

Highlights

Prices of most property categories increased in Q4 2022, with apartments and holiday houses seeing the highest increases.

Year-on-year transaction volume of contracts of sale increased by 30%, with the biggest increases in Limassol, Larnaca, and Paphos.

Household lending for housing loans totalled €8.8bln in December 2022, with an increase in loans to local residents.

Year-on-year building permits for residential properties decreased by 5% in terms of size, but remained stable by number of dwellings.

Short Term Outlook

In 2023, disposable income is expected to decrease due to inflation and rising interest rates, leading to tighter credit conditions for mortgages, development, and investments. Despite this, the housing market is expected to remain strong due to high demand (influx in population) and low supply, with no significant correction expected. However, the commercial real estate market is facing increased competition from alternative investment opportunities, leading to a less positive outlook for this sector.

Market Summary

	Current Position	Outlook
Capital Values	➔	➔
Rents	➔	➔
Transactions	➔	➔
Lending	➔	➔
Construction Activity	➔	➔

Source: Ask WIRE analysis

Executive Summary

Prices & Rents

The Q4 2022 Ask WIRE Price & Rental Index recorded an annual increase in prices across most property categories. Compared to Q4 2021, residential prices for apartments increased by 9.9% and by 1.0% for houses. Prices of holiday houses and apartments increased by 4.7% and 0.9% respectively. Price of retail units and warehouses fell by 1.4% and 3.7% respectively, whilst those of offices rose by 0.3%.

Transaction Volume

Year-on-year transaction volume of contracts of sale increased by 30% (+3,062 properties). Contracts of sale were deposited for 13,409 properties, of which 2,773 in Nicosia (21%), 4,665 in Limassol (35%), 2,402 in Larnaca (18%), 693 in Famagusta (5%) and 2,876 in Paphos (21%). Year-on-year transactions in Nicosia decreased by 2%, whilst they increased in Limassol by 40%, in Larnaca by 43% and in Paphos by 58%, and remained the same in Famagusta.

Lending

Household lending for housing loans totalled €8.8bln in December 2022, with 95% being to local residents, 0.3% to residents of other Eurozone countries, and 4.6% to other (not Eurozone) countries. Compared to December 2021, housing loans to local residents increased by €0.9m, and decreased to residents of other Eurozone countries by €1.7m, and to other (not Eurozone) countries by €115.7m.

Building Permits

Year-on-year building permits for residential properties showed a decrease of 5% in terms of size (sqm) and remained rather stable by number of dwellings.

Expectations

Looking ahead to 2023, disposable income is likely to be lower due to inflation and rising interest rates. Credit conditions are tightening across the board and interest rates for mortgages, development, and investments are rising.

We do not expect that the housing market in Cyprus will see a significant correction, as the economy remains strong and demand for housing is still relatively high. In fact, low supply and strong demand mean that it is unlikely that home prices will drop significantly in the near future. We are less positive on commercial real estate, where the range of alternative investment opportunities has increased significantly over the past year.

Prices, Rents and Yields

The Q4 2022 Ask WiRE Price & Rental Index recorded significant rises across Cyprus' most urban areas.

Prices

Residential prices for apartments increased by 9.9% compared to Q4 2021 and by 1.0% for houses. Prices of holiday houses and apartments increased by 4.7% and 0.9% respectively. On a quarterly basis, the biggest rises were in Paphos (5.0% for apartments and 5.3% for holiday apartments), while Larnaca and Famagusta remained stable. House prices across Nicosia and Limassol increased by 0.4% and 0.3% respectively, with those in Larnaca, Paphos and Famagusta remaining the same. Prices of retail properties and warehouses remained the same, while for offices increased by 0.4%. Compared to Q4 2021, prices of retail units fell by 1.4%, of warehouses by 3.7% and of office spaces risen by 0.3%.

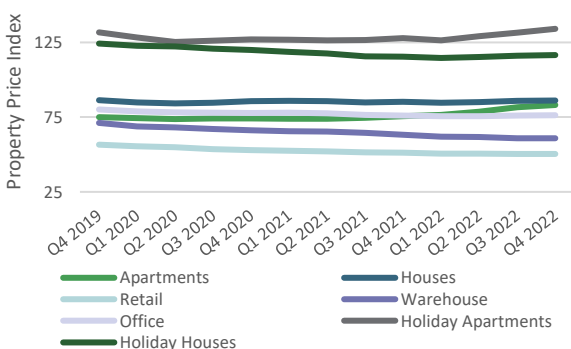
Rents

Quarter-on-quarter rental prices increased by 2.7% for apartments, 1.1% for houses, 1.7% for retail properties, 0.8% for office spaces, 3.6% for holiday apartments and 5.9% for holiday houses, while rental values for warehouses remained stable. Compared to Q4 2021, rents increased by 18.2% for apartments, 11.6% for houses, 0.9% for retail properties, 6.3% for offices, 16.9% for holiday apartments and 12.8% for holiday houses, and decreased by 0.4% for warehouses.

