



Year in Review - 2021

# Cyprus Real Estate Market

February 2022

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We are delighted to present our latest PwC Cyprus Real Estate Market publication. This publication provides information about the Cyprus economy in general and a snapshot of key real estate market developments, focusing on the performance of the sector during 2021 (FY21). Our analysis includes presentation of transaction activity exhibited across the island, activity relating to the residential property sector, behaviour of property prices and developments in the construction sector. The analysis presented is based on the available market data for FY 2021, using PwC's rich and in-depth market expertise and data analytics capabilities.

Despite the disruption caused by the pandemic and the termination of the Cyprus Investment Program (CIP), as of 1 November 2020, the Real Estate & Construction sector maintained its position as one of the fastest growing sectors of the economy, with the sector's GVA output increasing by 4% during the 12 month period to 30 September 2021. In terms of transaction activity, strong signs of recovery were observed during 2021, with total volume and value experiencing double-digit growth compared to 2020. The apartment market (especially the €100k - €300k segment), as well as land transactions were the key drivers of growth. Furthermore, Nicosia appears to be driving growth in terms of transaction volume, mainly driven by demand from the domestic segment, while Limassol continues to be the key driver of total transaction value.

At PwC, we have a diverse team of professionals with backgrounds ranging from merger and acquisition specialists, engineers, management consultants, property valuers, planning experts and finance experts. We are as comfortable in talking business, finance and tax, as we are with town planning permits, Land Registry data and site plans, bringing a whole different approach to real estate.

Combined with our strong international network, we are able to offer turn-key solutions in support of our clients' needs. Whether a private land owner, a financial institution, a real estate developer, a corporate occupier or a real estate investment fund, we can help you turn real estate into real outcomes.

A handwritten signature in black ink, appearing to read 'Philippos Soseilos', with a stylized flourish at the end.

Philippos Soseilos  
CEO and Chairman  
PwC Cyprus

## 2

## FY 2021 - The key highlights



### Real GDP % IMF Forecasts

4,8% - 2021 (F)



### Unemployment

7,5% - 2021 (F)



### Cyprus Government Bonds

Demand for the January 2022 CY 10-Year Government Bond exceeded €7,8bn



### Lending market

New mortgages increase by 43% during 2021



### GVA contribution

The Real Estate & Construction sector's contribution to GVA output increased by 4% (12M period to 30 September 2021)

The global outbreak of COVID-19 and the associated confinement measures took a heavy toll on Cyprus' economy during 2020, with real GDP contracting by -5,1%. According to IMF forecasts, a 4,8% increase in GDP is expected during 2021 reaching almost pre-crisis levels. This increase is mainly driven by domestic demand (aided by Government measures adopted to mitigate the impact of the crisis), as well as the relatively good performance of the tourism sector (although still below pre-pandemic levels) prompted by the accelerating pace of vaccinations and the improved epidemiological situation on the island.

The introduction of temporary Government measures to protect employment, has decelerated the country's increasing unemployment rate during 2020 (2020: 7,6%, 2019: 7,1%). According to IMF, the labour market is expected to slightly recover by the end of 2021, with unemployment marginally subsiding to 7,5% (Euro Area average: 8%) reflecting the economic recovery, particularly in the tourism sector.

In February 2021, the Cyprus Government issued a 5-year international bond (€1bn), with a re-offer yield of 0,053% (while the coupon was zero), representing the lowest reoffer yield and lowest coupon that has ever been achieved by Cyprus since its return to international markets (2014). At its peak, demand for this bond reached €8,5bn, representing the largest order book Cyprus has achieved in a single-tranche syndicated transaction since its return to the capital markets in 2014. In January 2022, the Cyprus Government issued a 10-year international bond (€1bn) at 0,95% yield. Demand for this bond exceeded €7,8bn.

During 2021, a significant increase in new mortgage loan facilities was recorded mainly fueled by the Government interest subsidy scheme, as well as the better than anticipated recovery of economic activity from Q2 2021 onwards. Specifically, new mortgage loan facilities reached €1,3bn during 2021, exceeding pre-pandemic levels (2019: €972mln).

The Real Estate & Construction sector contributed 16% to the country's GVA during the 12 month period to 30 September 2021. Despite the disruption caused by the pandemic and the termination of the Cyprus Investment Program (CIP), as of 1 November 2020, the sector's GVA output increased by 4% during this period, maintaining it as one of the fastest growing sectors of the economy, highlighting its resilience and importance to the overall economy.



## €3,8bn transaction value (26% increase compared to 2020)

- Following the significant drop in transaction activity levels during 2020, as a result of the COVID-19 pandemic and the termination of CIP, strong signs of recovery were observed during 2021.
- The total value of transactions in real estate during 2021 reached €3,8bn, indicating an annual increase of 26%. Limassol continues to be the key driver of growth, making up 58% of the increase observed during the year, followed by Nicosia (32%).



## Double digit growth in the volume of transactions across all districts during 2021

- The number of properties transacted during 2021 reached 19,1k, compared to 14,5k during 2020, representing a 32% increase and even surpassing 2019 levels by 11% (17,2k).
- All districts experienced double-digit annual increases in terms of volume of transactions during 2021, demonstrating the widespread recovery and growth of the sector, one year after the spread of the pandemic.
- Even when compared to 2019 all districts recorded increases in terms of transaction volume, with the exception of Paphos (-14%).
- Nicosia made up the majority of transactions (33%), followed by Limassol (29%) which has been the driver of transaction volume over previous periods.



## Demand for residential properties within the €100k - €300k range continues to be strong

- In total, the number of residential properties transacted in this price range, reached 6,100 during 2021, representing a 33% increase compared to 2020 and a 13% increase compared to 2019.
- The increasing levels of demand by local buyers continue to be favoured by the low interest rate environment and a strong rental market, fueling opportunities for buy-to-let transactions.



## Residential market and land transactions have been the driving force for the market

- The value of transactions for apartments and houses reached €2,4bn during 2021 (€1,3bn / 6,500 apartments and €1,1bn / 4,100 houses).
- Land transactions demonstrated a significant growth during 2021 reaching 7,300 transactions, representing a 43% increase compared to 2020 and 59% increase compared to 2019.
- The value of land transactions reached €0,95bn during the year, contributing 44% of the overall growth in value within the sector, followed by apartments (29%).



## 24% increase in transactions from foreign buyers

- During 2021, a total of 3,691 properties in Cyprus were acquired by foreigners (in terms of sale contracts filed at the DLS), compared to 2,985 properties during 2020, representing an overall 24% increase.
- From August 2021 onwards, monthly transactions from foreigners appear to consistently surpass pre-pandemic levels (i.e. compared to 2019), demonstrating the overall momentum in the Cyprus real estate market.



## Transaction value of high-end residential properties (≥€1,5mln) decreased marginally by 5%

- In total, 139 transactions of residential properties ≥€1,5mln have been recorded during the year (21% drop compared to 2020).
- In transaction value terms, this segment reached €380mln, which appears to be 5% reduced compared to 2020 levels, despite the termination of the CIP. The average value of high-end transactions during 2021 reached c.€2,7mln exceeding 2020 levels (€2,3mln).



## Real Estate Price Evolution

- Despite the overall reduction in activity levels observed during 2020, index prices proved to be relatively resilient, recording a marginal increase of 1% during 2020.
- During Q3 2021 (latest available information), the CBC residential property price index recorded a further 0,5% quarterly increase, whereas on an annual basis, the index recorded an increase of 1%.



## 17% increase in volume of new building permits issued

- During 10M 2021, the volume of new building permits increased by 17%, whereas the value of such permits dropped by 8% compared to 10M 2020, indicating that new developments are on average of a smaller scale.
- The continuous hike in the cost of construction material prices has been ceaseless during 2021, recording an 11% annual increase, driven by inflation in the price of metallic products (23%) and products of wood, chemicals and plastics (10%).



# 3 Cyprus economy update

**Strong recovery of the economy was recorded during 2021, with GDP expected to reach almost pre-crisis levels, mainly driven by domestic demand and the better than expected performance of the tourism sector.**

The global outbreak of the COVID-19 pandemic and the associated confinement measures took a heavy toll on Cyprus' economy during 2020. According to the IMF, real GDP contracted by -5,1% in 2020, albeit less than the EU average which contracted by -5,9%.

Even though Cyprus' economy was negatively affected by the rising infection rates at the end of 2020, which led to stricter lockdown measures during the first quarter of 2021, a strong recovery of the economy was recorded by the end of 2021. According to IMF forecasts, a 4,8% increase in GDP is expected during 2021, reaching almost pre-crisis levels. This increase is mainly driven by domestic demand (aided by Government measures to combat the pandemic), as well as the relatively good performance of the tourism sector (although still below pre-pandemic levels), prompted by the accelerating pace of vaccinations and the improved epidemiological situation on the island.

According to the European Commission report (dated Autumn 2021), the implementation of the reforms in the Recovery and Resilience Plan of the Government and the Growth Strategy currently under preparation are expected to have a positive impact on the economy in the medium and long term.

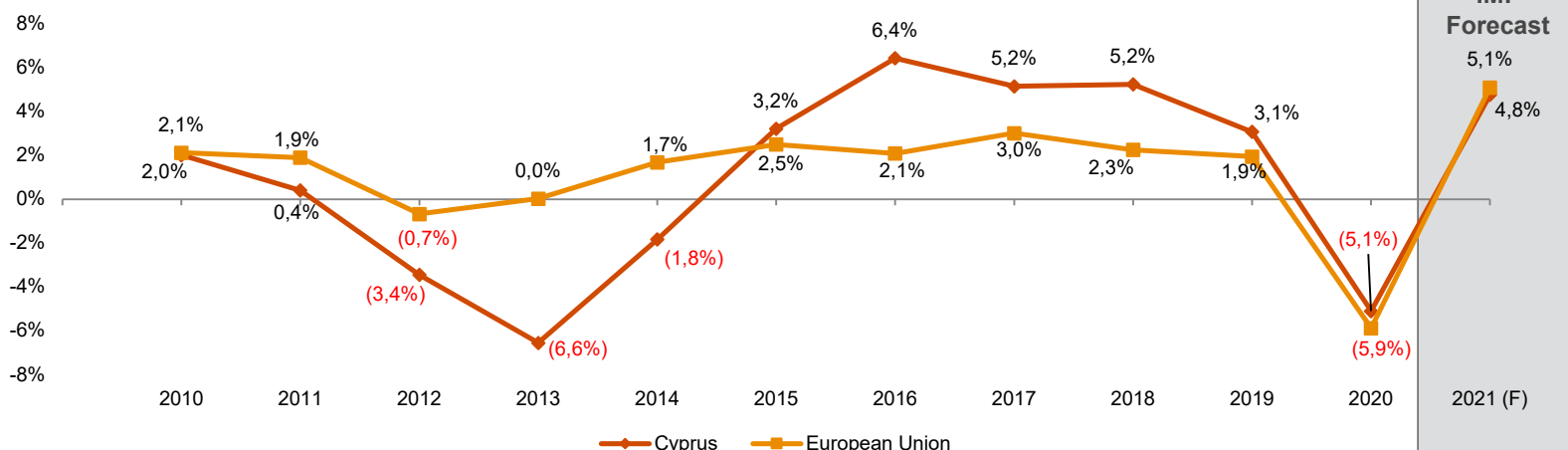
**(5,1%)**

2020  
Real GDP %

**+4,8%**

2021 (F)  
Real GDP %

## Cyprus Vs European Union Real GDP (% change)



Source: IMF (World Economic Outlook Database – October 2021)

\*Note: The 2021 real GDP % forecast represents the latest available IMF estimates



## 2020 (Actual) GDP % (constant prices)

Ireland	5,9%
Lithuania	(0,9%)
Luxembourg	(1,3%)
Finland	(2,9%)
Estonia	(3,0%)
Latvia	(3,6%)
Netherlands	(3,8%)
Slovenia	(4,2%)
Germany	(4,6%)
Slovak Republic*	(4,8%)
<b>Cyprus</b>	<b>(5,1%)</b>
<b>European Union</b>	<b>(5,9%)</b>
Austria*	(6,2%)
Belgium	(6,3%)
France	(8,0%)
Greece	(8,2%)
Malta	(8,3%)
Portugal	(8,4%)
Italy	(8,9%)
Spain	(10,8%)

## 2021 (Forecast) GDP % (constant prices)

Ireland	13,0%
Estonia	8,5%
Greece	6,5%
Slovenia	6,3%
France	6,3%
Italy	5,8%
Spain	5,7%
Malta	5,7%
Belgium	5,6%
Luxembourg	5,5%
<b>European Union</b>	<b>5,1%</b>
<b>Cyprus</b>	<b>4,8%</b>
Lithuania	4,7%
Latvia	4,5%
Portugal	4,4%
Slovak Republic	4,4%
Austria	3,9%
Netherlands	3,8%
Germany	3,1%
Finland	3,0%

Source: IMF (World Economic Outlook Database – October 2021)

\*Note: The countries with asterisks in the 2020 (Actual) GDP % (constant prices) table represent forecasts according to the IMF

## Unemployment

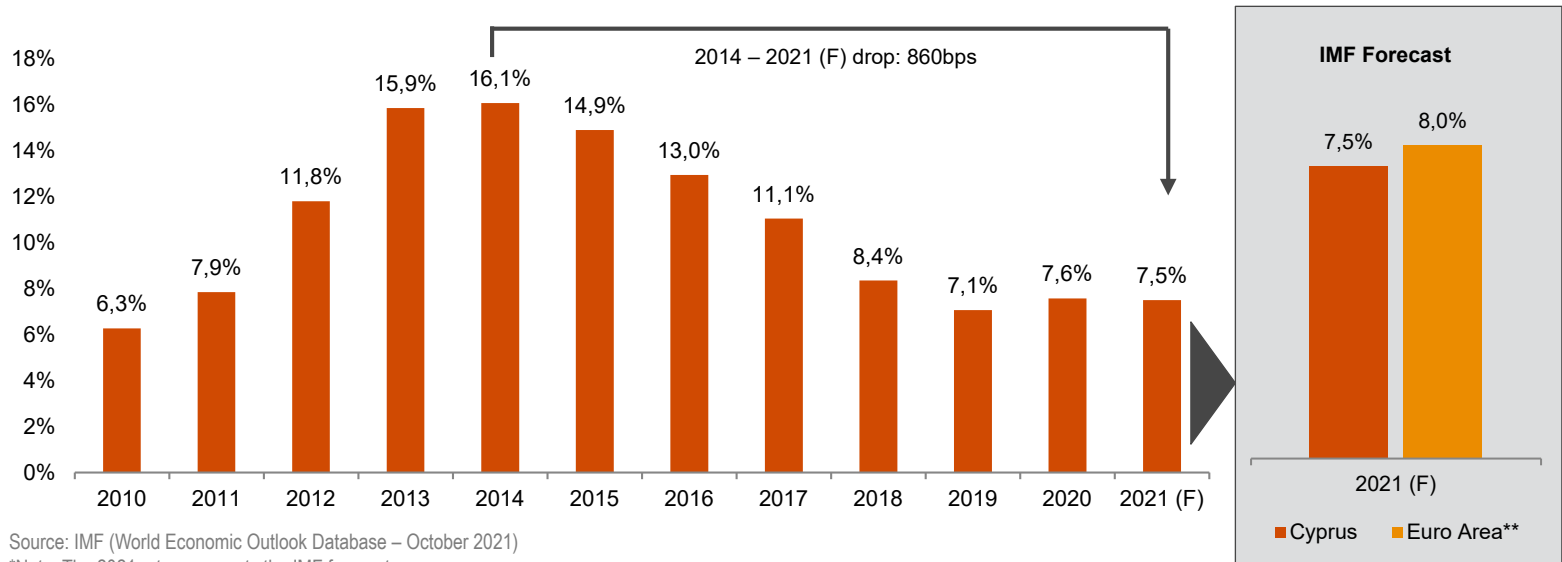
The introduction of temporary Government measures to protect employment, has decelerated the country's increasing unemployment rate during 2020. Specifically, by the end of 2020, Cyprus' unemployment rate only marginally increased to 7,6%, compared to 7,1% in 2019, representing a much slower increase to what was originally anticipated and significantly lower than unemployment rates recorded during the 2013 economic crisis.

