



Danos

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CONSULTANTS & VALUERS

CYPRUS PROPERTY MARKET 1st SEMESTER 2014



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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 islands 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

MONTHLY ECONOMIC INDICATORS				
	Period		2013	2014
Tourist arrivals	Jan.- May	Thousands of tourists	615.9	637.6
Tourist arrivals	Jan.- May	% change ⁽³⁾	-7.2	3.5
Tourist arrivals	May	Thousands of tourists	276.2	293.2
Tourist arrivals	May	% change ⁽³⁾	-0.2	6.1
Revenue from tourism	Jan.- March	€ million	125.2	118.5
Revenue from tourism	Jan.- March	% change ⁽³⁾	0.3	-5.3
Revenue from tourism	March	€ million	66.0	56.5
Revenue from tourism	March	% change ⁽³⁾	5.6	-14.5
Fiscal Balance on a Cash Basis ⁽⁵⁾	Jan.- April	€ million	37.9	135.7
Fiscal Balance on a Cash Basis ⁽⁵⁾	Jan.- April	% of GDP	0.2	0.9
Consumer price index	Jan. - May	% change ⁽³⁾	0.70	-2.14
Consumer price index	May	% change ⁽³⁾	-0.69	-1.36
Harmonised index of consumer prices	Jan. - May ⁽⁶⁾	% change ⁽³⁾	1.06	-0.84
Harmonised index of consumer prices	May	% change ⁽³⁾	0.16	-0.10
Unemployment (Number of registered persons) ⁽¹¹⁾	May	Persons	44,424	43,768
Harmonised rate of unemployment ⁽¹²⁾	April	%	15.6	16.4
Volume Index of Manufacturing Production ⁽⁷⁾	Jan. - March ⁽⁸⁾	% change ⁽³⁾	-15.6	4.9
Turnover Volume Index of Retail Trade ⁽⁷⁾	Jan. - March ⁽⁸⁾	% change ⁽³⁾	-26.3	8.5
Registration of Saloon Cars (Private)	May	% change ⁽³⁾	-47.3	44.4
Registration of Saloon Cars (Private)	Jan.- May	% change ⁽³⁾	-38.4	23.5
Cyprus Stock Exchange (CSE) General Price Index	end May	03/09/2004 = 1000 ⁽⁹⁾	97.35	105.26
Market capitalisation (CSE)	end April	€ billion	1.4	1.8
Market capitalisation (CSE)	end April	% of GDP	8.7	11.1
Total deposits of non MFIs ^(8a) with MFIs ⁽³⁾	end April	€ million	57004.6	46021.0
Total deposits of non MFIs ^(8a) with MFIs ⁽³⁾	end April	% change ⁽³⁾	-19.8	-19.3
Deposits of non residents-non MFIs with MFIs ⁽³⁾	end April	€ million	19042.2	14106.3
Deposits of non residents-non MFIs with MFIs ⁽³⁾	end April	% change ⁽³⁾	-32.0	-25.9
Total loans to non MFIs ^(8a) from MFIs ⁽³⁾	end April	€ million	66931.4	60093.4
Total loans to non MFIs ^(8a) from MFIs ⁽³⁾	end April	% change ⁽³⁾	-0.7	-10.2
Loans to non residents-non MFIs from MFIs ⁽³⁾	end April	€ million	15313.7	12110.3
Loans to non residents-non MFIs from MFIs ⁽³⁾	end April	% change ⁽³⁾	-6.9	-20.9

(1) Provisional data.

(2) Total imports of goods.

(3) Percentage change compared with the corresponding period of the previous year.

(4) Total exports (fob) minus total Imports (cif).

(5) It includes the accounts of the Central Government and the Social Security Fund.

(6) Monthly average.

(7) Introduction of NACE Rev.2 and change of base 2005=100.

(8) Excluding the Central Bank of Cyprus. MFIs= Monetary Financial Institutions

(8a) Excluding General Government

(9) New CSE General Index, includes Main and Parallel Market (base 3/09/2004=1000).

(10) The reduction in reserves during 2008 was due to the fact that as from 1st January 2008 Cyprus joined the euro area and, consequently, all euro denominated reserves and all reserves in foreign currency but held with other euro area countries were excluded.

(11) The number of unemployed persons registered at the District Labour Offices. Source: Cystat.

(12) Harmonised rate of unemployment (seasonally adjusted, not working day adjusted). Source: Eurostat.

