



CYPRUS PROPERTY MARKET

1st semester 2018



Established in 1968, DANOS an Alliance member of BNP PARIBAS REAL ESTATE is the leading real estate services company in Cyprus. We provide our clients with real estate consultancy services across the market of Cyprus, Greece and Serbia. We pride ourselves in offering a professional service that places our clients first.

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1. Economic outlook and Real Estate Sector

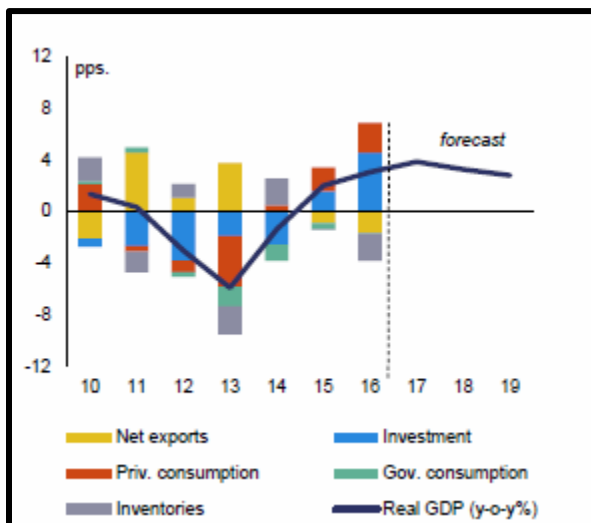
Cyprus is experiencing strong economic growth and the labour market is rapidly improving. Real GDP growth was robust in 2017 at 3.8 % driven by domestic demand, in particular private consumption. Investment was mainly concentrated on construction linked to the tourism boom and the recovery of the real estate sector. Employment rate rose by 2.5 pps in 2017Q3 year on year, standing at around 71.5 %, while the unemployment rate decreased significantly to 10.5 %. Inflation started to turn positive even through at low level. In 2018, economic growth remain will be strong but decelerate to 3.2 %.

GDP



Source: CBC

Real GDP and contribution to growth



Source: European Commission

Economy of Cyprus – Indicators

- The Cyprus Economy continues the recovery path.
- Real GDP is expected to continue to increase significantly in 2018 and 2019, although at a moderate slowdown, supported mainly by strong private consumption and investment.
- Inflation (HICP) in May 2018 increased by 1.0% compared to May 2017. For January-May 2018 it is -0.3%. The overall picture of the economy in the first half of 2018 is more positive than expectations.
- The growth rate of the economy in the first quarter of 2018 is positive and is estimated at + 4.0% compared to the relevant quarter of 2017. After GDP and seasonal fluctuations, the growth rate is estimated at + 4.0%. Growth is mainly attributable to "Hotels and Restaurants", "Retail and Wholesale", "Construction", "Processing", "Professional, Scientific and Technical Activities" and "Administrative and Support Activities".
- The challenges for the Cyprus Economy continue to exist and leave no room for complacency.

Unemployment Rate

Cyprus recorded the largest annual decline in unemployment in the EU in March 2018, compared with 9.1% versus 12.3% in March 2017, according to the Eurostat Statistical Office of the European Union.

According to Eurostat data released, the annual adjusted unemployment rate in the euro area (EA19) was 8.5% in March 2018, stable compared to February 2018 and fell from 9.4% in March 2017. This is the lowest rate in the euro area since December 2008.



Source: Eurostat

Banking Sector

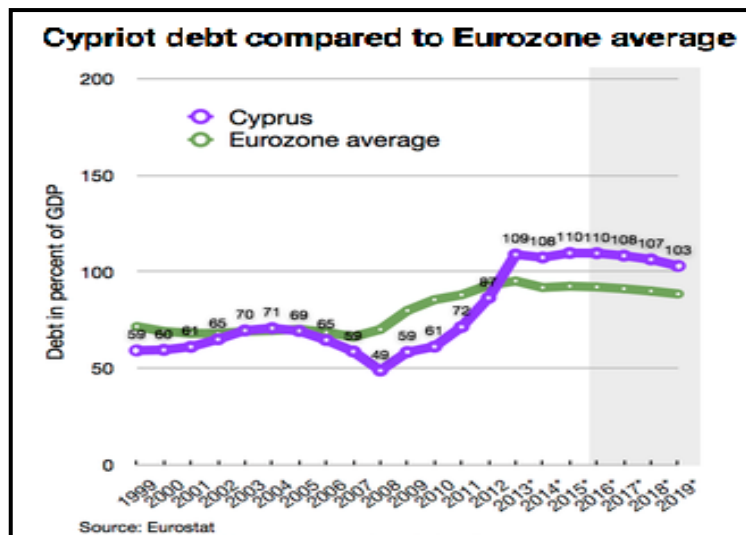
The developments around the Cyprus banking system have been continuous and static (starting with the closure of Laiki Bank) in recent years, followed by the Co-operative Cyprus Bank, which is expected to welcome the Non-Performing-Loans sector.

