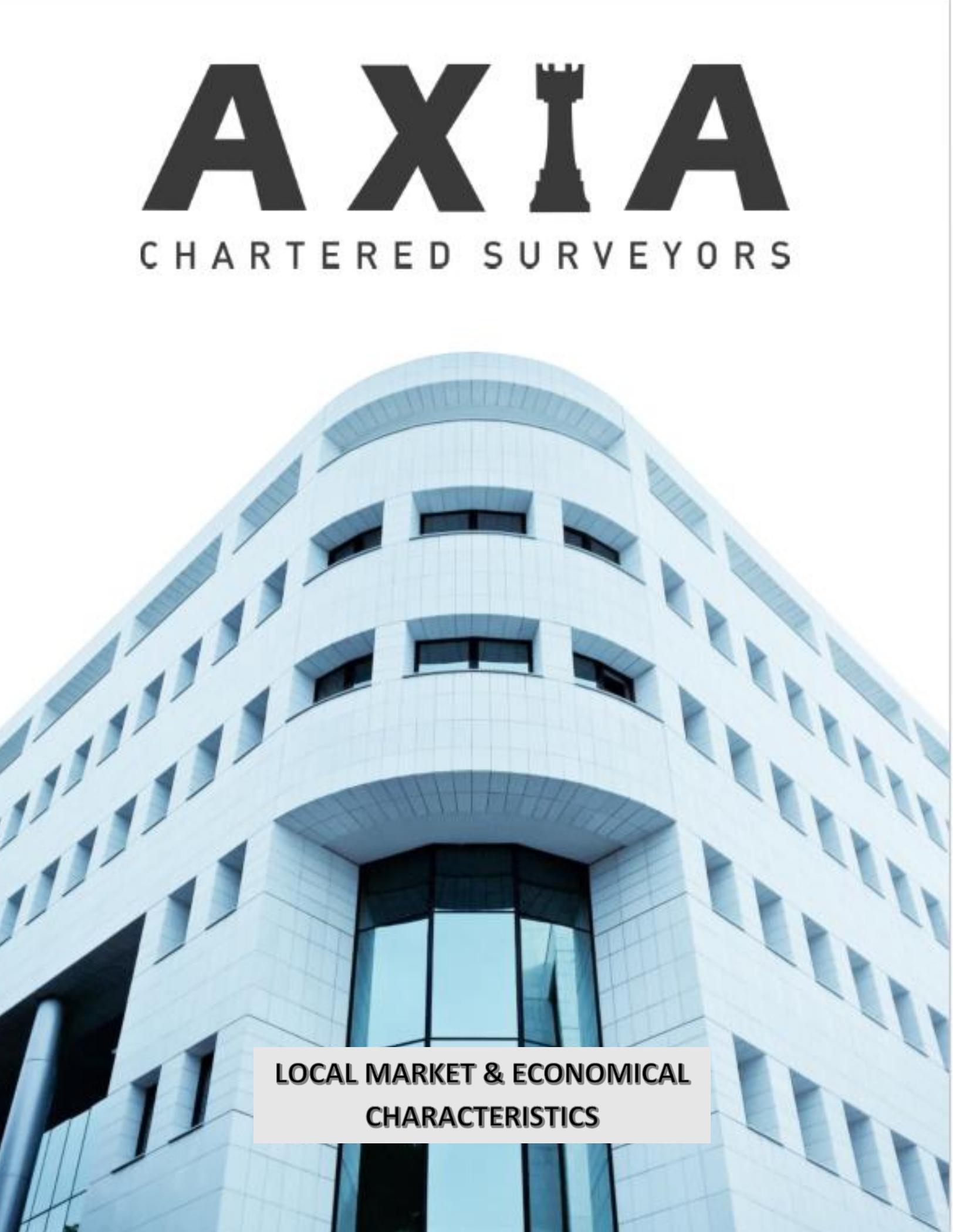
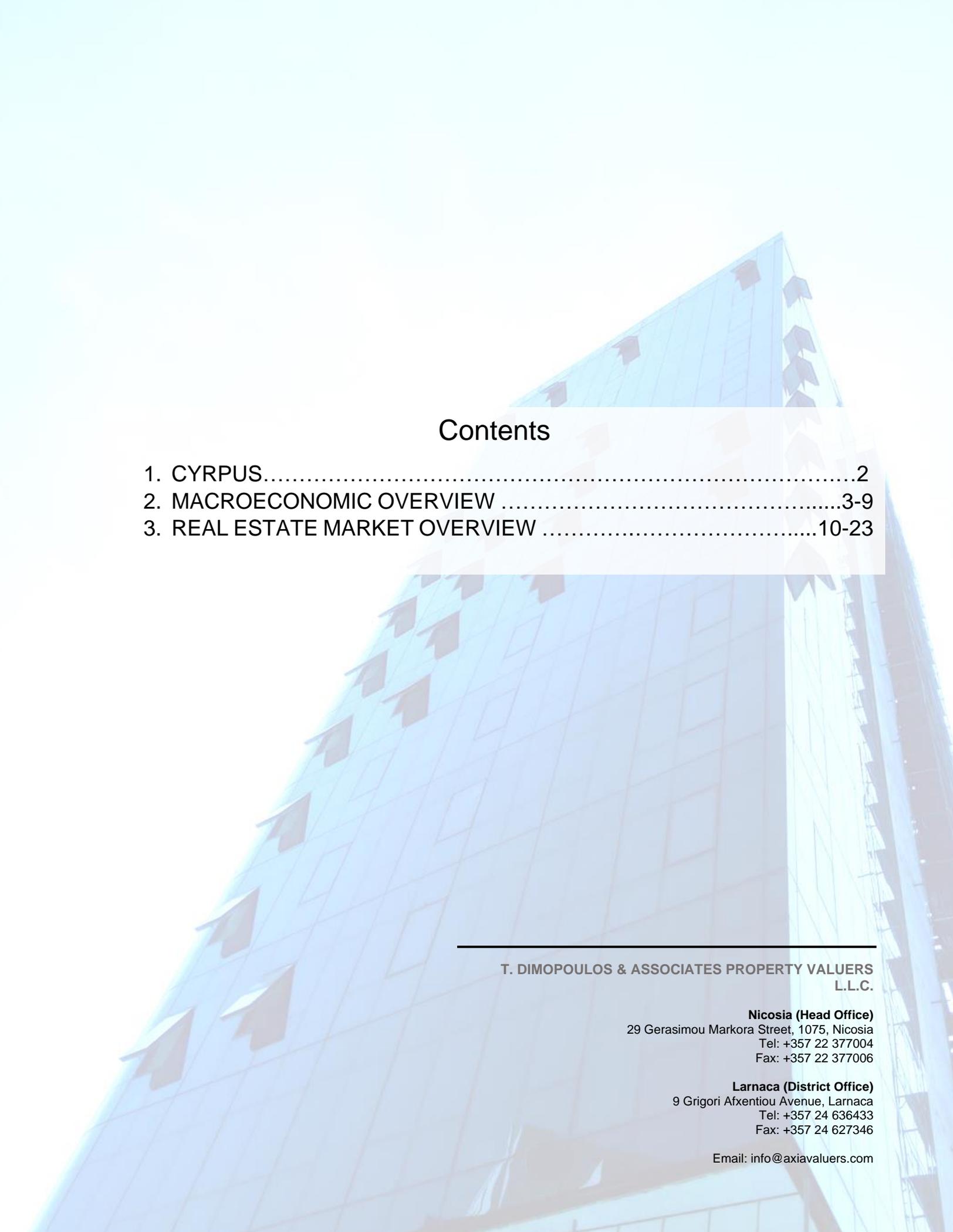


AXIA

CHARTERED SURVEYORS



**LOCAL MARKET & ECONOMICAL
CHARACTERISTICS**



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**T. DIMOPOULOS & ASSOCIATES PROPERTY VALUERS
L.L.C.**

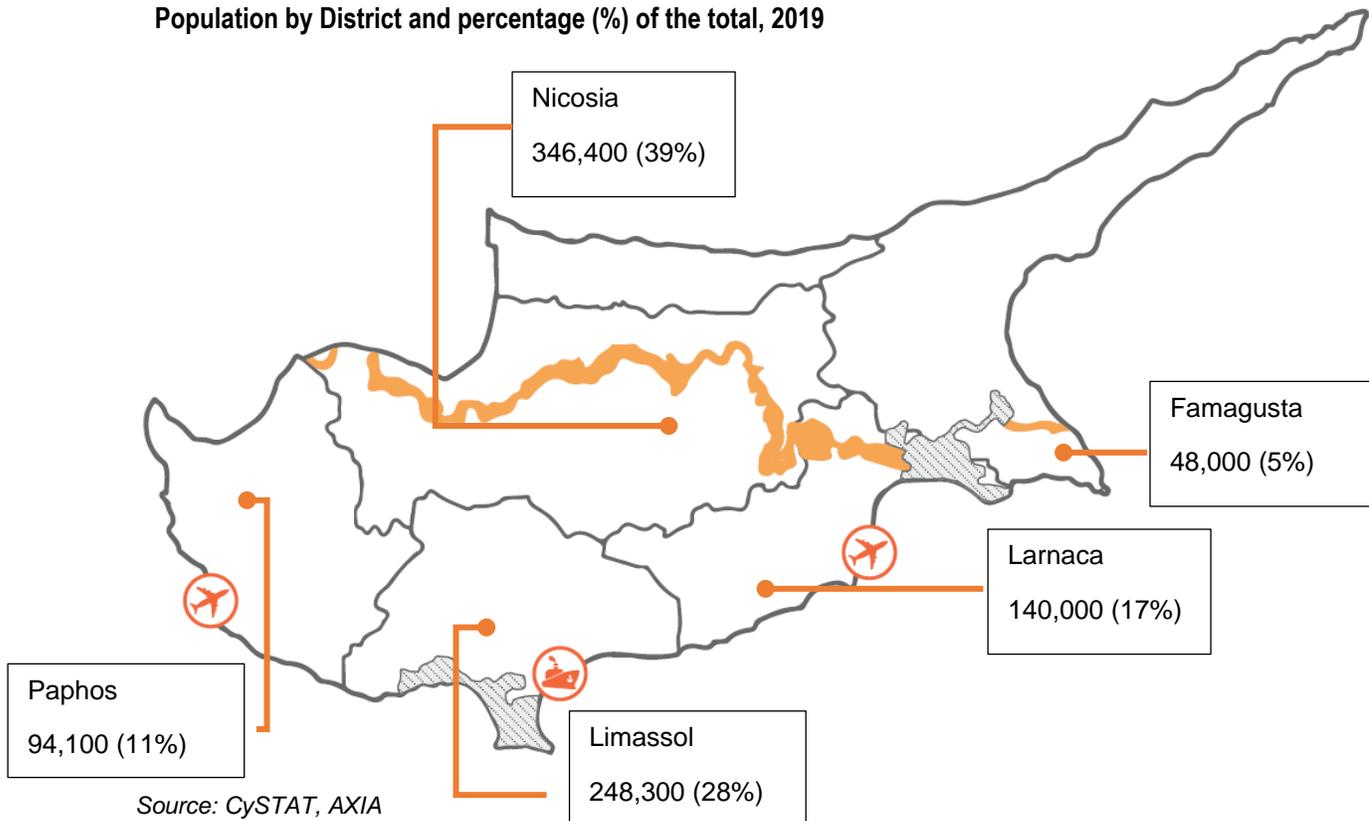
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1. CYPRUS

Population by District and percentage (%) of the total, 2019



Geographic position

> It is located at the furthest eastern point of the Mediterranean, between Europe, Asia and Africa

Taxation System

- > Attractive Tax Scheme: modern, simple and low rates (corporate tax rate is 12.5%).
- > Extensive network of double tax Treaties for the avoidance of Double Taxation with over 60 countries.
- > No property taxes.

