



CYPRUS MARKET REPORT

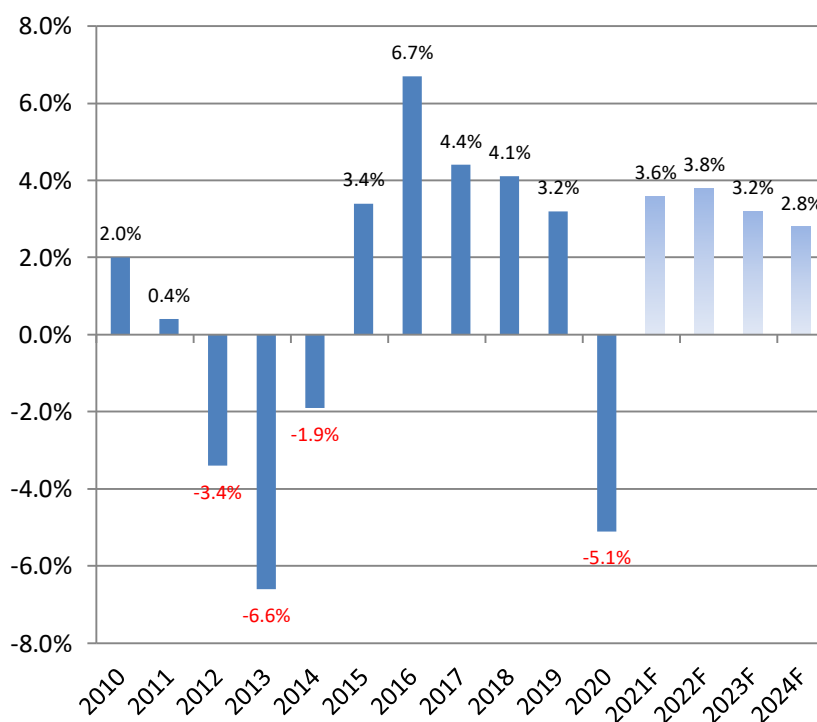
2021 will be the year of recovery. However, the recovery will be much more gradual than initially projected. Positive growth rates are back in place although significant challenges and reformation of the market should be the main focus.

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 effects 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 5,1%. According to the latest forecasts, the economy will rebound in 2021 with a significant GDP growth of 3,6% and 3,8% in 2022.

GDP (y-o-y % change)



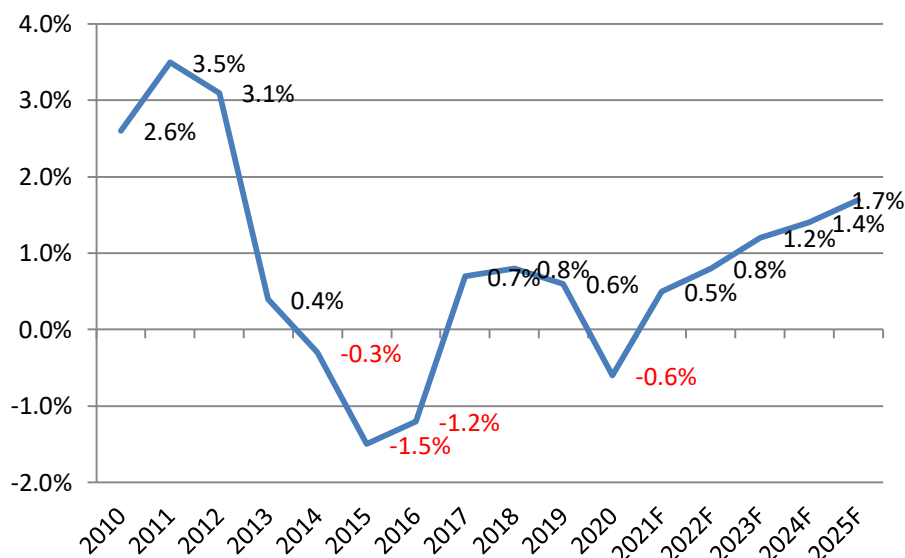
Source: Ministry of Finance, IMF

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

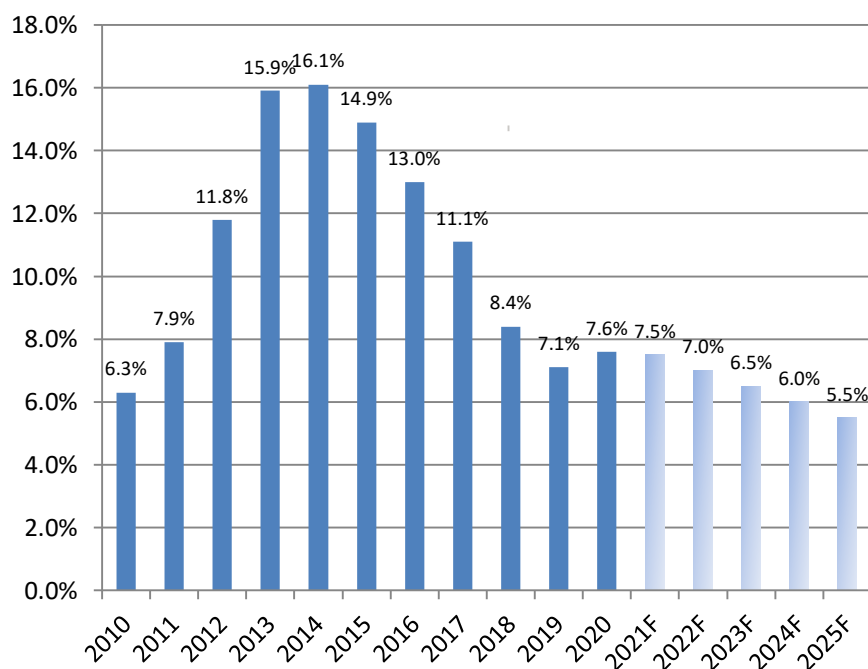
(-0,3% in 2014, -1,5% in 2015 and -1,2% in 2016). The next three years the CPI increased annually by an average of 0,7% with a negative inflation in 2020, amid the economic consequences of the lockdown of the economy caused by the pandemic.