According to the European Commission, from the start of the pandemic until Spring 2021, between 50%-60% of the working population benefited from temporary Government measures aiming to protect employment, which helped to preserve jobs and incomes and contained the increase in unemployment. These measures were extended until October 2021 and were later lifted due to the improved economic environment.

According to the IMF, the labour market is expected to slightly recover by the end of 2021, with unemployment slightly decreasing to 7,5% (compared to 8% being the Euro Area average) reflecting the economic recovery, especially in the tourism sector.

On the back of the economic recovery, the labour market is expected to continue to improve in 2022 and 2023. According to the European Commission report (dated Autumn 2021), while the employment support measures have already been phased out to a large extent, the implementation of the Recovery and Resilience Plan is expected to drive employment in the coming years.

### Unemployment rate in Cyprus (2010 - 2021)



Source: IMF (World Economic Outlook Database – October 2021)

\*Note: The 2021 rate represents the IMF forecast

\*\*Note: Euro Area relates to the 19 countries using the Euro as their national currency





## Cyprus' sovereign rating

Cyprus continues to enjoy an “investment grade” ranking from two major credit rating agencies, namely Fitch and S&P. In July 2021, Moody's also upgraded its rating to Ba1, just one notch below investment grade. According to the European Commission report (dated Autumn 2021), the key drivers for this upgrade were the decrease in the banking sector risks, the resilience of the economy to the pandemic shock, as well as robust medium-term GDP growth prospects.

In July 2021, Moody's also changed the outlook from positive to stable (aligning it with Fitch), while S&P changed its outlook from stable to positive in September 2021. S&P stated that following the severe shock caused by the pandemic in 2020 and beyond the related near-term uncertainty in 2021, it could upgrade Cyprus' rating within the next 24 months if the country's economic and budgetary performance continue to strengthen, supported by the Government's implementation of structural reforms.

Credit Rating Agency	Previous Credit Rating	Date Rating Changed	Current Credit Rating (02/2022)	Outlook	Date Outlook Changed
Moody's	Ba2	23.07.2021	Ba1	Stable	23.07.2021
Fitch	BB+	19.10.2018	BBB-	Stable	03.04.2020
S&P	BB+	14.09.2018	BBB-	Positive	03.09.2021

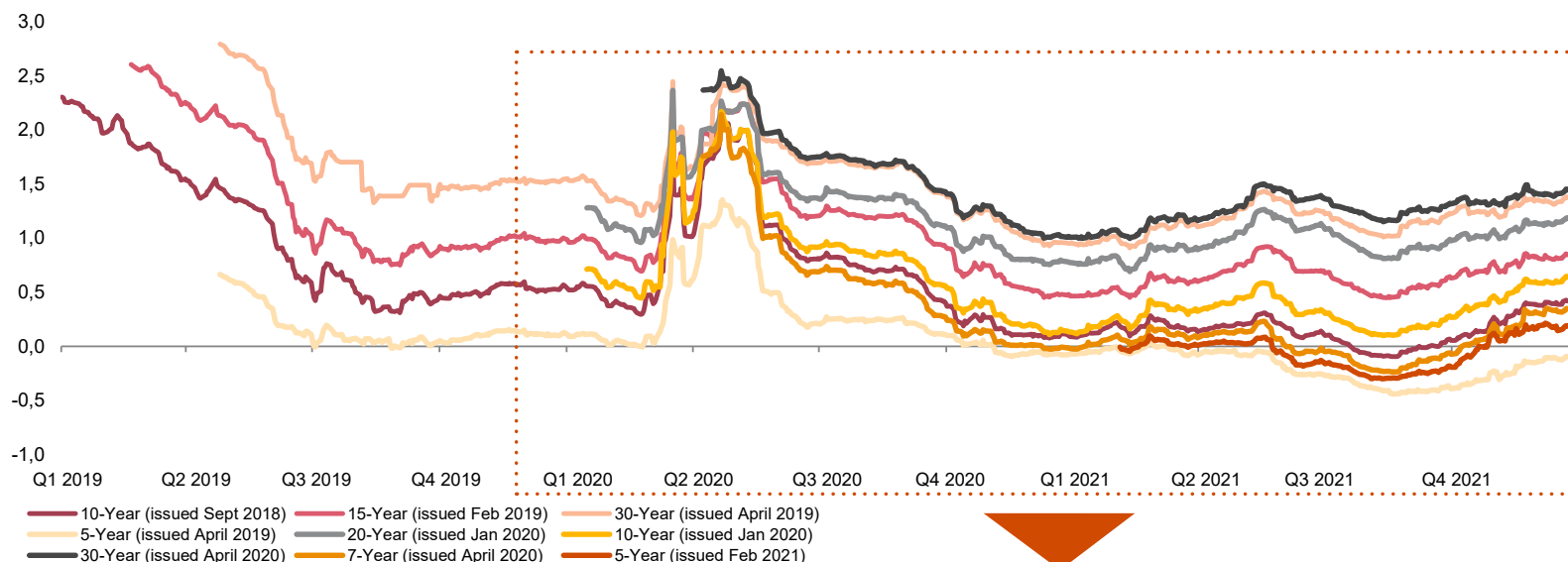
Source: Trading Economics, PwC Research

## Cyprus Government bonds

Cyprus enjoyed a supportive market environment when tapping the international markets during 2021, through the issuance of a 5-year international bond in February 2021 (€1bn). The 5-year benchmark was priced with the lowest reoffer yield (0,053%) and lowest coupon (zero) that has ever been achieved by Cyprus since its return to international capital markets. At its peak, demand reached €8,5bn, representing the largest order book Cyprus has achieved in a single-tranche syndicated transaction since its return to the capital markets in 2014 (the order book closed at €7,45bn).

On 13 January 2022, Cyprus tapped the markets again with a new €1bn, 10-year international bond, with a coupon rate of 0,95%, aiming to strengthen the Government's cash reserves and to meet the financial needs of Cyprus, both in terms of upcoming debt maturities and fiscal spending. Demand for the said 10-year bond, exceeded €7,8bn, pushing interest rates down from the peak 1,10%, set by the Ministry of Finance, to 0,994%.

### Cyprus Government Bond Yields (2019 - 2021)



Source: Bloomberg, PwC Analysis

#### Bond

#### Mid-yield (%) as at 31 December 2021

20-Year Government Bond (issued January 2020)	1,165%
10-Year Government Bond (issued January 2020)	0,625%
30-Year Government Bond (issued April 2020)	1,431%
7-Year Government Bond (issued April 2020)	0,319%
5-Year Government Bond (issued February 2021)	0,147%

## Key drivers of the housing market:

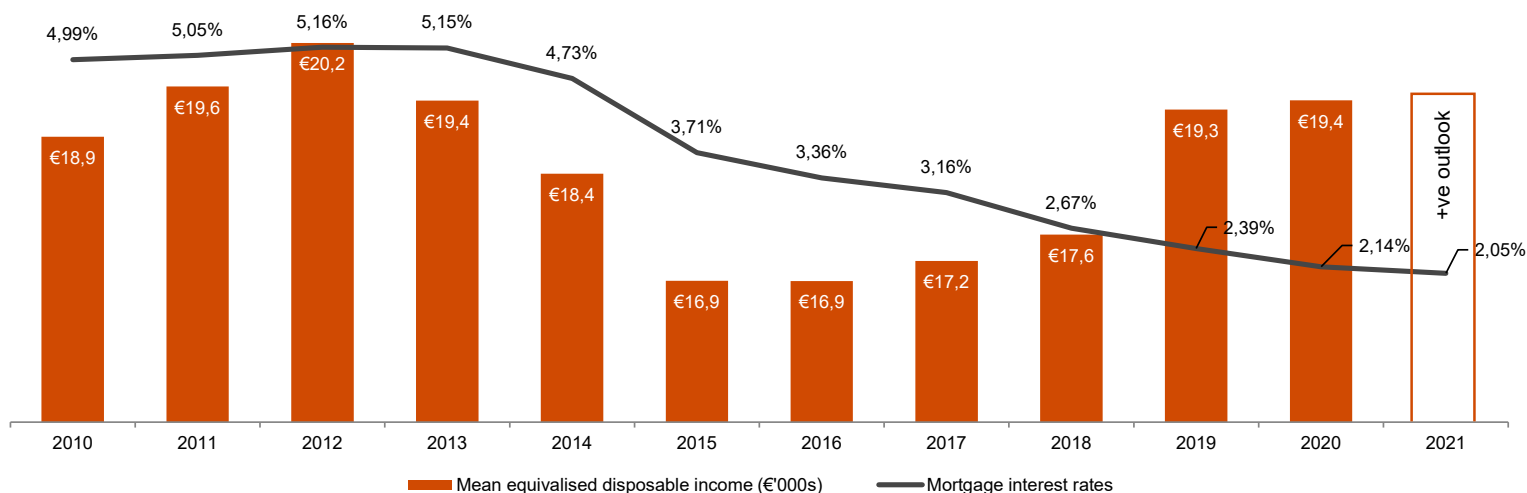
### Household disposable income and mortgage interest rates

Household disposable income increased marginally by 0,5% during 2020, mainly attributed to the Government's fiscal support measures.

Although data on real disposable income has not been made available for 2021, according to the European Commission report (dated Autumn 2021), a slight increase in the disposable income could be achieved during 2021 partly linked to the marginal forecasted increase in employment.

At the same time, interest rates on housing loans continued to decline during 2021 reaching 2,05% (9 bps drop compared to 2020), mainly attributed to the government interest subsidy measures for new mortgages and business loans.

### Household disposable income & mortgage interest rates



Source: Central Bank of Cyprus and Cystat

Note 1: The equivalised disposable income is the total disposable income of a household, divided by its respective equivalised size

Note 2: The mortgage interest rates correspond to the average rates of greater than 5 years in terms of housing loans

## Lending market

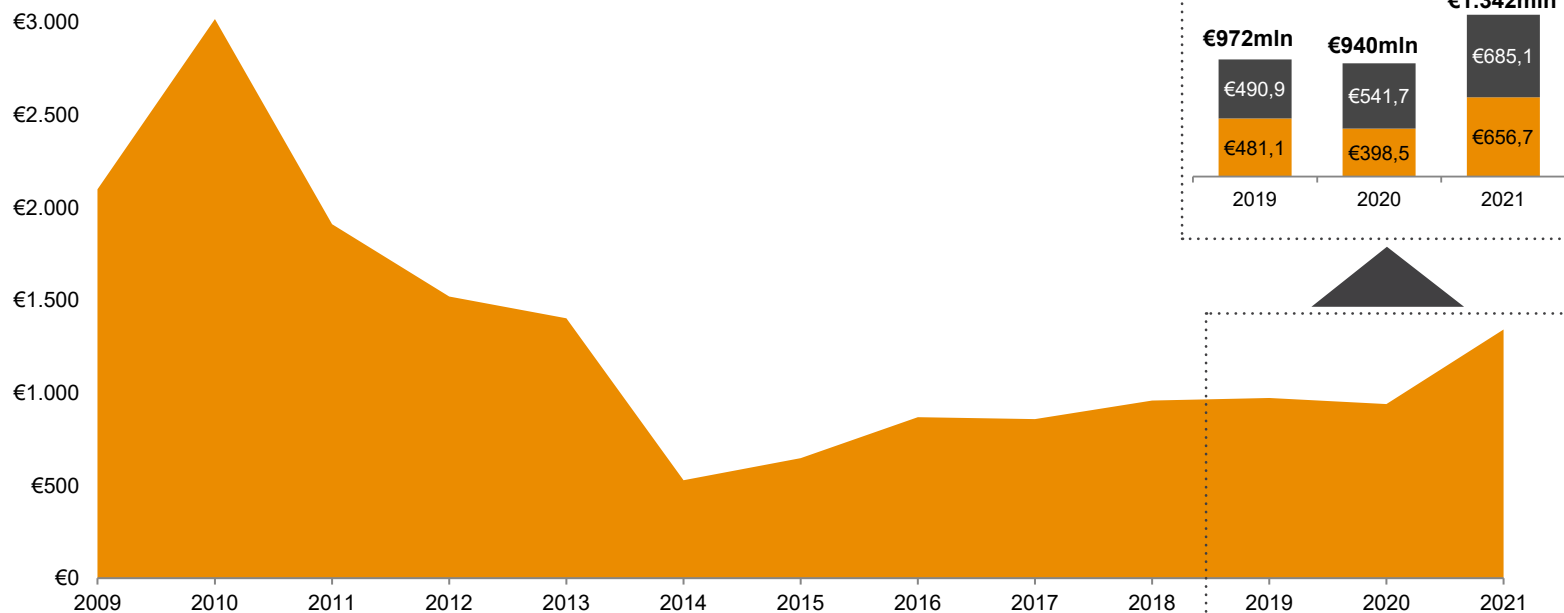
Despite the supply and demand shocks caused by the pandemic and the stricter lending criteria (largely induced from the credit risk arising from the outbreak of the pandemic) new mortgage loan facilities during 2020 recorded only a marginal drop (3%) compared to 2019.