Legal and Regulatory Framework

- > Setting up a company is a simple and fast process.
- > The legal system is closely linked to English common law.

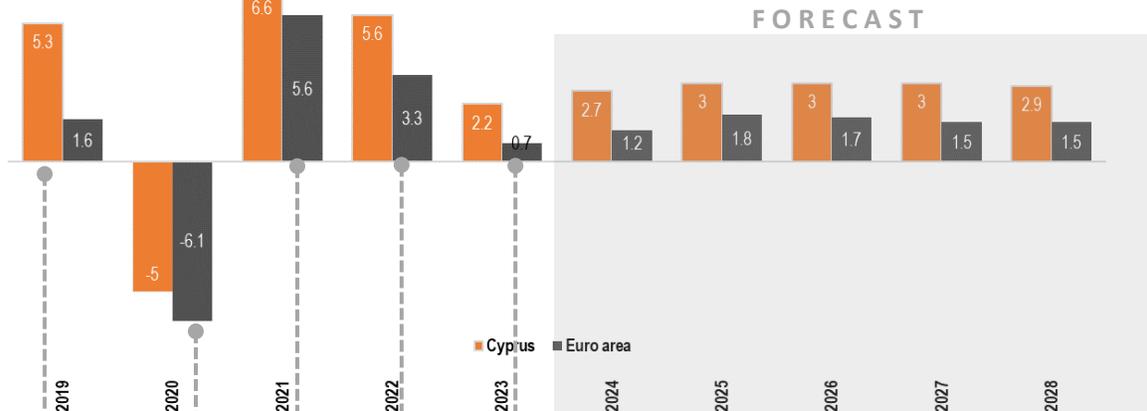
Good quality of life

- > One of the most appealing climates worldwide.
- > It is amongst the five safest countries in the world (Value Penguin 2015).

2. MACROECONOMIC OVERVIEW

2.1 GROSS DOMESTIC PRODUCT (GDP)

Change in GDP, 2019-2028 (%)



December 2019: Coronavirus outbreak in Wuhan, China.

March 2020: COVID-19 is declared a global pandemic by the WHO. Consequently, the first lockdown in Cyprus and other European countries. Termination of the Cyprus Investment Program.

Increase of vaccination against COVID-19.

Strong concerns within the construction sector due to the sharp increase of construction materials in Cyprus.

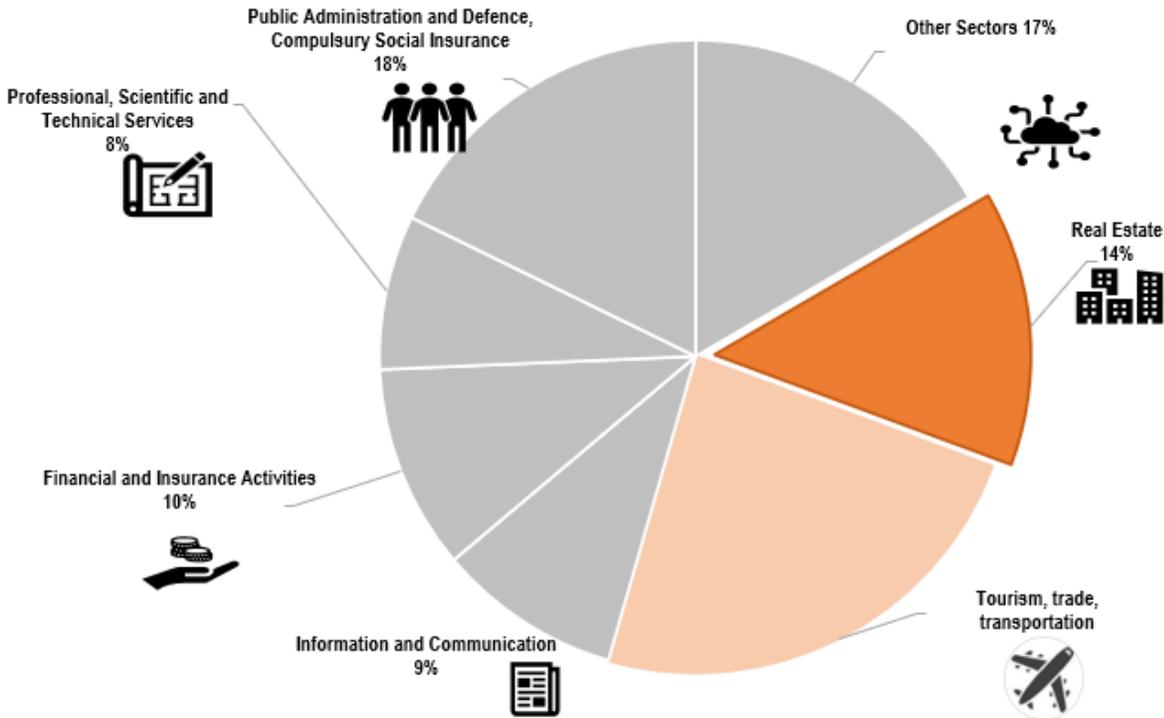
October 2023: War between Palestinian organizations led by Hamas and Israel began.

February 2022: Russia invaded Ukraine. Concerns pertaining to Russian investment in the Republic of Cyprus.

Source: IMF

2.2 MAIN SECTORS OF THE CYPRUS ECONOMY

Percentage of GDP per economic activity for the year 2023



Source: CySTAT, AXIA

Two Key Pillars of the Cypriot Economy

Tourism



- Tourism historically has been the main pillar of growth for Cyprus.
- Cyprus is promoted as a tourist destination for all seasons.
- The most attractive tourist destinations in Cyprus are Paphos and Famagusta, especially during the summer months (Cystat).

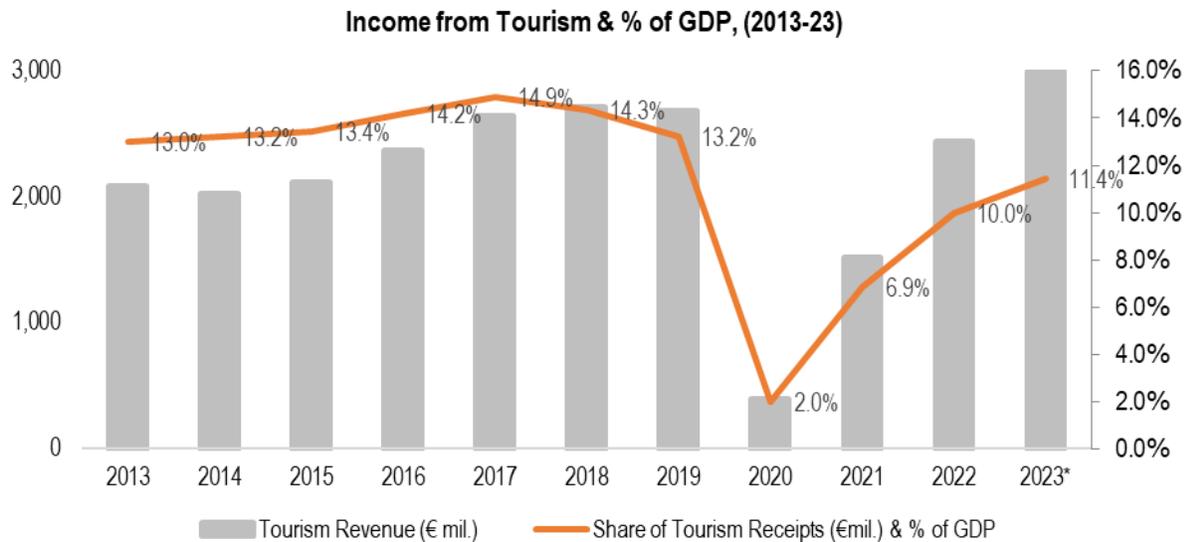
Real Estate



- Real estate management and construction account for 14% of GDP.
- The increase in the cost of construction materials significantly affects the balance of supply and demand for properties.
- Foreign buyers continue to compensate for lost revenues following the collapse of the "golden passport scheme".

Tourism Industry

The tourism sector, together with the sectors that are directly or indirectly linked to tourism, are a very important source of development for the Cypriot economy. Until 2019, this percentage ranged from 13% to 15%. Measures taken to contain the spread of the COVID-19 pandemic, such as the ban on entry into the Republic, resulted in a rapid decrease in tourism arrivals for the years 2020 and 2021.



Source: CySTAT, AXIA

The tourism data for the year 2023 suggests a return to normalcy following the COVID-19 pandemic, with clear signs of a steady recovery throughout the year. At this pace, both arrivals and revenues appear to be only slightly lower than the levels of 2019. Compared to 2019 (which was a record year) tourist arrivals in 2023 were slightly lower (2019: 3,976,777 tourist arrivals and 2023: 3,845,652 tourist arrivals) but tourism revenues increased by 11.46% (probably related to increased prices of raw materials etc.).

