



## CYPRUS MARKET REPORT

2020 has been characterised as the year of the Covid-19 pandemic. Global markets and economies have struggled throughout with Lockdowns and Restrictions that have blown away all macro economic goals and indicators. 2021 is expected to be the first step to recovery.

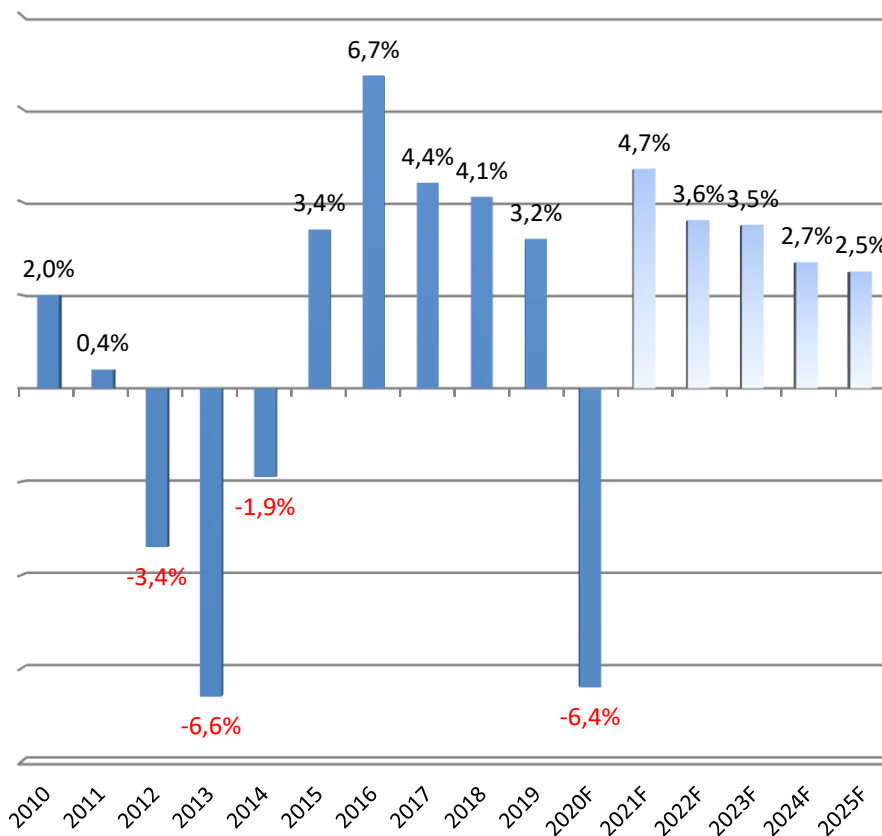
### MACRO ECONOMY

The Cypriot economy, following the global financial crisis in 2007 went through a series of negative political and economic developments that led to the haircut of the deposits of two of the largest commercial banks in the country and a memorandum imposed by Troika with consequent chain reaction affects to multiple aspects of the economy. It was a period during which the economy contracted by 6,6% causing unprecedented tremors to the financial sector.

The following periods, beginning from 2015, the economy recorded solid GDP growths each year with the peak being in 2016 when the GDP increased by 6,7%. The widespread of the pandemic reversed the situation and in 2020 the economy has contracted to levels experienced in 2013 and in particular by 6,4%.

According to forecasts, the economy will rebound in 2021 with a significant GDP growth of 4,7% which will consequently stabilize to increasing rates of 4% to 2,5% over the next 4 years.

