



Danos

INTERNATIONAL PROPERTY
CONSULTANTS & VALUERS

CYPRUS PROPERTY MARKET

1st Semester 2020



1. Economic outlook and Real Estate Sector

The GDP growth rate in real terms during the first quarter of 2020 is positive and it is estimated at +0.9% over the corresponding quarter of 2019. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at +0.8%.

The implementation of precautionary measures and relevant decrees to address the negative consequences of COVID-19 disease had a direct impact on the Cyprus Economy which exhibited a slowdown during the first quarter of 2020. The preventive measures applied concerned, amongst others, the restriction of citizen movements and the closure of enterprises of certain economic activities.

The sharp decline in GDP across Europe is now squeezing revenue for businesses, limiting cash flow and hurting effective capital and liquidity management.

Ensuring a steady cash flow through timely repayments is now more important than ever. Many businesses are in a state of survival as they have been forced to suspend their operations due to restrictive measures for the COVID-19 pandemic.

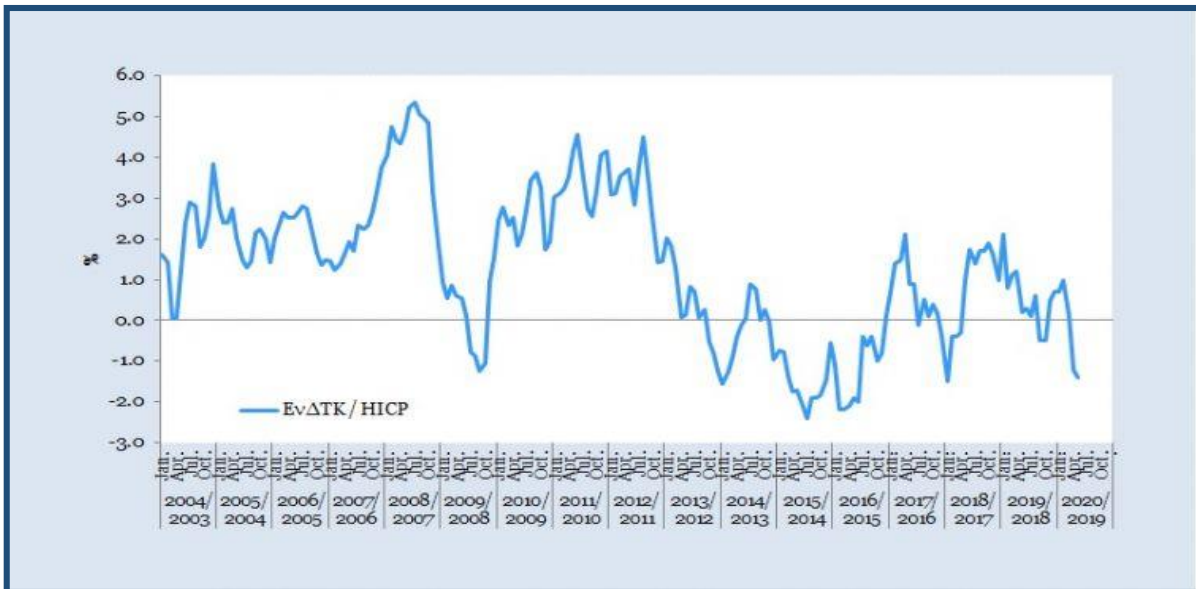
The long-term economic impact of COVID-19 on European real estate markets remains uncertain. However, in the short term, the crisis is already negatively affecting investors, putting them under financial pressure and hurting the economy. Lower incomes affect tenants' ability to pay on time.

Restrictive measures imposed by governments on travel, shopping, catering, exercise and other leisure activities have hit the tourism and leisure sector in Europe. Imprisonment measures are now being abolished across Europe, but it is possible that the pandemic will have a permanent impact on businesses in these sectors.



Source: MOF

Inflation (HICP) for May 2020 decreased by 1.4% compared with a decrease of 1.2% in April 2020. For January-May 2020 is at -0.2%.