Tourism revenues between the pre-COVID era and 2023 (Mln €),

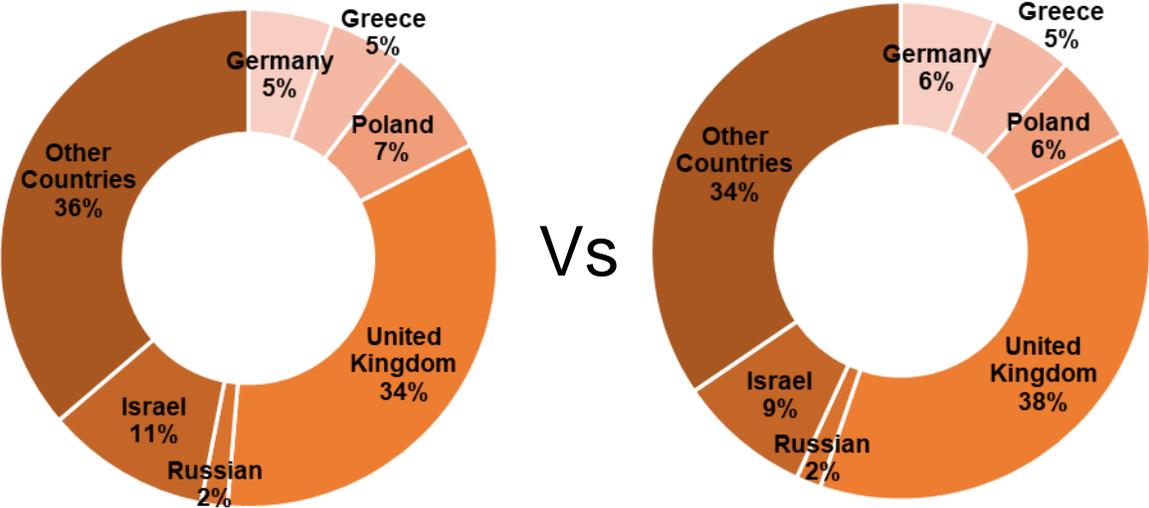
2019 Vs 2023

2019:	2,683.0	 +11.46%
2023:	2,990.6	

Source: CySTAT

In 2023 Cyprus came close to the record arrivals of 2019 despite the fact that tourists from Russia have decreased a lot especially compared to 2021 when they were 27% of the total, while now they are only 2%. Neighboring Israel is so far the second country of origin of tourists to the island, after the UK.

Tourist Arrivals by Country of Origin: 2023 Vs 2022

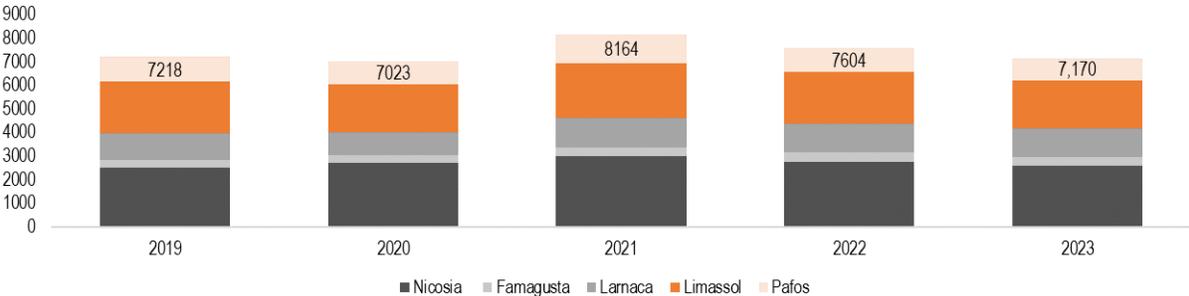


Source: CySTAT, AXIA

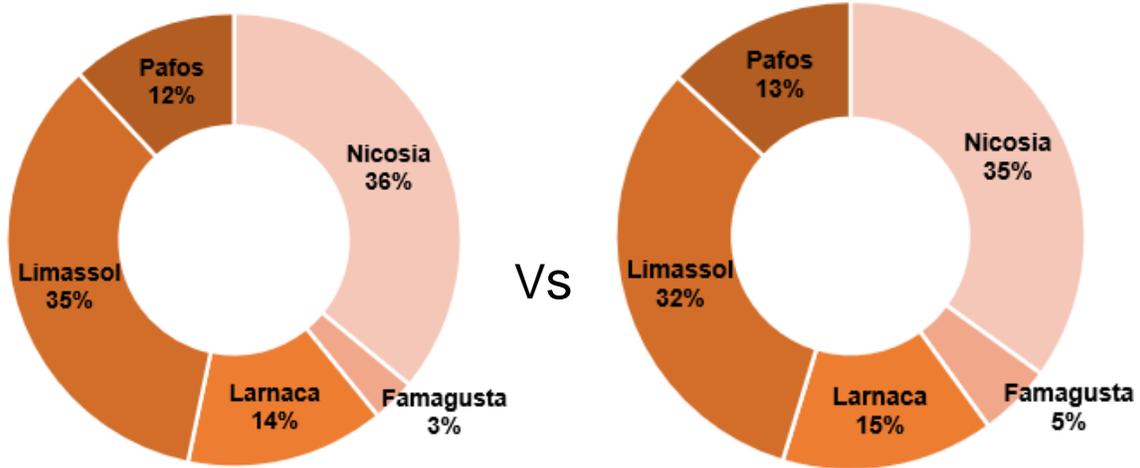
Real Estate

The real estate sector has always been one of the key pillars of the Cypriot economy, contributing to approximately 14% of the country’s GDP. For the year 2023 the trend was downward compared to 2022, except for Larnaca District, which showed an increase of 1%. However, 2021 was a transitional period, as due to the COVID-19 pandemic and the closure of businesses and public services during 2020, many projects were only officially licensed in 2021, due to limitations in 2020.

Building Permits Issued Per District, 2019-2023



Building Permits Issued by Value: 2023 Vs 2022



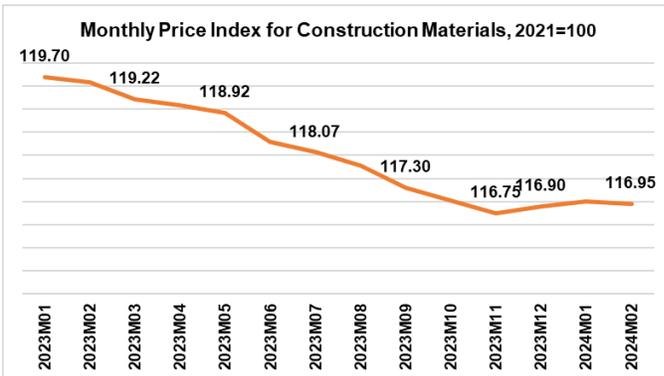
Source: CySTAT, AXIA

Number of New Residential Units: 2023 Vs 2022



- Although the number of building permits decreased, the number of residential units increased – this is interpreted to indicate that each permit included more than one house or apartment. This is justifiable as a trend towards building smaller housing or apartment developments by Land Developers has been observed rather than the construction of single housing units.
- The same is true in the case of permit volume where there an increase in value is observed. Famagusta district showed an increase in the number of permits issued, while in the other districts, the numbers decreased.

Source: CySTAT, AXIA



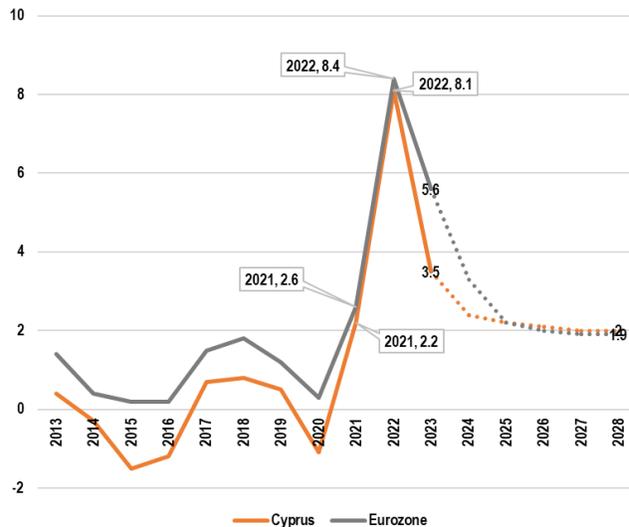
Source: CySTAT,



These are annual results, but on a monthly basis, from February 2023 to date, construction material prices appear to be plateauing.

2.3 MAIN ECONOMIC INDICATORS

Consumer Price Index Change (Inflation), 2013-28

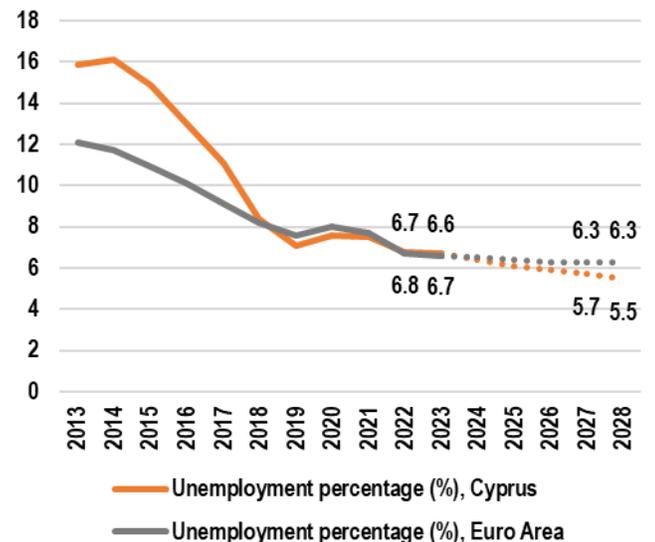


Source: IMF, AXIA

- Since 2013, Cyprus's Consumer Price Index has followed the same trend as the Eurozone's, but at lower levels.
- After the emergence of the COVID-19 pandemic, it decreased to -1.1%, while in 2022 it sharply increased to 8% (due to increases in energy and food prices resulting from the Russia-Ukraine conflict). In 2023 the change appears to have fallen to 3.5% while the euro area remains at higher levels.
- According to IMF forecasts, the index will fluctuate at lower levels for the coming years.