According to forecasts, the inflation rate will reverse to positive rates by 2021 to 0,5% and gradually increasing, reaching a rate of close to 2% by 2025.



Source: Ministry of Finance, IMF

Unemployment Rate



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 7,6% 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. In 2021 the unemployment rate is expected to drop to 7,5%.



TOURISM MARKET REPORT

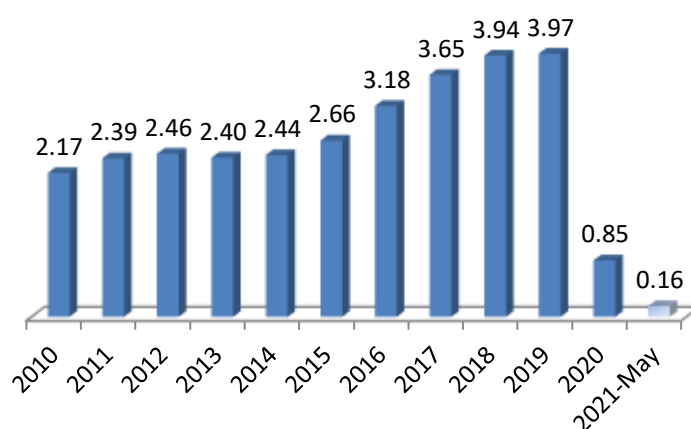
The tourism industry has suffered unprecedented consequences as result of the pandemic and the expectations for swift recovery in 2021 are being challenged by the worldwide lockdowns and the categorizing of tourist destinations based on their epidemiological situation.

OVERVIEW

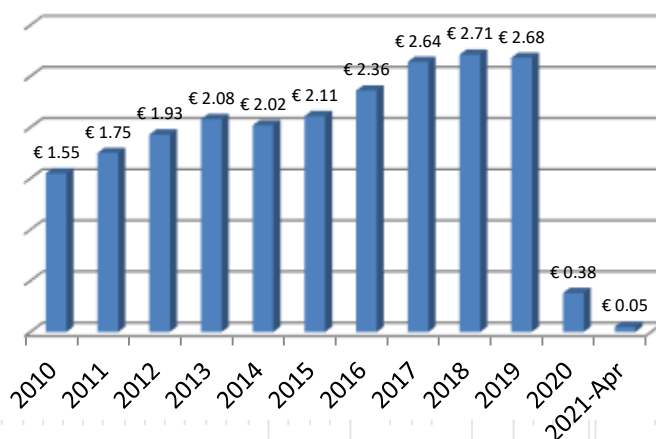
The tourism market is one of the largest economic sectors in Cyprus and has experienced substantial growth over the last decade, with tourist arrivals reaching almost 3.65m and 3.95m in 2018 and 2019 respectively. A record-breaking period in terms of tourist arrivals, which neared the 4m threshold. 2020 and the 1st half of 2021 reversed the situation, amid the consequences of the national lockdowns and travel restrictions that had been in place for most of the above period 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



