

Q1 | 2018

# Cyprus Economy & Real Estate Updates

*A quarterly update of Cyprus Real Estate Market*

April 2018



LIONGLOBAL  
ADVISORS





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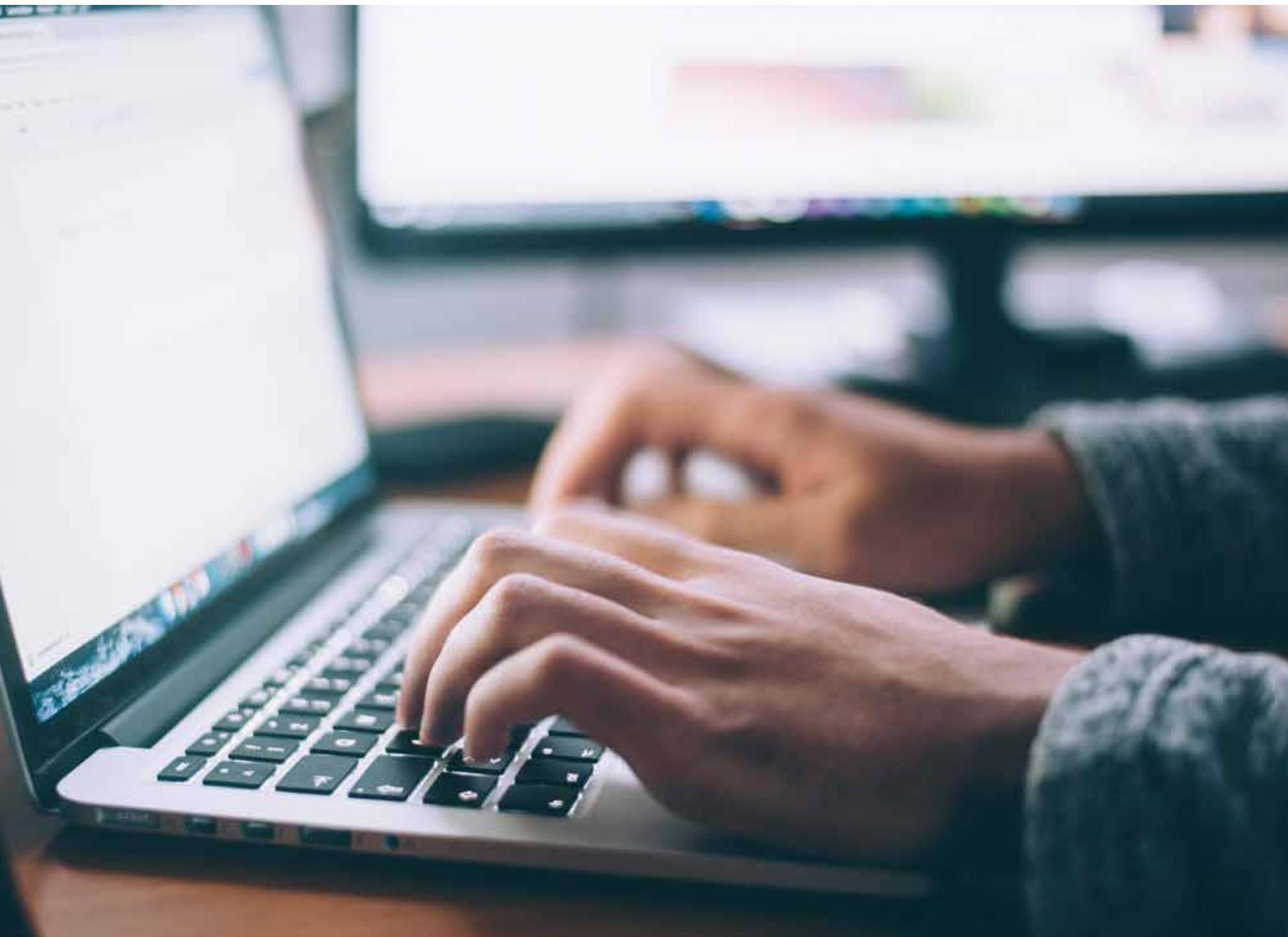
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# overview

The first edition of LGA's Real Estate Market report provided an outline of the main economic factors affecting the Cyprus real estate market and an outlook of the performance of the market during the first quarter of 2018.

