



Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

CYPRUS PROPERTY MARKET

2nd Semester 2019



An alliance member of
 **BNP PARIBAS
REAL ESTATE**



1. Economic outlook and Real Estate Sector

The GDP growth rate in real terms during the third quarter of 2019 is estimated at +3.4% over the corresponding quarter of 2018. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at +3.4%.

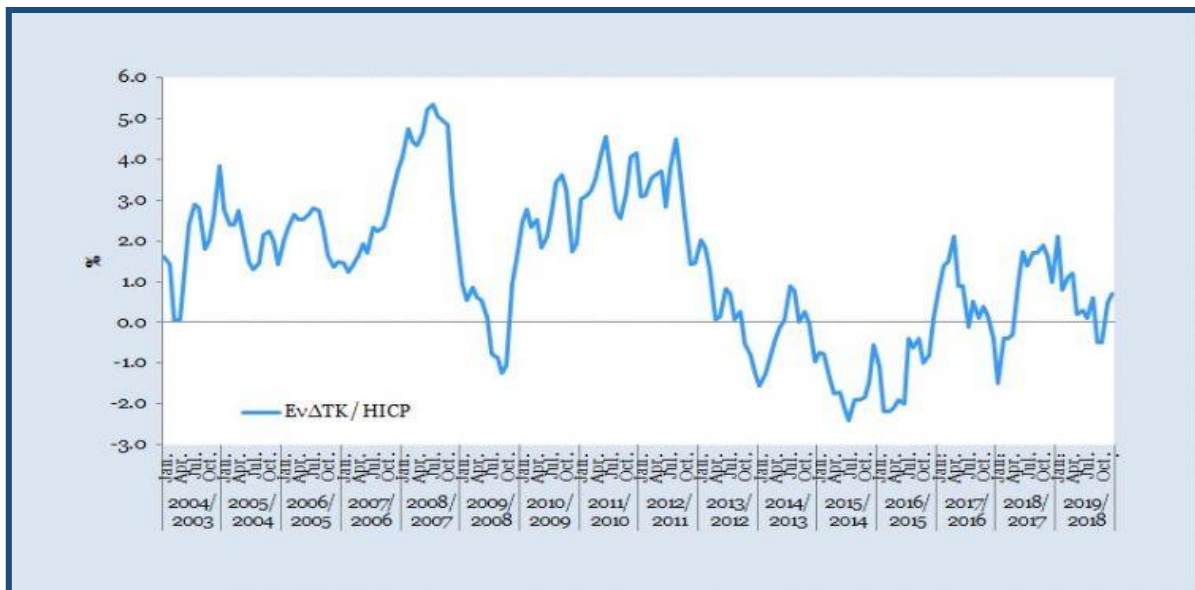
The increase of the GDP growth rate is mainly attributed to the sectors: "Construction", "Information and Communication", "Professional, scientific and technical activities", "Administrative and support service activities" and "Arts, Entertainment and Recreation". Negative growth rate was recorded by the sector "Financial and Insurance Activities".



Source: MOF

Economy of Cyprus – Indicators

- The Cyprus Economy continues the recovery path.
- Inflation (HICP) for December 2019 increased by 0.7% when compared to December 2018. For January-December 2019 the HICP increased by 0.5% compared to the corresponding period of the previous year.
- The challenges for the Cyprus Economy continue to exist and leave no room for complacency.