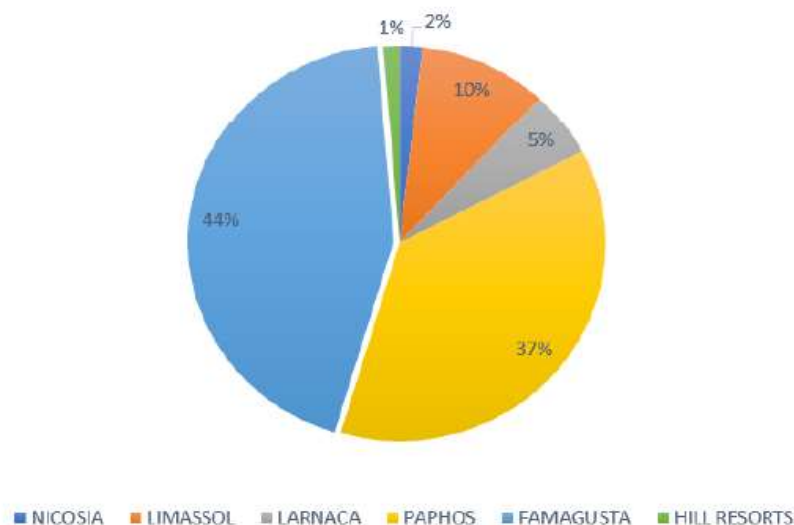
Tourism Revenue in bn €



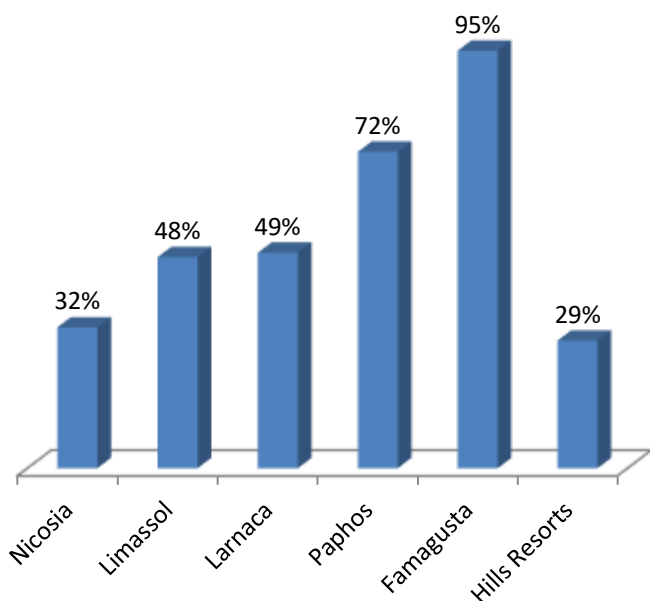
Source: Cystat

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%.

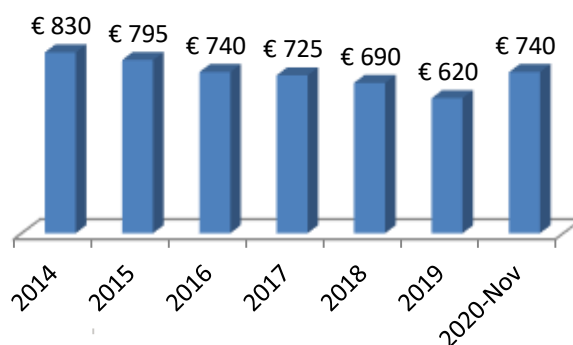
Tourist Overnights by District



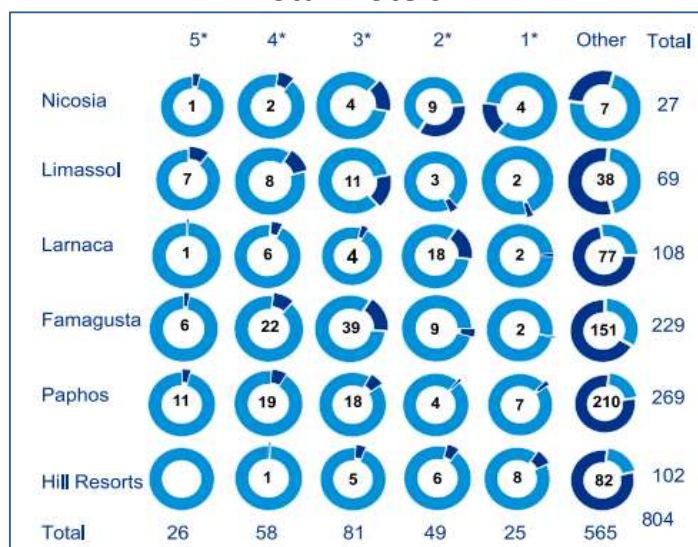
Average Net Occupancy Rate / Area



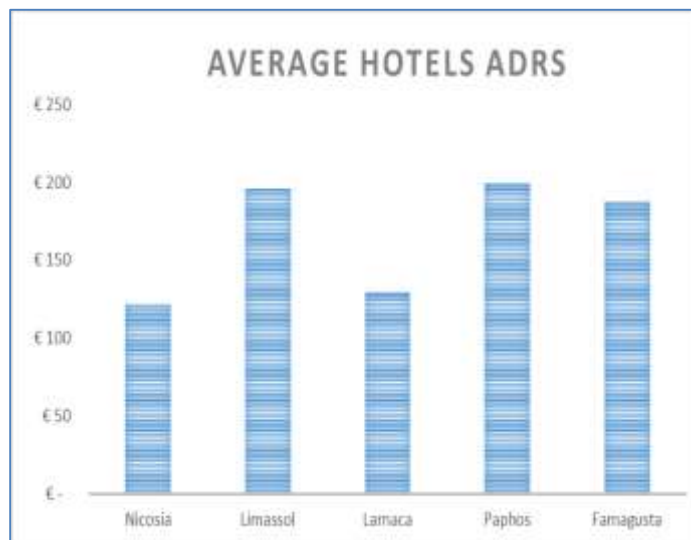
Average Expenditure / tourist



Star Hotels



AVERAGE HOTELS ADRS



Source: Cystat



REAL ESTATE MARKET REPORT

The Real Estate Sector has been facing significant challenges as a result of the COVID-19 pandemic, however prime locations remain attractive and still stand to hold investors interest.