The Cyprus economy has experienced a very strong recovery in the previous years and is back on a growth track, ranked as one of the fastest growing EU economies. Services including tourism, professional services, shipping and real estate are considered as the backbone of Cyprus' economy, contributing significantly to the country's GDP.

The positive developments in the economy of the country directly affects the Cyprus real estate market which there is no doubt that the previous years has concluded with significant signs of stability. 2017 was noted as a very good year a trend that seems to continue in the New Year as expected by the market experts.

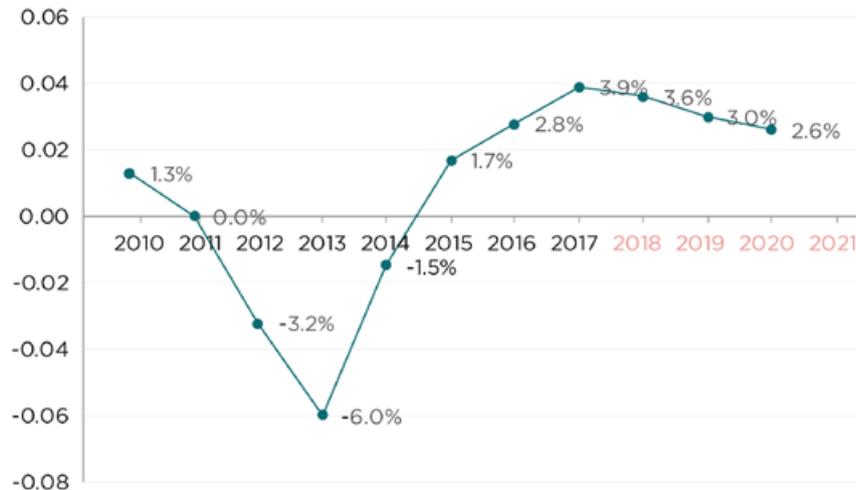


# economy update

## Gross domestic product

- Cyprus is experiencing a very strong recovery over the last four years, with GDP growth rate placing the island among the highest accelerating economies in Europe.
- According to IMF forecasts, the Cyprus economy will sustain a positive outlook with projected GDP growth of c3.6% in 2018, c3.0% in 2019 and c2.6% in 2020.

### GDP Growth rate

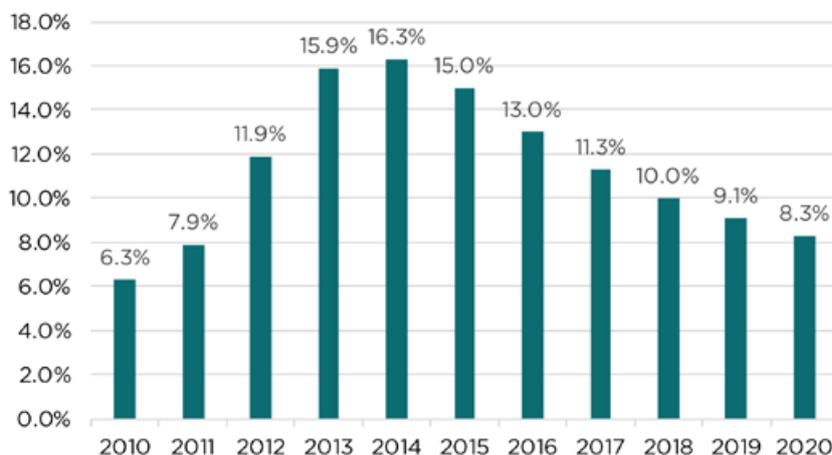


Graph 1| Source: CYSTAT and IMF (World Economic outlook database, April 2018)

## Labour Market

- Unemployment is set to continue its decline on the island, although tackling youth and recent graduate unemployment continues to be a substantial task.
- The unemployment rate fell around 11% in 2017. The strong performance of the labour market is expected to continue over the coming years, with unemployment rate set to fall to 8.3% in 2020 accordance to IMF forecast.