At the same time (and although significant changes such as mergers, shop reductions and a reduction in the number of employees) have taken place, further narrowing of the banking sector is considered to be a one way option.

The current level of NPL is a brake on bank growth as it reduces their profitability, while consuming a significant amount of their capital and many resources (personnel and systems) that could be used in purely banking.

The high level of non-performing loans (NPL) remains the main weakness of the banking sector and affects the supply of credit.

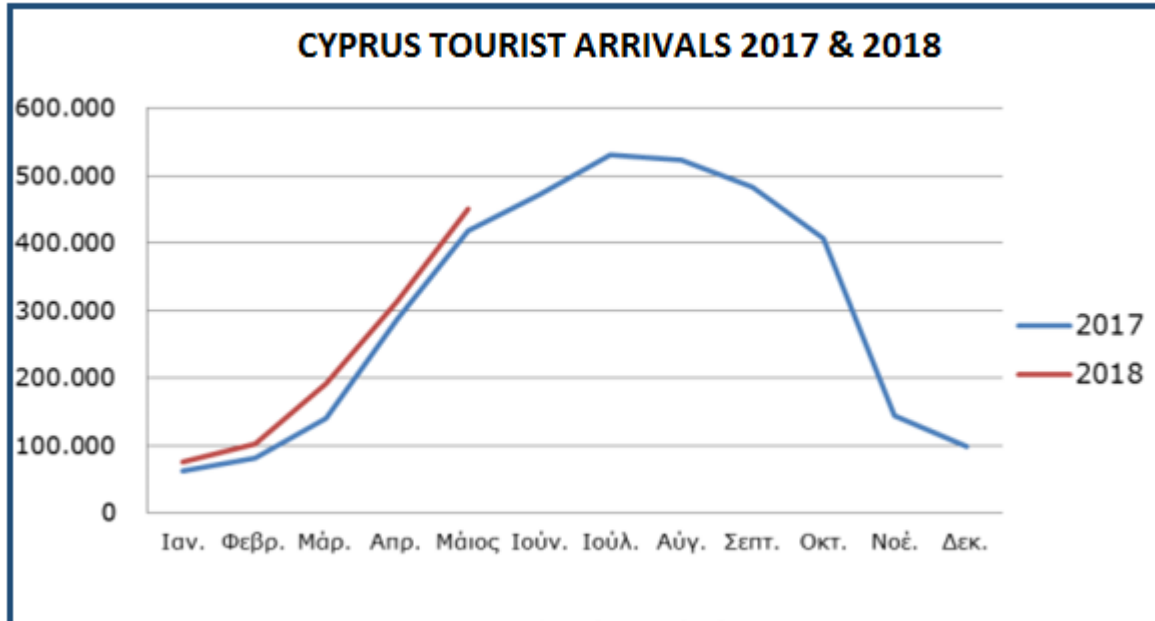
Banks are improving their fundamentals, but they still face challenges in terms of performance.



Tourism

The tourism sector is one of the stable pillars of the Cypriot economy. Based on the results of the Passengers Survey, arrivals of tourists in May 2018 amounted to 450,495 compared to 418,732, an increase of 7.6%. The arrivals of May 2018 were the highest we had in Cyprus to date in May.

For the period January - May arrivals of tourists reached 1.134.076 compared to 990.756 in the corresponding period of 2017, marking an increase of 14.5% but also exceeding the arrivals that were never recorded in Cyprus during the first five months of the year. Cyprus is living a tourist season of intense growth.



Source: SSC

2. Cyprus' Property market

Property sales are booming in the first two months of 2018, according to figures released by the Land Registry, showing the rapid growth of the land market.

An important factor that has influenced the domestic real estate market and the real estate market is foreign investors, as well as the improved economic climate coupled with government tax measures, mainly the naturalization plan, significantly increase property sales, while the relaxation of criteria by banks for lending.

