



CYPRUS PROPERTY MARKET

2nd semester 2018

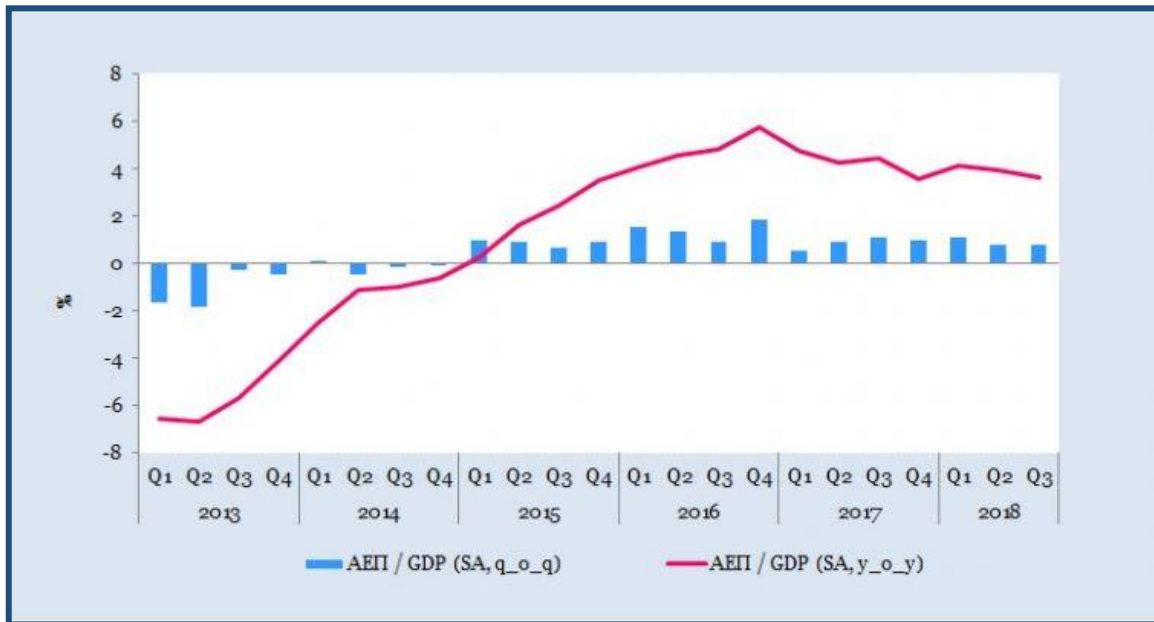


Established in 1968, DANOS an Alliance member of BNP PARIBAS REAL ESTATE is the leading real estate services company in Cyprus. We provide our clients with real estate consultancy services across the markets of Cyprus, Greece and Serbia. We pride ourselves in offering a professional service that places our clients first.

1. Economic outlook and Real Estate Sector

Cyprus is experiencing strong economic growth and the labour market is rapidly improving. The GDP growth rate in real terms during the 4th quarter of 2018 is positive and estimated at +3.7% over the corresponding quarter of 2017. Based on seasonally and working day adjusted data, GDP growth rate in real terms is also estimated at +3.7%.

The increase of the GDP growth rate is mainly attributed to the sectors: "Hotels and Restaurants", "Retail and Wholesale Trade", "Construction", "Manufacturing", "Transport and Storage", "Professional, scientific and technical activities" and "Administrative and support service activities". Negative growth rate was recorded by the sector "Financial and Insurance Activities".



Source: MOF

Growth rates of GDP at constant prices				
YEAR	QUARTER	Gross Domestic Product (GDP)	GDP (Seasonally and working day adjusted)	
		compared to the same quarter of the previous year (percentage change)	compared to the previous quarter (Percentage change)	compared to the same quarter of the previous year (Percentage change)
2017	Q1	4.4	0.5	4.7
	Q2	4.4	0.9	4.3
	Q3	4.6	1.1	4.4
	Q4	3.6	1.0	3.5
2018	Q1	3.9	1.1	4.1
	Q2	3.9	0.8	4.0
	Q3	3.7	0.8	3.7
	Q4			