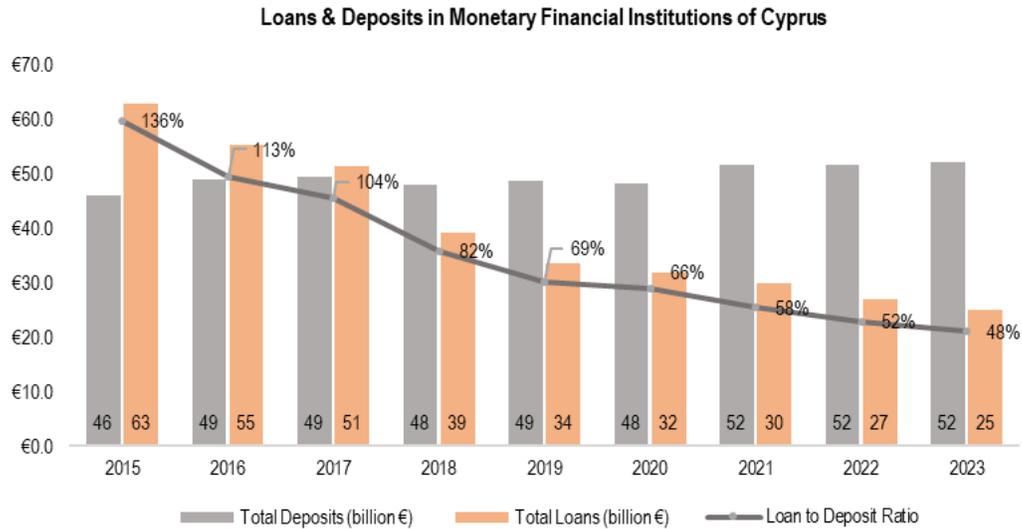
Unemployment (%), 2013-28

- Since 2018, the unemployment rate in Cyprus has been lower than the Eurozone average.
- Particularly encouraging for the local economy is the fact that from 2020 onwards, the unemployment rate appears to be on a downward trend and, according to IMF forecasts, this rate is expected to decrease significantly in the coming years, widening the gap compared to the Eurozone.

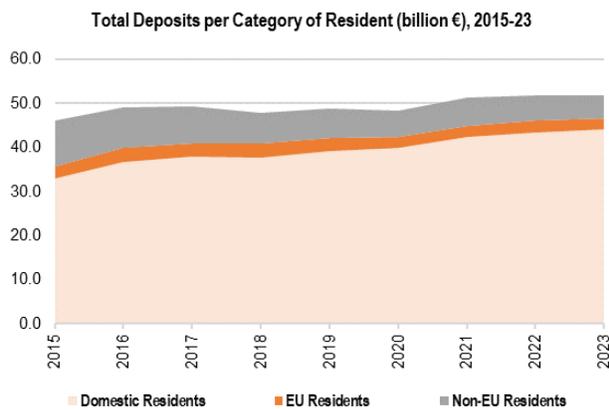


Source: IMF, AXIA

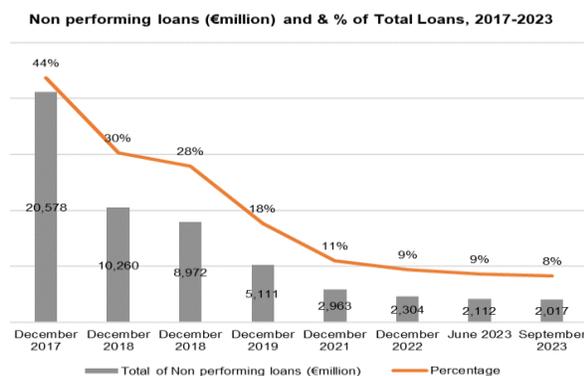
2.4 BREAKDOWN OF DEPOSITS AND LOANS



Source: Cyprus Central Bank, AXIA



- From 2015 to 2023, the total amount of deposits has significantly increased, while the number of non-performing loans has decreased significantly as a result of restructuring measures, foreclosures, etc.
- 2023 was a record year for deposits in the last 9 years.
- By resident category, it appears that over the years, there was an increase in the volume of deposits by locals, while the Cypriot economy, with the crisis of 2013, seems to have lost credibility with European and non-European residents.



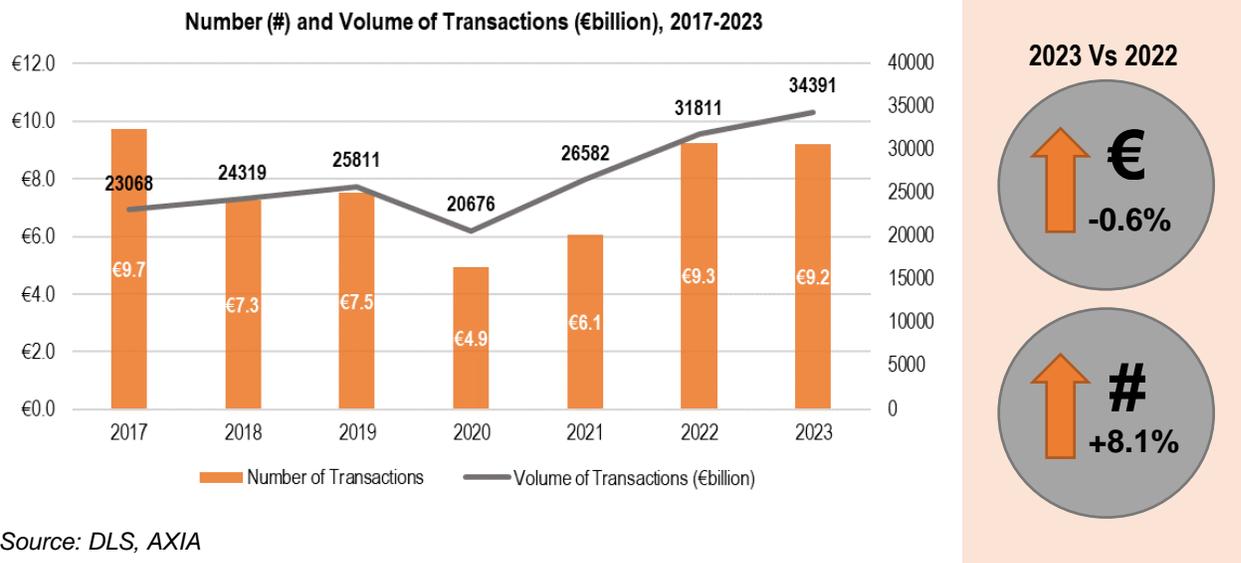
Source: Cyprus Central Bank, AXIA

- The decrease of loans is multifaceted: it is attributed to the efforts of banks to de-leverage their balance sheets through debt-for-asset swaps, write-offs, and cash collections, while after 2018, it also lies in the transfer of portfolios of non-performing loans outside the banking system.

3. REAL ESTATE MARKET OVERVIEW

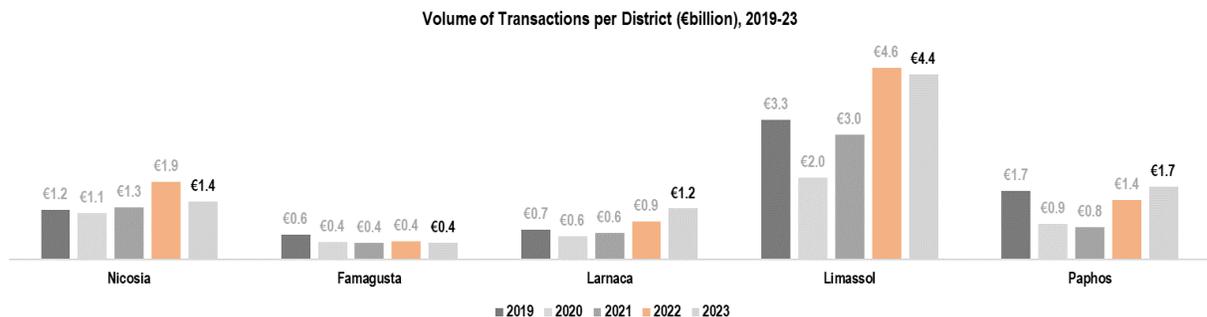
3.1 NUMBER, VOLUME OF TRANSACTIONS AND ANALYSIS

For the year 2023, transaction volumes remained almost at the same level (slight decrease) compared to 2022 where significant increases were observed compared to the previous year. However, the number of transactions for 2023 reached a record high of 34,391 transactions.

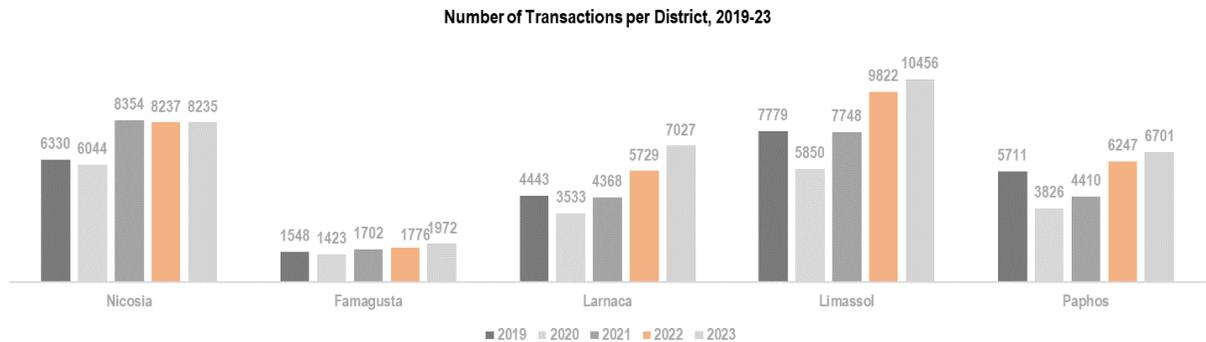


Historically, Limassol has presented the highest volume of transactions in euros, while Famagusta district has presented the lowest.

For the year 2023, the Districts of Larnaca and Paphos show an increase in transaction volume while Nicosia and Limassol show a decrease. Famagusta remains at the same level.



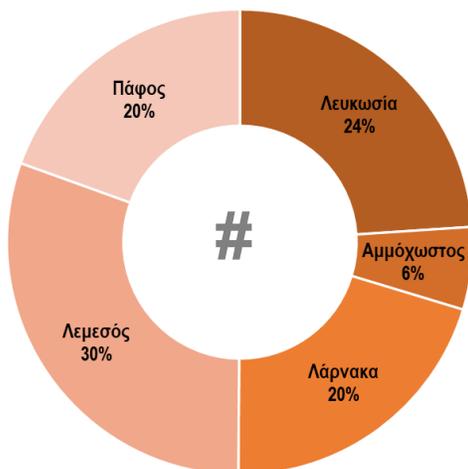
The highest number of transactions for 2023 were recorded in Limassol, followed by Nicosia. There was also an increase in the number of transactions compared to the previous year, except in the district of Nicosia where it remains at the same level.