(13) For January 2013, revenue from Tourism is based on estimations.

(14) Figures for Tourism Revenue, Volume Index of Manufacturing Production and Turnover Volume Index of Retail Trade for 2014 are not yet available

Last update: 26/06/2014

Source: Central Bank Of Cyprus

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 Programme 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 first quarter of 2014 is negative and estimated at -4,0% over the corresponding quarter of 2013. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at -4,1%.

Negative growth rates were recorded by the secondary sector of the economy (Manufacturing, Construction), as well as in the sectors of Banking, Tourism, Transport, Trade and other Services.

Cyprus has returned to the international markets after a three-year exclusion. Nobody expected the government to regain access so soon after the signing of the memorandum and the bail-in of depositors – it was the quickest return to the markets of a country in an assistance programme.

The resolute implementation of the memorandum, the positive quarterly reviews by the troika, the better than forecasted indicators of public finances all contributed to a successful €750 million euro bond issue. It may also have been a bit surprised by the success of the issue, which was significantly over-subscribed, interest rising to €2 billion when the book opened, according to Reuters.

This was the reason the government upped the size of its bond issue from the €500 million initially announced, to €750 million. Also significant was that the interest was below 5%, eventually settling at 4.75%. This may still be considered high compared to the yields of other states' bonds and the low bank interest rates across the eurozone, but for a country that is in an assistance programme it was a positive step in the economy's rehabilitation, an indication that the state was regaining some of the trustworthiness it had lost.

3. Cyprus Property Market in General

The RICS Cyprus Property Price Index reveals that the property prices on the island continued to fall over the first quarter of 2014. Across the island, prices of residential houses and apartments fell by 1.4% and 2.6% respectively during the first quarter of 2014. Famagusta house prices fell by 4% and apartment prices fell 9.3%.

The values of shops fell by an average of 1.7%, while those of offices and ware houses fell by 1.4% and 0.9% respectively.

In comparison to the first quarter of 2013, the average prices of residential has dropped by 11%, while the average price for a house has fallen 8%. Commercial property prices have fallen even more dramatically, with the price of retail units falling 15%, offices 10% while the price of warehouses have fallen 12%.

RICS Cyprus commentary:

During the first quarter of 2014 the Cyprus economy began stabilizing from the impact 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.

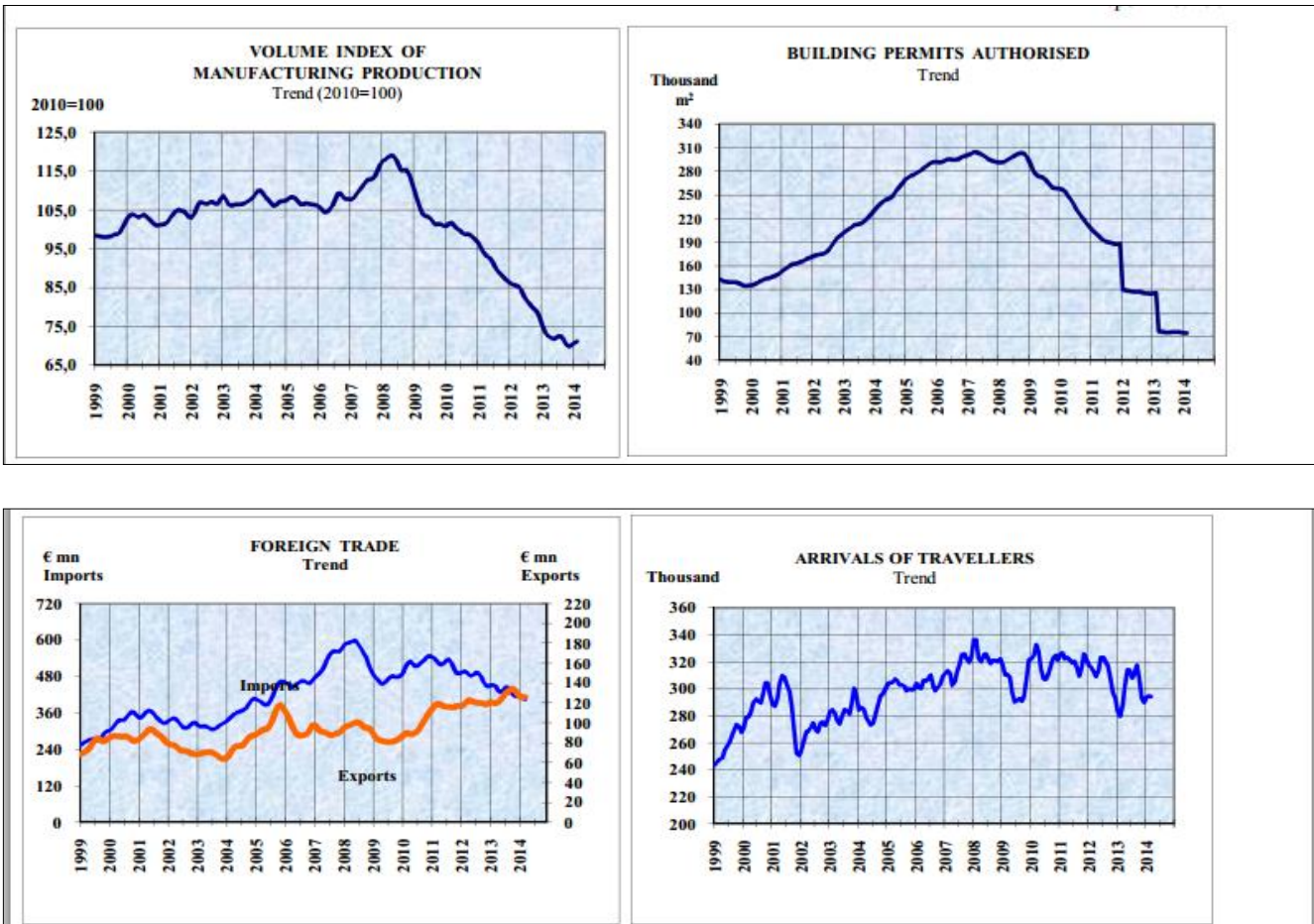
The secondary implications of these decisions, mainly the reduction of bank staff, the increase in unemployment, and further decreases in salaries, were unfolding throughout the quarter.

