



CYPRUS MARKET REPORT

MACRO ECONOMY

We are going through a time of global economic challenges and heightened uncertainty, especially due to the Russian invasion of Ukraine and the effects of that war. These unprecedented conditions have shaped an unpredictable economic backdrop in the post-Covid era. The high inflationary pressures observed, especially in the energy sector, are eroding the disposable income of citizens, affecting their standard of living. The proper management of public finances gave the ability to implement direct, targeted and integrated support programs, especially for the vulnerable groups of the population. It is indicative that, despite adverse economic conditions, social indicators of inequality and poverty continue to register improvement.

For 2022 as a whole, the growth rate hovered around 5.6% in real terms compared to 2.7% which was the previous forecast as included in the Stability Program 2022-2025. This performance is also much higher than the EU average. The unemployment rate fell to 6.8%, from 7.5% in 2021, and as the economy continues to grow, it is expected to shrink further. Inflation in 2022 saw a significant increase in Cyprus due to global geopolitical developments, but its levels compare favorably with other European countries. In the banking sector, the challenges have become more manageable as non-performing loans have fallen to 11% of total loans, with banking institutions maintaining high capital buffers at the same time as key interest rate hikes are helping their profitability prospects.



↑ 3,0%

Inflation

May 2023/2022



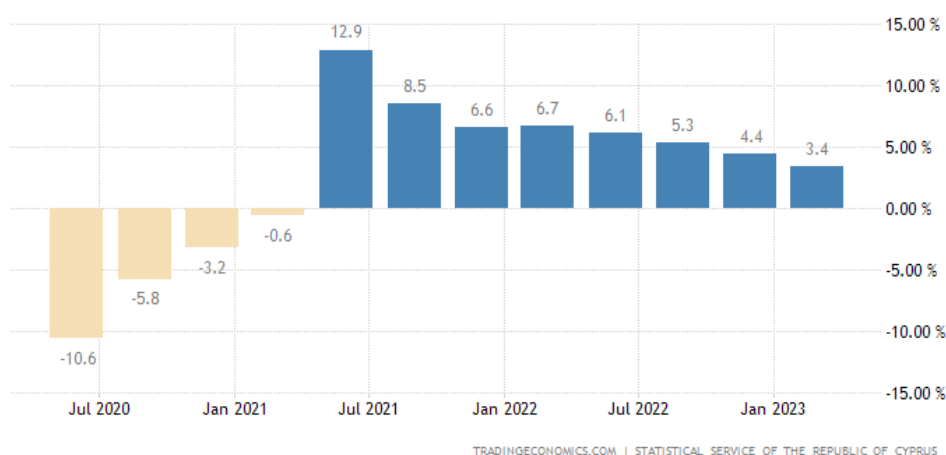
↑ 3,4%

**GDP Growth Rate
(volume measures)**

Jan-Mar 2023/2022

However, the banking sector, and especially the institutions that have made little progress, must continue efforts to rationalize their balance sheet, prevent new non-performing loans, as well as technological upgrading and cost reduction. In relation to the taxation sector, an environmentally oriented reform of the tax system is being promoted. In this context, the green tax reform will be included which aims to protect the environment, and at the same time to achieve the environmental goals of Cyprus, and the goals of the Recovery and Resilience plan of Cyprus. At the same time, the reforms will be oriented towards boosting innovation and "green" investments in the energy sector.

