

AXIA

CHARTERED SURVEYORS

PROPERTY MARKET ANALYSIS



TABLE OF CONTENTS

ABOUT US	3
OUR SERVICES.....	3
OUR TEAM.....	4-5
AFFILIATES.....	5
ANALYSIS.....	6-26

ABOUT US

AXIA CHARTERED SURVEYORS™ is a property consultancy firm that was established in Cyprus in 2012. The company is registered at the Cyprus Ministry of Commerce under the name T.Dimopoulos & Associates Property Valuers L.L.C. The company operates throughout Cyprus and has offices in both Nicosia and Larnaca and through our associates, in other EU countries.

We specialise in property valuations and provide a wide range of other professional property related services such as: development appraisals, property management, planning & development advice, market research and investment consultancy.

Our company has established a large and diverse customer base that varies from the public sector, financial institutions, retail chains and private individuals. Through the professional services that we have provided to these clients, AXIA has established its reputation both locally and internationally.

Vision and Values

Our vision is to become the real estate adviser of your choice. We simply do not wish to be the biggest, just the best.

Our values capture our commitment not only to ethical, professional and responsible conduct but also to provide the optimum value-embracing approach.

OUR SERVICES

- Property Valuation
- Property Consultancy & Investment
- Development Appraisals
- Market Research
- Real Estate Analytics (Machine Learning and AI Tools)
- Due Diligence and Initial Planning Investigation



OUR TEAM



THOMAS DIMOPOULOS
DIRECTOR AND FOUNDER

Thomas is the Director and founder of AXIA CHARTERED SURVEYORS and was appointed at the European Board of IVSC (International Valuation Standards Council) on January 2020. He is also Lecturer in Real Estate at Neapolis University, Visiting Lecturer and PhD candidate at Cyprus University of Technology at the Department of Civil Engineering & Geomatics. He holds an M.Eng. in Rural and Surveying Engineering from Aristotle University of Thessalonica, an MSc in Real Estate from Oxford Brookes University and an MPhil from Cyprus University of Technology.

He is chairman of RICS Cyprus since 2017 and member of the board of the Association of Property Valuers in Cyprus. Before AXIA he worked in several companies in Cyprus and abroad. He has also published several articles in accredited international journals. His research and publications focus on property valuation methodologies, property taxation, geospatial data analysis and Mass Appraisals with the use of Artificial Intelligence and Machine Learning techniques.



TRIFONAS MAMAS
HEAD OF LARNACA OFFICE

Trifonas MRICS is co-founder, Associate Director of AXIA CHARTERED SURVEYORS and Head of Larnaca Office. He holds a BSc in Finance, Accounting and Banking from University of Piraeus and another BSc in Real Estate Valuation and Development from Neapolis University. He is also member of Cyprus Technical Chamber as Property Valuer and a Licenced Estate Agent. Prior AXIA he was Director of a family owned real estate business in Larnaca.



TEREZA KYPRIANOU
PROPERTY CONSULTANT

Tereza is member of Cyprus Technical Chamber and a graduate of Cyprus University of Technology, Department of Civil Engineering and Geoinformatics. She is currently writing her thesis for an MSc in Real Estate at Neapolis University. She started working at AXIA in 2016.



STEFANOS KYRIAKOU
PROPERTY CONSULTANT

Stefanos holds a BSc from the Cyprus University of Technology as a Surveying Engineer and is currently writing his thesis for an MSc in Real Estate at Neapolis University. He is a member of ETEK and he has work experience as a Cartographer and GIS specialist. Stefanos started to work at AXIA in 2017 as a property consultant.

OUR TEAM



NIKI CHATZIMINA

PROPERTY CONSULTANT

Niki holds an M.Eng. in Rural and Surveying Engineering from the National Tech. University of Athens and is currently completing an MSc in Real Estate at Neapolis University. She is a member of the Cyprus Technical Chamber (ETEK). Niki joined AXIA at the beginning of 2018.



ALEXANDRA CLEOVOULOU

PROPERTY CONSULTANT

Alexandra holds a BA(Hons) in Architecture from Oxford Brookes University and a Diploma in Architecture from Neapolis University. She is currently completing an MSc in Real Estate at Neapolis University. She has worked for architectural firms in both the UK and Cyprus and within the property development industry. Alexandra joined Axia in 2018.



EFTHYMIOS PANAGIOTOU

PROPERTY CONSULTANT

Efthymios joined Axia in 2018. He holds a Bachelor's Degree in Land Surveying and Geomatics from the Department of Civil Engineering and Geomatics at the Cyp. University of Technology. He is currently writing his thesis for an MSc in Real Estate at Neapolis University. Prior to joining Axia, Efthymios completed a one-year internship at the Department of Land and Surveys as a land surveyor. He is a member of ETEK in Rural & Surveying Engineering.



ANGELA ANTONI

ADMINISTRATIVE OFFICER

Angela recently earned a master's degree in Human Resource Management from the University of Manchester. She holds a BSc in Business Administration from the University of Cyprus. Angela started to work as an administrative officer at AXIA in 2018.

AFFILIATES



AXIA Real Estate is a licensed estate agency that was established in 2018, that operates throughout Cyprus and offers a wide range of properties available for sale and for rent.



Flatmatie is a roommate finder and roommate search service that was established in 2020. Flatmatie has verified roommates and rooms for rent throughout Europe and aims to pair people with similar interests and outlooks and then find them the perfect property.



Real Geo-Solutions is the first real estate software firm in Cyprus that was established in 2018. The company designed and developed a unique and holistic Real Estate Valuation Management software system with full Geographical Information Systems (GIS) Integration.

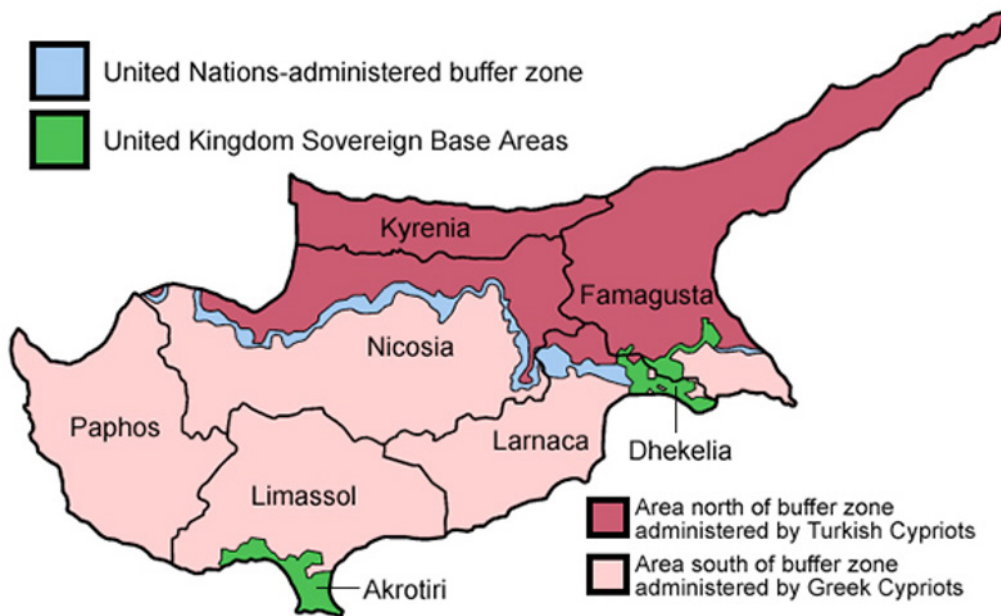
MACROECONOMIC OVERVIEW

CYPRUS

Cyprus is the third largest island in the Mediterranean (after Sicily and Sardinia) with an area of 9,251 square kilometers and a population of 875,900 (Cyprus Statistical Service, 2018). It is located at the far end of the Mediterranean, between Europe, Asia and Africa.

Its position makes it unique as it serves as an access point for foreign investment in the EU as well as for EU investment in Asian and African countries. The country attracts foreign companies because of its attractive tax system, legal and regulatory framework, highly skilled workforce, compared to other European countries, and its advanced infrastructure.

The island is divided into two main parts: The Republic of Cyprus, which controls about 58% of the island's territory, and the Turkish-occupied area (37%) of the island that emerged after Turkey's invasion of Cyprus in 1974.

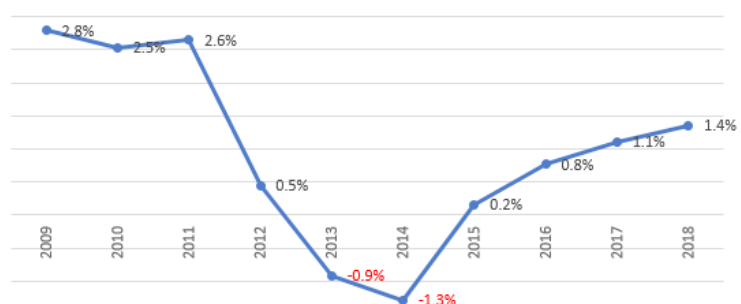


Source: Wikimedia Commons

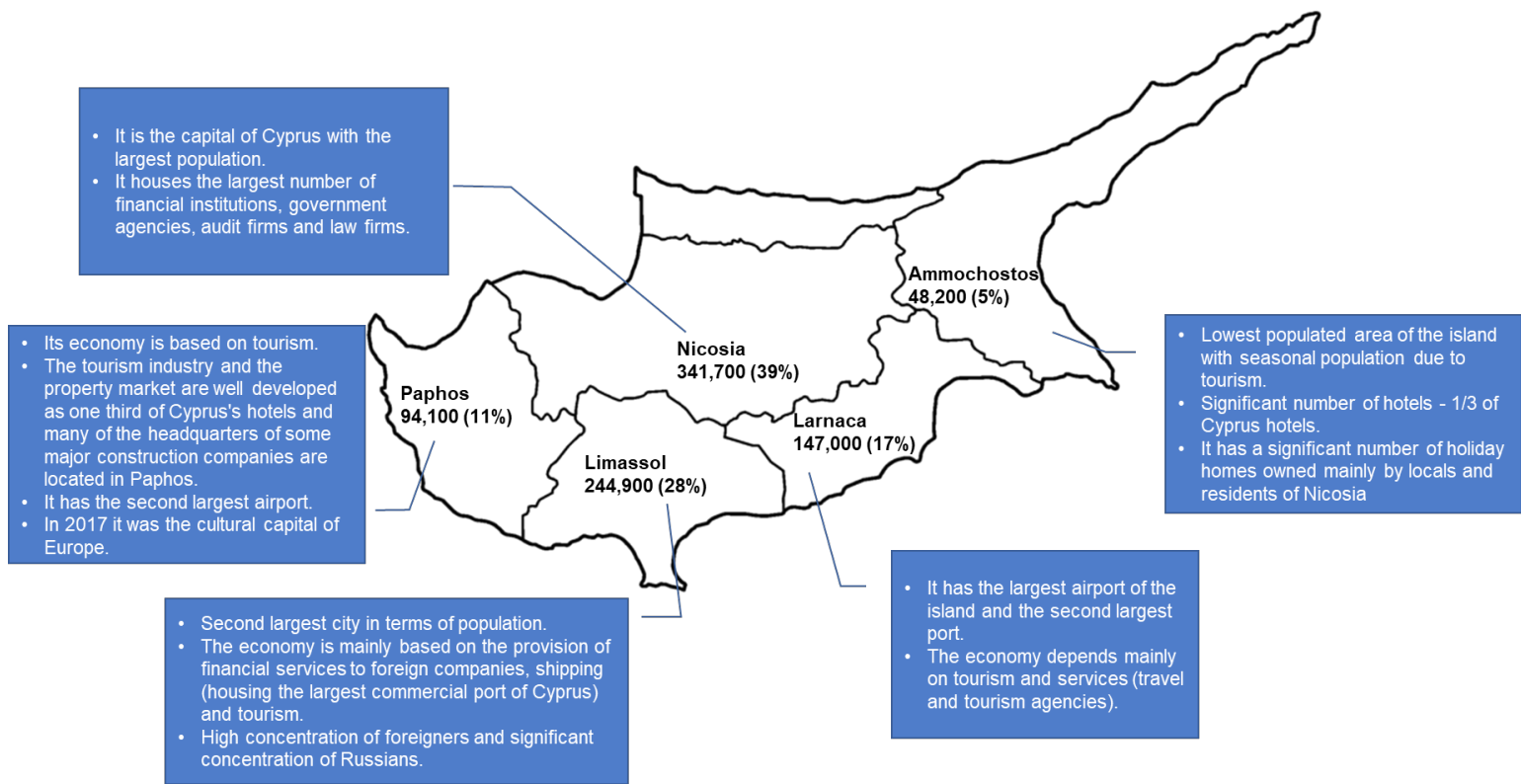
POPULATION

According to the Statistical Service, the population of Cyprus for 2018 was 875.9 thousand – showing a percentage increase of 1.4% compared to the previous year. This is the highest rate recorded in the last six years, as in 2012 the population declined significantly while in 2013 and 2014 there was also a negative turn, probably due to migration or exacerbation of existing health problems due to prolonged stress.

