



CYPRUS PROPERTY MARKET 2nd SEMESTER 2016



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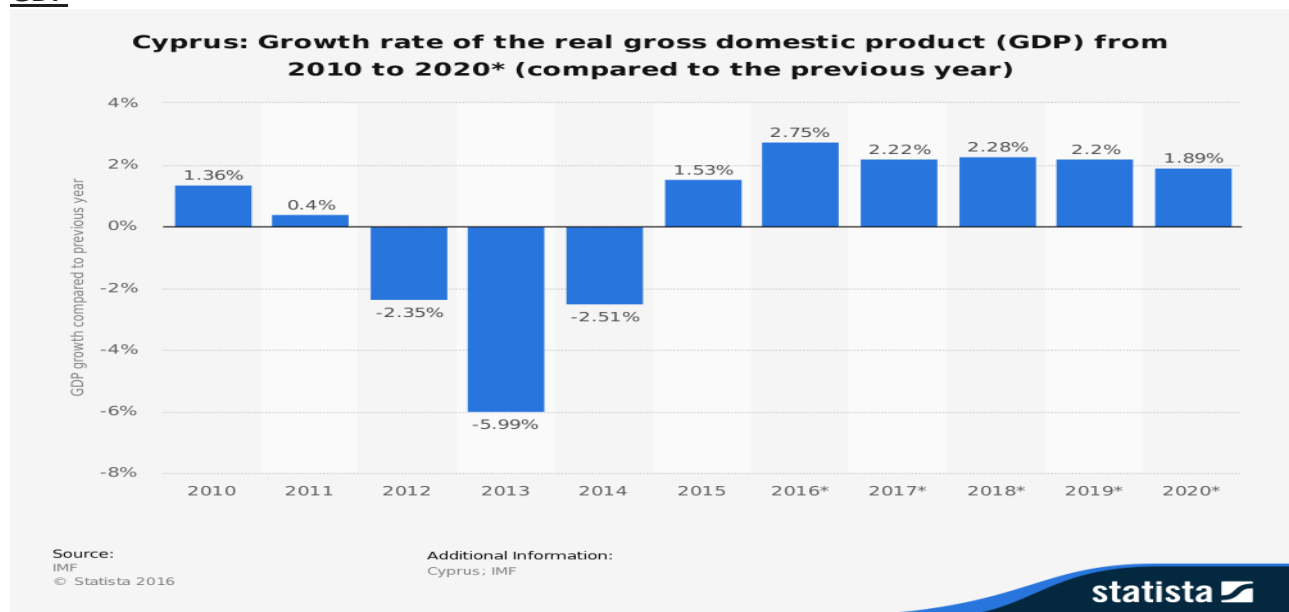
1. Economic outlook and Real Estate Sector

During the year of 2016 the Cyprus economy showed signs of stability, with the economy's performance being better than expected and tourism mildly outperforming forecasts.

Economic indicators	Period	2014	2015	2016
Growth rate (periodically)	1 st quarter	-3.8%	0.1%	2.7%
Growth rate	January - December	-2.5%	1.6%	
Inflation (adjusted)	January – June	-0.7%	-1.4%	-1.2%
Consumer Price Index (CPI) (adjusted)	June	103.5%	101.3%	99.3%

Danos, CBC

GDP

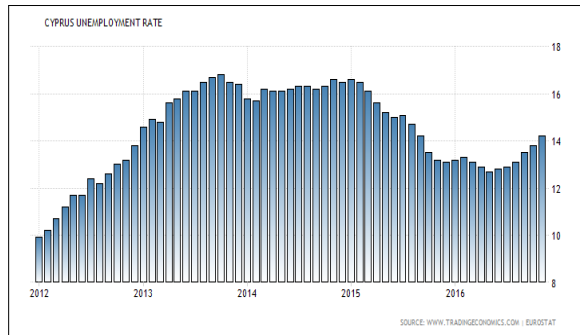


Economy of Cyprus – Indicators

- The Cyprus economy appears to be emerging from the recession it has been in since the 2012 local financial crisis.
- GDP is expected to be stable for the next years around 2% (According to IMF).
- Inflation rate continues to be negative, but the expectations for the coming years are showing a stable rate of inflation just below 2%, which is the target rate of the European Central Bank.

