

CYPRUS PROPERTY MARKET

1st semester 2017



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

During the year of 2017 the Cyprus economy showed signs of stability, with the economy's performance being better than expected and tourism mildly outperforming forecasts.

Forecasts: Inflation & GDP (Δ %)				
Year	2016	2017f	2018f	2019f
CPI	-1,2	1,2	1,3	1,5
CPI less energy	-0,5	0,5	1,3	1,6
GDP	2,8	3,1	3,2	3,2

CBC

GDP



CBC

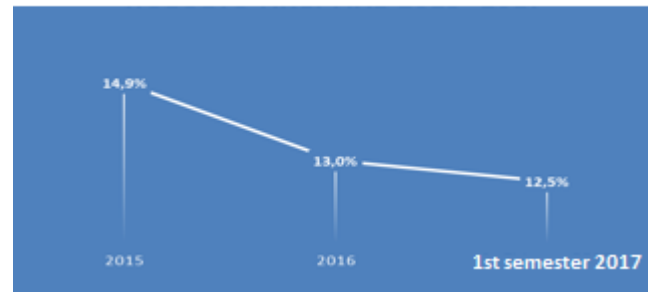
Economy of Cyprus – Indicators

- 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

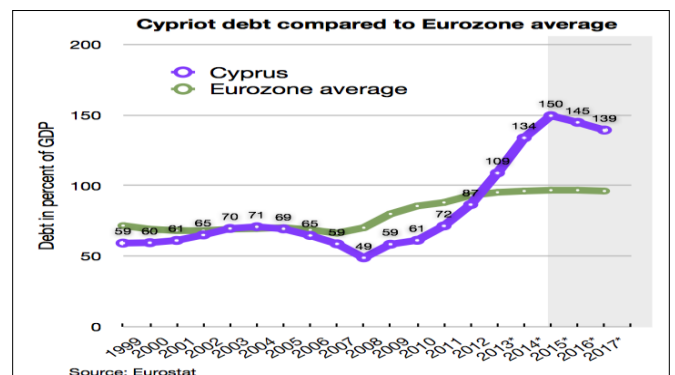
Even though the unemployment rate has been decreased comparing previous year is still very high. Signs of stabilization are expected in the next few years based on International Monetary Fund (IMF).

Unemployment Rate 2015-2017



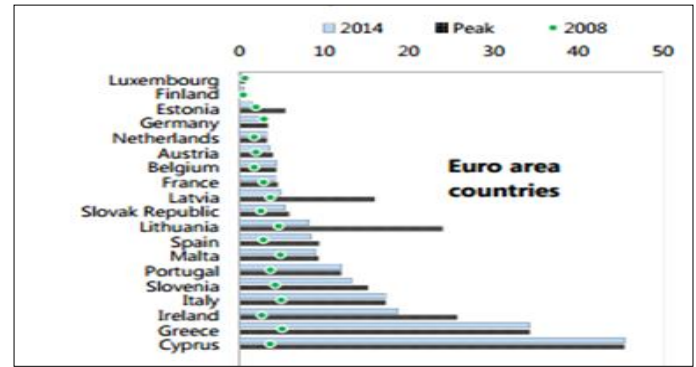
Banking Sector

Recapitalizing the Cypriot Credit Institutions but also minimizing their operating costs and restructuring their loans is considered as a main factor that will restore the stability of the financial sector, boost investor confidence and enhance economic recovery.