Population Change, 2009-18



Source: CyStat



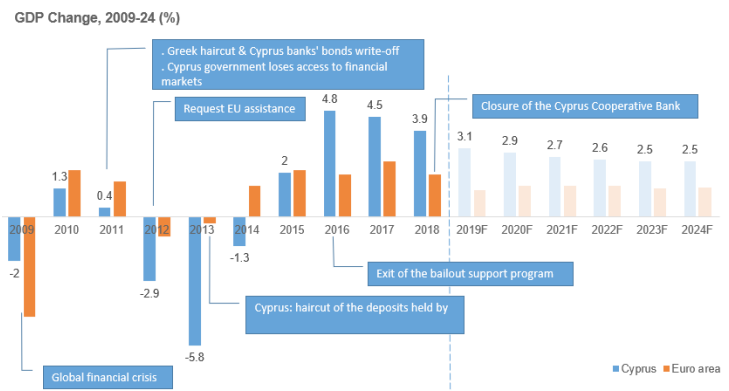
Source: CyStat

GROSS DOMESTIC PRODUCT (GDP)

In March 2013, the Cypriot economy experienced a financial crisis resulting in the haircut of the deposits held by the two largest commercial banks of the country; it was the first time such an occurrence took place globally. The subsequent negative political-economic developments almost led to the collapse of the local financial sector as a result of a domino effect, which resulted in a direct adverse impact on the property market. However, the climate created by this financial turmoil has been now reversed with the country witnessing strong growth since 2015 as a result of significant reformations that resulted in the improvement of investor confidence. A significant reduction is however expected this year as due to the COVID-19 pandemic that is having a worldwide impact. Tourism (hotels, airlines, etc.) is also expected to suffer a major blow worldwide, which is expected to have a significant impact on the local economy.

The GDP of Cyprus reflected the situation of the local economy, since the strong increase of 2006-08 was followed by a 6-year unstable period where the national output contracted significantly with the peak negative years of 2012 (-2.9%) and 2013 (-5.8%). 2015 was the year of recovery and since then the local economy demonstrates strong year-on-year growth, which is among the highest in Europe. In 2015, the Cypriot economy grew by 2%, followed by a strong increase of 4.8% in 2016 and an equally strong growth in 2017 (4.5%). It is predicted that it will keep growing, however at a slower pace, by 2.5%-3.1% annually over the period 2019-2024. It is worth mentioning that the forecasts were made before the COVID-19 pandemic hit and the real numbers are expected to be much lower. The overall impact that it will have on the economy is still unknown.

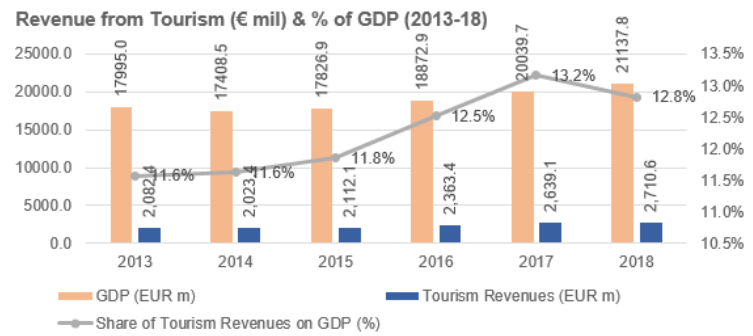
Most years, Cyprus' change in GDP is greater than the change in GDP at European level, with the exception of the years 2009-11 and 2014. It seems that the global financial crisis that occurred during these years had a lower impact on Cyprus, while the highest change in GDP for the country was in 2013 (the year that there was a haircut on deposits exceeding €100,000 in the Bank of Cyprus), where the GDP shrank by 5.8% while at European level it shrank by only 0.3%. The positive outlook is again witnessed in the years 2016-18 where Cyprus' GDP also increased by almost double the percentage in relation to the European region, which according to the IMF is expected to continue in the period of 2019-2024 (projections were again produced before measuring the impact of the COVID-19 pandemic).



Source: IMF

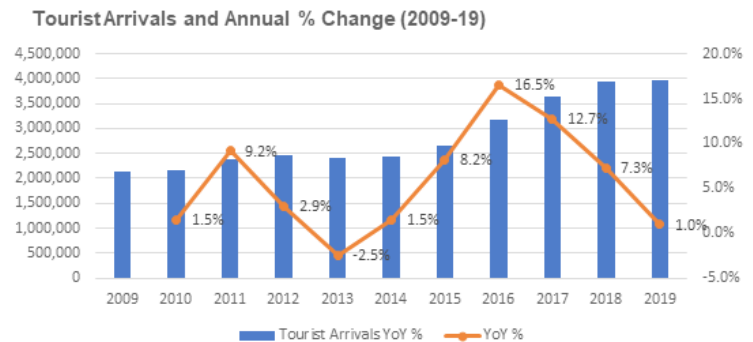
TOURISM SECTOR OVERVIEW

The tertiary sector of the country (Services) comprises the most important productive sector of the Cypriot economy, with tourism holding the prominent position. In 2018, tourism contributed 12.8% of GDP and justifies its role as the steam engine of the local economy. The following graph presents the tourism receipts and their share on GDP for the period 2013-17, which show steady increase from 11.6% in 2013 to 13.2% in 2017, whereas in 2018 a slight decrease of 0.4% was observed, which causes concern.



Source: Statistical Service Cyprus

There were c.4m. tourist arrivals recorded in 2019, another record-high for Cyprus, which is c.1% more than the previous record year 2018 (3.9m arrivals). Since 2014, we notice strong yearly growth which is due to a combination of the overall recovery of Cypriot economy and the image of the country, but most importantly it is due to the turmoil in the nearby Middle Eastern countries. Tourist arrivals in Cyprus almost doubled during the last 10 years (2.2m in 2009 vs. 4m in 2019). The following graph illustrates the tourist arrivals in Cyprus and the annual changes for the period 2009-2019. It should be noted that in the first quarter of 2020 there have been many flight cancellations and cancellations of hotel bookings and a significant decline in the turnover of all tourism related businesses in Cyprus is expected.

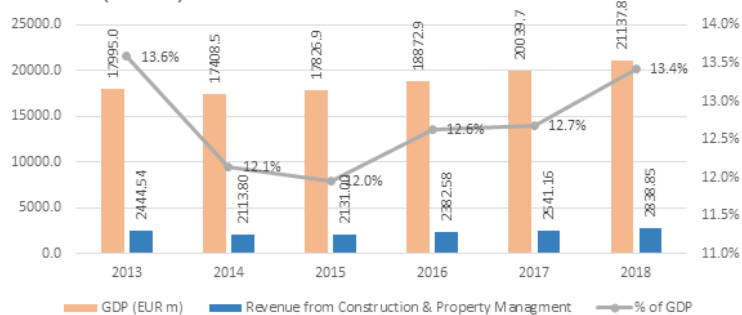


Source: Statistical Service Cyprus

PROPERTY MANAGEMENT AND CONSTRUCTION SECTOR

Real estate, which includes construction and real estate management, also holds a prominent position in the Cyprus economy. For the years 2013-2018 the percentage share of the GDP varies from 12.0% to 13.6%. The lowest rate was recorded in 2015 and has been rising ever since. It is noted that for 2018 the percentage share of real estate of the GDP exceeds the income from tourism presented in the previous section. This is also evident from the number of building permits which increased significantly compared to the previous year - an increase in the number of building permits implies an increase in the construction sector.

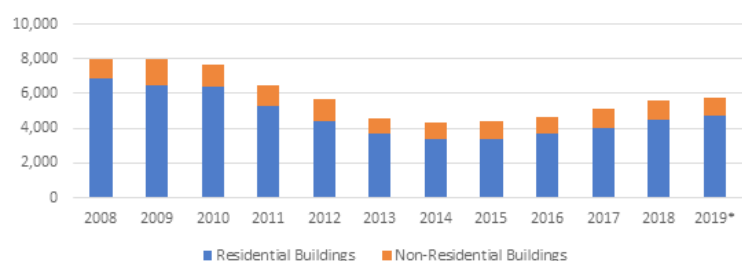
Revenue from Construction and Property Management (€ mil) & % of GDP (2013-18)



Source: Statistical Service Cyprus

According to the graph below, it shows that since 2014 the number of building permits issued for both categories (residential and non-residential) has been increasing at a relatively steady rate, with residential buildings accounting for a significant share of building permits. It is worth mentioning that while for the year 2019 the results are for the months of January - November, the number of permits issued seems to already exceed the corresponding number for the whole of the previous year.

Building Permits Issued by Project Type, 2008-2019*

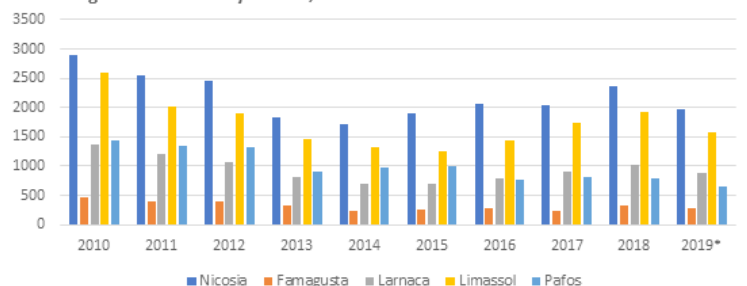


Source: Statistical Service Cyprus

The third graph in this section shows the number of permits issued for all projects in each province. It should be noted that the number of permits is merely an indication of future supply, as some of the licensed projects will not materialize. For each year Nicosia and Limassol occupy the first and second place respectively, while Famagusta occupies the last place. An important observation is that for the years 2010 to 2015 Paphos was third and Larnaca fourth, while from 2016 onwards the third place in the number of building permits issued belongs to Larnaca district which implies a significant indication of and growth and property demand. Although Larnaca has been lagging behind the rest of the districts for several years, it seems to be quite competitive now. Some of the factors that contributed to this are the founding of UCLAN University which helped to develop the Pyla - Oroklini

area through the construction of apartment complexes, the ongoing construction of the first major shopping mall of the district, the construction of a five-star hotel in the harbor area and the removal of refineries and the change of planning zones - possibly the removal of the SEVESO zones - but also the preparation of the Dekelia Area Plan.

Building Permits Issued by District, 2010-19*



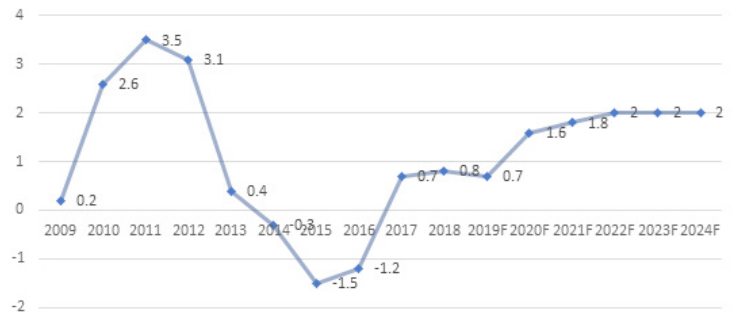
Source: Statistical Service Cyprus

*For 2019 the data refers to the months January-November.

INFLATION & UNEMPLOYMENT

The following graphs present the annual consumer price index change (CPI - inflation) and the unemployment rate. Both of these macroeconomic indicators reflect the performance of the economy, while also directly or indirectly affecting the property market (e.g. property prices change, spending power for property purchases etc.). After three years of negative inflation (2014-16), the consumer price index increased by 0.7% in 2017 with a further increase of 0.8% in 2018 and by 0.7% in 2019 (provisional data), while forecasts are expected to increase further in the coming years, reaching 2% in 2024, reflecting the optimistic expectations of the local economy (note: forecasts were produced before the COVID-19 pandemic).