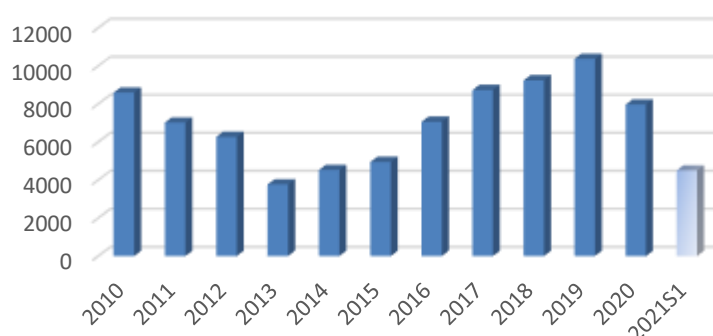
OVERVIEW

Cyprus ended the year with property sales totaling around 8,000 transactions, recording an annual decrease of 23% per compared with 2019 which was the best year of the decade, mainly due to the cessation of the Citizen-by-Investment (aka Golden Passport) Scheme and the consequences of the pandemic.

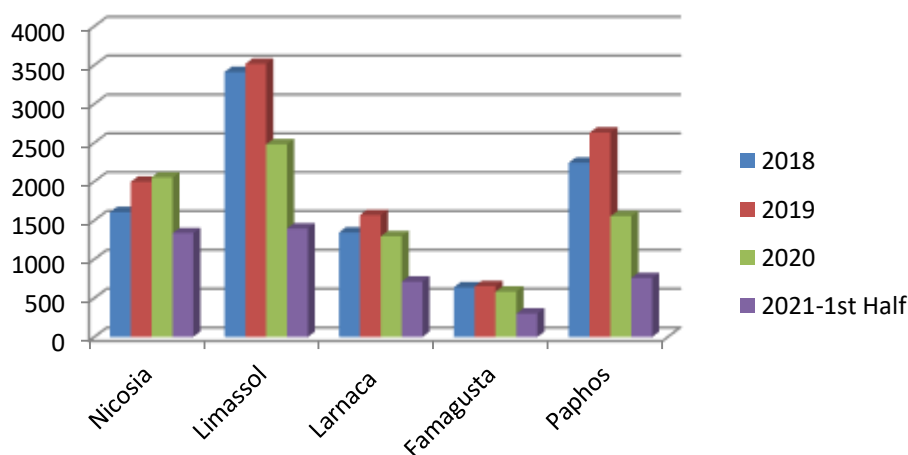
During the period of January – June 2021, a total of 4,501 have been submitted at the DLS recording an increase of over 37% compared with the same period of last year.

Sales had initially fell in all districts (except Nicosia which is supported by local demand) with the hardest hit being the coastal districts that have been most popular with overseas buyers over the years. However, during the first half of 2021 all districts have recorded increases in the number of sale contracts.

No of Sale Contracts by Year



Sale Contracts by District



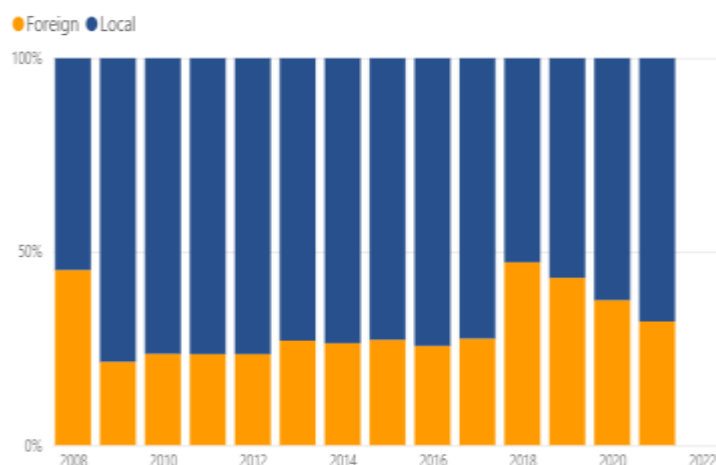
Source: Department of Lands and Surveys

Ratio of local and foreign sales

In Limassol sales increased by 49%, in Nicosia by 27%, in Paphos by 6%, in Larnaca by 26% and in Famagusta by 29% compared with the same period of 2020.

In regards to sales to foreigners for the period of January – May 2021, the total number of sales reached 1,095 from which 576 involved non-EU buyers while 519 sales involved buyers from the EU. These figures add to a total ratio of over 30% of the total sales recorder island-wide.