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.

Average property price						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€ 112,809	€ 112,046	€ 115,305	€ 99,952	€ 83,378	€ 104,698
Houses	€ 402,242	€ 327,051	€ 281,400	€ 348,105	€ 335,552	€ 338,870
Retail	€ 577,038	€ 492,940	€ 335,853	€ 274,769	€ 228,166	€ 381,753
Warehouse	€ 1,220,111	€ 1,894,666	€ 1,321,717	€ 940,620	€ 905,489	€ 1,256,521
Office	€ 549,329	€ 411,302	€ 314,043	€ 326,269	€ 222,673	€ 364,723
Average monthly rent per property						
	Nicosia	Limassol	Larnaca	Paphos	Famagusta – Paralimni	Cyprus
Apartments	€ 418	€ 379	€ 333	€ 278	€ 278	€ 337
Houses	€ 601	€ 646	€ 540	€ 479	€ 445	€ 542
Retail	€ 2,644	€ 2,474	€ 1,495	€ 1,129	€ 738	€ 1,696
Warehouse	€ 4,605	€ 5,961	€ 4,341	€ 3,611	€ 4,566	€ 4,617
Office	€ 2,003	€ 1,619	€ 1,119	€ 1,056	€ 739	€ 1,307

Source: RICS Property Price Index 2014

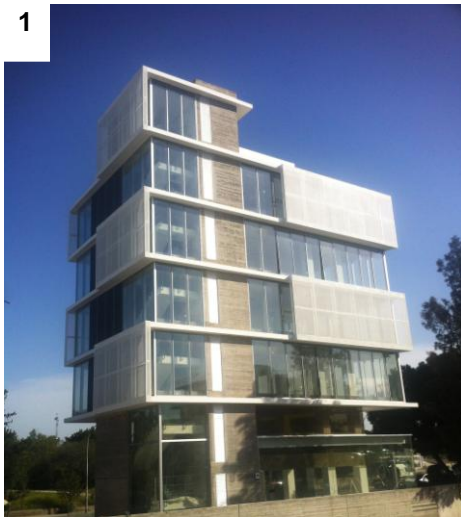


Source: Statistical Service

Total Sales January-May 2014

All Districts	January	February	March	April	May	Total
No.Cases	421	619	672	639	872	3223
No. Parcels	444	747	746	715	914	3566
Declared Price	€ 85.372.384,23	€144.442.860,56	€ 122.427.149,88	€105.718.721,15	€148.619.662,18	€606.561.278,00
Accepted Price	€ 89.418.683,93	€ 149.338.427,54	€128.948.846,51	€ 112.447.299,13	€ 148.619.662,18	€ 639.388.306,57