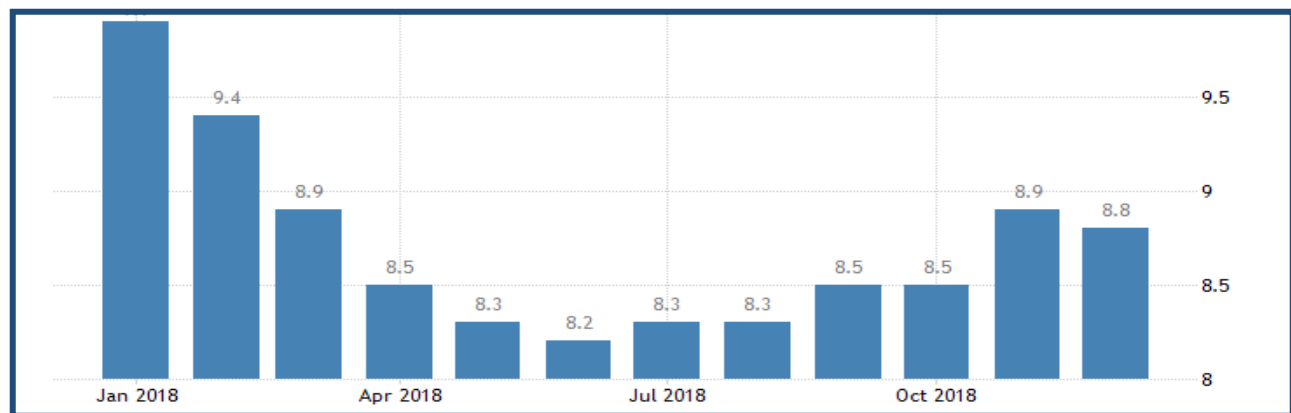
Source: SSC

Economy of Cyprus – Indicators

- The Cyprus Economy continues the recovery path.
- Inflation (HICP) for December 2018 increased by 1.0% when compared to December 2017. For January-December 2018 the HICP increased by 0.8% compared to the corresponding period of the previous year.
- Real GDP is projected to continue to increase significantly in 2018 and 2019, albeit with moderate slowdowns, supported mainly by strong private consumption and investment.
- The challenges for the Cyprus Economy continue to exist and leave no room for complacency.

Unemployment Rate

In Cyprus, the unemployment rate was 8.5% in October 2018 (8.1% for men and 8.9% for women), from 8.4% in September and from 10.0% in October 2017 (37,000 unemployed in October 2018, compared with 42,000 in October 2017).



Source: Eurostat

Banking Sector

Developments around the Cypriot banking system over the last few years have been continuous.

The rules today and in the near future require fewer banks, with fewer and more skilled staff. Cyprus, in relation to the Eurozone, is the first in the population per bank branch, the second in population per bank employee and the fourth in the size of the domestic banking sector compared to the domestic product. It is clear that the banking sector in Cyprus is oversized and is considered overbanked.

With regard to tackling the problem of NPLs, despite the significant decline over the last two years, they still threaten the banking sector. The current level of MES is a brake on the growth of banks, since it reduces their profitability while consuming a significant part of their capital and many resources (personnel and systems) that could be used in pure banking. As a result, the contribution of the banking sector to the recovery of the economy through the granting of new lending is limited.