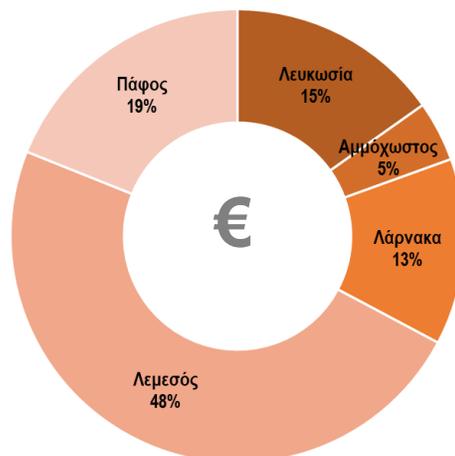
Source: DLS, AXIA

In 2023, Limassol recorded the largest share in terms of sales volume, almost 50%. Although in terms of number of transactions, Limassol occupies 30% of the total, in terms of transaction volume it occupies 48%, which establishes it as the city with the most expensive properties/highest transactions.

Distribution of sales number per District, 2023

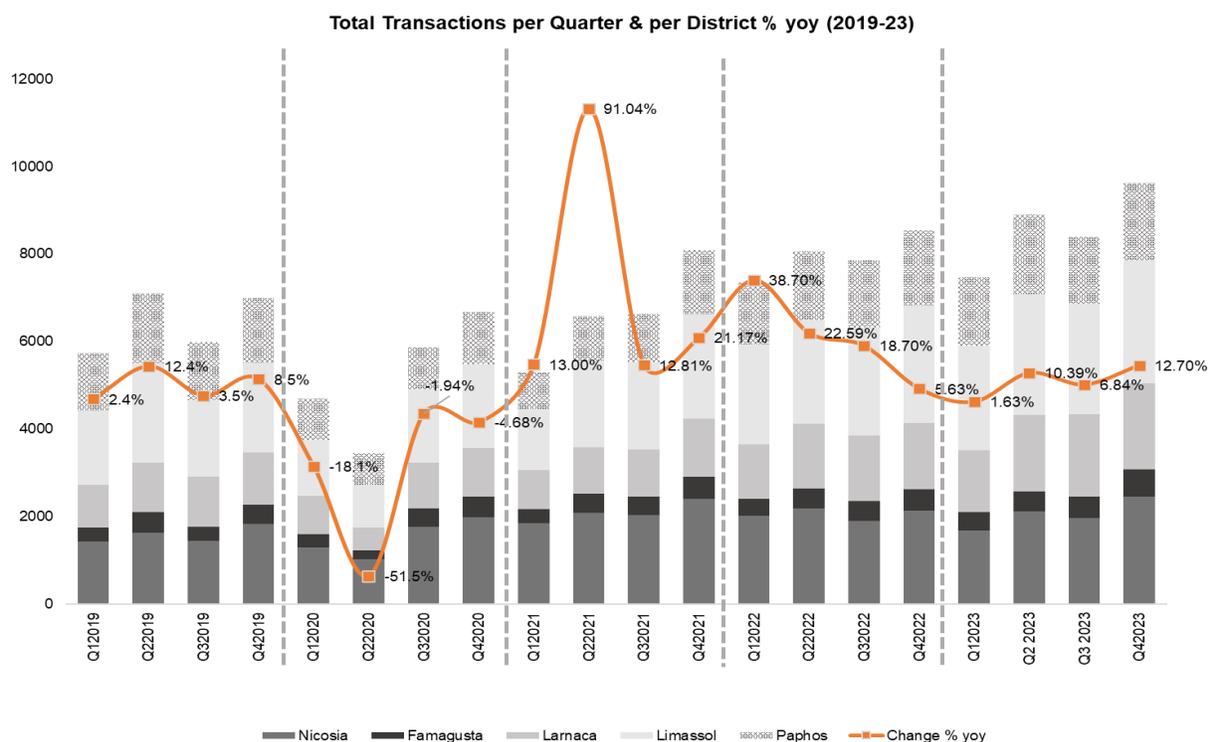


Districition of sales volume per District, 2023

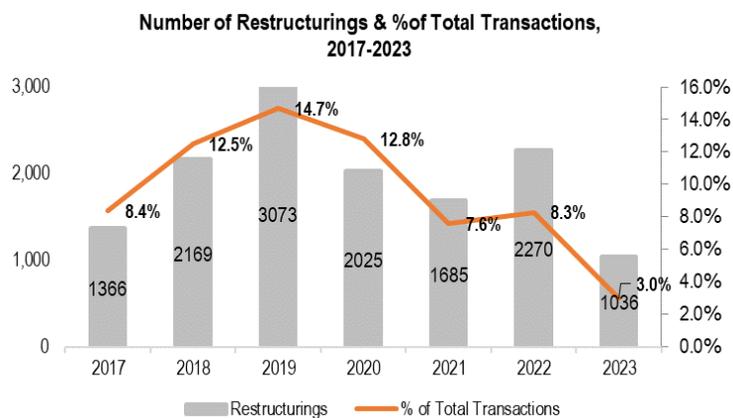


Source: DLS, AXIA

- Throughout the 2018 - 2023, it appears that the highest number of transactions was recorded in the last quarter of 2023.
- During the 2nd quarter of 2020 and the 1st quarter of 2021, the lowest number of transactions was observed, which is directly related to the lockdowns.



Source: DLS, AXIA

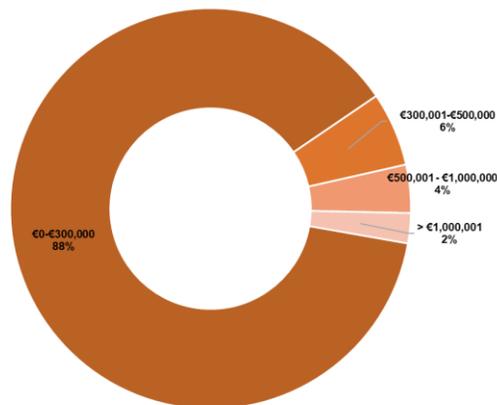


Source: DLS, AXIA

- 2023 recorded the smallest number of restructurings and the smallest proportion of transactions since 2017. This is a result of the transfer of large REO investment portfolios to management companies that in turn channel the properties into the market.

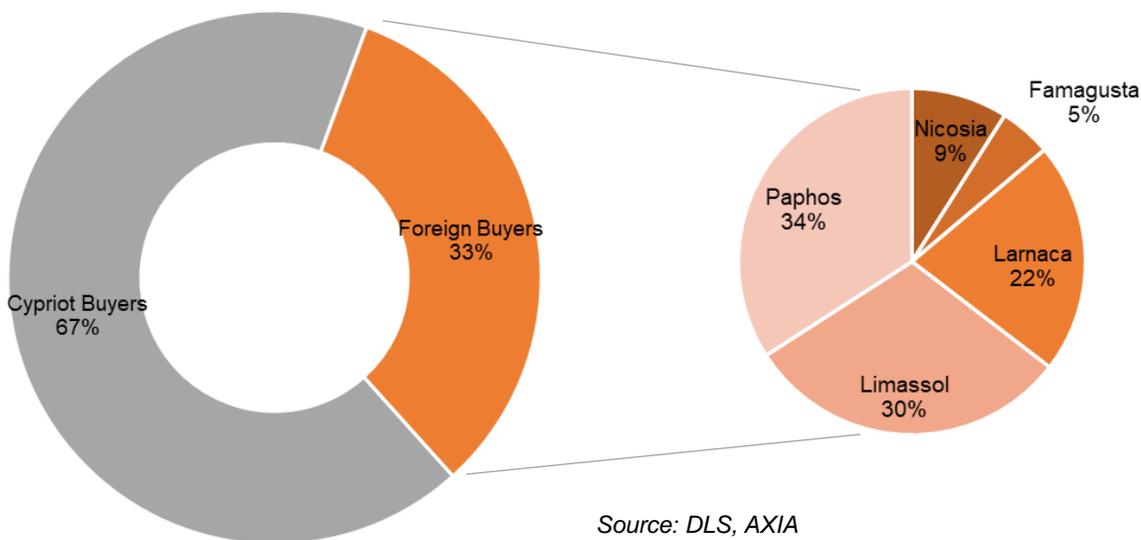
The largest percentage of properties that have been involved in loan restructurings/foreclosures fall up to €300,000. This portrays that lower income groups are unable to meet their obligations.

Distribution of restructuring prices range for the period, 2017-2023



Source: DLS, AXIA

Proportion of Cypriot & Foreign Buyers and Distribution of Foreign Buyers per District, 2022



Source: DLS, AXIA

- Foreign buyers and investors play a significant role in the property sector.
- The percentage of transactions made by foreign buyers stands at 33% at the national level, while there is a significant dispersion between districts.



+12.0%

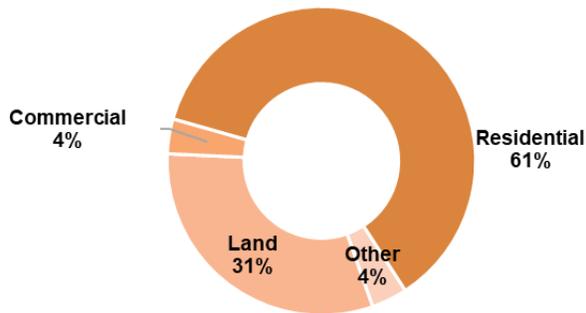
ετήσια αύξηση του αριθμού των συναλλαγών από ξένους αγοραστές

3.2 SALES AND CONSTRUCTS OF SALE DATA PER PROPERTY TYPE

In the context of improving our analysis, the above section has used "clean data" provided by *REAL Geosolutions*. The data was processed and "cleaned" with a series of filters and analyses using AI, always under human supervision.

For previous years' analyses we used the adjusted transaction base provided by the Land Registry.

Share of Transactions by Property Type, 2019-2023, (% M.O)

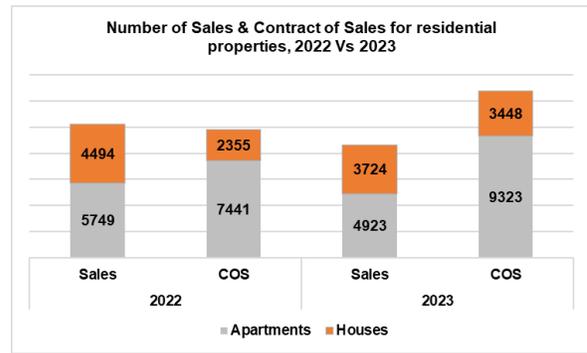


Source: Department of Lands and Surveys, AXIA Analysis

- For the period of 2019-22, sales of residential properties (apartment and houses) represented 61% of the total number of sales recorded, while parcels of land followed with 31%. Commercial properties followed with a 4% share.
- The remaining categories of properties (hotels, warehouses, gym, kindergaderns and others) gathered a percentage of 4%.
- It is noted that in the cases where properties are legally registered as land or fields, but buildings have been constructed within the parcels, the categorisation was based on the building, i.e. if there is a house, it is included in the housing units.