### Unemployment Rate in Cyprus

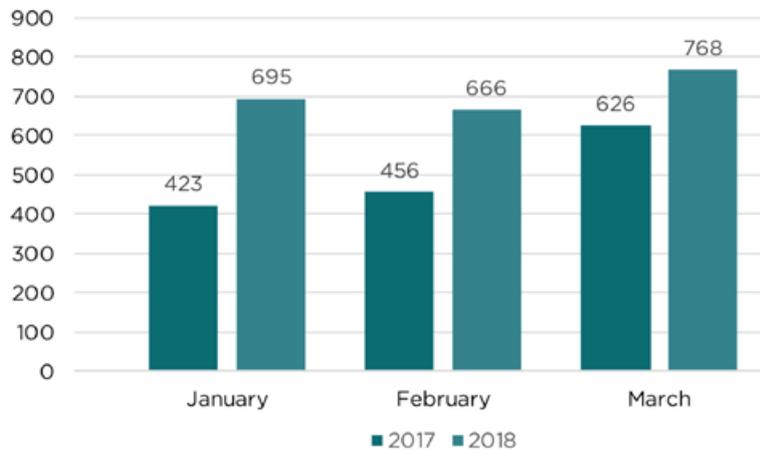


Graph 2| Source: CYSTAT and IMF (World Economic outlook database, April 2018)

# real estate update

## Property Transactions

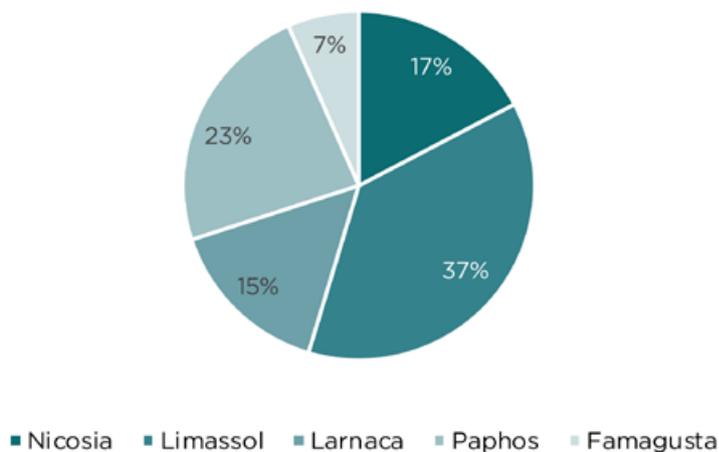
Contract of sales files at the DLS (Q1 2018)



Graph 3| Source: Department of Land and Surveys (DLS)

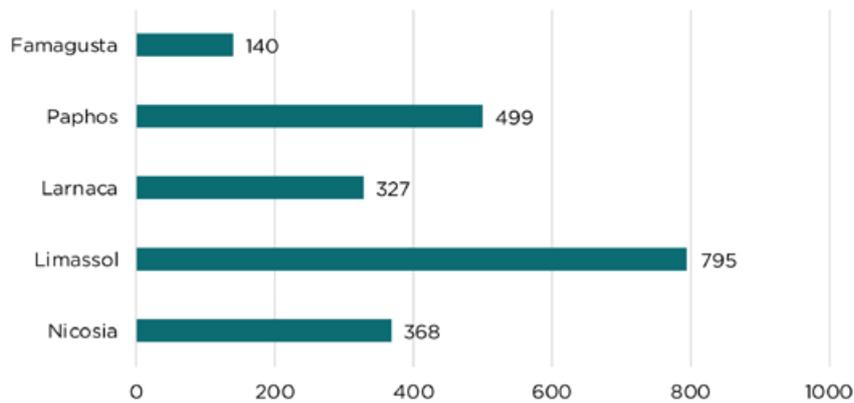
- **41%** increase in property contracts submitted to the DLS compared to the equivalent period of last year.
- According to the latest data released by the DLS, the number of property sales contracts submitted in all areas of Cyprus amounted to 2,129 while in the equivalent period of last year they were 1,505.