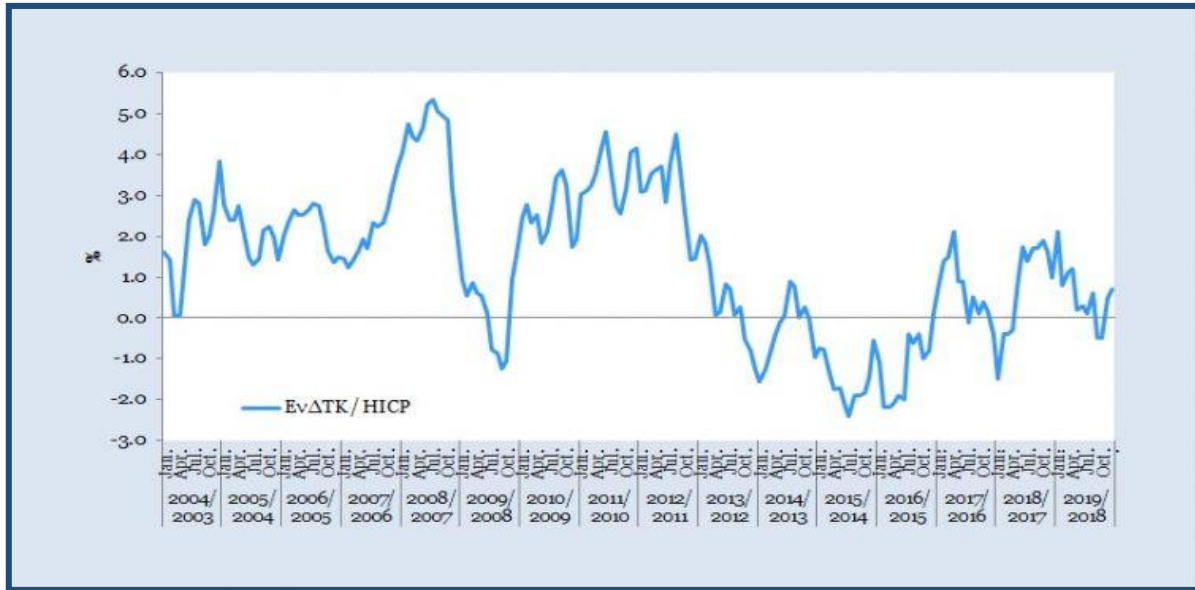


Source: MOF

Unemployment Rate

Labour Force Survey (LFS) unemployment, in monthly seasonally adjusted terms, increased to 7.7% in November 2019 compared to 7.5% in November 2018.

The euro area seasonally adjusted unemployment rate (EA19) was 7.5% in November 2019, stable compared to October 2019 and decreased by 7.9% in November 2018, remaining the lowest in the zone. Of the euro since July 2008, according to data released by Eurostat, the EU's statistical office.



Source: MOF

Banking Sector

The Central Bank of Cyprus sees certain downward risks to the Cypriot economy, despite the positive course of economic activity and the continued robust economic growth.

On developments in the banking sector in 2019, the CBC reports that banks continue their efforts to consolidate their balance sheets from Non-performing Loans (LCSs) while still fueling the real economy with new lending, stressing, however, that At the same time, the "even greater challenge" for banks is the fact that a large proportion (46%) of LCs are over 5 years behind, compared with 17% in Europe.

Credit institutions need to step up their efforts to fully consolidate their balance sheets, taking advantage of continued economic growth and the consequent rise in the real estate market. The overall course of the economy and the banking system is positive, however, noting that despite progress, "macroeconomic imbalances and distortions created in the past have not been completely eliminated".

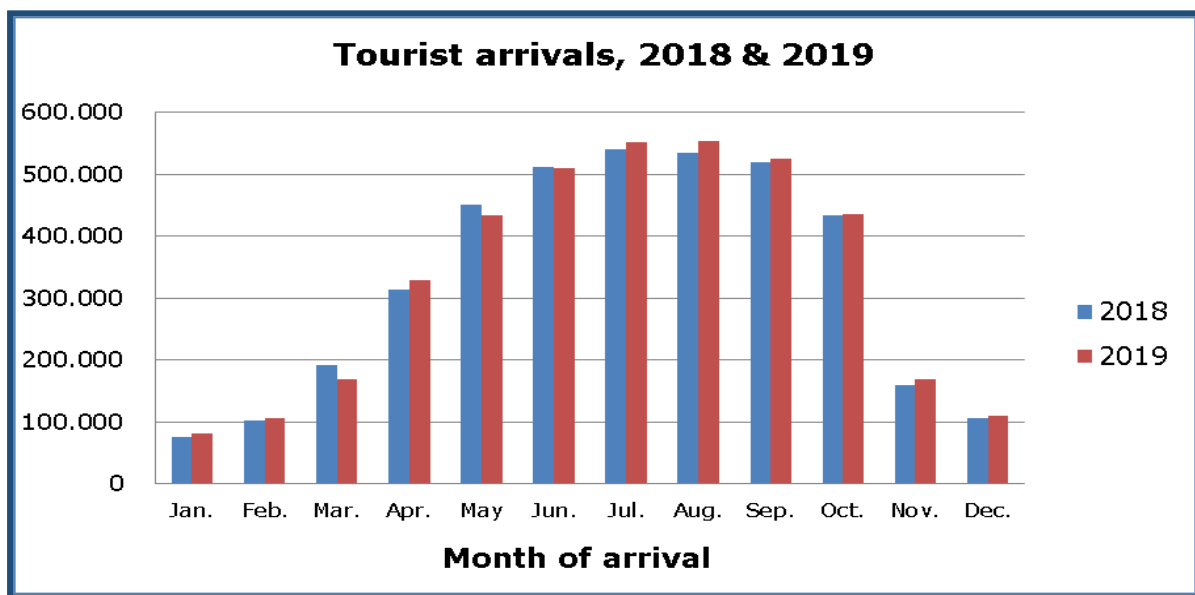
"There are still significant outstanding issues, in particular with regard to the necessary corrective changes awaiting their implementation," he said, stressing that "the restructuring of the economy and the reform and strengthening of the banking system have not yet reached levels that guarantee their full protection against existing or future risks. "