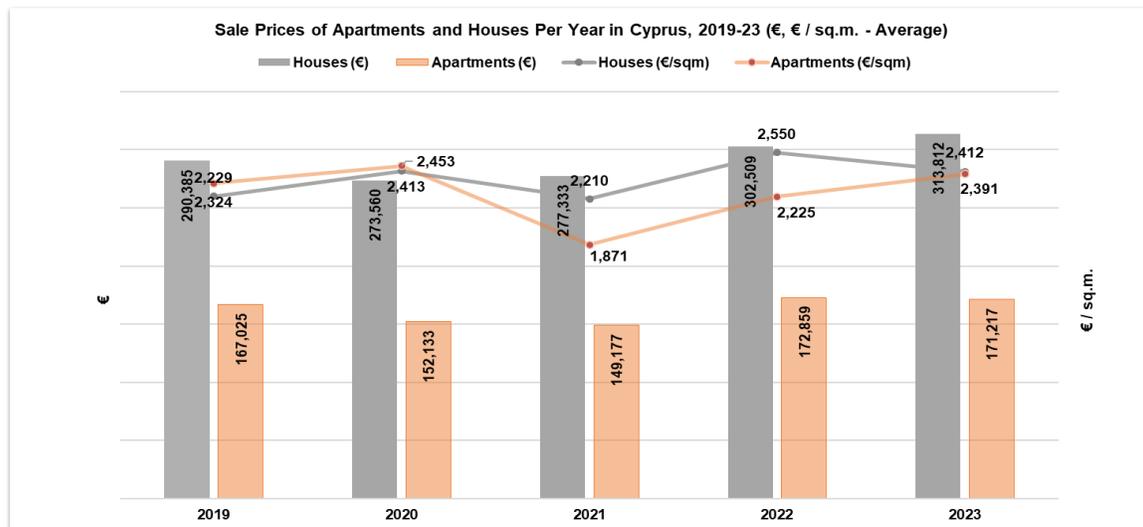
Sale Prices of Houses and Apartments in Cyprus

- For both the year 2022 and 2023, it seems that the new living conditions favours the subcategory of apartments.
- Note that for the year 2023, the number of sales decreased by 16% but the number of contract of sales increased by 30%. The 'contracts of sales' sales usually relate to houses under-construction or under-construction apartment buildings. This is a result, we assume, is due to an increase in demand for new properties.



Source: Department of Lands and Surveys, AXIA Analysis

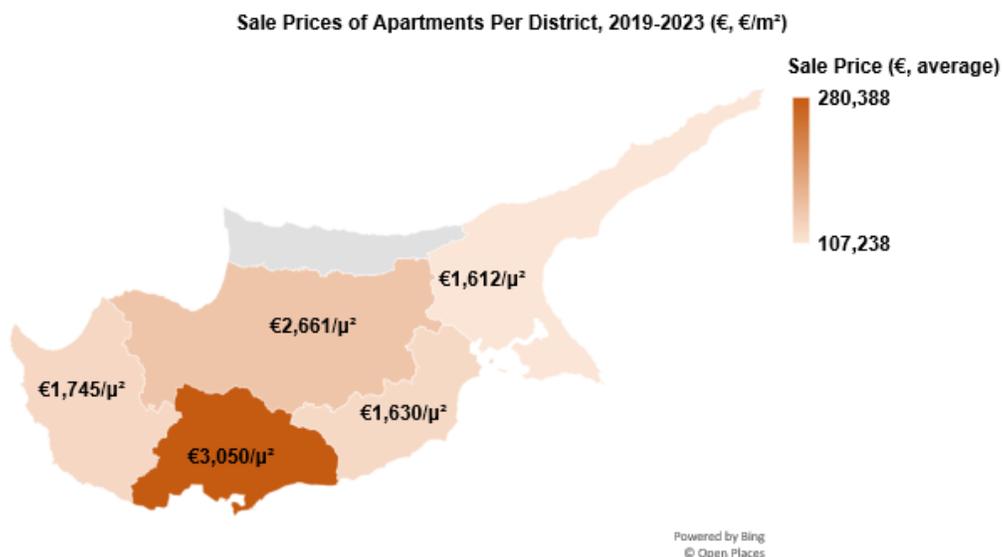
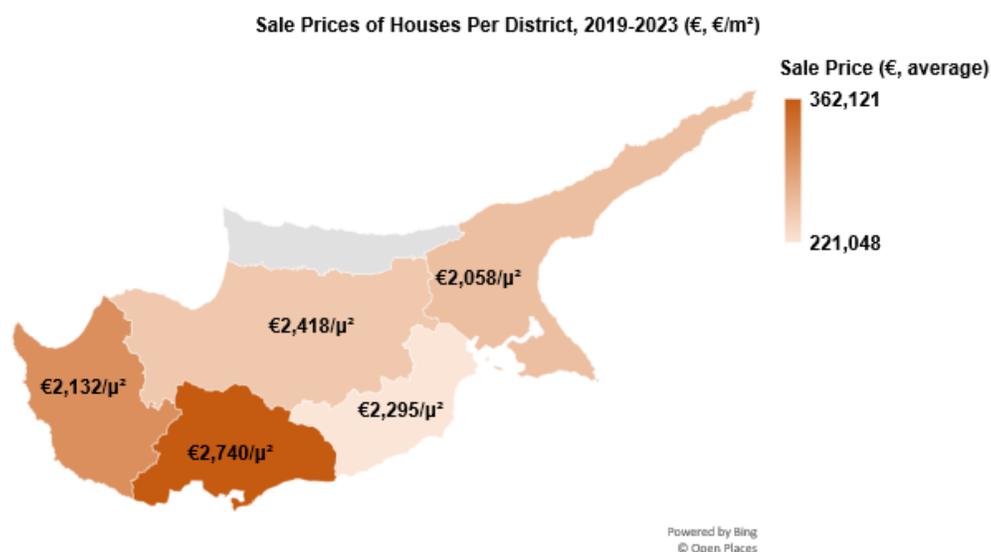
- The following graph shows the average sales prices of apartments and houses (in terms of € but also €/m²) for the period of 2019-23 at the national level.
- At a national level and for the same period, apartments sold had an average area of 83m², an average selling price of around €162,500, and an average price per m² of €2,253. Similarly, houses sold during the same period had an average area of 141m², an average selling price of around €291,500, and an average price per m² of €2,363.
- Residential properties seem to remain at relatively stable value levels while apartments, on the other hand, show fluctuations. In 2023 the average price for apartments has increased compared to 2022 and 2021 probably due to the higher number of sales documents associated with new apartment buildings.



Source: Department of Lands and Surveys, AXIA

Sales Prices of Houses and Apartments per District (Average)

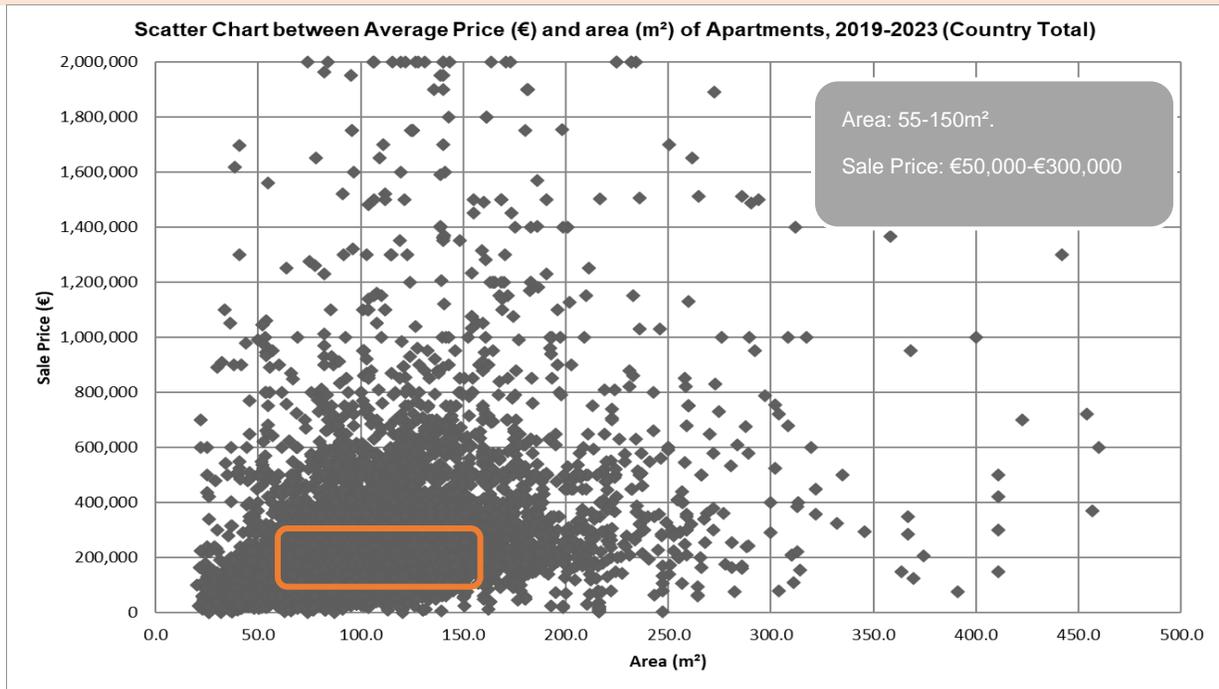
- Limassol had the highest prices in both categories. Apartments sold for around €280,388 (€3,050/m²) and houses for around €362,121 (€2,740/m²).
- In the case of both apartments and houses, Nicosia comes second, with prices of €146,714 (€2,661/m²) and €250,490 (€2,418/m²) respectively.
- Famagusta has the lowest number of sales and the lowest average sales prices for both apartments and houses.



