prices of residential apartments and houses fell by an average of 2.7% and 1.0% respectively.

House prices in Limassol fell by 3.0%, followed by Nicosia (-2.5%), Paphos (1.7%) and Larnaca (-1.3%). Apartment prices in Larnaca fell by 5.2%, followed by Nicosia (-4.3%), Limassol (-2.5%) and Paphos (-2.4%). Compared to Q3 2012, prices have dropped by 14.6% for apartments, 11.1% for house, 20.2% for retails, 13.2% for office, and 16.2% for warehouses.

RICS Cyprus commentary: During the second quarter of 2013 Cyprus bore the consequences of the decisions of the Eurogroup on 15 and 27 March to 'bail-in' the depositors of two of Cyprus largest banks, to close down Laiki Bank, and to impose capital restrictions.

The implications of these decisions were unfolding throughout the last quarter of 2013, with no bank finance being available and deposits being blocked in bank accounts. Given prevailing economic conditions and the turbulence in Cyprus banking system, there was a lack of transactions during the quarter. Local buyers in particular were the most discerning as the increase in unemployment and the worsening prospects of the local economy led to a sharp reduction in interest. Furthermore, those interested were unable to access bank-finance or their deposits.

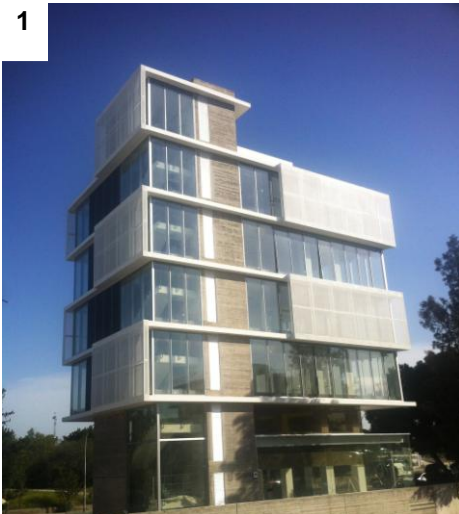
The property market has been affected by the overall negative macroeconomic environment, with domestic demand experiencing a significant downturn. However, the property market focused to international buyers and especially to investors that are looking to buy properties over €300.000 to get the Cyprus permanent residency permit, is exhibiting some resilience especially in the coastal areas (Pafos and Limassol).

During the second quarter of 2013, the number of new home for which permits were authorised has fallen by 28% compared with the same period last year. According to the Cyprus Statistical Service, building permits constitute a leading indicator of future activity in the construction sector.

Building Permits Issued for the Construction of New Homes (Dwellings)				
Month	2012 (Dwellings)	2013 (Dwellings)	Increase/ Decrease	%age Change
January	468	432	-36	-7.7%
February	630	756	126	20.0%
March	506	303	-203	-40.1%
April	373	297	-76	-20.4%
May	459	308	-151	-32.9%
June	523	197	-326	-62.3%
July	569	321	-248	-43.6%
August	422	232	-190	-45.0%
Total	3,950	2,846	-1,104	-27.9%

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MARGARITA DANOU ARCHITECT:

- 1) OFFICE BUILDING COMPLETED IN 2013**
- 2) PEDESTRIAN BRIDGE OVER COASTAL ROAD IN LIMASSOL – UNDER CONSTRUCTION**

2



4. Commercial Market

Within the commercial property market of Nicosia the supply of available commercial property has surpassed the current demand. Values of commercial properties fell across all cities during the second half of 2013.

4.1.1 Office Market

Traditionally office space in Cyprus was found in common type multi storey buildings. In recent times it appears that there is a demand in Grade A offices with all the modern requirements and specifications. This kind of office space sets the bar a bit higher both for capital values and for rents. The office market is performing relatively well since companies such as Total, AC Nielsen, Eni etc, plus foreign governments such as Kuwait Oman, Libya, Qatar, Israel etc want to grow their presence in Cyprus.