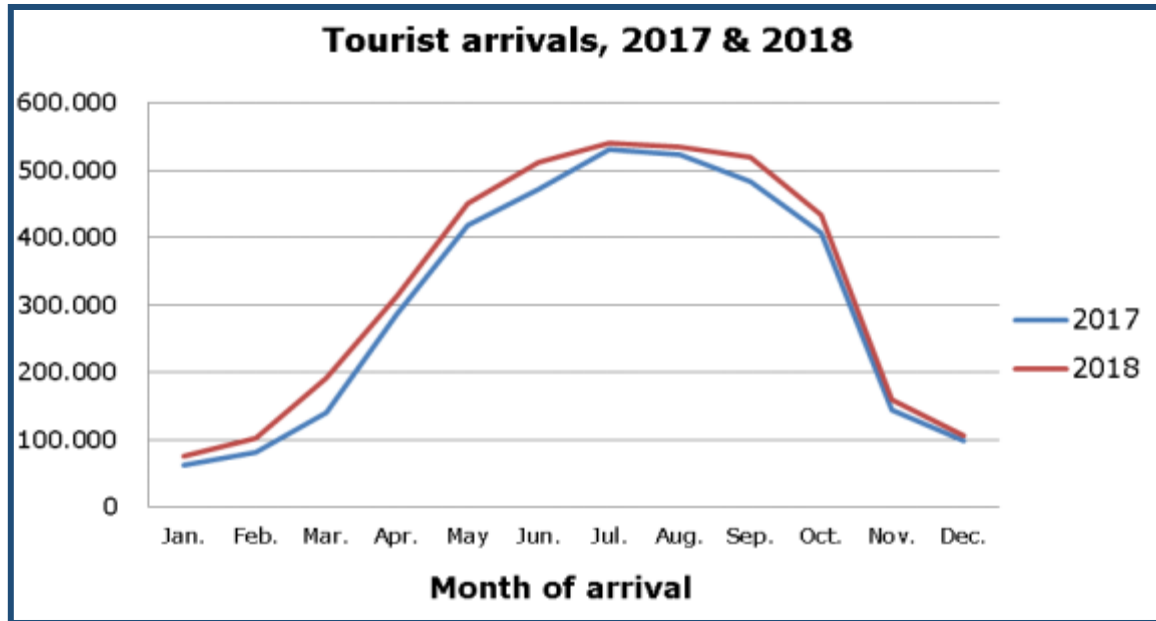
Tourism

The tourism sector is one of the stable pillars of the Cypriot economy.

On the basis of the results of the Passengers Survey, arrivals of tourists reached 106.563 in December 2018 compared to 98.924 in December 2017, recording an increase of 7,7%. December 2018 had the highest volume of tourist arrivals ever recorded in Cyprus during the specific month. For the period of January – December 2018 arrivals of tourists totaled 3.938.625 compared to 3.652.073 in the corresponding period of 2017, recording an increase of 7,8% and outnumbering the total arrivals ever recorded in Cyprus during a year.

Cyprus is living a tourist season of intense growth.





Source: SSC

2. Cyprus' Property market

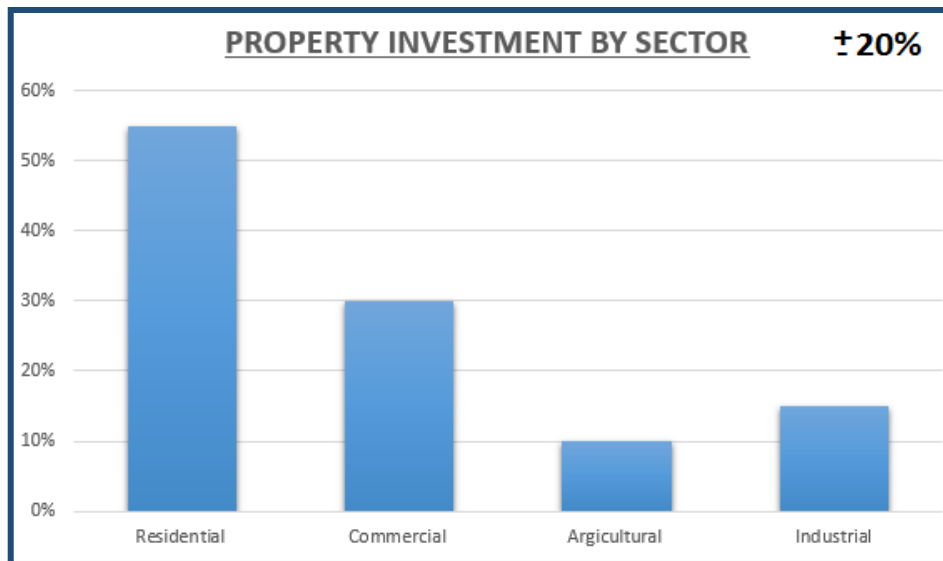
According to the latest figures released by the Department of Lands and Surveys, in the period January - July 2018, the increase in the sales documents deposited stood at 23%, with their number reaching 5,366 compared to 4,349 in the corresponding period of 2017. This increase is added to the already increased number of 2017.