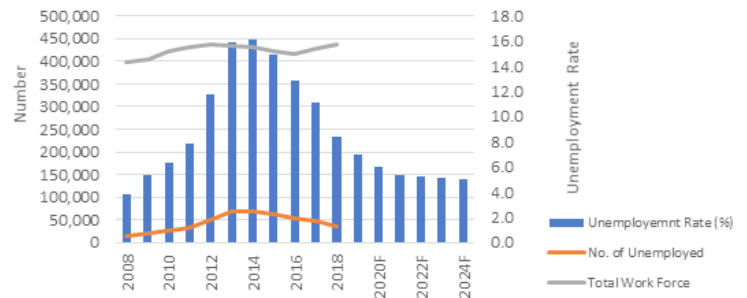
Change in Consumer Price Index (Inflation), 2009-24



Source: IMF

1.6.2. Respectively, the unemployment rate stood at 8.4% in 2018, which is significantly lower than the highest rate in the last decade (16.1% in 2014). It is however noted that it remains higher than the 2009-10 low levels (5.4% -6.3%). According to the IMF, in 2019 the unemployment rate stood at 7% (provisional figures), significantly lower than in the previous year and close to 2011 levels, reflecting the improvement of the local economy, job supply and the presence of important companies and employment opportunities. Also important is the fact that although the country's total labor force has been increasing over the last three years, the unemployment rate has dropped significantly. This figure is expected to decline in the coming years as projected by the IMF, reaching 5% by 2024.

Unemployment, 2008-24



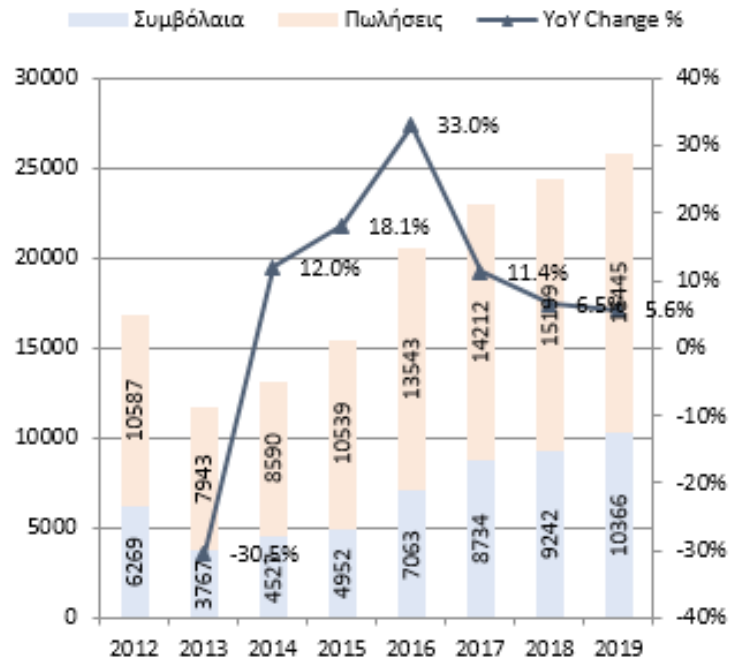
Source: CySTAT, IMF



PROPERTY MARKET OVERVIEW

According to the Department of Land and Surveys of Cyprus, the total transactions (including transfers and exchange of contracts) in the country reached a record high of 25,811 in 2019, showing a significant increase of 5.6% compared to 2018 and 120.4% compared to its lowest sales year, 2013. Since Q2 2014, positive sentiment has returned, and buyers have begun to trust the property sector and the stability of country which is proven by the continuous annual increases of transactions. A significant proportion of sales, however, relate to restructuring and acquisition of real estate by financial institutions.

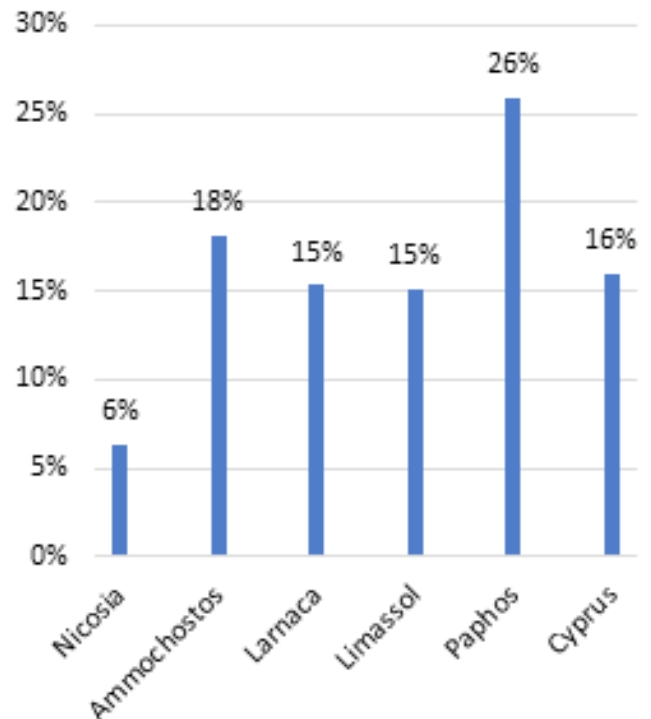
Contracts & Sales - % Change of Total , 2012-19



Source: Department of Land and Surveys

Foreign buyers account for 16% of the total on a national level with good dispersion among the districts. More specifically, Nicosia shows the lowest rate (just 6%), which demonstrates that this area is particularly popular with locals (mainly primary home buyers). The largest rate is recorded in Paphos (26%) which is to be expected since this area is very attractive amongst tourists and foreign second home buyers. The other three districts show rates between 15% and 18%.

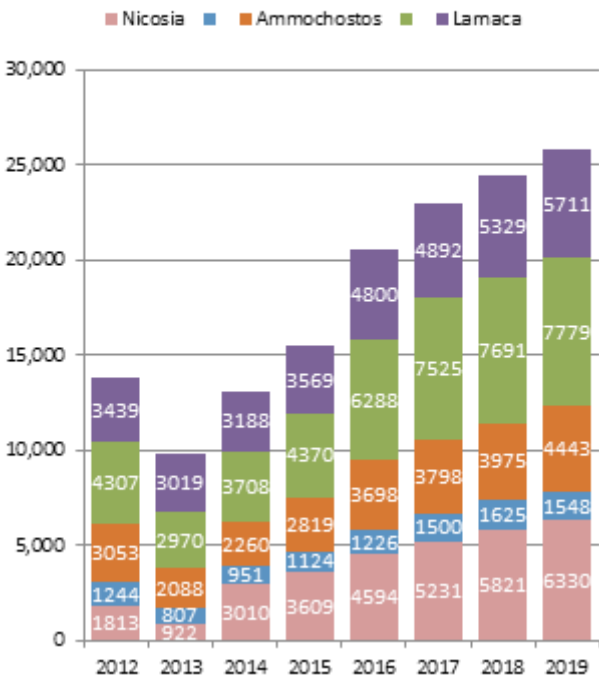
Share of Foreign Buyers (% of the Total, 2012-19)



Source: Department of Land and Surveys

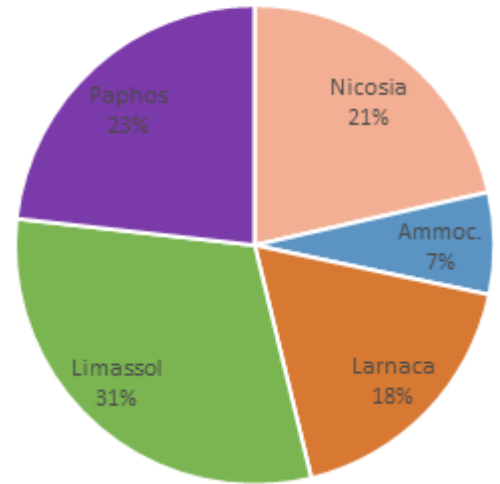
On a district level and for the period 2012-2019, Limassol concentrates the largest share of transactions (31%), followed by Paphos (23%), Nicosia (21%), Larnaca (18%) and Famagusta (7%). The following graphs illustrate the aforementioned data for the period of 2012 – 2019.

Share of Total Transactions per District, 2012-19



Source: Department of Land and Surveys

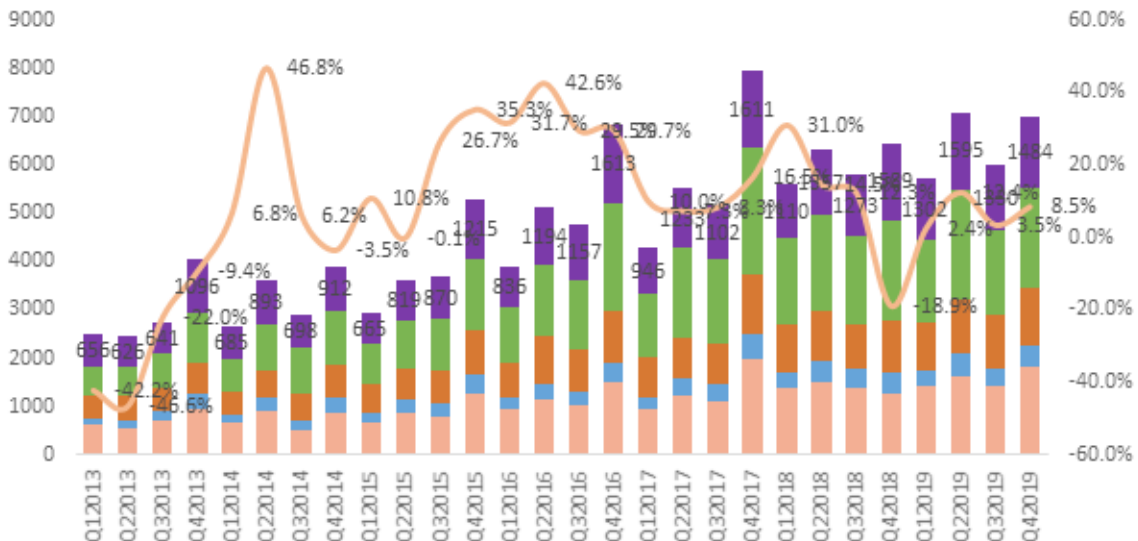
Share of Total Transactions per District (2012-19)



Source: Department of Land and Surveys

The following graph presents the fluctuation of property transactions per district for the period of 2013-2019. At no point were the transactions lower than 2,000 per quarter, while 5,731 – 7,091 transactions per quarter were recorded in 2019. Q4 2017 showed the highest number of transactions since 2012 exceeding 8,000 deals, which is considered an outlier, as it was the result of the newly introduced VAT rate (19%) on land plots imposed on transactions after the 1st January 2018. That was the reason for the yoy (year on year) decrease of 18.9% from Q4 2017 to Q4 2018; while there were increases between the quarters of 2019 compared to the corresponding quarters of the previous year.

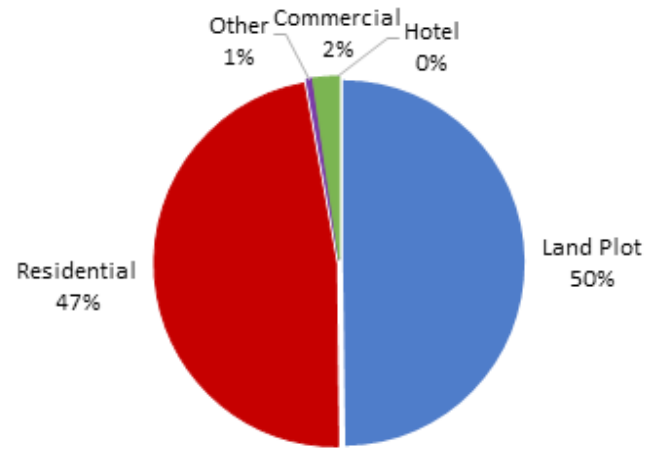
Total Transactions Per Quarter & Per District - Change % yoy (2013-19)



Source: Department of Land and Surveys

The following graph demonstrates the breakdown of transactions according to property type (land, residence, commercial, hotel, other) for the period 2014-2019 (average). Residential transactions (apartments and houses) account for 47% of all sales, while land plots follow with 50%. The other types (commercial, hotels, other properties) concentrate low shares below 3% comprising the minority of the property transaction activity in Cyprus.

