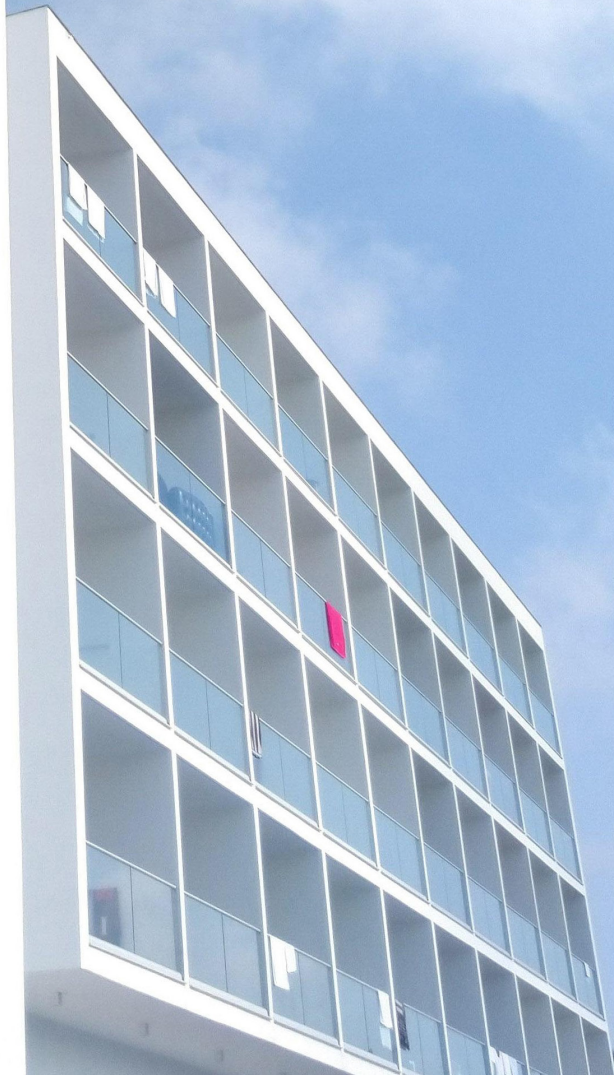


# AXIA

CHARTERED SURVEYORS

## TOURISM MARKET OVERVIEW





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# 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.



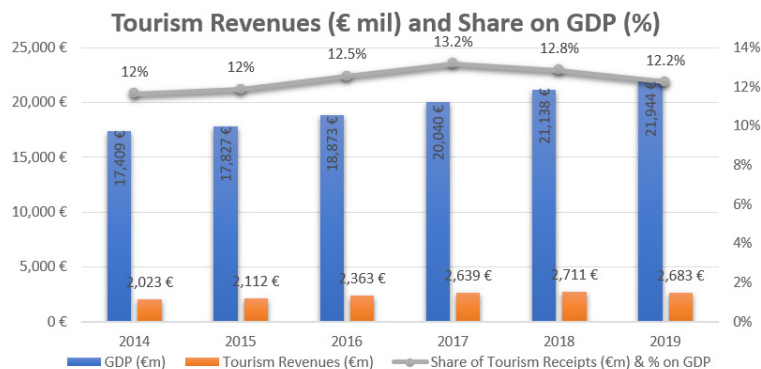
Flatmatie is a roommate finder and roommate search service that was established in 2020. Flatmatie has verified roommates and rooms for rent throughout Europe and aims to pair people with similar interests and outlooks and then find them the perfect property.



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.

# TOURISM PERFORMANCE

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 c.3.9m in 2019 compared to c.2.1m arrivals in 2009 (86% increase). Both 2018 and 2019 have been record breaking years in terms of tourism arrivals, which are nearing the 4m threshold (c.3.93m and 3.97m respectively). Cyprus' tourism industry has been accredited with numerous awards, while 65 of Cyprus' famous beaches have been awarded with the prestigious Blue Flag award (blueflag.com).

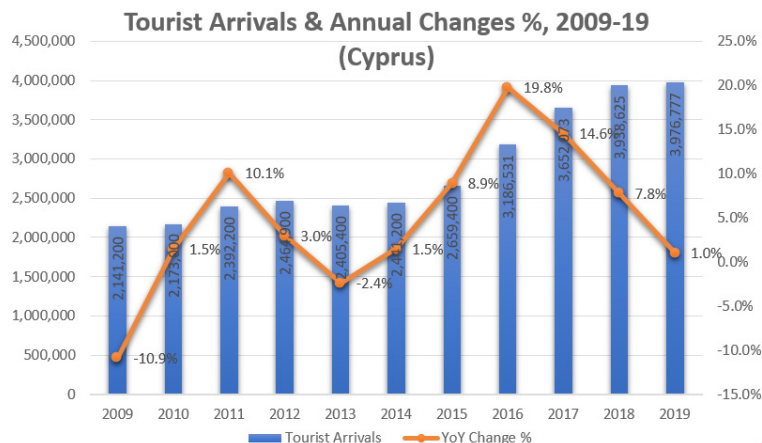


Source: CYSTAT

Between the period of 2014-18 there was a 34% increase in revenue from the tourism industry from €2.0bn in 2014 to €2.7bn in 2018. In 2019 we witnessed the first drop in revenue of -1%, compared to the previous year, after many years of positive growth. While the number of tourists arriving in Cyprus continues to increase steadily the income from the tourism sector showed a negative turn in 2019 and moreover in terms of revenues from the tourism sector in relation to Cyprus' GDP, while the share of the tourism sector was increasing from 2014 - 2017, in 2018 and 2019 the share of revenues from the tourism sector in relation to Cyprus' GDP decreased. Revenues from the tourism sector in Cyprus accounted for 13.2% of Cyprus' GDP in 2017 whereas in 2019 is accounted for 12.2%. These negative turns could be due to a variety of local and international occurrences that have negatively affected the tourism market.