Source: Department of Lands and Surveys, AXIA

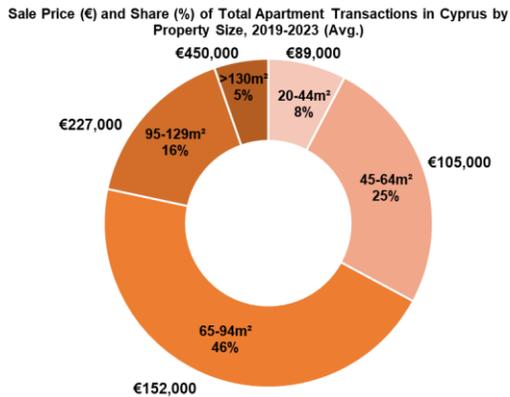
*The information concerns sales that took place in the non-occupied areas of Cyprus.

Ranges of Sale Prices and Internal Area of Apartments



Source: Department of Lands and Surveys, AXIA

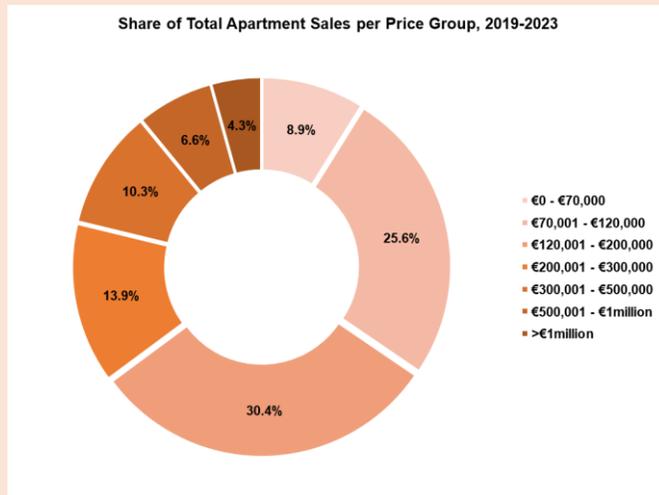
- The majority of transactions recorded concern apartments ranging from 55-150m²
- There was a limited number of buyers who were willing to pay premiums in return for special features (ex. excellent quality of construction, view / penthouse, special location, etc.)
- Most of the sales that significantly exceed the average relate to high end properties within organized resorts or skyscrapers in Limassol. We assume that the majority of these sales relate to investments made by Non-EU residents for the acquisition of citizenship or naturalization via property investment. Usually these sales include a particularly high percentage to intermediaries (agents) whose commission can reach up to 20%, as opposed to 3-5% which is the market norm.



Source: Department of Lands and Surveys, AXIA

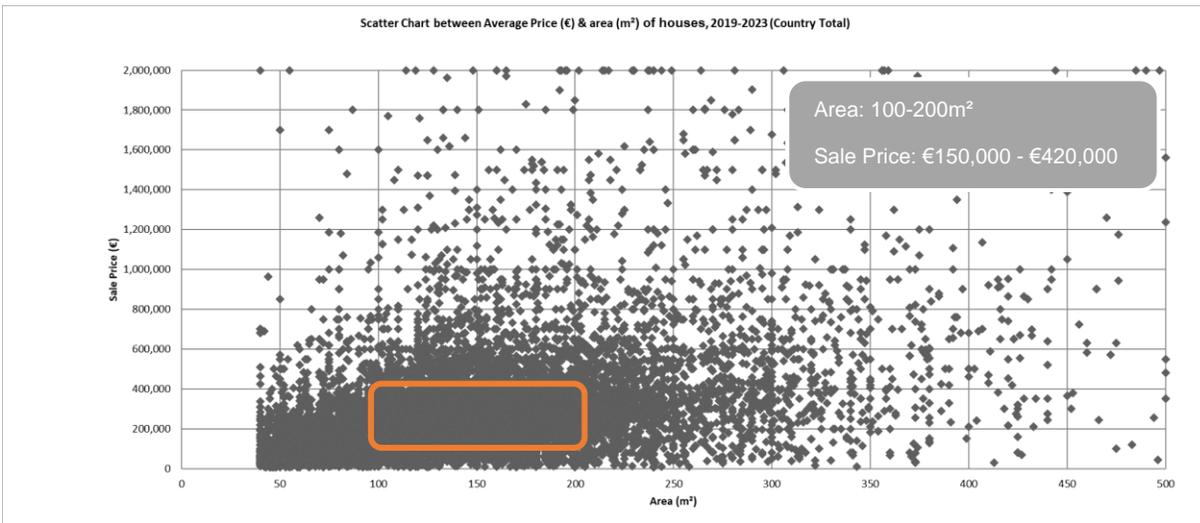
- The majority of apartment sales (46%) concerned properties with an area of 65-94m² - which corresponds to a two-bedroom apartment - with an average selling price of around €152,000.
- In second place regarding the preferences of buyers, are apartments of 45-64m² (one bedroom) with a share of 25% and an average sales price of €105,000. These properties are preferred for investment purposes due to their lower sales prices and satisfactory yields (rent).
- The smallest share corresponded to studio apartments and apartments with an internal area of over 130m².

- Using the same sample of apartments, when analyzing by price group we see that most of the transactions that were carried out had selling prices between €121,000 - €200,000, while apartment sales between €70,001 - €120,000 follow with a small difference.
- Sales between €500,000 - €1m constitute 6.6% of the total sales, while sales above €1m constitute only 4.3% of the total sales (the lowest percentage).



Source: Department of Lands and Surveys, AXIA

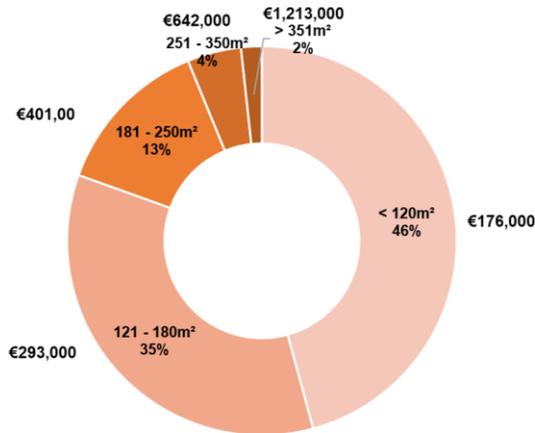
Ranges of Sale Prices and Internal Area of Houses



Source: Department of Lands and Surveys, AXIA

- The relationship between sale price and internal area is not linear but rather is exponential. From a certain property size and above (approximately 250m²), the value increased exponentially (something that can be seen predominately in Limassol and Paphos Districts). This is probably due to the fact that the buyers of these houses are willing to pay premium prices due to the special features of these properties (ex. excellent quality of construction, views / uniqueness, special location, etc.) and of course the percentage received by intermediaries (agents).
- These particular characteristics justify higher prices that a portion of buyers who mainly come from foreign countries and migrate to Cyprus for various reasons but mainly for tax benefits are willing to pay.

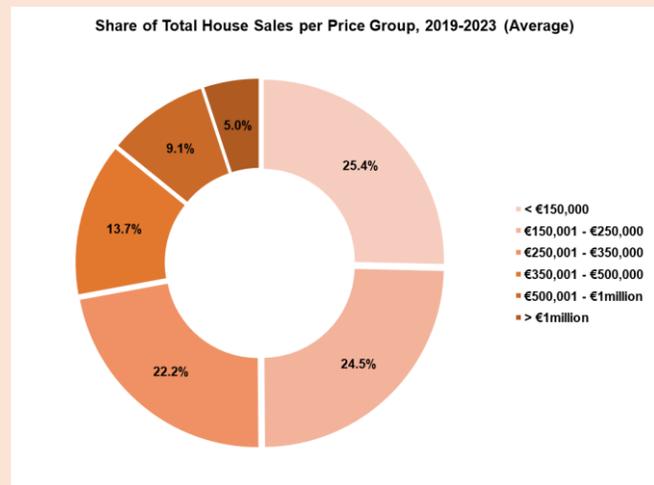
Sale Price (€) and Share (%) of Total Houses Transactions in Cyprus by Property Size, 2019-2023 (Avg.)



Source: Department of Lands and Surveys, AXIA

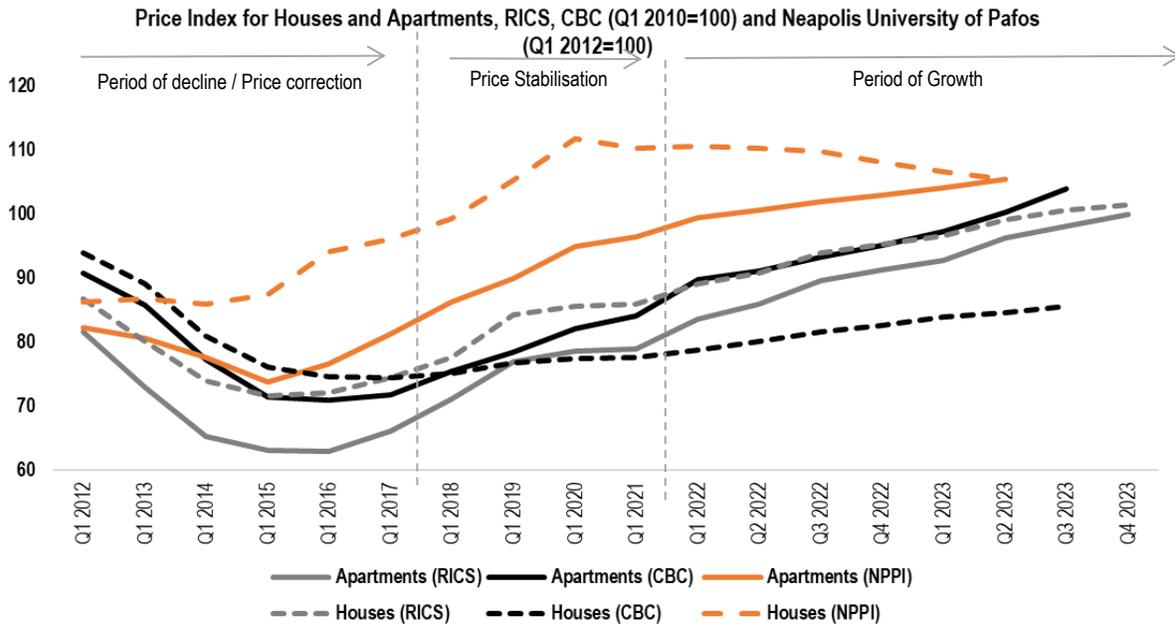
- Most of the sales (46%) are properties with an area of up to 120m². These sales correlate to relatively small-sized houses (most houses are usually over 150m²). Houses with smaller areas are usually old houses located in center of villages which are likely to affect the results.
- A significant percentage of the sales (35%) refer to homes between 121 - 180m² which we consider correspond to the average demand for the typical Cypriot household.
- Approximately 2% of the total number of transactions for houses concerned houses with an internal area of over 350m² and sale prices of over €1mil.