OFFICE CAPITAL VALUES

Location	2013 Capital Values per m ² (€)
Nicosia	2,500 - 3,500
Limassol	2,500 -5,000
Paphos	1,700 - 2,000
Larnaca	1,800 - 2,000

OFFICE RENTAL VALUES

Location	2013 Rental Values per m ² per Month (€)
Nicosia	8-15
Limassol	8-30
Paphos	6-10
Larnaca	6-10

Source: Danos, in alliance with BNP Paribas Real Estate

**SHOWROOMS AND LUXURY
OFFICE FOR SALE IN STROVOLOS**



BUILDING FOR SALE IN PAFOS



4.1.2 Retail Market

In the broader area of Nicosia, investment returns for shops and offices fluctuate between 6.5% and 9%. Market values for shops that are located outside Nicosia centre appear to be lower. Retail development is concentrated in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos).

Ledras and Onasagorou are located within the Venetian walls in the old town of Nicosia. In the last year a number of new stores, restaurants and bars have opened on the two streets, thus bringing in new life in a once declining area.

Makariou Ave. which is the high street of Nicosia has seen a major decline in consumption. The decrease in customers and the high rents have caused shop owners to close down and move out. The retail market is suffering due to saturation and low consumption.

The following tables present a general view of the Nicosia retail property market:

Shops-Market Values

Street	Market Value per m ² (€)
Arch. Makarios III (2 nd part)	4.500 - 5.000
Stasikratous	3.500 - 4.000
Athalassas	2.500 - 3.000
Kennedy	2.000 - 3.000

Shops-Rental Values

Street	Rental Value per m ² per month (€)
Arch. Makarios III (2 nd part)	20
Stasikratous	20 - 25
Kennedy	8 – 10
Athalassas	8 - 10

Source: Danos, in alliance with BNP Paribas Real Estate

PROJECT FOR SALE IN NICOSIA



**SHOWROOM AND OFFICES
FOR SALE AND RENT IN
NICOSIA**



4.1.3 Shopping Centres

During the last 5 years, there has been a significant development of shopping centres in Cyprus, the first being the Mall of Cyprus that opened as part of the Shacolas Emporium Park on the 27th of September 2007. After this development, further developments have emerged, including the My Mall in Limassol and the Mall of Engomi in Nicosia.

The Kings Avenue Mall has opened in November 2013. Kings Avenue Mall located in the heart of central Paphos, it has been developed by a joint venture, Athiari Commercial Ltd (Paphos), and is one of the largest commercial developments on the island of Cyprus. The total investment exceeded the amount of €170 million.

General Information and Facts:

- Size of the building: 103.000 m²
- Covered Areas (excluding basements): 41.000 m²
- Net Lettable Area (N.L.A.): 28.000 m²
- Parking Places: 1.200 (covered parking spaces on 2 levels)
- No. of shops: 120

The firm K. Athienitis Contractors Developers Public Ltd is in the process of erecting an Organized Compound Trade Centre having its own internal road network on a plot with a surface area of 61.261sq.m. The mall is being developed on the western outskirts of Nicosia, in the parish of Archangelos/ Anthoupoli. It will consist of approximately 32.000sq.m of net lettable area. It is expected to open during 2014.

ATHIENITIS MALL NICOSIA



5. Residential Market

Residential prices for both houses and flats fell in the 2nd semester of 2013 by 3% and 4.2% respectively, with the biggest drop for houses occurred in Limassol at 3.4% and for apartments taking place in Famagousta at 12%. In addition, current occupiers of flats are renegotiating the rent payable or even looking for properties with cheaper rents. Prices seem to seek for stabilization in the near future, in Nicosia, following a trend of rapid increases and then a reduction.

HOUSE FOR SALE IN ALAMBRA



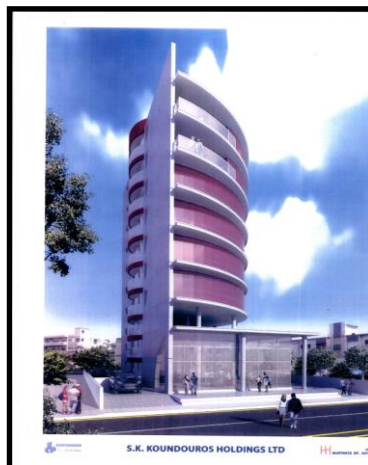
HOUSE FOR RENT IN ENGOMI



HOUSE FOR SALE IN PROTARAS



**SHOP, SHOWROOM AND OFFICES FOR RENT IN
NICOSIA**



The price range of the residential market, for the 2nd semester of 2013, is presented in the following tables:

(Source: Danos, in alliance with BNP Paribas Real Estate)