During 2021, a significant increase in new mortgage loan facilities was recorded mainly fuelled by the Government interest subsidy scheme (which was launched in mid 2020 and extended until the end of 2021) as well as the better than anticipated recovery of economic activity from Q2 2021 onwards.

Specifically, new mortgages facilities during 2021 reached €1,3bn representing a 43% increase compared to 2020 (€940mIn). This level of new mortgage facilities recorded in 2021 exceeded pre-pandemic levels (2019: €972mIn).



New mortgage loan facilities (€mIn)





## Real Estate & Construction -

One of the main pillars of the Cyprus economy

The Real Estate & Construction sector traditionally constitutes one of the key pillars of the Cyprus economy. The Real Estate & Construction sector constituted 16% to the country's GVA during the 12 month period to 30 September 2021.

Despite the disruption caused by the pandemic and the termination of the Cyprus Investment Program (CIP), as of 1 November 2020, the sector's GVA output increased by 4% during the 12 month period to 30 September 2021, maintaining it as one of the fastest growing economic sectors of Cyprus, highlighting its resilience and importance to the overall economy.

**€20,53bn**

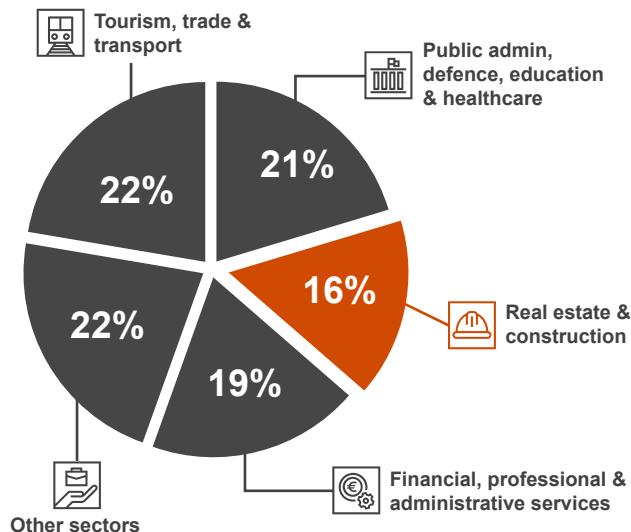
2020 Cyprus GDP actual  
(constant prices)

5%   
increase

**€21,51bn**

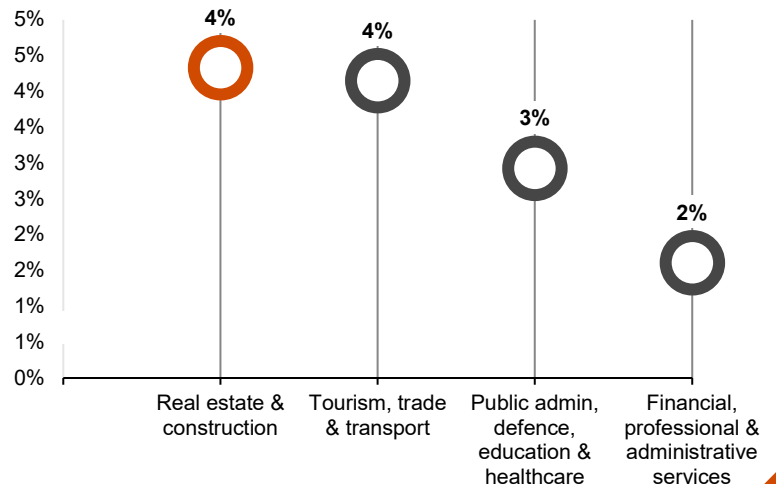
2021 Cyprus GDP forecast  
(constant prices)

Gross Value Added contribution by sector (12 month period to 30 September 2021) (current prices)



Source: Cystat

% Growth in GVA of key sectors for the 12 month period to 30 September 2021 (current prices)



Source: Cystat



# 4 Transaction volumes / Investment activity levels

## Cyprus Real Estate sector at a glance

Following the significant drop in transaction volume and value recorded during 2020, as a result of the COVID-19 pandemic and the suspension of CIP (effective as of 1 November 2020), strong signs of recovery were observed during 2021.

Specifically, the total number of properties transacted during 2021 reached 19,100, compared to 14,500 during 2020, representing a 32% increase, even surpassing 2019 levels (17,200) by 11%. In transaction value terms, total transactions reached €3,8bn during 2021, indicating an increase of 26% compared to 2020. Relative to 2019, a drop of 14% was observed during 2021 in terms of transaction value, reflecting the shift towards lower price-buckets, which are driven by a strong domestic sector.

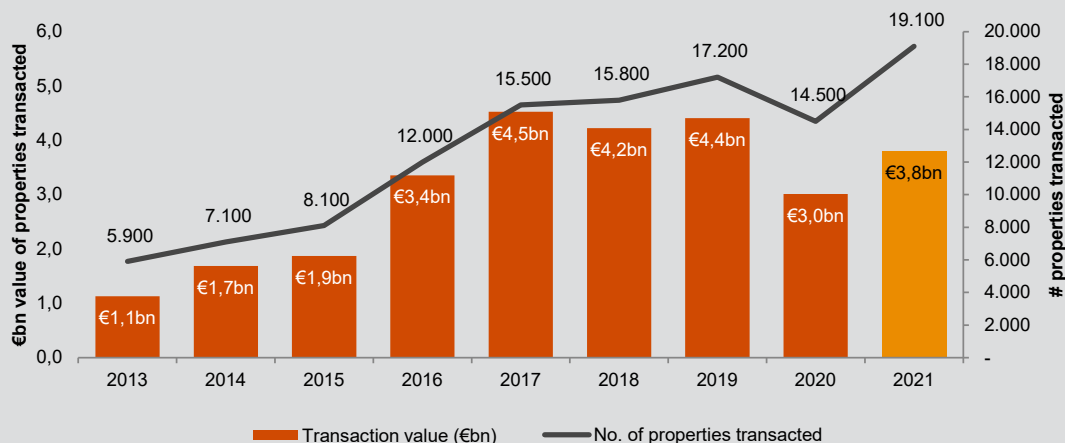
### +32%

2021  
Increase in #

### +26%

2021  
Increase in €

Volume and Value of properties transacted

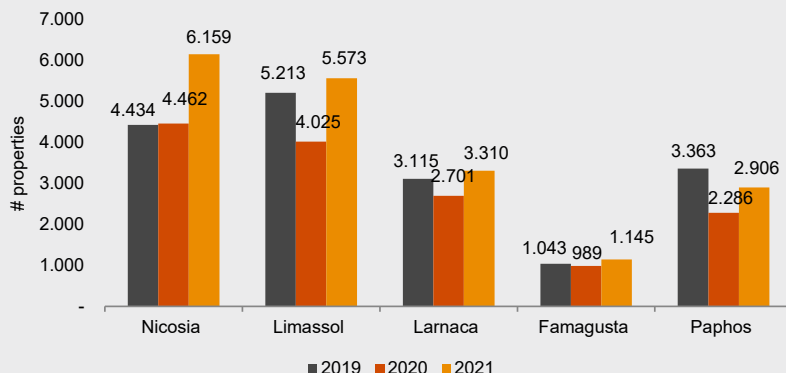


% change	2021 Vs 2020	2021 Vs 2019
# properties	32%	11%
€ transaction value	26%	(14%)

Source: The transaction activity analysis was based on data from the Department of Lands and Surveys (DLS), relating to contracts of sale and sale transfers, extracted on 17/01/2022. Any differences with previous publications relate to amended Land Registry records and discrepancies between the date of agreement and respective filing date. Note: The above figures do not include: (i) Debt for Asset Swap transactions (DFAS), (ii) transactions of real estate through the sale of company shares or fund units (Share Deals) and (iii) any other transactions not filed or adequately recorded at the DLS.

During 2021 all districts experienced double-digit increases in terms of volume of transactions compared to 2020, demonstrating the recovery and growth of the sector following the spread of the pandemic. Even when compared to 2019 all districts recorded increases in terms of transaction volume, with the exception of Paphos (-14%).

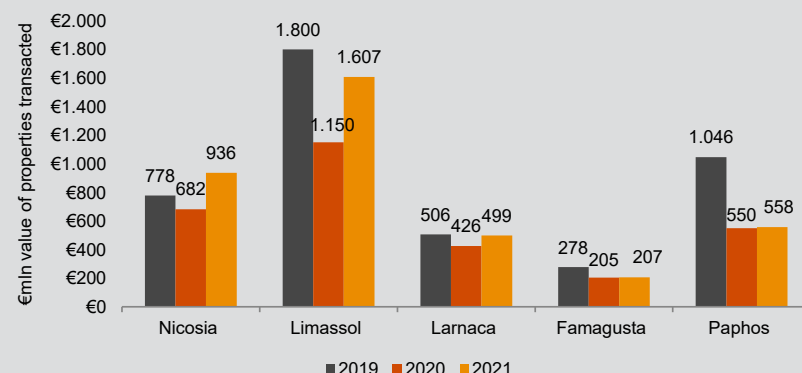
### Transaction volume per district (2019 - 2021)



Source: Department of Lands and Surveys (DLS), PwC Analysis

In terms of transaction value, double-digit increases were recorded in Nicosia, Limassol and Larnaca compared to 2020.

### Transaction value per district (2019 - 2021)



Source: Department of Lands and Surveys (DLS), PwC Analysis



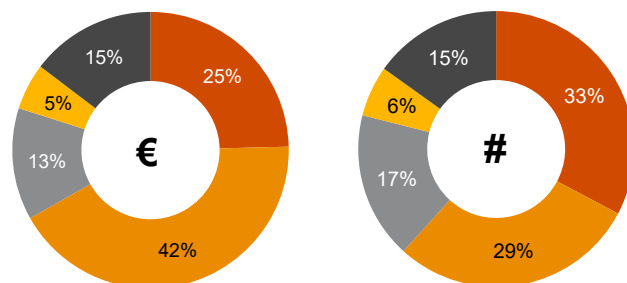
Although the recovery of the market is evident across all districts, the value of transactions during 2021 appears reduced when compared to pre-pandemic levels (i.e. 2019), with the exception of Nicosia. Nicosia is the only district that experienced growth in the value of transactions during 2021 when compared to 2019 and this is mainly due to the fact that Nicosia is a market predominantly driven by the local segment, which has been a key driver for the recovery and growth of the sector during 2021.

During 2021, Nicosia made up the majority of the volume of transactions (33%), followed by Limassol (29%) which has been the driver of transaction volume over previous periods.

In transaction value terms, Limassol continues to be the front-runner, making up 42% of the total value of transactions during 2021. Nicosia ranked second, with 25% of total transaction value.

These findings demonstrate that on average transactions recorded in Nicosia are within lower price-buckets compared to coastal areas.

### Transaction volume and value by district (2021)

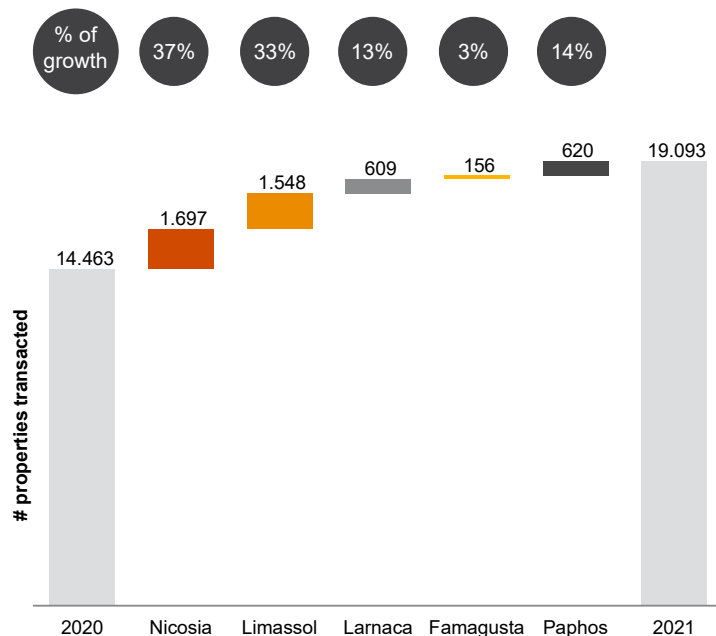


■ Nicosia ■ Limassol ■ Larnaca ■ Famagusta ■ Paphos

Source: Department of Lands and Surveys (DLS), PwC Analysis

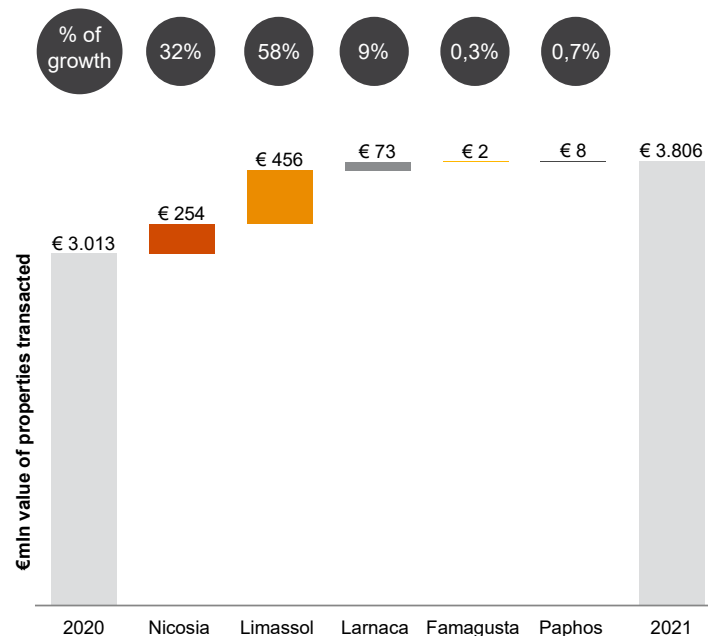
## 2021 Growth drivers per district

Change in volume of transactions (2021 Vs 2020)



Source: Department of Lands and Surveys (DLS), PwC Analysis

Change in value of transactions (2021 Vs 2020)



Source: Department of Lands and Surveys (DLS), PwC Analysis

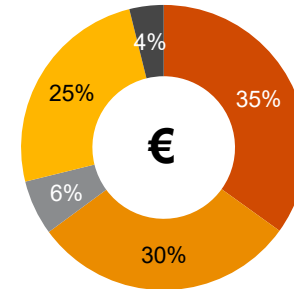


The main driver for the growth in the volume of real estate transactions during 2021 appears to be Nicosia (making up 37% of growth observed), followed by Limassol (33%). In terms of the value of real estate transacted, Limassol continues to be the key growth driver, constituting 58% of increase observed, with Nicosia representing 32% of growth.