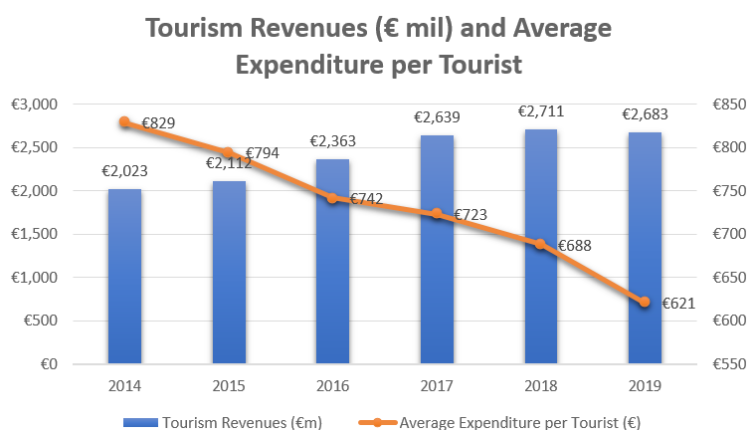
- The recent spike in oil prices that have cause air travel to become more expensive.
- The foreclosure of a number of airlines and tour operators that service Cyprus' airports and hotels, such as Thomas Cook.
- The uncertainty of Brexit that affected British incoming tourism up until the beginning of 2020, which is Cyprus' largest incoming tourism market.
- Competing neighboring tourism markets reopened and reestablished their market share (Turkey, Egypt & Tunisia) three tumultuous years.
- The currency fluctuations of the Russian Ruble, the Turkish Lira and British Pound Sterling between 2017-2019.
- In 2013 measure to incentivize tourism development in Cyprus were implemented which saw a large surge in development up to the end of 2018, as starting from the beginning of 2019 changes were applied for these incentives.
- The recent COVID-19 pandemic will also affect incoming tourism numbers negatively. Measures put in place to contain the outbreak have had immediate repercussions, as all tourists from countries included in the Health Ministry's 'watchlist' are in the process of being repatriated (March 2020). In addition, it is expected that flight landings in Cyprus will be cancelled or limited for as long as the number of cases continues to increase. Overall tourism revenue projections for 2020 cannot be considered accurate as large Tour Operators have discussed amending all their guaranteed revenue contracts into allotment contracts with local hoteliers thereby affecting both tourism arrivals and revenue negatively.

The number of tourist arrivals has experienced substantial growth after 2009, despite a minor decline in 2013. In 2019, tourist arrivals reached another record high of 3.97m, which shows a 1% and 86% increase compared to 2018 and 2010 respectively. The rate of increase has slowed down substantially and nearly become equal to the previous year.



Source: CYSTAT 1

We notice a declining trend on average expenditure per tourist during the period 2014-19, showing a 25% decrease during this period. Average revenues per tourist were €829 in 2014 and dropped to €621 in 2019.

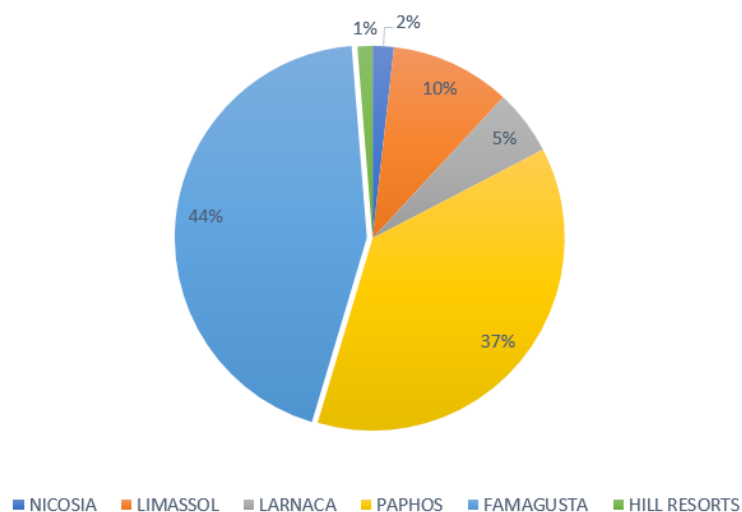


Source: CYSTAT

## TOURIST OVERNIGHTS & OCCUPANCY BY AREA

Regarding tourist overnights in Cyprus and throughout 2019, the main two attraction areas were Famagusta (44% of total) and Paphos (37% of total). Limassol follows with 10% of total, Larnaca with 5%, Nicosia with 2% and Hill Resorts (which include areas above a 600m altitude) with 1%. Famagusta offers a wider range of good quality beaches than other cities, while it also includes Ayia Napa, which is famous for its nightlife. Paphos has some of the nicest beaches in Cyprus (especially its north part / Polis) and offers a number of tourist attractions and ancient landmarks, with some of them classified as World Heritage Sites by UNESCO.

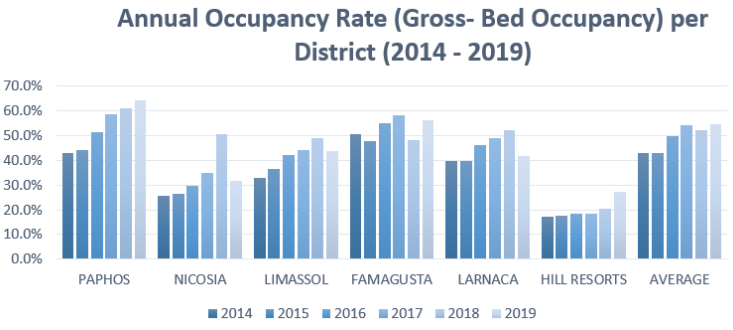
Tourist Overnights by District



Source: CYSTAT

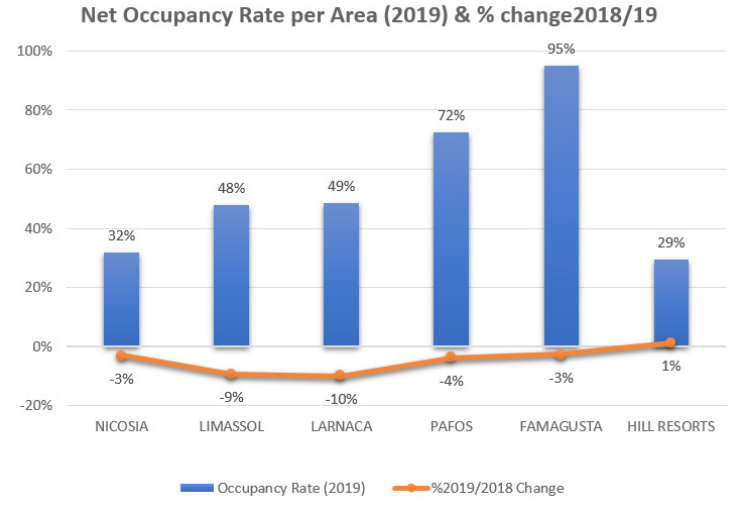
\* Note: Hill Resorts include the areas with elevation over 600m (such as Kakopetria, Platres, Agros, Pedoulas etc.)