According to data, in February 2018 the number of sales documents deposited in the land register reached 666 from 456 in February 2017, marking an increase of 46%. In January 2018, the rise stood at 64%.

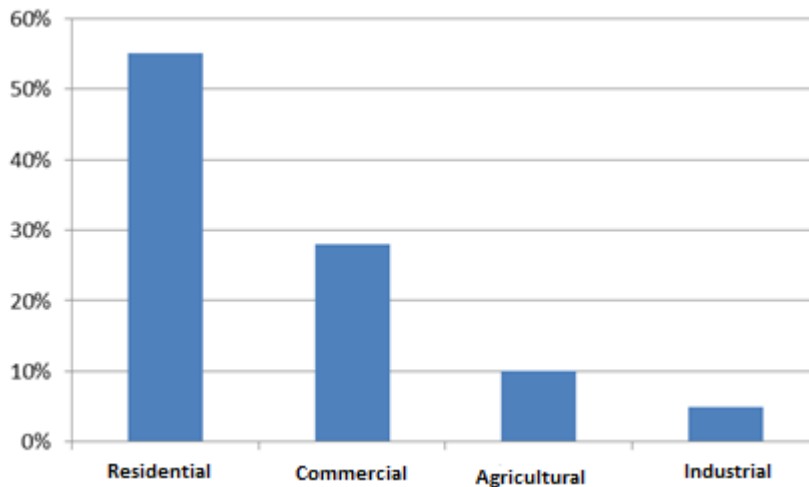
SALES – Source: DLS



In 2018, the upward course of development that began in 2017 will continue throughout Cyprus, particularly in the coastal areas.

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

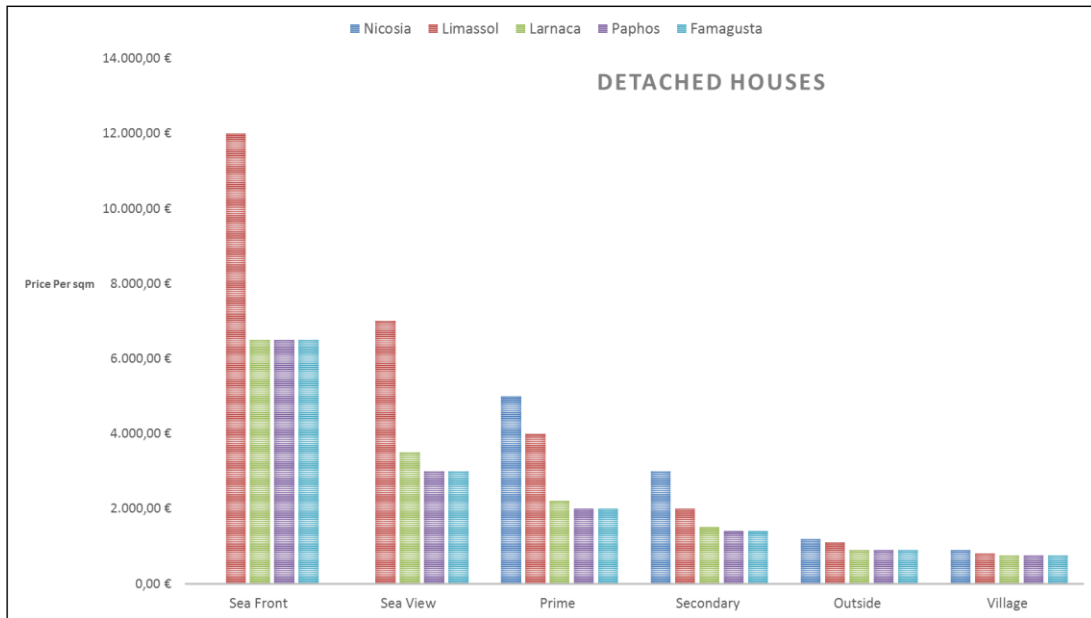
An increase in sales of residential properties in all Districts has been recorded during the 1st semester of 2018. The level of Demand is higher to 'end products' rather than fields.

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 1st semester of 2018 have remained stable.