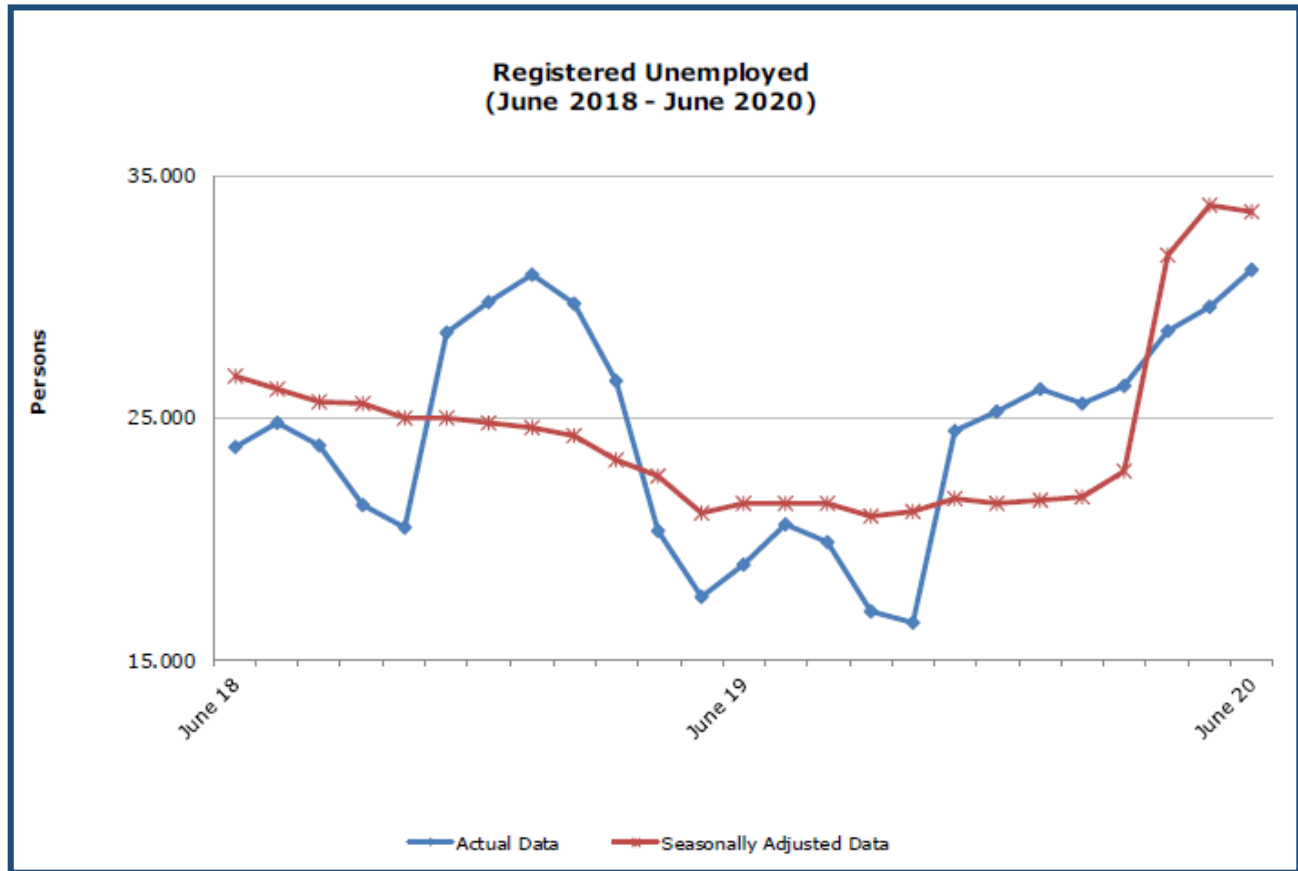
Source: MOF

Unemployment Rate

The unemployed persons, registered at the District Labour Offices on the last day of June 2020, reached 31.158 persons. Based on the seasonally adjusted data that show the trend of unemployment, the number of registered unemployed for June 2020 decreased to 33.538 persons in comparison to 33.797 in the previous month.

In comparison with June 2019, an increase of 12.198 persons or 64,3% was recorded, attributed mainly to the sectors of accommodation and food service activities (an increase of 6.880), trade (an increase of 1.757), transportation and storage (an increase of 820), administrative and support service activities (an increase of 635), professional, scientific and technical activities (an increase of 456) and arts, entertainment and recreation (an increase of 355).

It is noted that according to the information of the Department of Labour, the comparison of the data since March 2020 and onwards, with the data of the previous months is not considered objective. This is due to the implementation by the Public Employment Service of the extraordinary measures announced by the Ministry of Labour, Welfare and Social Insurance for automatic renewals of registered unemployed and new registrations of unemployed people without their physical presence in order to avoid the spread of coronavirus.



Source: SSC

GDP - Economy

The European Bank for Reconstruction and Development (EBRD) has downgraded its estimates for the course of the Cypriot economy in 2020 due to the corona virus.