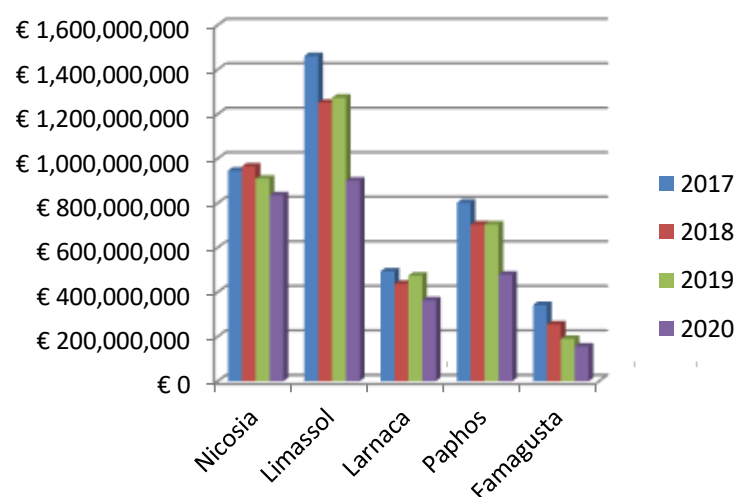
Ratio of Local to Foreign Property Sales



Paphos maintained the lead in sales involving foreign buyers with a percentage of almost 32% (350 sales) from which 164 involved non-EU buyers and 186 within the EU.

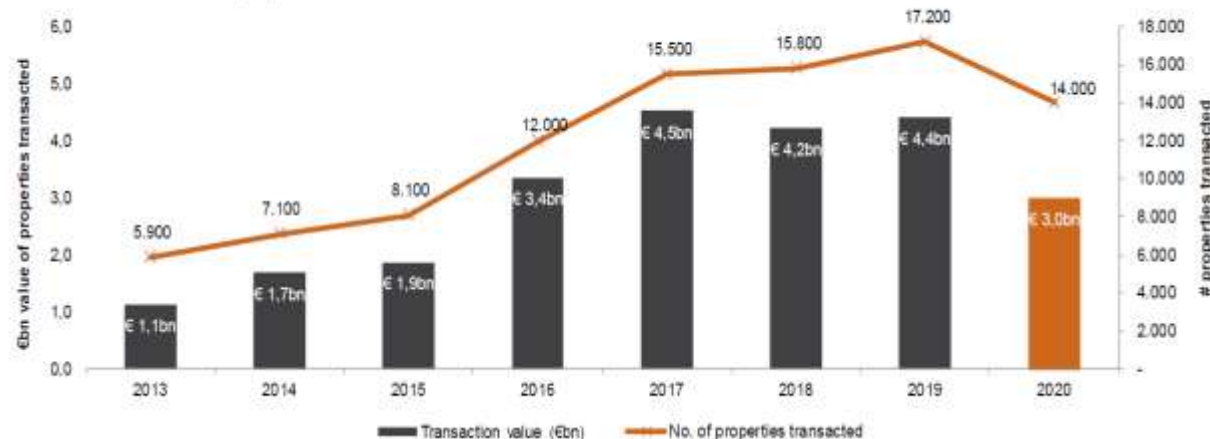
Limassol followed with 25,5% or 280 sales to foreigners, Larnaca with a total of 280 sales to foreigners or 21%, Famagusta with a total of 79 sales or 7,2% and Nicosia with 14,2% or 156 sales to foreigners for the specified period.

Value of Sale Transfers / District



Source: Department of Lands and Surveys, Danos Analysis

Volume and Value of properties transacted



Source: PWC



RESIDENTIAL MARKET REPORT

The Residential Property Price Index recorded a recovery in the first quarter of 2021 after two consecutive quarters of falling prices.

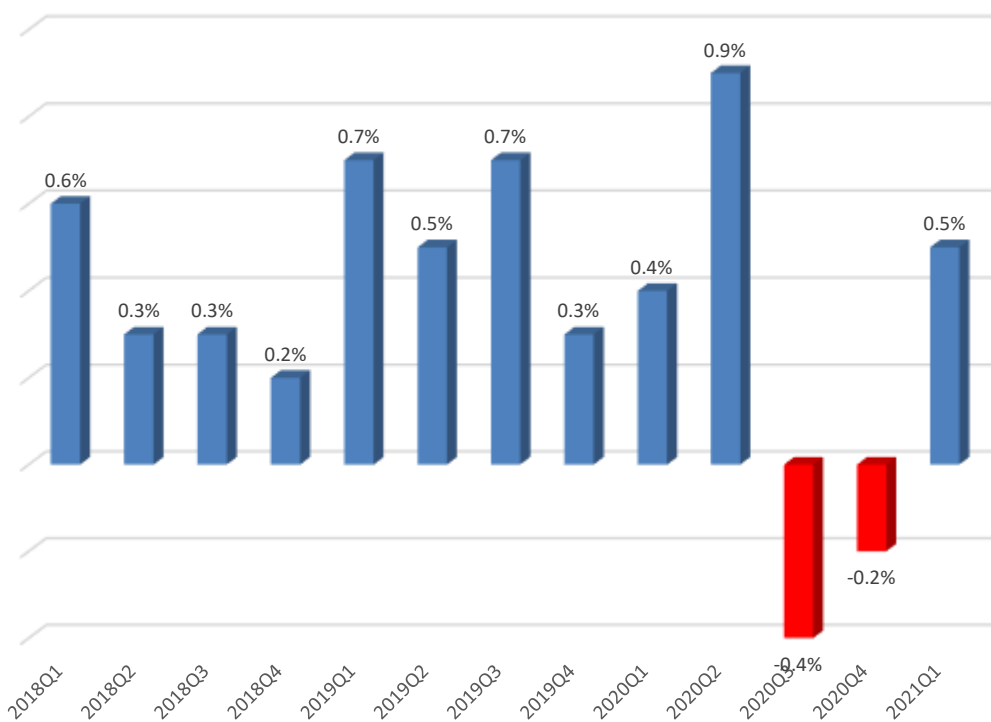
OVERVIEW

According to the property price index of the Central Bank of Cyprus, during the 1st quarter of 2021, the property price index recorded the first minor increase following two consecutive quarters of price decreases after 16 quarters of consecutive price increases. In particular, it has recorded a quarterly increase of 0,5% in the 1st quarter of 2021.