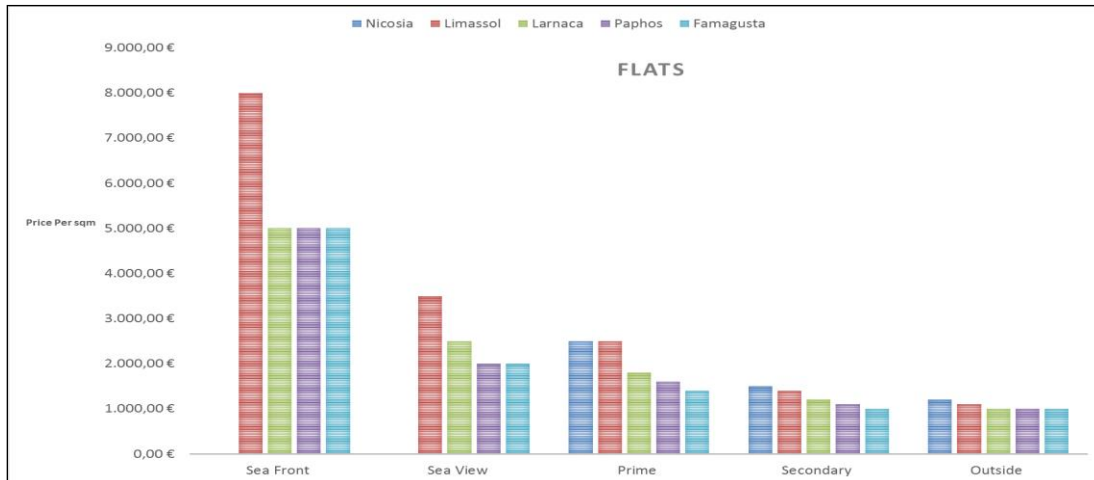
Prices of Residential Sector – 1st Semester 2018

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 1st term of 2018, the occupancy in the major commercial roads has been increased. The main tenants are the 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 1st Semester 2018

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

Source: Danos an Alliance Member of BNP Paribas Real Estate

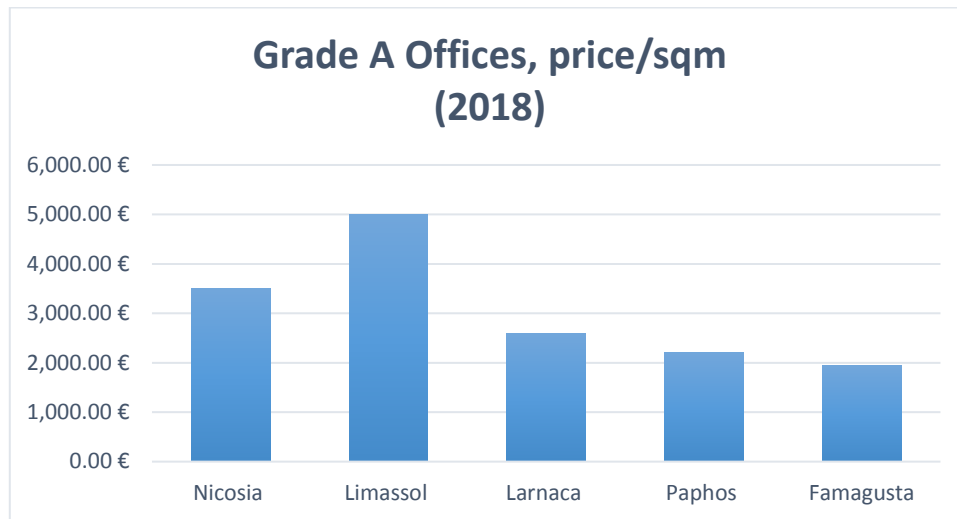
5. Office Market

During the 1st half of 2018, the office market in Cyprus appears to be stable.

In 2018, Grade A offices show a particular demand for rent, the investment return is between of 5.5% - 7%.