Tourism

The arrivals of travelers in November 2019 reached 309.952 compared to 261.765 in November 2018, recording an increase of 18,4%. The increase is mainly attributed to the arrivals of tourists (6,7%) as well as the return of residents of Cyprus (14,7%). An increase in the arrivals of travelers (3,0%) was also recorded in October 2019 when travelers reached 582.861.

For the period of January – December 2019 arrivals of travelers totaled 5.503.315 compared to 5.301.583 in the corresponding period of 2018, recording an increase of 3,8%. During the same period, an increase of 0,9% was recorded in tourist arrivals and 8,3% in the return of residents of Cyprus.

Concerning the departures of travelers, an increase of 14,7% was recorded in November 2019 as compared to the corresponding month of the previous year, as well as an increase of 3,8% for the period January – December 2019.



Source: SSC

2. Cyprus' Property market

According to the latest data announced by the Land Registry May was the last month that the sales documents filed with the Land Registry exceeded those of last year. The downward trend continued in October and now, the whole year is in a negative sign. In October, 454 sales were down against 565, while for the full ten months, the annual decline touched 9%.

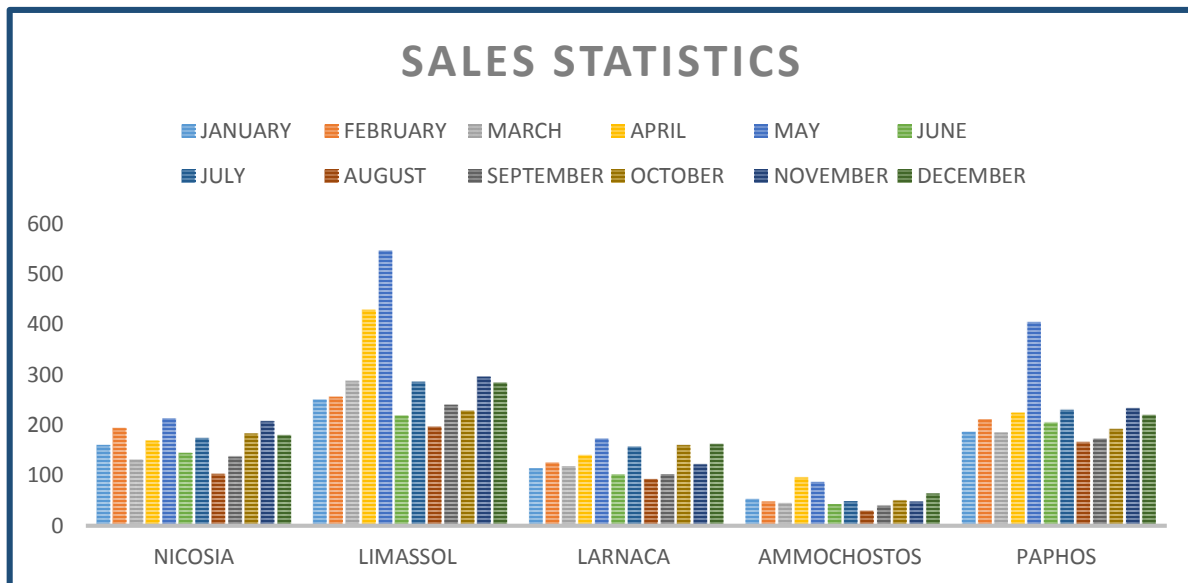
In Nicosia, October moved pretty badly, with the decline reaching 44% after only 70 out of 125 sales were submitted in the 10th month this year.