Source: Land Registry



MARGARITA DANOU ARCHITECT:

- 1) OFFICE BUILDING COMPLETED IN 2013 – TO BE OCCUPIED BY THE EMBASSY OF OMAN**
- 2) PEDESTRIAN BRIDGE OVER COASTAL ROAD IN LIMASSOL – UNDER CONSTRUCTION**



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 first half of 2014.

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 ALVAREZ, EBRD, UN, Qatar Airways, Hulliburton etc, plus foreign governments such as Kuwait, Libya, Qatar, Israel etc want to grow their presence in Cyprus.

OFFICE CAPITAL VALUES

Location	2014 Capital Values per m ² (€)
Nicosia	2,000 - 3,000
Limassol	2,000 -5,000
Paphos	1,700 - 2,000
Larnaca	1,800 - 2,000

OFFICE RENTAL VALUES

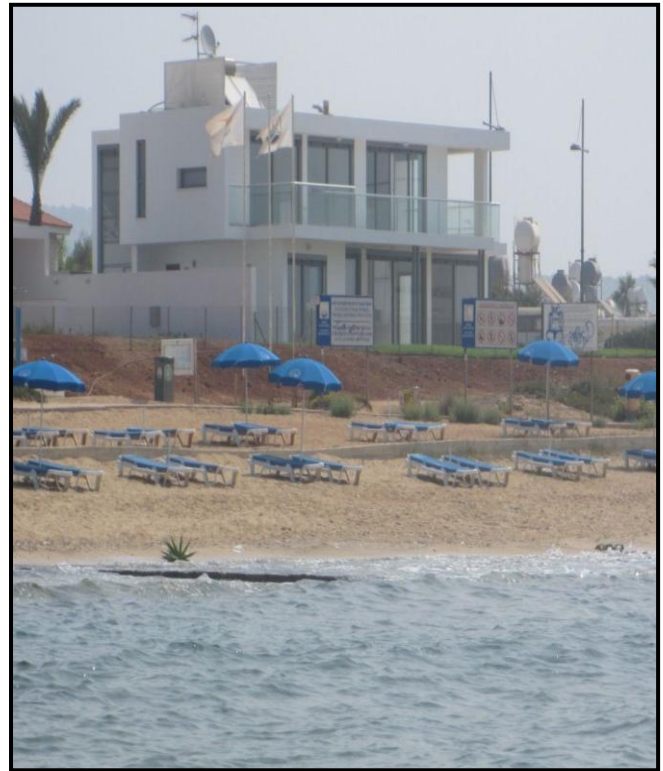
Location	2014 Rental Values per m ² per Month (€)
Nicosia	8-13
Limassol	8-25
Paphos	5-10
Larnaca	5-10

Source: Danos, in alliance with BNP Paribas Real Estate

**LUXURY PENTHOUSE OFFICE
SPACE WITH GARDEN FOR RENT
BY STROVOLOS AVENUE**



**SEASHORE DREAM VILLA FOR
SALE IN AGIA NAPA**



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.

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 m² (€)
Arch. Makarios III (2nd 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 m² per month (€)
Arch. Makarios III (2nd part)	20
Stasikratous	20
Kennedy	8 – 10
Athalassas	8 - 10

Source: Danos, in alliance with BNP Paribas Real Estate

**PROJECT NEA LEDRA HOUSE FOR
SALE**



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



4.1.3 Shopping Centres

During the last 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 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.

The Nicosia Mall is under construction on a plot with a total surface area of 61.261 sq.m. The mall is being developed on the western outskirts of Nicosia, in the parish of Archangelos/ Anthoupoli. It will consist of approximately 32.000 sq.m of net lettable area. It is expected to open during 2015.

5. Residential Market

Residential prices for both houses and flats fell in the 1st semester of 2014 by 3% and 4.2% respectively. In addition, current occupiers of flats are renegotiating the rent payable or even looking for properties with cheaper rents. Prices in Nicosia seem to seek for stabilization in the near future following a trend of rapid increases and then a reduction.