GDP growth rate 2020Q1-2023Q2



Source: Ministry of Finance, IMF

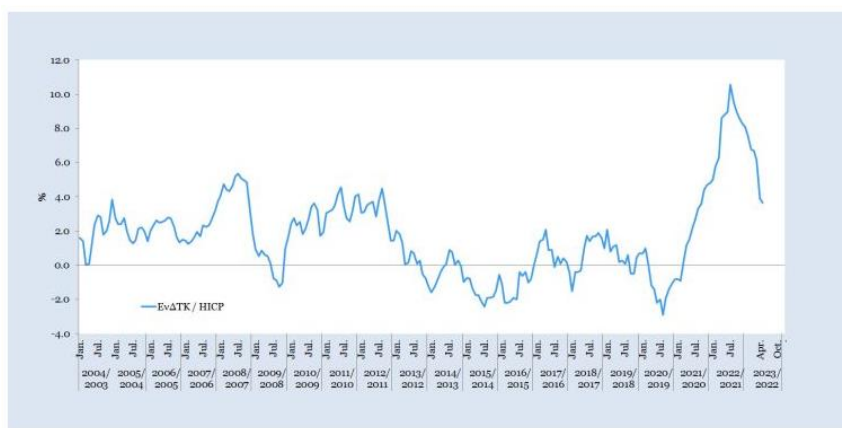
CYPRUS ECONOMIC GROWTH

On the expenditure side, the increase in the growth rate is mainly due to the private sector consumption and exports. Special mention should be made in the field of tourism, which after the significant 84.1% decrease in arrivals in 2020 compared to 2019, in 2022 they showed an increase of 65.3% compared to 2021, reaching approximately 80% of arrivals of 2019. Tourism revenues had a similar course in 2022 where they reached €2,439.2 million, in comparison with revenues of € 1,513.6m. in 2021, reaching about 91% of 2019 revenue. Following the marginal reduction to 7.5% of the unemployment rate in 2021, 2022 saw a significant decrease to 6.8% as a result of the very good performance of the economy and the high growth rate.

CYPRUS ECONOMIC OUTLOOK

Following robust growth of 5.6% in 2022, economic activity is expected to slow down to 2.3% and 2.7% in 2023 and 2024 respectively amid persistent inflationary pressures and rising interest rates. After peaking in 2022 at 8.1%, inflation is set to abate as global energy prices moderate and supply chain disruptions ease, notwithstanding upward pressures coming from a partial indexation of wages. The labour market is proving resilient. Cyprus is forecast to maintain a government budget surplus over the forecast horizon, while the public debt is expected to continue decreasing, to 72.5% of GDP in 2024.

HICP Inflation

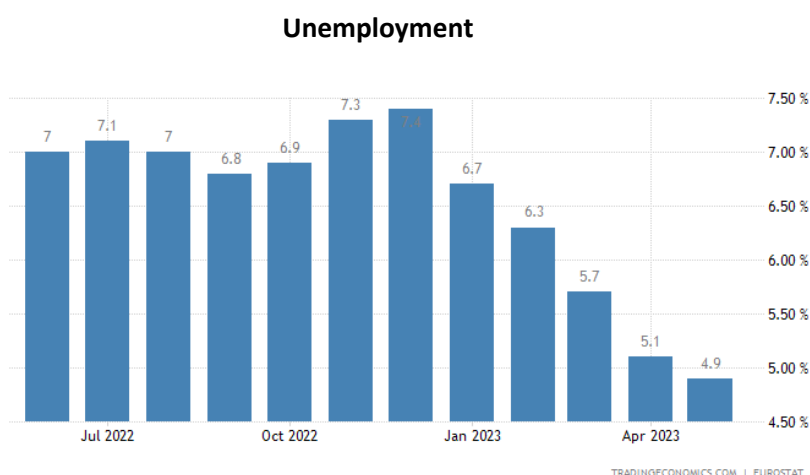


Source: Ministry of Finance, IMF

Inflation (HICP) in May 2023 increased by 3.6% compared with an increase of 3.9% in April 2023. For the period January-May 2023 the HICP rose by 5.4% compared to the corresponding period of the previous year.

UNEMPLOYMENT

The introduction of temporary Government measures to protect employment, decelerated the country's increasing unemployment rate during 2020 and 2021 (7,6% and 7,5% respectively). According to the European Commission, the labour market recovery is expected to continue, albeit at a slower pace. Employment is expected to marginally increase compared to 2021 with the unemployment rate expected to drop to 7,2% by the end of 2022 (compared to 6,2% being the EU average), reaching pre-crisis levels.