When viewing the annual occupancy rates by area over the past six years we can see that Paphos has the most stable annual increase in occupancy and that generally it has the highest occupancy rates over the other cities. Whereas when view the net number we see that Famagusta has the highest occupancy rates out of all the cities. This change is most likely due to the fact the Famagusta is more of a seasonal destination whereas Paphos is more of a year-round destination and attracts more tourists in the winter months.



Source: CYSTAT

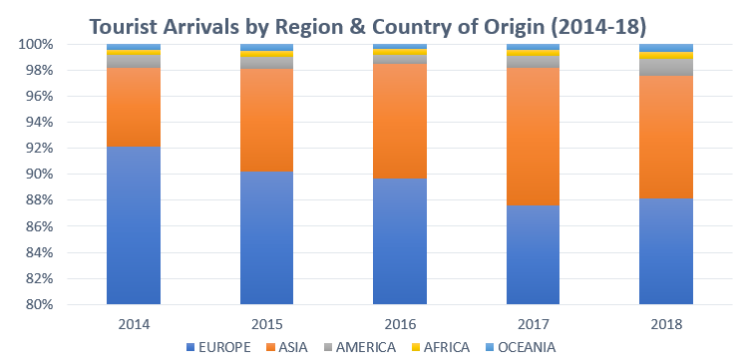
The net occupancy rates for 2019 show very positive results for Famagusta, at 95% occupancy but nevertheless, compared to 2018 there has been a decline in the occupancy rate in nearly all cities (except the Hill Resorts), with Larnaca taking the largest hit at a 10% lower occupancy rate in 2019 compared to 2018. These numbers align with the declines we have seen above that have affected the performance of the tourism industry in both 2018 and 2019.



Source: CTO

# TOURIST ARRIVALS BY NATIONALITY

The vast majority of tourist arrivals originate from European countries (over 85%-90% during the last 5 years - up to 2018), reaching c.3.47m arrivals in 2018 (88% of total). The second most important source region is Asia with c.372,776 arrivals (9.5% of total), followed by America (less than 1.3% - c.51,126 arrivals), Oceania (less than 0.6% - c.23,702 arrivals) and Africa (less than 0.5% - c.17,943 arrivals).



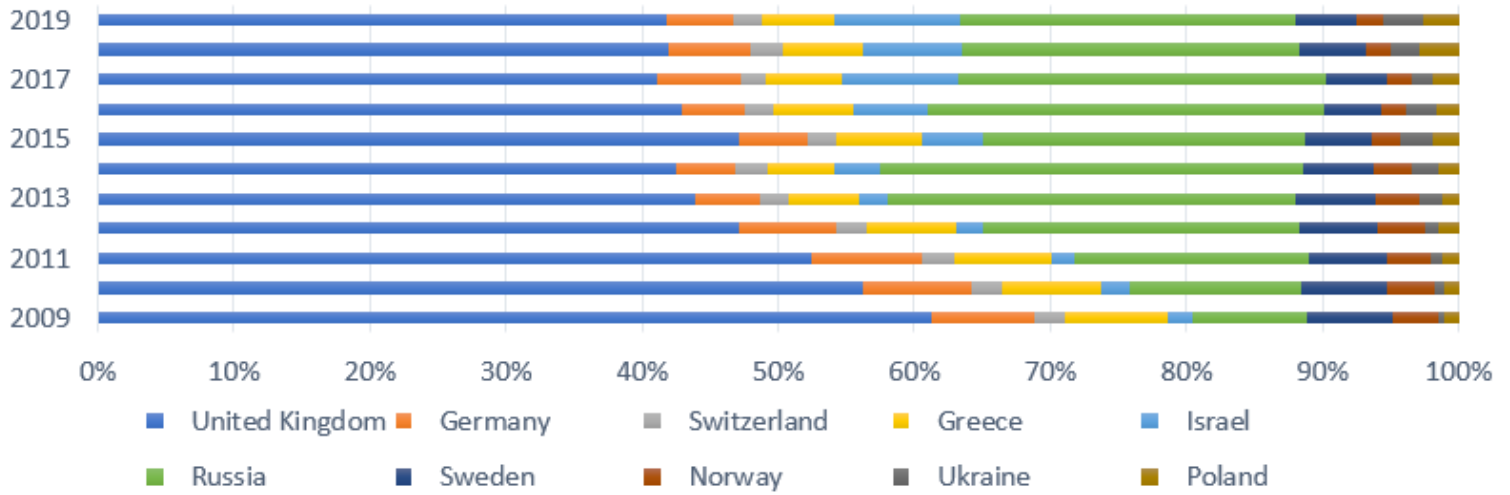
Source: CYSTAT

Note: y-axis starts at 80%

Historically, most tourist arrivals every year are from the UK (38% of total tourists who visited Cyprus in 2019 reaching c.1.33m tourists), which represents a 24.5% increase since 2009. Russia is the second largest tourist source market for Cyprus, representing c.23% on total in 2019 (c.781,856 arrivals). The third place is now held by Israeli tourists who account for 8% of the total (293,746 tourists in 2019), showing an impressive 837% increase since 2009. Greek tourists rank 4th with arrivals reaching 171,512 in 2019 and with a 5% share. 151,500 German tourists visited Cyprus in 2019 reflecting 4% of the total (reflecting a 16% rise since 2009). Sweden follows with c.144,605 arrivals in 2019 (4% share). Then follow Ukraine, Poland, Switzerland and Norway respectively with a 2-4% share of the total number of tourists who visited Cyprus in 2019. The following graph and table show the top -10 nationalities by tourist arrivals for the period 2009-19 as well as the change (%) for that period.