The EBRD expects the economy to shrink by 6% this year and to grow by 5% in 2021. In November, the EBRD expected growth of 2.8% for this year.

The report stated that, based on the main scenario, GDP is expected to fall by 6.0% in 2020, with a recovery of 5.0% in 2021, as in March 2020, the government announced a € 700 million of financial support package.

According to the EBRD, in 2019, GDP growth in Cyprus slowed moderately but remained strong at 3.2%.

Investment, especially in the construction sector, has been one of the main drivers of growth, the report said.

Private consumption also remained stable throughout the year, given the strong economic climate and the improvement of market conditions. Unemployment rose to 6% in January 2020, seven percentage points below the peak of 2014. Despite a sharp recovery seen several years ago, Cyprus will be hit hard by the effects of the coronation pandemic, the report stated.

In addition, the closure of borders and the imposition of measures to reduce the transmission of the virus, have halted arrivals and tourist construction.

Given the country's dependence on travel and tourism (about 14% of GDP) and the traditional role of investment and financial services in supporting growth, the impact of the corona crisis is expected to last for some time.

The extent of the recession in 2020 will largely depend on the duration of restrictions on the movement of people in the United Kingdom and Russia, which together account for about half of the annual tourist arrivals. It will also depend on the ability of the government, for the implementation of financial support measures, the report concludes.

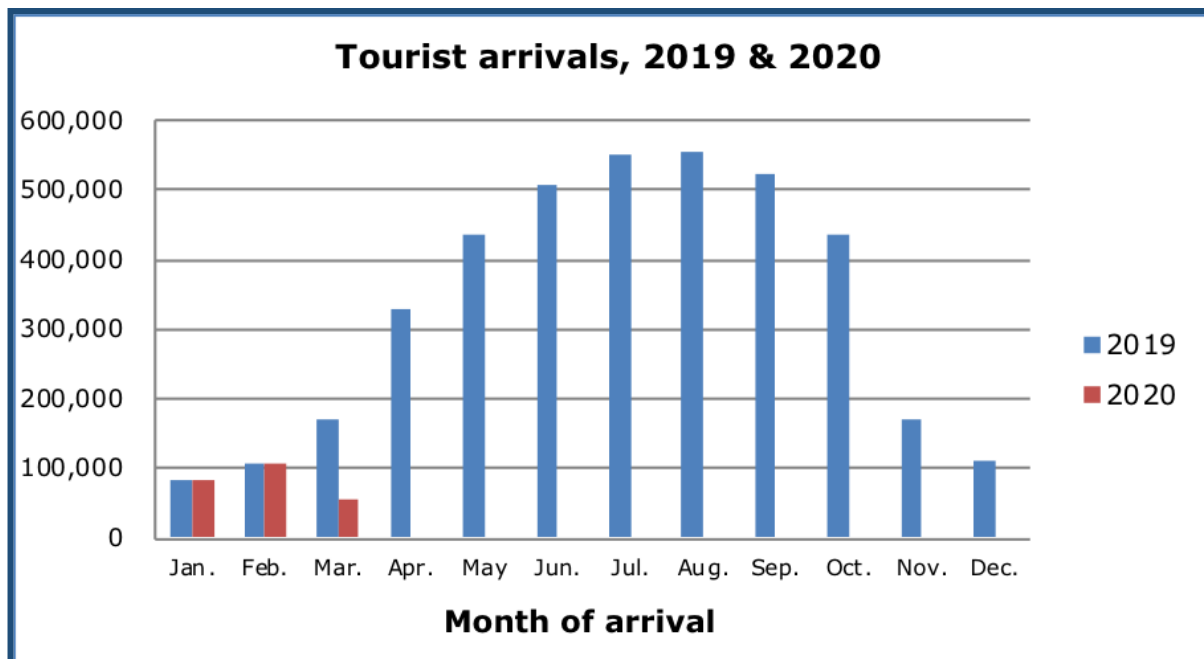
According to the EBRD, economies in all regions of the European Bank for Reconstruction and Development may shrink by an average of 3.5% this year due to the effects of the corona pandemic, with a possible recovery of 4.8% in 2021.

However, in its latest report on Regional Economic Outlook, the EBRD warned that these forecasts are subject to "unprecedented uncertainty".

The EBRD's main scenario is based on the prospect of a gradual easing of domestic measures to curb the virus and return to normality in the second half of the year.