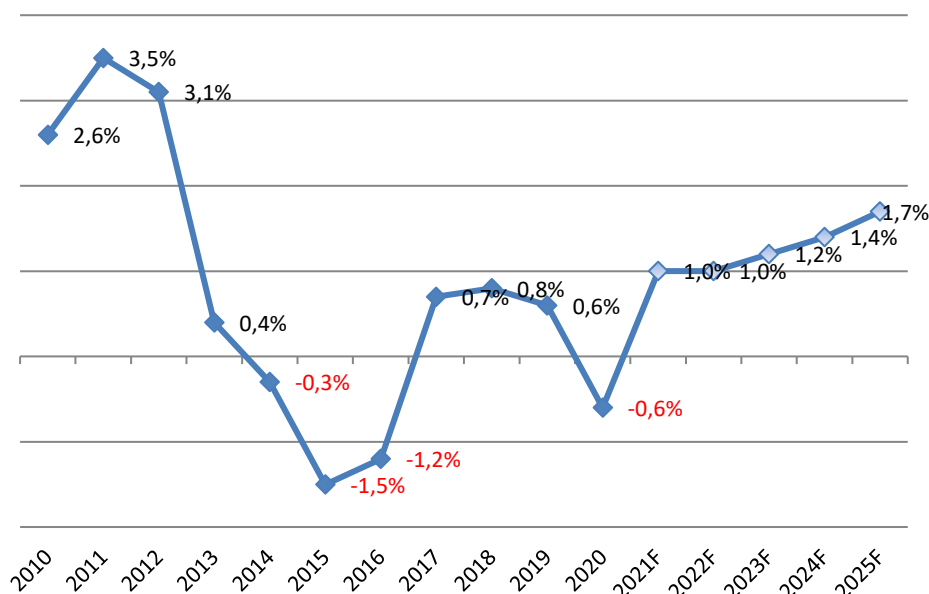
**GDP (y-o-y % change)**



Source: Ministry of Finance, IMF

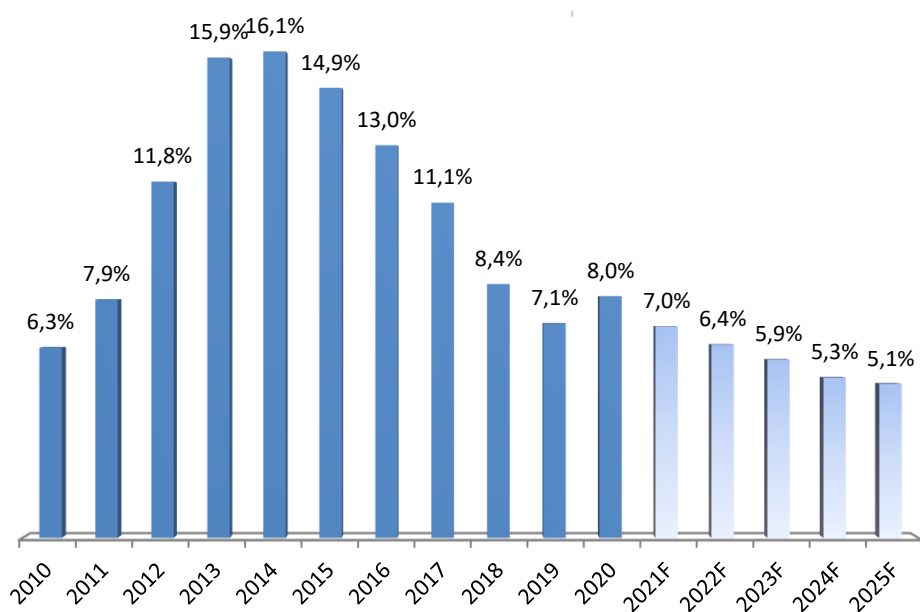
### Consumer Price Index y-o-y % change

Prior to 2013, the consumer price index was increasing by an average of 3% on an annual basis. The following periods, the economy experienced negative inflation for three consecutive years (-0,3% in 2014, -1,5% in 2015 and -1,2% in 2016). The next three years the CPI increased annually by 0,7% with a minus inflation in 2020, amid the economic consequences of the lockdown of the economy caused by the pandemic. According to forecasts, the inflation rate will reverse to positive rates by 2021, stabilizing over the next couple of years on 1% of annual growth rate, reaching a rate of 1,7% by 2025.



### Unemployment Rate

Source: Ministry of Finance, IMF



Source: IMF

Unemployment reached a peak of 16,1% in 2014, following the near collapse of the financial sector in 2013. The following periods, the unemployment rate decreased gradually every year reaching a more reasonable rate of 7,1% by 2019. In 2020, the unemployment rate increased slightly to 8% and that minor increase was attributed to the fact that the government has supported financially businesses and labor in an attempt to minimize the negative effects that the national lockdowns and the measures caused and prevent employers from considering redundancy programs.



## TOURISM MARKET REPORT

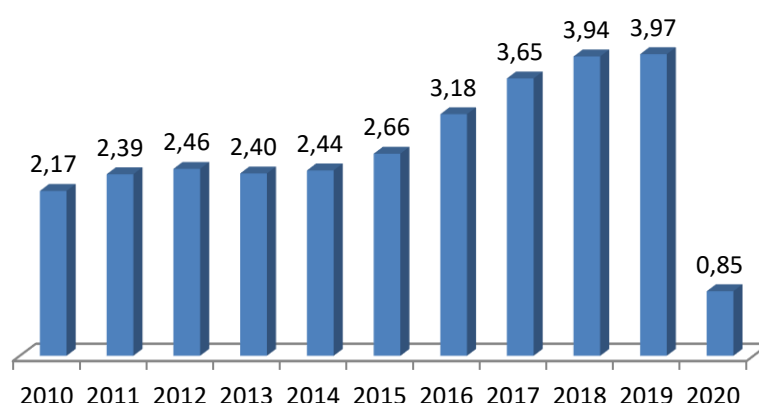
The tourism industry has suffered unprecedented consequences as result of the pandemic and the expectations for swift recovery in 2021 are being challenged by the worldwide lockdowns that are still very much in place.

### OVERVIEW

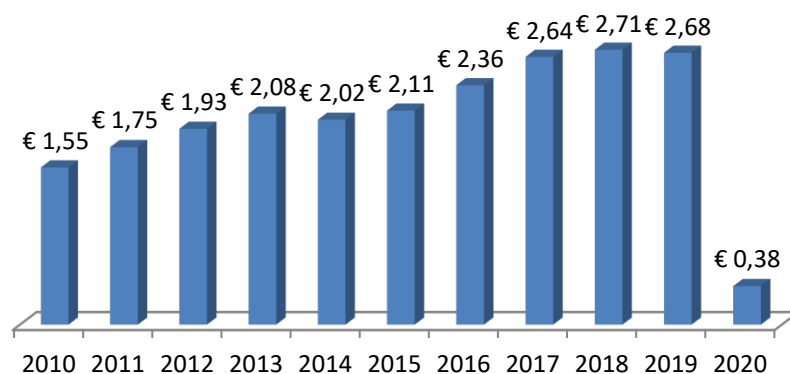
The tourism market is one of the largest economic sectors in Cyprus and has experienced substantial growth over the last decade, with tourist arrivals reaching almost 3.65m and 3.95m in 2018 and 2019 respectively. A record breaking period in terms of tourist arrivals, which neared the 4m threshold. 2020 reversed the situation, amid the consequences of the national lockdowns and travel restrictions that had been in place for most of the year and recorded numbers that we have not seen in over 30 years.