In Limassol, only 143 sales documents were submitted to the land registry offices compared to 181 in October 2011, down 21%.

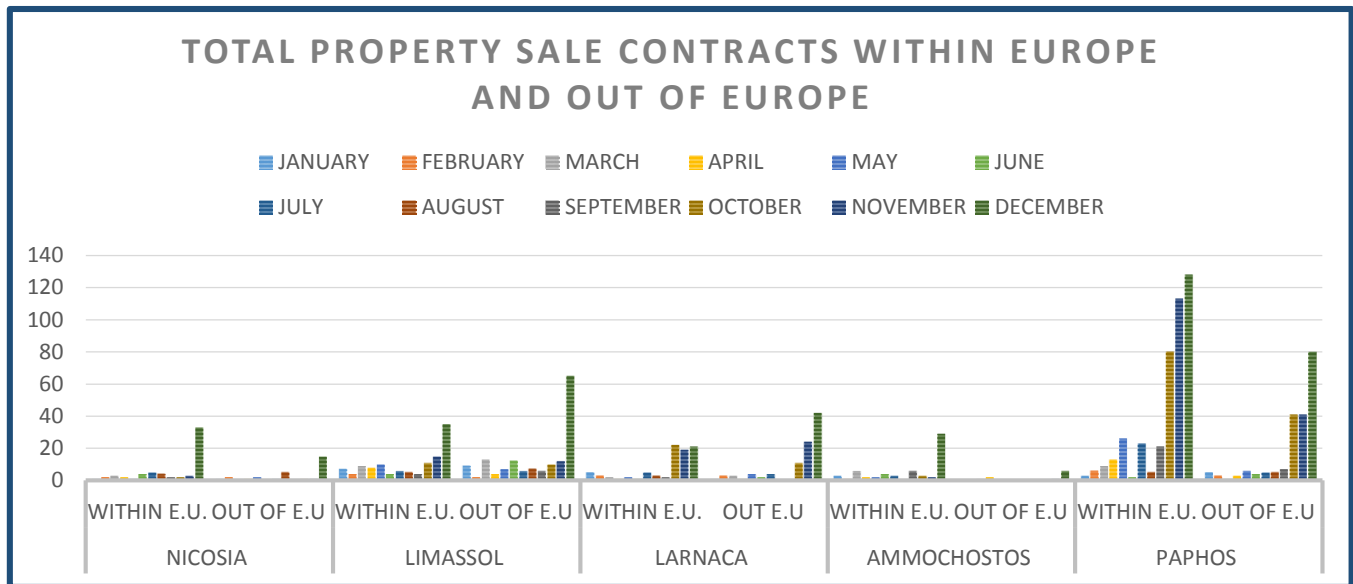
In Larnaca, the October drop was just 6% with sales down to 75 out of 80.

Sales declined by 26% in Famagusta Province with only 45 reaching the Land Registry.

Positive margin (3%) moved Paphos province in the month under review, with 121 sales documents versus 118.