**LUXURY AND MODERN HOUSE FOR
SALE IN STROVOLOS**



HOUSE FOR SALE IN PSEVDAS



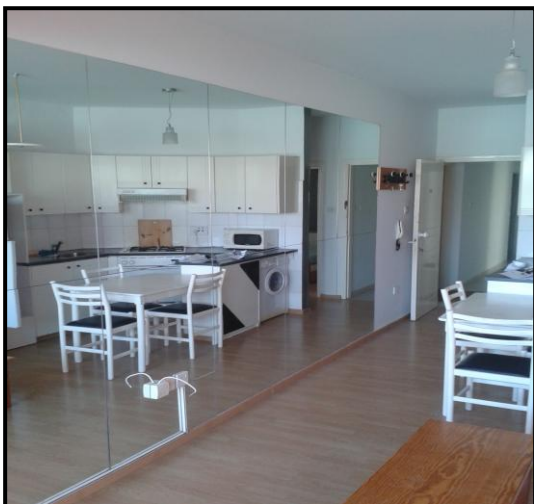
**FULLY RENOVATED/RESTORED
HOUSE FOR RENT IN NICOSIA**



PENTHOUSE FOR RENT IN STROVOLOS AREA IN NICOSIA



APARTMENT FOR SALE IN ACROPOLIS



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



The price range of the residential market, for the 1st semester of 2014, is presented in the following tables:

DETACHED HOUSES

Location	2014 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	2014 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	2014 Capital Values per m2 € *
Nicosia	220 – 1,000
Limassol	180 - 950
Paphos	130 – 700
Larnaca	100 – 700
Famagusta	100 – 500

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

6. Logistics & Industrial Market

The logistics market has affected of the current economic situation, however it can be considered favorable in some areas such as Tseri and Dali due to the close proximity of the highroad of Nicosia - Limassol and the good access to the city center of the capital. The industrial and logistics market is under investigation by the companies related to 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.

WAREHOUSE FOR SALE OR RENT IN TSERI



7. Property Market News

- The standard VAT rate is 19% as of 13 January 2014. No VAT is charged on acquisition of buildings for which an application for a town planning permit was submitted prior to 1 May 2004, as well as for transfers of plots of land.

- According to Media the construction Company Chapo sold a commercial plot 2500m² in Limassol for €4.8m to Lebanese Investors.



- The land on which the Kimon Phinikoudes project in Larnaca is to be built together with its designs has been sold by the Lefkaritis family to a group of Russian Investors.



- Dolphin Capital Investors, which owns a 49.8% stake in Aristo Developers Ltd has announced the collapse of the deal for the sale of Venus Rock to China Glory Investment Group.



- 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.



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



• Cybarco has announced that major construction project is about to start just within the Limassol tourist area. The €60 million, 16-storey office tower named The Oval, is due to become the tallest office block in Cyprus. Covering a total area of 19,000 sq.m., the oval-shaped building designed by Atkins will stand opposite the Crowne Plaza Hotel. It features 11 floors of offices, with five floors of double-height executive offices above, plus a roof garden offering spectacular sea views and two underground car parks.



• The first marina in Cyprus, with the possibility of berthing superyachts is now a fact and is located in Limassol. The official opening was performed by the President of the Republic of Cyprus Nikos Anastasiadis during the ceremony. The landmark work on Cyprus, as has been called the Limassol Marina, has already changed the face of the city and has already established itself as one of the most attractive projects in Europe. With 650 berths for luxury yachts in length from 8 to 115 meters combines luxury apartments and privileged villas with private berths or direct access to the sea.



• 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.

• After updating the tax base and the valuation of all properties with values of 2013, the government goes a drastic reduction in tax rates and an increase in the tax-free amount, purpose of determining the new property tax.

• 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.

**PANORAMIC VIEWS 3 AND 4 BEDROOM
LUXURY VILLAS FOR SALE IN THE MOST
PRESTIGIOUS ARE OF LIMASSOL**



**LUXURY HOUSE FOR SALE IN
TRIMIKLINI**



**LUXURY APARTMENT FOR SALE IN
LIMASSOL**



**LUXURY HOUSE FOR RENT IN ZYGI
LARNACA**



**BEACHFRONT 6BDR APARTMENT FOR
SALE IN LIMASSOL**



**PENTHOUSE APARTMENT FOR SALE OR
RENT ACROPOLIS AREA**



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