Revenue from tourism has followed a similar trend and recorded a revenue of only €38 million compared to €2,68 billion in 2019. This is a huge blow to the economy as tourism contributes about 12% to the GDP.

### Tourist Arrivals in mn



### Tourism Revenue in bn €

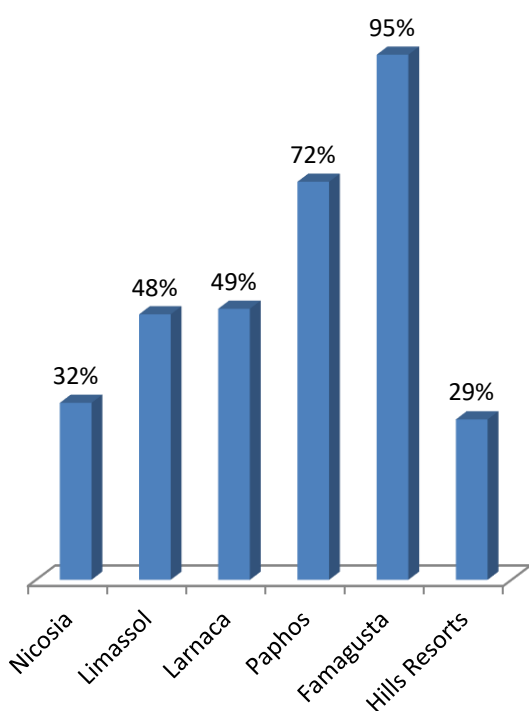
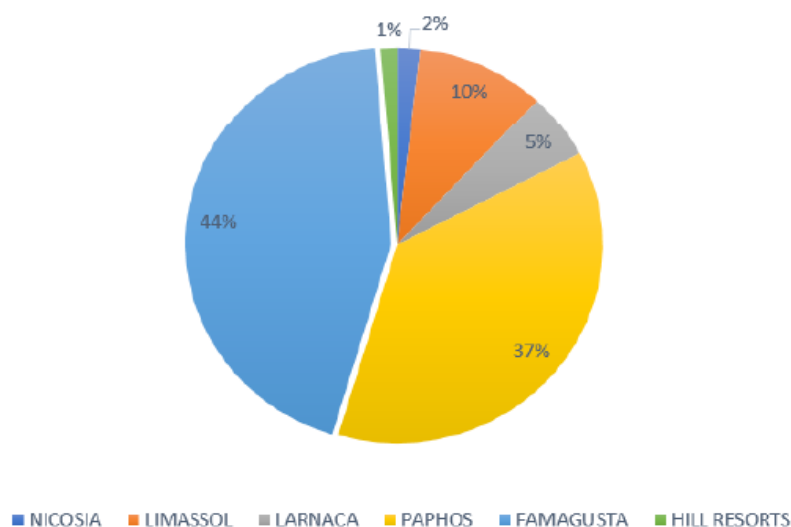


Source: Cystat

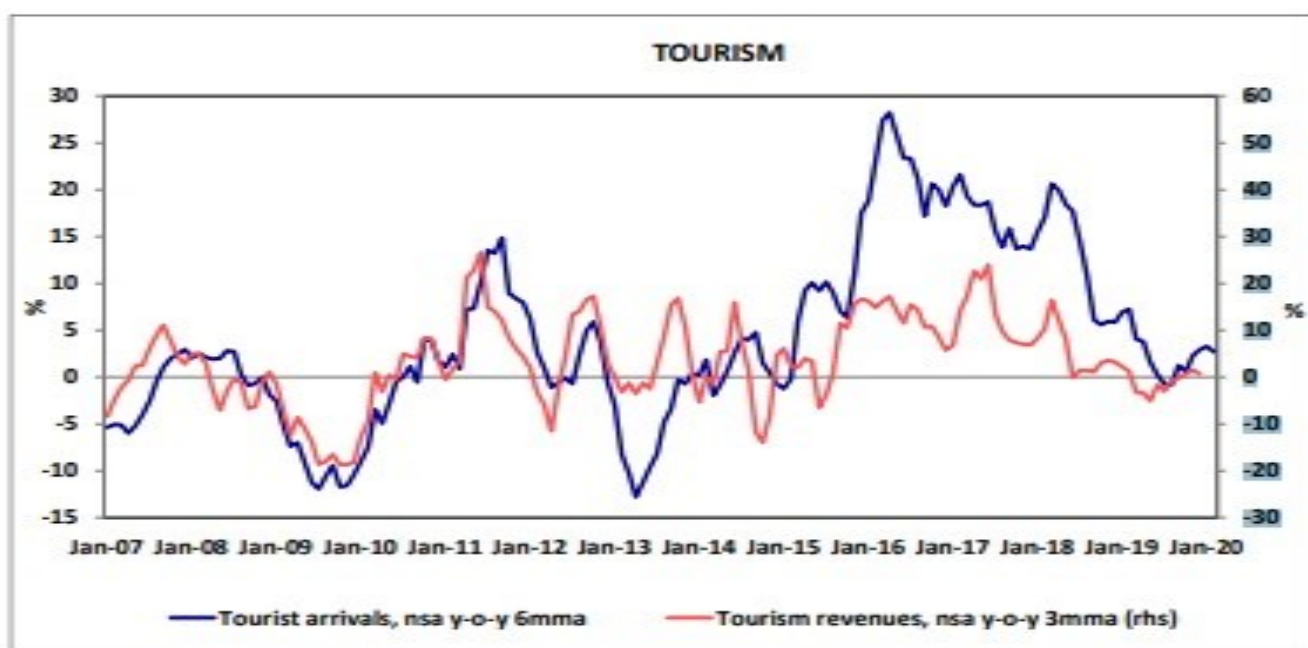
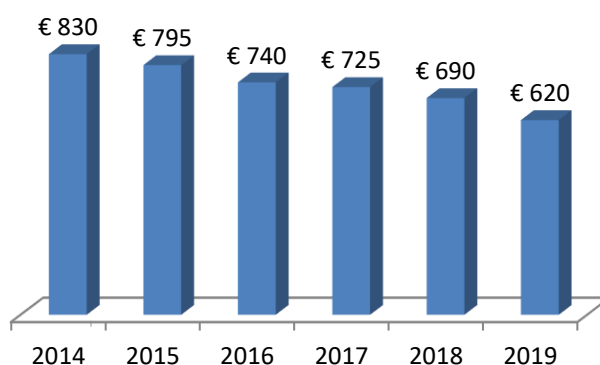