Source: DLS



Source: DLS

Property Investment in Cyprus by Sector

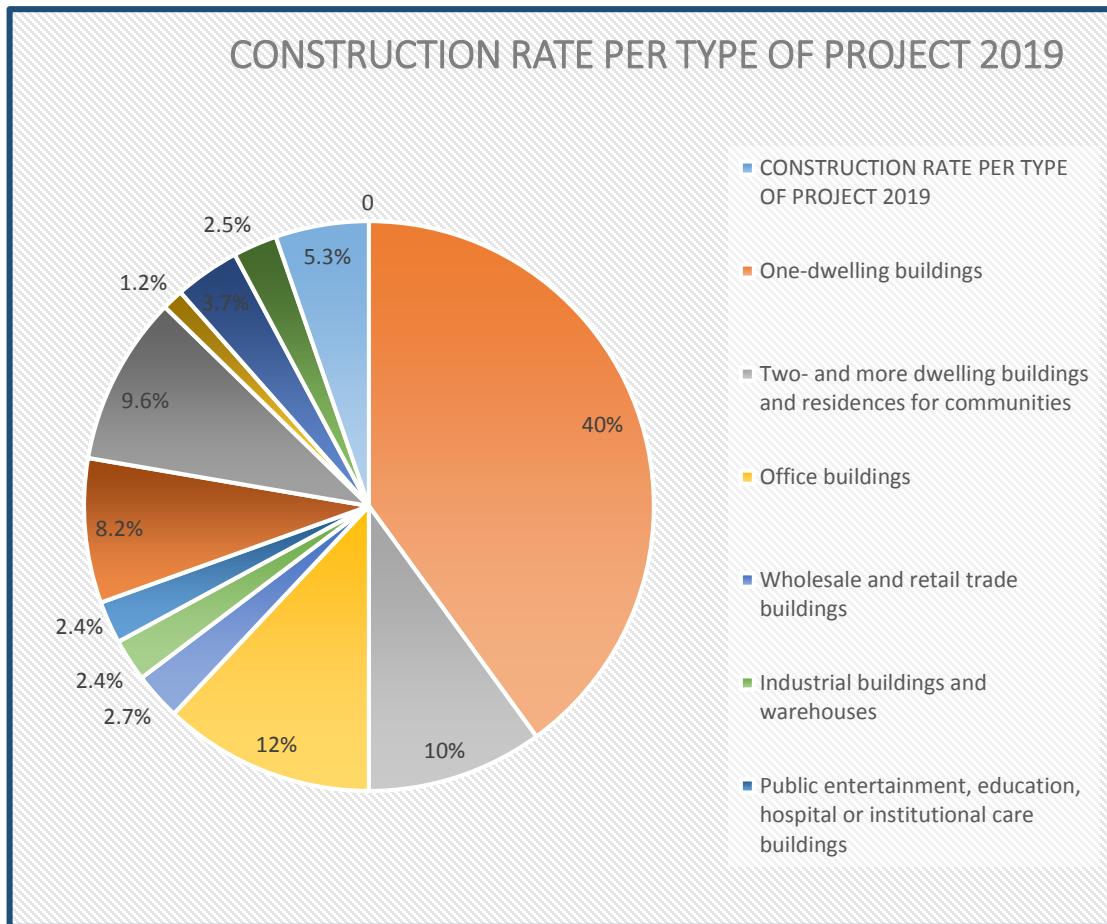
Unemployment reduction and particularly good prospects for achieving the goals of completeness of employment by 2020 are a very promising signal. The successes of the successful years that the tourism industry has been able to achieve are combined with multiple benefits in all areas. The natural and significant venture capital investments in many areas of Cyprus's ever-expanding economy are significant.

The real estate sector seems to be a home for many international investors. It combines stability, safety and attractive performance. Three rare features in an investment proposal that is becoming increasingly popular.

The result of this is the upward trend in house rentals of all categories. The income from renting houses and apartments due to low taxation and the lack of perfectly secure banking products are driving more and more people to boost their assets immediately and in the future by acquiring real estate in Cyprus to secure themselves and their future generations coming to an increasingly demanding reality.

All indicate that the new year will continue to attract not only individual foreign investors but also many companies specializing in land development.

The real estate and construction sectors have traditionally been important regulators of the country's Gross Domestic Product and the economy in general, as they absorb a significant portion of the labor force, especially during periods of recovery. It is noteworthy that the unemployment rate has fallen to close to 7%, due to the recovery of the sector and the economy of Cyprus in general.



