

CYPRUS PROPERTY MARKET 2nd semester 2017



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1. Economic outlook and Real Estate Sector

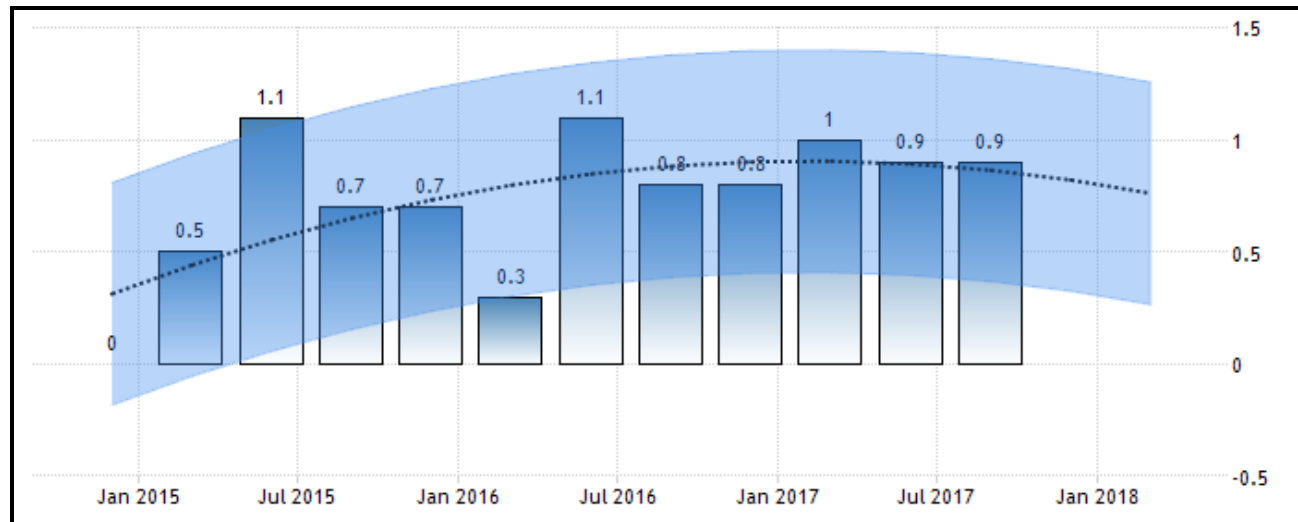
The economic recovery continued in 2017 at an accelerating and better than expected pace. The recovery is taking place in the context of an international environment that, although relatively positive, is still facing some uncertainty and geopolitical risks. Cyprus economy showed signs of stability, with the economy's performance being better than expected and tourism outperforming forecasts.

MAIN ECONOMIC INDICATORS FOR CYPRUS, 2015-2020

	2015 Est.	2016 Est.	2017 Proj.	2018 Proj.	2019 Proj.	2020 Proj.
GDP at constant market prices 2005 (% change)	1.7	2.8	2.9	2.9	2.7	2.7
Employment (persons, % change)	1.9	2.7	2.2	2.0	1.7	1.7
Unemployment Rate LFS (%)	14.9	13.0	11.5	10.0	8.5	7.0
Harmonized Index of Consumer Prices (% change)	-1.5	-1.2	1.1	1.0	1.5	2.0
Budget Balance (% of GDP)	-1.2*	0.4	0.2	0.4	0.4	0.4
Public Debt (% of GDP)	107.5	107.8	104.0	99.7	94.6	88.8

MIF

GDP



CBC

Economy of Cyprus – Indicators

- The Cyprus economy appears to be fully recovering from the recession it has been in the years 2012-2014.
- The overall performance of the Cyprus' economy is outperformed the expectation but some financial risk and challenges are still existed.
- GDP is expected to be stable for the next years. (According to IMF).
- Inflation rate is expected to be at 0.5%, with the expectations for the coming years are showing a stable rate of inflation just below 2%, which is the target rate of the European Central Bank.