Non – Performing loans

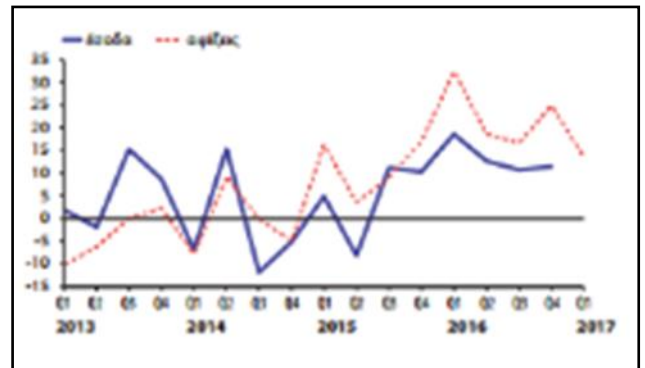
However, high percentages of Non-Performing Loans (NPLs) is another concerning challenge for the Institutions in Cyprus. According to IMF, the percentage of Non – Performing Loans in Cyprus is the second biggest in the Eurozone.



IMF

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 1st 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.



Financial report CBC

The number of tourists who visited Cyprus on the first quarter of 2017 was increased by 13.5 % compared to the first quarter of 2016. Revenues were increased by 22,9% for the first two months of 2017.

	N. of Arrivals (000)	Revenues (m)	Per capita Expenditure €
2015	2.659,4	2.112,1	794,2
2016	3.186,5	2.363,2	741,6
% change per year	19,8	11,9	-6,6
2016 January – March	251,6	-	-
2017 January – March	285,7	-	-
% change per year	13,5	-	-

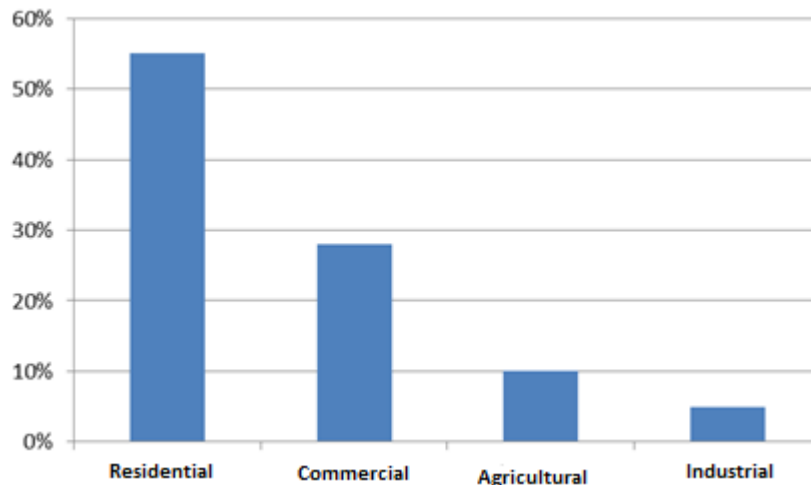
CTO

2. Cyprus' Property market

The investment activity for the 1st half of 2017 is correlated to the incentives given by the Government which seem to have attracted both foreign and local investors. The opportunity to obtain a passport has attracted many foreign buyers all over Cyprus (especially in Limassol and Paphos). Overall transactions are increasing all over Cyprus since 2016. Note that several transactions which are recorded as sales transactions are in fact banking transactions (restructuring/ settlements, agreements between the bank and the borrower).

