



Year in Review 2022

Cyprus Real Estate Market

February 2023





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Foreword

We are delighted to present our latest PwC Cyprus Real Estate Market publication. This publication provides information about the Cyprus economy in general and an analysis of key real estate market developments, focusing on the performance of the sector during 2022. Our analysis includes presentation of transaction activity exhibited across the island, the residential property sector in particular, the behaviour of property prices and developments in the construction sector. The analysis presented is based on the available market data for 2022, using PwC's rich and in-depth market expertise and data analytics capabilities.



Throughout the years, our world has been confronted by several serious crises. It is the first time in history however, that multiple crises and challenges are all occurring simultaneously: the war in Ukraine and the wider geopolitical instability, the energy crisis, disruptions in the supply chain which cause political and economic instability, the persistent presence of the pandemic, all alongside the accelerating climate change. The potential impact of all these factors expands dramatically if one takes into account the interconnected and integrated environment in which we live, operate and do business. Faced with a difficult and uncertain future, the crucial question one must consider is, how do we prepare and reinvent for the future, whilst also maneuvering through the immediate challenges?

The Cyprus economy has maintained solid growth during 2022, despite the effects of increasing inflation during the year and the erosion of purchasing power, in the midst of a weakening EU economy. The small size of the Cypriot economy, its flexibility and extroversion, provides agility to effectively adapt to and overcome difficulties, as evidenced by the optimistic forecasts for 2023 growth. In this ever-shifting landscape, the Cyprus real estate market has proved to be particularly resilient,

with transaction activity levels in 2022 exceeding expectations, reaching a record-high of €5,2bn in value of real estate transactions. Demand appears to be fuelled by the ongoing demographic shifts, in the context of a continuously growing appetite of foreign companies to relocate to Cyprus, a trend that has been further accelerated following the war in Ukraine.

The need for fast evolution in the face of a fluctuating global landscape, creates an urgency to pursue a more radical transformation of the sector, and for the industry participants to continue revisiting their strategies and priorities, focusing on concepts, products and infrastructure solutions that are sustainable and fit for the future.

Philippos Soseilos
CEO and Chairman
PwC Cyprus



FY 2022

The key highlights



Real GDP %
European Commission Forecasts
 5,6% - 2022 (F)

Following the global outbreak of the COVID-19 pandemic in 2020, the Cypriot economy exhibited strong signs of recovery during 2021, with GDP exceeding pre-crisis levels (6,6%). Real GDP surpassed growth expectations during the first half of 2022, mainly driven by strong domestic demand and supported by a partial rebound in tourism. However, high energy prices, increasing levels of inflation and the erosion of purchasing power combined with a weakening EU economy, contribute towards a slowdown of the economy during the second half of the year. Overall, the Cyprus economy is expected to demonstrate solid growth during 2022, with the European Commission estimating a real GDP growth of 5,6%.



Cyprus Government Bonds
 Cyprus issuing its first ever Green Bond, aiming to yield up to €1bn

In January 2022, the Republic of Cyprus tapped the markets again with a new 10-year international bond (€1bn), with a coupon rate of 0,95%. Demand for the said 10-year bond, exceeded €7,8bn, pulling interest rates down from the peak 1,10% set by the Ministry of Finance, to 0,994%. Economic uncertainty amid the war in Ukraine and the ECB rate hikes announcement have pushed Cyprus bond yields upwards in the wider context of sovereign bond sell-out in secondary capital markets, with Cyprus' 10-year bond yield rising above 4% in October 2022. In April 2022, the Cabinet approved the issuance of Cyprus' first ever Green Bond which will be announced in 2023 and is aiming to yield up to €1bn.



Unemployment
 7,2% - 2022 (F)

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.





Lending Market

Relatively stable, recording a marginal (4%) drop during 2022

New mortgage loan facilities remained strong during 2022 (€1.285mIn), despite the expiration of the Government interest rate subsidy scheme at the end of 2021. Specifically, new mortgage facilities recorded a marginal 4% drop during 2022, compared to 2021.



GVA Contribution

The Real Estate & Construction sector's contribution to GVA output increased by 5% (12M period to 30 September 2022)

The Real Estate & Construction sector contributed 15% to the country's GVA during the 12-month period to 30 September 2022. The sector's GVA output increased by 5% during the same period, highlighting its continuous resilience and importance to the overall economy.





€5,2bn transaction value (27% increase compared to 2021)

- The Cyprus real estate market is proving particularly resilient, with transaction activity levels in 2022, exceeding expectations, reaching a record-high of €5,2bn in value, recording an annual increase of 27%.
- Limassol continues to be the front-runner, making up 50% of the transaction value increase observed during the year, followed by Paphos (33%).



22.500 transactions recorded (12% increase compared to 2021)

- 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.



Apartment transactions have been a driving force for the market

- Undoubtedly, the driving force of the market relates to apartments with the value of transactions reaching €2,1bn during 2022, compared to €1,5bn during 2021, recording a 42% increase. Demand was mainly fuelled by a growing appetite from companies of foreign interests to relocate their operations and staff on the island (mainly in the coastal areas) and was further supported by a resilient domestic segment.
- In total, 9.000 apartments were transacted during 2022, compared to 7.000 during 2021, recording a 29% increase.



61% increase in transactions from foreign buyers

- During 2022, a total of 5.928 properties across Cyprus were acquired by foreigners (in terms of sale contracts filed at the DLS), compared to 3.691 properties during 2021, representing a 61% increase.
- Limassol and Paphos made up the majority of foreign transactions (34% each), followed by Larnaca (20%).



Double-digit growth in transaction volume and value of high-end residential properties (≥ €1,5mln)

- During 2022, a total of 220 transactions of residential properties ≥ €1,5mln were observed (36% YoY growth), indicating a partial recovery, signalling also that this segment remains active.
- In terms of sales value, this segment totalled €590mln, representing 11% of total transaction value of the sector during 2022.





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 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.



Real Estate Price Evolution

- 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.



5% drop in volume of new building permits issued

- 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%).
- Despite the growing levels of demand, building permits dropped, predominantly due to the increases in construction costs, which affected the market and particularly the private/single housing segment. New building permits issued during 10M 2022 dropped by 5% compared to 10M 2021.





Cyprus economy update

The Cypriot economy surpassed growth expectations during the first half of 2022, but the outlook points towards a deceleration.

Following the outbreak of the COVID-19 pandemic, the Cypriot economy exhibited strong signs of recovery during 2021, with GDP exceeding pre-crisis levels. Specifically, real GDP increased by 6,6% (slightly surpassing the EU average of 5,4%) compared to a -4,4% compression during 2020 (EU average of 2020: -5,7%).

According to the European Commission Autumn 2022 report, real GDP surpassed growth expectations during the first half of 2022, mainly driven by strong domestic demand and supported by a partial rebound in tourism, which outperformed expectations. However, high energy prices, increasing levels of inflation and the erosion of purchasing power combined with a weakening EU economy, contribute towards a slowdown of the economy during the second half of the year.

As a whole, the Cyprus economy is expected to demonstrate solid growth during 2022, with the European Commission estimating a real GDP growth of 5,6%, outperforming the EU average (Forecast: 3,3%), albeit at a slower rate compared to 2021.

In 2022, the Cyprus Government introduced a set of incentives for companies of foreign interests to establish headquarters/a base in Cyprus, relocating operations and staff to the island. According to the European Commission report, more than 1.000 foreign companies chose to relocate their operations to Cyprus during the year, together with a reported number of 9.000 employees, which would roughly translate to c.25.000 people (employees together with their families) relocating to Cyprus. The positive impacts from this continuous demographic shift are apparent to the observed levels of demand in the real estate transaction and rental markets, that is anticipated to trigger widespread direct and indirect positive effects to the Cyprus economy as a whole.

+6,6%

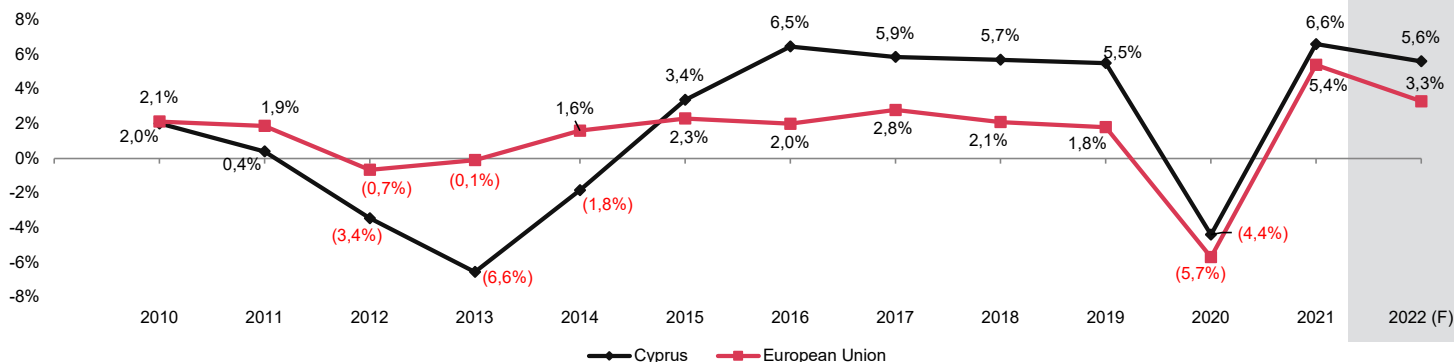
2021
Real GDP %

+5,6%

2022 (F)
Real GDP %

European
Commission
Forecast

Cyprus Vs European Union Real GDP (% change)



Source: European Commission



Note: The 2022 Forecast represents the latest available European Commission estimates based on their Autumn 2022 European Economic Forecasts

2022 (Forecast)
GDP % (constant prices)

Ireland	7,9%	•
Portugal	6,6%	•
Slovenia	6,2%	•
Greece	6,0%	•
Croatia	6,0%	•
Malta	5,7%	•
Cyprus	5,6%	•
Austria	4,6%	•
Netherlands	4,6%	•
Spain	4,5%	•
Italy	3,8%	•
European Union	3,3%	•
Belgium	2,8%	•
France	2,6%	•
Lithuania	2,5%	•
Finland	2,3%	•
Latvia	1,9%	•
Slovakia	1,9%	•
Germany	1,6%	•
Luxembourg	1,5%	•
Estonia	(0,1%)	•



Source: European Commission

 **Note:** The 2022 Forecast represents the latest available European Commission estimates based on their Autumn 2022 European Economic Forecasts

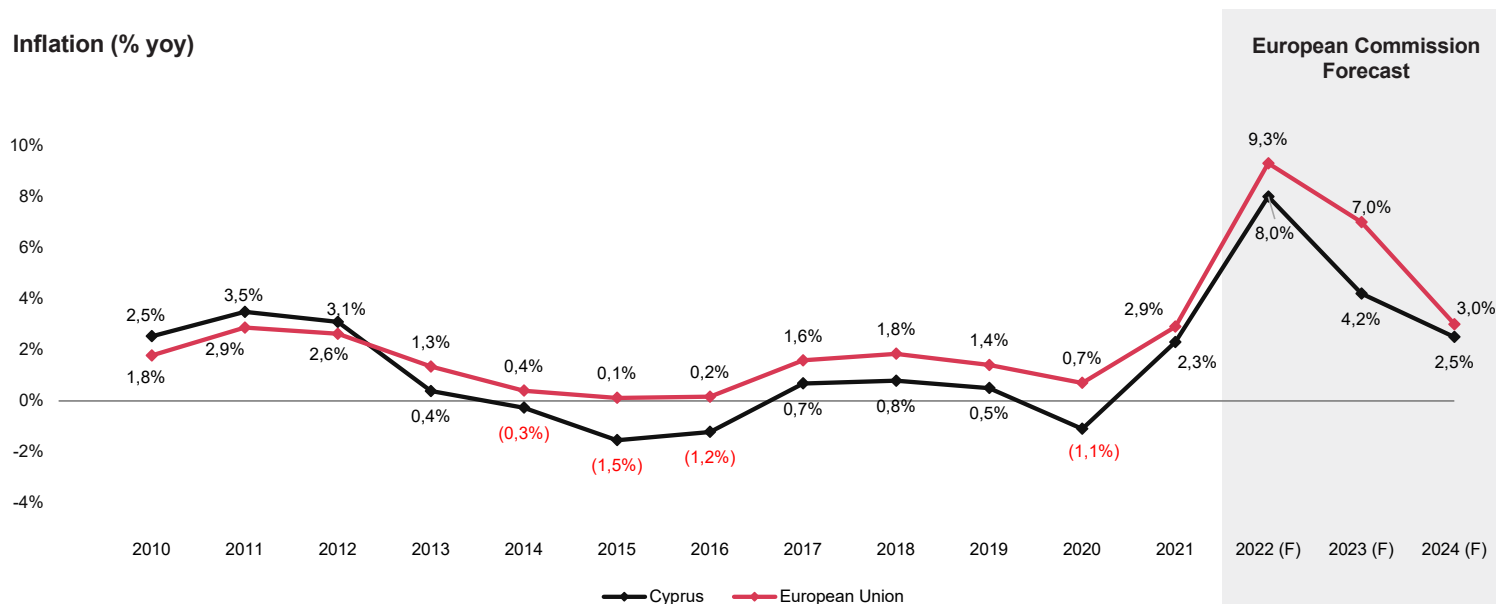
Inflation

Inflation (as measured by the Harmonised Index of Consumer Prices) has been following an upward trend since 2021 (2,3%) and is expected to climb to 8,0% by the end of 2022, mainly driven by increasing energy prices (34,7% increase during 10M 2022 compared to 10M 2021) and food prices (7,1% increase during 10M 2022 compared to 10M 2021), due to the war in Ukraine. According to the Central Bank of Cyprus, the rise in inflation is also partially

attributed to the restart of the economy, following the lift of the COVID-19 pandemic measures, which led to an increase in demand, particularly in the services sector.