Source: Ministry of Finance, IMF



↑ 6,8%

Unemployment Rate

1st Quarter 2023



↑ 78,6%

**Rate of Employment
(group of age 20-64)**

1st Quarter 2023

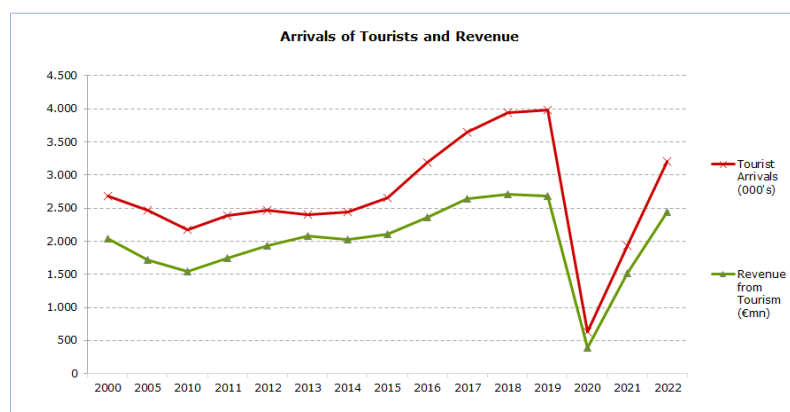


TOURISM MARKET REPORT

OVERVIEW

Based on the results of the Passenger Survey carried out by the Statistical Service, revenue from tourism reached €217,6 mn in April 2023 compared to €185,1 mn in the corresponding month of the previous year, recording an increase of 17,6%. For the period of January – April 2023, revenue from tourism is estimated at €417,6 mn compared to €322,0 mn in the corresponding period of 2022, recording an increase of 29,7%.

The average expenditure per person was €634,89 in April 2023 compared to €639,65 in April 2022, recording a decrease of 0,7%. Tourists from the United Kingdom (the largest tourist market with 36,3% of the total tourists in April 2023) spent on average €79,51 per day, while tourists from Israel (the second largest market during the specific month with 9,9% of the total tourists) spent on average €120,23. Tourists from Poland (the third largest market with 6,7%), spent on average €77,67 per day.



Source: Statistical Service of Cyprus



↑ 17,6%
Tourism - Revenue
Apr 2023/2022



↑ 33,3%
Tourist Arrivals
May 2023/2022



REAL ESTATE MARKET REPORT

OVERVIEW

The year 2022 has been one of the most successful for the Cyprus property market in the past 14 years. Despite, or, perhaps, due to the unstable world economic and political situation, the market woke up from the post-covid lethargy and showed incredible sales volume numbers.

The total value of real estate sold last year reached a staggering €5.85 billion. This number includes all types of properties, residential, commercial, land, and buildings. If we want to have a look at the residential units only (apartments and houses), here we have almost €4 billion in sales.