Yields

At the end of Q4 2022, gross yields stood at 5.1% for apartments, 2.8% for houses, 5.6% for retail, 4.8% for both warehouses and offices, 5.2% for holiday apartments and 2.9% for holiday houses.

Property Prices (Q4 2019-Q4 2022)

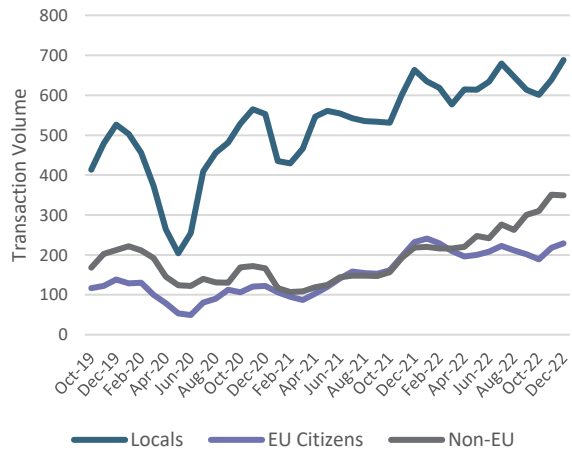


Source: Ask WiRE Price & Rental Index, Q4 2009=100

Transaction Volume

Year-on-year transaction volume of contracts of sale increased by 30% (+3,062 properties). Transactions in Nicosia decreased by 2%, whilst they increased in Limassol by 40%, in Larnaca by 43% and in Paphos by 58%, and remained the same in Famagusta. Overall, contracts of sale were deposited for 13,409 properties, of which 2,773 in Nicosia (21%), 4,665 in Limassol (35%), 2,402 in Larnaca (18%), 693 in Famagusta (5%) and 2,876 in Paphos (21%).

Transactions: Locals vs. Overseas (October 2019-December 2022)



Source: Land Registry, Rolling three-month average

Over 2022, contracts of sale to local residents comprised circa 56% (7,541 properties) of total transaction volume. Transactions to locals across Cyprus increased by 13% (885 properties). Limassol had the highest reliance on local buyers, with them accounting for 2,719 transactions out of total, in 2022. This is followed by Nicosia and Larnaca (2,409 and 1,224 respectively), 832 for Paphos and 357 for Famagusta. In particular, transactions to locals increased by 23% in Limassol, 34% in Larnaca and 23% in Paphos, whilst in Nicosia and Famagusta decreased by 3% and 6%, respectively.

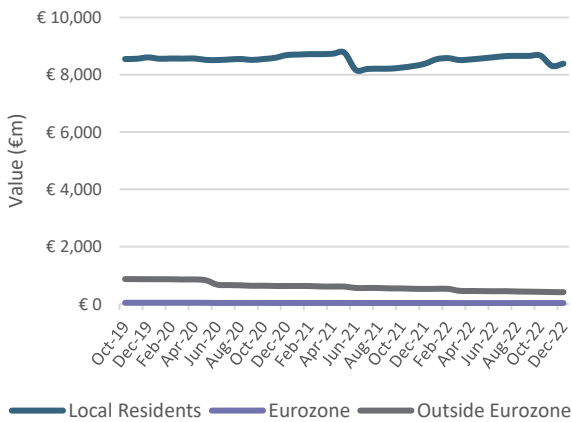
In terms of transactions to foreign buyers, all districts experienced significant rises: 79% for Paphos (902 properties), 73% for Limassol (819 properties), 55% for Larnaca (417 properties), 7% for Famagusta (22 properties) and 5% for Nicosia (17 properties).

Lending

Household lending for housing loans totaled €8.8bln in December 2022, with 95% being to local residents, 0.3% to residents of other Eurozone countries, and 4.6% to other (not Eurozone) countries. Compared to December 2021, housing loans to locals increased by €0.9m, and decreased to residents of other Eurozone countries by €1.7m, and to other (not Eurozone) countries by €115.7m.

As shown, progressively outstanding loans are increasingly concentrated on local residents.