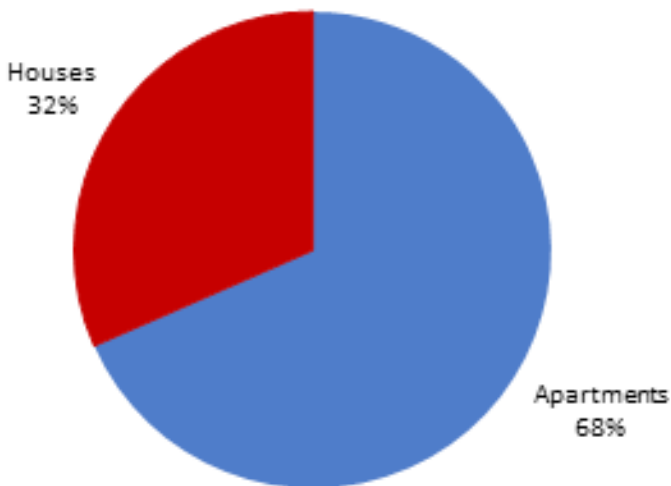
Transactions by Property Type, 2014-18 (% average)



Source: Department of Land and Surveys

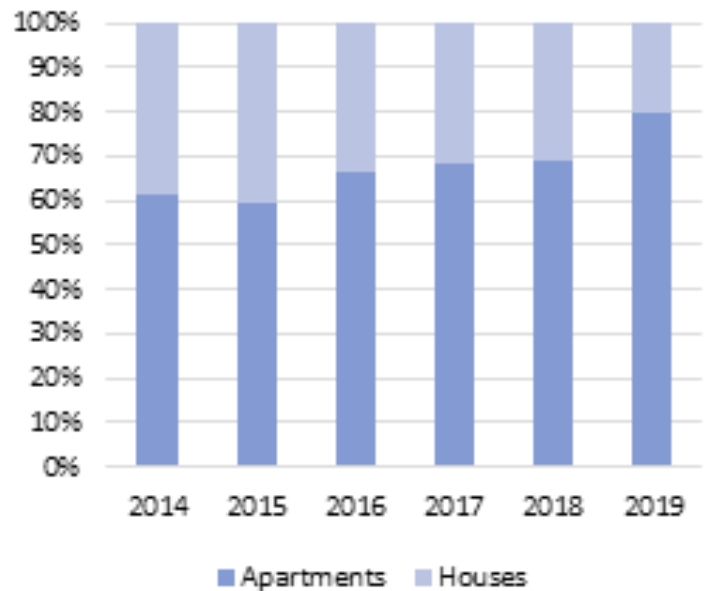
Regarding residential transactions, which have been classified as flats and houses, the majority (68%) refers to apartments with the rest 32% refers to houses. This rate is the average for the period 2014-2019, with no significant fluctuation over the years (see graphs below).

Transactions Breakdown between Apartments & Houses (% on Total Residential Transactions, average 2014-19)



Source: Department of Land and Surveys

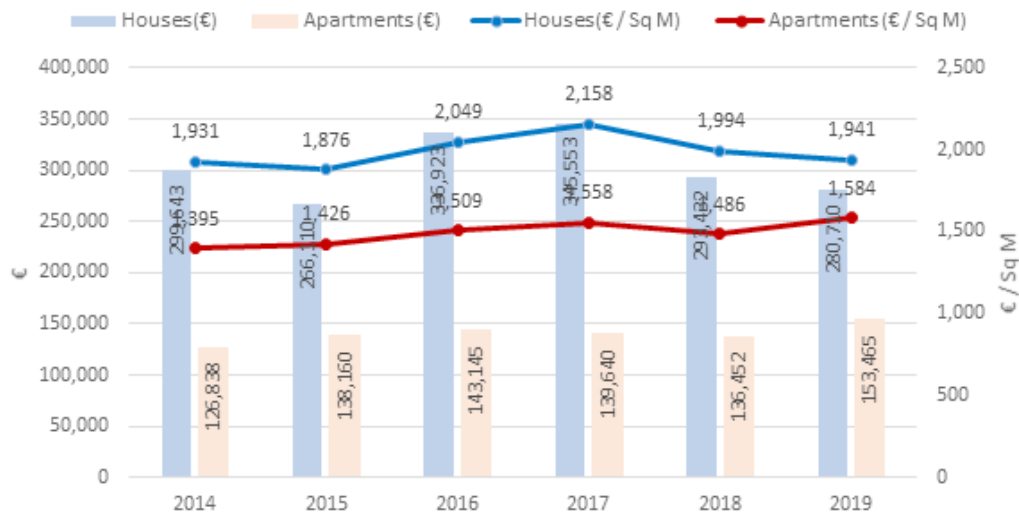
Transactions Breakdown between Apartments & Houses (% on Total Residential Transactions, average 2014-19)



Source: Department of Land and Surveys

The following graph presents the average sales prices of apartments and houses (in terms of € but also € / sqm.) for the period 2014-19 at national level. The data relates to approximately 22,014 transactions for which relevant data was available. Nationwide and for the whole period, apartments had an average size of 106sqm, an average sale price of approximately € 141,000 and an average price per sqm. € 1,514. Respectively, the houses sold during the same period had an average area of 149sqm, an average sale price of approximately €306,000 and an average price of €2,000 per sqm. The improvement of the local economy and the subsequent improvement of the property market is depicted through the steady increase of prices from 2014 onwards in both types (flats, houses), with the exception of 2018 and 2019 where we observe price correction. Specifically, we observed a 2.7% decrease in house prices (to € / sqm), from € 1,994 / sqm. in 2018 to € 1,941 / sqm. in 2019 and a 4.3% decrease on a capital value basis (from € 293,432 in 2018 to € 280,710 in 2019). On the other hand, apartments have fluctuated in recent years, with 2019 having the highest average selling price (€ 153,465). In 2019, we observed an increase (c.6.6%) in the average price per square meter for apartments and a double increase (c.12.5%) in capital values, although the average size remained the same (90sqm).

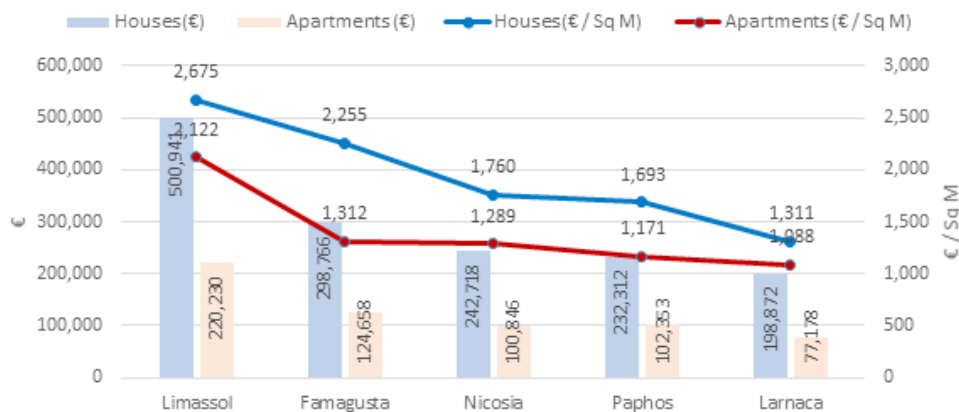
Sales Prices of Apartments and Houses per Year (€, € / sq m - average) - 2014-19



Source: Department of Land and Surveys

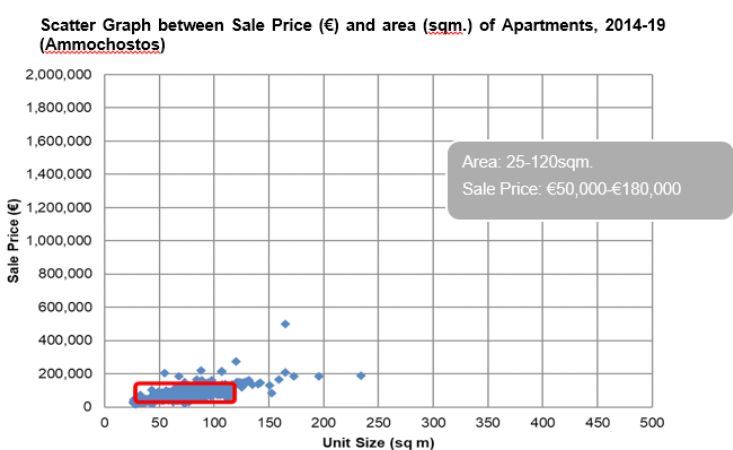
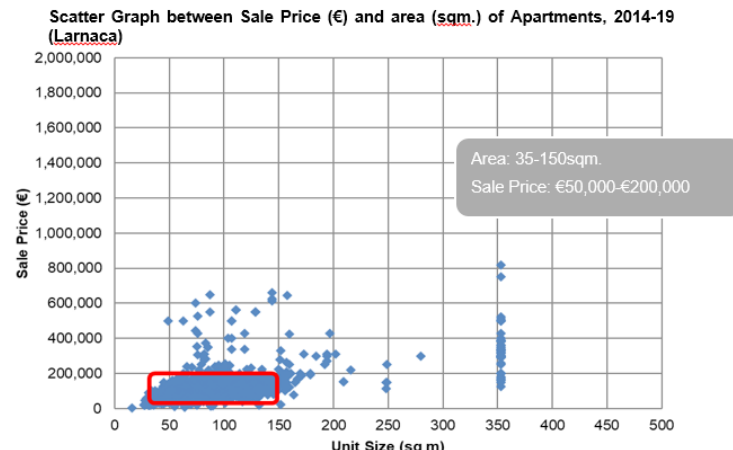
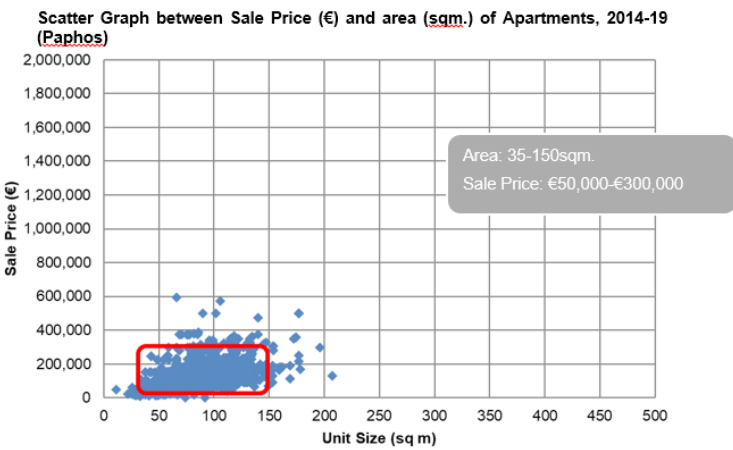
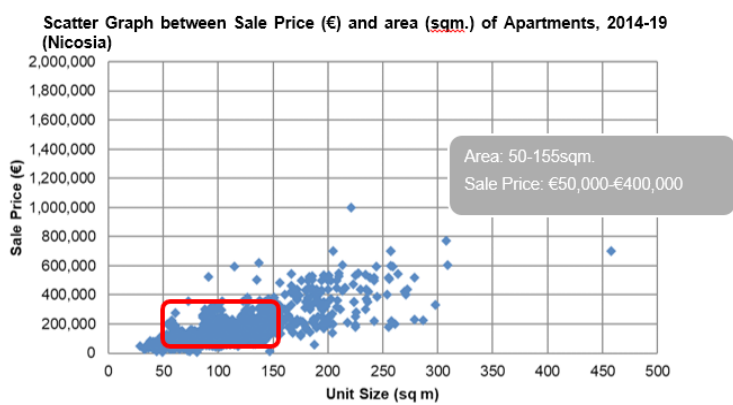
The following graph presents the average sales prices of apartments and houses (in terms of € but also € / sqm) per district for the period of 2014-2019. Limassol presents the highest prices in both categories, with apartments sold for € 220,000 (€ 2,120 / sqm.) and houses for €501,000 (€2,675 / sqm.). Famagusta follows with prices of €125,000 (€ 1,312 / sqm.) for apartments and €299,000 (€2,255 / sqm.) for houses. Larnaca has the lowest prices, with apartments sold for €77,000 (€1,088 / sqm.) and houses for €199,000 (€1,311 / sqm.). Lower values in Larnaca are likely to be an important factor that caused the growing interest in real estate in the area from Cypriots and foreign buyers due to the high prices of property in other districts.