Contract of sales per region (Q1 2018)



Graph 4| Source: Department of Land and Surveys (DLS)

### Contract of sales per region (Q1 2018)

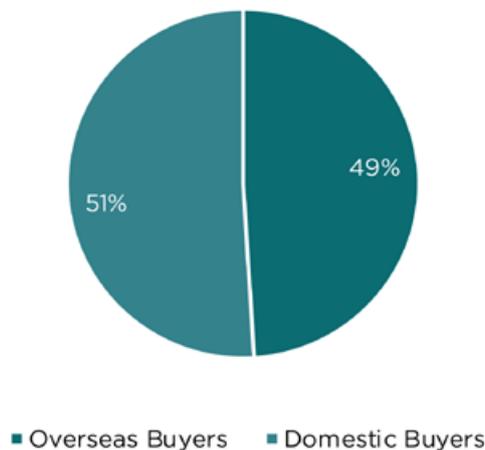


Graph 5| Source: Department of Land and Surveys (DLS)

- In terms of regional distribution of transactions that occurred in the first quarter of 2018, Limassol is leading the way (37%) followed by Paphos (23%) and Nicosia (17%).
- Famagusta demonstrated the highest growth in the number of sale contacts filed at the DLS during the first quarter of 2018 (75%) compared to the equivalent period of last year, followed by Nicosia (64%).

(Source: CYSTAT)

### Foreign transaction activity



Graph 6| Source: Department of Land and Surveys (DLS)

- **49%** (1,084 sales) of property sales contracts submitted during the first quarter of 2018 in all areas of Cyprus relates to overseas buyers.
- For the equivalent period of last year, the proportion of the total number of property sales contracts filed by overseas buyers reached 26% (394 sales).
- The citizenship and permanent residency schemes as well as the property tax incentives offered have played a major role in attracting foreign investors to the real estate market of Cyprus.

(Source: DLS)

## Building permits

- **503** building permits authorized by the municipal authorities and the district administration offices during January 2018.
- **€145.3 mln** total value of those permits
- **126.3k** square meters
- **476** dwelling units
- **8.2%** increase compared to the corresponding month of the previous year
- Building permits constitute a leading indicator of future activity in the construction sector.

(Source: CYSTAT)