Source: Danos an Alliance Member of BNP Paribas Real Estate

3. Residential Market

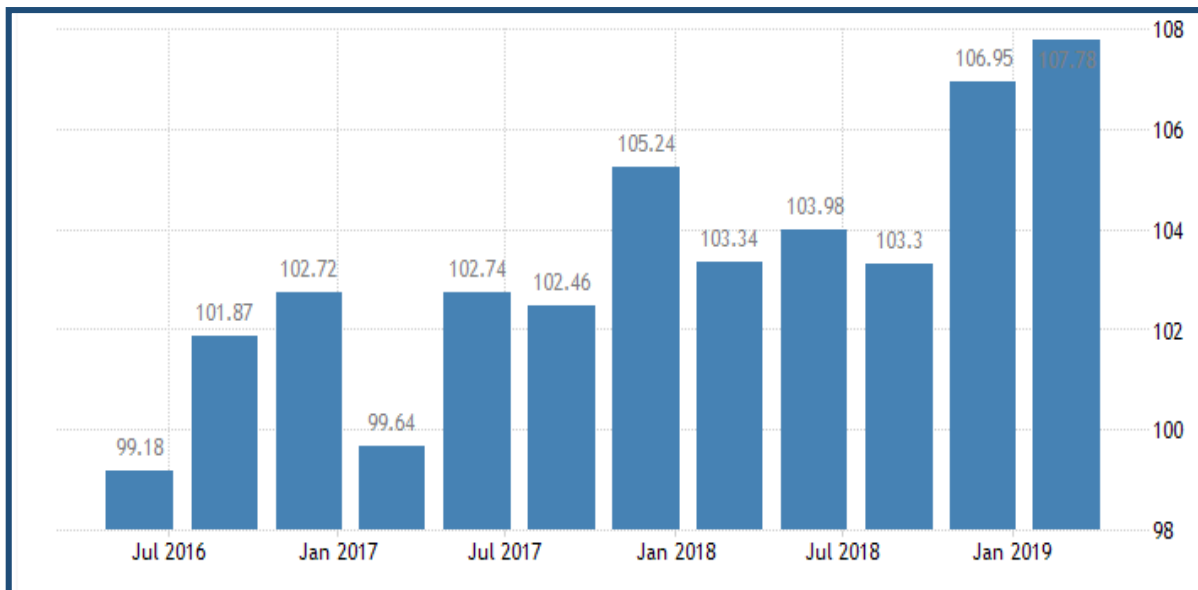
In the second half of 2019, sales of residential real estate continued to increase in all Provinces of Cyprus.

With low interest rates and a more volatile global stock market in recent years, residential real estate - with its stable returns and rising value - has become a hugely popular investment category and has emerged to provide some protection from uncertain financial prospects, as they will be less correlated with the financial cycle.

The Residential Sector has now become very attractive to investors who buy real estate in order to put it for rent.

Housing Index in Cyprus increased to 107.78 Index Points in the first quarter of 2019 from 106.95 Index Points in the fourth quarter of 2018.

Housing Index in Cyprus averaged 108.45 Index Points from 2005 until 2019, reaching an all-time high of 130.42 Index Points in the second quarter of 2008 and a record low of 93.41 Index Points in the first quarter of 2005.



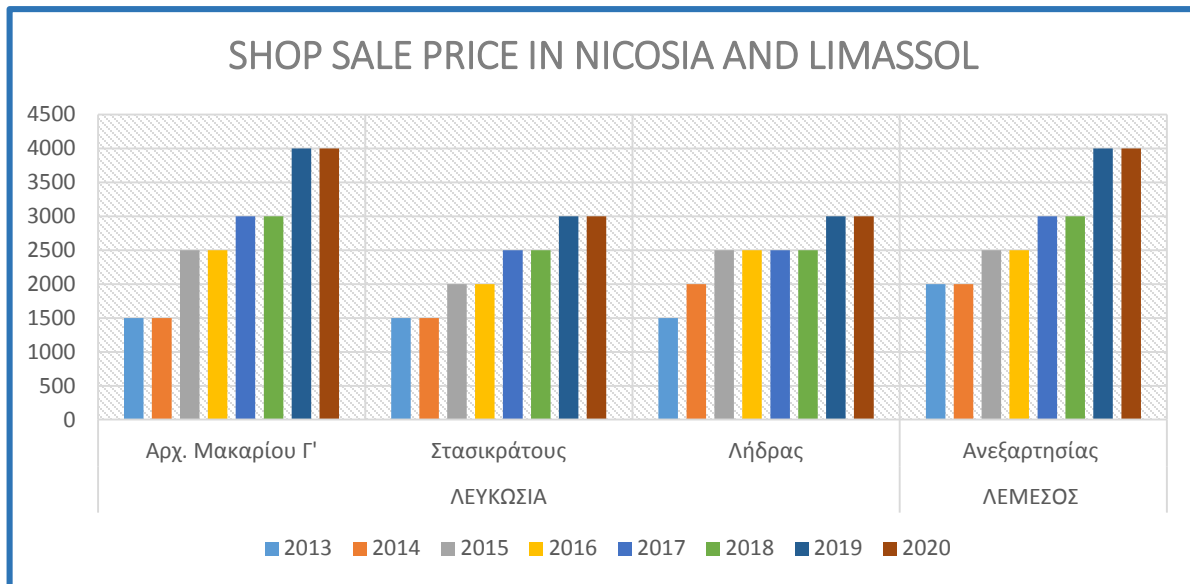
Source: SSC

4. Retail Market

The shopping market is concentrated in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos).