On an annual basis, it has recorded a moderate increase in the range of 0,9% compared to an increase of 0,8% in the previous quarter.

Data regarding the 2nd quarter of 2021 has not been published yet, however the gradual upward trend is expected to continue.

Residential Price Index (Quarterly % change)

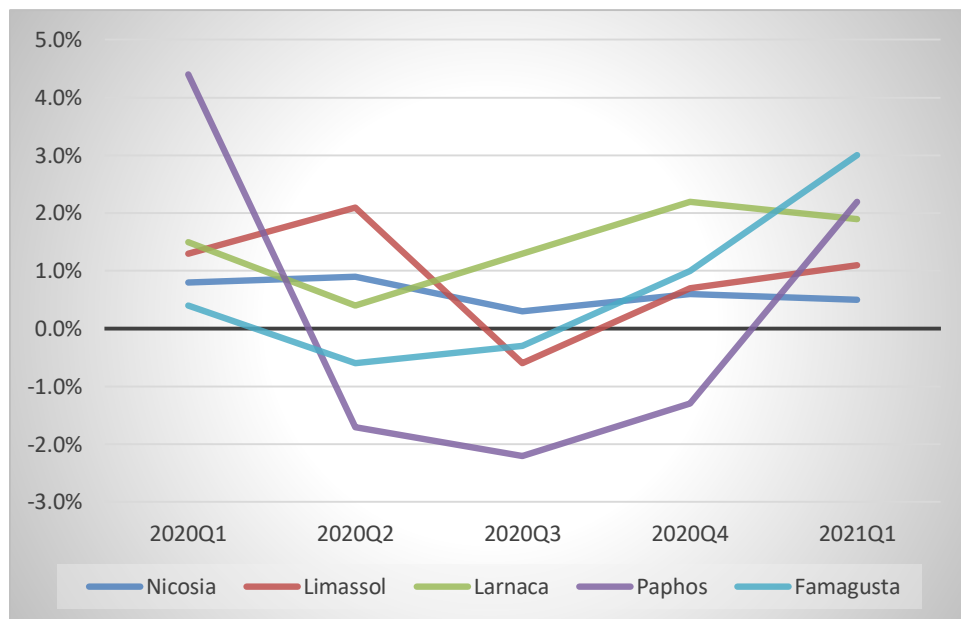


Source: CBC, Danos Analysis

Price Index /District (quarterly % change) - Apartments

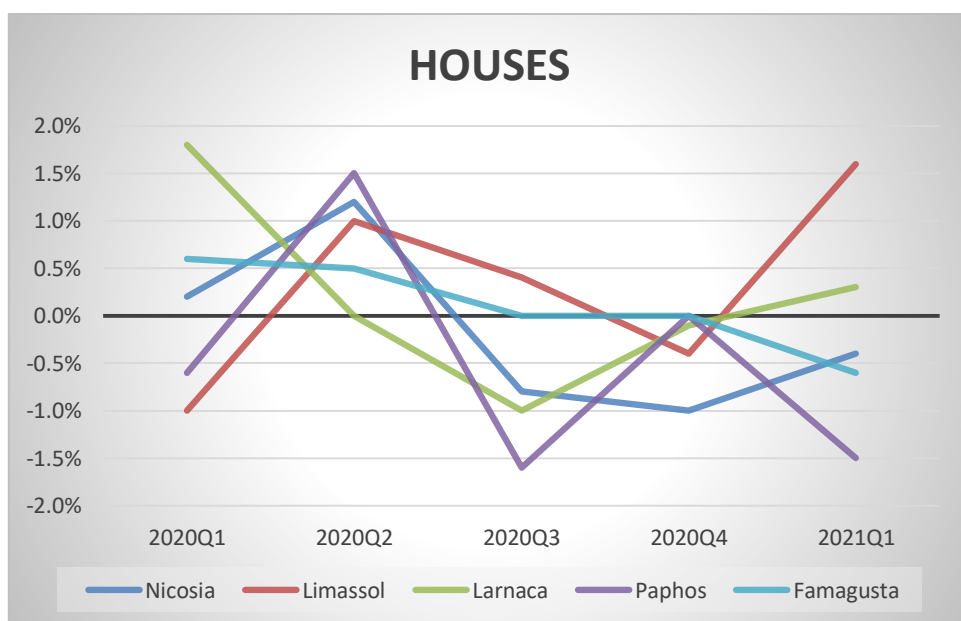
During the 1st quarter of 2021, the property price index recorded increases in Limassol, Larnaca and Famagusta. Nicosia property prices remained unchanged while Paphos recorded a decrease. In particular, a quarterly decrease of -0,6% was recorded in Paphos, while Limassol recorded a quarterly increase of 1,5%, Larnaca 0,6% and Famagusta 0,1%.