Tourism

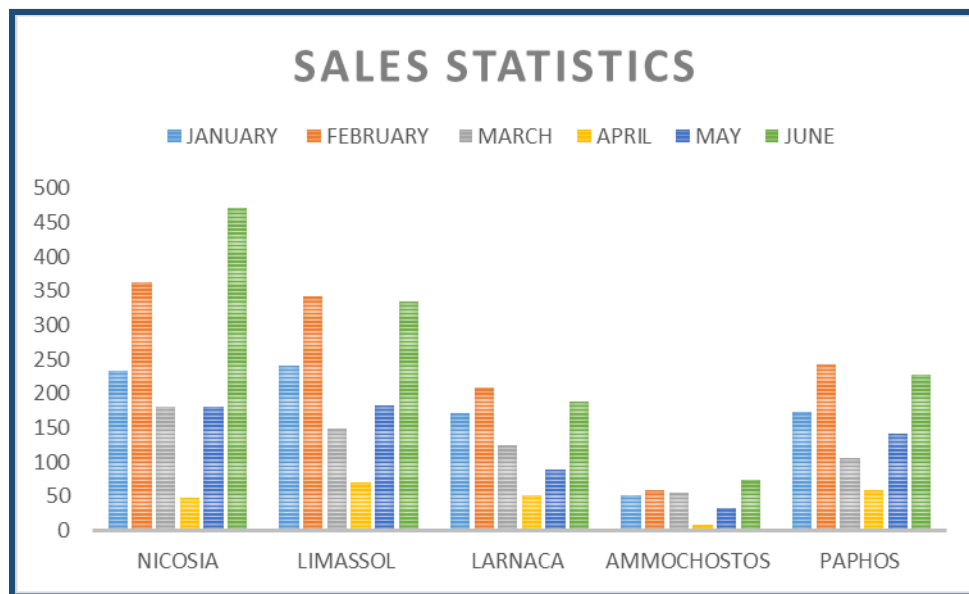
On the basis of the results of the Passengers Survey, arrivals of tourists reached 55.342 in March 2020 compared to 169.934 in March 2019, recording a decrease of 67,4%. It should be noted that as of 15/3/2020, an entry ban in the Republic was imposed on several categories of persons, including tourists, as part of the measures taken to prevent the spread of the coronavirus pandemic (COVID-19) in Cyprus. For the period of January – March 2020, arrivals of tourists totaled 246.556 compared to 357.475 in the corresponding period of 2019, recording a decrease of 31,0%