## Price index of Construction Materials

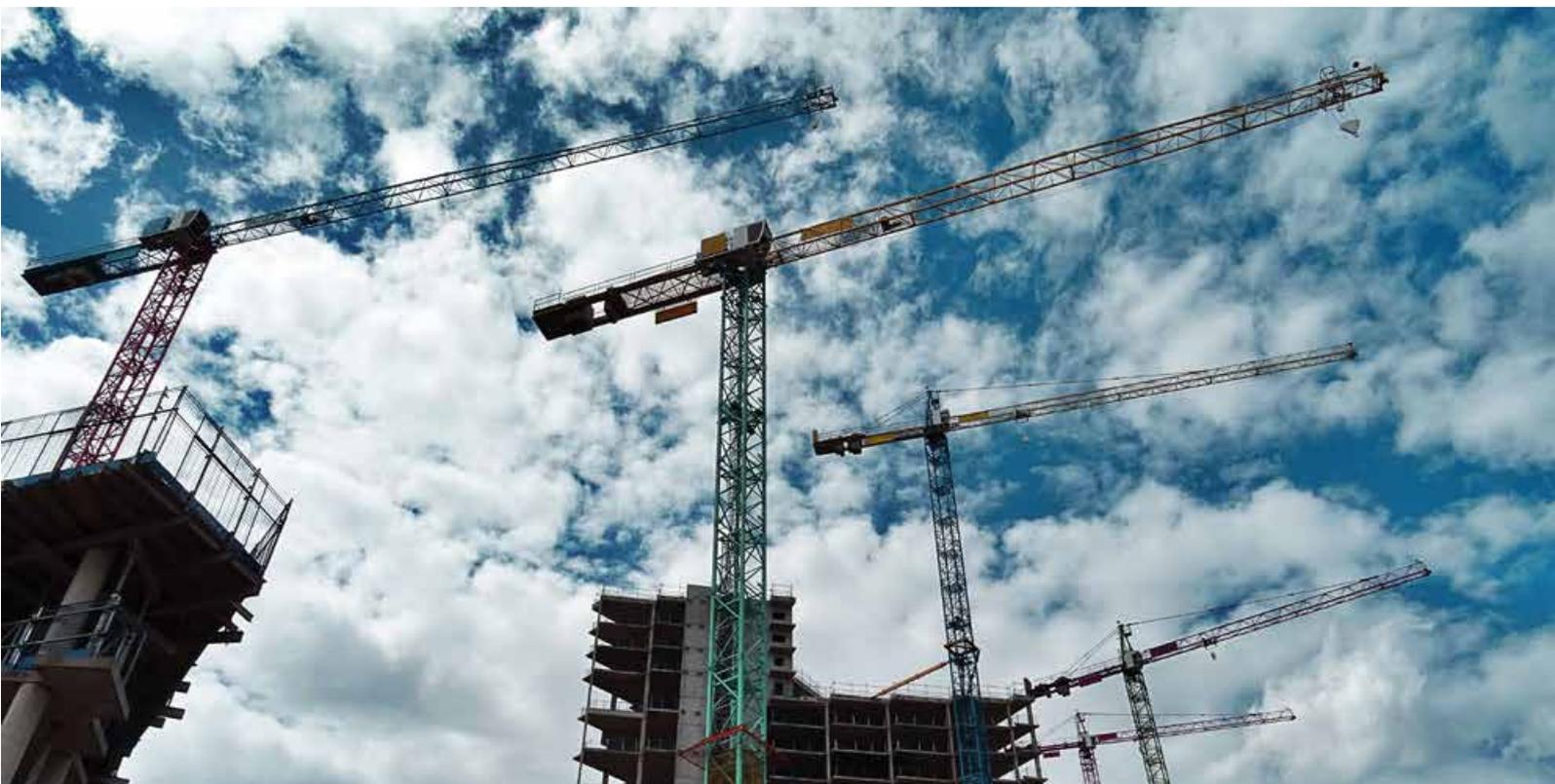
- The Price Index of Construction Materials for March 2018 reached 99,96 units (base year 2015=100,00), recording an increase of 0,10% compared to February 2018.
- For the period January - March 2018, the index recorded an increase of 0,88% compared to the same period of 2017.

(Source: CYSTAT)

## Residential Property Price Indices

According to preliminary estimate of the Statistical Service, the House Price Index (HPI) for the fourth quarter of 2017 amounts to 105.24 units. Compared to the third quarter of 2017, the index increased by 2.7% while compared to the corresponding index of the previous year, the index increased by 2.4%. It is worth mentioning that the highest previous performance was recorded in the first quarter of 2012, when the index had reached 106.40 points.

(Source: CYSTAT)



# Industry news

## **Integrated Casino Resort**

The Integrated Casino Resorts Cyprus Consortium, comprising Melco International Development Limited (“Melco”) and The Cyprus Phassouri (Zakaki) Limited (member of the CNS Group), presented the finalised plan on Cyprus’s first Integrated Resort City of Dreams Mediterranean on Tuesday, 9 January 2018. The Integrated Resort is the biggest tourism development in Cyprus with a total investment of €550 million and is expected to be launched in 2021.