At the same time, the Statistical Service announces that the number of building permits issued by municipal authorities and provincial administrations in May 2018 amounted to 612. The total value of these permits reached € 138.1 million and the total area of 142 thousand square meters. With these licenses, 541 dwellings are planned to be built. During the period January - May 2018, 2,596 building permits were issued compared to 2,368 in the corresponding period of the previous year. The total value of these licenses increased by 27.4% and the total area by 25.6%. The number of residential units increased by 23.5%.

Much of the direct and indirect taxes come from this sector. Thus increase in VAT receipts is due to the increase in sales of new real estate, while investment to the property development sector leads to a decrease in unemployment and an increase in contributions to the Social Insurance Fund.

Property Investment in Cyprus by Sector

The Cypriot real estate market has historically been divided into the major urban centers of Nicosia, Limassol and Larnaca mainly on the basis of local demand (but also foreign demand during last 15 years) and the seaside resorts of Paphos and Famagusta on the basis of foreign demand. Traditionally, the Cypriot property market is dominated by residential properties, with geographic and historical factors on the island partly dictating the dynamics of different sub-markets. However, as a compensatory unit, the development companies' tendency in the last few years has been the construction of office facilities mainly for the large multinational companies that attract the island.



Source: Danos an Alliance Member of BNP Paribas Real Estate

3. Residential Market

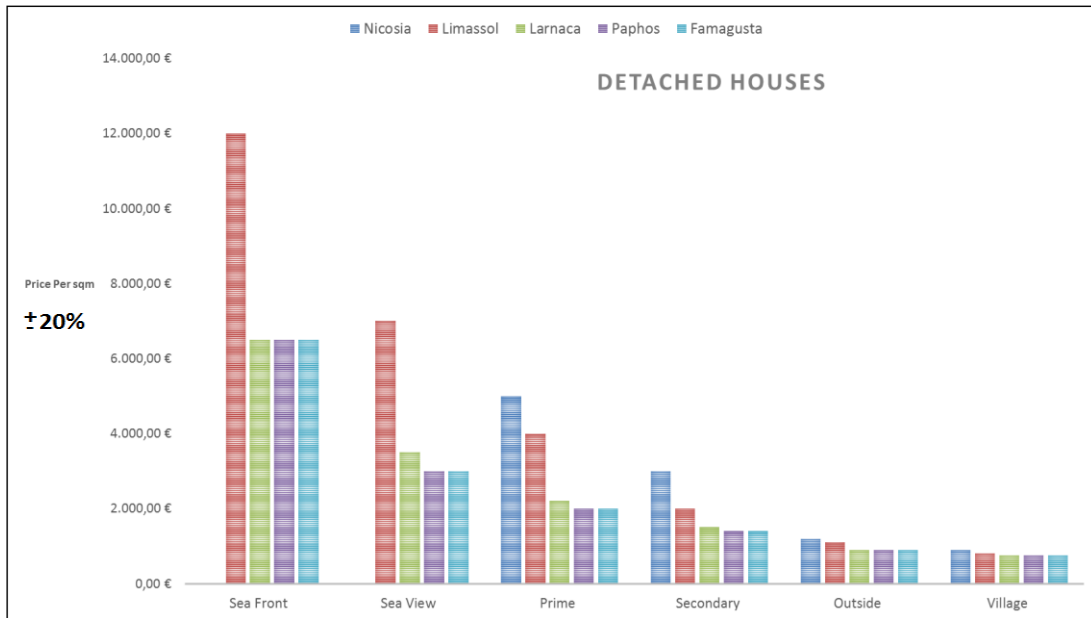
An increase in sales of residential properties in all Districts has been recorded during the 2nd semester of 2018. The level of Demand is higher to 'end products' rather than fields.

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 2nd semester of 2018 have remained stable.