## Transaction value by type

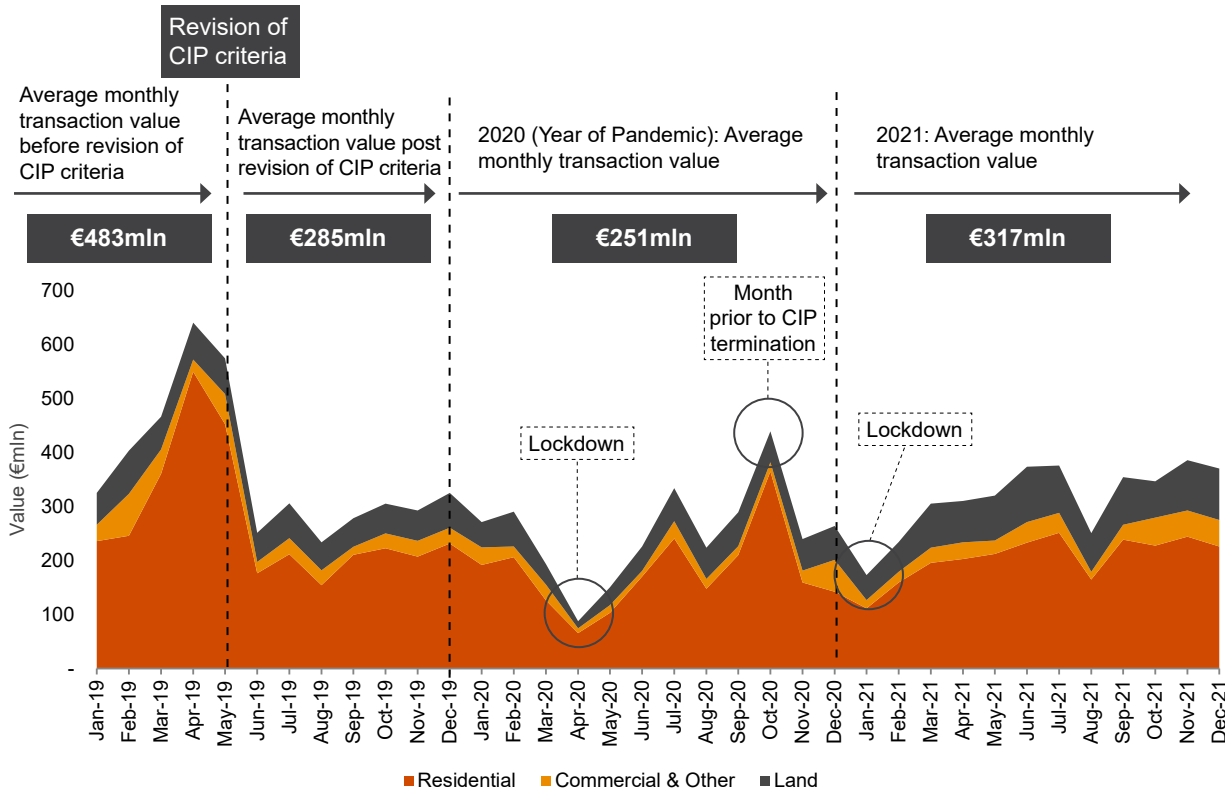
During 2021, the transaction value of the residential property sector reached €2,4bn, representing an overall increase of 16% compared to 2020. In total, 10,600 apartments and houses were sold (6,500 apartments and 4,100 houses), demonstrating an overall increase of 23%, implying that the units transacted were on average of a lower value compared to 2020. The residential property sector made up 65% of the total value of real estate transactions in the sector during 2021 (35% apartments and 30% houses), compared to a 71% contribution during 2020.



■ Apartments ■ Houses ■ Commercial ■ Land ■ Other

Source: Department of Lands and Surveys (DLS), PwC Analysis

## Transaction value per month (2019 - 2021)



- The average monthly transaction value during 2021, stood at €317mIn.
- During 2020, being the year of the pandemic, monthly transaction values appeared to be rather volatile (i.e. due to first lockdown effects in March-April 2020 and spike caused by the termination of the CIP in October). Overall, during 2020, monthly transaction values were on average €251mIn (26% lower compared to 2021).

Source: Department of Lands and Surveys (DLS), PwC Analysis

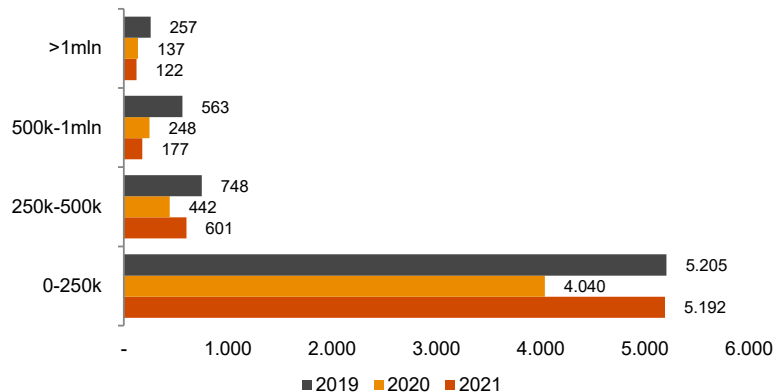


## Apartments

	2019	2020	2021
€ transaction value	€1,8bn	€1,1bn	€1,3bn
# properties	7.400	5.200	6.500

Source: Department of Lands and Surveys (DLS), PwC Analysis

## Apartments sold per price bucket



Note: The number of transactions included in the price bucket chart differ from the total transactions presented in the table to the left, as the chart includes only single unit transactions with 100% share (to avoid statistical discrepancies).

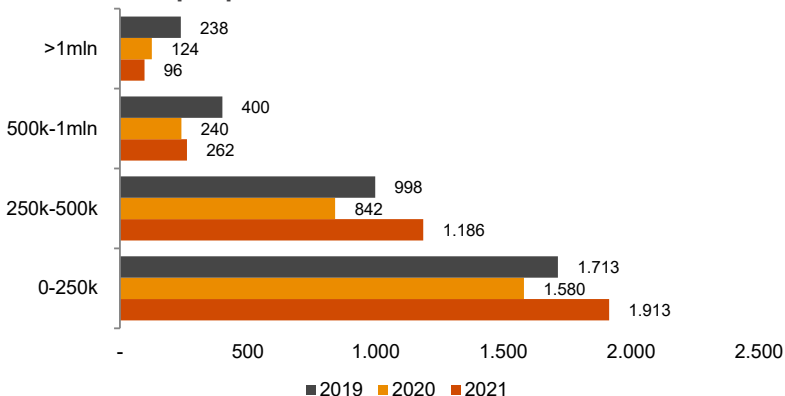


## Houses

	2019	2020	2021
€ transaction value	€1,5bn	€1,0bn	€1,1bn
# properties	4.100	3.400	4.100

Source: Department of Lands and Surveys (DLS), PwC Analysis

## Houses sold per price bucket



Note: The number of transactions included in the price bucket chart differ from the total transactions presented in the table to the left, as the chart includes only single unit transactions with 100% share (to avoid statistical discrepancies).



## Fields

	2019	2020	2021
€ transaction value	€0,36bn	€0,27bn	€0,49bn
# properties	2.700	3.200	4.600

Source: Department of Lands and Surveys (DLS), PwC Analysis



## Plots

	2019	2020	2021
€ transaction value	€0,37bn	€0,33bn	€0,46bn
# properties	1.900	1.900	2.700

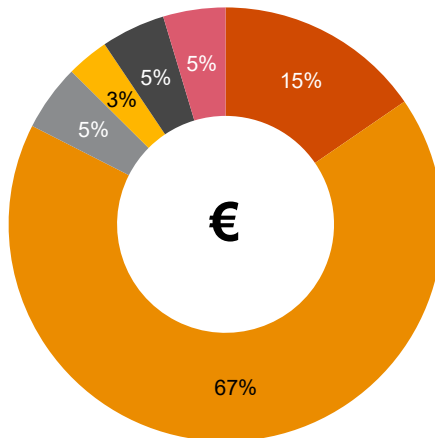
Source: Department of Lands and Surveys (DLS), PwC Analysis

## Land transactions by planning zone

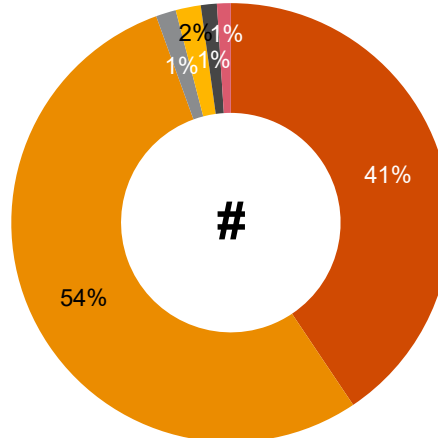
Land transactions demonstrated a significant growth during 2021 reaching 7.300 transactions, representing a 43% increase compared to 2020 and 59% increase compared to 2019 transactions. Total land transactions reached €950mln during 2021, representing a 58% increase compared to 2020 and 30% increase compared to 2019. Overall, land transactions represented 25% of the total transaction value of the sector during 2021.

67% of the total value of land transactions relate to land within residential planning zones, whereas 15% comprised land within agricultural planning zones.

Transaction value by planning zone (2021)



Transaction volume by planning zone (2021)



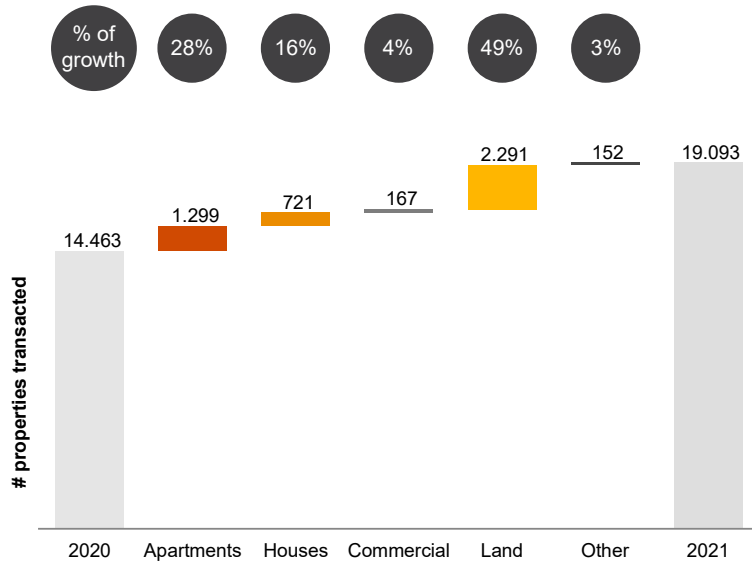
■ Agricultural ■ Residential ■ Commercial & Special Zones ■ Industrial ■ Tourist ■ Other / Non-identified

Source: Department of Lands and Surveys (DLS), PwC Analysis



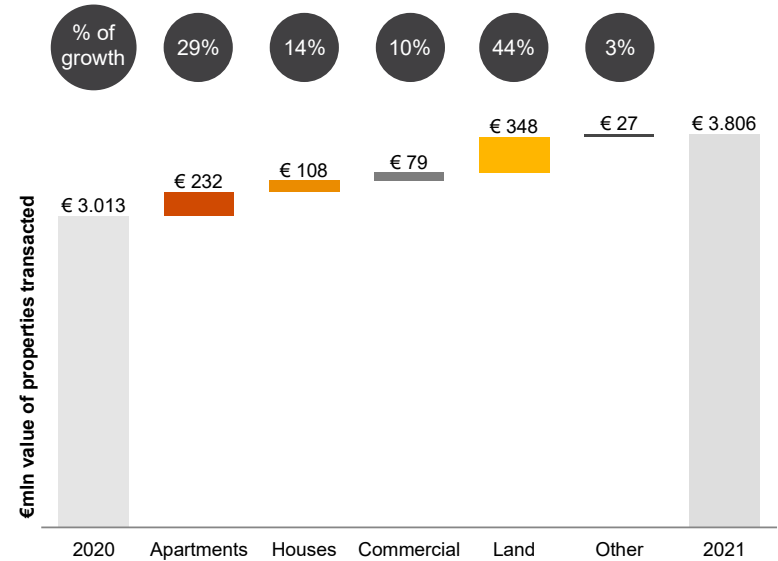
## 2021 Growth drivers per property type

Change in volume of transactions (2021 Vs 2020)



Source: Department of Lands and Surveys (DLS), PwC Analysis

Change in value of transactions (2021 Vs 2020)



Source: Department of Lands and Surveys (DLS), PwC Analysis



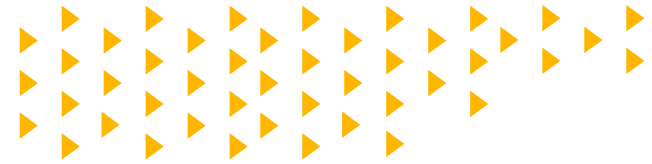
Transactions of land assets made up c.50% of the growth in the volume of transactions observed in 2021, making land the single biggest contributor of growth recorded in 2021. Apartments followed with 28% of the growth recorded.