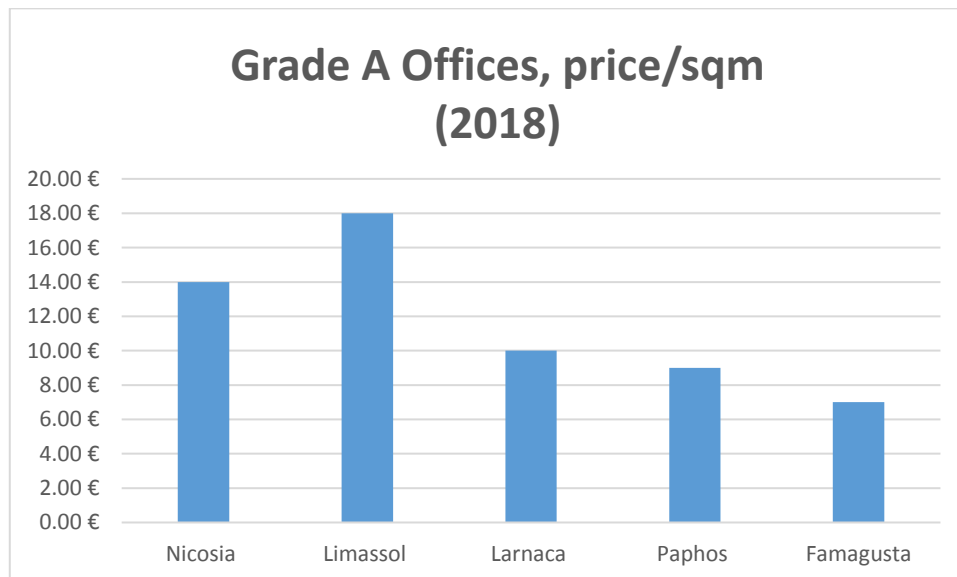
Organization such as the IRIS, the Agents Association, EAC, The Department of Registrar of Companies and others are actively looking to relocate their services to Class A office premises.

Offices' prices



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Offices' Rent prices (per month)



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6. Industrial Market

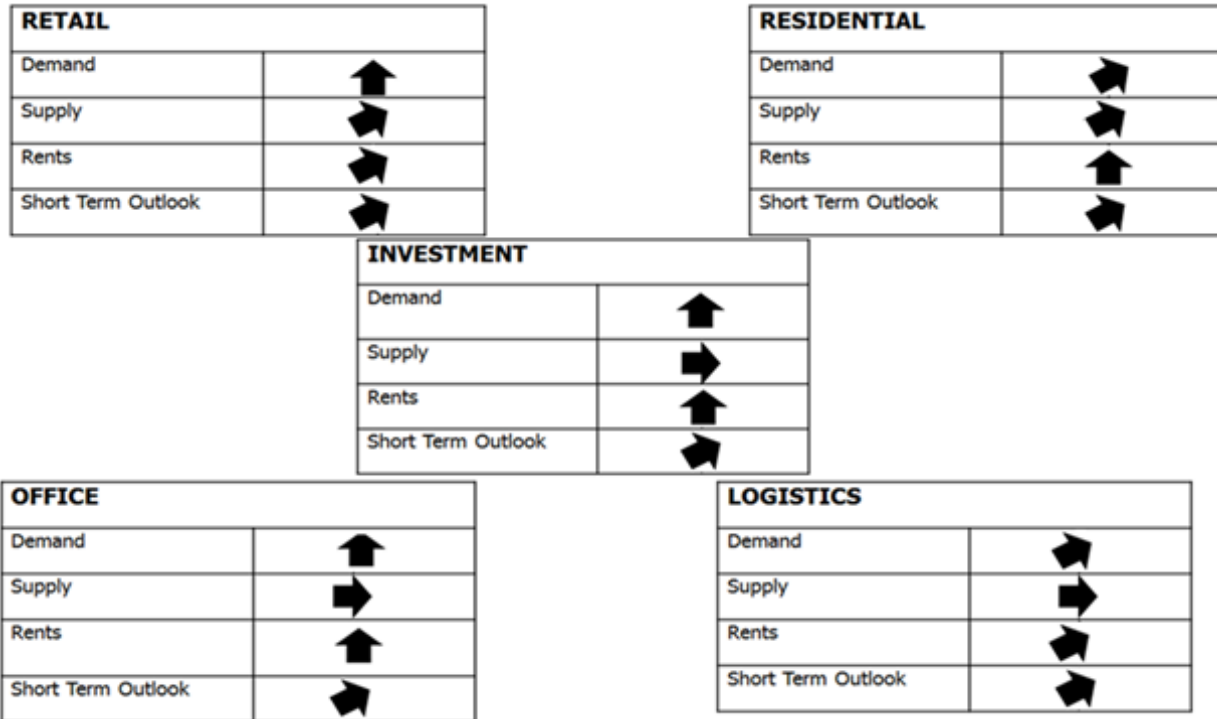
The recovering of the supply market lead to a positive development in the 1st half of 2018. However, the supply still outweighs demand. The industrial and logistics market is under investigation by companies related to energy and transportation.