Unemployment Rate

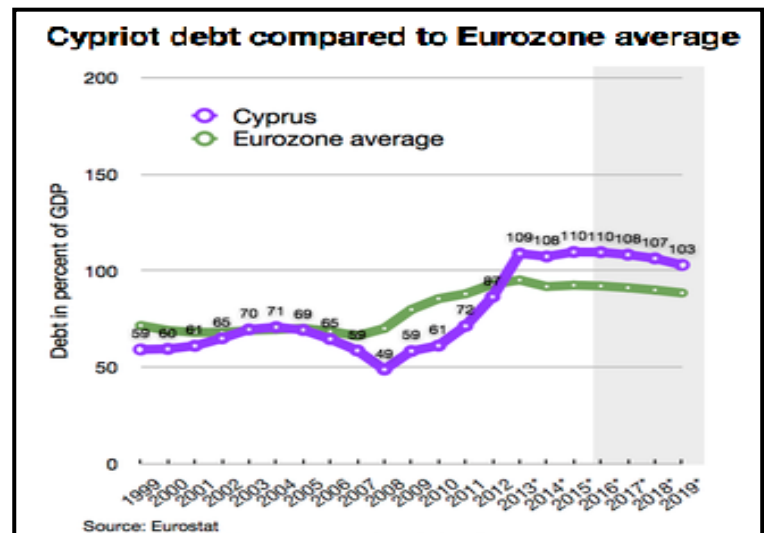
According to the results of the Labour Force Survey (LFS), in the 3rd quarter of 2017 the unemployment rate was 10.0% of the labour force in comparison with 12.9% in the corresponding quarter of 2016.



STATISTICAL SERVICES OF CYPRUS

Banking Sector

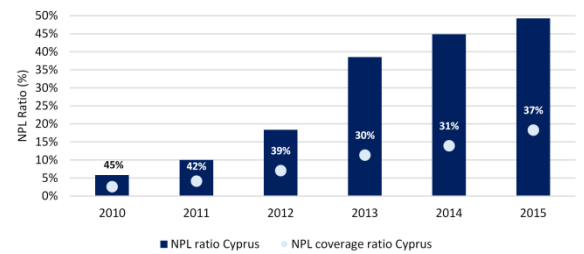
The significant increase in deposits, particularly from residents of Cyprus and domestic non-financial corporations, highlights the gradual return of depositor confidence in the Cypriot banking system. At the same time, loan restructurings have intensified, while a continuous reduction in the level of non-performing loans. Another positive development is the gradual increase observed in both the demand for new loans by domestic households and businesses as well as the supply of loans by banks, driven mainly by the improving domestic macroeconomic conditions and historically low lending rates.



Non – Performing loans

However, high percentages of Non-Performing Loans (NPLs) is another concerning challenge for the Institutions in Cyprus. According to IMF, the percentage of Non – Performing Loans in Cyprus is the second biggest in the Eurozone.

NPL Evolution between 2010 and 2015



Source: IMF FSI indicators

Tourism

The tourism sector proved to be one of the most important pillars of the Cypriot economy. Recovery begun in 2015 and increased significantly since 2016 and continue increase in 2nd semester of 2017. It seems that the efforts made to mitigate the issue of seasonality, have been successful. It should, however, be noted that geopolitical circumstances contributed positively given that they adversely affected competitor neighboring countries.

The number of tourists who visited Cyprus on the second semester of 2017 was increased by 14.6 % compared to the second semester of 2016.