DETACHED HOUSES

Location	2013 Capital Values per m2 € *
Nicosia	1,000 - 4,000
Limassol	900 - 6,000
Paphos	1.200 - 3,000
Larnaca	1,200 – 3,000
Famagusta	1,200 – 3,000

FLATS

Location	2013 Capital Values per m2 € *
Nicosia	800 - 2,500
Limassol	800 - 6,000
Paphos	700 - 1,300
Larnaca	800 – 2,000
Famagusta	700 – 2.500

RESIDENTIAL MARKET – BUILDING PLOTS

*min-max

Location	2013 Capital Values per m2 € *
Nicosia	220 – 1,000
Limassol	180 - 950
Paphos	130 – 700
Larnaca	100 – 700
Famagusta	100 – 500

6. Logistics & Industrial Market

The logistics market yields are considered very favourable and demand is relatively strong near major arteries, such as the National Highway, Tseri and Dhali areas. The industrial and logistics market is under investigation from companies associated with energy, such as Halliburton and Petrolina.

Rental values range from 2 to 6 €/sq m/month for new warehouse space, whereas the asking values of land intended for industrial use are around 120 – 200 €/sq m.



7. Property Market News

- The UK Government has signed an arrangement with the Cyprus Government giving residents increased flexibility to develop private within the British Sovereign Bases. Restrictions are to be lifted on the development of locally owned property within British military bases on Cyprus.

- Wargaming spent 40 million euros to increase its stake in Hellenic Bank, the "World of Tanks" gamemaker said on Nov. 1. It's poised to own 30 percent of Hellenic Bank.



- Also Wargaming, among the 3 major shareholders of Hellenic Bank in Cyprus agreed to buy "President" building of Rotos Developers for €20 millions. The "President" building located in the Demosthenis Severi Avenue, Nicosia is of 75 meters height and will be covered by large disk photo-voltaic panels.



- During the second quarter of 2013 Kings avenue Mall has opened its gates to public. The Net Lettable area is approximately 28.000sqm.



- PWC has come to an agreement with Cyfield to rent a very modern building situated in Demosthenis Severi Avenue near the Presidential Palace.



- The construction of Cyprus new marina at Limassol, Cyprus is destined to become the most exclusive waterfront development in the Mediterranean and one of the finest in the world as it is the only new development in the Mediterranean offering private berths attached to residential properties, and the only marine that will be able to accommodate super-yachts on the island. With an estimated cost of €456 million, other plans for the marina complex include boutiques, restaurants, cafes, shops and conference space, all with the aim of attracting more high-end tourists to the island and a bigger share of the Mediterranean yachting market. The overall project is expected to be completed by the end of 2014.



- The government talks with oil companies in Larnaca and has decided that the refineries will be moved within three years and they will be transferred in a given space Energy Center in Vasiliko. Therefore, the area is expected to be developed for touristic and recreational use and with the refineries transferred, there will also be an additional 3 km of beach for use.

- THE COUNCIL of Ministers approved changes to a bill imposing a tax on immovable property as part of the bailout agreement with Cyprus' international lenders.

ASSESSED 1980 PROPERTY VALUE	ANNUAL PROPERTY TAX	ACCUMULATED TAX (MAX)	NUMBER OF OWNERS
UP TO €12,500	0.60%(€75MIN)	€100	155.822
€12,400 TO €40.000	0.60%	€240	115.215
€40,000 TO €120,000	0.80%	€880	65.611
€120,000 TO €170,000	0.90%	€1.330	6.619
€170,000 TO €300,000	1.10%	€2.760	5.211
€300.000 TO €500,000	1.30%	€5.360	1.982
€500,000 TO €800,000	1.50%	€9.860	848
€800,000 TO 3,000,000	1.70%	€47.260	910
€MORE THAN €3,000,000	1.90%		218

- The Cyprus Government has recently announced that non-EU citizens making a minimum investment of 300,000 Euros in property on the island, subject to certain requirements, will be granted permanent residency through a special immigration visa.

LIMASSOL MARINA



HOUSE FOR SALE IN GERI NICOSIA



**LUXURY APARTMENT FOR RENT IN
ENGOMI NICOSIA**



**LUXURY HOUSE FOR RENT IN ZYGI
LARNACA**



APARTMENT FOR SALE IN LYKAVITOS



APARTMENT FOR SALE IN NICOSIA



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