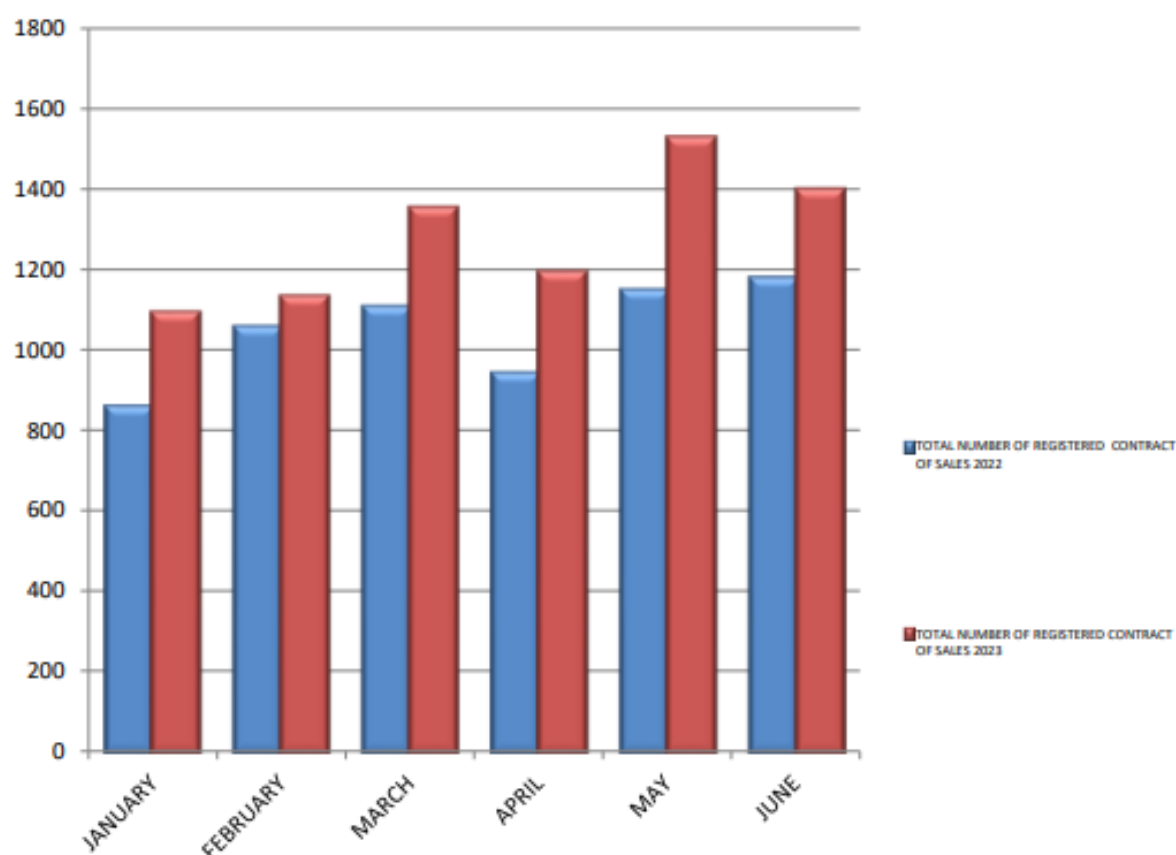
Comparing this with the last year's data, we see an impressive increase of 30% in year-on-year sales. Notably, it is also the best result since 2008! Pretty much all the areas of Cyprus showed the growth in total property sales since last year, with Pafos leading the way with a 58% increase in total sales and a staggering 79% in foreign sales.

Traditionally, the island attracts thousands of property investors from all over the world, which drive a healthy demand in addition to a stable local buying trend. Limassol and Pafos are the areas that attract the most foreign buyers, both from EU and non-EU countries, and last year has been no exception. In terms of property types, Pafos remains the leader in the villas and houses market, due to the region's stunning location, views, climate, and atmosphere, while the cosmopolitan Limassol is the king of luxury apartments and high-rise seafront towers. Nicosia is a more humble yet more stable market, attracting students, business owners, and government workers.

The total number of properties transacted during 2022 reached 22,500, compared to 20,100 during 2021, indicating a 12% increase, even surpassing the pre-pandemic peak 2019 levels (17,200) by 31%.

During 2022, the coastal districts of Limassol, Larnaca and Paphos experienced double-digit annual increases in terms of volume of transactions compared to 2021 (18%, 23% and 31%, respectively). On the other hand, the districts of Nicosia and Famagusta experienced marginal drops of 6% and 1% respectively. Limassol made up the majority of the volume of transactions (31%), followed by Nicosia (27%), which was the driver of transaction volume during 2021.

PANCYPRIAN TOTAL NUMBER OF REGISTERED CONTRACT OF SALES FOR THE YEARS 2022-2023



Source: Department of Lands and Surveys

NEW DATA AND TRENDS

It is a common finding that the pandemic and the war in Ukraine have brought about significant changes in our daily lives and lifestyles. The new order of things forced families and households to reconsider goals and priorities, but also to make decisions that were not in the program. Such as, for example, finding a new property that meets the new upgraded criteria of 2022, but also the permanent setting up in another country.

There is increased demand in rentals which are more affordable.

Cyprus, with the comparative advantages it brings together and the opportunities it offers, is an attractive destination for starting a new life experience.