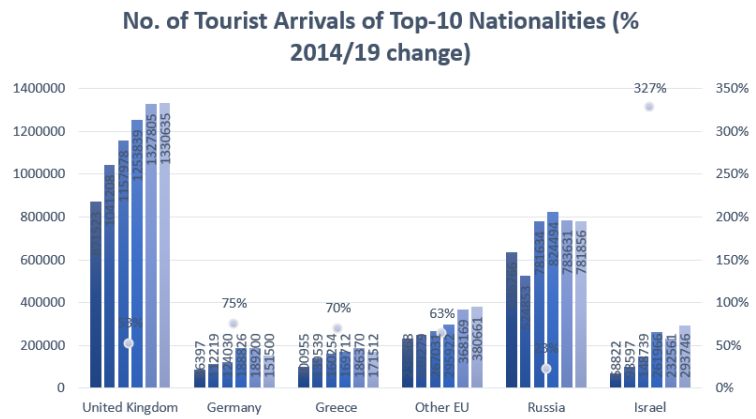


# Top-10 Nationalities by Tourist Arrivals (% on total)



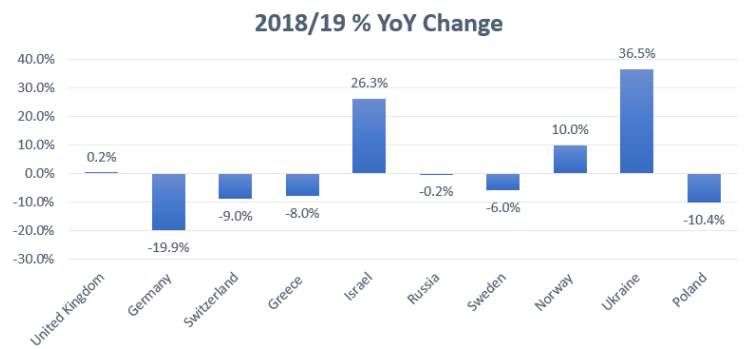
Source: CYSTAT

Over the past six years the number of tourist arrivals from the top-10 nationalities that visited Cyprus have increased. While the UK has the highest number of tourists that visit Cyprus (1,330,635 in 2019), the number of tourists that visited Cyprus from Israel for 2014 to 2019 has increased by 327%.



Source: CYSTAT & CTO

Although over the past six years we have witnessed only positive overall growth, when we view the year on year growth, we witness that the arrivals of six of the top ten nationalities (Germany, Switzerland, Greece, Russia, Sweden and Poland) decreased in 2019 compared to 2018. The number of tourists from the UK has remained mostly stable between 2018 and 2019, whilst Norway, Israel and Ukraine show substantial positive growth (10%, 26.3% and 36.5% respectively). Despite this the UK still have the highest overall percentage of tourists visiting Cyprus (38% of total tourists who visited Cyprus in 2019).

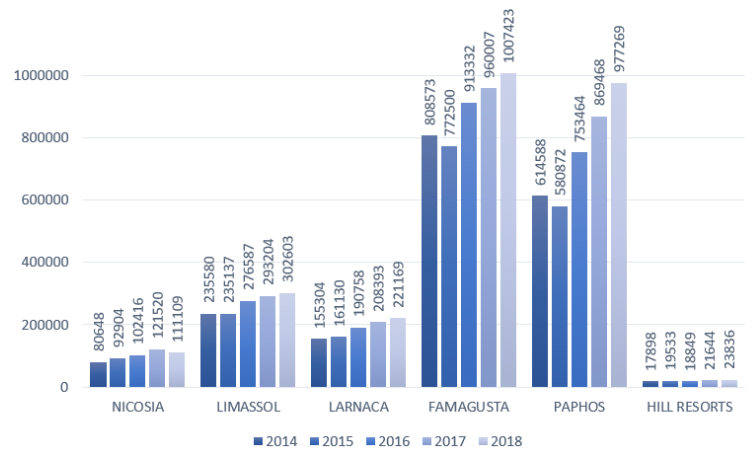


Source: CYSTAT & CTO

# TOURIST ARRIVALS BY AREA

Tourist arrivals per area highlight that Famagusta and Paphos are the most popular areas, with a high difference, amongst tourist consistently over the period of 2014 – 2018.

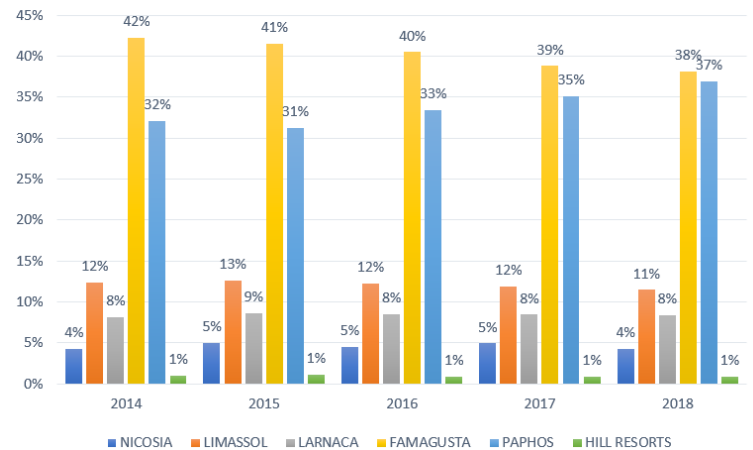
No. of Tourist Arrivals Per Area (2014 – 2018)



Source: CTO

Over this period the percentage share of all arrivals in Famagusta has decreased slightly (from 42% of total share in 2014 to 38% of total share in 2018), even though the actual number of tourist arrivals was increasing. The share of tourist arrivals in Paphos on the other hand has been consistently increasing over the five-year period (from 32% to 37%), as well as in actual numbers.