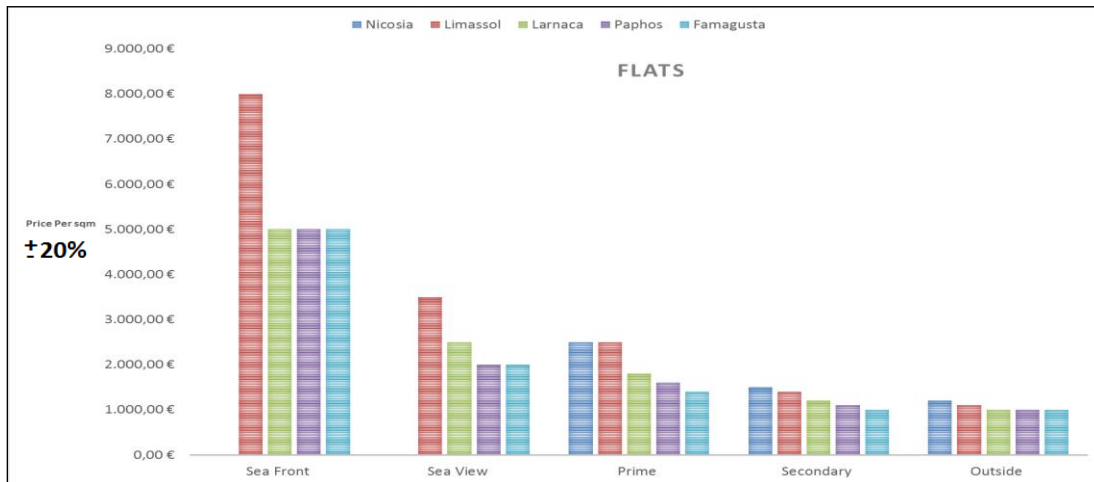
Prices of Residential Sector – 2nd Semester 2018

Characteristics: Independent houses with high quality materials, up to 5 years old.



Source: Danos an Alliance Member of BNP Paribas Real Estate

Characteristics: Flats with high quality materials, up to 5 years old.



Source: Danos an Alliance Member of BNP Paribas Real Estate

4. Retail Market

Retail development concentrates in the 4 main cities (Nicosia, Limassol, Larnaca, Paphos).

Over the 2nd term of 2018, the occupancy in the major commercial roads has increased. The main tenants are the 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 2nd Semester 2018 ± 20%

Street	City	Rent price sq.m/month (€)
Arhiepiskopou Makariou	Nicosia	10-60
Stasikratous		15-40
Ledras		20-70
Anexartisias	Limassol	20-60

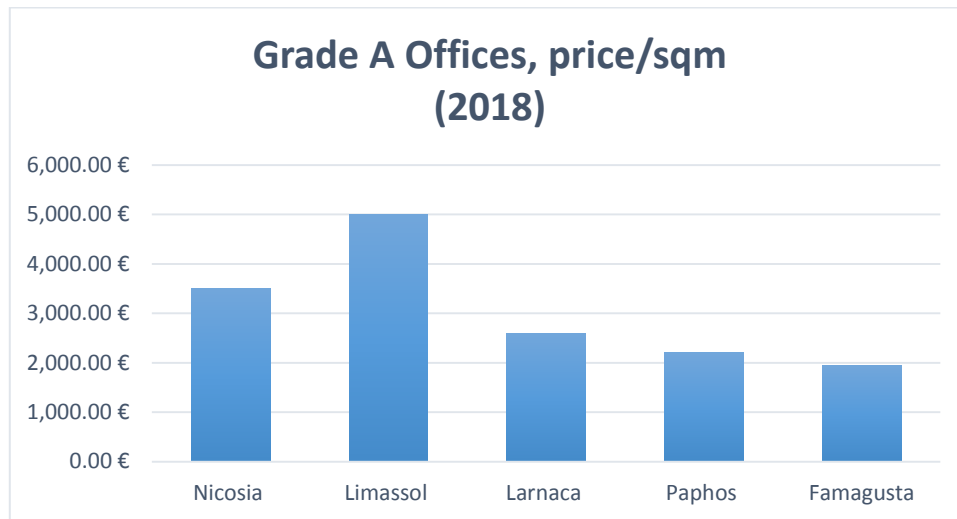
Source: Danos an Alliance Member of BNP Paribas Real Estate