- Technology has become a very important part of the real estate purchase process, imposing the need for the highest standards in 2D / 3D virtual photos, videos and electronic tours. Shoppers now prefer virtual browsing visits, zoom meetings for further information and clarification, personalized videos that can be shared with family and friends, searching for services and favorite locations via Google Maps / Google Earth, etc.

- Millennials (Gen Y) and Gen Z are going to represent 70% of real estate market customers by 2025.
- The provision of many and important services and amenities has now become necessary. A more holistic approach to housing search is needed. Experienced buyers / investors are very demanding in their quest and emphasize detail, preferring properties that are environmentally friendly and close to communities that are committed to using sustainable practices and are family and animal friendly.
- Finally, high end buyers are much more demanding with experienced real estate brands that offer authenticity and trust, personalized management services, top online experiences and highly professional service that meets their needs and expectations.



RESIDENTIAL MARKET REPORT

OVERVIEW

In total, the number of residential properties transacted in this price range, reached 7.600 during 2022, representing a 19% YoY growth and a 41% increase compared to pre-pandemic 2019.

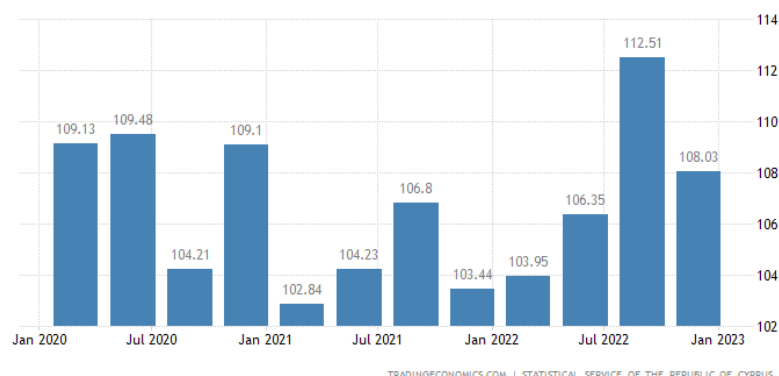
In transaction value terms, this segment reached c.€1,3bn during 2022, making up 25% of the total value of transactions in the year.

During 2021, residential property index prices recorded a 3% growth compared to 2020.

During Q3 2022 (latest available information), index prices maintained their increasing trend, marking a 6% YoY increase and a 5% increase compared to Q4 2021.

The continuous increase in the cost of material prices has continued throughout 2021 and 2022, with prices growing by c.30% in a period of 2 years (2022 increase: 17,2%).

Cyprus House Price Index



TRADINGECONOMICS.COM | STATISTICAL SERVICE OF THE REPUBLIC OF CYPRUS

Source: Statistical Service of Cyprus

BUILDING PERMITS

Government employment recorded a 3.3 per cent decrease in February 2023, compared to the corresponding month of 2022, according to a report released on Monday by the Cyprus Statistical Service (Cystat).

According to the report, government employment decreased by 1,763 people in February, a drop of 3.3 per cent year-on-year, and amounted to a total of 51,939 members of staff.

This decrease was primarily attributed to the transfer of hourly staff from the Ministry of Health to the State Health Services Organisation (Okypy), which is included in the broad public sector. The transfer of staff took place in January 2023.

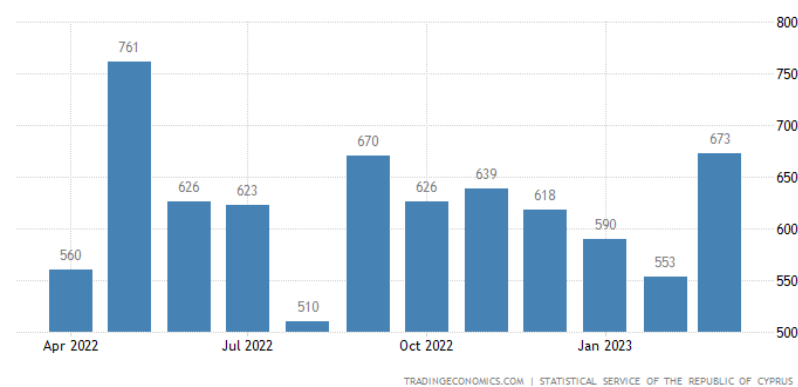
In terms of permanent staff, there was a decrease of 714 people, a drop of 2.7 per cent, falling from 26,130 to 25,416 people in total.