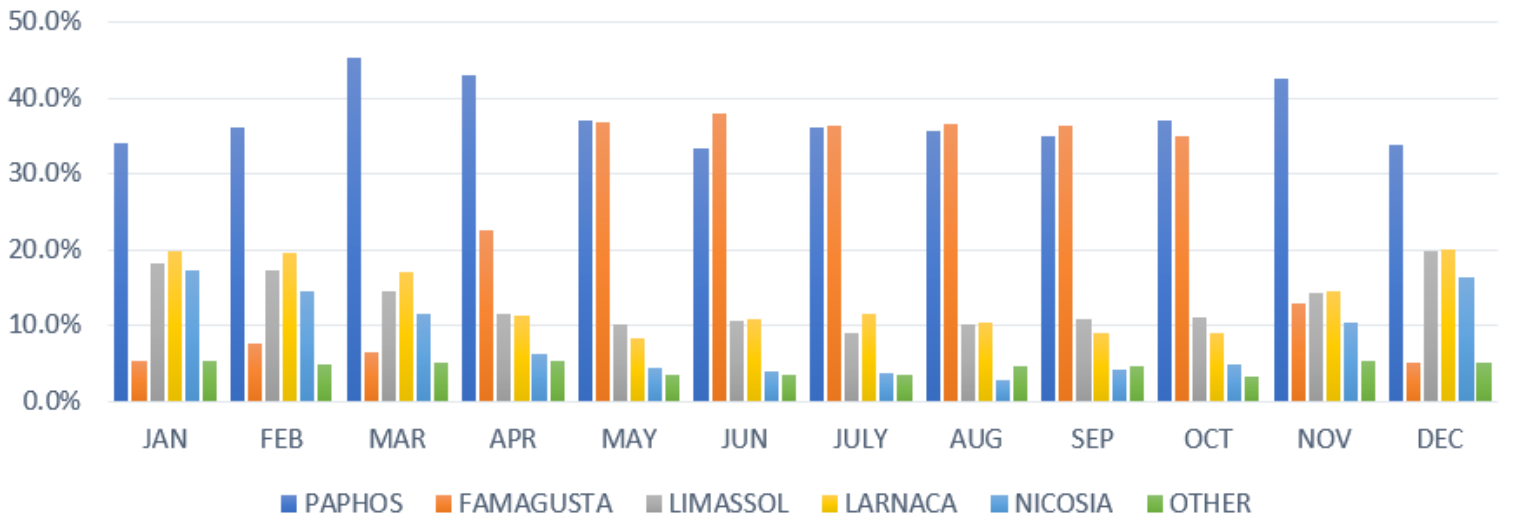
Tourist arrivals per Area, Share % on Total (2014-2018)



Source: CTO

2017 was a record year in terms of performance for the Cypriots Tourism industry. Since 2017 we have witnessed a slowdown in performance while overall the revenues from tourism and the number of arrivals is still increasing, just at a slower rate. The tourist dispersion for 2017 shows that the most stable area is Paphos with a high number of tourists throughout the year, while Famagusta only has a high number of tourists during the peak season.

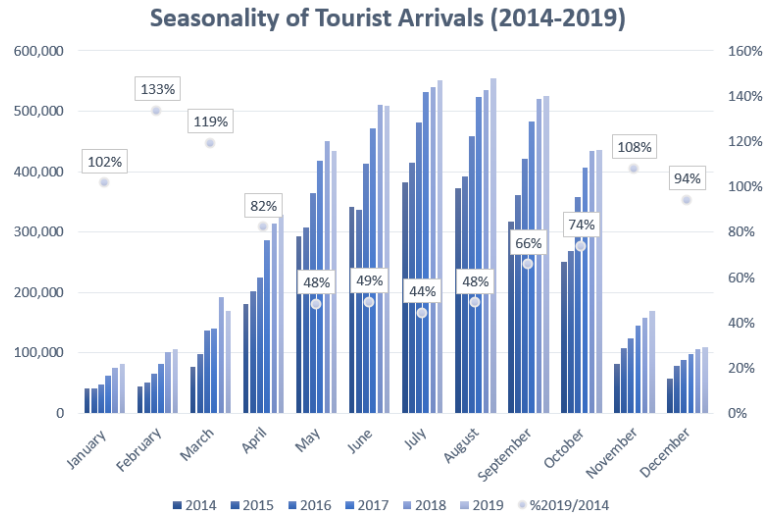
## Tourist Dispersion (2017)



Source: CYSTAT

# SEASONALITY

The peak season for tourist arrivals in Cyprus is the 6-month period from May to October with a concentration of c.76% in 2019. Cyprus is primarily known as a summer destination and attracting tourists during the winter months remains a challenge. However, during the last 5 years, we notice a slight improvement of the off-season performance, which now stands at 24% of all arrivals of 2019 (up from 4% from 2014). Overall, compared to 2014 we witness a high positive growth in tourism in the winter months with some months exceeding 100%.