In terms of tourist overnights in Cyprus, the areas that attracted the majority of the overnights were Famagusta (44% of the total overnights) and Paphos (37% of the total overnights). Limassol followed with 10% of total, Larnaca with 5%, Nicosia with 2% and Hill Resorts with 1%.

### Tourist Overnights by District



### Average Expenditure per tourist



## REAL ESTATE MARKET REPORT

The Real Estate Sector has been facing a challenge as a result of Covid-19 pandemic, prime locations sales have changed over the last years and still stand to hold investors interest.

### OVERVIEW

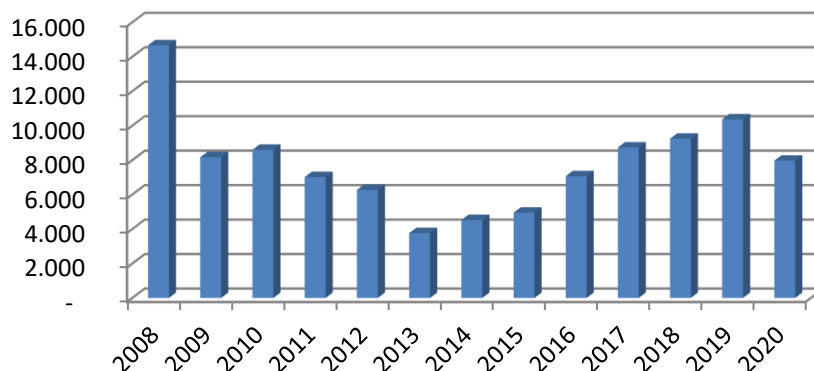
Cyprus ended the year with property sales decreasing by 19 per cent in December of 2020 compared with December of 2019 following the abandonment of the Citizen-by-Investment (aka Golden Passport) Scheme in early November.

During the last month of the year a total of 737 contracts for the sale of properties were submitted at Land Registry offices across the island compared to 910 in December 2019 according to the department of lands and surveys.

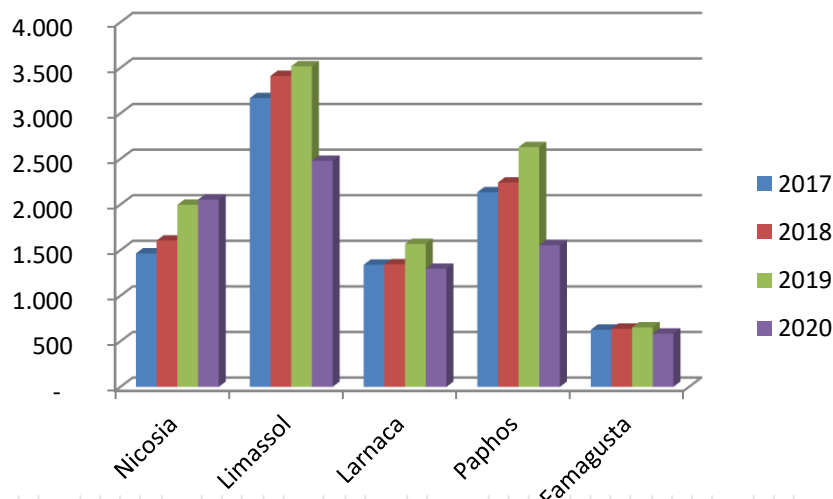
Sales fell in all districts with the hardest hit being the coastal districts that have been most popular with overseas buyers over the years.

In Paphos sales fell by 33% and in Limassol they fell by 24%. Meanwhile, sales in Larnaca fell by 19% and sales in both in Famagusta and in Nicosia fell by 2%.

### Property Sale Contracts by year



### Sale Contracts by District



Source: Department of Lands and Surveys

On an annual basis, the total number of property sales in 2020 fell by 23% compared to 2019 with Nicosia being the only district where sales increased (by 3%) and that was attributed to solid domestic demand.