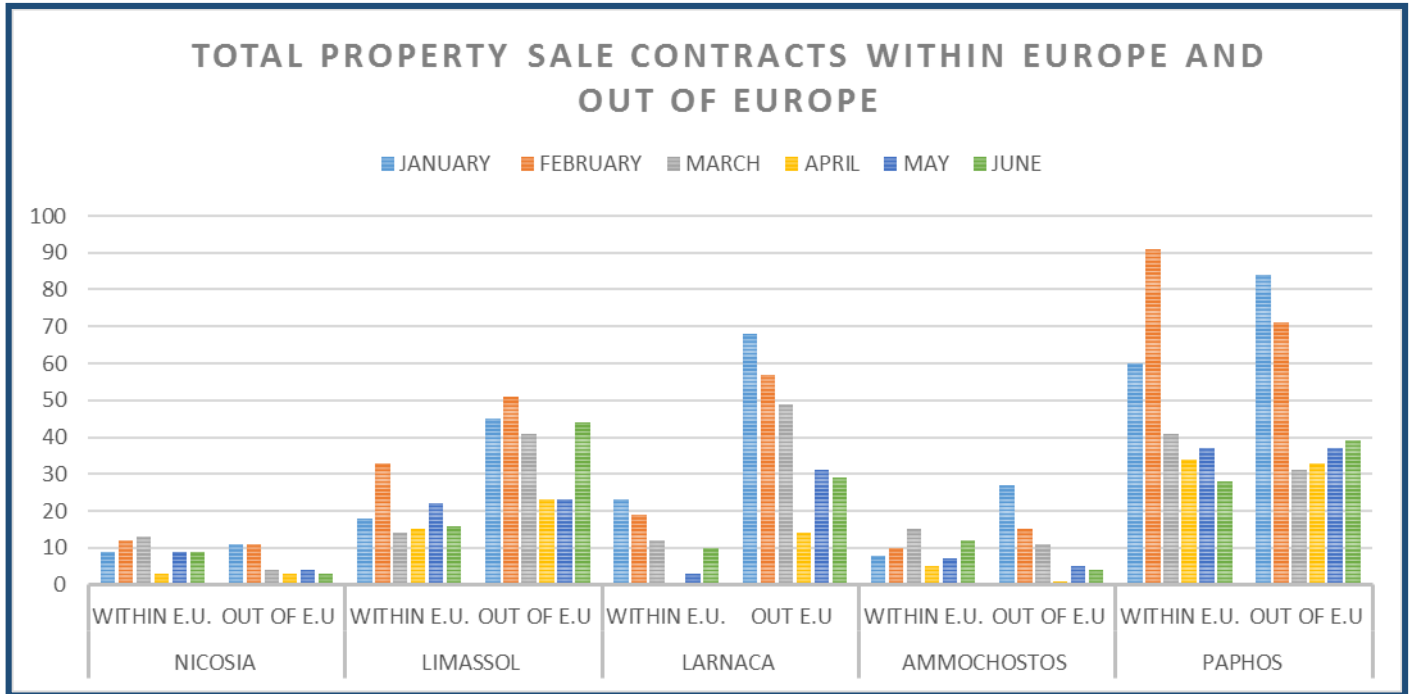
Source: SSC

2. Cyprus' Property market

Real estate sales fell by 3% in the first month of 2020 on a Pancyprian scale compared to January 2019. According to the latest figures from the Department of Land Registry and Geometry, the number of sales documents fell to 742 in January from 766 in the corresponding month of the previous year. In terms of data per province, most real estate sales were recorded in Nicosia, with the number of sales documents amounting to 197 compared to 161 in January 2019, an increase of 22%. It is worth noting that this was the first time in seven consecutive years that the capital had taken the reins from Limassol in all sales documents. An increase of 29% was also recorded in Larnaca, with sales documents reaching 147 compared to 114 in the same period last year. In the province of Limassol, the sales of documents amounted to 180 compared to 251 in the corresponding period last year, recording a decrease of 28%, while a decrease of 10% was recorded in Paphos, as real estate sales in January this year amounted to 168 compared to 187 in the corresponding period of last year. In the same period this year, in the free Famagusta, the sales documents amounted to 50 compared to 53 last year, thus recording a decrease in real estate sales by 6%.



Source: DLS



Source: DLS

Property Investment in Cyprus by Sector

The Central Bank is talking about an uncertain course in the real estate sector in 2020 due to the effects that the measures are expected to have for the reduction of the spread of the corona pandemic.

According to data released today, the housing price index compiled by the Central Bank increased by 2.2% on an annual basis in the fourth quarter of 2019 compared to an increase of 2.8% in the third quarter.

Both house and apartment prices recorded an annual increase during the quarter under review of 1.5% and 4.1%, compared to 2.2% and 4.4% respectively in the previous quarter.

The largest annual increase in house prices was recorded in Famagusta (3.3%) and apartments in Limassol and Larnaca (7.6% and 7.4% respectively).

According to the Central Bank, the slowdown in the increase in the housing price index is due to the decrease in demand from foreign investors due mainly to the stricter criteria in the Cyprus Investment Program (KEP). On the contrary, Cypriot buyers seem to have given significant support to the real estate market in 2019, something that should not be expected to continue in 2020, due to the effects of the corona pandemic.

It is noted that the slowdown in the continuous rise in house price indices recorded in the fourth quarter of 2019 is more broadly consistent with other real estate and economic indicators with sales documents being the most important indicator for studying and drawing conclusions at this time.

According to preliminary indications, this slowdown in property prices is expected to continue in the coming quarters. It is emphasized that the reduced interest in all local and foreign buyers (-15.8%) in the first quarter of 2020 indicates the uncertain course in the real estate sector in 2020 due to the effects that the restrictive measures are expected to have on the spread of the pandemic.

"Despite the problems faced in 2019, the year ended with a positive sign for the real estate sector, although with a relative slowdown in the second half of the year. However, the course of real estate in 2020 seems uncertain and difficult due to the decrease in demand from both foreign investors (mainly due to the stricter criteria in the KEP) and locals (due to the effects of the corona on unemployment and their disposable income. households). The effects of the above developments are expected to be more apparent in the next market analysis for the first quarter of 2020, when there will be new available data ", the Central Bank underlines.

On a quarterly basis, the housing price index increased by 0.3% in the fourth quarter compared to 0.7% in the third quarter of 2019. Housing prices increased by 0.2% and apartments by 0.5% on a quarterly basis. with 0.3% and 1.5% respectively in the previous quarter.