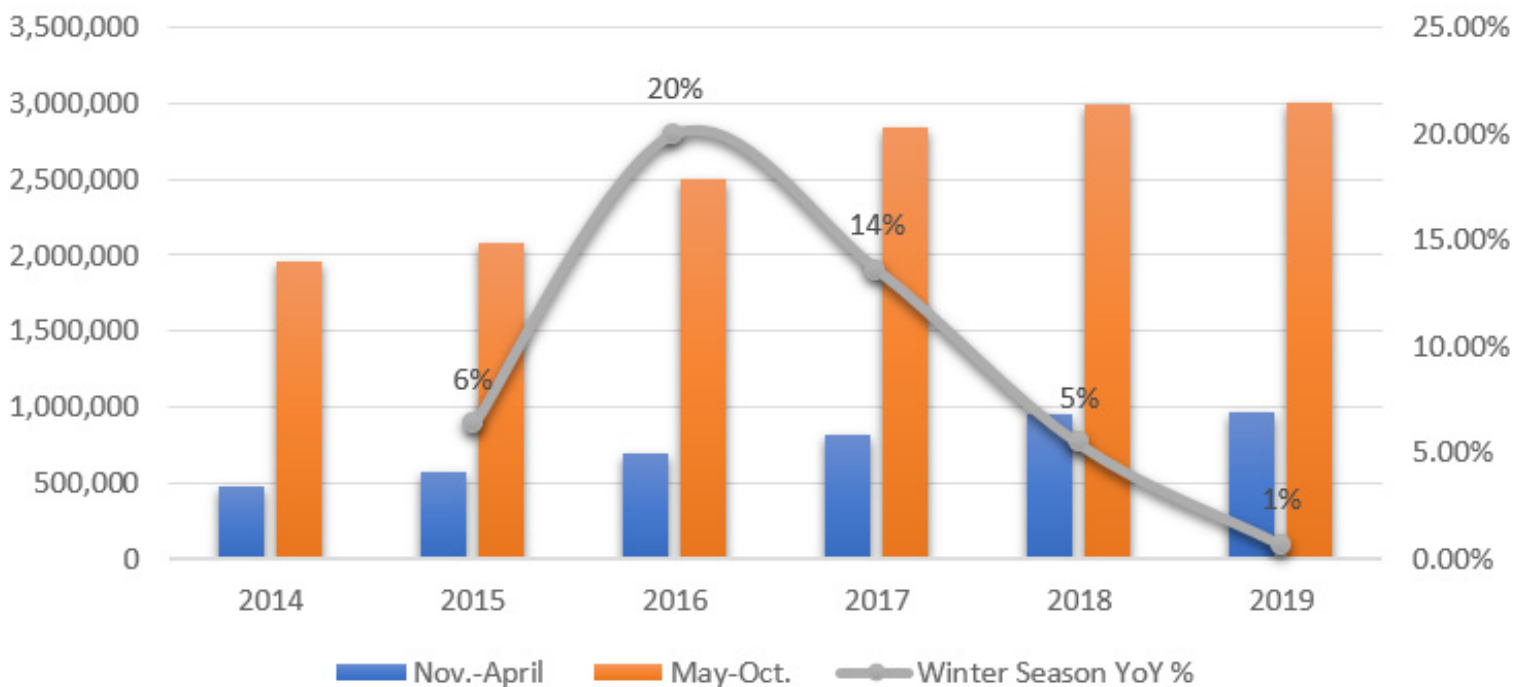


Source: CYSTAT

In 2019, tourist arrivals over the peak season (c.3 million) were approx. 3 times more than in the off-peak season (c.950,000). Interestingly, over the period 2014-19, we notice an overall significant increase between 82% and 133% in the off-season months which is a good sign for the Cypriot tourism industry and the improvement of seasonality.

As can be seen in the chart below, although there has been positive growth in the winter months, the growth was more significant in 2016 (20% growth from 2015), than it was in 2019, (only 1% growth from 2018). This implies that the growth of the winter market is slowing down which could be due to the exogenous factors detailed above.

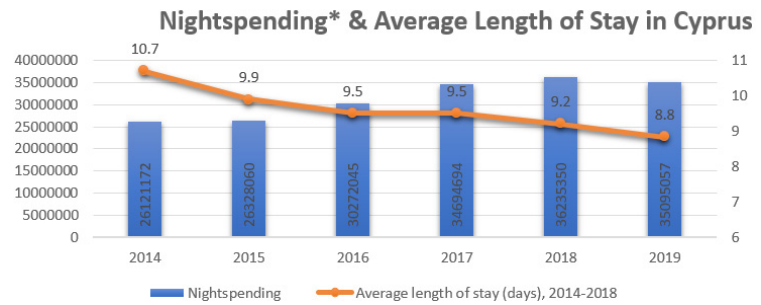
## Tourist Arrivals in Cyprus (Off Peak:Nov.-Mar & Peak:Apr-Oct.)



Source: CYSTAT

# NIGHTSPENDINGS, LENGTH OF STAY & DAILY EXPENDITURE PER TOURIST

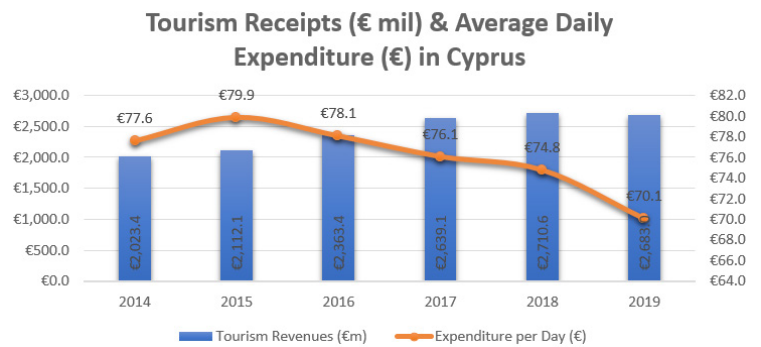
Over the period of 2014-2019, nightspendings increased by 34% from c.26.1m in 2014 to c.35.1m in 2019, showing a steady upwards trend until 2018 and a slight decrease in 2019. The average tourist length of stay in Cyprus was 8.8 days in 2019 which is 18% less than in 2014 (10.7 days). The length of stay has been decreasing steadily over the six-year period.



Source: CYSTAT

Note: Nightspending is calculated by m 1 multiplying the average length of stay with the total arrivals

The average daily spending per tourist in Cyprus stood at c.€70.1 in 2019, which reflects a 10% decrease since 2014 (€77.6 per tourist).

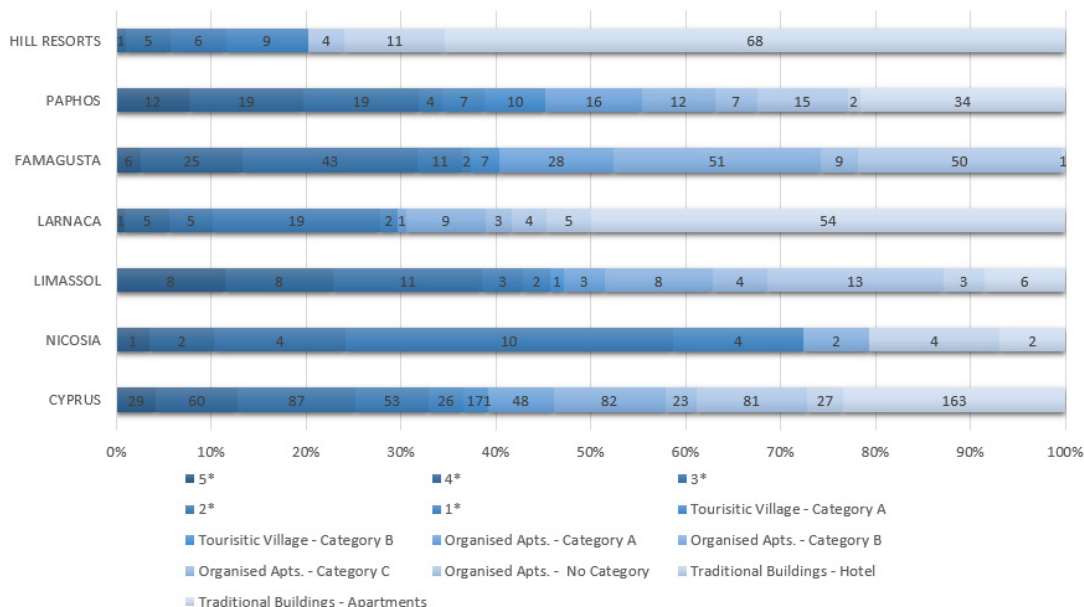


Source: CYSTAT

# SUPPLY OF TOURIST ESTABLISHMENTS & BEDS

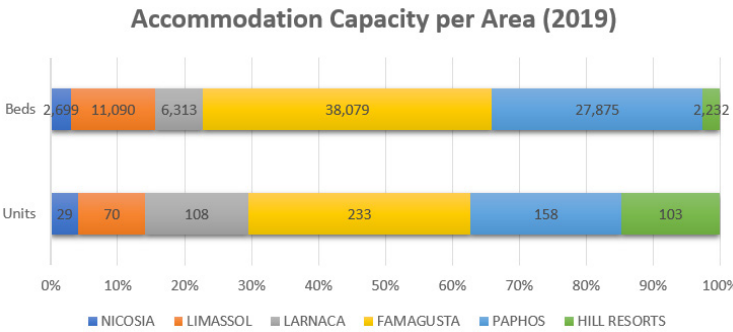
The chart below shows the breakdown of the types of accommodation offered in Cyprus per area. It counts only the 701 licensed properties throughout Cyprus.