Sales in Paphos fell by 41% and sales in Limassol fell by 29%, while sales in Larnaca and Famagusta fell by 17% and 11% respectively.

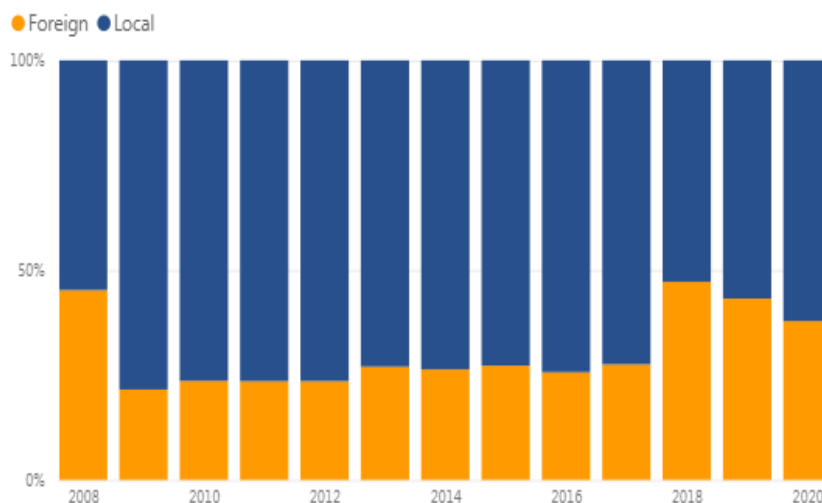
During 2020, Limassol recorded the highest number of property sales (2480) followed by Nicosia (2054), Paphos (1554), Larnaca (1296) and finally Famagusta (584).

In regards to sales to foreigners, the total number of sales reached 2,985 from which 1,832 involved non-EU buyers while 1,153 sales involved buyers from the EU. These figures add to a total ratio of 37% of the total sales recorder island-wide in 2020 (7,968).

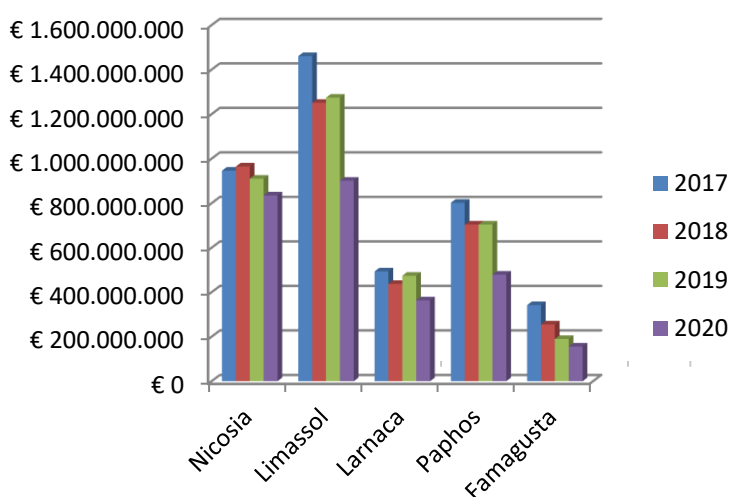
Paphos maintained the lead in sales involving foreign buyers with a percentage of almost 36% (1,069 sales) from which 601 involved non-EU buyers and 468 within the EU.

Limassol followed with 29% or 864 sales to foreigners, Larnaca with a total of 522 sales to foreigners or 17,5%, Famagusta with a total of 302 sales or 10% and lastly Nicosia with only 7,6% or 228 sales to foreigners for the end year 2020.