In the second half of 2019, the main thoroughfares of major cities have increased.

The increasing need of companies for modern, flexible and sustainable workplaces creates a huge gap in the office space market.



Source: Danos an Alliance Member of BNP Paribas Real Estate

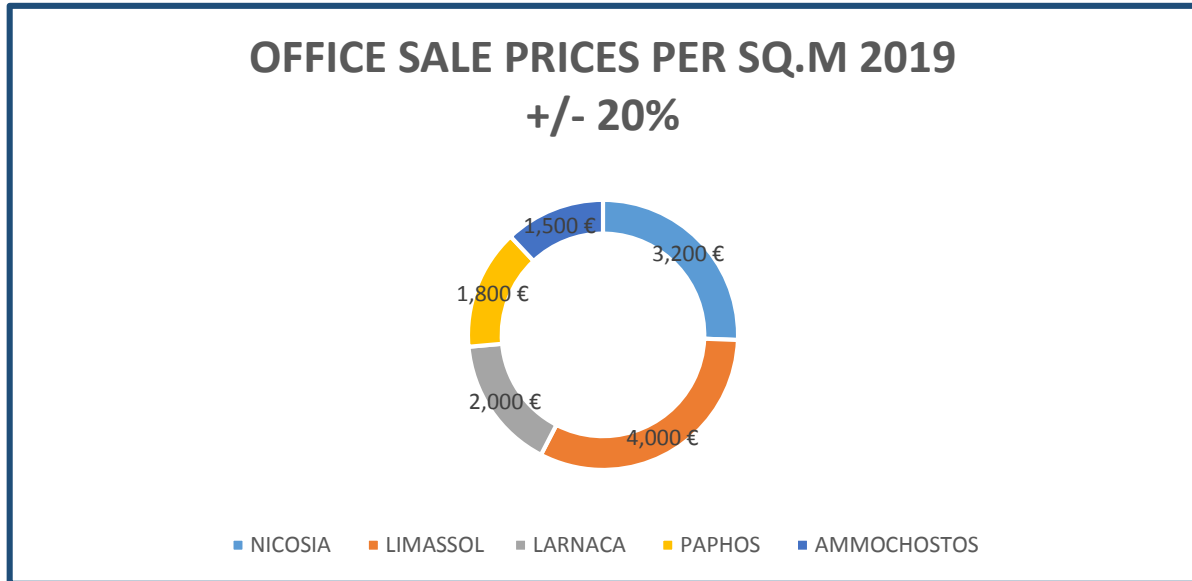
Retail Markets- Rentals 1st Semester 20^{±20%}

Street	City	Rent price sq.m/month (€)
Arhiepiskopou Makariou	Nicosia	12-60
Stasikratous		15-80
Ledras		20-120
Anexartisias	Limassol	20-80

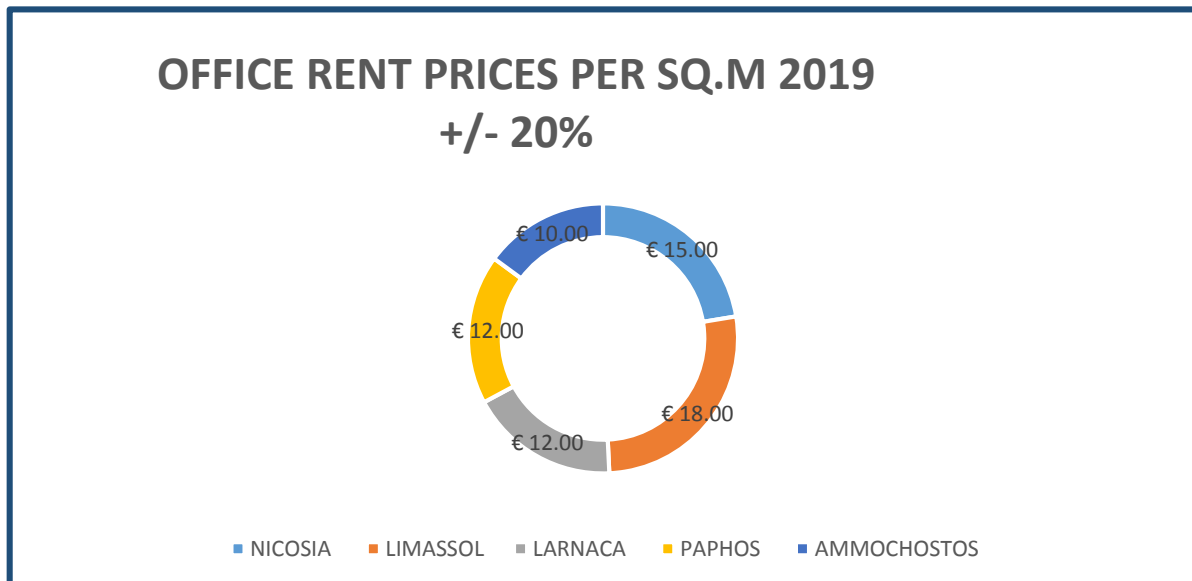
Source: Danos an Alliance Member of BNP Paribas Real Estate