Inflation is expected to remain high over the coming years, as indicated by the European Commission, decelerating gradually to pre-crisis levels by 2024 (forecasted at 2,5%).

Inflation (% yoy)



Source: European Commission

 **Note:** The 2022, 2023 and 2024 Forecast represents the latest available European Commission estimates based on their Autumn 2022 European Economic Forecasts

Unemployment

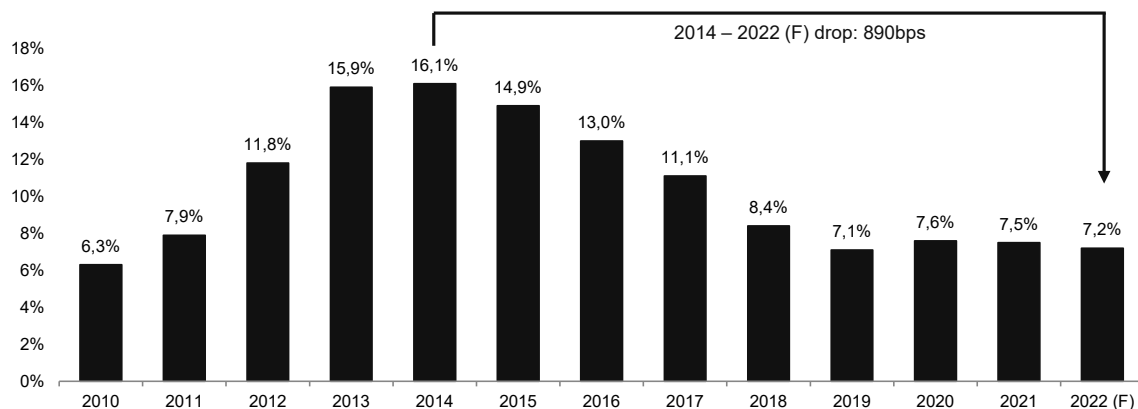
The introduction of temporary Government measures to protect employment, decelerated the country's increasing unemployment rate during 2020 and 2021 (7,6% and 7,5% respectively). These measures were extended until October 2021 and were later lifted due to the improved economic environment.

According to the European Commission Autumn 2022 report, 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% during

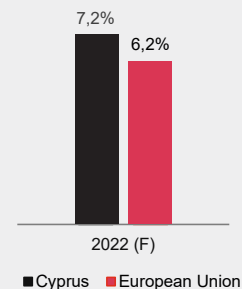
2022 (compared to 6,2% being the EU average), reaching pre-crisis levels.

The labour market is expected to continue to improve during 2023 onwards, mainly due to the implementation of reforms in the Recovery and Resilience Plan, approved by the Council of the European Union in July 2021. In addition, continuation in foreign companies relocating to Cyprus together with their staff, is expected to positively impact the economy in the medium and long-term.

Unemployment rate in Cyprus (% of total labour force)



European Commission Forecast



Source: European Commission



Note: The 2022 Forecast represents the latest available European Commission estimates based on their Autumn 2022 European Economic Forecasts

Cyprus’ sovereign rating

Cyprus continues to enjoy an “investment grade” rating from three major credit rating agencies, namely Fitch, S&P and DBRS Morningstar. DBRS and S&P upgraded Cyprus to BBB in April 2022 and September 2022 respectively. At the same time, both agencies revised the outlook from positive to stable, with S&P citing that a “stable” outlook reflects a balanced risk profile, which on one hand considers the adverse effects from the war in Ukraine and on the other hand, accounts for the economy’s diversified structure and resilience to external shocks, alongside the expectation that the Government’s fiscal position will continue to improve.

Fitch maintains Cyprus at a BBB- rating since 2018, with a stable outlook. The stable outlook reflects Fitch’s view that, while the

Cypriot economy had a robust post-pandemic recovery and Government finances have proved resilient, Cyprus’ high exposure to Russia through its investment and tourism linkages poses significant risks.

In July 2021, Moody’s upgraded Cyprus’ rating to Ba1, just one notch below investment grade. In August 2022, Moody’s changed the outlook from stable to positive, highlighting the strong reduction in Cyprus’ public debt ratio in 2022, the stronger than expected economic resilience to the war in Ukraine and the COVID-19 pandemic, coupled with ongoing strengthening of the banking sector, with non-performing exposures (NPEs) continuing to decline.

Credit Rating Agency	Previous Credit Rating	Date Rating Changed	Current Credit Rating (02/2023)	Outlook	Date Outlook Changed
Moody’s	Ba2	23.07.2021	Ba1	Positive	19.08.2022
Fitch	BB+	19.10.2018	BBB-	Stable	03.04.2020
S&P	BBB-	02.09.2022	BBB	Stable	02.09.2022
DBRS Morningstar	BBB (low)	08.04.2022	BBB	Stable	08.04.2022

Source: Moody’s Corporation, Fitch Ratings, S&P Global Ratings, DBRS Morningstar

Cyprus Government bonds

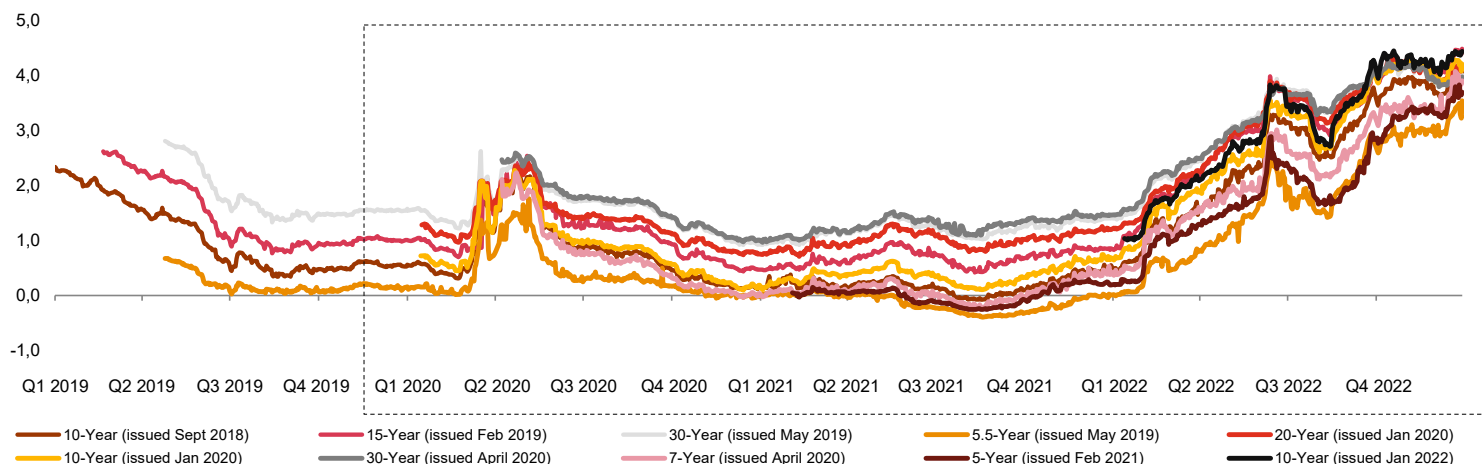
The latest bond issued by the Republic of Cyprus was on 20 January 2022, when it tapped the markets with a new €1bn, 10-year euro bond, with a coupon rate of 0,95%. Demand for the said 10-year bond, exceeded €7,8bn, pulling interest rates down from the peak 1,10%, set by the Ministry of Finance, to 0,994%.

Economic uncertainty amid the war in Ukraine and the European Central Bank (ECB) rate hikes announcement are pushing Cyprus bond yields upwards in the wider context of sovereign bond sell-off in secondary capital markets. Cyprus' 10-year bond yield in the secondary markets rose above 4% in October 2022, with the spread compared with the German 10-year bond, considered the benchmark, amounting to 196bps.

The ECB raised its three key interest rates by 50bps during its July 2022 meeting, the first increase since 2011, ending 8 years of negative rates. In both its September and October 2022 meetings, the ECB raised its key interest rates by 75bps, bringing borrowing costs to the highest level since early 2009. Finally, in December, the ECB raised interest rates by 50bps, bringing the deposit facility rate to 2,00%, the refinancing rate to 2,50% and the marginal lending to 2,75%, a level not seen in 14 years.

In April 2022, the Cabinet approved the issuance of Cyprus' first-ever Green Bond, which will be announced in 2023, and it is aiming to yield up to €1bn. The Ministry of Finance is currently working to prepare the edition of the bond known as a "EUGB", pursuing environmentally sustainable investments and environmentally friendly business activities.

Cyprus Government Bond Yields (2019 - 2022)



Bond

Mid-yield (%)
as at 31 December 2022

20-Year Government Bond (issued January 2020)	4,190%
10-Year Government Bond (issued January 2020)	4,210%
30-Year Government Bond (issued April 2020)	3,981%
7-Year Government Bond (issued April 2020)	3,910%
5-Year Government Bond (issued February 2021)	3,700%
10-Year Government Bond (issued January 2022)	4,440%

Source: Refinitiv, PwC Analysis

Household disposable income and the lending market

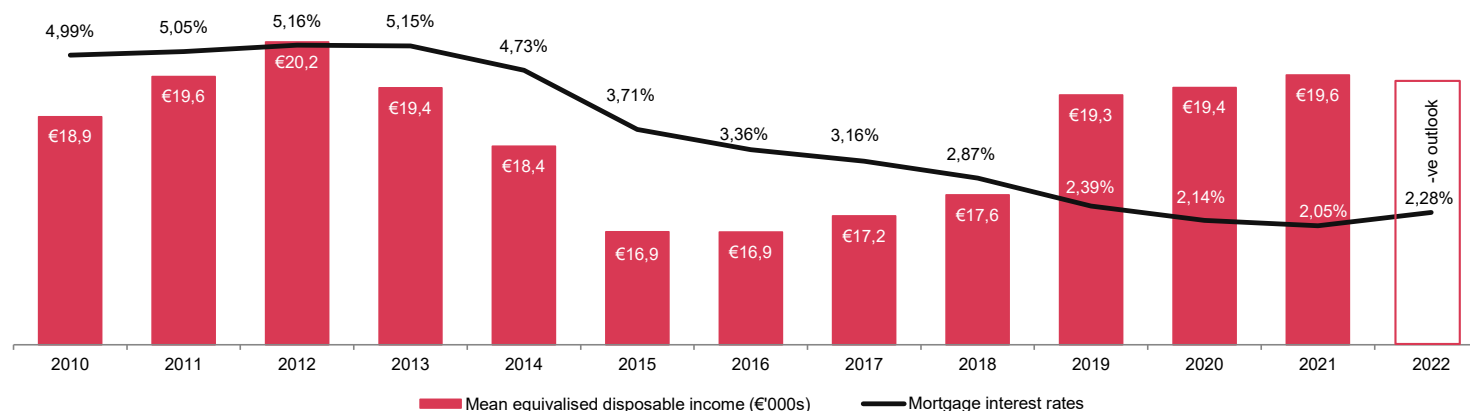
Household disposable income increased marginally by 1,0% during 2021 compared to 2020, attributed to continuing Government fiscal support measures.

Although data on real disposable income has not been made available for 2022, household disposable income is expected to remain at the same or lower levels compared to 2021, due to the phasing out of the COVID-19 related support measures granted to corporations and employees. Furthermore, according to the Central Bank of Cyprus, the negative effects of the war in Ukraine on spending as well as the increase in prices are expected to negatively

affect the level of household disposable income. On the other hand, according to the European Commission report (Autumn 2022), households' income will be supported by Government measures to cushion the impact of high energy prices and the indexation of wages and salaries, to be applied in January 2023.

At the same time, interest rates on housing loans demonstrated a marginal increase during 2022, reaching 2,28% (23 bps increase compared to 2021). The inflationary pressures, geopolitical uncertainty and the energy crisis are expected to drive interest rates upwards at a faster rate.