Sales Prices of Apartments and Houses per District (€, € / sq m - average) - 2014-19



Source: Department of Land and Surveys

The scatter graphs below show the relationship between sales prices (€) and the unit size of apartments (sqm.) which were sold in Cyprus over the period 2014-2019 (approx. 16,313 transactions for which data was available). As seen, the majority of them refer to apartments with an area of 50-150 sqm. (except in Ammochostos where the apartments are up to 120sqm) with sales prices up to €400,000 (excluding Larnaca and Ammochostos which reach € 200,000). We notice some outliers with high prices (over €1m-€2m and mostly in Limassol). This can be explained as buyers with a high budget are prepared to pay a premium due to the more unique features of these properties (e.g. excellent construction quality, sea views, penthouse flat, unique location etc.). For example, a 220 sqm. apartment sold for c.€2m (€9,090 / sqm.). Of course, it should be noted that these transactions account for a small share of the market and are usually recorded in organized resorts (e.g. Limassol Marina, Aphrodite Hills) or new build high-rise buildings, mainly in Limassol (The One, Del Mar etc.), and are also related to the Citizenship by Investment programme that non-EU buyer target.



A more in-depth analysis of the transactions for apartments in Cyprus (period 2014-2019) reveals that the majority of them (95.6%) refer to unit sizes between 25-150 sq m, of which 80.7% (of total) falls into the 50-100 sq m range (see graph below). Average sale prices range from €58,000 for the 25-50sqm. category, €90,500 for the 50-75sqm category, €124,000 for the 75-100sqm category, €166,000 for the category 100-125sqm. and €232,000 for the 125-150 sqm. Only 2.6% of the total relates to apartment transactions larger than 150 sqm. with average selling prices ranging between €327,000 - €3,000,000 (depending on size).

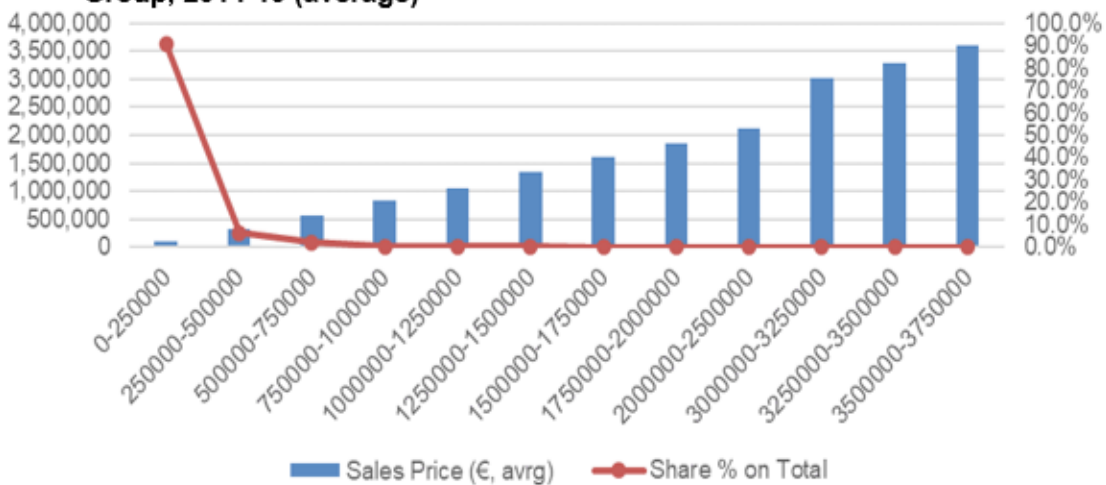
Sales Prices (€) and Share (%) of Total Apartment Transactions in Cyprus per Unit Size Group, 2014-19 (average)



Source: Department of Land and Surveys

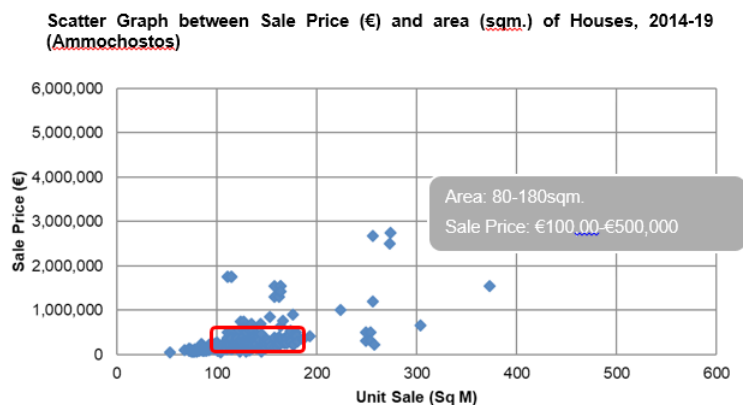
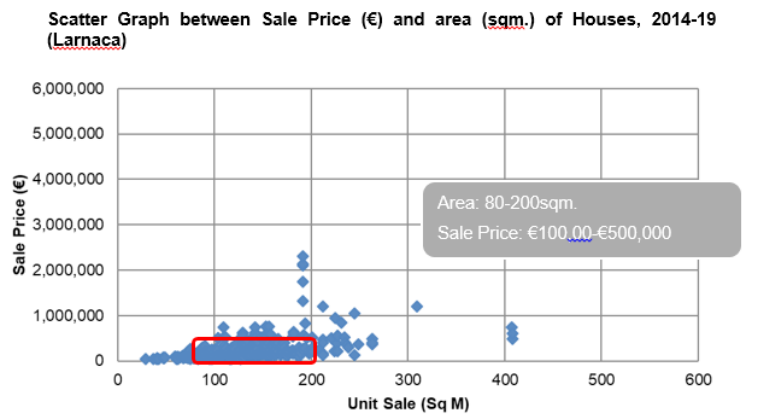
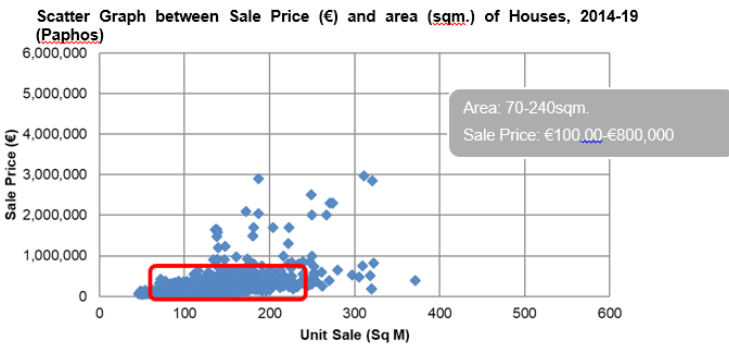
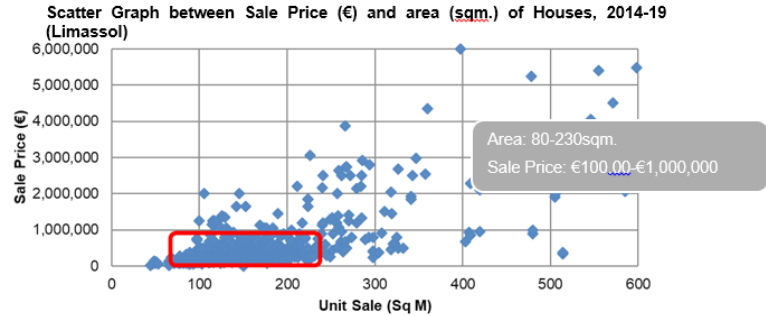
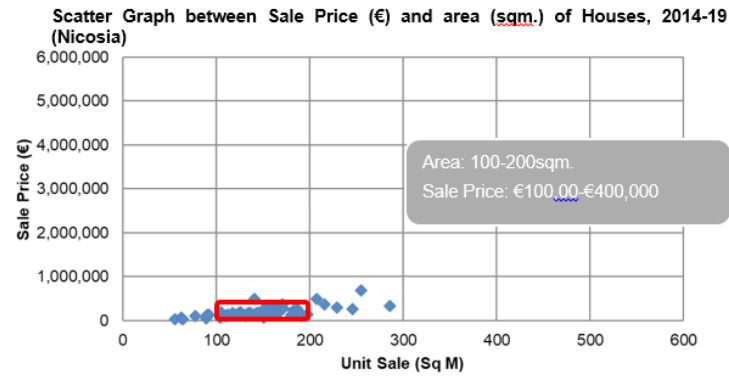
Analyzing the same sample of properties (apartments) and for the same period, we note that 90.8% of the transactions are up to €250,000 (average €105,000), while another 6.4% fall between €250,000-500,000 (average €327,000). Part of this category along with a further 2%, which is buying properties between €500,000 and €750,000, have the Permanent Residency scheme as their main buying motivation (minimum investment of €300,000). Only 0.5% of buyers buy properties over €750,000 which demonstrates the limited buyer market of this segment of the property sector.

Sales Prices (€) and Share (%) of Total Transactions in Cyprus per Sales Price Group, 2014-19 (average)



Source: Department of Land and Surveys

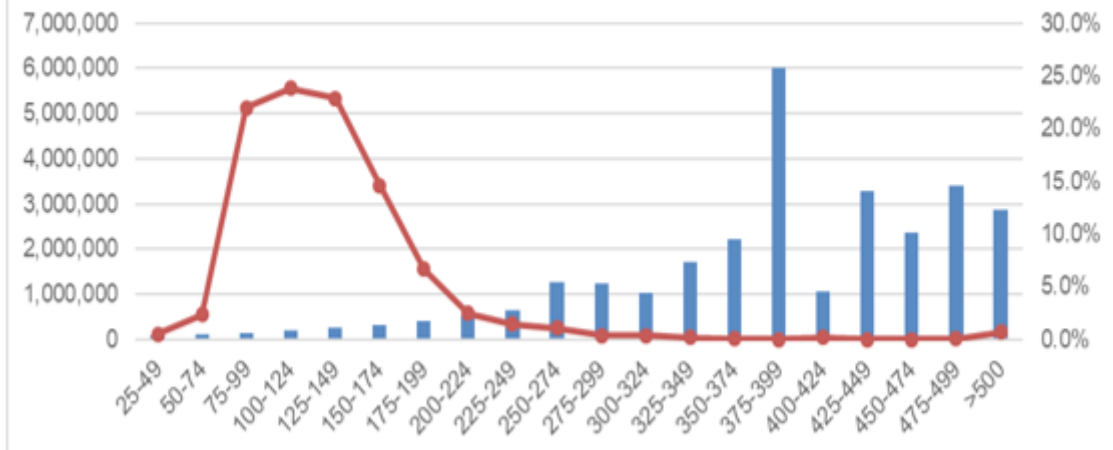
2.12 The scatter graph below shows the relationship between sales prices (€) and the unit size (sqm.) of houses (townhouses and villas) which were sold in Cyprus over the period 2014-2019 (approx. 4,359 transactions for which data was available). As seen, the majority refer to houses up to 200 sqm. with sales prices ranging between €500,000 and €750,000. The relationship between these two factors is not linear but exponential since over a certain unit size (c.250 sqm.) sales prices increase exponentially (this is visible mainly in Limassol and Paphos). This can be explained as buyers with a high budget (especially foreign buyers) are prepared to pay a premium for the more unique features of these properties, whilst there is also the Citizenship by Investment programme incentive.



Source: Department of Land and Surveys

A more in-depth analysis of the transactions for houses in Cyprus, we observe that the majority of sales (83.3%) relate to houses with an area of 75-175 sqm. (see graph below). Average sale prices range from €141,000 for the 75-100 sqm. category, €207,000 for the 100-125 sqm. category, €271,000 for the 125-150 sqm. category and €319,000 for the 150-175 sqm. About 11% of transactions account for houses with an area of 175-250 sqm. with sales prices between €410,000 - 635,000. Approximately 3.2% of the total is for house transactions of over 250 sqm. with average selling price ranging from €1 - €6 million.