7. Property News

- Sun City Spa Resort & Residences in the Famagusta province is the first complex of mixed tourism that combines residential units and five-star hotels and aims to become a real quality destination. The project, which was begun construction in June 2017, is on the rise as the building has already reached the 5th floor.
- Aristo Developers has completed the design and is developing a yet more sophisticated project. The new project of the group, called View Point Hills, consists of 40 luxurious villas of 7 different architectural types.
- In the heart of Limassol, near Neapolis, the new project of Imperio Properties will be erected. This is a development, consisting of eight, two or three bedroom apartments spread over four floors. The construction of Mondrian Residences is expected to begin within the next two months, and according to the plan, it will be completed in April 2020.
- Pafilia Property Developers presents Aria Residences, its new luxury project with impressive residences on the hill of Agios Tychonas in Limassol.
- Cybarco, a leading luxury development company, announced the start of sales and construction work of the second phase of Akamas Bay Villas, located in the most idyllic area of Cyprus, near the Akamas peninsula.
- In a privileged location of the Makenzi area, between the beach and Aliko, the new development of the Cyfield Group is being erected. The Althea building is the 3rd project of the Group in Larnaca.
- The Planet Vision and Oxley Holdings are preparing to add another project to international standards on the Limassol coastline. The joint venture has already acquired a land plot of 110,000 m² next to Park Lane (formerly Meridien), where a luxury hotel under the name of a well-known chain will be erected, with 250 rooms and two 20-storey towers with 100 apartments as an extension of the hotel.
- The new tender announced by the Department of Lands and Surveys was also awarded to DANOS Valuations L.L.C. The tender concerns the "Processing of valuation services for calculating values per square meter. land by urban area and designation of specific areas with their respective value per square meter at prices 01.01.2018 "

- The DANOS Group - An alliance of BNP PARIBAS REAL ESTATE, works with Hermes Airports Ltd in the field of consulting services for the commercial development of the available areas at Larnaca International Airport, ie 360,000 sqm.
- Luxury seafront projects of Leptos Estates, ADONIS BEACH VILLAS, ISONAS BEACH VILLAS and CORAL SEAS VILLAS in Paphos, LIMASSOL DEL MAR in Limassol and VIKLIA BEACH VILLAS in Crete, five of them most impressive and modern residential and apartment complexes, for the time being in Cyprus and Greece, which are right next to the sea.
- The acquisition of a centrally located hotel in Nicosia, very close to the commercial center of the city, was followed by the NBG / Pangea, which plans to rebuild it completely. The company announced that it acquired 100% of Lasmane Properties Ltd, the owner of Holiday Inn, which is no longer operational.
- The first licensed casino in the Republic of Cyprus, under the name "Cyprus Casinos" (C2) is now a fact and since 28/06/2018 has begun to welcome the public. The temporary casino, located on 271 Franklin Roulavel Boulevard in Zakaki, Limassol, operates according to Cypriot legislation, regulations and "based on Melco's high professional standards with emphasis on responsible gambling," the announcement says.

8. Cyprus Real Estate Trends



Source: Danos an Alliance Member of BNP Paribas Real Estate

INTERNATIONAL COVERAGE FOR LOCAL SOLUTIONS



GREECE

Athens
15 Vouliagmenis Ave., 116 36
Tel.: +30 210 7 567 567
Fax: +30 210 7 567 267
office@danos.gr

Thessaloniki
4 Ionos Dragoumi Str., 546 24
Tel.: +30 2310 244962
Fax: +30 2310 224781
info.thes@danos.gr

Crete - Chania
3 Iroon Polytechniou Str., 731 33
Tel. :+30 – 28210 50900
Fax: +30 – 28210 59700
info.crete@danos-melakis.gr

Crete - Heraklion
7 D. Beaufort Str., 712 02
Tel.: +30 2810 282822
Fax: + 30 2810 282822
info.crete@danos-melakis.gr
www.danos.gr

SERBIA

Belgrade
Milutina Milankovica Street 9ž/l,
11070 New Belgrade
Tel.: +381 11 2600 603
Fax: +381 11 2601 571
office@danos.rs
www.danos.rs

CYPRUS

Nicosia
35 I. Hatziosif Ave., 2027 Strovolos
Tel.: +357 22317031
Fax: +357 22317011
sales@danos.com.cy

Limassol

69 Gladstonos Str., 3040 Acropolis
Centre, Shop 10
Tel.: +357 25343934
Fax: +357 25343933
limassoldanos@danos.com.cy
www.danos.com.cy

www.danos-group.com

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