Household Housing Loans (10/ 2019 – 12/2022)



Source: Cyprus Central Bank

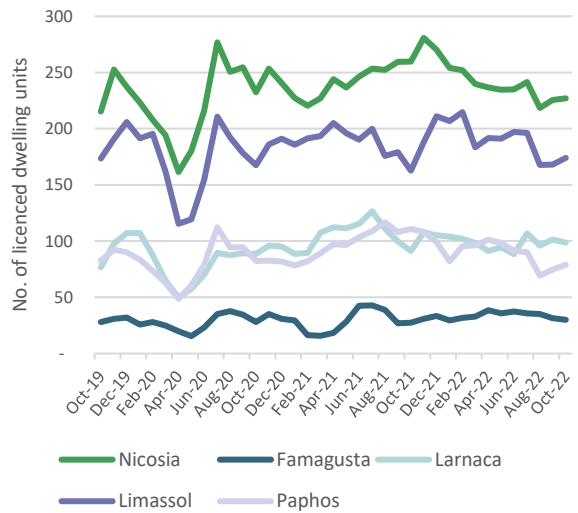
Building Permits

Year-on-year building permits for residential properties showed a decrease of 5% in terms of sqm (1,865,726 sqm, permitted from 11/2021 to 10/2022) and remained rather stable in terms of number of dwellings (10,117 units permitted over the same period).

With residential properties representing circa 80% of the total sqm licensed during the year, the number of dwelling units for which a building permit was issued, decreased by 0.1% (year-on-year). Increases were experienced in Nicosia (12%), whilst decreases were experienced in Limassol (5%), Paphos (11%) Larnaca (6%) and Famagusta (1%).

Examining the geographical distribution of these permits, the biggest increase was experienced in urban areas.

Licensed Dwelling Units (10/2019 – 10/2022)



Source: Cystat (data only available until 10/2022), Rolling three-month average

Expectations

During 2022 demand for residential real estate, and in part commercial, increased significantly due to arrivals from Ukraine, Russian, Belarus, and other countries (+40,000 arrivals) causing a spike in residential rents and prices in certain areas. The influx of overseas investors, particularly from Lebanon and Israel, has caused and is causing prices to rise for certain property types (mainly small residential units and touristic establishments).

The main drivers of growth in the local real estate market are likely to be population growth, inbound investment from overseas, and sticky supply (it takes 2-4 years to add meaningful levels of stock).

Looking ahead to 2023, disposable income is likely to be lower due to inflation and rising interest rates. Credit conditions are tightening across the board and interest rates for mortgages, development, and investments are rising. We do not expect that the housing market in Cyprus will see a significant correction, as the economy remains strong and demand for housing is still relatively high. In fact, low supply and strong demand mean that it is unlikely that home prices will drop significantly in the near future. We are less positive on commercial real estate, where the range of alternative investment opportunities has increased significantly over the past year.

Ask WiRE

Ask WiRE provides the infrastructure on which real estate related financial products and services are developed. Each property is different, thus further investigation is required to customise a product or service. Ask WiRE is building the digital profile of all properties across Europe, allowing users to assess multiple properties or tailor their products and services to a specific property, unlock automation of standardised processes, and facilitate online transactions. This facilitates banks, insurance companies, real estate investors, retailers, and others meet consumer demand for online transactions, develop new sales channels, and comply with regulatory requirements.

Property profiles and models are made available through an array of APIs (DaaS) and software interfaces (SaaS). Ask WiRE also works alongside clients to structure and reorganise client-facing processes, develop new products and services, and develop real estate strategies.

In 2022, Ask WiRE was awarded the “Best Fintech for Real Estate, Europe” by Pan Finance.

Services

Advisory

Ask WiRE assists clients make better decisions, by basing it on detailed data on the real estate market and leveraging the team’s extensive, hands-on experience in managing, marketing, and monetising real estate portfolios for more than 15 years.

Underwriting & Valuations

Ask WiRE’s extensive track record includes underwriting, valuing, and advising on residential developments, shopping malls, office buildings, hotels, and integrated golf resorts. However, we are not only advisors; we have hands-on experience in managing, marketing and monetising real estate portfolios for more than 15 years and are thus able to offer realistic and pragmatic advice.

Data Analytics

Real estate is going through significant digitalisation, as consumers increasingly acquire products and services online. The speed of digitalisation is amplified by the need for Environmental, Social, and Governance (ESG) and regulatory reporting, due to climate change and other environmental considerations.

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