Hotel Units or Similar units by Category per Area (2019)



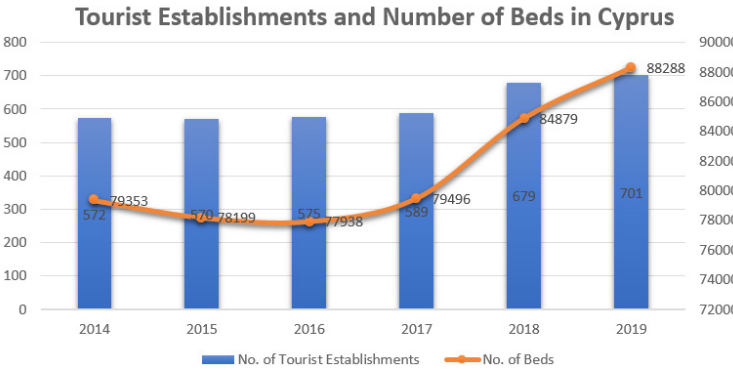
Source: CTO

Accommodation offered in Cyprus mainly consists of hotels, hotel apartments, tourist villages and traditional buildings. There was a total of 701 tourist establishments in Cyprus in 2019 (licensed properties – there are 120 similar establishments that operate such as villas and furnished apartments that are not included in this category), with an overall bed capacity of c.88,288.



Source: CTO

The number of licensed tourist establishments and the number of beds in Cyprus has been increasing since 2015 onwards. The number of establishments has increased by 23% whereas the number of beds has increased by 13% since 2015.



Source: CTO

# OTHER IMPACTS ON THE TOURISM INDUSTRY

In 2019 legislation was passed to establish a minimum wage for jobs relating to the tourism industry which were implemented on 01/01/2020. This will increase employment costs for tourism establishments and will decrease hotel profitability.

Additionally, in 2019 GHS (General Healthcare System) was established and contributions for GHS were started at 1.85% of the net salary with the rate set to increase to 2.9% in March 2020.

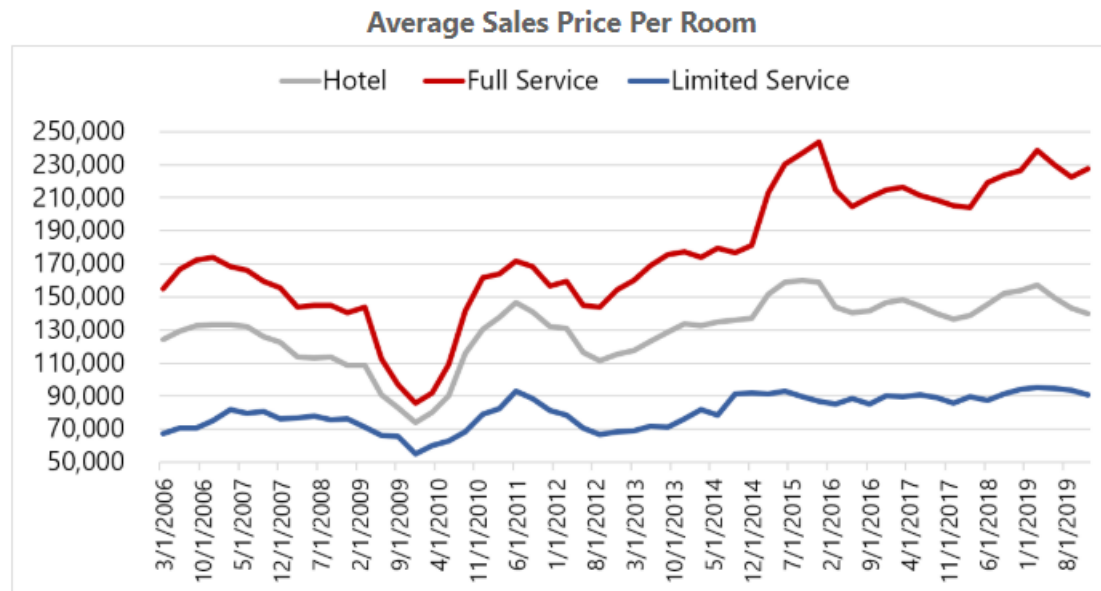
# PRELIMINARY INDICATED IMPACTS OF COVID-19

There is particular uncertainty regarding the performance of the tourism industry in 2020, as well as the upcoming years, based on the new realities relating to the unprecedented impacted the COVID-19 pandemic has had on the tourism industry.

A large number of cancellations has been witnessed and is expected to continue, which affects air carriers, hotels, restaurants and all other tourism related professions. Currently hotels in Cyprus have been closed since mid-March until at least the beginning of May, and even then, it is not confirmed if they will be permitted to operate, and low occupancy rates are expected for 2020. The final net impact COVID-19 will have on the economy and the tourism industry is unknown, but preliminary reports have been produced which imply the indicated impacts of COVID-19 and the economic downturn will have a significant impact on the hotel industry, and a decline in asset values will be observed. HVS, a global consulting firm focused exclusively on the hospitality industry, have produced a report based on historical patterns and cycles and the market knowledge in order to provide a probable trajectory of decline and recovery for hotel values. They compare the impact of COVID-19 to the impact the financial crash of 2008 had on the tourism industry. While their report focuses on the American market, the overall trends can be adapted globally.

They report that the average sales price per room of full-service hotel asset pricing is more volatile than that of limited-service hotels during an economic cycle. Full-service hotels experience greater swings in revenue and EBITDA when demand is disrupted, due primarily to high labor and other operating costs, therefore they are more vulnerable. Limited-service hotel values are less volatile due to their lower operating leverage, which lessens EBITDA fluctuations during an economic cycle.