Variation to Real Estate Prices		
	Annual	Quarter
1 st quarter 2016	-1.6	-0.8
2 nd quarter 2016	-1.7	-0.5
3 rd quarter 2016	-1.3	0.1
4 th quarter 2016	-0.9	0.3
1 st quarter 2017	0.2	0.3
2 nd quarter 2017	1.1	0.5
3 rd quarter 2017	1.4	0.4
4 th quarter 2017	1.5	0.4
1 st quarter 2018	1.8	0.6
2 nd quarter 2018	1.7	0.4
3 rd quarter 2018	2.1	0.7
4 th quarter 2018	2.5	0.9
1 st quarter 2019	2.7	0.7
2 nd quarter 2019	2.8	0.5
3 rd quarter 2019	2.8	0.7
4 th quarter 2019	2.2	0.3
Source: CB		

In contrast to the real estate price index of Central Bank, the corresponding housing price index of the Statistical Service recorded a quarterly decrease of 3.7% and an annual decrease of 4.8%.

During the third quarter of 2019, the corresponding housing price index of the Statistical Service recorded an annual increase of 2.3%, a percentage which was close to the CBD of the Central Bank (2.8%).

The differences in results are due to the different methodologies followed by each indicator. Possibilities for the fourth quarter of 2019 the SY index (based on real estate transactions) was affected by the sharp decline in demand from foreign buyers who generally seem to choose real estate with a value greater than the average. At the same time, the CT Index, which is based on estimates of market real estate prices, is expected to be affected by the above developments in a more gradual way.

3. Residential Market

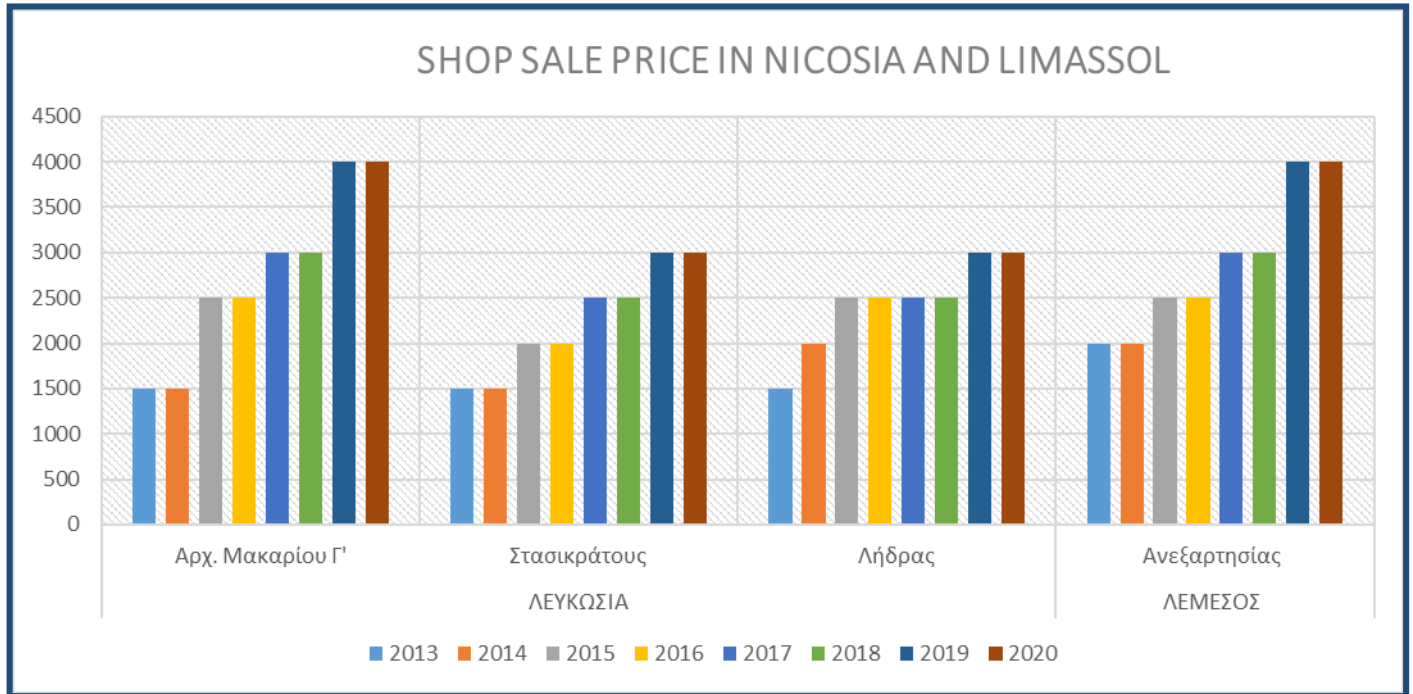
During the first half of 2020, there has been an increase in sales for residential properties in all districts for Cyprus.