CYPRUS TOURIST ARRIVALS



STATISTICAL SERVICES OF CYPRUS

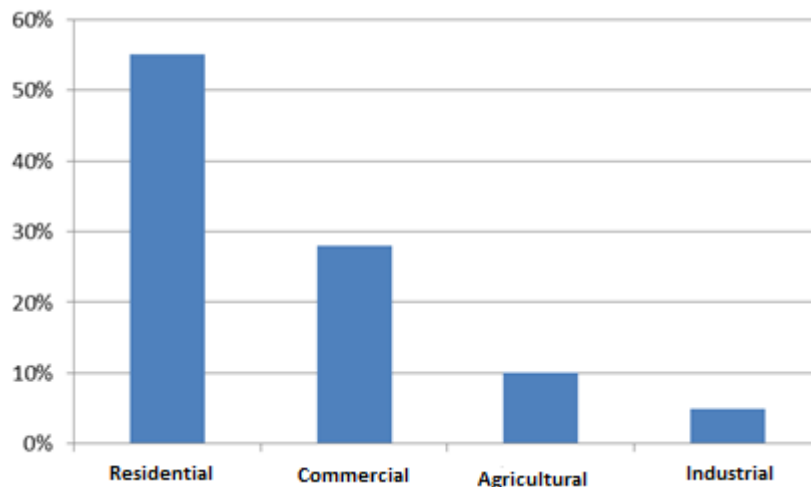
2. Cyprus' Property market

Property sales in Cyprus rose 24 % during 2017 according to official statistics published by the Department of Lands and Surveys. This follows an annual rise of 43 % in 2016, 9 % in 2015 and 20 % in 2014. During December 2017 a total of 1,537 contracts for the sale of residential and commercial properties and land (building plots and fields) were deposited at Land Registry offices across Cyprus, compared with the 1,134 deposited in December 2016. Sales rose in all districts. In percentage terms Nicosia (the capital) led the way with a rise in sales of 113% followed by Famagusta with an increase of 94%. Meanwhile sales in Limassol, Larnaca and Paphos rose by 23%, 18% and 10% respectively. During 2017 a total of 8,734 contracts of sale were deposited compared with the 7,063 deposited in 2016; an increase of 24% and the highest number since the property bubble burst in 2008. Although sales in Larnaca fell by 1% over the year, they rose in all the other districts. Annual sales in Famagusta rose by 44% followed by Nicosia with a rise of 42%. Meanwhile property sales in Limassol and Paphos rose by 27% and 23% respectively.

Property Sales for 2018 are expected to follow similar patterns. However, the new VAT on land, the big number of NPLs and the forced sale of real estate by financial institutions, may have a negative effect.

Property Investment in Cyprus by Sector

The Cyprus real estate market has historically been divided into the major urban centers of Nicosia, Limassol and Larnaca primarily driven by local demand and the seaside resort areas of Paphos and Famagusta mostly driven by foreign demand. Traditionally, the Cyprus property market is dominated by the residential sector, with the island's geography and historical reasons partly dictating the dynamics of the various submarkets. However, the trend of development companies in recent years in the construction of office facilities intended mainly to the multinational companies which the island attracts.



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3. Residential Market

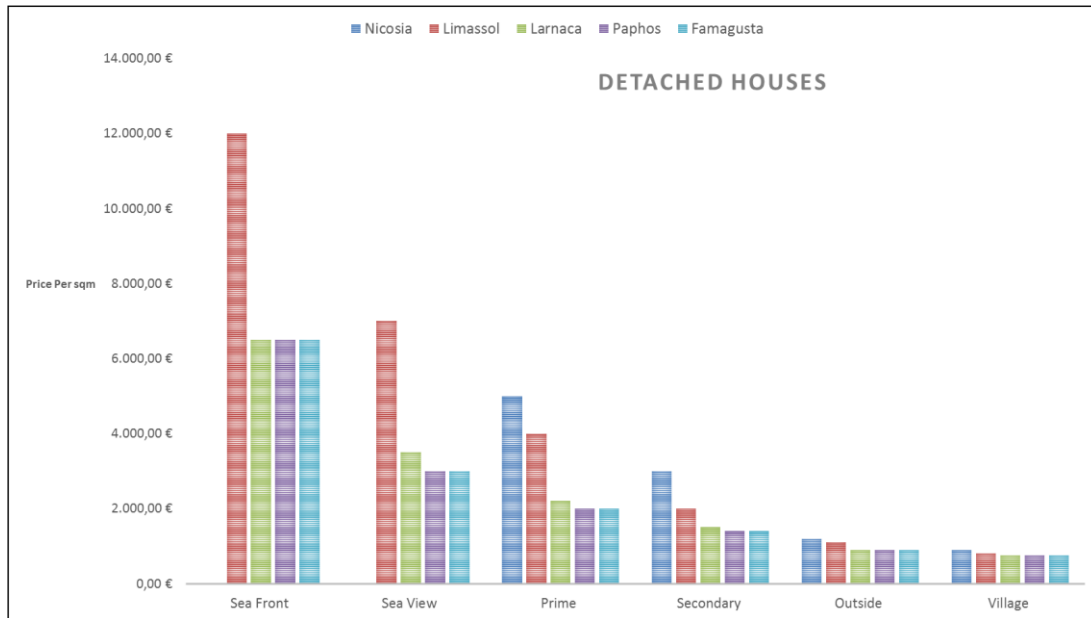
An increase in sales of residential properties in all Districts has been recorded during the 2nd semester of 2017. The level of Demand is higher to 'end products' rather than fields.

The main interested in buying residential products are by foreigners who choose Cyprus for the purchase of their second/holiday home or investors, who are taking advantage of the incentives given by the government to obtain a passport, mainly buy residential products (apartments, houses) in the coastal areas or in prime locations in Nicosia.

Prices of residential real estate for the 2nd semester of 2017 have remained stable.