Unemployment Rate

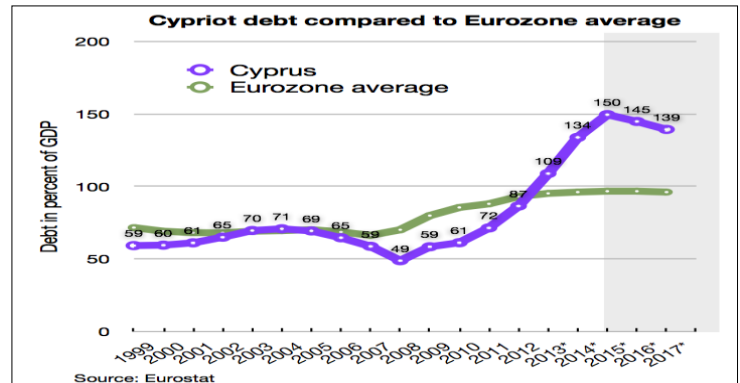
Despite the fact that the unemployment rate has decreased compared to the previous year, it is still very high (14.2% in October), According to the IMF, signs of stabilization are expected in the next few years.



www.tradingeconomica.com

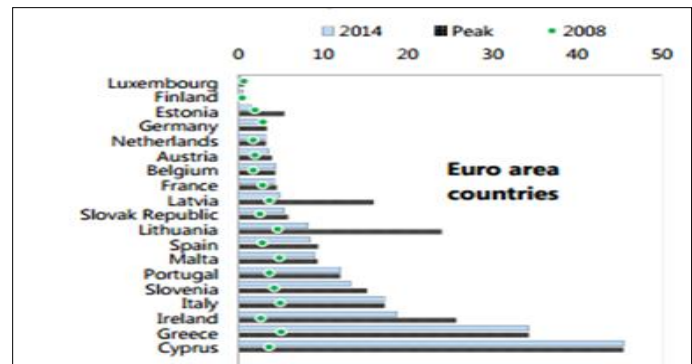
Banking Sector

Recapitalizing the Cypriot Credit Institutions but also minimizing their operating costs and restructuring their loans is considered as a main factor that will restore the stability of the financial sector, boost investor confidence and enhance economic recovery.



Non – Performing loans

However, high percentages of Non-Performing Loans (NPLs) is another concerning challenge for the Institutions in Cyprus. According to IMF, The percentage of Non – Performing Loans in Cyprus is the second biggest in the Eurozone.

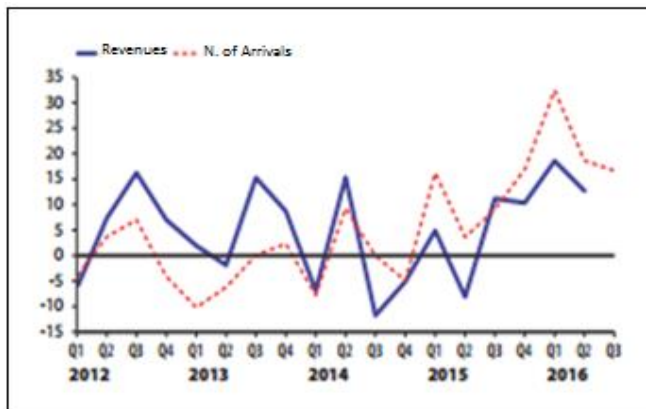


IMF

Tourism

The tourism sector proved to be one of the most important pillars of the Cypriot economy. Recovery begun in 2015 and increased significantly in 2016. It seems that the efforts made to mitigate the issue of seasonality have been successful. It should, however, be noted that geopolitical circumstances contributed positively given that they adversely affected competitor neighbouring countries.

The number of tourists who visited Cyprus in the first 10 months of 2016 increased by 20.3% which is about 3 times the increase in 2015. Revenues increased by 13.4% until August 2016.



	N. of Arrivals (000)	Revenues (m)
2014	2.441,2	2.023,4
2015	2.659,4	2.112,1
% change per year	8,9	4,4
2015 January – August	1.842,7	1.431,5
2016 January – August	2.196,0	1.625,6
% change per year	19,2	13,6
2015 January – October	2.473	-
2016 January – October	2.974,4	-
% change per year	20,3	-