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

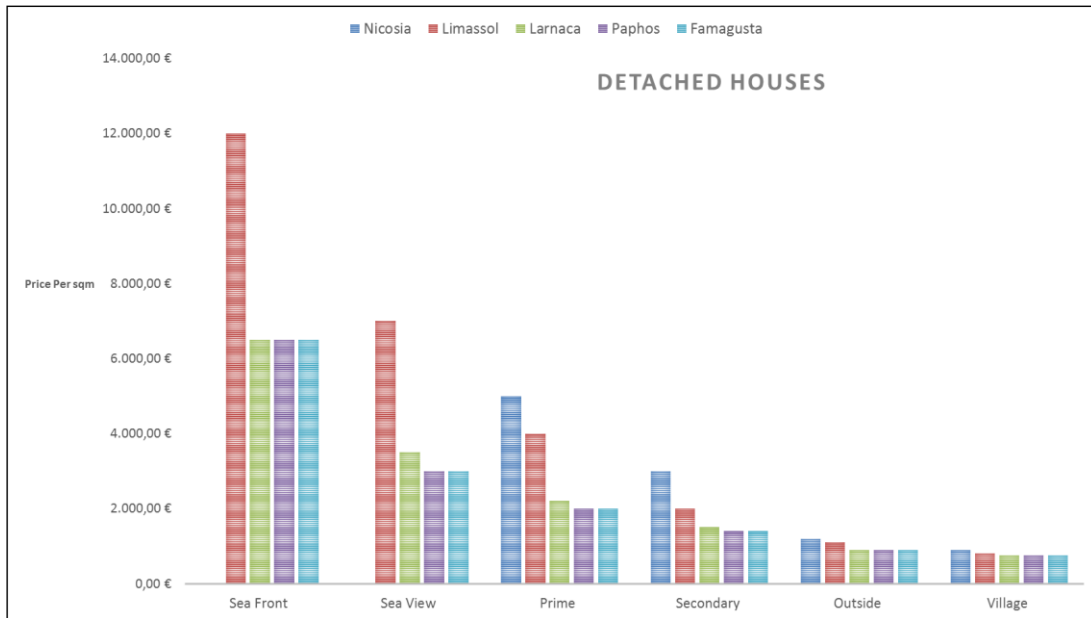
An increase in sales of residential properties in all Districts has been recorded during the 1st semester of 2017. The level of Demand is higher to 'end products' rather than fields.

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 1st semester of 2017 have remained stable.

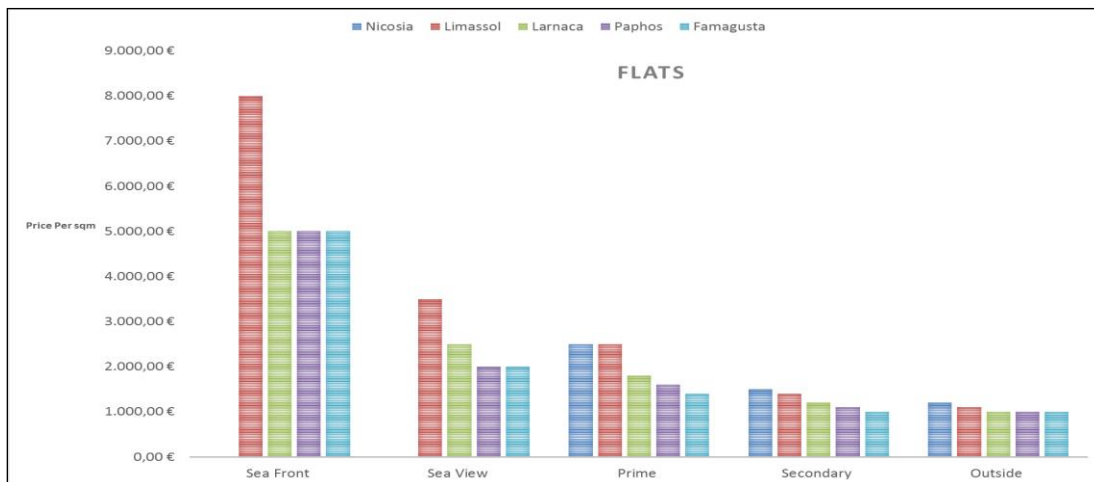
Prices of Residential Sector – 1st Semester 2017

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 1st 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 1st Semester 2017