Temporary staff saw an increase of 666 people, a rise of 3.5 per cent, amounting to 19,945 members of staff, compared to 19,279 in February 2022.

What is more, a decrease was observed in the number of hourly staff, which dropped by 20.7 per cent, as well as all categories of permanent staff. Conversely, an increase was observed in all categories of temporary staff.

The most noticeable changes concern public service staff, with permanent staff falling by 2.9 per cent and temporary staff rising by 5.7 per cent.

Compared to January 2023, the sharpest changes concern temporary staff in the education Service, with a drop of 1.2 per cent, as well as temporary staff in the public service, with an increase of 0.7 per cent.



Source: Statistical Service of Cyprus





OFFICE MARKET REPORT

OVERVIEW

Demand for business space in Europe jumped last year after the coronavirus, prompting higher asking rents, partially offsetting the price correction from rising interest rates.

Strong demand driven in part by businesses looking to bring staff back to the office shows rising funding costs have pushed up high-cost yields, tighter credit markets and risks of foreclosures, putting valuations under pressure.

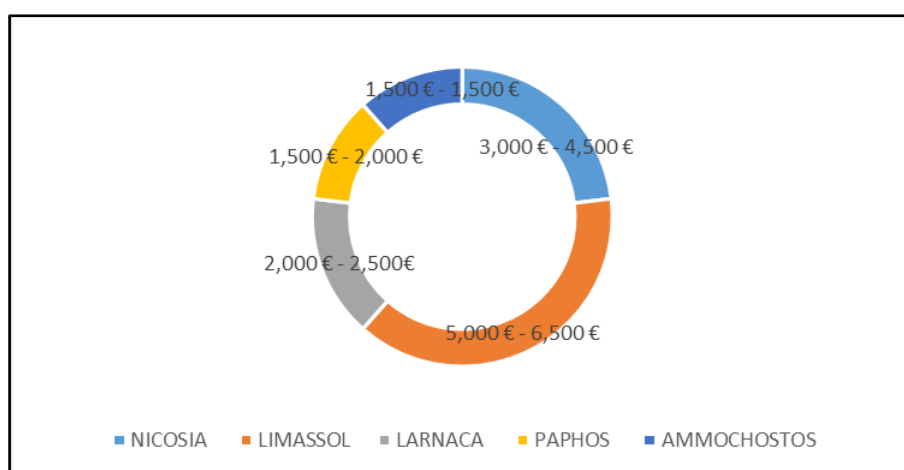
Significant investments are recorded in this period in the office market, as 70,000 sqm are under construction or vacant in Nicosia alone. of new office buildings, while an additional 14,000 sqm are in the planning stage. A total of 84,000 sqm is expected to be built. of new offices by 2024 – 2025, as investors attempt to compensate for the deficit of new developments seen throughout the previous decade.

Nevertheless, industry executives do not seem to be worried about the future prospects of the market, as the demand for modern and mainly "green" offices is very high. Already, during the last half of last year, the absorption of offices (new leases) is estimated to have reached the record level of 25,000 sqm. This development proves that – despite the mediation of the pandemic and the prevalence of teleworking – most businesses choose physical presence for most of their staff, at least for some days a week.