In transaction value terms, land assets still appear to be the key contributors of growth (44% of growth), followed by apartments (29%).

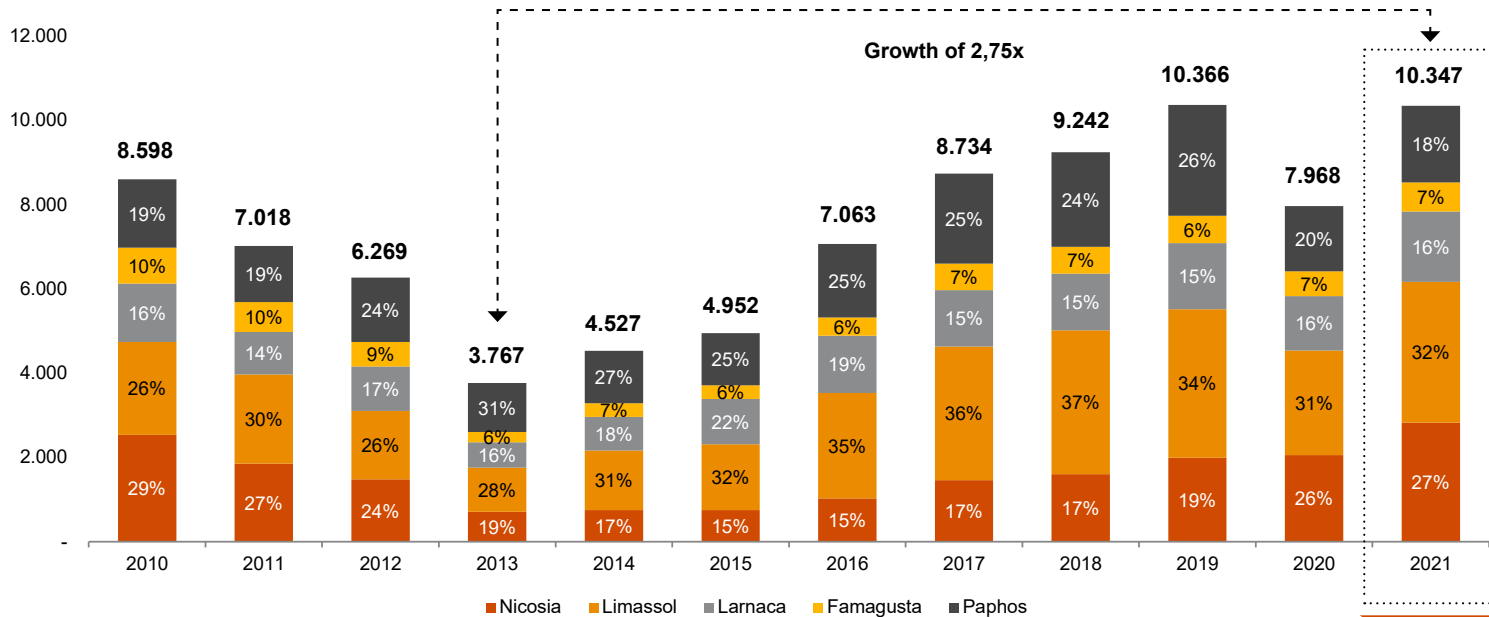




# 5 Sale contracts statistics



No. of contracts of sale filed at the DLS per district (2010 - 2021)



Source: Department of Lands and Surveys (DLS)



The increased transaction activity in the market is also evident by the number of sale contracts recorded at the DLS during 2021, which reached 10,347, representing a 30% uplift, compared to 2020. It is noted that the level of sale contracts recorded during 2021 reached pre-pandemic levels (i.e. 2019), demonstrating the overall recovery of the market.

## +30%

### 2021

Increase in no. of sale contracts filed at the DLS (2021 Vs 2020)

## Geographical distribution of Sale Contracts filed at the DLS

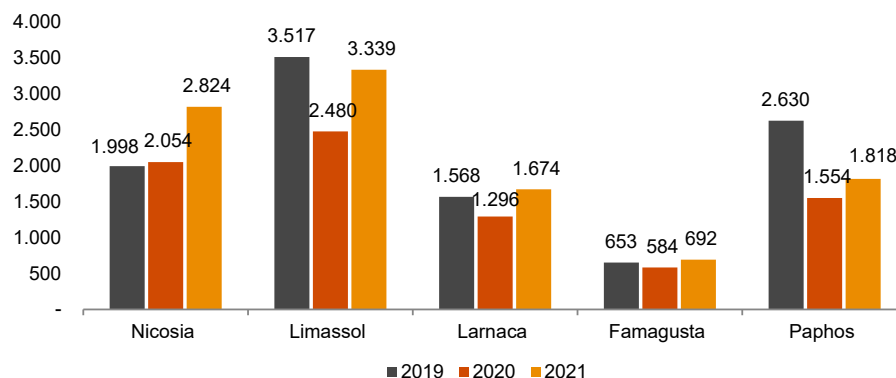
According to the DLS, all districts of Cyprus experienced double digit increases in sale contracts filed at the DLS during 2021, compared to 2020.

Consistent with previous analysis, Nicosia demonstrated the highest growth in sale contracts filed at the DLS (37% yoy), mainly driven by local demand, followed by Limassol with an increase of 35%.

When comparing sale contracts filed during 2021 relative to 2019, Paphos and Limassol, which are districts mainly driven by foreign demand, experienced drops (31% and 5% respectively). On the contrary, Nicosia experienced a notable increase of 41% for the same period, further demonstrating that demand from the local segment continues to support the market, compensating to some extent the relatively reduced levels of demand from foreign buyers.

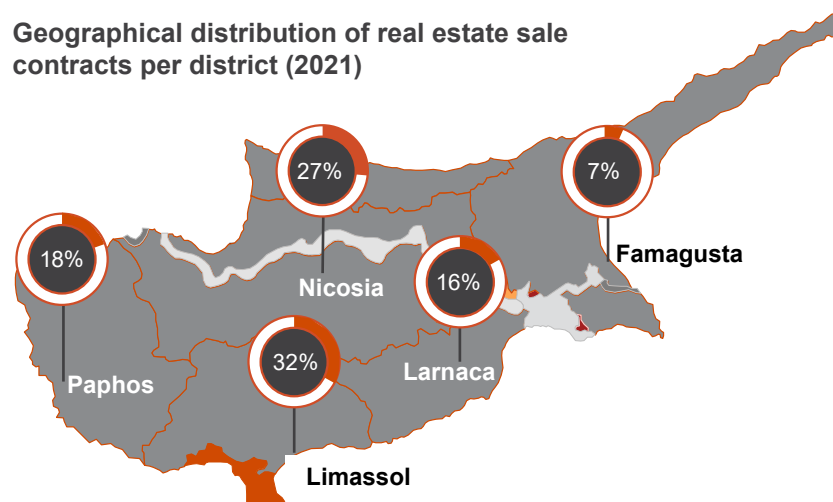
Overall, the majority of sale contracts recorded at the DLS during 2021 were in Limassol (32%), followed closely by Nicosia (27%).

## % Growth in no. of real estate sale contracts per district (2021 Vs 2020)



% change	2021 Vs 2020	2021 Vs 2019
Nicosia	37%	41%
Limassol	35%	(5%)
Larnaca	29%	7%
Famagusta	18%	6%
Paphos	17%	(31%)
<b>Total</b>	<b>30%</b>	<b>(0,2%)</b>

## Geographical distribution of real estate sale contracts per district (2021)

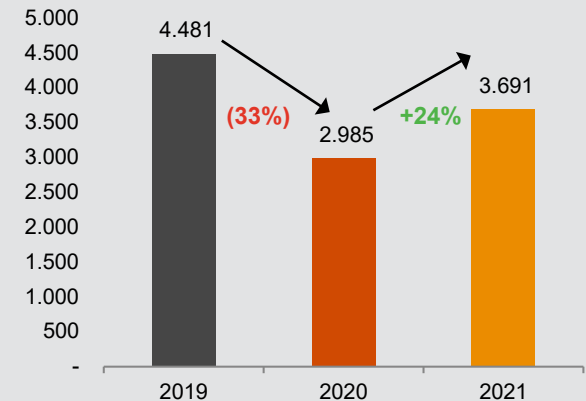


# 6 Foreign transaction activity

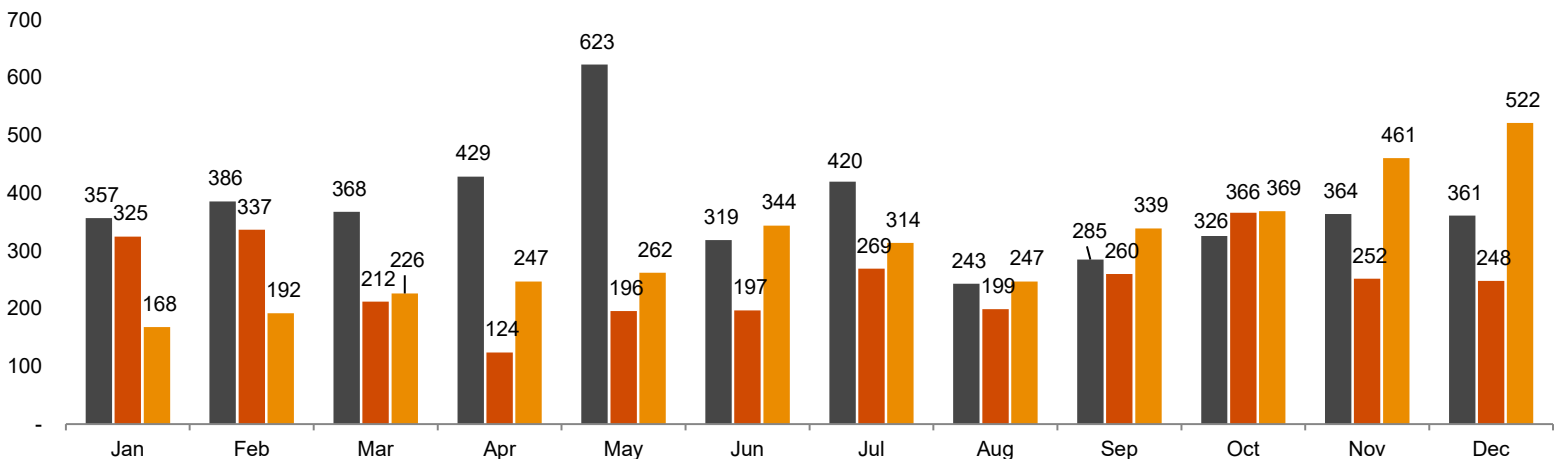
During 2021, a total of 3,691 properties across Cyprus were acquired by foreigners (in terms of sale contracts filed at the DLS) compared to 2,985 properties acquired by foreigners during 2020, representing a 24% increase. Looking at the monthly acquisitions of properties by foreign buyers, it is evident that during the months of January – February 2021 (being lockdown months of 2021), total number of properties acquired by foreigners were significantly reduced compared to the respective months of 2020 (pre-pandemic period). From March 2021 onwards, transactions from foreigners followed an increasing trend demonstrating the recovery of the sector and the confidence regained by the foreign market. From August 2021 onwards, monthly transactions from foreigners appear to consistently surpass the levels recorded during the respective months of 2019, demonstrating the overall momentum in the Cyprus real estate market.

Approximately 50% of properties acquired by foreigners during 2021 relate to non-EU buyers (2019: 66%, 2020: 61%). Larnaca represented the district with the highest percentage of non-EU buyers (61%). The respective share of non-EU resident acquisitions in Limassol stood at 59% and in Famagusta, Paphos and Nicosia stood at 46%, 40% and 35% respectively.

**No. of properties acquired by foreigners based on sale contracts filed at the DLS (2019 - 2021)**



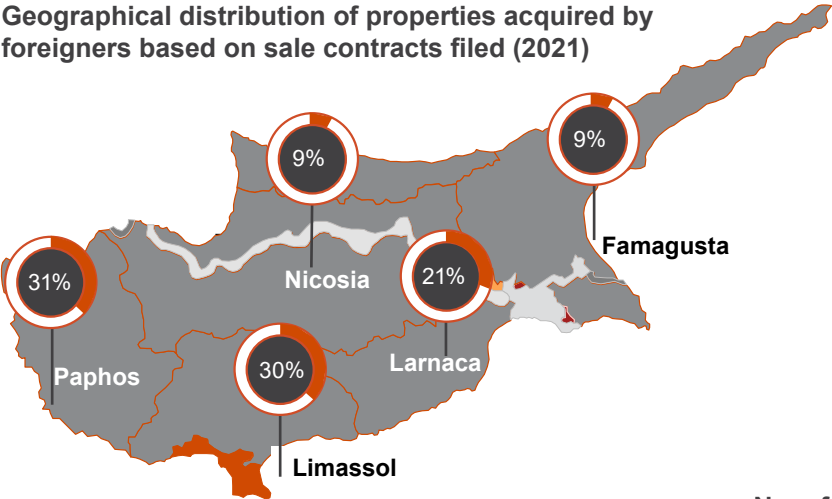
**No. of properties acquired by foreigners based on sale contracts filed at the DLS per month (2019 - 2021)**



The highest concentration of sale contracts filed by foreign buyers was in Paphos (31%), closely followed by Limassol (30%). The two coastal districts together make up nearly two thirds of foreign transactions on the island.

All Cyprus districts recorded increases during 2021, compared to 2020, in terms of the number of properties acquired by foreigners (based on sale contracts filed at the DLS), with Nicosia experiencing the biggest increase of 52%, followed by Larnaca (46%). Sale contracts filed by foreigners in Nicosia and Larnaca during 2021 exceeded 2019 levels. In contrast, in the coastal districts of Limassol, Famagusta and Paphos sale contracts by foreigners are still short of the levels recorded in 2019, with Paphos being at c.60% of the levels observed in 2019 (39% drop).