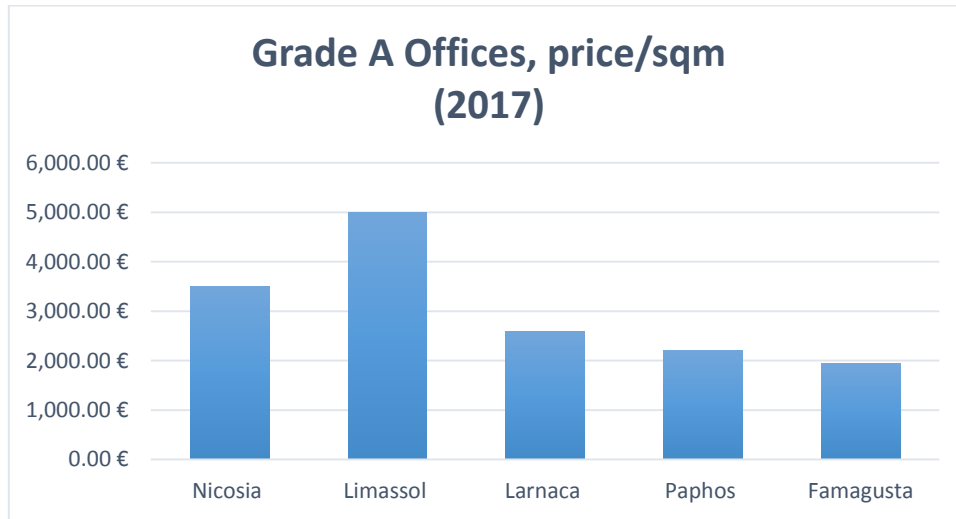
Street	City	Rent price sq.m/month (€)
Arhiepiskopou Makariou	Nicosia	20-25
Stasikratous		20-25
Ledras		30-35
Anexartisias	Limassol	20-40

5. Office Market

During the 1st half of 2017, the office market in Cyprus appears to be stable.

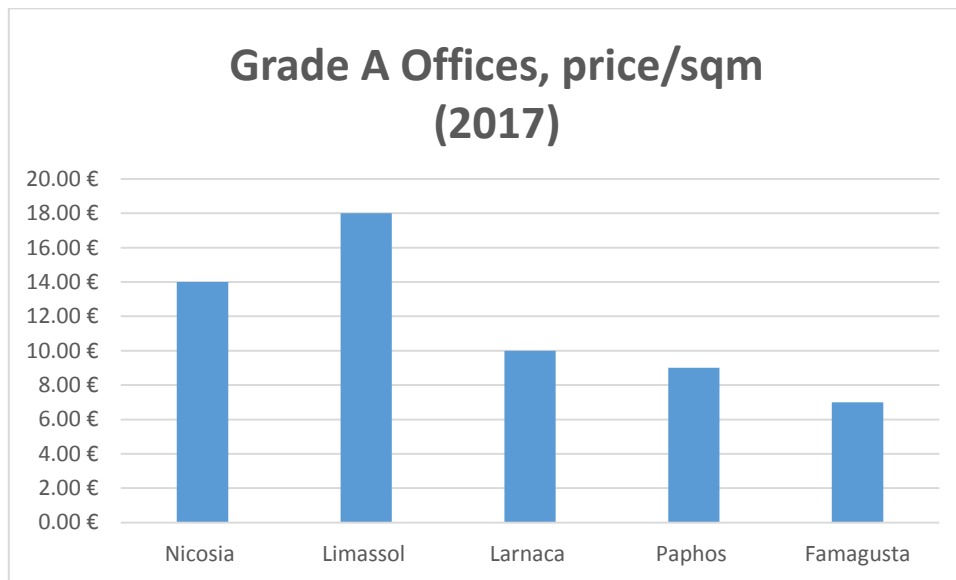
In 2017, Grade A offices show a particular demand for rent, the investment return is between of 5.5% - 7%.

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 1st 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 2020.
- Shops of the Greek retail company (Kelly's Shop & Accessories) opened in Limassol, Paphos and Nicosia (Anexartisias Street, Kings Avenue Mall and Makariou Avenue).
- Istorm, the exclusive representative of Apple, has opened its first store in Cyprus, at Makariou and Diagorou Avenue.
- Cyfield Company, is in the process of developing a 30 storey mixed use building on Makariou III Avenue in Nicosia, with shops on the ground floor and flats on the upper floors.
- Lanitis Group is planning to develop three towers, 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.

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