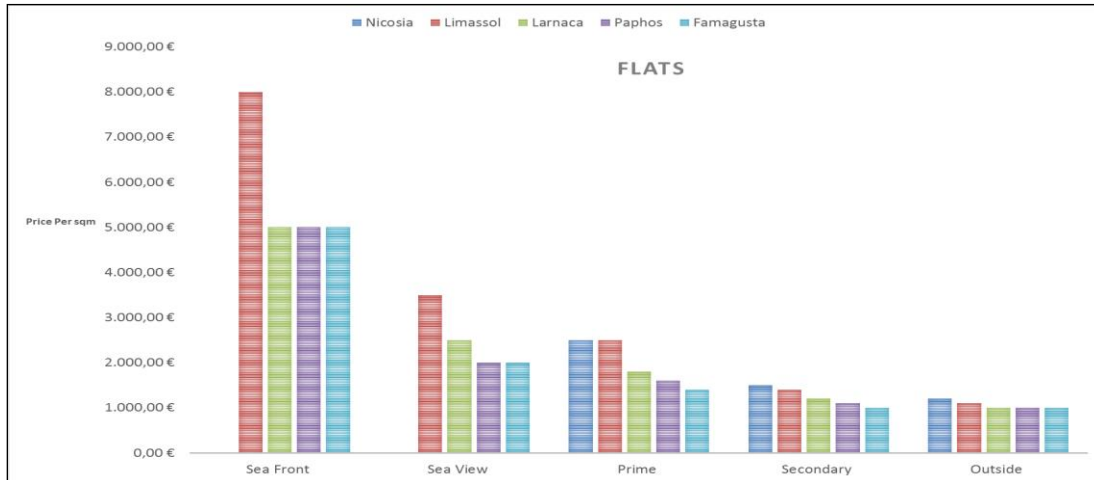
Prices of Residential Sector – 2nd Semester 2017

Characteristics: Independent house with high quality materials, up to 5 years old.



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Characteristics: Flats with high quality materials, up to 5 years old.



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4. Retail Market

Retail development concentrates in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos).

Over the 2nd term of 2017, the occupancy in the major commercial roads has been increased. The main tenants are the Greek clothing and footwear chains.

However, the attractiveness of the consumers by Malls or Department stores is still in high levels due to the fact that the consumers are attracted by the more convenient conditions to do their shopping combined with entertainment and fun. The convenience of easy parking, accessible to all climatic conditions, makes a visit to a single spot where one finds shopping entertainment and eating out under one roof, make malls the ideal place suitable for all ages.

Retail Markets- Rentals 2nd Semester 2017

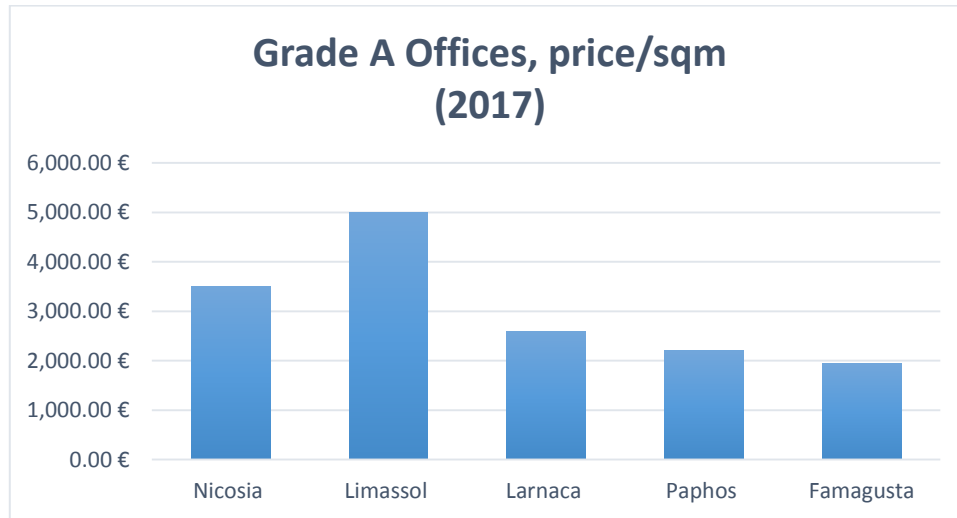
Street	City	Rent price sq.m/month (€)
Arhiepiskopou Makariou	Nicosia	20-25
Stasikratous		20-25
Ledras		30-35
Anexartisias	Limassol	20-40

5. Office Market

During the 2nd half of 2017, the office market in Cyprus appears to be stable.