## **The Icon, Limassol**

February marks the beginning of a new era in Limassol, as construction began on the new high-rise development, The Icon, by Limassol’s famous property developer Imperio. The Icon is set to be one of the tallest residential buildings in Cyprus, boasting panoramic views of the city and coastline of Limassol. The project was designed by the established architectural firm UDS Antoniadis + Eleftheriou architects. The estimated delivery date of The Icon is December 2020.

## **iHome**

The impressive residential project of the DTA Group, iHome, was completed after about 2.5 years. The construction works of the project, in Limassol, began in September 2015 and were completed in March 2018.

## **Limassol Marina**

The sales of properties in Limassol Marina exceeded €311 million with only few properties remaining for sale, giving a last chance to potential buyers to invest. Remaining properties consist of apartments of Castle Residences complex and the recently completed “Island Villas”.

## **Ayia Napa Marina**

As work continues on implementation of the first phase of the Ayia Napa Marina project – mainly related to the construction of port projects, ongoing since September 2016 – the contract for the next phase of the project was signed on Thursday, 2 February 2018 with Terna SA and Terna Overseas Ltd.

## **Paralimni Marina**

Ministry of Energy, Commerce, Industry and Tourism and PMV Maritime Holdings Ltd signed on January 15 the contracts for the development of Paralimni marina, at the south-eastern part of the island. With an estimated value of €110 million the new marina is expected to operate by the middle of 2021, with a capacity of approximately 300 vessels.

## **VAT on building land**

Just two months after the law was enforced, the competent authorities identified significant problems expressing the intention of modifying the law in cooperation with Parliament in an effort to correct the weaknesses presented.

## **Citizenship statistics, Eurostat**

A total of 4,660 people acquired Cypriot citizenship in 2016, according to data released recently by the EU statistical office. According to Eurostat, 24.8% of them were Russians, 15.6% Greeks and 7.2% of the United Kingdom.

## **Limassol Neo**

This is the new development by Pafilia, a four-tower project with 43, 38, 31 and 25 floors with 345 apartments and a total estimated cost of €250 million. Limassol Neo is the revised version of Limassol Landmark, for which the company had secured all the necessary permits in the past.



# who we are

As markets grow, contract and fluctuate, intelligent real estate decisions depend on accurate insights into markets and sectors around the world. Our professionals strive to consistently deliver levels of service and success beyond our clients' expectations. By developing a long-term relationship with Lionlobal Advisors (LGA), you can be sure that you have the industry's most talented and committed people working toward the success of your business. We use our market intelligence, expertise and influence to help you achieve, and surpass, your business goals.

LGA's real estate consultant team can assist you turn complex real estate matters into opportunities for growth. From business owners and investors to lenders and corporate groups, we offer you the experience, know-how, and the strategic planning that helps lead to better decisions.

# what we do

We will follow the **journey** with you throughout every step of the real estate cycle:

## Phase 1: Identify opportunity and analysis

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- Market analysis
- Investment appraisal
- Feasibility study
- Research on town planning issues
- Evaluation of development options

## Phase 2: Asset Acquisition

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- Acquisition/purchase management
- Business plan
- Due diligence
- Valuation advice
- Assistance in raising finance



## Phase 4: Asset management

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- Property management
- Sales management
- Contracts negotiation and administration
- Annual operations budget

## Phase 3: Development

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- Construction management (Pre-construction stage, Construction stage and Rectification period)
- Construction administration services
- Marketing and branding
- Interior design
- Cost control
- Insurance advice

# work with us

We look forward to sharing our experiences with you, and exploring the possibility of working together to achieve your vision. Please get in touch with your LGA contact or visit our website.

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