The current regime of fragile interest rates and volatile stock markets over the past few years, have turned residential real estate investment, which is characterized by stability in yields and increases in values, into an attractive investment category as it provides protection from uncertain economic circumstances due to the fact that it is less correlated with the economic cycle.

4. Retail Market

The purchases of stores are concentrated in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos).

During the first half of 2020, the occupancy rate in the main commercial arteries of large cities has decreased.



Source: Danos an Alliance Member of BNP Paribas Real Estate

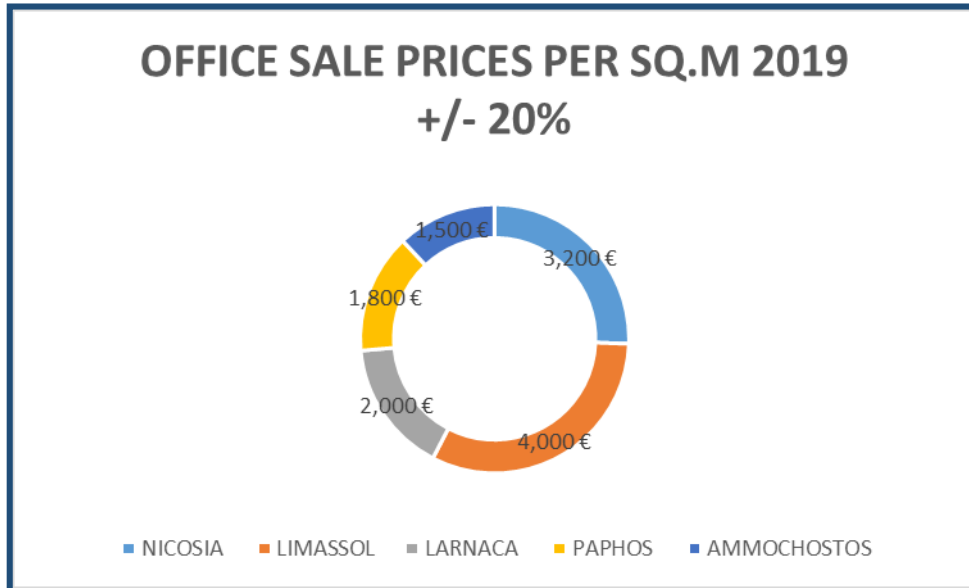
Retail Markets- Rentals 1st Semester 2019

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

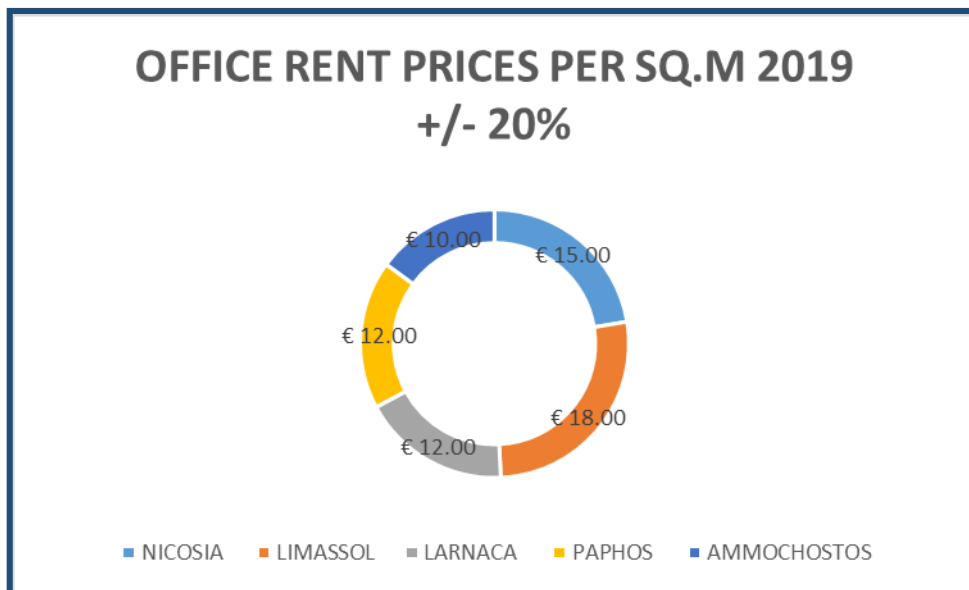
Source: Danos an Alliance Member of BNP Paribas Real Estate