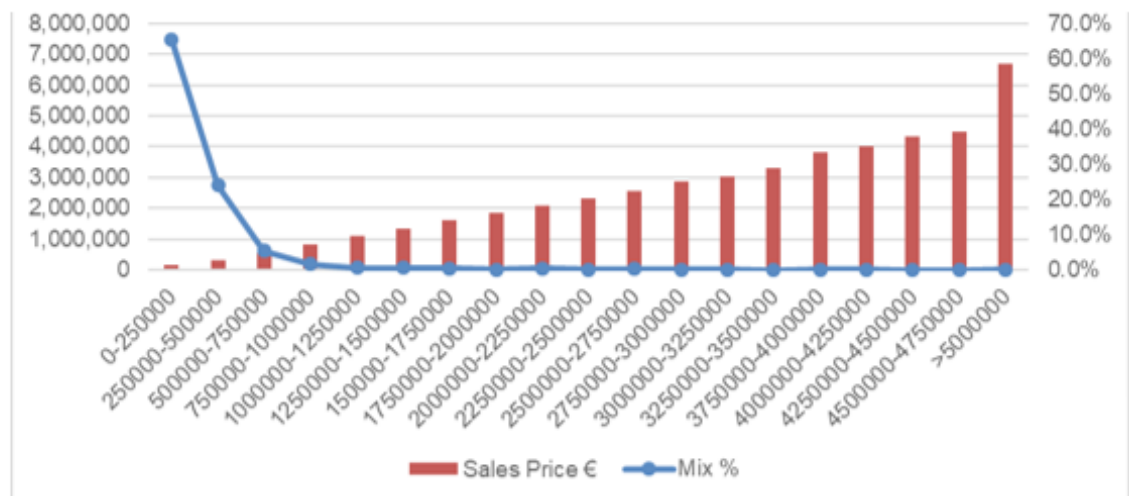
Sales Prices (€) and Share (%) of Total House Transactions in Cyprus per Unit Size Group, 2014-19 (average)



Source: Department of Land and Surveys

Analyzing the same sample of properties (houses) and for the same period, we note that 88% of the transactions are up to €540,000. Of these, 63% fall within the range of €0 - €250,000 (average €152,000) and the remaining 25% are from €250,000 to €540,000 (average €324,000). Another 6% of transactions recorded were between €540,000 - €750,000 with an average price of €571,000 and were mainly driven by the Permanent Residency scheme. About 1.8% of total were priced above € 2,000,000, most of which relate to the acquisition of Citizenship, which until May 2019 had a minimum investment of €2,000,000. After May 2019 it increased to € 2,150,00

Sales Prices (€) and Share (%) of Total Transactions in Cyprus per Sales Price Group, 2014-19 (average)



Source: Department of Land and Surveys

The rebound of the Cypriot economy has had a positive impact on the local property sector for both end users and investors alike. Demand from domestic buyers has further increased over the last few years in tandem with the households' spending power, the improvement of the local economy and the prospects of the property market as well as the decrease of unemployment rate. Demand from foreign buyers / investors, who hold a key role in the Cypriot property market's activity, has also risen as a result of the improvement of the local economy. The improved economy has positively affected the property market, which has led in steady price increases, therefore, many buyers position themselves in the market with capital appreciation prospects in their mind. The traditional buyer markets in Cyprus are the UK, Central and Northern Europe (Germany, Austria, Belgium, France, Scandinavia etc.) as well as Eastern Europe (Russia and other CIS countries). Other buyer markets include Middle East (Lebanon, Israel, UAE etc.) and Asia (China, India, Kazakhstan, Indonesia, Japan etc.) whose key buying motivations are the location of Cyprus, its ease of access, its excellent climate, its lifestyle and, most importantly, the incentives offered by the Cypriot government, such as attractive tax regime and Citizenship & Permanent Residency schemes.

Since 2013, the Cypriot government has enacted a series of laws (incentives) related to the real estate sector in order to revamp the local property market, and more specifically:

- (a)** Capital Gains Tax exemption for properties that were bought by 31/12/2016 (not extended),
- (b)** 50% reduction of property transfer tax for properties that were transferred by 31/12/2016 (100% reduction if the transfer is subject to VAT) (has been extended and still applies),
- (c)** VAT reduction from 19% to 5% if the transfer is subject to VAT and provided that certain other criteria are met (related to the use of the property, the buyer, the features of the property etc.),
- (d)** provision of Citizenship (Cypriot passport) for properties bought by non-EU citizens at over €2m, and
- (e)** provision of Permanent Residency (Residency program) for properties bought by non-EU citizens at over €300,000. These two schemes (Citizenship and Permanent Residency) have proved to be very successful, since a good share of non-EU buyers have these as their primary motivation. This is particularly the case in organized mixed-use resorts (e.g. Minthis Hills, Aphrodite Hills, Limassol Marina, Ayia Napa Marina), since a significant share of their buyers (20-50+%) are attracted by these incentives, as well as standalone residential developments particularly in Limassol.

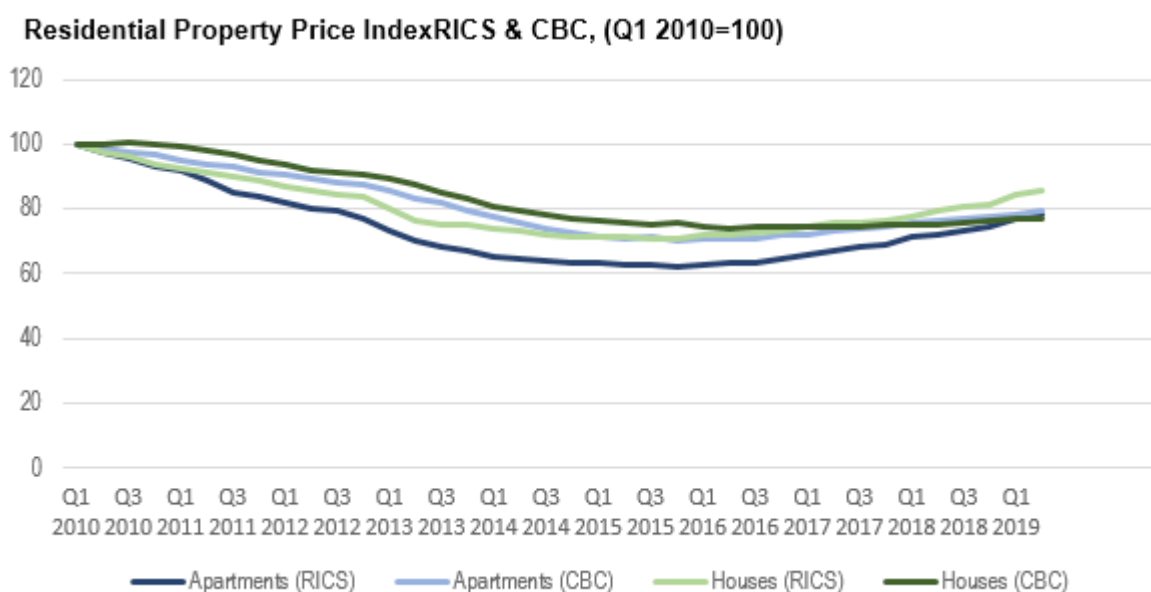
A further key trend in Cyprus is the development of high-rise buildings, especially, in Limassol's coastline. There are a number of, mainly residential, developments exceeding 100m in height, which take advantage of the building incentives offered by the Cypriot government. Such projects include The One, Del Mar, the Trilogy, the Landmark and others. Price points in these projects exceed the historic top end prices of the market, since they range between €8,000 / sq m up to €25,000+ / sq m for the very exclusive penthouses. The buyers in these projects are almost exclusively foreign buyers, the majority of which are also driven by the Citizenship program. However, there is uncertainty around the sustainability of the market dynamics and prices in the event that the Citizenship programme is terminated (for any reason, e.g. for safety or anti-money laundering reasons imposed by the EU), as many projects are being developed to target these buyers.

It is expected that a combination of the improvement of the local economy together with the continuation of the aforementioned incentives will act as a catalyst towards the boost of the property market through the acceleration of demand. Furthermore, the imminent enactment of a law related to the acquisition of Title Deeds by the property buyers who have repaid the vendor but have not yet received their Title Deeds due to unpaid loans of either the vendor or the buyer, will have a positive impact on the property market, as many pending transfers and many unresolved cases will be completed.

The predictions for increased demand will be further supported by the easier access to bank financing and lower interest rates. Despite the fact that most of the banks that are active in the country show relatively high rates of non-performing loans (NPLs), they have already announced mortgage programs for property purchases. We are of the opinion that the recently enacted legislation regarding NPLs will enable banks to start clearing their mortgage portfolios of NPLs, which will subsequently assist their P&L and liquidity. We also believe that the disposal of these assets will be controlled in such a way that it will not have a significant negative impact on property prices, since this would reduce the value of the portfolios owned by the banks. Apart from that, we believe that the increase in liquidity of the banks will eventually have a positive impact on activity in the property market, and will be visible from the economy's revamp and the subsequent rise of salaries, spending power, bank deposits and consumer confidence.

PRICE INDICIES

The following graph presents the evolution of property price index in Cyprus (general index, apartments index, houses index) for the period Q1 2010 – Q2 2019 (Base quarter, Q1 2010: 100). These indices have been produced by the Central Bank of Cyprus and are based on valuations prepared for lending purposes by a number of banks that operate in Cyprus. The same chart also shows the RICS price index. This index is based on systematic valuations carried out quarterly by the same appraisers and refer to notional properties with specific characteristics (see further below).



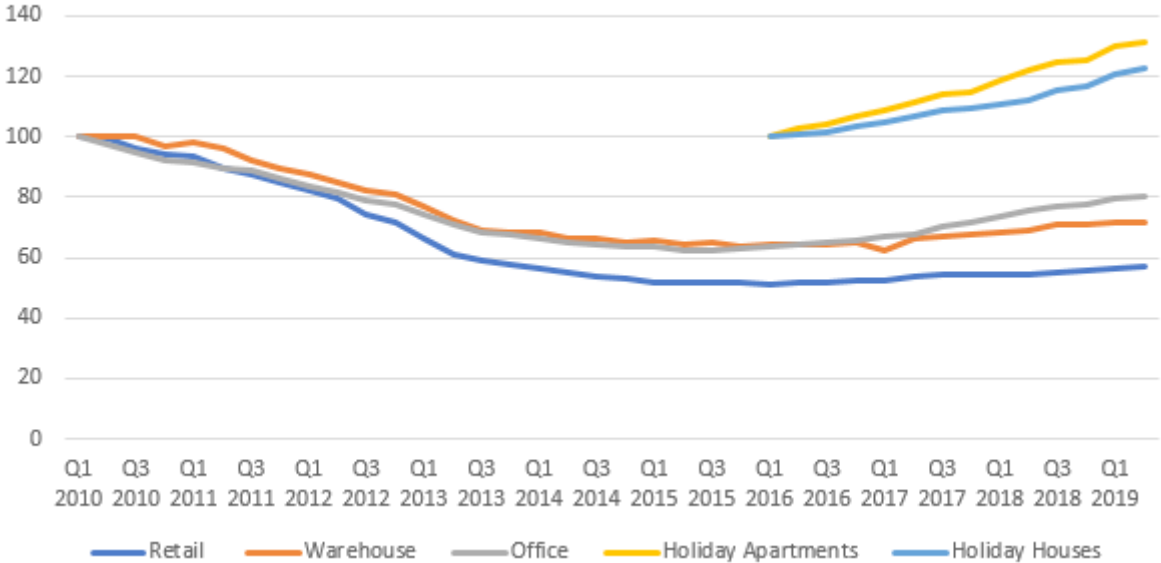
Source: Central Bank of Cyprus & RICS

As of Q1 2010 onwards, a landmark year for Greece due to its induction into the First Economic Adjustment Programme – (memorandum - bailout loan given by the Troika – IMF, EC, ECB). Cypriot banks were greatly exposed in Greek bonds which were reduced in value in Q4 2011; a turning point for the viability of Cypriot banks and economy (reduced demand, investments etc.). A significant drop in prices began which continued until 2015. During 2015-2016, stabilisation of property prices of both the CBC and RICS were observed and since then house and apartment price indices have been steadily increasing.