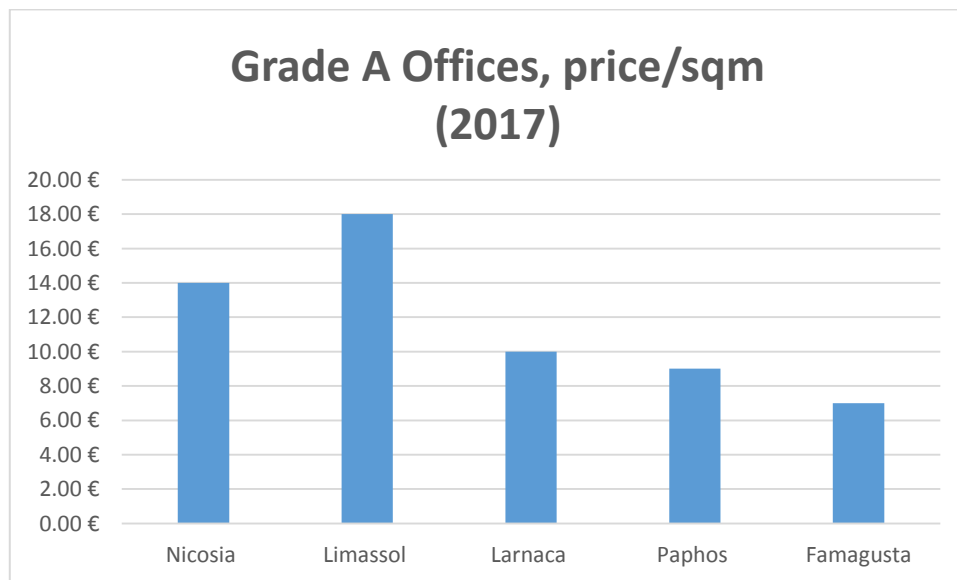
In 2017, Grade A offices show a particular demand for rent, the investment return is between of 5.5% - 7%.

Offices' prices



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Offices' Rent prices (per month)



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6. Industrial Market

The recovering of the supply market lead to a positive development in the 2nd half of 2017. However, the supply still outweighs demand. The industrial and logistics market is under investigation by companies related to energy and transportation.

7. Property News

- The consortium Melco is expected to build a luxury Casino resort in Limassol, close to My Mall (Zakaki area). The casino is expected to open in 2021.
- Lanitis Group is planning to develop three towers (Lanitis Trilogy), 37 floors each, on Limassol's seaside. Each tower will be a combination of commercial and residential services (shops, offices, apartments). The main part of the buildings will be apartments.
- The expansion of The Mall of Cyprus, to be completed in 2018, will cost over 25 million Euros. New stores will be added on the Northwest division.
- In the process of finalizing town planning and regulations which will determine the development potential within the British Bases.
- Makronisos Marina in Ayia Napa is in progress. Additionally, after two years of negotiations the Cypriot Authority and the Zenon Consortium Company have reached an agreement to upgrade the Larnaca's port and to develop the new Marina for a total construction cost of € 700 million.
- Limassol Del Mar: With a height of 107 meters and 27 floors, Limassol Del Mar has been described as the most ambitious development projects planned in Cyprus and the second tallest building in Limassol.
- ONE: The construction of ONE in Limassol by Pafilia Property Developers is expected to be completed in early 2020. It is the tallest coastal, residential building in Europe.
- Nicosia: With a height of 115 meters and 30 floors, Nicosia's highest work, Cyfield's <360>, erected on Makariou Avenue, is expected to be completed in early 2019. The total value of the building exceeds € 80 million. It will host apartments, stores.
- New Mall in Anthoupoli with a total area of 82,000sq.m. is expected to open in the last quarter of 2018. NICOSIA MALL.
- Lynne opened in Anexartisias, Limassol their 3rd shop.
- Best For franchise opened in Larnaca and Limassol.
- Apple is planning to open their 2nd store in Limassol.

8. Cyprus Real Estate Trends

RETAIL	
Demand	↑
Supply	↓
Rents	→
Short Term Outlook	↑

RESIDENTIAL	
Demand	→
Supply	↑
Rents	↑
Short Term Outlook	→

INVESTMENT	
Demand	↑
Supply	→
Rents	↑
Short Term Outlook	→

OFFICE	
Demand	↑
Supply	→
Rents	↑
Short Term Outlook	→

LOGISTICS	
Demand	→
Supply	→
Rents	→
Short Term Outlook	→

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS



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