Geographical distribution of properties acquired by foreigners based on sale contracts filed (2021)



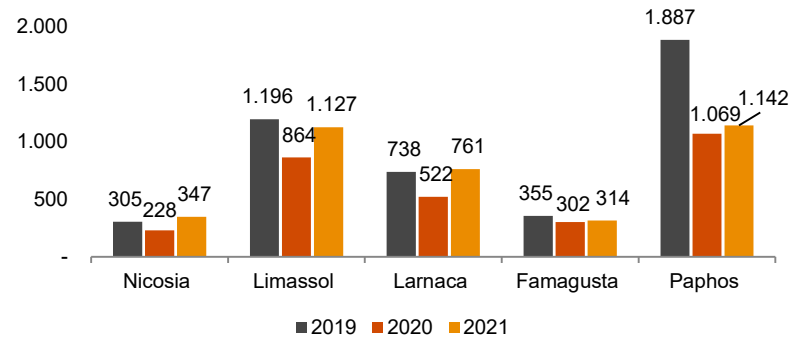
Source: Department of Lands and Surveys (DLS), PwC Analysis

% change	2021 Vs 2020	2021 Vs 2019
Nicosia	52%	14%
Limassol	30%	(6%)
Larnaca	46%	3%
Famagusta	4%	(12%)
Paphos	7%	(39%)
<b>Total</b>	<b>24%</b>	<b>(18%)</b>

Source: Department of Lands and Surveys (DLS), PwC Analysis



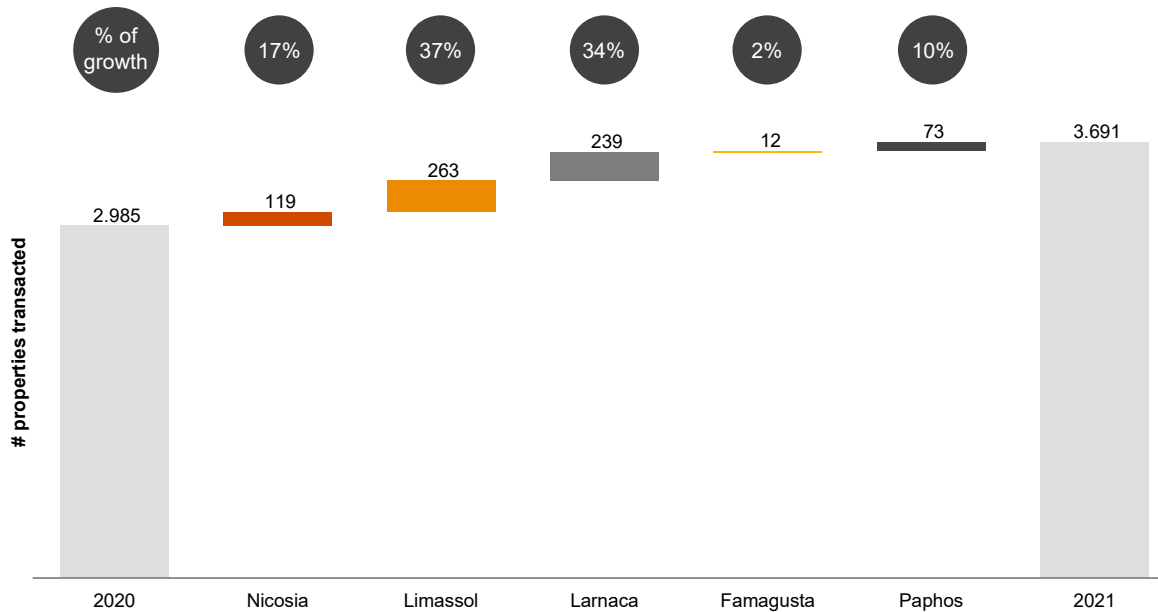
No. of properties acquired by foreigners per district based on sale contracts filed at the DLS (2019 - 2021)



Source: Department of Lands and Surveys (DLS), PwC Analysis

## 2021 Growth drivers of foreign transaction activity per district

Change in volume of properties transacted (2021 Vs 2020)



Source: Department of Lands and Surveys (DLS), PwC Analysis



The biggest yoy increase in contracts of sale filed by foreign buyers was recorded in Limassol (263), making up more than 37% of the total increase in contracts of sale, followed by Larnaca (239) and Nicosia (119).





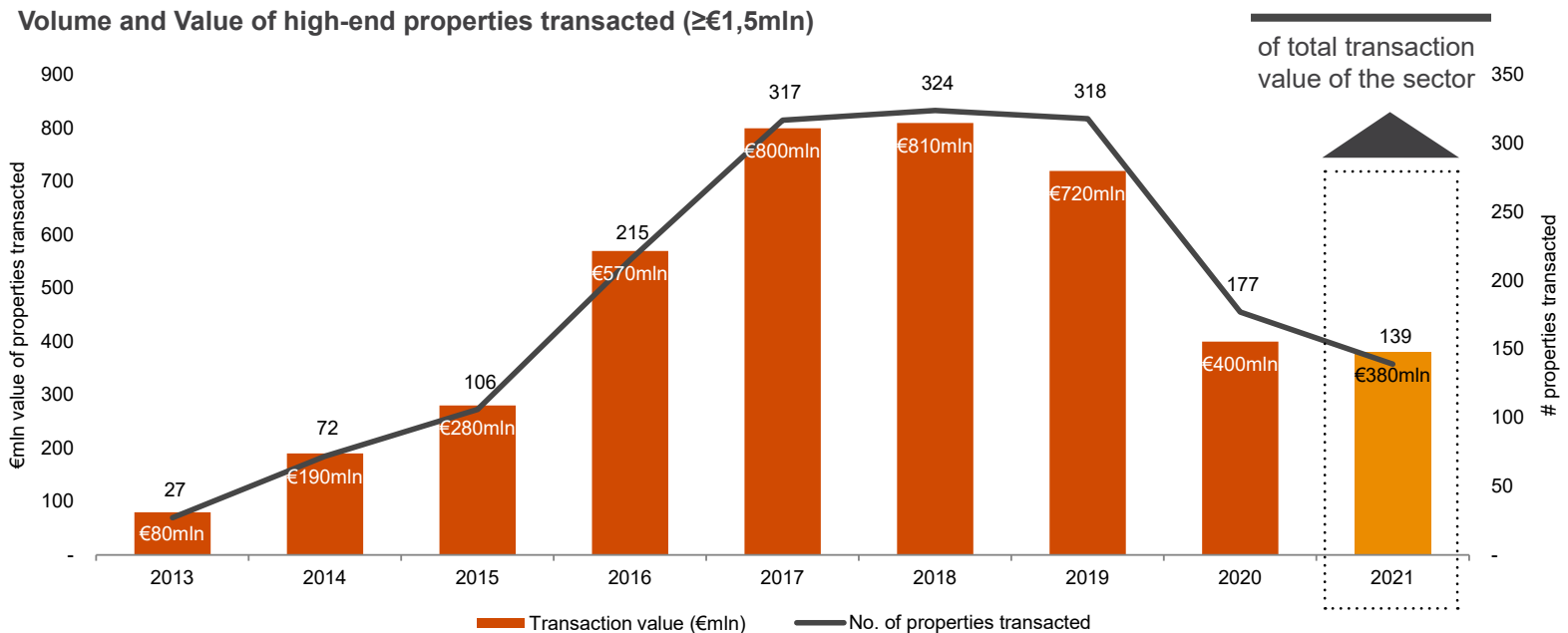
## 7

# High-end residential property segment ( $\geq \text{€}1,5\text{mln}$ )

Despite the termination of the CIP programme (effective 1 November 2020), a total of 139 transactions of residential properties  $\geq \text{€}1,5\text{mln}$  have been recorded during 2021, representing a 21% drop compared to 2020.

In terms of sales value, the high-end residential property sector ( $\geq \text{€}1,5\text{mln}$ ) totalled  $\text{€}380\text{mln}$  during 2021, corresponding to a 5% decrease compared to 2020. This indicates that although less in volume, transactions are on average of higher priced assets. Specifically, the average value of high-end transactions during 2021 reached c. $\text{€}2,7\text{mln}$  compared to c. $\text{€}2,3\text{mln}$  during 2020.

Overall, the high-end residential property sector ( $\geq \text{€}1,5\text{mln}$ ) represented 10% of total transaction value of the sector during 2021 (compared to 13% during 2020).



Source: Department of Lands and Surveys (DLS), PwC Analysis

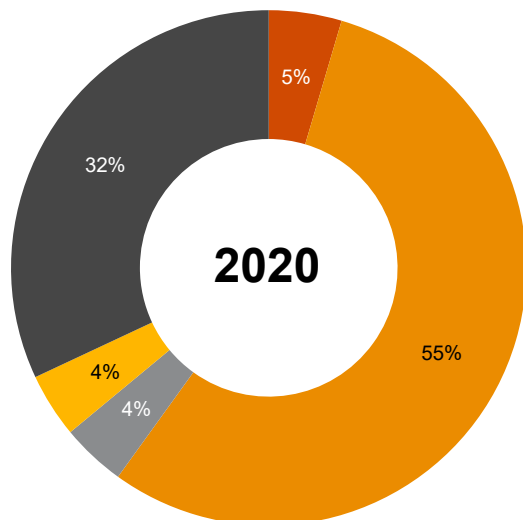
Note: High-end residential property segment statistics for all years were based on a data extraction dated 17/01/2022. Any differences with previous publications relate to amended Land Registry records (e.g. cancellations of previous sales etc.) and discrepancies between the date of agreement and respective filing date.



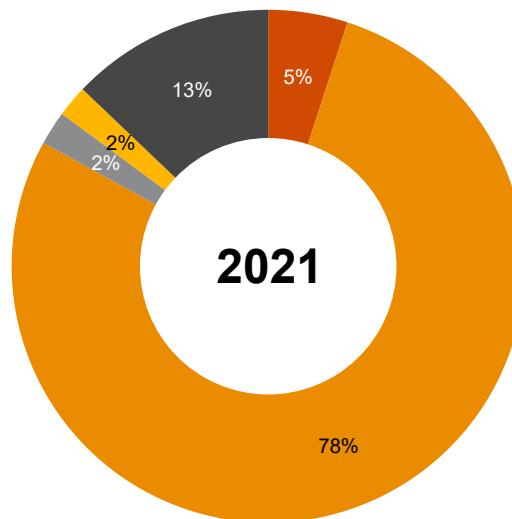
Limassol district continues to dominate the share of high-end residential property transactions ( $\geq \text{€}1,5\text{m}$ ) at 78% of total, followed by Paphos with 13% of the share. The two coastal districts make up 91% of the size of this segment.



Transaction volume of high-end residential property transactions per district (2020)



Transaction volume of high-end residential property transactions per district (2021)



■ Nicosia ■ Limassol ■ Larnaca ■ Famagusta ■ Paphos

Source: Department of Lands and Surveys (DLS), PwC Analysis

\*The PwC Analysis has been based on transaction data by the DLS in a digital format, extracted from the DLS Portal on 17/01/2021 and relate to transactions with an agreement date up to 31/12/2021.

## 8

## Residential property segment (€100k - €300k)

Perhaps the most resilient segment of the sector during 2020 and 2021, relates to residential properties in the range of €100k - €300k. This is mainly the consequence of strong demand for primary residences and also increasing activity for private-rented housing (particularly apartments) and buy-to-let transactions. Based on PwC analysis, the total number of residential properties within the specific range reached 6.100 during 2021, representing a 33% increase compared to 2020. It is noted that the level of transactions recorded in 2021 was by 13% higher compared to 2019 levels (pre-pandemic, pre-termination of CIP), demonstrating the resilience and growth of this property segment.

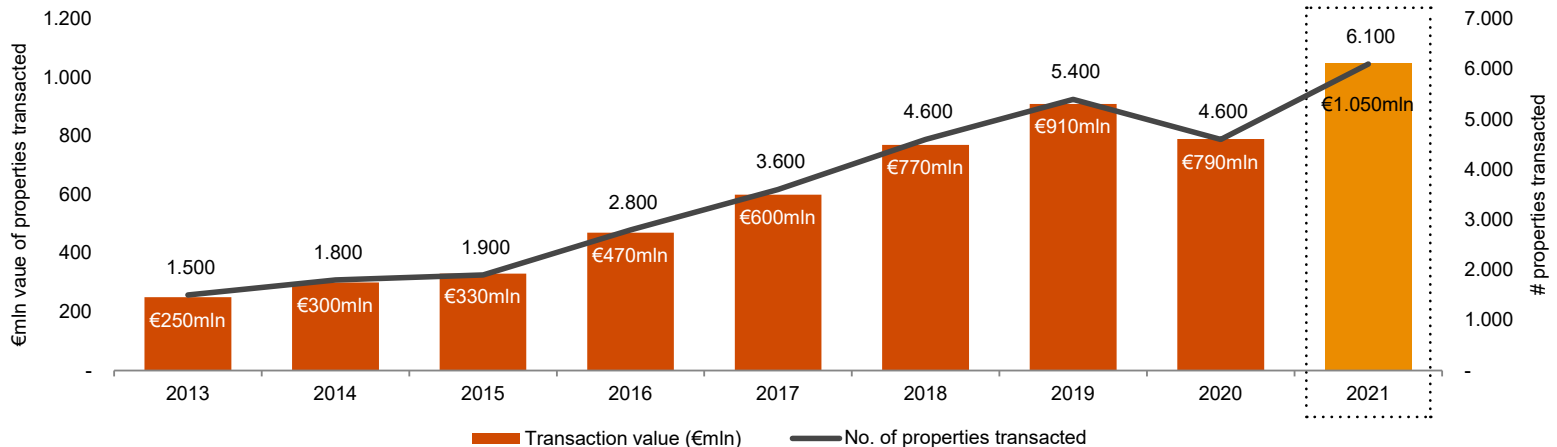
In terms of transaction value, the residential property sector within the €100k - €300k range, totalled c.€1,1bn during 2021, representing a 33% increase compared to 2020 and a 15% increase compared to 2019. The increasing levels of demand by local buyers is favoured by the continuing low interest rate environment and a strong rental market, fuelling opportunities for buy-to-let transactions.