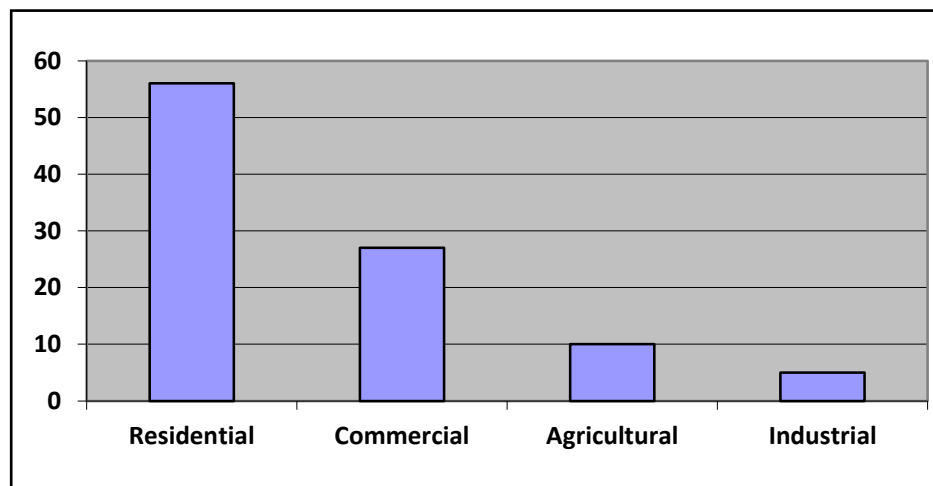
CBC

2. Cyprus' Property market

The investment activity for the 2nd half of 2016 (and for the whole year) is correlated to the incentives given by the Government which seems to have attracted both foreign and local investors. The opportunity to obtain a passport has attracted many foreign buyers all over Cyprus (especially in Limassol and Paphos). In addition, tax incentives led to an increase in sales in the second half of 2016. Note that several transactions which are recorded as sales transactions are in fact banking transactions (restructuring/settlements, agreements between the bank and the borrower).

Property Investment in Cyprus by Sector

The Cyprus real estate market has historically been divided into the major urban centers of Nicosia, Limassol and Larnaca primarily driven by local demand and the seaside resort areas of Paphos and Famagusta mostly driven by foreign demand. Traditionally, the Cyprus property market is dominated by the residential sector, with the island's geography and historical reasons partly dictating the dynamics of the various submarkets. However, there has been a trend in recent years of developing office facilities intended mainly for the multinational companies which the island attracts.



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3. Residential Market

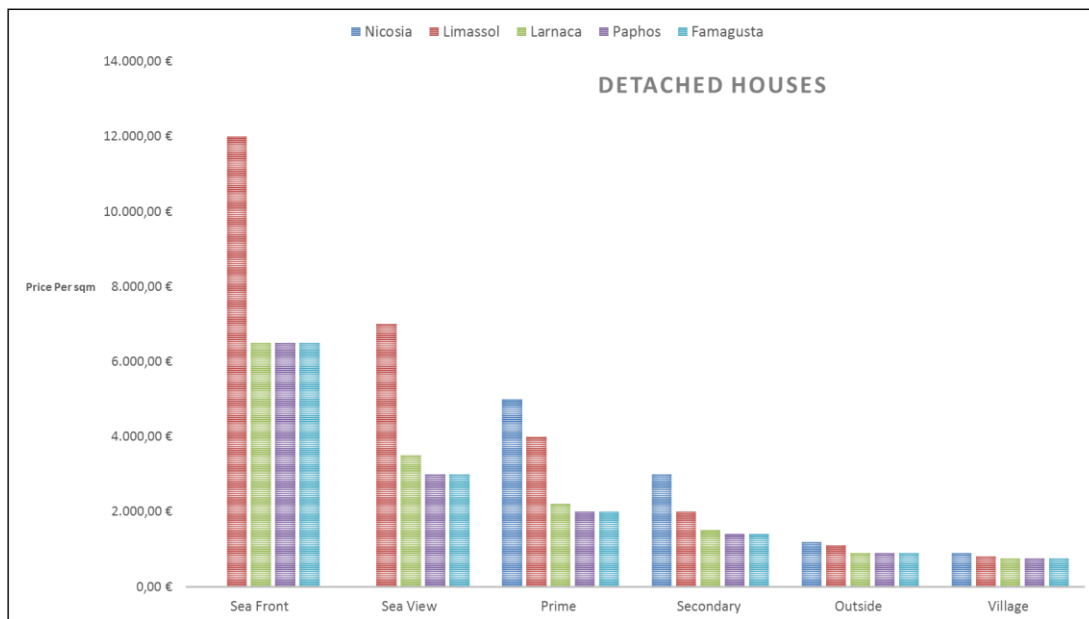
During the 2nd half of 2016 there was an increase in sales of residential properties in all Districts. The level of demand is higher for finished properties rather than land plots.