On an annual basis, all districts recorded moderate increases except Paphos which recorded an annual decrease of -2%. Limassol has recorded an annual increase of 2,8%, Larnaca 0,7%, Nicosia 0,2% and Famagusta 0,3%.



	Current Position	Outlook
Capital Values	➡	➡
Rents	➡	➡
Transactions	➡	➡
Lending	➡	➡
Construction Activity	➡	➡

Price Index /District (quarterly % change) - Houses



Source: CBC, Danos Analysis

OFFICE MARKET REPORT

The office market in Cyprus is growing significantly. From 2019 until today there is a great deal of office development. Offers of office space in central cities have now met the demand of previous years for good.

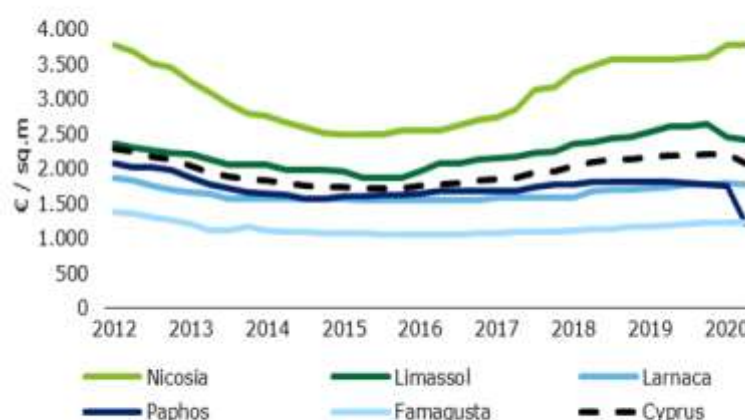
OVERVIEW

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 ranging around 5% .

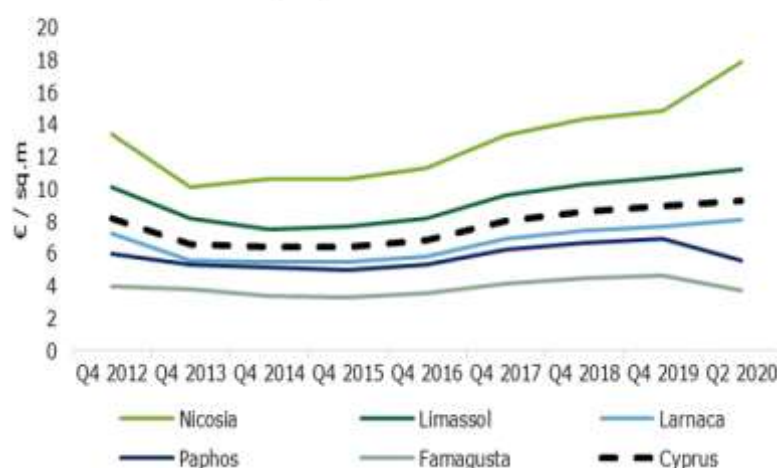
The core location preferred by occupiers is the CBDs although numerous modern buildings are being developed in more decentralized areas. During the past few years, there has been a great office development, with luxurious buildings, some of which are in their final stages, while others are undergoing significant construction works. The supply of office space in central locations within the cities is gradually meeting the demand of previous years and created opportunities for overseas headquartering relocation of multinational companies.

RICS Property Price Index–Office Capital Values



Note: Office price and rental rates according to the RICS (Cyprus Property Price Index) are based on 200m², city center location of Grade A office.

RICS Property Price Index–Office Rents



Source: RICS, Deloitte



RETAIL MARKET REPORT

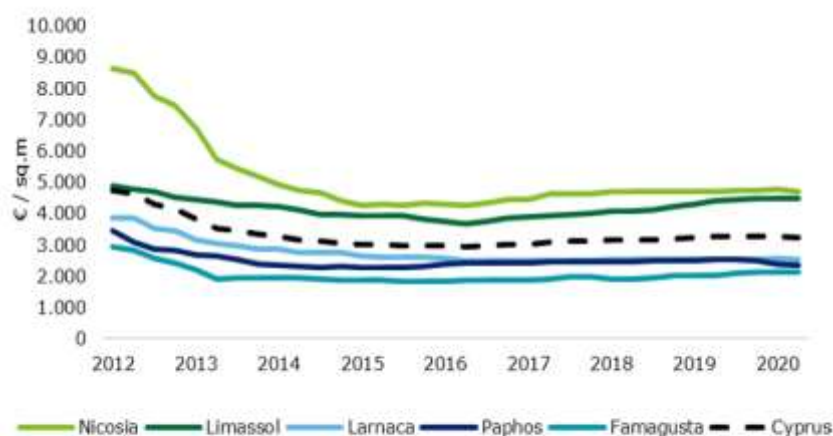
The Retail Sector has been facing significant challenges as a result of COVID-19 pandemic and the rise of the e-commerce.

OVERVIEW

The retail market has been significantly challenged during the whole of 2020 as well as the first semester of 2021. 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.