Overall, the residential property sector within the €100k - €300k range, represented 28% of total transaction value of the sector during 2021, compared to 26% during 2020.

# 28%

of total transaction  
value of the sector

### Volume and Value of residential properties sold (€100k-€300k)

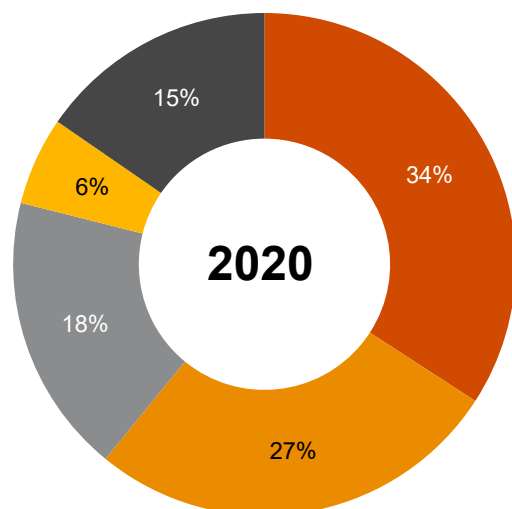


Source: Department of Lands and Surveys (DLS), PwC Analysis

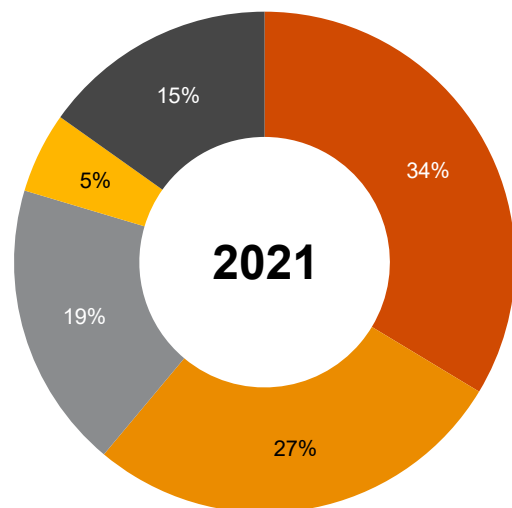
Note: Residential property segment statistics for all years were based on a data extraction dated 17/01/2022. Any differences with previous publications relate to amended Land Registry records (e.g. cancellations of previous sales etc.) and discrepancies between the date of agreement and respective filing date.



## Residential properties (€100k - €300k) per district by number


**Residential properties  
€100k - €300k  
Number of transactions**

	2019	% of total	2020	% of total	2021	% of total
Nicosia	1.057	28%	1.582	34%	2.040	34%
Limassol	1.582	29%	1.239	27%	1.664	27%
Larnaca	914	17%	835	18%	1.124	19%
Famagusta	239	5%	263	6%	316	5%
Paphos	1.132	21%	713	15%	920	15%
<b>Total</b>	<b>5.374</b>	<b>100%</b>	<b>4.632</b>	<b>100%</b>	<b>6.064</b>	<b>100%</b>



Nicosia continues to command the larger share of residential property transactions within the range of €100k - €300k during 2021 (34%), followed by Limassol (27%) and Larnaca (19%).

■ Nicosia ■ Limassol ■ Larnaca ■ Famagusta ■ Paphos

Source: Department of Lands and Surveys (DLS), PwC Analysis

Note: Residential property segment statistics for all years were based on a data extraction dated 17/01/2022. Any differences with previous publications relate to amended Land Registry records (e.g. cancellations of previous sales etc.) and discrepancies between the date of agreement and respective filing date.

# 9 Real Estate price evolution

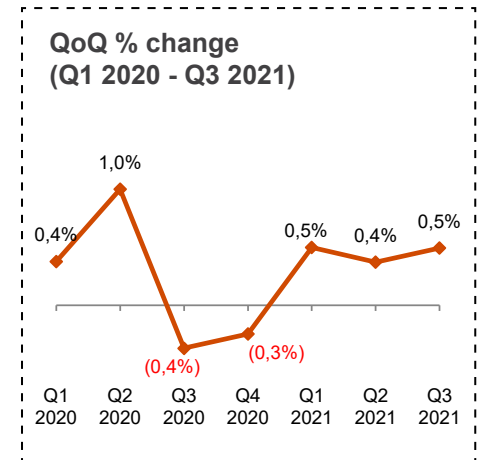
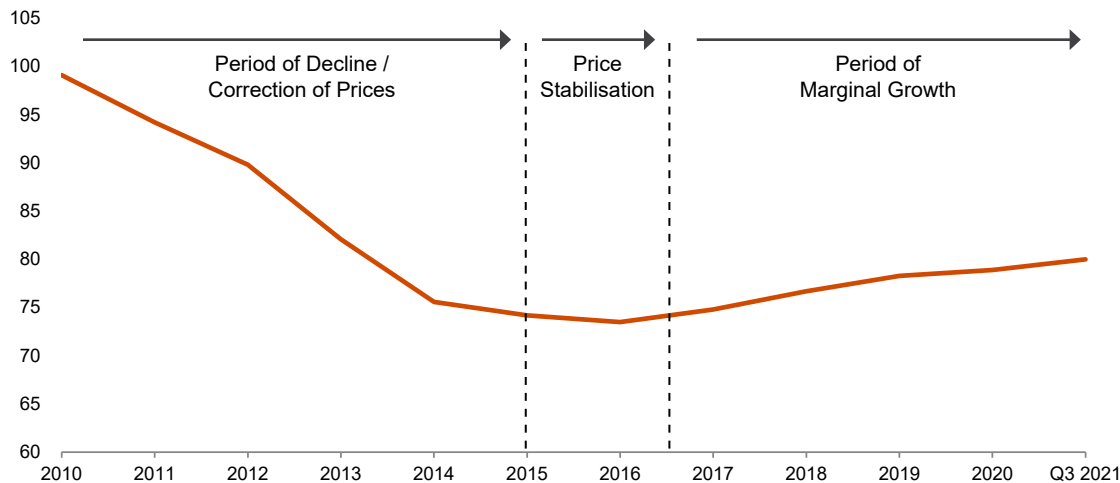


## Residential Property Prices

The behaviour of residential property prices across Cyprus is captured by the Central Bank of Cyprus (CBC) index, amongst other publicly available indices.

Despite the overall reduction in activity levels observed during 2020, index prices proved to be relatively resilient, recording a marginal increase of 1% during 2020. During Q3 2021 (latest available information), the CBC residential property price index recorded a further 0,5% quarterly increase, compared to Q2 2021 and on an annual basis, it recorded an increase of 1%, compared to Q3 2020. The increase in index prices was mainly driven by the demand from local buyers (particularly for apartments), aided from the subsidisation of interest rates on housing loans, the Government support schemes relating to the labour market and the second moratorium for deferral of loan instalments. The index growth may also be linked to the increases in construction material prices during 2021.

### CBC Residential Property Price Index (2010 - Q3 2021)

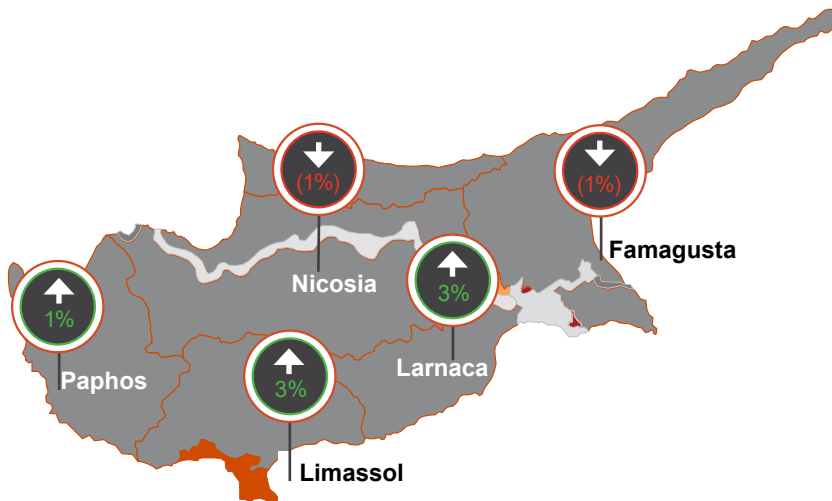


Annual price change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	12 months ending Q3 2021 (YoY%)
CBC	(5%)	(5%)	(9%)	(8%)	(2%)	(1%)	2%	3%	2%	1%	1%



Looking at the behaviour of the CBC price index across Cyprus on an annual basis up to Q3 2021, residential property prices in Limassol, Larnaca and Paphos recorded increases of 3%, 3% and 1% respectively. The index indicates a marginal drop for Nicosia and Famagusta of c.1% respectively on an annual basis.

#### YoY % growth in CBC Residential Property Price Index (Q3 2021 Vs Q3 2020)



Source: CBC RPPI, PwC Analysis

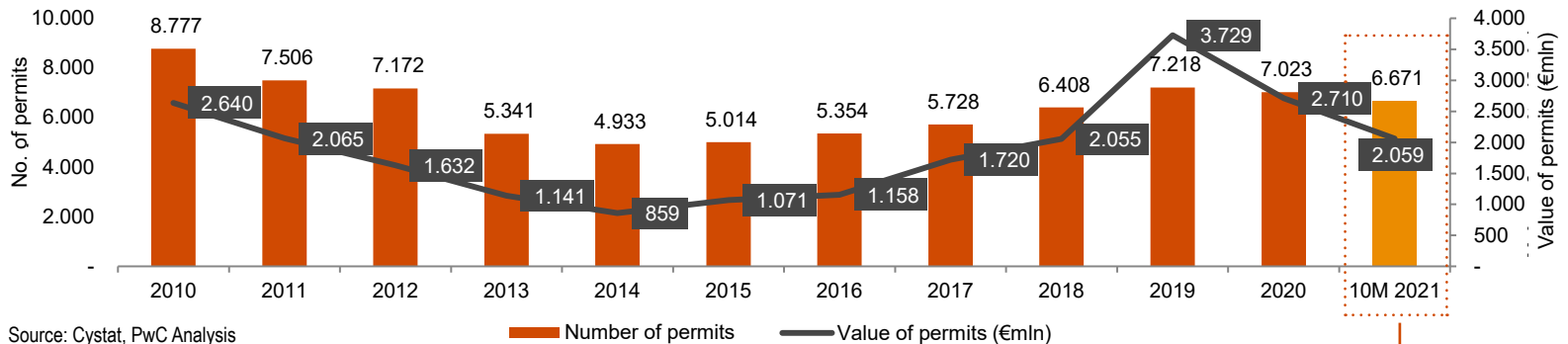
# 10 Construction activity

According to the European Commission, despite the termination of the CIP in November 2020, the construction sector remains strong due to domestic demand for housing, supported by the mortgage subsidisation scheme and demand from foreign buyers.

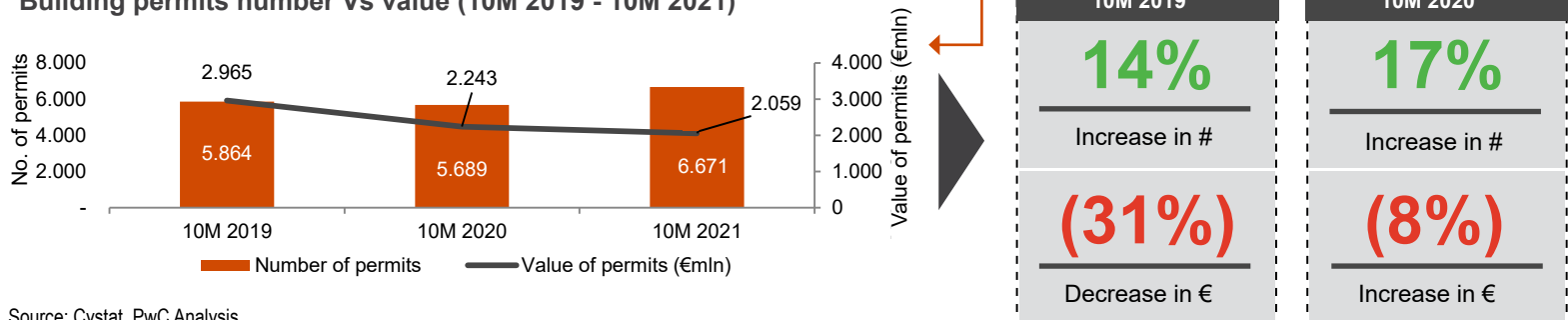
New building permits issued during January - October 2021 (10M 2021) reached 6.671 representing a 17% increase compared to the respective period in 2020 (10M 2020) and a 14% increase compared to the respective period in 2019 (10M 2019). In value terms however, the new permits issued dropped by 8% compared to 10M 2020 and dropped by 31% when compared to 10M 2019, indicating that new developments are on average of a smaller scale when compared to 2020 and to a greater extent to 2019.

According to the European Commission, even though domestic demand is expected to ease after the expiration of the interest subsidy scheme in December 2021, construction activity is expected to continue to recover due to ongoing infrastructure projects in tourism, energy and education.