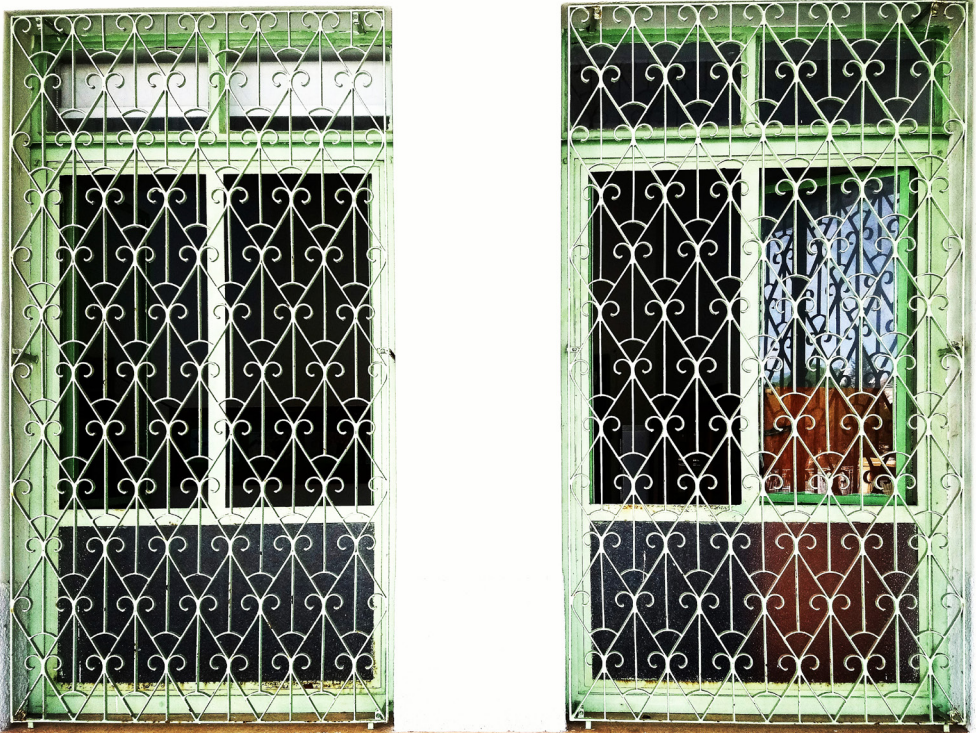
Moreover, it appears that by the 1st quarter of 2017, the RICS house price index was lower than the CBC index. Since 2017 this has changed. On the other hand, the RICS apartment price index throughout the chart is lower than the CBC index.

The following graph shows the RICS price index for non-residential real estate (other than house and apartments). There is no data available from other indices for this type of property.

RICS Price Index for Shops, Industrial Buildings, Offices and Holiday Houses/Apartments (Q1 2010=100)



Source: RICS



PRICES, RENTS & PROPERTY PERFORMANCE

Every quarter the RICS publishes data on prices, rents and returns for all property types. This data is based on notional valuations carried out quarterly by the same appraisers and relate to hypothetical properties with specific characteristics (see further below). Following are the price /sqm., rentals per month/sqm. and returns on all types of real estate on a quarterly basis, from 2012 to the second quarter of 2019.

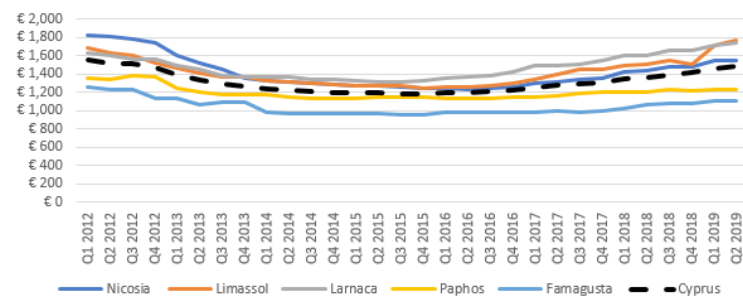
Characteristics of Notional Properties (RICS)

Apartment	Houses	Shops	Offices	Industrial Buildings
<ul style="list-style-type: none"> • Two bedrooms • 85sqm. • Average Quality 	<ul style="list-style-type: none"> • Three bedrooms with a garden • 250sqm. • Semi-detached • Average Quality 	<ul style="list-style-type: none"> • Located on a main road • 100sqm. ground floor • 50sqm. mezzanine 	<ul style="list-style-type: none"> • Grade A • City center • 200sqm. 	<ul style="list-style-type: none"> • In light industrial area • 2,000sqm. • 200sqm. office areas

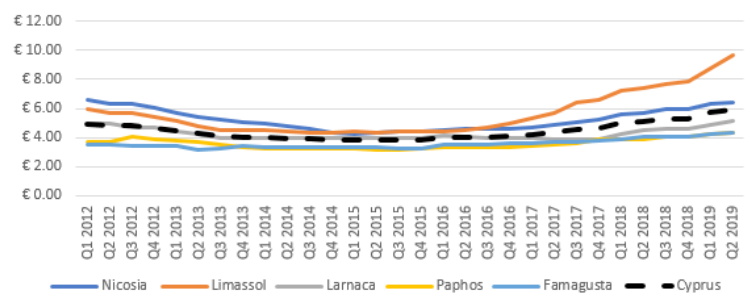
Source: RICS

RESIDENTIAL PROPERTIES

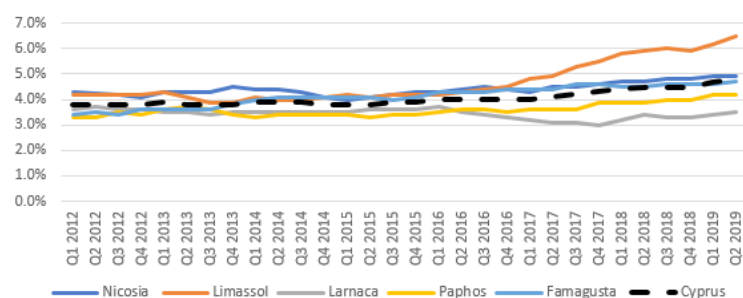
Apartment Prices/sqm.



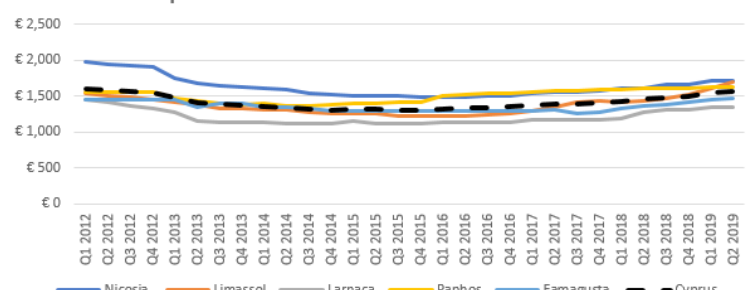
Apartment Rents/sqm./Month



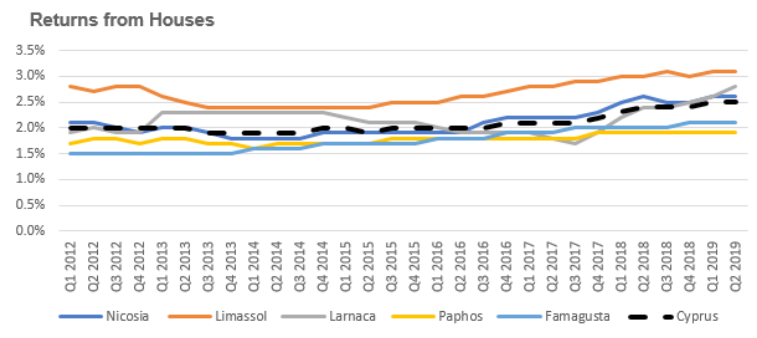
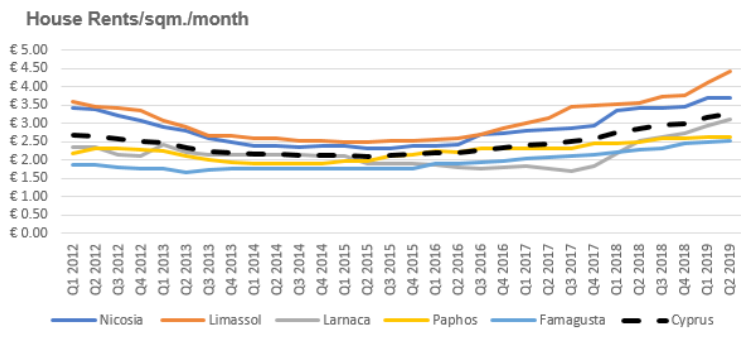
Returns of Apartments



House Prices/sqm.



Source: RICS

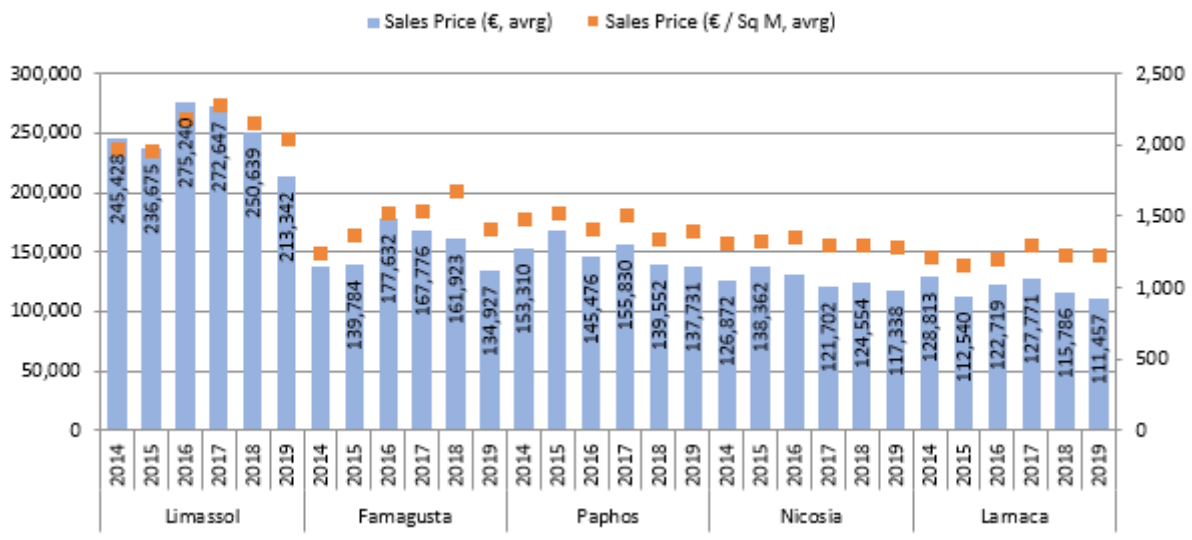


Source: RICS

The above graphs portray an overview of the residential property price indicators. From 2016 until today, there has been an increase in prices, rents and returns for both apartments and houses. The increase in prices during 2019 comes to refute the following graph which based on realized transactions.

The following graph explores further into the change in average property prices (both in terms of capital values and in terms of prices per sqm) per district for the period of 2014-19. This data relates to real estate transactions in Cyprus and concerns both apartments and houses.

Sale Prices of Residential Units per District, 2014-19 (€, € / Sqm.)



Source: Department of Land and Surveys

It becomes evident that, apart from Limassol, residential prices in Cyprus' Districts show similar average price range (c.€113,000-177,000) over the years. With the exception of Nicosia, all other districts show a decrease of average sale prices (capital value basis) year-on-year (2017-19), while prices in all districts are lower than the 2016 levels. This may be due to a correction of prices and the increased competition that has come to market over the last few years. Interestingly, prices in Limassol are well above the other four Districts averaging €213,000 in 2019 (€2,050 / sqm), which is 1.5x and 1.6x higher than the second (Paphos - €138,000) and third (Ammochostos - €135,000) most expensive districts respectively. This demonstrates the significantly different buyer profiles that are being attracted to Limassol due to the high status of the city, the combination of excellent lifestyle, tourist infrastructure and strong business profile and high-end existing or pipeline projects.

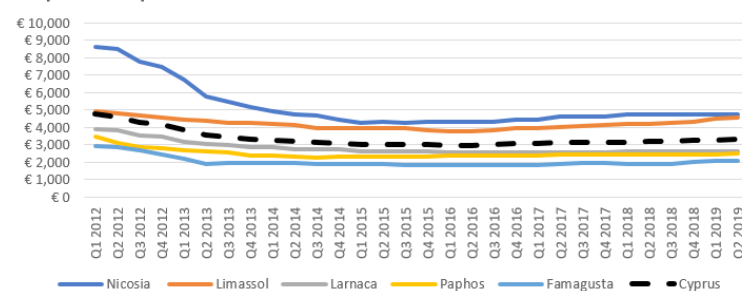
One of the most successful and established resorts in Cyprus (the Limassol Marina) offers a very unique product (high-end apartments and villas) which combines proximity to the city of Limassol, direct beach / sea access and marina berths allocation to property buyers. The One Limassol, a project by Pafila developer which is claimed to be the tallest seafront residential building in Europe, started off-plan sales early 2016 and it is now almost sold out with prices exceeding €11,000 / sqm. There are also numerous other high-end developments (mixed-use or pure residential) that command very high sales prices and have pushed the current standards in Cyprus (e.g. Trilogy, the Landmark etc.). However, Limassol is a very special market by itself and should not be compared to the rest of Cyprus in terms of supply and demand trends.