5. Office Market

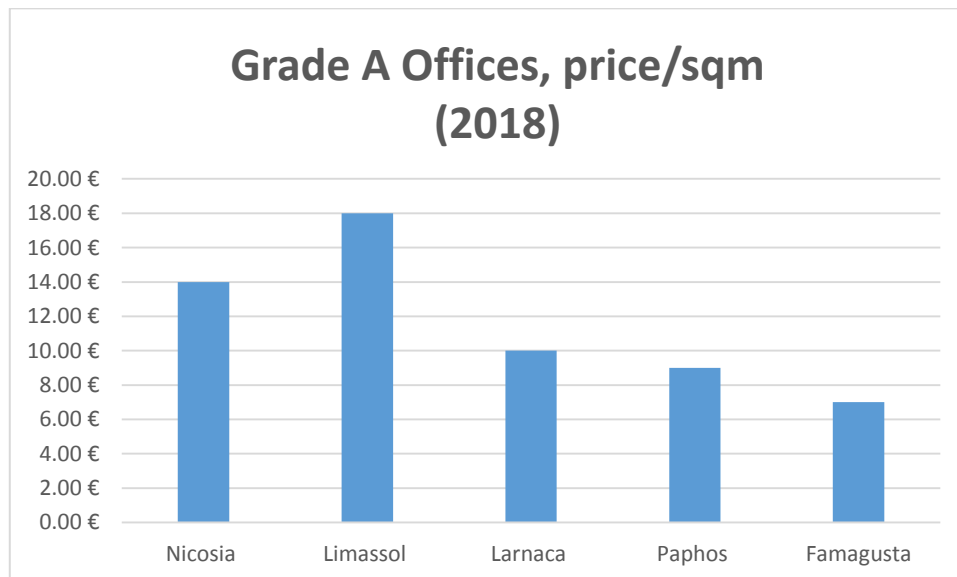
During the 2nd half of 2018, the office market in Cyprus appears to be stable.

In 2018, Grade A offices show a particular demand for rent, the investment return is between of 5.5% - 7%.

Organization such as the IRIS, the Agents Association, EAC, The Department of Registrar of Companies and others are actively looking to relocate their services to Class A office premises.

Offices' prices $\pm 20\%$ 

Source: Danos an Alliance Member of BNP Paribas Real Estate

Offices' Rent prices (per month) $\pm 20\%$ 

Source: Danos an Alliance Member of BNP Paribas Real Estate

6. Industrial Market

The recovering of the supply market lead to a positive development in the 2nd half of 2018. The industrial and logistics market is under investigation by companies related to energy and transportation.

7. Property News

- Dream Tower with 27 floors, 55 one-to-four-bedroom apartments, penthouses and garden-apartments, a project implemented by the consortium of Property Gallery Holdings Ltd and HKCY Hotels LTD. The sophisticated architectural work, which has already secured the building permit, will be erected in Limassol.
- Officially opened the gates of the luxurious Radisson Blu Hotel, which is located in front of the Larnaca port roundabout, welcoming its first foreign customers.
- A second Radisson Blu hotel is planned to be set up in Larnaca. In particular, in 2019, the Radisson Blu Conference and Airport Hotel is expected to open in Larnaca. The hotel is just 1 km from Larnaca International Airport, it has 180 rooms and offers extensive facilities for meetings and events, excellent leisure opportunities, including a spa, fitness center, tennis court, indoor and outdoor swimming pool, and will be designed built and operated according to the high standards and specifications of the Carlson Rezidor Hotel Group.
- The Cyfield - Neophytou JV consortium will start the construction of the Limassol stadium. The project will cost about € 29,300,000 and will have a capacity of 13,000 seats and will be financed entirely by the state. It will be erected in the community of Kolossiou, between Spiros Kyprianou Avenue, Tassos Isaac and the Limassol-Pafos motorway.
- In 2019 construction works are expected to begin for the construction of two impressive Larnaca Towers, which will change the image of Finikoudes and will upgrade the tourist product of the area. Two towers: One building will have 11 floors and will be the five-star hotel with 100 rooms. Next, the second building with 29 floors and 129 luxury apartments will be erected. The investment also includes the creation of a small shopping center on the ground floor with 20 shops, offices and parking spaces for 440 cars. The total cost of the investment is estimated at € 150 million.
- Quality Group QN Kition will be the tallest building and will be located on the main road of Larnaca, Phinikoudes. With a total area of 23,000 square meters the new building will feature a unique and modern architecture where all the rooms will have sea view.