The main parties interested in buying residential products are foreigners who choose Cyprus for the purchase of their second/holiday home or investors, who are taking advantage of the incentives given by the government to obtain a passport, mainly buying residential products (apartments, houses) in the coastal areas or in prime locations in Nicosia.

Prices of residential real estate in the second half of 2016 have remained stable.

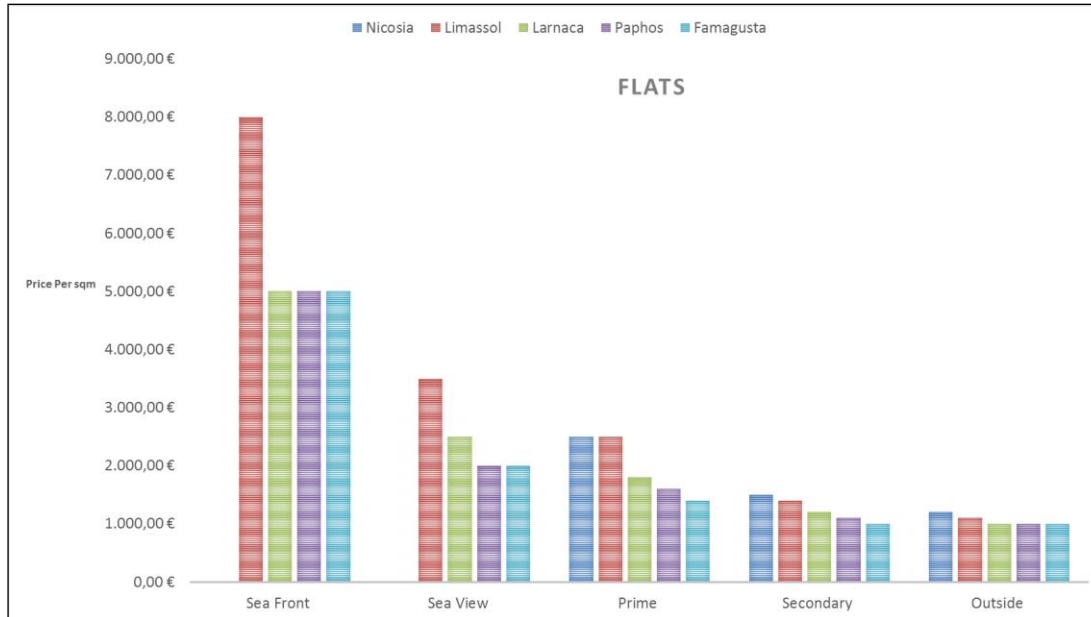
Prices of Residential Sector – 2nd Semester

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



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



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4. Retail Market

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

Over the 2nd term of 2016, the occupancy in the major commercial roads has increased. The main tenants are the Greek clothing and footwear chains.

However, the attractiveness of Malls and Department stores to consumers still remains high due to the amenities provided, which often combine food and entertainment.

Retail Markets- Rentals 2nd Semester 2016

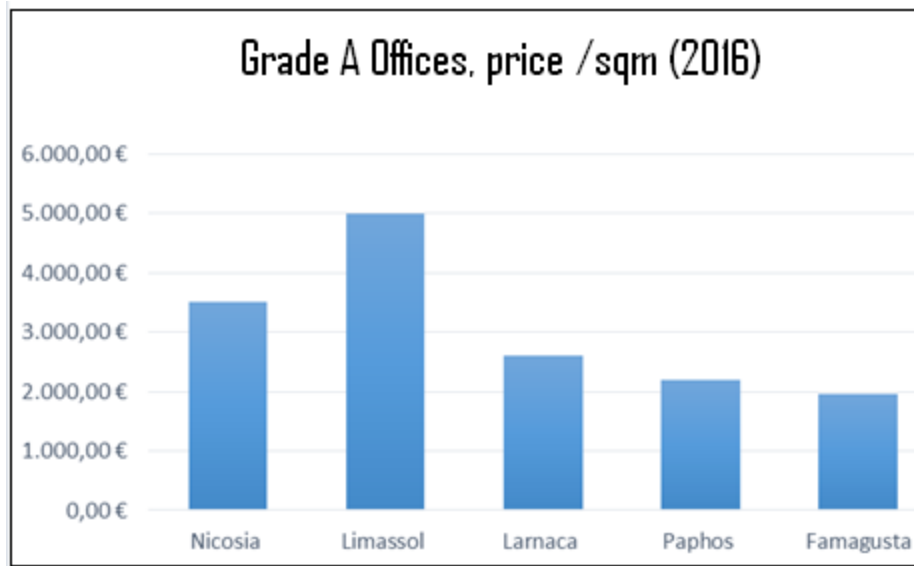
Street	City	Rent price sq.m/month (€)
Arhiepiskopou Makariou	Nicosia	20-25
Stasikratous		20-25
Ledras		30-35
Anexartisias	Limassol	20-40