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

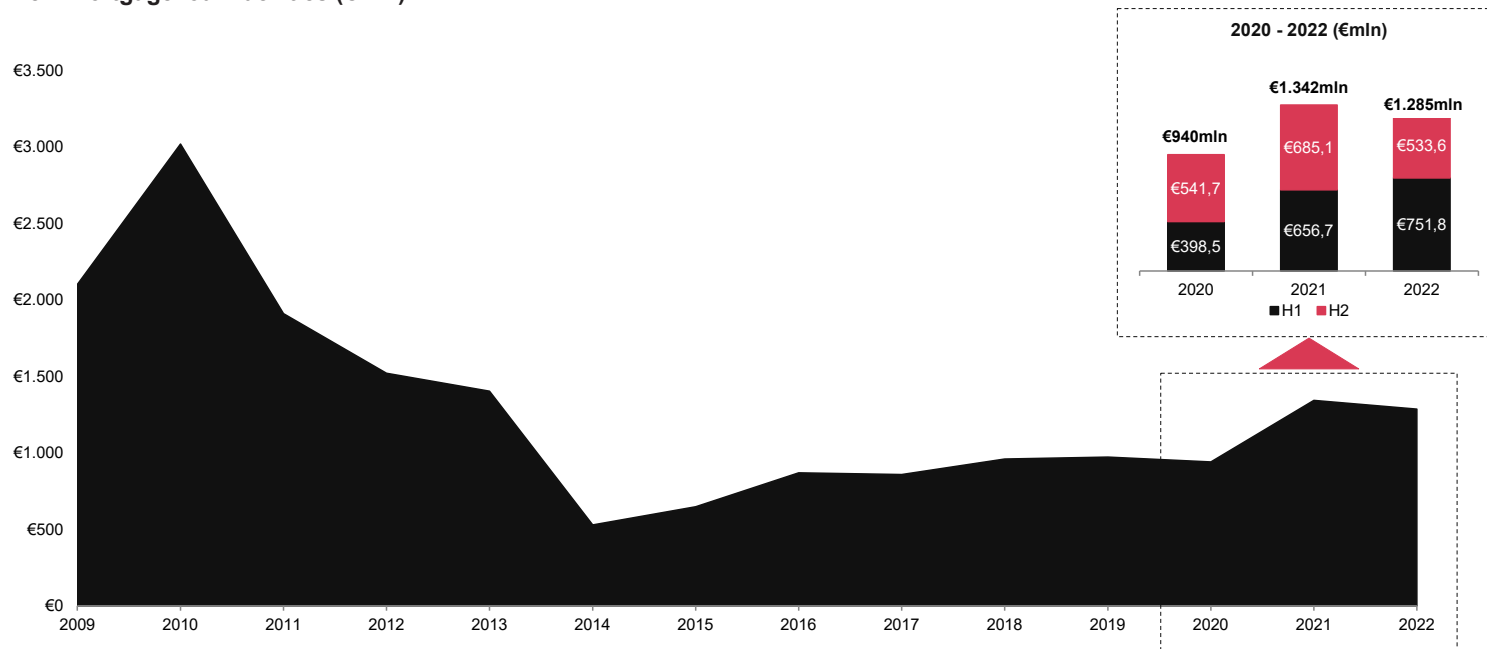
Note 2: The mortgage interest rates correspond to the average rates of greater than 5 years in terms of housing loans

Lending market

A significant increase in new mortgage loan facilities was recorded during 2021 (43% increase compared to 2020), mainly fuelled by the Government interest subsidy scheme, as well as the better than anticipated recovery of economic activity from Q2 2021 onwards. The growth in new mortgage lending was sustained during the first half of 2022 (€752m / 14% YoY growth), but decelerated during the second half (€534m / 22% YoY drop), amidst the rising costs of construction and looming uncertainty.

On balance, mortgage loan facilities remained strong during 2022 (€1.285m), despite the expiration of the Government interest rate subsidy scheme at the end of 2021. Specifically, new mortgage facilities recorded a marginal (4%) drop during 2022, compared to 2021 and recorded a 37% increase compared to 2020.

New mortgage loan facilities (€m)



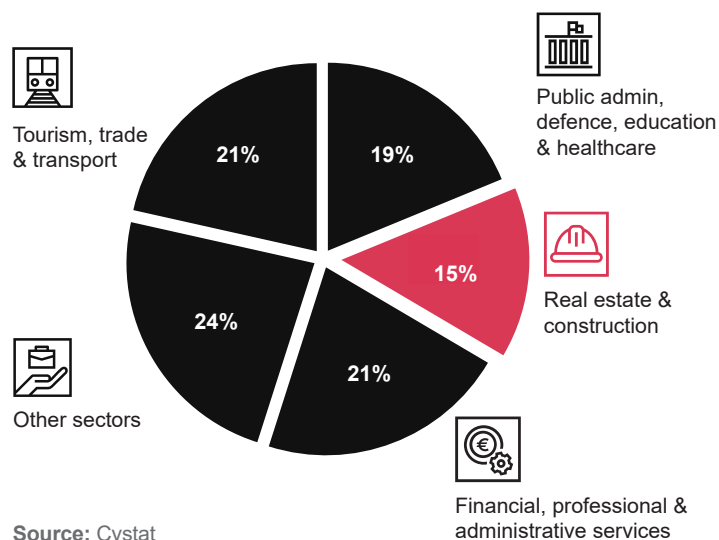
Real Estate & Construction:

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 contributed 15% to the country's GVA during the 12-month period to 30 September 2022.

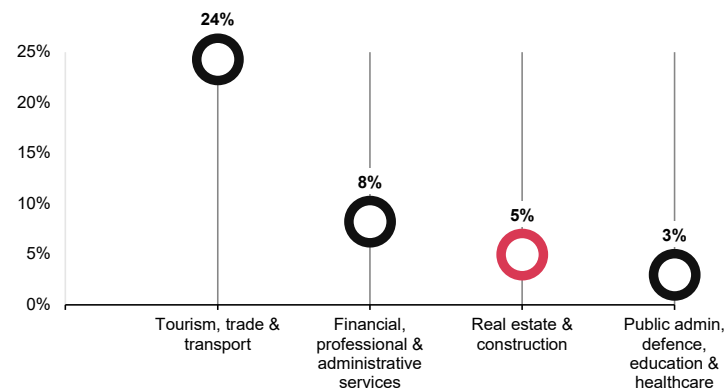
The sector's GVA output increased by 5% during the 12-month period to 30 September 2022, highlighting its continuous resilience and importance to the overall economy.

Gross Value Added contribution by sector (12-month period to 30 September 2022) (current prices)



At the same time, the Tourism, trade & transport sector outperformed and recovered a significant part of the ground lost since the outbreak of the COVID-19 pandemic, increasing by 24% during the 12-month period to 30 September 2022. The latest European Commission report for Cyprus (Autumn 2022) states, however, that the tourism sector, in the short term, is expected to take a hit due to the worsening of the external environment and the erosion of disposable income, as well as high air fares.

% Growth in GVA of key sectors for the 12-month period to 30 September 2022 (current prices)





Transaction volumes/ Investment activity levels

Cyprus Real Estate sector at a glance

The Cyprus real estate market is proving particularly resilient, with transaction activity levels in 2022, exceeding expectations, reaching a record-high of €5,2bn in value, recording an annual increase of 27%. In transaction volume terms, 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%.

According to the latest European Commission report (Autumn 2022), the sharp climb in transactions during 2022 is a reflection of the growing appetite from companies of foreign interests to relocate their operations and staff on the island, coupled with a resilient domestic segment. Since the beginning of the year, more than 1,000 foreign companies chose to relocate their operations to Cyprus during the year, together with a reported number of 9,000 employees, which would roughly translate to c.25,000 people (employees together with their families) relocating to Cyprus.

+27%

2022

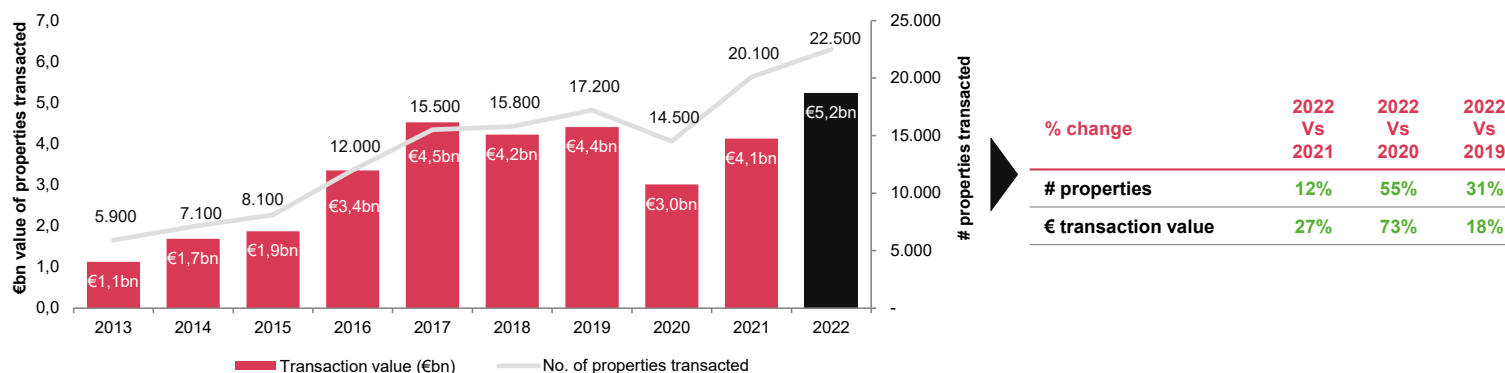
YoY growth
in €

+12%

2022

YoY growth
in #

Volume and Value of properties transacted



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 16/01/2023. 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 2022, the coastal districts of Limassol, Larnaca and Paphos experienced double-digit increases in terms of volume of transactions compared to 2021 (18%, 23% and 31% respectively). On the contrary, the districts of Nicosia and Famagusta experienced marginal drops of 6% and 1% respectively.



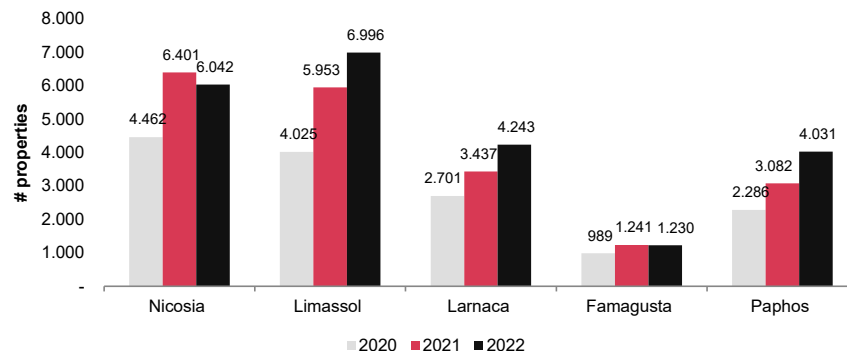
In terms of value of transactions, all districts recorded increases, with the exception of Famagusta, which recorded a marginal 1% drop. The most notable increase in transaction value was observed in Paphos, which recorded a YoY growth of 57% during 2022, mainly driven by the house and apartment segments.



During 2022, Limassol made up the majority of the volume of transactions (31%), followed by Nicosia (27%), which was the driver of transaction volume during 2021.

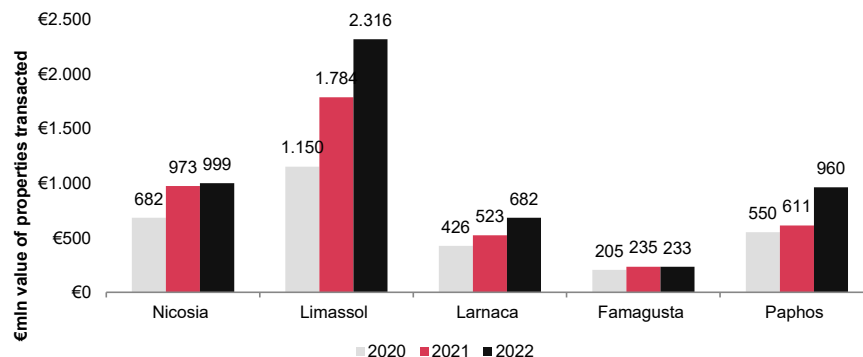
In transaction value terms, Limassol continues to be the front-runner, making up 45% of the total value of transactions during 2022. Nicosia ranked second, with 19% of total transaction value, followed by Paphos (18%).

Transaction volume per district (2020-2022)



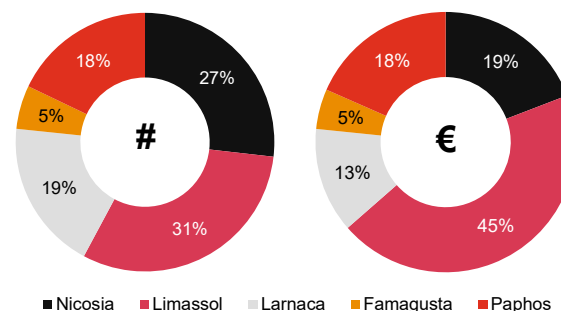
Source: Department of Lands and Surveys (DLS), PwC Analysis

Transaction value per district (2020-2022)



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

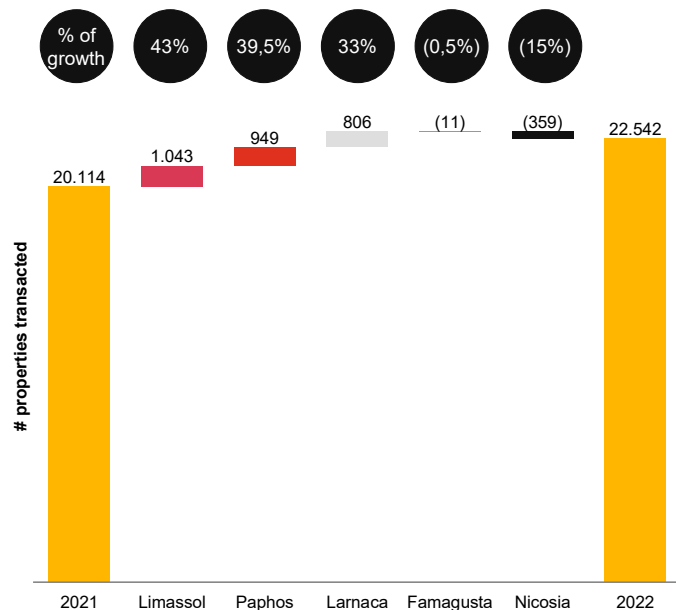
Transaction volume and value by district (2022)



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

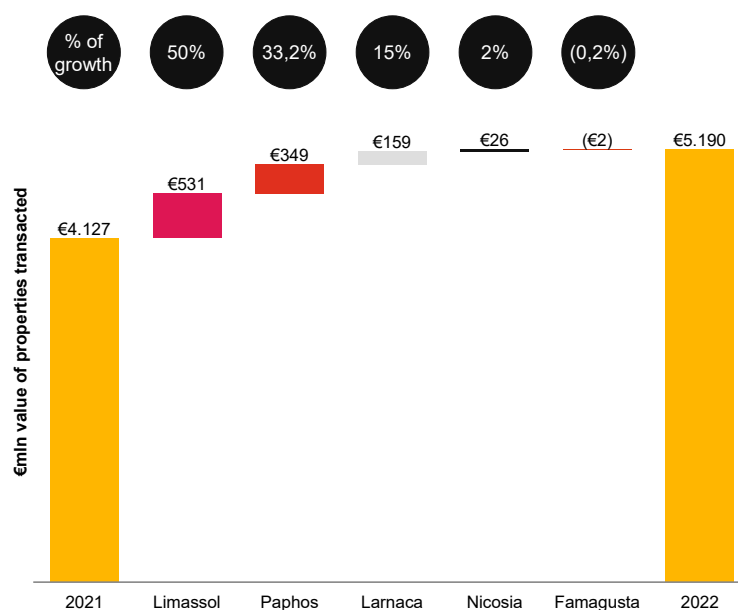
2022 Growth per district

Change in volume of transactions (2022 Vs 2021)



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

Change in value of transactions (2022 Vs 2021)

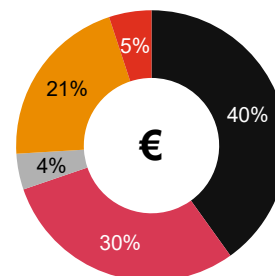


Source: Department of Lands and Surveys (DLS), PwC Analysis

Transactions in Limassol and Paphos made up >80% of the overall growth in the volume and value of transactions observed during 2022.

