

# Cyprus Real Estate Market Report

9<sup>th</sup> Edition

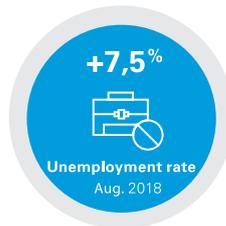
## Economy



Source: Ministry of Finance



Source: Fitch



Source: Eurostat

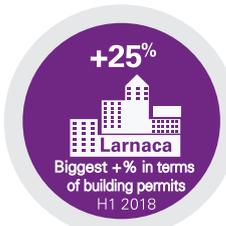
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The Cypriot economy continued its positive growth in 2018, with GDP growth (Y-o-Y) expected at 4% (almost twice the EU average) and unemployment dropping to 7,5% in August 2018. The positive economic growth has led to a series of upgrades of the Cyprus sovereign rating from international credit rating agencies; the latest upgrade to "Investment Grade" with a stable outlook was given by Fitch in October 2018, Cyprus' first exit from "Non-Investment" grade since 2012.

## Construction & Building Permits



Source: CyStat



Building permits continued their upward trend both in terms of volume (+8%) and value (+20%) in the 1<sup>st</sup> half of 2018. Larnaca exhibited the biggest increase in terms of volume (25%) and Famagusta in terms of value (86%), when compared to the previous year.

## Real Estate Sector Activity



Source: Department of Land and Surveys (DLS)



Real Estate activity continued its upward trend in 2018, with Contracts of Sale exhibiting an increase of 21%. Limassol had the biggest share (37%) of the market, while Famagusta the biggest increase (+37%) in sales. Non-nationals in 2018 bought 103% more properties compared with Q1-Q3 2017, reaching a 48% share of the overall market.

## Notable Real Estate Matters



Source: DLS



Source: CyStat



Source: AirDNA.co

Notable Real Estate Matters, include the increase in the number of transactions for high value properties (>€1mln) with a Compound Annual Growth Rate (CAGR) of 88% from 2013-2017. New building permits for hotels have exhibited a growth of +219% in terms of m<sup>2</sup> during H1 2018 when compared to the corresponding period of 2017. Bookings through AirBnB showed an increase of 49% for the first nine months of 2018.





# European Property Lending Barometer 2018

KPMG's annual survey amongst European banking institutions about the prospects and sentiment for bank financing, prevailing lending market conditions, best practices and KPIs for the Real Estate sector

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## Barometer Conclusions for Europe

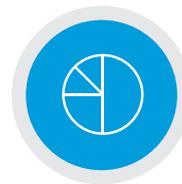
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While financing conditions in Europe remain overall positive, increasing external risks limit the general growth prospects



Non-performing loans have significantly decreased in all markets, with a few exceptions, one of which is Cyprus



Banks still indicate a preference for restructuring problematic loans rather than seeking foreclosure, especially in the more established economies



Alternative lenders are expected to increase their involvement in financing real estate in all markets included in the survey



A long-term pattern prevails, as banks prefer financing income generating projects over new developments



The focus on real estate financing has increased in all countries except Cyprus, the Netherlands and Poland

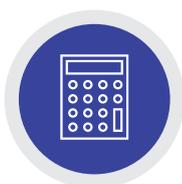
## ...and specifically for Cyprus



Cypriot banks declared a decrease in the strategic importance and focus on real estate financing as part of their loans portfolio strategy



The proportion of fully compliant real estate loans has worsened from 65% in 2017 to 56% in 2018 and is, hence, still the lowest by far among participating countries



The required Debt Service Coverage ratio for new real estate lending has increased during the year and is the second highest across participating countries



The interest rate premium charged by Cypriot banks on new real estate lending is in the top-end of the observed range