### Ratio of local and foreign sales

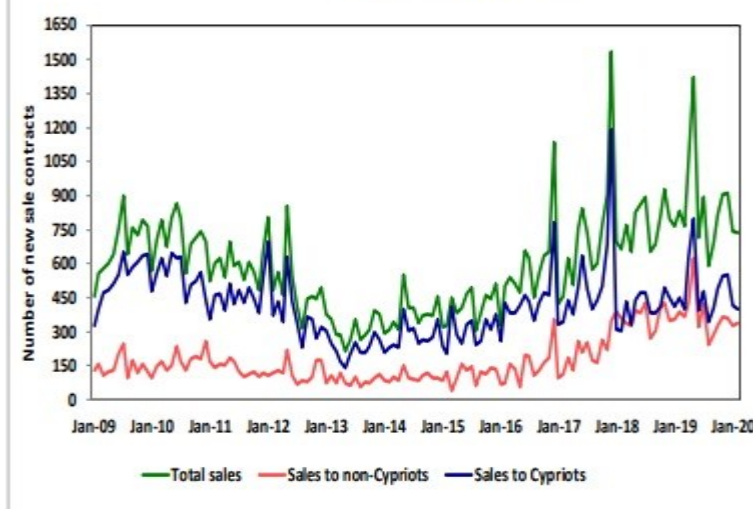


### Value of Sale Transfers / District

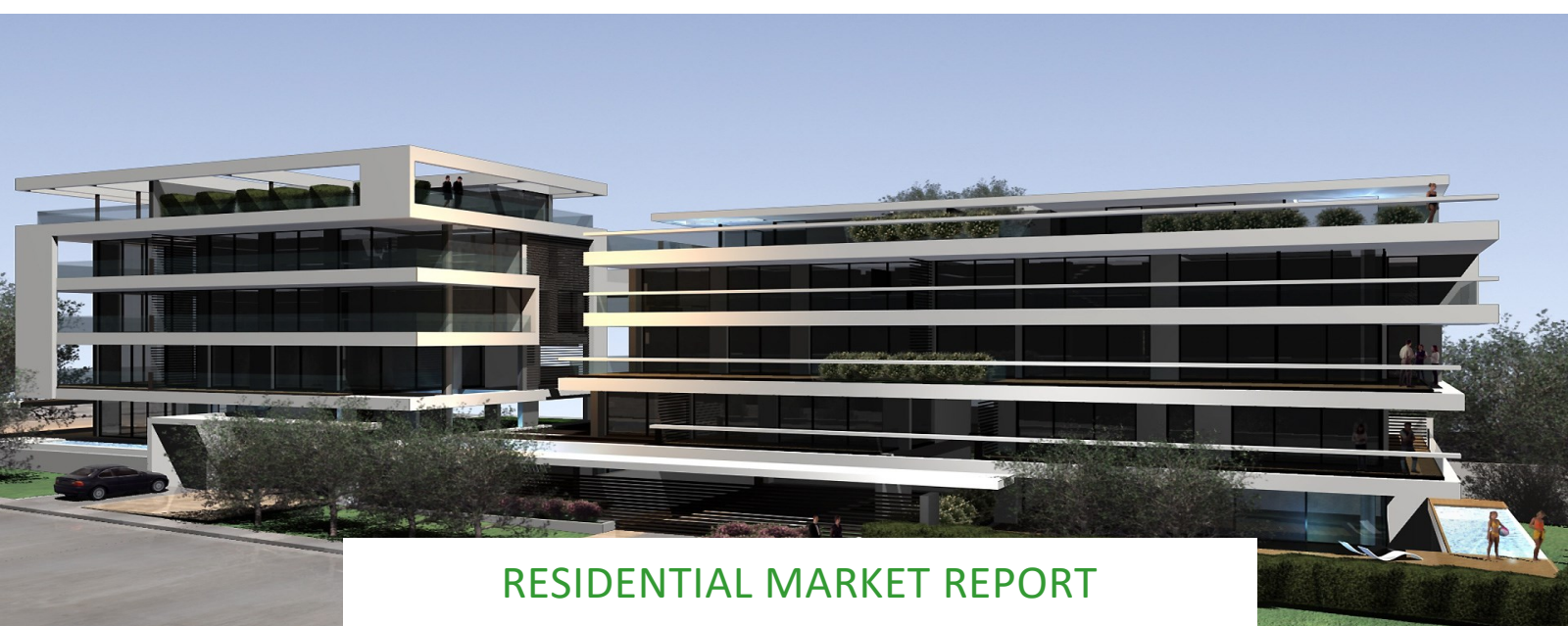


Source: Department of Lands and Surveys, Danos Analysis

### PROPERTY SALES by residence



Source: Ministry of Finance



## RESIDENTIAL MARKET REPORT

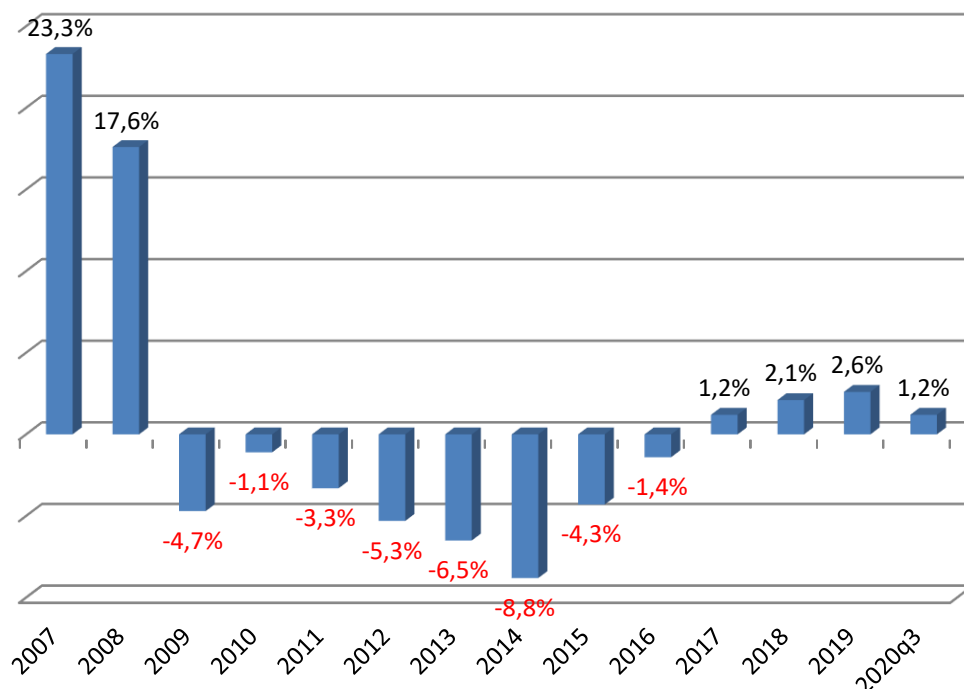
### OVERVIEW

According to the property price index of the Central Bank of Cyprus, during the 3<sup>rd</sup> quarter of 2020, the property price index recorded the first minor quarterly decrease after 16 quarters of consecutive price increases. In particular it has recorded a decrease of 0,3% in the 3<sup>rd</sup> quarter of 2020 compared to an increase of 0,9% in the second quarter of 2020.