The following chart reflects the average price per room, as reported by RCA (Real Capital Analytics).



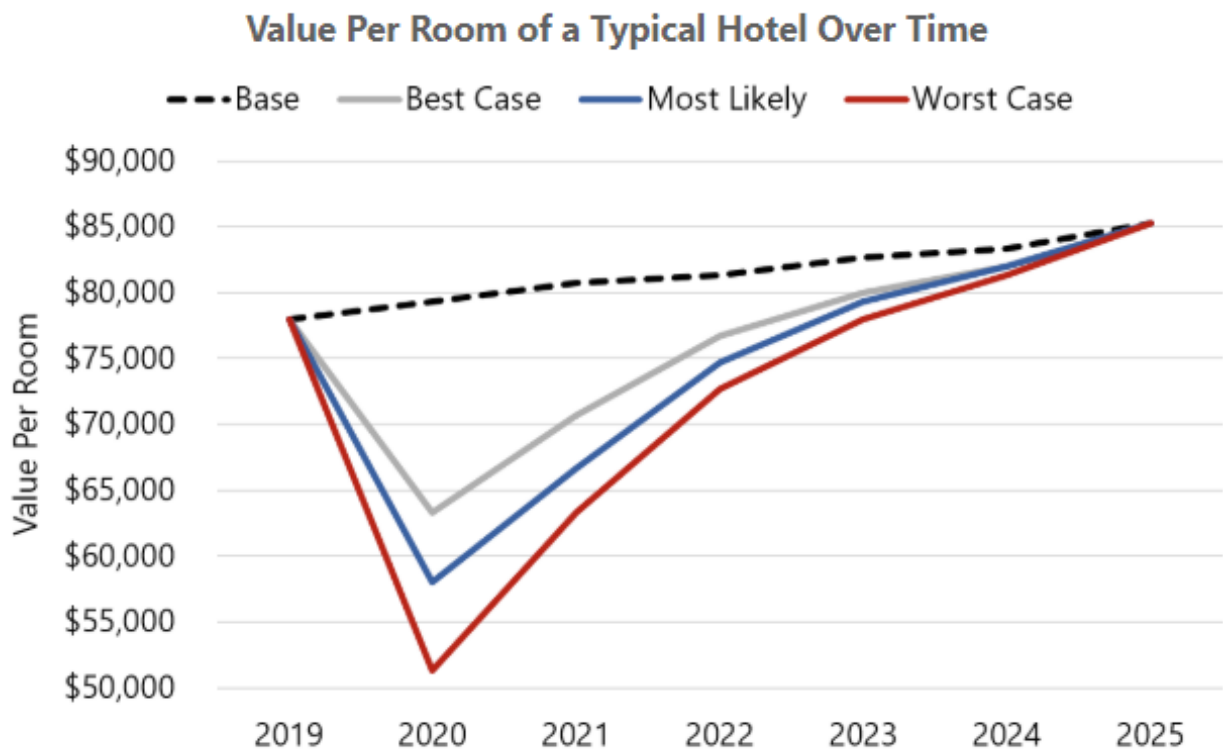
Source: HVS

The expected impact COVID-19 will have on the hotel/lodging market, along with the related effects on the economy, are negative. Some of the expected outcomes are:

- Sharp revenue declines that will result in significant decreases in EBITDA, with the real possibility of negative EBITDA in the near term.
- The pullback of the debt market from the hotel sector, with lenders reporting lower loan-to-value ratios and/or higher spreads, will result in higher interest rates.
- Capital market disruption may lead to all-cash transactions, seller financing, and other capital solutions that could put downward pressure on values.

The expected impact COVID-19 will have on the hotel/lodging market, along with the related effects on the economy, are negative. Some of the expected outcomes are:

- **Base Case** – Reflects the anticipated value of a hotel over time, based on stable market conditions; this case assumes that the capital market conditions as of 1/1/2020 remain in place. A discount rate: 10%, Terminal capitalization: 8.25%. Value is projected to grow modestly through 2025.
- **Best Case** – Anticipates significant decline in RevPAR and EBITDA in Q2 2020, with moderate recovery during the rest of the year; 2020 EBITDA is greatly diminished but still positive. A gradual recovery in hotel performance is projected for 2021, with annual gains thereafter until 2024 when EBITDA reaches base-case levels in current dollars.
- **Most Likely Case** – Assumes more significant impact in the first year (breakeven EBITDA) and a return to positive cash flow in 2021. The degree of the impact and decline is assumed to diminish over time as the market recovers, with EBITDA reaching base-case levels in current dollars in 2024.
- **Worst Case** – Assumes extreme negative EBITDA in 2020, followed by minimal EBITDA in 2021, with diminishing negative impact as the market recovers. EBITDA is modeled to equal base-case levels by 2025.



Source: HVS

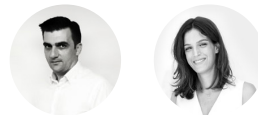
The following table illustrates the relationship of the modeled values under each scenario to the value as of the base year (2019). As illustrated, in all scenarios, the modeled value ultimately surpasses the 2019 value, reaching a value 9% higher by 2025.

| Relationship to 2019 Value |           |             |            |
|----------------------------|-----------|-------------|------------|
|                            | Best Case | Most Likely | Worst Case |
| 2020                       | 81%       | 74%         | 66%        |
| 2021                       | 91%       | 86%         | 81%        |
| 2022                       | 98%       | 96%         | 93%        |
| 2023                       | 103%      | 102%        | 100%       |
| 2024                       | 105%      | 105%        | 104%       |
| 2025                       | 109%      | 109%        | 109%       |

Source: HVS

# CONCLUSION

Cyprus' tourism market has witnessed a decline in the past 1-2 years with a decreasing trend in share of GDP and tourist expenditure that is expected to continue. Due to COVID-19 we also expect to see a decrease in arrivals and revenue for 2020 and for the following 1-2 years based on international reports. COVID-19 is expected not only to impact revenues, but also hotel values in the upcoming years due to economic downturn and the lack of capital in the short term. The tourism industry is expected to recover when transportation begins to function normally and tourists begin travelling again, with values of properties expected to exceed their 2019 values within a few years.



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Editors: Thomas Dimopoulos, Alexandra Cleovoulou

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Photo Credits: [instagram.com/andreas\\_kalas/](https://www.instagram.com/andreas_kalas/)