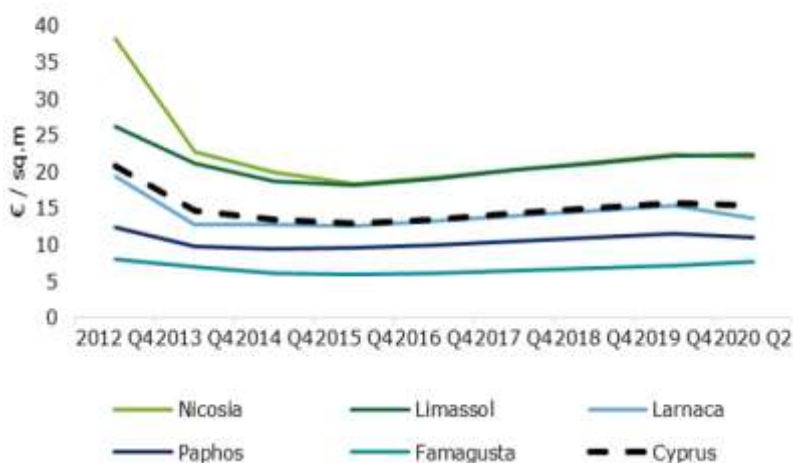
The purchases of stores and shopping malls are concentrated in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos), while special mention should be given to the under-development discount outlet village 'Neo Plaza' in the outskirts of Nicosia which is expected to operate in 2021 and it will include,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

RICS Property Price Index – Retail Capital Values



Note: Retail price and rental rates according to the RICS (Cyprus Property Price Index) are based on high street retail of 100m² ground floor and 50m² mezzanine.

RICS Property Price Index – Retail Rents



Source: RICS, Deloitte



LOGISTICS MARKET REPORT

The Logistics Sector is growing the last years. Rise of e-commerce logistics and increased domestic consumption will pave the way for the industry to grow further in future.

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.

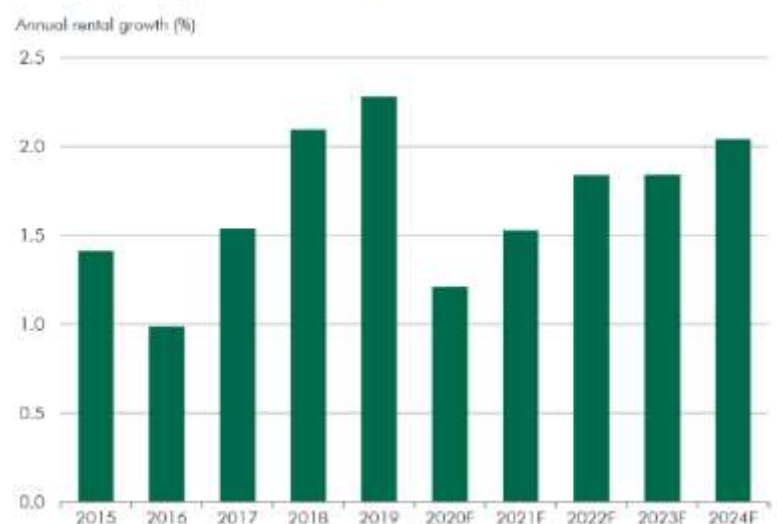
Today's transportation and logistics worlds are being disrupted on all fronts. Freight forwarding, passenger transport, shipping, rail and aviation – almost all transport modes and business models are affected by changing customer expectations, new technologies and new players accessing transportation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

ONLINE SALES IN EUROPE

GOODS AND SERVICES - 2020



European Logistics Prime Rental Growth Forecast ¹



Source: RICS, Primera



SIGNIFICANT PROJECTS & TRANSACTIONS

- CITY OF DREAMS MEDITERRANEAN CASINO RESORT – Estimated cost €650 million
- AGIA NAPA MARINA – Estimated Cost €300 million
- EAGLE PINE GOLF RESORT (ARISTO DEVELOPERS) - Estimated cost €500 million
- LIMASSOL GREENS (LANITIS GOLF) - Estimated cost €400 million
- LIMASSOL HILLS GOLF RESORT (UNIVERSAL GOLF ENTERPRISES) - Estimated cost €400 million
- LIMASSOL DEL MAR(ZAVOS & LEPTOS) - Estimated cost €350 million
- NEAPOLIS SMART ECO CITY (LEPTOS GROUP) - Estimated cost €500 million
- TRILOGY LIMASSOL SEAFRONT (CYBARCO DEVELOPMENT) - Estimated cost €350 million
- KOTSOVOLOS SHOPS IN LIMASSOL & NICOSIA - Lease agreements through Danos International Property Consultants & Valuers
- EUROPEAN ASYLUM SUPPORT OFFICE – Lease agreement through Danos International Property Consultants & Valuers
- NEO PLAZA - Lease agreements through Danos International Property Consultants & Valuers
- NIELSEN MEDIA RELOCATION TO LAMDA TOWER - Lease agreement through Danos International Property Consultants & Valuers
- LABS TOWER, METROPOLITAN TOWER, ASTEROID TOWER
- LARNACA PORT & MARINA DEVELOPMENT

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