On an annual basis, it has recorded a moderate increase in the range of 1,2% compared to an increase of 2,2% in the previous quarter.

Data regarding the 4<sup>th</sup> quarter of 2020 has not been published yet, however the downward trend is expected to continue.

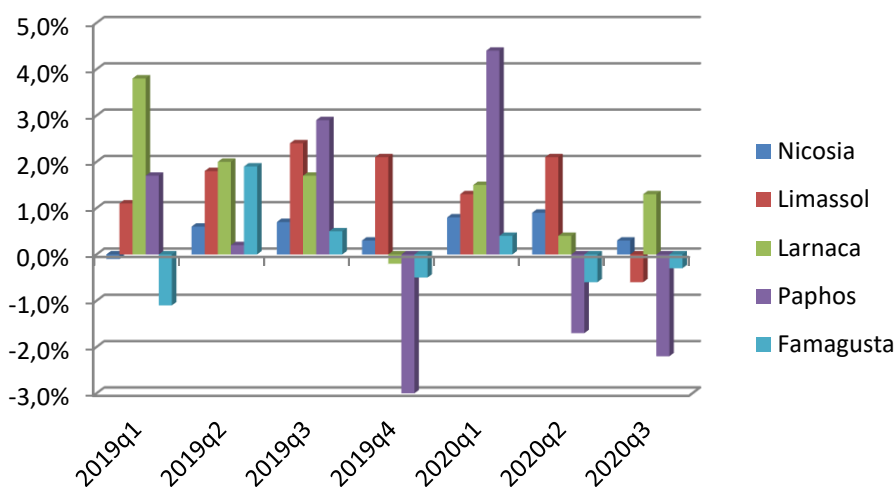
**Residential Price Index (annual % change)**



Source: CBC, Danos Analysis

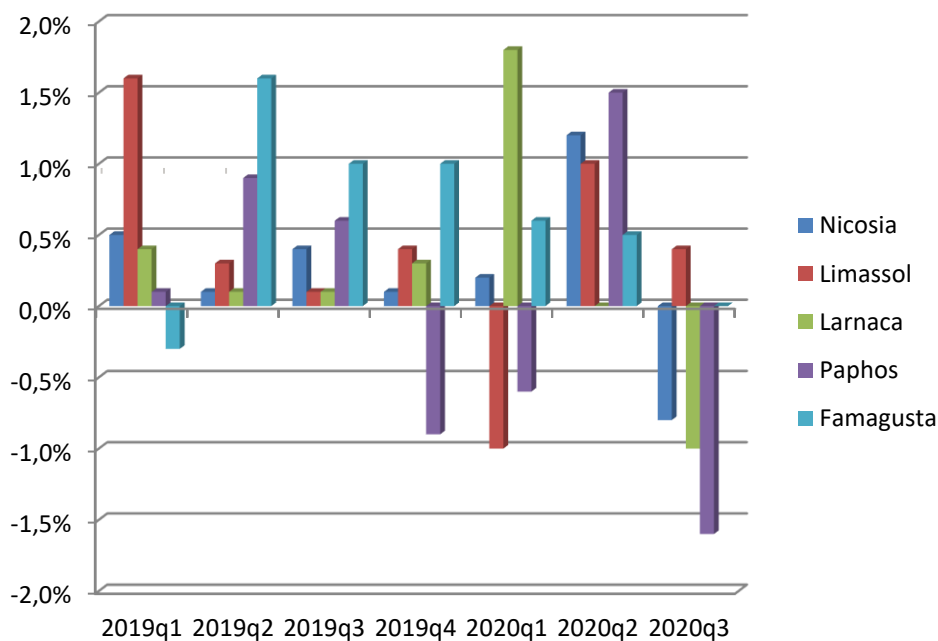
During the 3<sup>rd</sup> quarter of 2020, the property price index recorded decreases for the first time since the 1<sup>st</sup> quarter of 2016 in 4 districts simultaneously. In particular, quarterly decreases have recorded in Paphos (-1,8%), Nicosia (-0,5%), Larnaca (-0,4%) and Famagusta (-0,4%). Limassol was the only district that recorded a quarterly increase in the range of 0,2%.

**Price Index /District (quarterly % change) - Apartments**



On an annual basis, all districts recorded moderate increases except Paphos which recorded an annual decrease of -1,6%. Limassol has recorded annual increase of 1,9%, Larnaca 1,6%, Nicosia 1,1% and Famagusta 0,4%.

**Price Index /District (quarterly % change) - Houses**



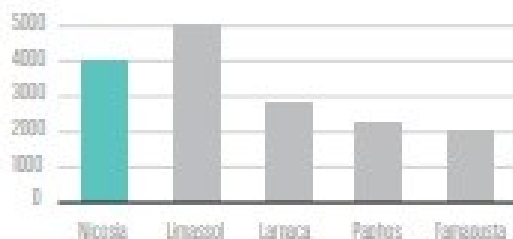
Source: CBC, Danos Analysis





## OFFICE MARKET REPORT

### GRADE A OFFICE PRICES (€/m<sup>2</sup>)



### GRADE A OFFICES - RENTS (€/m<sup>2</sup>)

• Nicosia	18
• Limassol	30
• Larnaca	10
• Paphos	9
• Famagusta	8



*Source: CBC, Danos Analysis*

## OVERVIEW

The past years of economic growth created opportunities for the construction of Grade A office facilities intended mainly for multinational companies.