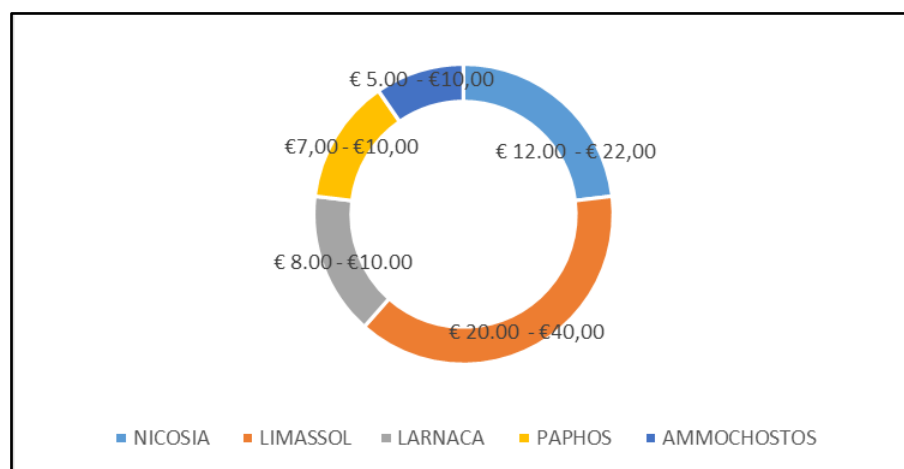
The high demand is also reflected in the rent prices, which are now 23 euros/sqm on a monthly basis for Nicosia, while there have also been cases of leases in Limassol at the level of 45 euros/sqm.

The issue that may cause some "upheaval" in the office market is what will happen to the older properties, which companies, multinationals and non-nationals, but also the public, leave in order to relocate to the new buildings being built today, or are to be built in the future. These properties, having been built mainly in the period 1990 – 2010, will require significant capital to be energy-efficiently upgraded if their owners wish to continue attracting new tenants. Alternatively, it is possible for them to change their use, although again this is not a particularly simple matter. Therefore, how this real estate stock will be utilized in the coming years is a question that has yet to find a satisfactory answer.

OFFICE SALE PRICES PER SQM 2023



OFFICE RENT PRICES PER SQM 2023



Source: Danos Analysis

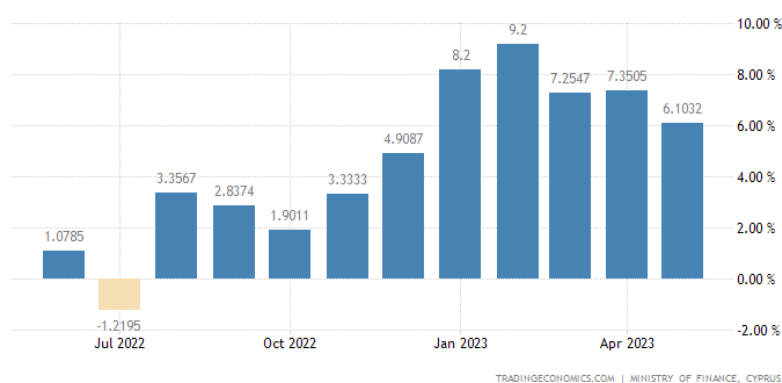


RETAIL MARKET REPORT

OVERVIEW

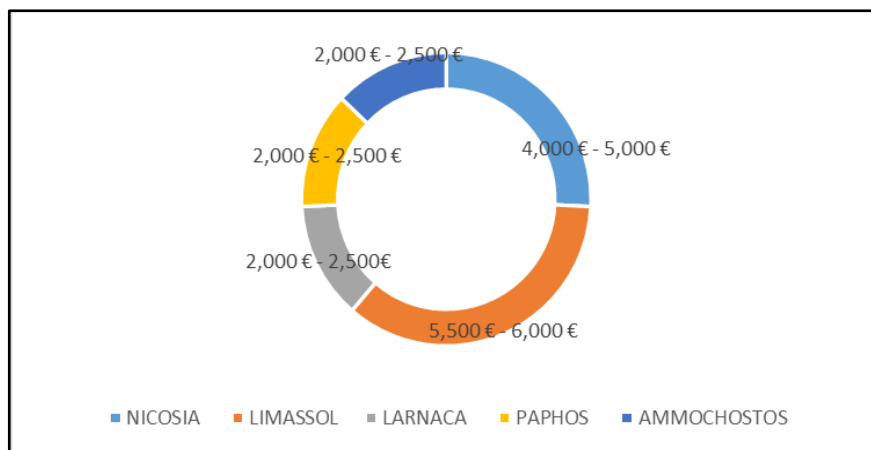
Retail sales in Cyprus grew by 6.1% year-on-year in May 2023, following a downwardly revised 7.3% rise in the previous month. Sales slowed for food products (4.9% vs 7.6% in April), mainly due to lower sales of food, beverages & tobacco in specialized stores (9.3% vs 13.7%), and automotive fuel in specialized stores (4.2% vs 5.3%). Meanwhile, those of non-food products accelerated (7.8% vs 7.4%). On a monthly basis, retail trade increased by 2%, after a 2.2% gain in April.