5. Office Market

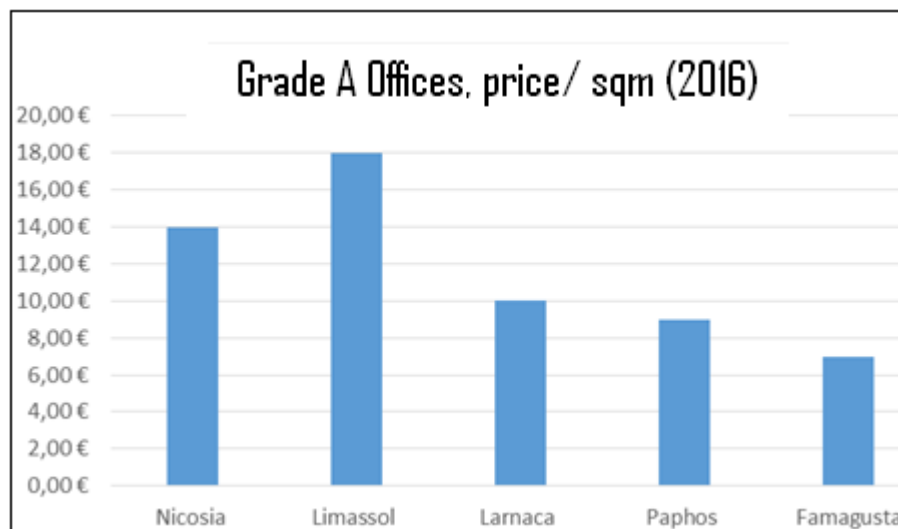
During the second half of 2016, the office market in Cyprus remained stable.

In 2016, there was a good demand for Grade A offices for rent, while in the second half of 2016 the level of yields were 5.5% - 7%.

Offices' prices



Offices' Rent prices (per month)



6. Industrial Market

The recovering of the supply market lead to a positive development in the 2nd half of 2016. However, the supply still outweighs demand. The industrial and logistics market is under investigation by companies related to energy and transportation.

7. Property News

- The consortium Melco is expected to build a luxury Casino resort in Limassol, close to My Mall (Zakaki area).
- Based on a court order issued on 11/04/2016, the construction of individual housing is not allowed on agricultural fields which are in the Policy Statement except in exceptional circumstances without resale right (voluntary alienation) before the lapse of 10 years .
- The incentive for exemption from capital gains tax for buyers purchasing property (unless renewed) will not be applicable from 1st of January 2017. Transfer taxes will be decreased by 50%.
- The first store of the Swedish multinational clothing company (Hennes & Mauritz AB - H & M) opened in Cyprus this year, replacing the Debenhams in Shacolas' tower at Ledras' Street, in Nicosia.
- Shops of the Greek retail company (Kelly's Shop & Accessories) opened in Limassol, Paphos and Nicosia (Anexartiasis Street, Kings Avenue Mall and Makariou Avenue).
- Istorm, the exclusive representative of Apple, has opened its first store in Cyprus, at Makariou and Diagorou Avenue.
- Cyfield Company, bought land on Makariou III Avenue in Nicosia, for future development. According to unofficial information, the development will be a combination of commercial and residential units.
- Lanitis Group is to develop three towers, 37 floors each, on Limassol's seaside. Each tower will be a combination of commercial and residential services (shops, offices, apartments). The main part of the buildings will be apartments.
- The expansion of The Mall of Cyprus, to be completed in 2018, will cost over 25 million Euros. New stores will be added on the Northwest division.
- The Citizen's Service Center opened on Makariou Avenue in Nicosia.
- In the process of finalizing town planning and regulations which will determine the development potential within the British Bases.
- Makronisos Marina in Ayia Napa is in progress. Additionally, after two years of negotiations the Cypriot Authority and the Zenon Consortium Company have reached an agreement to upgrade the Larnaca's port and to develop the new Marina for a total construction cost of € 700 million.
- Aristo developers announced the division of 91 plots in Makedonitissa, in Nicosia.



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