PROFESSIONAL SPACES

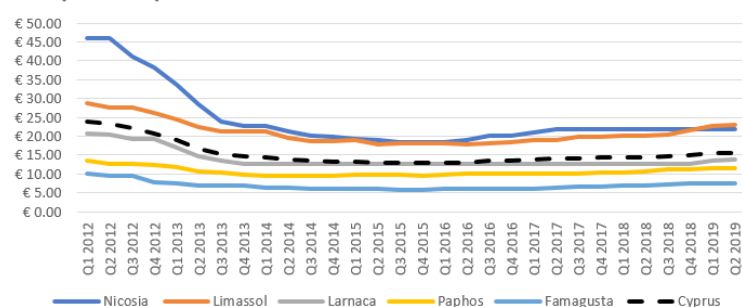
According to the RICS, throughout Cyprus, the average selling prices/sqm. and the average rental prices/sqm. decreased by 37% and 46% respectively from 2012 (when average price/sqm. was €4,764 and average rent/sqm. was € 2.91 per month) until 2016 (when average price/sqm. was € 2,971 and average rent/sqm. was €12.93 per month). Since then, both average prices and rents have begun to recover, as a result of the overall economic recovery after the financial crisis. From 2016 to 2019 there was an 11% increase in prices and 21% increase in the average rental price across the island, following a period of stabilization and the return of economic growth.

Many companies closed or abandoned their establishments in Cyprus during the economic crisis, reducing demand for office space and consequently prices and rents. The average price per sqm. for offices in Cyprus decreased by 25% between 2012 (2,285) and 2015 (1,723). Similarly, rental prices fell by 23% during the same period, a natural consequence of the financial crisis of 2013. 2015 was a year of stabilization of prices and rental reductions, while 2016 marked the first year of rising office prices, with sale prices and rental rates entering a growth period (6% and 16% respectively).

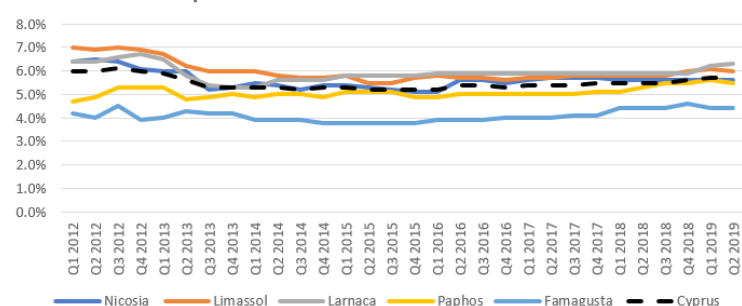
Shop Prices/sqm.



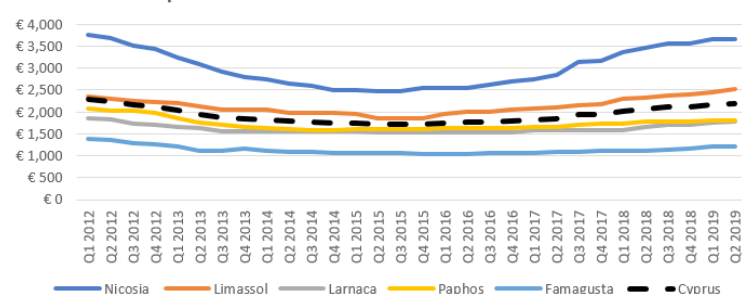
Shop Rents/sqm./month



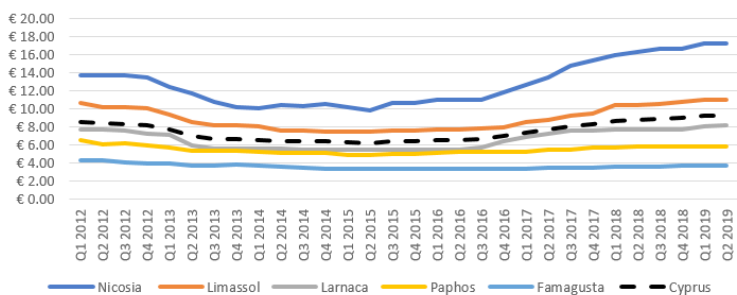
Returns from Shops



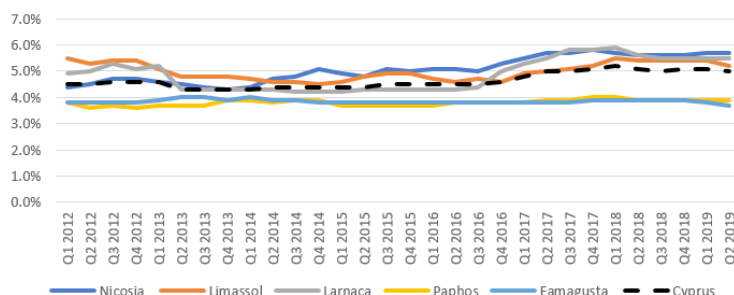
Office Prices/sqm.



Office Rents/sqm./month



Returns from Offices

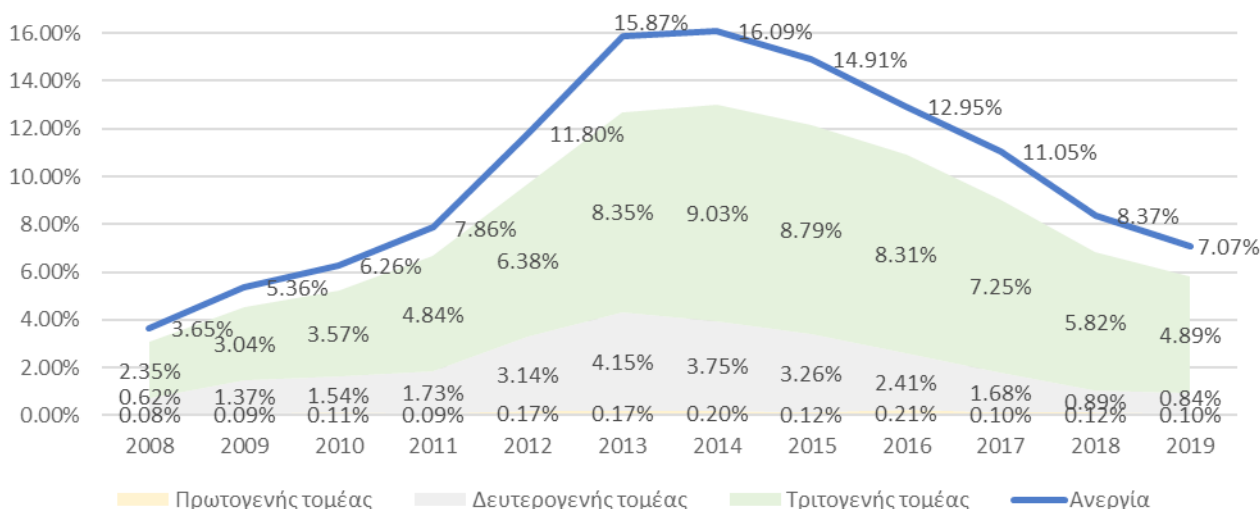


Source: RICS

UNEMPLOYMENT & LINK TO DEMAND FOR COMMERCIAL SPACE

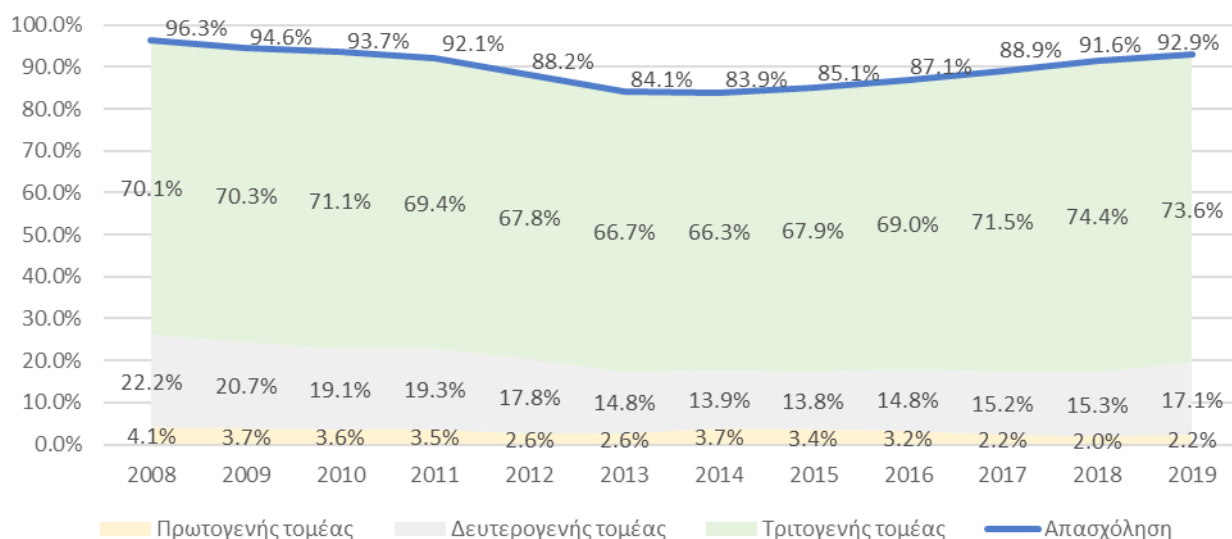
The two graphs below present the unemployment and employment rates per economic sector (primary, secondary, tertiary) on a national level during the period 2008-2018 (up to Q3 inclusive). Through this analysis we will try to extract useful conclusions on the links between these rates and the demand for commercial spaces (offices, retail etc.) in Cyprus. It goes without saying that the latter is inversely proportional to the unemployment rate, i.e. the higher the unemployment rate, the lower the demand for commercial units is. In periods of high unemployment rates, which is usually the result of financial turmoil, more companies close down or relocate to smaller office spaces, economic activity and foreign investments slows down, wages are reduced, spending power of consumers declines, and the turnover of retail shops follows a similar trend. Given that retailers have certain effort rate thresholds, i.e. they can afford to pay a maximum annual rent which is calculated as a percentage % of their annual turnover, it become apparent how commercial rental rates and yields can be affected (reduced and increased respectively).

Ποσοστό Ανεργίας Συνολικά & ανά τομέα παραγωγής, 2008-2019
(% επί του συνολικού εργατικού δυναμικού)



Source: Statistical Service of Cyprus

Ποσοστό Απασχόλησης Συνολικά & ανά τομέα παραγωγής, 2008-2019
(% επί του συνολικού εργατικού δυναμικού)



Source: Statistical Service of Cyprus

It could be argued that the tertiary sector (related to services, such as banking, financial, real estate etc.) holds a key role in shaping demand and supply trends of the commercial property sector, given the need of companies to locate their offices. The unemployment rate in overall increased from 3.7% in 2008 to a peak 16.1% in 2014 while it is now down to 7.8% (Q3 2018), which is the lowest rate since 2011. Over this period, the tertiary sector experienced higher unemployment rates compared to the other two (primary and secondary), however, it also witnessed the highest increase over the same period. From 2.2% in 2008, unemployment rate in the tertiary sector rose to 4.7% in 2018 (2.5% pp increase), while the other two sectors increased from 0.7% in 2008 to 1.3%-1.8% in 2018.

We believe that the sharp increase of unemployment in the tertiary sector during the period of 2011-2015 (from 4.6% to 8.2%) was a catalyst role in the slowdown of the commercial property market in Cyprus as a result of the low demand for commercial spaces.

However, as unemployment decreases further, which has been the trend since 2015, commercial properties are of higher demand which has a positive effect on the property market.

Interestingly, over 60% of the active population has been historically employed in the tertiary sector in Cyprus compared to the primary (c.2%-4%) and secondary (c.20%-27%) sectors. This shows the significance of the services sector in the economy of Cyprus and, subsequently, its property market. We notice that 2018 has been a record year for employment in the tertiary sector, as it accounts for 67.7% of the total active population.



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