Transaction value by type

During 2022, the transaction value of the residential property sector reached a record-high €3,6bn, representing a YoY increase of 33%. According to PwC analysis, in total c.14.000 apartments and houses were sold (9.000 apartments and 4.900 houses), recording a YoY increase of 22%, indicating also that the units transacted were on average of a higher value compared to 2021. The residential property sector made up 70% of the total value of real estate transactions in the sector during the year (40% apartments and 30% houses), compared to a 66% contribution during 2021.



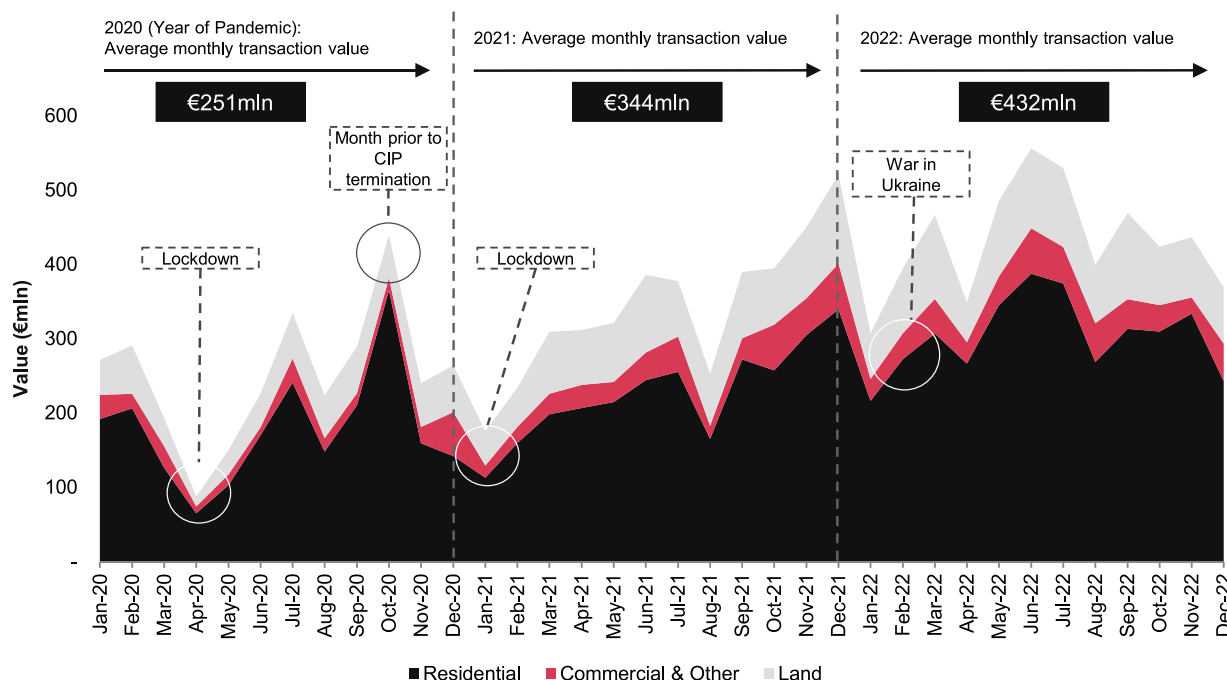
■ Apartments ■ Houses ■ Commercial ■ Land ■ Other

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

Transaction value per month (2020 - 2022)

The effects from the war in Ukraine further accelerated the materialisation of relocations of foreign operations and staff in Cyprus, with demographic shifts being more apparent during

June - July 2022, where the average value of monthly transactions reached a historic €543mln.



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

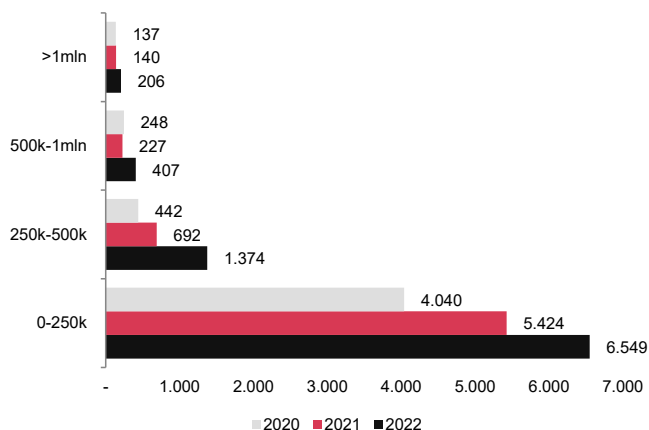


Apartments

	2020	2021	2022
€ transaction value	€1,1bn	€1,5bn	€2,1bn
# properties	5.200	7.000	9.000
Average price per unit	€210k	€210k	€235k

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

Apartments sold per price bucket



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



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



Fields

	2020	2021	2022
€ transaction value	€0,27bn	€0,47bn	€0,51bn
# properties	3.200	4.700	4.700
Average price per unit	€86k	€100k	€109k

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

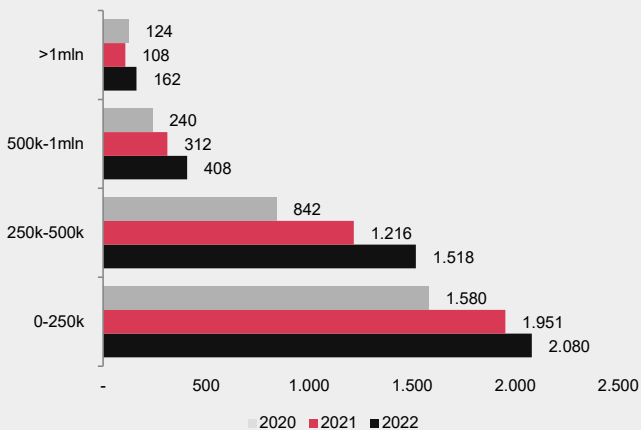


Houses

	2020	2021	2022
€ transaction value	€1,0bn	€1,3bn	€1,5bn
# properties	3.400	4.400	4.900
Average price per unit	€303k	€290k	€316k

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

Houses sold per price bucket



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



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



Plots

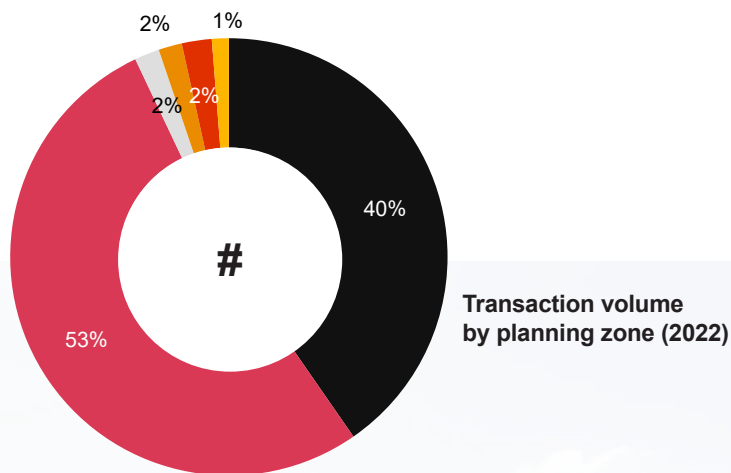
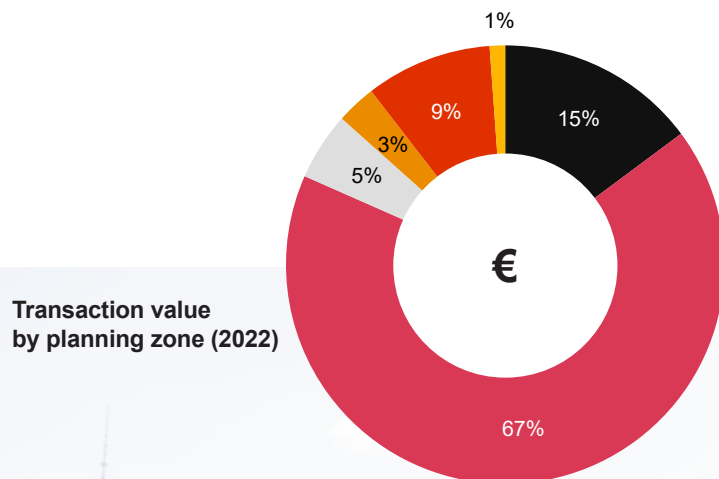
	2020	2021	2022
€ transaction value	€0,33bn	€0,49bn	€0,55bn
# properties	1.900	2.800	2.600
Average price per unit	€178k	€174k	€208k

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

Land transactions by planning zone

Land transactions reached €1,1bn during 2022, representing a 10% increase compared to 2021. Overall, land transactions represented 20% of the total transaction value of the sector and 32% of the total transaction volume of the sector.

67% of the total value of land transactions relate to land within residential planning zones, whereas 15% comprised land within agricultural planning zones. In volume terms, 40% comprised land within agricultural planning zones and 53% comprised land within residential planning zones.

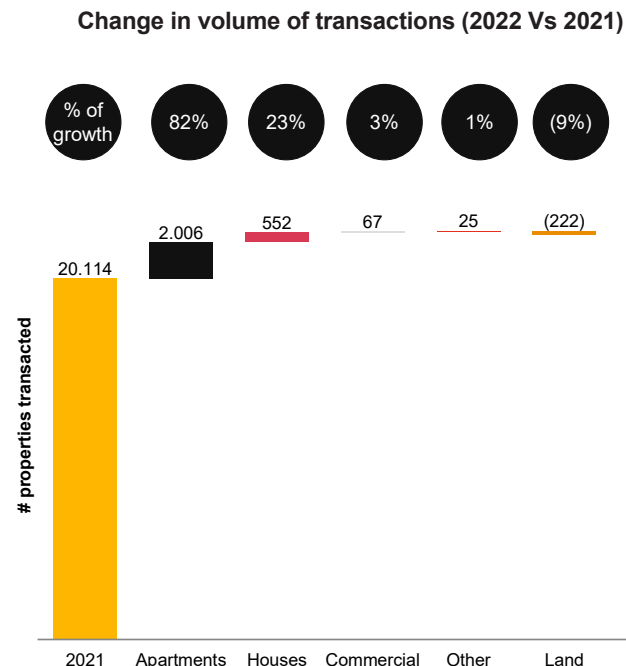


■ Agricultural ■ Residential ■ Commercial & Special Zones ■ Industrial ■ Tourist ■ Other / Non-identified

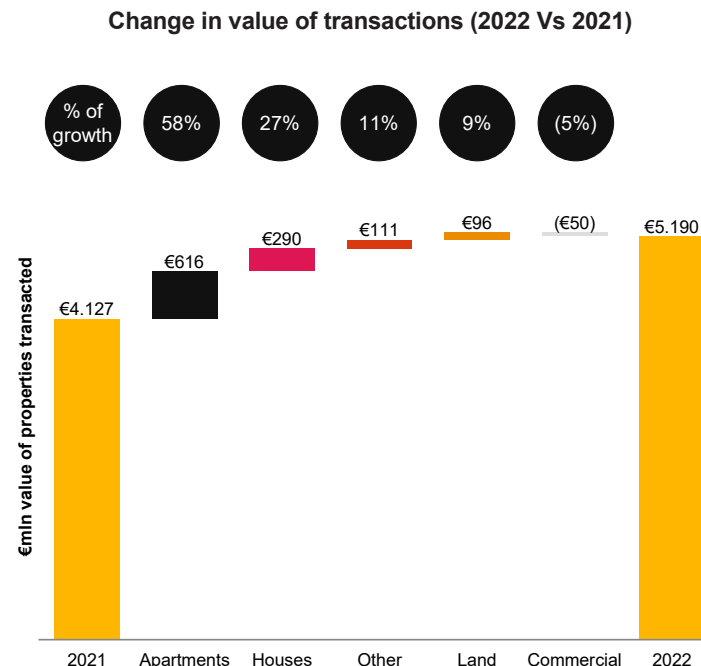
Source: Department of Lands and Surveys (DLS), PwC Analysis