Cyprus Retail Sales

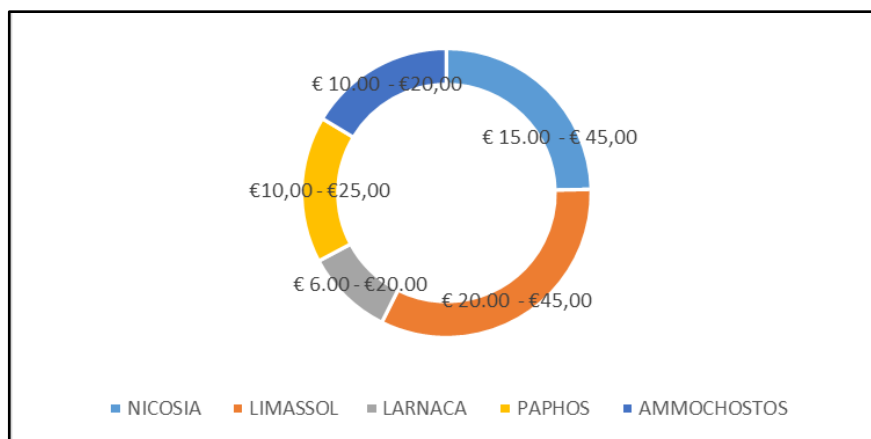


Source: Ministry of Finance Cyprus

SHOPS SALE PRICES PER SQM 2023



SHOPS RENT PRICES PER SQM 2023



Source: Danos Analysis



LOGISTICS MARKET REPORT

OVERVIEW

The drastic changes brought about by innovation and technology, with the catalytic impact of the pandemic, directly affect business models, the production chains that support them, as well as logistics, which are a fundamental element of these processes. In recent years, supply chains have experienced the greatest disruption in their operation since World War II. In order to maintain and develop its competitiveness, the industry must respond by optimizing time and resources and making significant investments in innovation.

At a time when companies around the world are redesigning their supply chains, Cyprus, located at the crossroads of three continents, is ideally positioned to develop into a regional logistics hub. Transport and logistics infrastructures are among Cyprus' most important comparative advantages as an investment destination.

As an island nation, Cyprus relies heavily on its transport links via extensive air connections and its sophisticated multipurpose ports crucial to export and import activities.

Conveniently located, Cyprus is easily accessed with minimum diversion from the main arterial routes.

This coupled with the country's good infrastructure and the pro-business stance has boosted its status as a prominent regional base for cost-effective cargo transport and processing.

Cyprus' potential as a transshipment hub is also becoming evident, as manufacturers and distributors realize that while the island economy itself may be small it is only an hour's flying time from 200 million potential customers and four hour's flight from over 2 billions of people.

Following the natural gas discovery in its waters, the island has attracted some major global players such as ExxonMobil, ENI, Shell and Total who have chosen the island as the natural service center for their regional operations, taking advantage of Cyprus' specialized logistics and port services for this growing industry.



SIGNIFICANT PROJECTS & TRANSACTIONS

- Radisson Beach Resort in Larnaca
- Larnaca Port & Marina Development
- City of Dreams - Casino Resort in Limassol
- Limassol Greens Golf, Limassol
- St Elizabeth Golf Resort in Limassol
- Berengaria Hotel Spa
- Ayia Napa Marina
- The Landmark Nicosia
- Neapolis Smart Eco City
- Athena Medical Centre
- Gardea Private Medical Resort

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