5. Office Market

In the second half of 2019 the office market in Cyprus is growing significantly. In 2018 and beyond in 2019 there is a great deal of office development, with luxurious buildings some of which are in the final stages and others have undergone significant development work. The tall buildings that Cyprus has or will acquire in the near or distant future are expected to change its image. Offers of office space in central cities have now met the demand of previous years for good.



Source: Danos an Alliance Member of BNP Paribas Real Estate



Source: Danos an Alliance Member of BNP Paribas Real Estate

6. Property News

- A 71-meter-high residential tower in Germasogeia, to be ready in 2024, is being promoted by Mandarin Park Mediterranean LTD. This is a project called "Mandarin Park", which includes upgrading of three existing buildings and construction of a residential tower, which is estimated to cost € 16,385,000.
- The final line enters the licensing of one of the most imposing projects of the city of Zenon, the Larnaca Tower, which will be erected in the heart of the city and will consist of a 30 storey tower and a five-storey 10-storey hotel. The cost of the controversial project is estimated at € 170 million and is owned by Lanomex Co Ltd.
- Sun City: Work on the magnificent Sun City Spa Resort & Residences project in Ayia Thekla, near the Ayia Napa Marina, will consist of a state-of-the-art hotel complex, apartments and luxury residences. This is the first development project of the JimChang Global Group (JCG), an international group of companies based in Guangzhou, China and Hong Kong, which is expected to be delivered in the summer of 2020.
- Chrysomare: Diamond of Nissi Avenue in Ayia Napa is ready to open in 2020 at Tsokkos Hotels & Resorts. Chrysomare Beach Hotel & Resort 5 *, which stands out for its luxury and cosmopolitan character, is set on the magnificent Sandy Bay, one of the best beaches of Cyprus, blue-flagged with golden, fine sand.
- MAP: Nicosia's new MAP Hotel opens its doors. The smart design boutique hotel, owned by Cypriot businessman Marios Polycarpou, is located on Stasinou Street, in the former Zoo. The hotel has 30 luxurious rooms with a total of 70 beds, a fitness center, five-star spa services, a roof bar and the high-end gastronomic restaurant Scale, which has been in operation since early December 2019.
- Maralia: In April 2020, the new boutique hotel in Nicosia, located just outside the Venetian walls of Nicosia opens, offering views of the Old Town and the Pentadachtilos Mountains.
- Radisson Beach Resort Larnaca: The destination for weddings will be Radisson Beach Resort Larnaca, the former Princess Hotel on the coastal road Larnaca - Dekeleia from summer 2020. This is the first Beach Resort to be created by the Radisson Hotel Group worldwide. Radisson Larnaca Beach Resort, owned by Quality Group, will operate under the management of Sunnysseeker Hotels, one of the leading hotel management companies in Cyprus. The hotel's development and reconstruction work has a budget of over € 20m and aims to turn the hotel into a resort that will play a key role in the group's development throughout Southern Europe, the Middle East and Africa.

- Wyndham: The former Holiday Inn in downtown Nicosia is in the process of being completely renovated to reopen as Wyndham Nicosia. The hotel, which fell into the hands of PRODEA INVESTMENTS for € 11.2m after months of negotiations with the Bank of Cyprus Property Management Unit (REMU), remained closed for some time before it was sold. In addition, the cost of radical renovation and full restoration is € 5.9 million.
- An agreement between Blackstone Real Estate Partners Europe and the Louis Group to acquire five Greek hotel units in a transaction valued at € 178.6 million.



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