2022 Growth per property type



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



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

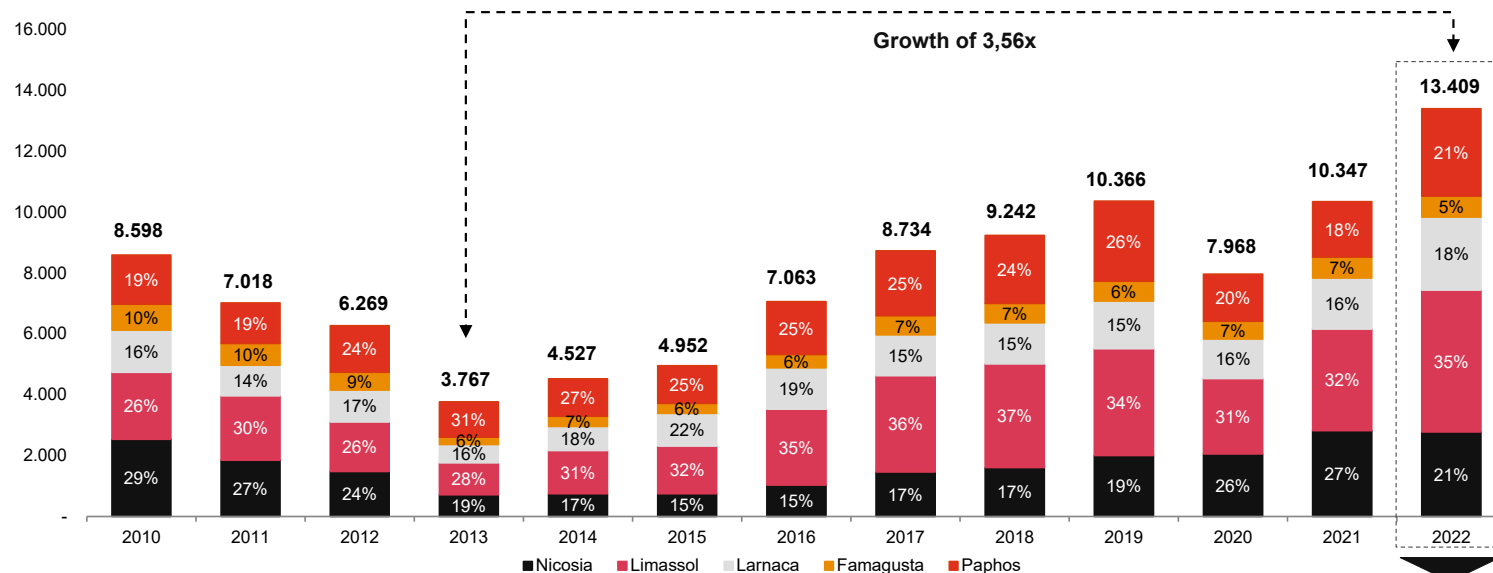
Transactions of apartments made up 82% of the growth in the volume of transactions and 58% in value terms, making apartments a dominant contributor of growth recorded in 2022.





Sale contracts statistics

No. of contracts of sale filed at the DLS per district (2010 - 2022)



Source: Department of Lands and Surveys (DLS)

The sizeable increase in transaction activity observed during the year, is also evident by the number of sale contracts recorded at the DLS during 2022, which reached 13,409, representing a 30% YoY uplift. It is noted that the level of sale contracts recorded during 2022 materially surpassed pre-pandemic levels (2019: 10,366).

+30%

2022

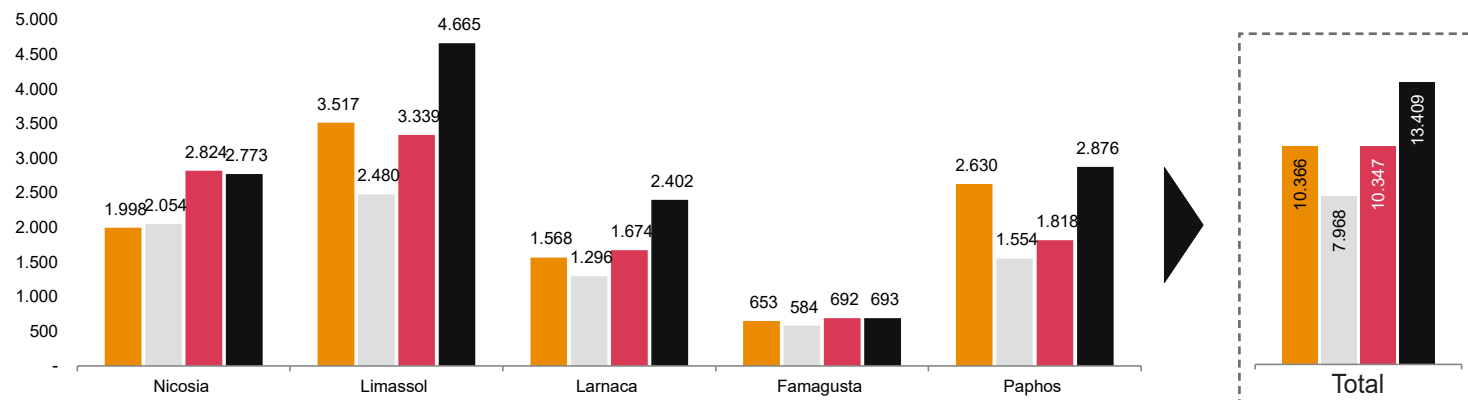
Increase
in no. of sale
contracts
filed at the
DLS (2022
Vs 2021)

Geographical distribution of Sale Contracts filed at the DLS

According to the DLS, Limassol, Larnaca and Paphos experienced notable double-digit increases in sale contracts filed at the DLS during 2022 (40%, 43% and 58% respectively), compared to 2021. During the same period, sales in Nicosia and Famagusta remained relatively stable compared to 2021.

When comparing sale contracts filed during 2022 relative to pre-pandemic 2019, Nicosia, Limassol and Larnaca, experienced double-digit increases (39%, 33% and 53% respectively), with Famagusta and Paphos recording a more modest growth at 6% and 9% respectively.

% Growth in no. of real estate sale contracts per district (2019 - 2022)



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

% change	2022 Vs 2021	2022 Vs 2020 (during COVID-19)	2022 Vs 2019 (pre-pandemic)
Nicosia	(2%)	35%	39%
Limassol	40%	88%	33%
Larnaca	43%	85%	53%
Famagusta	-	19%	6%
Paphos	58%	85%	9%
Total	30%	68%	29%

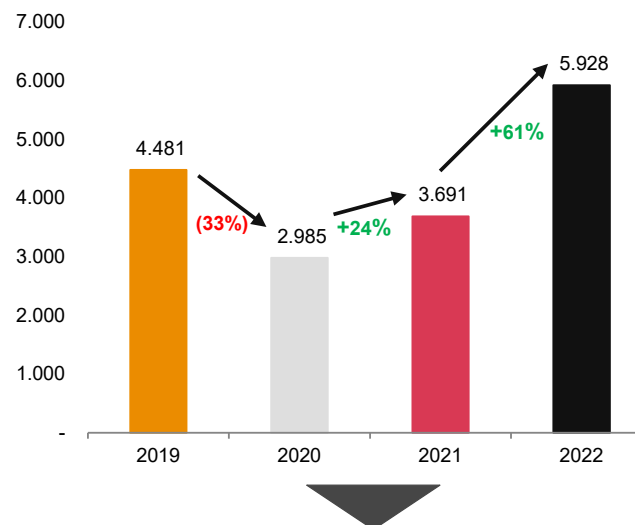
Source: Department of Lands and Surveys (DLS), PwC Analysis

Foreign transaction activity

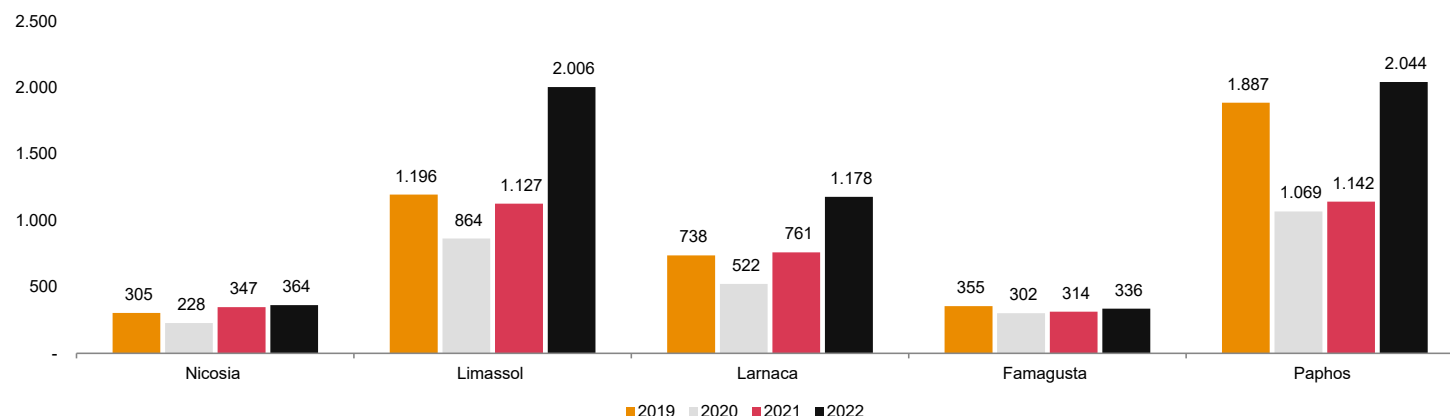
During 2022, a total of 5,928 properties across Cyprus were acquired by foreigners (in terms of sale contracts filed at the DLS) compared to 3,691 properties during 2021, representing a 61% increase. Foreign activity patterns appear correlated with the observed influx of foreign companies relocating their operations and staff on the island.

All Cyprus districts recorded YoY increases during 2022, in terms of the number of properties acquired by foreigners (based on sale contracts filed at the DLS), with Paphos and Limassol experiencing the most notable increases (79% and 78% respectively), followed by Larnaca (55%). Sale contracts filed by foreigners in all districts, except for Famagusta (drop of 5%), exceeded pre-pandemic (2019) levels, with Limassol and Larnaca notably recording 68% and 60% increases, respectively.

No. of properties acquired by foreigners based on sale contracts filed at the DLS (2019 - 2022)

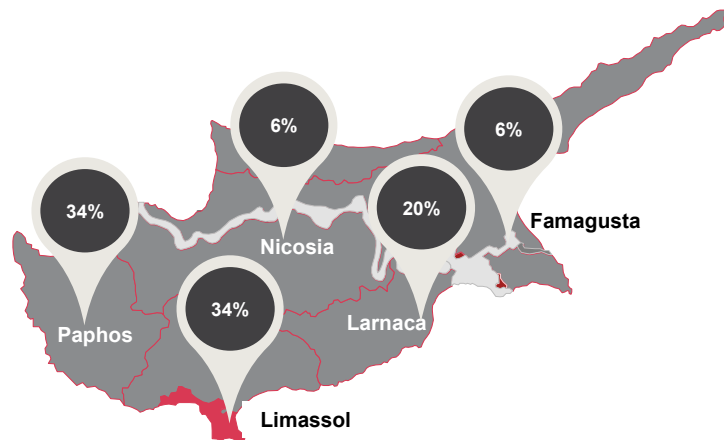


No. of properties acquired by foreigners per district based on sale contracts filed at the DLS (2019 - 2022)



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

Geographical distribution of properties acquired by foreigners based on sale contracts filed (2022)



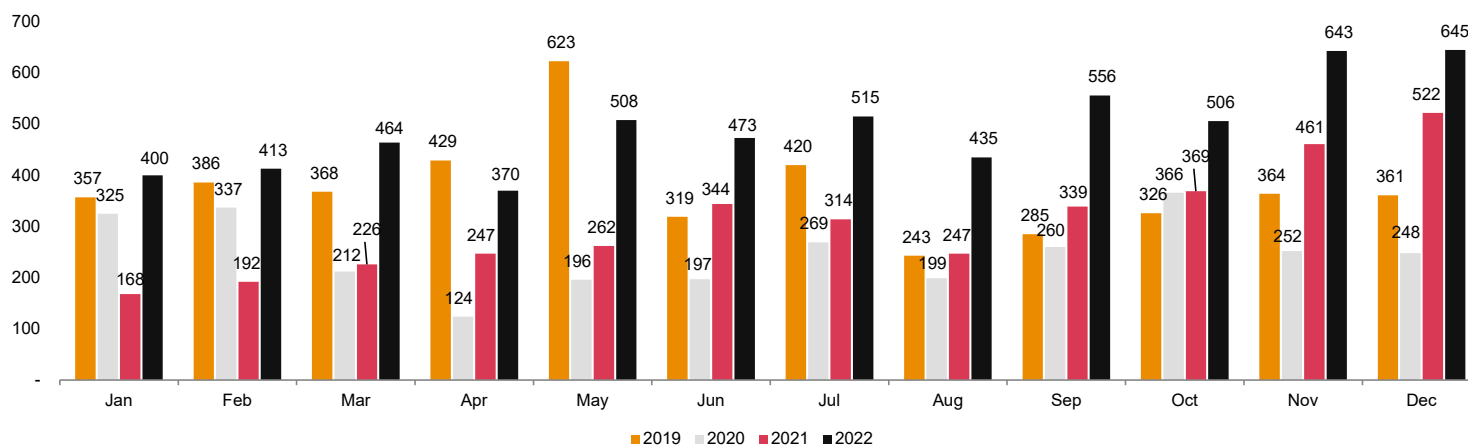
The highest concentration of sale contracts filed by foreign buyers was in the districts of Paphos and Limassol (34% respectively). The two coastal districts together make up more than two thirds of foreign transactions on the island.