- The highest percentage concerned houses within the price up to €350,000.
- Only 5% of the total number of transactions for houses had selling prices over €1,000,000 per property, some of which were related to the acquisition of Cypriot Citizenship by investment which, until May 2019, required a minimum investment of €2,000,000 and after May 2019 it increased to €2,150,000 before it was terminated.



Source: Department of Lands and Surveys, AXIA

3.3 PRICE INDEX



Source: RICS*, Central Bank of Cyprus** and Neapolis***, AXIA

***RICS**

is based on quarterly systematic valuations carried out by valuers on hypothetical properties with specific characteristics.

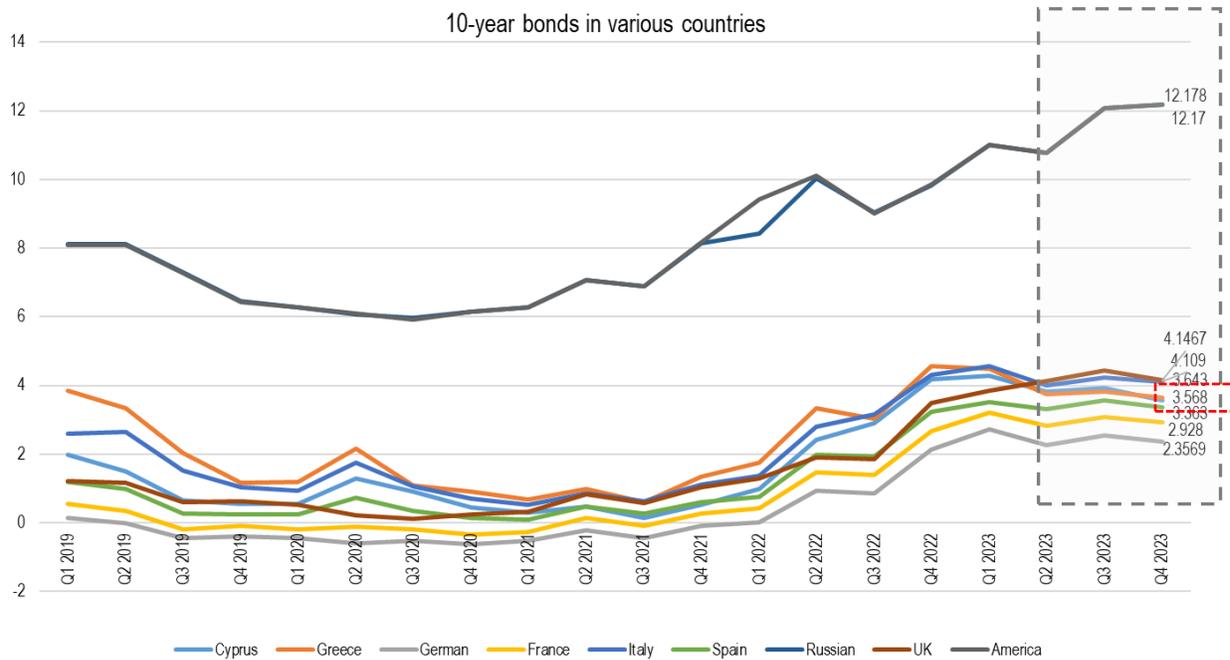
****Central Bank of Cyprus**

is based on property valuations made for lending purposes by all the real estate appraisers contracted with the Central Banks.

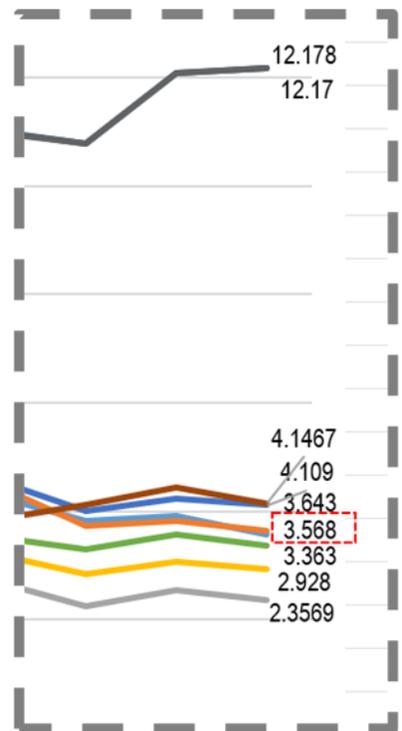
*****Neapolis Property Price Index**

The NPPI at this stage records the price trends of both new and resale housing units (including houses and apartments) in all districts of Cyprus since 2012. The indicators are calculated with data based on actual transactions and obtained from the Cyprus Land Registry and Surveying Department. Almost the entire data population is used, which undergoes a thorough analysis and cleaning process to increase the accuracy and reliability of the index. Due to the complexity of the database, great care is taken in the way the database is structured to obtain optimal results. The analysis of the data is based on the hedonic regression method. This is considered the most appropriate for the situation, taking into account various characteristics of the properties, such as location, floor area, condition, age, etc.. The index report is divided into two main sections: the first summarizes the trends of the index, while the second provides database statistics to support the reliability and validity of the index.

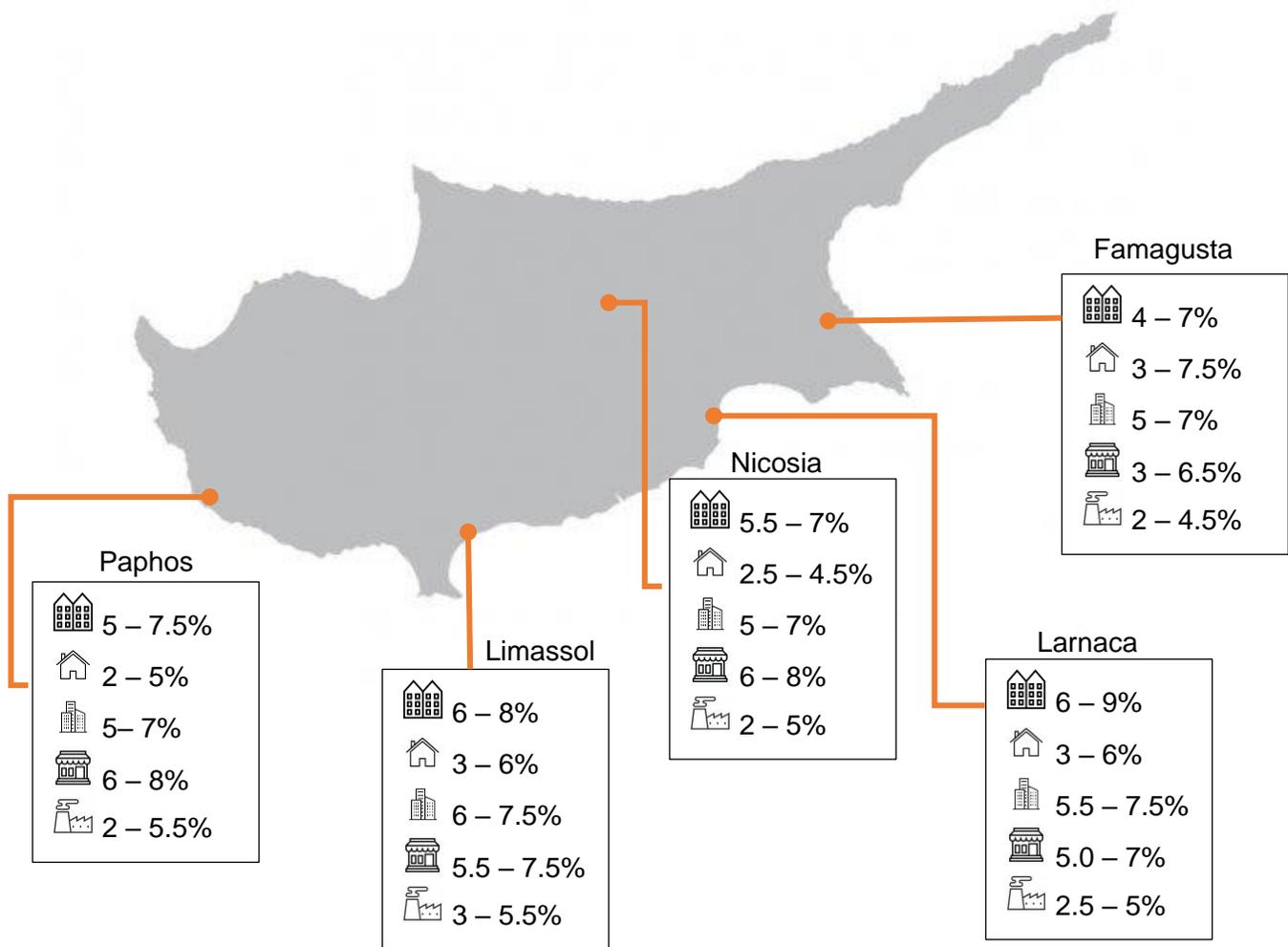
3.4 GOVERNMENT BONDS AS A BENCHMARK OF DISCOUNT RATE



- The vast majority of investors calculate the discount rate in an investment model using government bonds as zero-risk benchmarks.
- The economic uncertainty in the midst of the war in Ukraine and the announcement of the European Central Bank (ECB) on interest rate hikes, pushed up Cypriot bond yields.
- **The pressures in the bond market are also affecting Cyprus with the 10-year bond yield exceeding 3.5%.**
- In Greece, the yield on the 10-year bond exceeded the 3.5% threshold, reaching 3.643%.
- Simultaneously, the 10-year German bond, however, did not exceed 2.369%.



3.5 EXPECTED RATES OF RETURN FOR 2023



Apartments: Returns depends on the age, location of the property, the maintenance and condition of the property and the duration of the rental contract.



Houses: The same applies as above, and an additional characteristic is also applicable, which is whether the house has a swimming pool.



Offices: Returns depend on the distance from the mall.



Shops: The risk factor of shops was affected highly by the outbreak of the COVID-19 pandemic - mainly with the closure of businesses.



Warehouses: Returns depend on the internal area, accessibility and the location.

**It is noted that in Paphos, Limassol and Famagusta districts, both for the houses and apartments there is possibility for*