In turn, that has attracted the attention of local and foreign investors seeking to acquire office assets. The market is small; nonetheless it is quite active and has resulted in Grade A office prime yields compressing from 5.5% in 2018 to 5% in 2019.

The core location preferred by occupiers is the CBDs although numerous modern buildings are being developed in more decentralized areas. Grade A offices in Nicosia are seeing rental growth as businesses take advantage. During the first half of 2020, the office market in Cyprus has grown significantly.

During 2019 and then in 2020, there has been 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 locations within the cities has now well met the demand of previous years and created opportunities for overseas headquartering relocation of multinational companies.

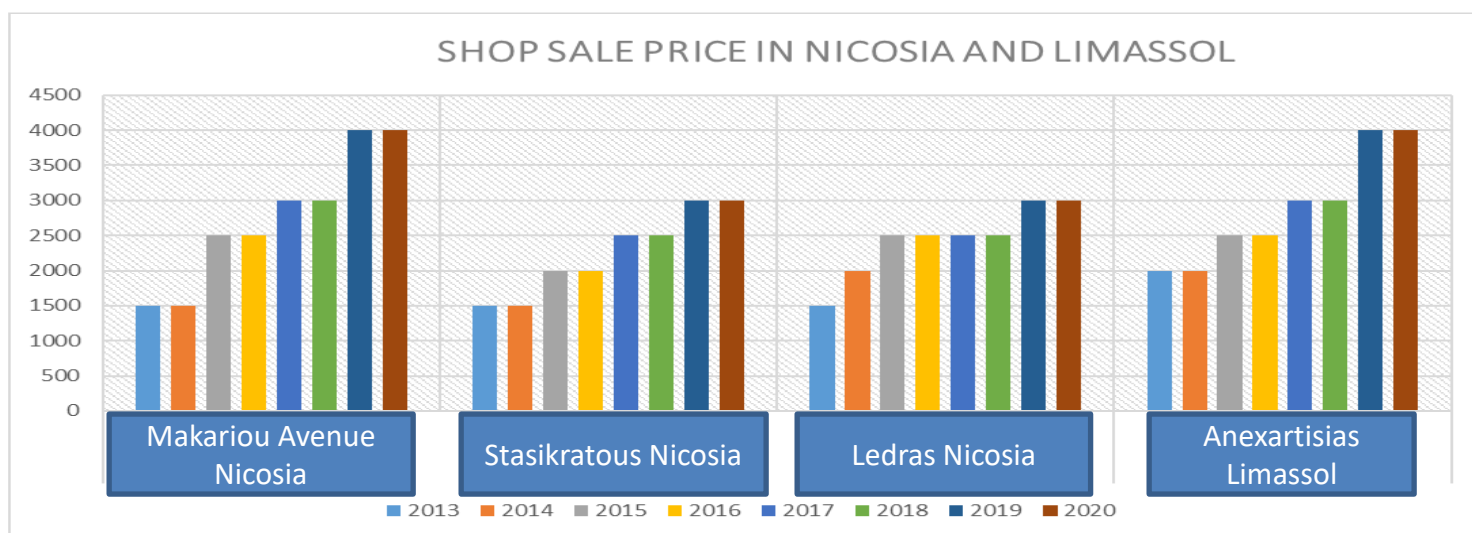
The IRIS, the Agents Association, EAC, Department of Registrar of Companies, EASO (European Asylum Offices), Microsoft are all large bodies actively looking to relocate to grade A office premises.

## S2 2020 MARKET INSIGHT REPORT



### RETAIL MARKET REPORT

The Retail Sector has been facing a challenge as a result of Covid-19 pandemic



The retail market has been significantly challenged during the whole of 2020. National lockdowns, movement restrictions and flight bans, have negatively affected the operation of the retail market that is now in the process of stabilization and adaptation to new norms, gradually transforming their operations to e-commerce avenues. The year ended with shopping malls and street retails closed as part of the ministry of health decree for the prevention of the widespread of the pandemic, which has created issues in the ability of retailers to keep up with their rental obligations and as result, a number of businesses have been unable to maintain their operations.

The purchases of stores are concentrated in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos), while special mention should be given to the under development discount outlet village 'Neo Plaza' in the outskirts of Nicosia which is expected to operate in 2021 and it will include, among other facilities, over 50 retails units in an area of over 60,00 sqm of commercial space.



## LOGISTICS MARKET REPORT

### OVERVIEW

Following the breakout of the COVID-19 pandemic, the Industrial/Logistics asset class has presently become the most attractive financing option for a majority of banks in Central & Eastern Europe (CEE).

The transportation and logistics industry is confronting immense and radical changes: digital transformation, new market entrants, changing customer expectations, and new evolving business models.

Today's transportation and logistics worlds are being disrupted on all fronts. Freight forwarding, passenger transport, shipping, rail and aviation – almost all transport modes and business models are affected by changing customer expectations, new technologies and new players accessing transportation and logistics markets.



Source: Danos

**The warehouse market is on an upcoming demand**

**\*THIS REPORT IS DEDICATED TO THE MEMORY OF OUR DEAR COLLEAGUE, ATHOS TOFARIDES.**



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