Looking at monthly data, it is evident that the number of properties acquired by foreigners significantly outnumbered each respective month of 2020 and 2021, demonstrating the sustained and all-rounded recovery of the sector as well as the confidence regained by the foreign market.

Approximately 57% of properties acquired by foreigners during 2022 relate to non-EU buyers (2021: 50%, 2020: 61%). Larnaca represented the district with the highest percentage of non-EU buyers (69%). The respective share of non-EU resident acquisitions in Limassol stood at 66%, whereas in Paphos, Nicosia and Famagusta it stood at 47%, 45% and 30% respectively.

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

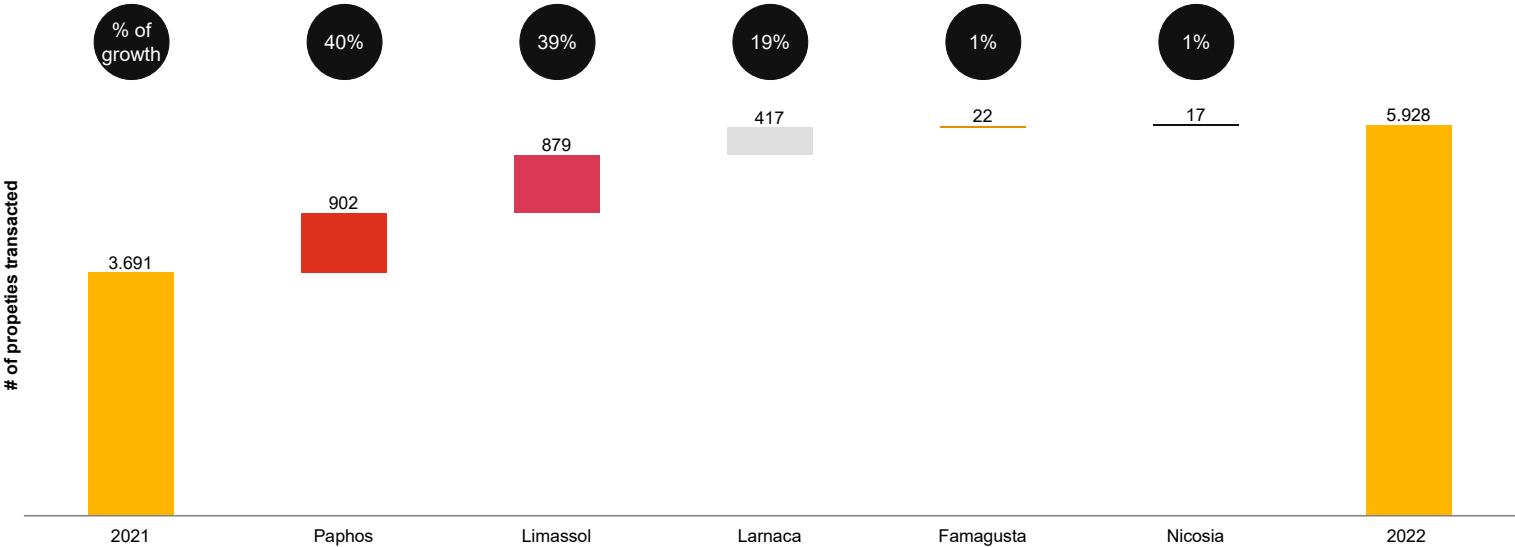
No. of properties acquired by foreigners based on sale contracts filed at the DLS per month (2019 - 2022)



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

2022 Growth of foreign transaction activity per district

Change in volume of properties transacted (2022 Vs 2021)



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

Transactions in Limassol and Paphos make up c.80% of the overall growth in the volume of properties transacted by foreigners observed during 2022.



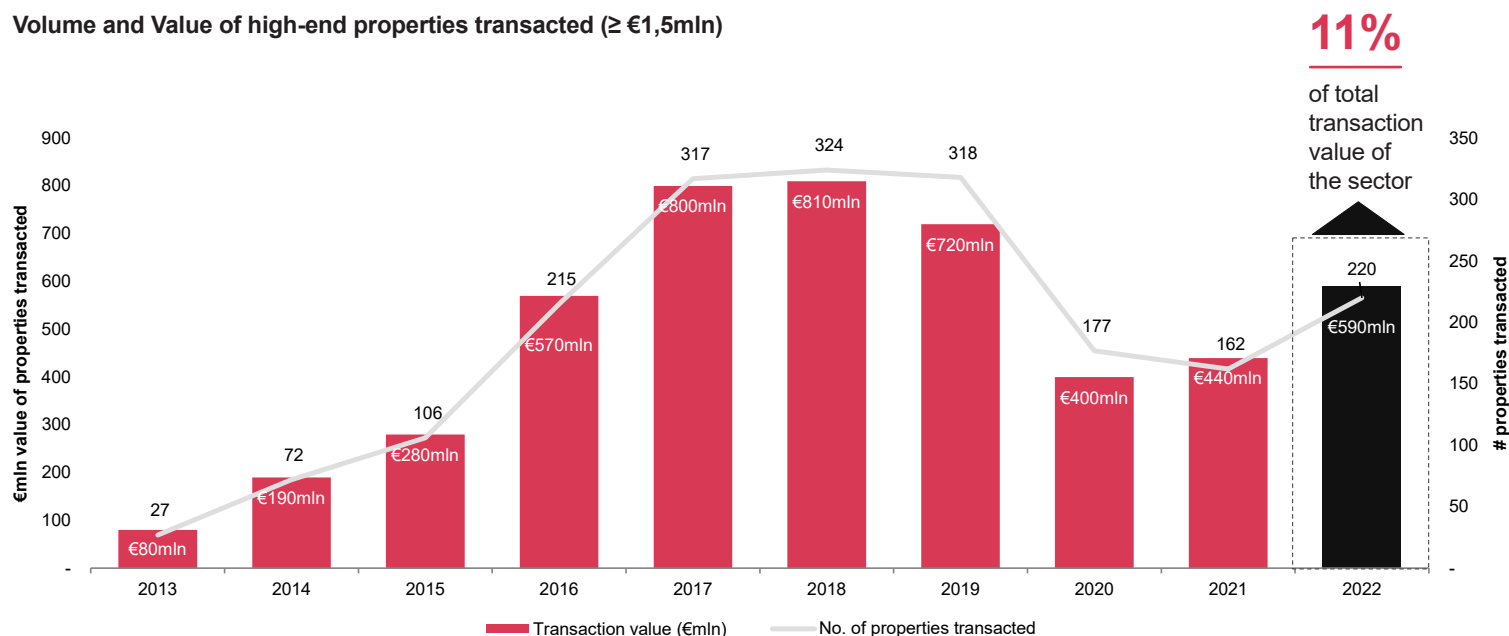
High-end residential property segment ($\geq \text{€}1,5\text{mIn}$)

The termination of the CIP programme (effective 1 November 2020), led to a shrinking of activity levels in the high-end residential property segment ($\geq \text{€}1,5\text{mIn}$). During 2022, a total of 220 transactions of residential properties $\geq \text{€}1,5\text{mIn}$ were observed, representing a 36% YoY growth, indicating a partial recovery signalling that this segment remains active.

In terms of sales value, the high-end residential property sector ($\geq \text{€}1,5\text{mIn}$) totalled $\text{€}590\text{mIn}$ during 2022, corresponding to a YoY increase of 34% and a 48% increase compared to 2020.

Overall, the high-end residential property sector ($\geq \text{€}1,5\text{mIn}$) represented 11% of total transaction value of the sector during 2022.

Volume and Value of high-end properties transacted ($\geq \text{€}1,5\text{mIn}$)



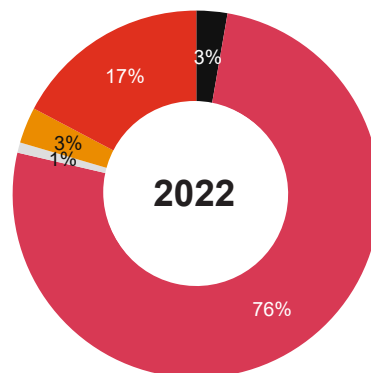
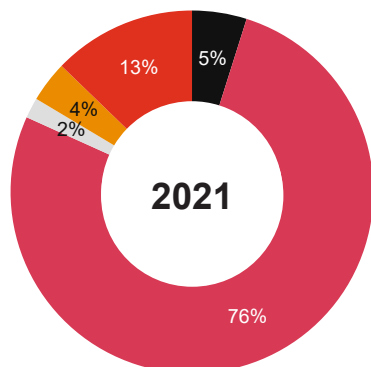
Source: Department of Lands and Surveys (DLS), PwC Analysis



Note: High-end residential property segment statistics for all years were based on a data extraction dated 16/01/2023. 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 (76% of total), followed by Paphos with 17% of the share. The two coastal districts make up 93% of the size of this segment.

Transaction volume of high-end residential property transactions per district



■ Nicosia ■ Limassol ■ Larnaca ■ Famagusta ■ Paphos

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



Note: The PwC Analysis has been based on transaction data by the DLS in a digital format, extracted from the DLS Portal on 16/01/2023 and relate to transactions with an agreement date up to 31/12/2022.





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

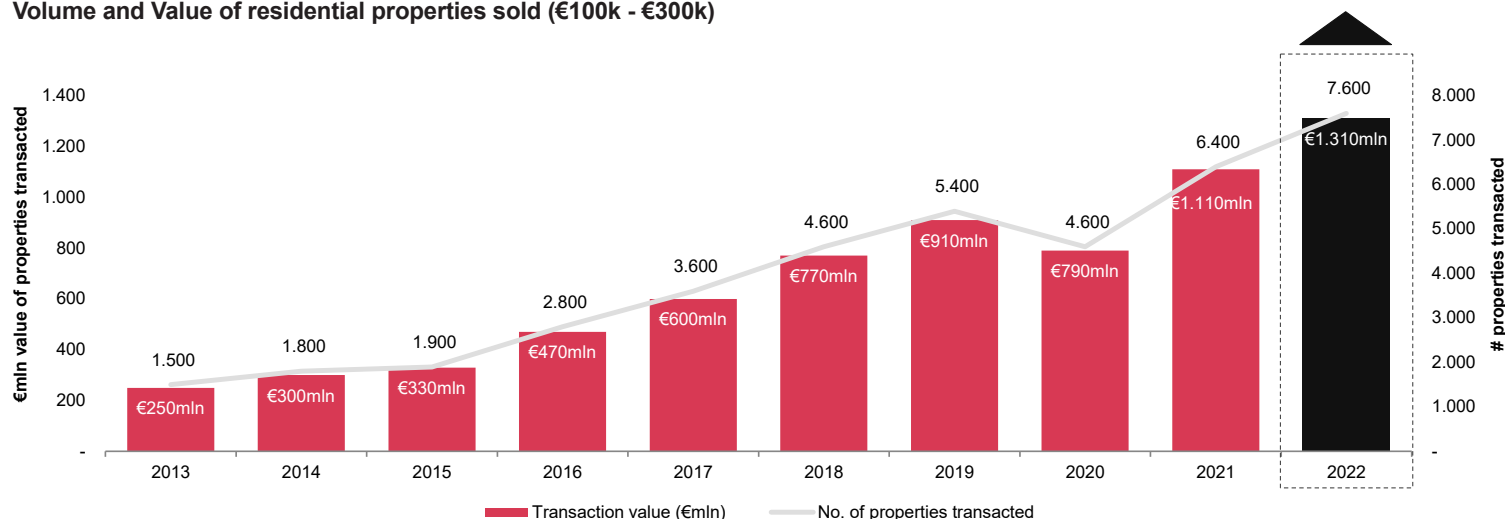
Perhaps the most resilient segment of the sector during the last few years, appears to be the residential property sector in the range of €100k - €300k. This is mainly the result of strong demand for primary residences and increasing investment activity in private-rented housing (particularly apartments), combined with the growing levels of foreign demand in the context of relocations to Cyprus. Based on PwC analysis, the total number of residential properties within the specific range reached 7.600 during 2022, representing a 19% YoY growth and a 41% increase compared to pre-pandemic 2019.

In terms of transaction value, the residential property sector within the €100k - €300k range, totalled c.€1,3bn during 2022, representing a YoY growth of 18% and a 66% increase compared to 2020. Overall, the residential property sector within this price range, represented 25% of total transaction value during 2022.