## Building permits number Vs value (€mln)



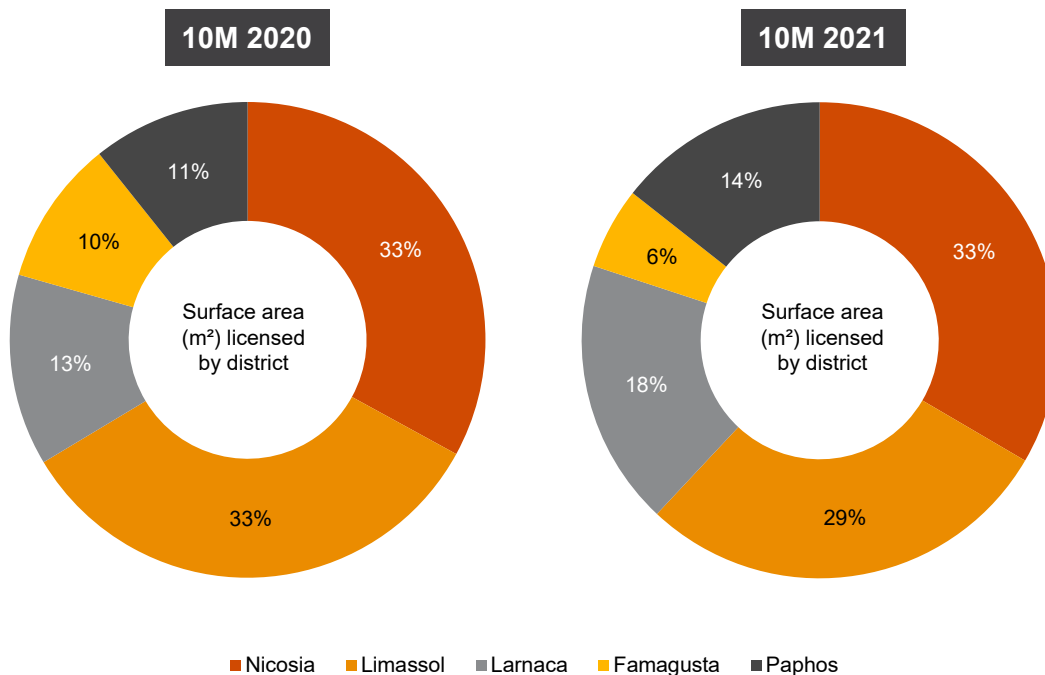
## Building permits number Vs value (10M 2019 - 10M 2021)



## Distribution of building permits per district and surface (m<sup>2</sup>) during Jan-Oct 2021

The largest concentration of new permits for developments, in terms of licensed building surface (m<sup>2</sup>) during 10M 2021, relates to Nicosia (33%), followed by Limassol (29%).

Larnaca and Paphos experienced a resurgence in building activity during 10M 2021, demonstrating 43% and 38% increases respectively compared to 10M 2020. On the other hand, Famagusta and Limassol witnessed decreases of 42% and 12% respectively during the period. This could be the result of a deceleration of initiatives from the private development sector to pursue Hotel & Leisure projects. Nicosia experienced a marginal increase of 5% during 10M 2021, compared to 10M 2020.



Source: Cystat, PwC Analysis

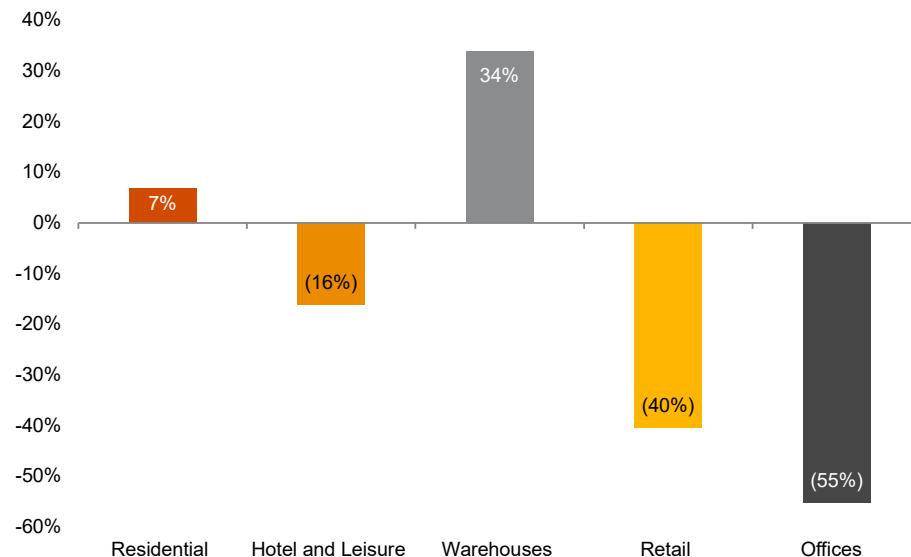


Overall, residential developments comprised the majority of licensed surface area during 10M 2021, making up 85% of new developments licensed.

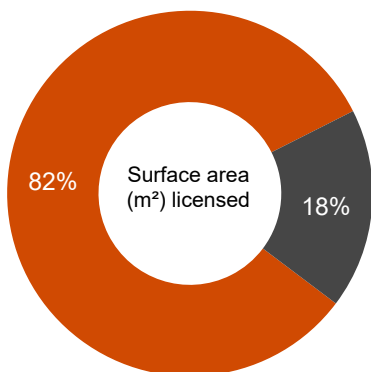
In terms of the surface area licensed during 10M 2021, warehouses and industrial premises appear to have recorded the highest increase (34% compared to 10M 2020), followed by residential developments which demonstrated a growth of 7% yoy.

Offices and retail related-uses experienced the biggest hit during 10M 2021 (55% and 40% respectively compared to 10M 2020), which may be connected to the effects of the pandemic.

### % change in surface area (m<sup>2</sup>) licensed per property type (10M 2021 Vs 10M 2020)

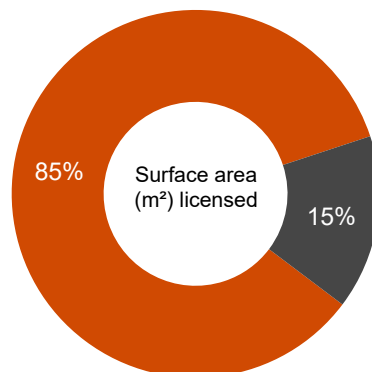


10M 2020

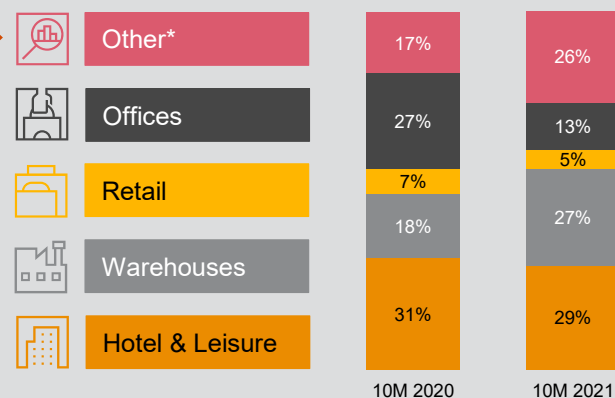


■ Residential ■ Non-Residential

10M 2021



### Breakdown of non-residential surface area (m<sup>2</sup>) (10M 2021 Vs 10M 2020)



Source: Cystat, PwC Analysis

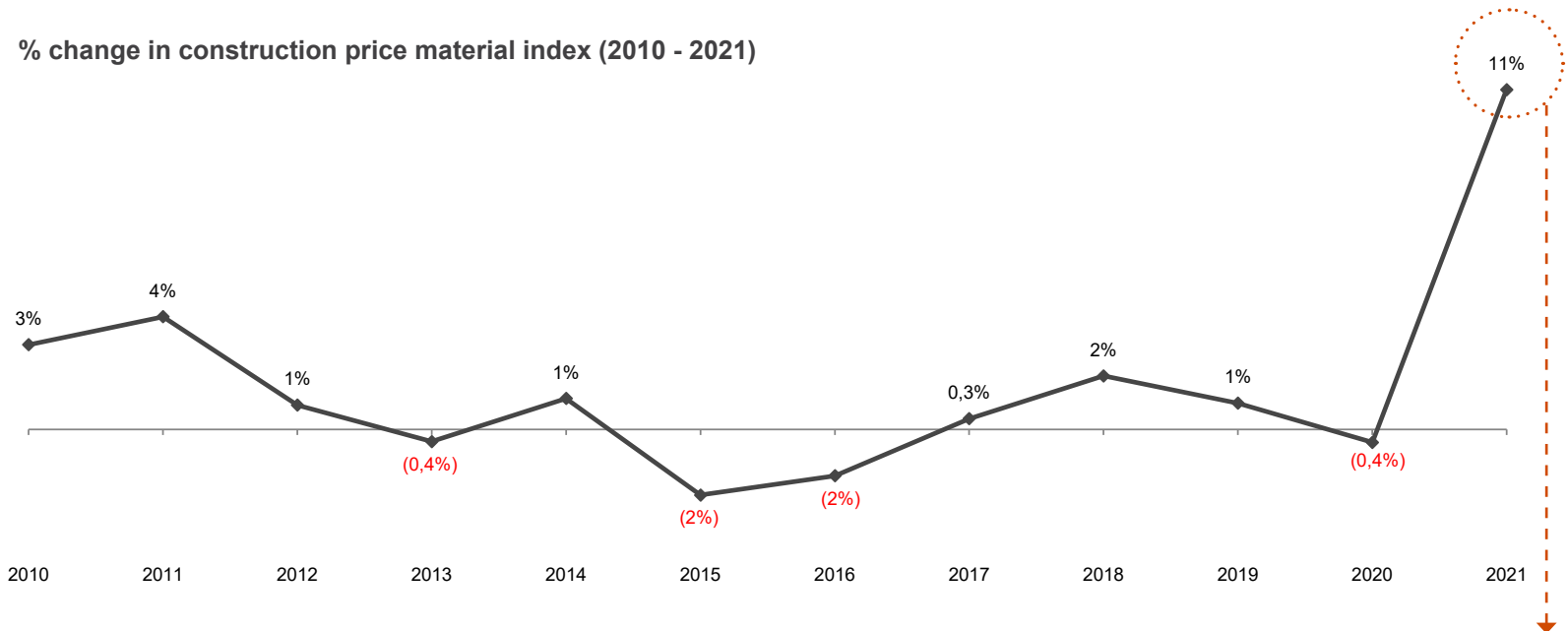
Source: Cystat, PwC Analysis

\*Note: Other relates to (i) public entertainment buildings and buildings used for recreational, educational or medical purposes, (ii) transport and communication buildings, and (iii) other non-residential buildings.

## Construction material prices during 2021

Following a marginal drop in construction material prices observed during 2020 (-0,4%), the market has been experiencing a continuous hike in the cost of construction material prices, which has been ceaseless throughout 2021. On an annual basis a growth of 11% has been recorded, driven by inflation in the price of metallic products (c.23%) and products of wood, chemicals and plastics (c.10%).

% change in construction price material index (2010 - 2021)



Source: Cystat, PwC Analysis

### Annual price change

2021

Minerals	2,6%
Products of wood, insulation materials, chemicals and plastics	9,9%
Mineral products	1,9%
Metallic products	22,9%
Electromechanical products	8,2%
<b>Weighted</b>	<b>11,0%</b>



## How PwC can help



At PwC Cyprus, we have a truly dedicated and integrated team specialising in the real estate sector. Our team takes your whole business into account and focuses on your needs and objectives.

We are uniquely positioned to bring the best business advice with the best real estate advice, providing tailor-made solutions of high quality for specific needs to clients who develop, invest, own, lease, dispose or acquire any type of property in Cyprus.

Our clients draw comfort from working with PwC, the leading organisation of its kind in the world, and from the integrity, reliability and security that brings with it.

Our strong international network combined with our local expertise, enable us to support our clients' needs in all their countries of operation.



# What we bring to our clients



Unparalleled track record in **property transaction advisory services**



In-depth **understanding of the changing market forces** that are affecting the local real estate industry



**Diverse team of real estate professionals** with backgrounds ranging from merger and acquisition specialists, engineers, management consultants, property valuers, planning experts and finance experts



**Ongoing monitoring** of the behaviour of the market and its dynamics



**Data analytics** of transaction information



Extensive experience of qualitative and quantitative **research techniques for real estate transaction activity**



Regularly updated **own-database of property transactions**



A strong **reputation for rigour, independence and impartiality**



**In-depth knowledge** of Town Planning Regulations and Land Registry workings

11

# PwC Real Estate advisory services

## Real estate transaction advisory services

1

- Real Estate Due Diligence
- M&A advisory and assistance in raising finance
- Transaction support
- Go to market strategies

## Real estate data analytics & market analysis

2

- Benchmarking analysis
- Market intelligence
- Real estate portfolio analytics

## Real estate development advisory

3

- Development appraisals / Feasibility studies
- Highest & Best Use analysis
- Objective assessment of Business Plans
- Financial modelling

## Valuation analysis & verification

4

- Valuation reviews for financial reporting purposes
- Property portfolio valuation analysis

## Loan portfolio advisory

5

- Quality review of real estate collaterals
- Liquidity / marketability assessment of portfolio
- Data integrity and remediation
- Research and analytics



# 12 PwC in Cyprus

In a world that is constantly evolving, our aim at PwC Cyprus is to find the right solutions to complex problems, creating value for our clients, stakeholders and society. We embrace the future with a focus on quality and by building strong relationships based on trust. In times of great challenge, trust is more important than ever.

PwC's new global strategy, "The New Equation", leads to a people led and tech powered future. It includes our ability to look at problems from different angles and present innovative solutions that make a difference and lead to sustained outcomes.

More than 1,000 people in Cyprus join forces with 295,000 professionals of our global network in 156 countries and create an experienced team that combines intelligent approaches, experience and technological innovation.

In a dynamic and challenging business environment, where competition is more intense than ever, we are here to support you at every step of your journey. Ready to provide you with a broad range of services that meet even your most complex needs.

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Tax Advisory

Advisory

Indirect Tax

Legal

International Private Clients

Tax Reporting Strategy



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CySEC Regulated Investment Firms

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Health

Banking

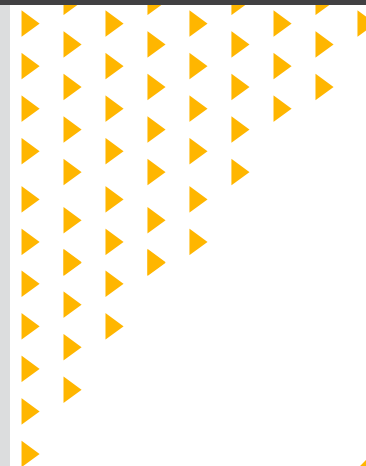
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Retail & Consumer

Insurance

Hospitality & Leisure

Government & Public Services



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## Your contacts for Real Estate matters



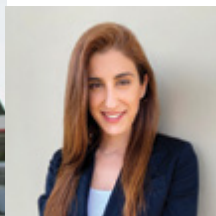
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