5. Office Market

During the first half of 2020, the office market in Cyprus has grown significantly. During 2019 and then in 2020, there is a great office development, with luxurious buildings, some of which are in the final stages, while others are undergoing significant construction work. The high rise buildings that Cyprus has or will acquire in the near or distant future are expected to change its image. The supply of office space in central parts of the cities has now well met the demand of previous years.



Source: Danos an Alliance Member of BNP Paribas Real Estate



Source: Danos an Alliance Member of BNP Paribas Real Estate

6. Property News

- The Trilogy Limassol Seafront is back in active construction, with the West Tower and East Tower far beyond ground clearance. Construction work has also begun on Aktea Residences 2, Akamas Bay Villas and the last residential phase of the Limassol Marina, the only Castle Residences apartments in the sea.
- Construction of a new Archaeological Museum of Cyprus: This project has been budgeted at 98.8 million euros.
- Construction of a new Parliament building, a project worth 97.6m euros.
- The famous building on Strovolou Avenue, formerly Sun Tower, becomes a Hospital. Following several years of efforts, the Bank of Cyprus has closed, according to a deal, € 3 million with a group of Cypriot doctors, who will convert it to a private hospital in the area where the property is located today. The property as it is currently designed has an area of 6,215 sq.m. and is located on a plot of 2,283 sq.m.
- A new hotel will be called "The Radisson Blu Capital" Hotel and will be built on Salaminos Avenue (corner with Larnacos) very close to the city's Venetian walls. The building will have 33 floors and its design was undertaken by the architectural firm Eraclis Papachristou Architects. The agreement provides for the construction of a new 180-room hotel - 150 simple rooms and 30 suites which will also include two restaurants and a bar. At the same time, it will include leisure facilities such as a gym and wellness center. Particular emphasis will be given to the conference space, which will cover an area of 500 sq.m. and will include high-tech equipment to meet the conference needs of both the local and international business community.
- Blue Marine: commercial, office and residential development, located west of the Municipality of Limassol, between the Limassol Marina, the Port, Franklin Roosevelt Avenue and the planned Aktaia Road, which is scheduled to connect the Marina with Limassol.
- St. Andreas Hotel: New boutique hotel in Limassol. The St. Andreas Hotel was designed with hospitality, comfort, affordable luxury, friendliness, in a cosmopolitan atmosphere that is expected to create in its premises.
- Lezanco Properties Ltd announced a project in the area of the Municipality of Dromolaxia-Meneou, which concerns the construction of 13 six-storey buildings along the two roads and 37 three-storey houses. This is a project that will cost about 80 million euros and will be able to accommodate 1,550 people when completed. According to the plans submitted to the Department of the Environment, the development includes 470 housing units, of which 37 are luxury mansions and the remaining 442 are apartments divided into 13 apartment buildings on six floors. The project will be developed southwest of the Larnaca International Airport and west of the Municipality of Larnaca.
- Indigo Hotel opens its doors in Larnaca as a new branded boutique hotel.
- Cyfield wants to build and operate a double development called "Central" in Nicosia and more specifically in the industrial area of Strovolos near the foundation of Christos Stelios Ioannou. According to the plans, "Central" will consist of two multi-storey buildings - Building A and Building B - with the main use of offices, with single underground spaces with multiple of the required parking spaces, storage spaces, landscaped square with green spaces and facilities such as gyms, restaurants and childcare facilities. The proposed project is located within the administrative boundaries of the Municipality of Strovolos.

- The construction works for the completion of the emblematic project of the Agia Napa Marina and the facilities of the state-of-the-art, smart marina are in full swing. The mooring area was put into full operation on June 1 and currently houses 35 boats. The project will be completed in 2023 and will include 220 spacious and luxurious apartments in the two impressive towers with unobstructed sea views, 35 luxury mansions, as well as a number of modern shops with amenities and state-of-the-art equipment.
- An impressive residential project by Prime Property Group in Limassol, is nearing completion. The reason for the 23-storey Sky Tower in the area of the Germasogeia River, which is located 300 meters from the sea.

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