25%

of total
transaction value
of the sector

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



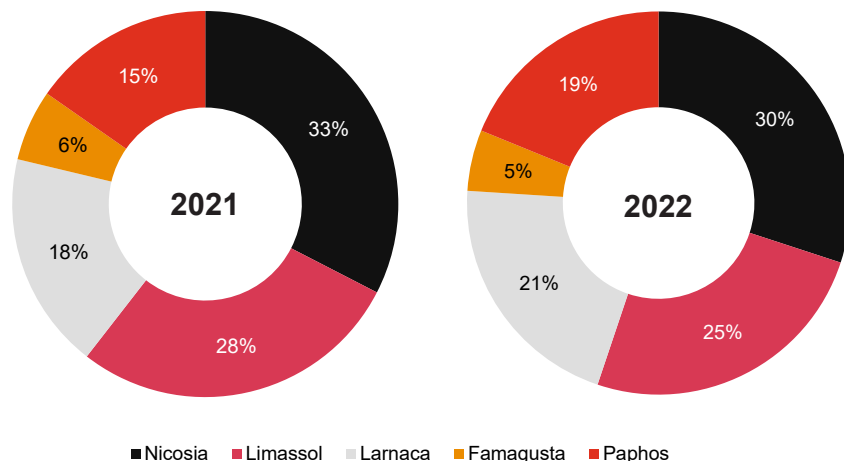
Source: Department of Lands and Surveys (DLS), PwC Analysis



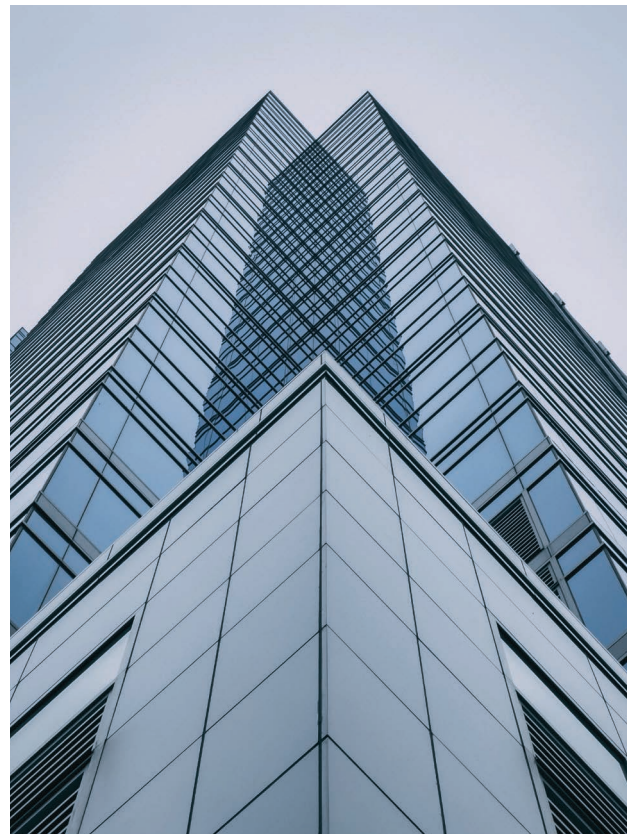
Note: Residential property segment statistics were based on a data extraction dated 16/01/2023.

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	2020	2021	2022
Nicosia	1.582	2.099	2.278
Limassol	1.239	1.801	1.906
Larnaca	835	1.174	1.582
Famagusta	263	348	391
Paphos	713	986	1.428
Total	4.632	6.408	7.585



Fuelled by the domestic segment, Nicosia continues to command the larger share of residential property transactions within the range of €100k - €300k during 2022 (30%), followed by Limassol (25%) and Larnaca (21%).

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

Note: Residential property segment statistics were based on a data extraction dated 16/01/2023. 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.

Real estate price evolution

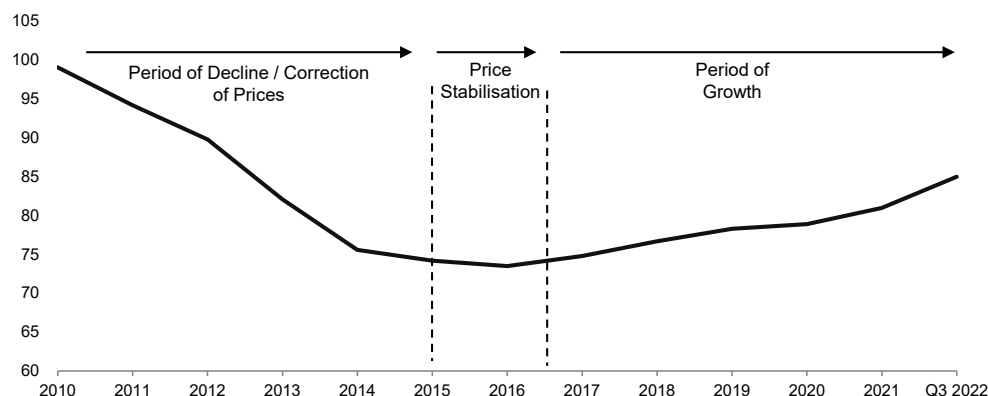
Residential Property Prices

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

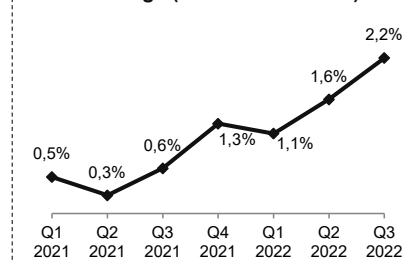
During 2021, residential property index prices recorded a 3% growth compared to 2020, mainly driven by demand from local buyers (particularly for apartments), aided from the subsidisation of interest rates on housing loans (the Government support schemes and the second moratorium for deferral of loan instalments).

During Q3 2022 (latest available information), residential property index prices maintained their increasing trend, marking a 6% YoY increase, compared to Q3 2021, and a 5% increase compared to Q4 2021. The increase in index prices is partially attributed to domestic housing demand and partially driven by increases in construction costs, as well as the higher levels of demand from foreign companies relocating to Cyprus (mainly Q1-Q3 2022 affected).

CBC Residential Property Price Index (2010 - Q3 2022)



QoQ % change (Q1 2021 - Q3 2022)

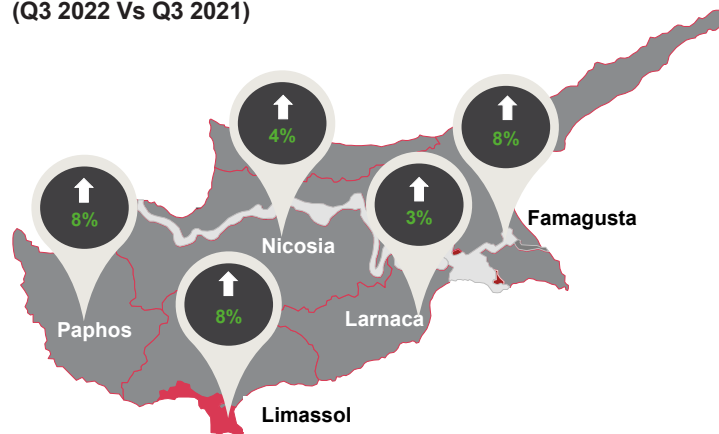


Annual price change	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	12 months ending Q3 2022 (YoY%)
CBC	(5%)	(5%)	(9%)	(8%)	(2%)	(1%)	2%	3%	2%	1%	3%	6%

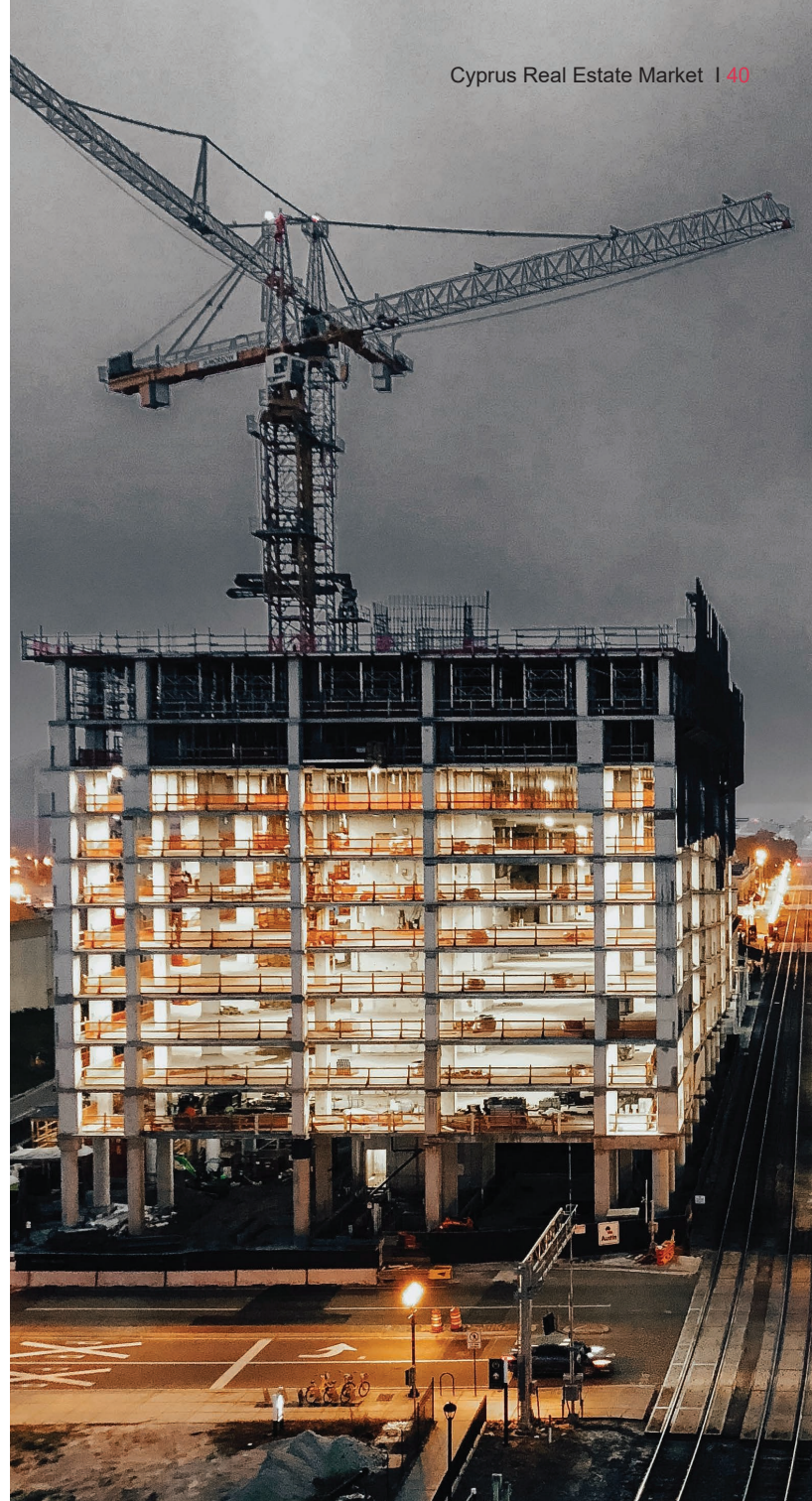
Source: CBC RPPI, PwC Analysis

Based on the CBC price index on an annual basis up to Q3 2022, residential property prices in all Cyprus districts recorded increases.

**YoY % growth in CBC Residential Property Price Index
(Q3 2022 Vs Q3 2021)**



Source: CBC RPPI, PwC Analysis



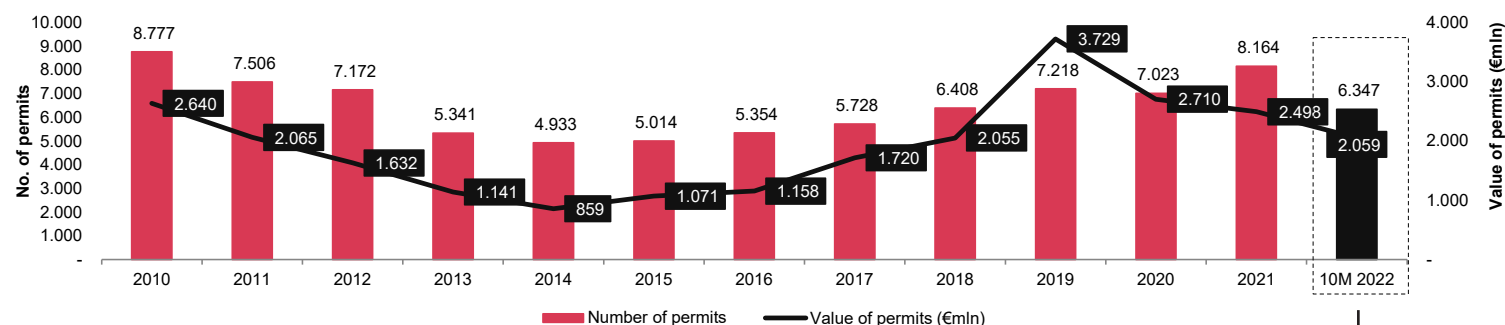
Construction activity

According to the latest European Commission report (Autumn 2022), the construction sector is continuously being hit by the supply disruptions and continuous price hikes in construction materials.

Despite the growing levels of demand, building permits dropped, predominantly due to increases in construction costs, which affected the market and particularly the private/single housing segment.

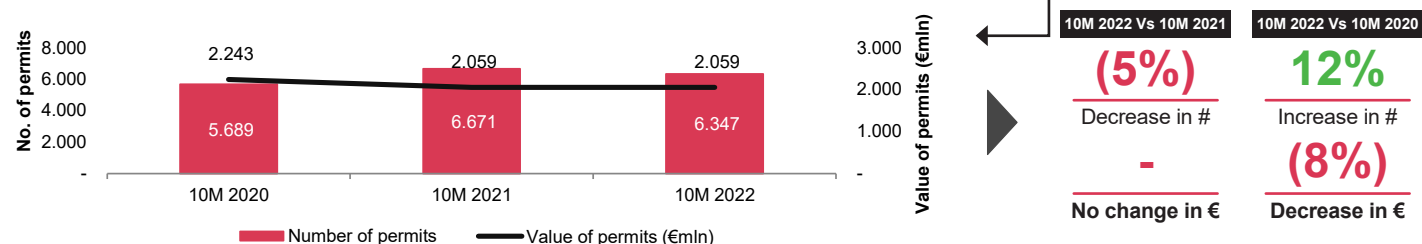
New building permits issued during the period January - October 2022 (10M 2022) stood at 6.347 representing a 5% YoY drop and a 12% increase compared to the respective period in 2020 (10M 2020). In value terms, the new permits issued remain constant compared to 10M 2021 and appear reduced by 8% when compared to 10M 2020.

Building permits number Vs value (€mIn)



Source: Cystat, PwC Analysis

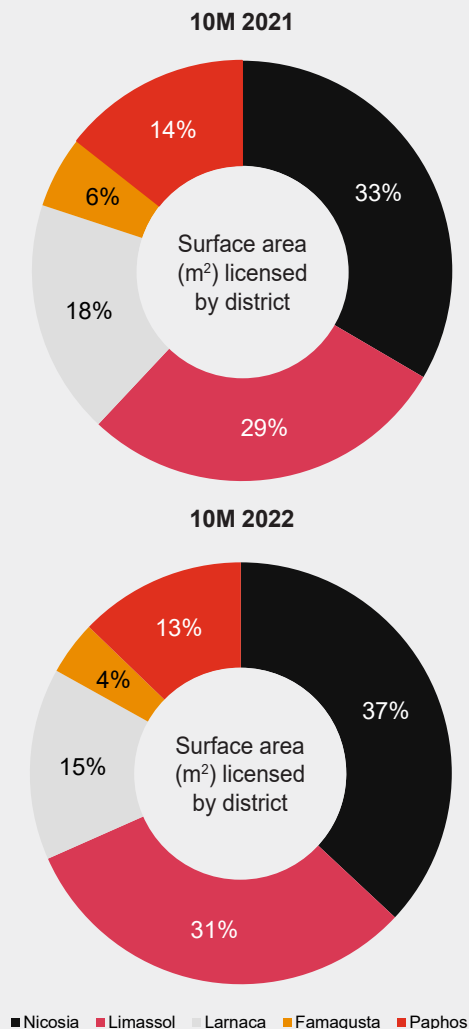
Building permits number Vs value (10M 2020 - 10M 2022)



Source: Cystat, PwC Analysis

Distribution of building permits per district and surface (m²) during Jan-Oct 2022

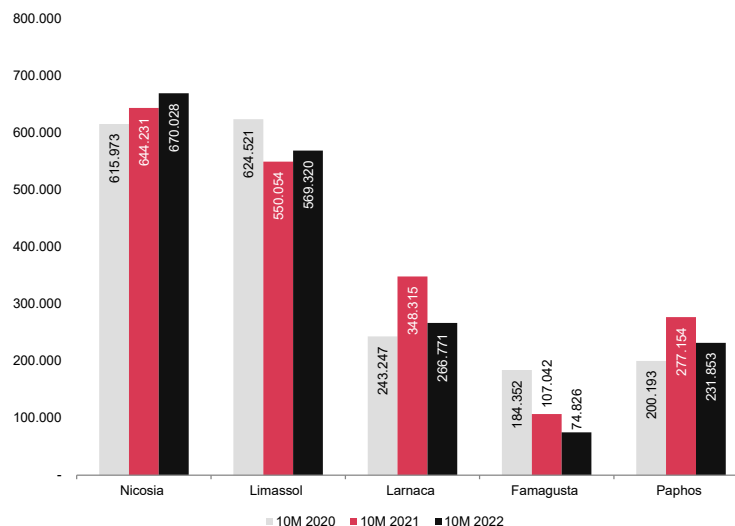
The largest concentration of new permits for developments, in terms of licensed building surface (m²) during 10M 2022, relates to Nicosia (37%), followed by Limassol (31%).



Source: Cystat, PwC Analysis

During 10M 2022, Larnaca and Paphos witnessed YoY decreases of 23% and 16% respectively, largely due to the rapid expansion in activity observed in the previous year, which now appears to stabilise. On the other hand, Nicosia and Limassol recorded a further 4% growth on a YoY basis.

Surface area licensed (m²) per district (10M 2020 - 10M 2022)

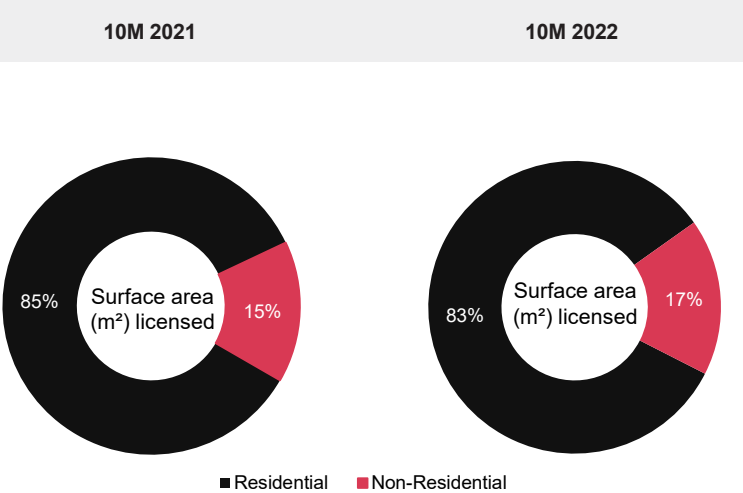


Source: Cystat, PwC Analysis

Overall, residential developments comprised the majority of licensed surface area during 10M 2022, making up 83% of new developments licensed.

Notably, surface area (m²) licensed for office developments more than doubled during 10M 2022, compared to the equivalent period in 2021, largely due to the observed deceleration in office developments during 2021, in the wake of growing uncertainty regarding the future of office space in the COVID-19 pandemic era and accelerated working from home patterns. It appears that during 2022, activity that may have been held back in prior years, has unfolded in the midst of a growing appetite for office space by foreign companies relocating to Cyprus, that has caused demand/supply imbalances.

On the other hand, all remaining non-residential property sectors experienced drops in terms of surface area (m²) licensed during 10M 2022, with Retail and Hotel and Leisure-related uses continuing to decline for a second consecutive year (drop of 30% and 21% respectively compared to 10M 2021).



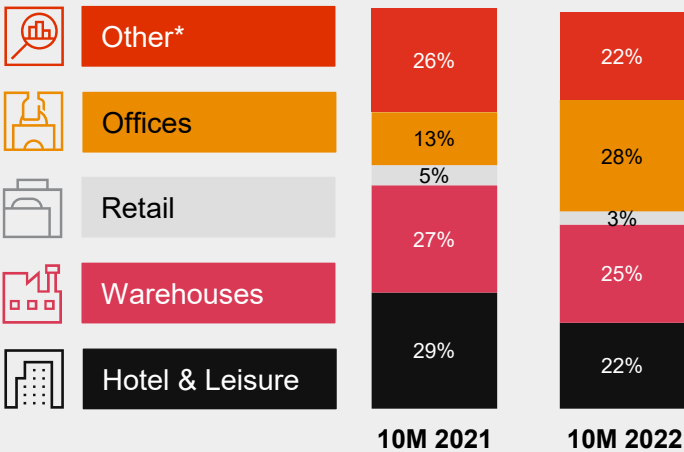
Source: Cystat, PwC Analysis

% change in surface area (m²) licensed per property type (10M 2022 Vs 10M 2021)



Source: Cystat, PwC Analysis

Breakdown of non-residential surface area (m²) (10M 2022 Vs 10M 2021)



Source: Cystat, PwC Analysis

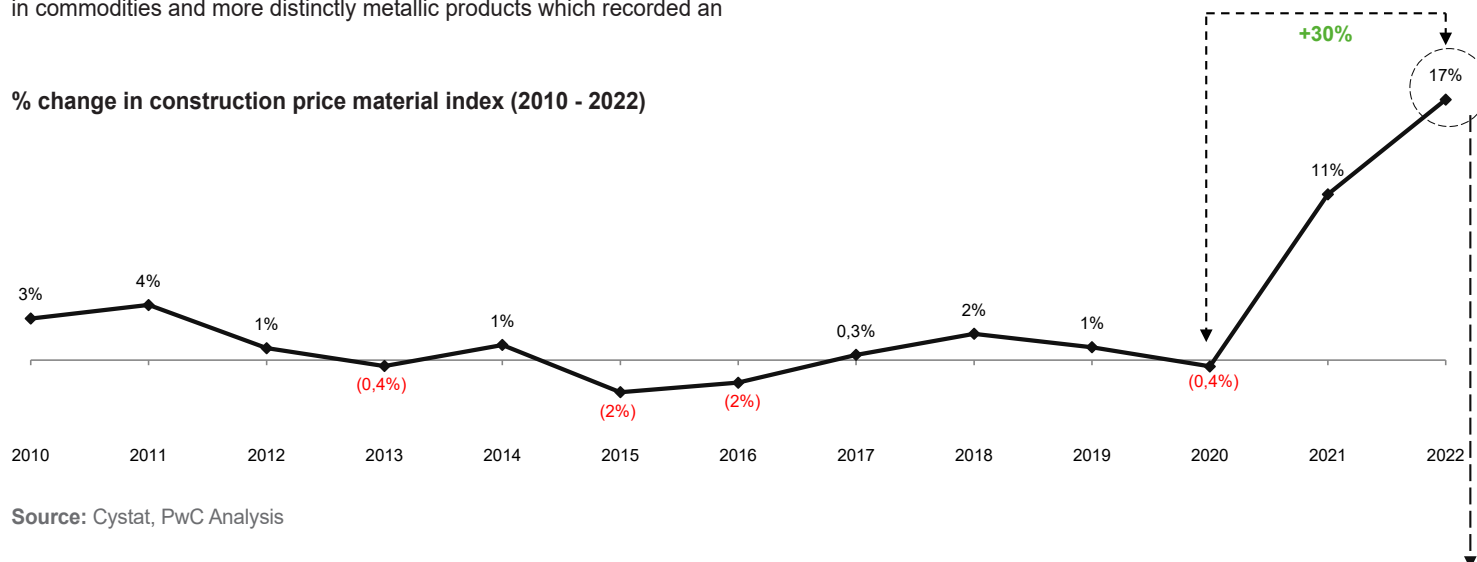
Note: Other relates to (i) public entertainment buildings and buildings used for recreational, educational or medical purposes, (ii) transport and communication buildings, and (iii) other non-residential buildings.

Construction material prices during 2022

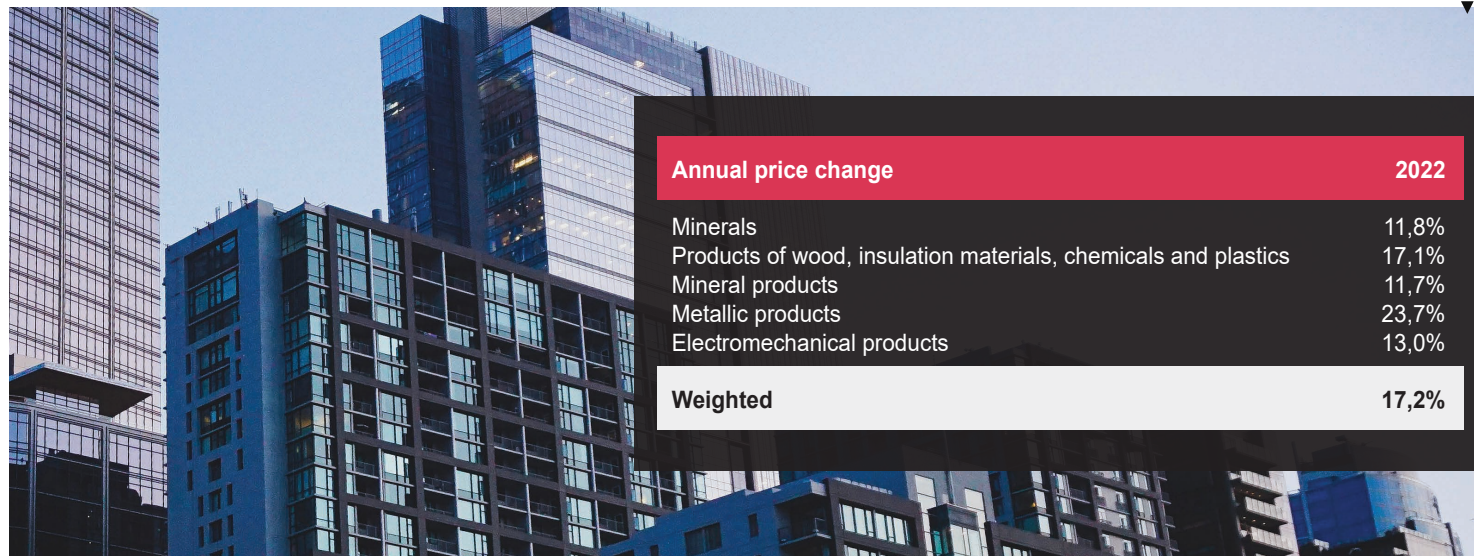
The continuous hike in the cost of material prices has continued throughout 2021 and 2022, with prices growing by 30% in a period of 2 years (2022 increase: 17,2%). This is mainly driven by price increases in commodities and more distinctly metallic products which recorded an


annual increase of 23,7% during 2022, as well as supply disruptions, stemming from the effects of the COVID-19 pandemic outbreak and more recently the war in Ukraine.

% change in construction price material index (2010 - 2022)



Source: Cystat, PwC Analysis





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- Benchmarking analysis
- Market intelligence
- Real estate portfolio analytics

Real estate development advisory

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

The diagram features two main service areas, each enclosed in a rounded rectangular box. The left box is red and the right box is orange. Both boxes have a double-line border and are connected by a horizontal line at the bottom, which has small circles at the ends and midpoints. The background is a low-angle photograph of a modern building's glass facade.

Valuation analysis & verification

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

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



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