

Highlights

Property prices in most districts increased in Q1 2023, with apartments for permanent and holiday uses seeing the highest increases.

Year-on-year transaction volume of transfers and contracts of sale increased by 4% and 23% respectively, with the biggest increases being in Limassol and Nicosia in both transfers and contracts of sale.

Year-on-year household lending for housing loans totalled €8.7bn in February 2023, with a decrease in loans to local residents and foreigners.

Year-on-year building permits for residential properties decreased by 9.6% in terms of size and by 6.3% in 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 Q1 2023 Ask Wire Price & Rental Index recorded an annual increase in prices across most property categories. Compared to Q1 2022, residential prices for apartments increased by 12.3% and by 3.1% for houses. Prices of holiday houses and apartments increased by 3.1% and 8.0% respectively. Price of retail units and warehouses fell by 0.1% and 1.8% respectively, whilst those of offices rose by 2.4%. Similarly, rents have also increased significantly, with the highest increase for apartments and holiday apartments (19.0% and 19.1%, respectively).

Transaction Volume

Year-on-year transaction volume of transfers and contracts of sale increased by 4% (+723 properties) and by 23% (+2,603 properties), respectively. Transfers were deposited for 20,260 properties, of which 5,927 in Nicosia (29%), 5,760 in Limassol (28%), 3,765 in Larnaca (19%), 1,180 in Famagusta (6%) and 3,628 in Paphos (18%). Over the same period, contracts of sale were deposited for 13,974 properties, of which 2,674 in Nicosia (19%), 4,897 in Limassol (35%), 2,574 in Larnaca (18%), 737 in Famagusta (5%) and 3,092 in Paphos (22%).

Lending

Household lending for housing loans totalled €8.7bn in February 2023, with 95% being to local residents, 0.3% to residents of other Eurozone countries, and 4.6% to other (not Eurozone) countries. Compared to February 2022, housing loans to locals decreased by €307.4m, €1.5m to residents of other Eurozone countries, and €130.6m to other (not Eurozone) countries.

Building Permits

Year-on-year building permits for residential properties showed a decrease of 9.6% in terms of size (sqm) and by 6.3% in 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 Q1 2023 Ask Wire Price & Rental Index recorded slight rises across Cyprus' most urban areas.

Prices

Residential prices in Cyprus had a significant annual growth, with apartments and holiday apartments seeing the highest increase (12.3% and 8.0% respectively). House and holiday house prices increased by 3.1% respectively compared to the first quarter of 2022. Quarter-on-quarter residential prices across districts increased approximately by 0.9% for Nicosia, 2.7% for Limassol, 0.9% for Larnaca, 3.0% for Paphos and 3.9% for Famagusta. The biggest quarter-on-quarter rises were in Paphos and Famagusta (4.8% for apartments respectively and 5.0% for holiday apartments in Paphos). Prices of warehouses remained the same, while for retail units and offices increased by 0.4% and 1.4%, respectively.

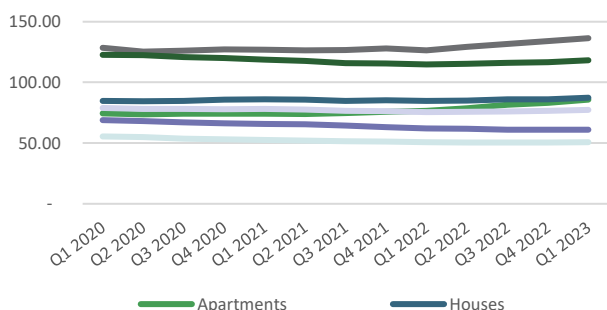
Rents

Quarter-on-quarter rental prices in Cyprus increased by 2.6% for apartments, 1.5% for houses, 0.7% for retail properties, 0.8% for office spaces, 2.3% for holiday apartments and 1.3% for holiday houses, while remained the same for warehouses. Compared to Q1 2022, rents increased by 19.0% for apartments, 12.2% for houses, 3.3% for retail properties, 1.0% for warehouses, 7.5% for offices, 19.1% for holiday apartments and 14.5% for holiday houses. Paphos has seen the biggest YoY increase in holiday apartment rents (37.5% since Q1 2022).

Yields

During Q1 2023, gross yields stood at 5.1% for apartments, 2.9% for houses, 5.7% for retail, 4.8% for warehouses and offices, 5.2% for holiday apartments and 2.8% for holiday houses.

Property Prices (Q1 2020 - Q1 2023)

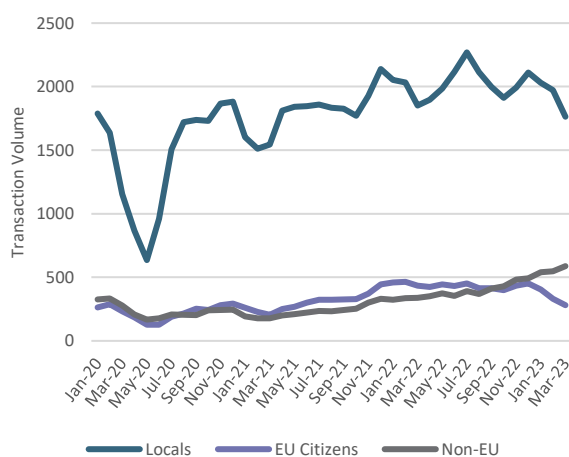


Source: Ask Wire Price & Rental Index, Q4 2009=100

Transaction Volume

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Transactions: Locals vs. Overseas (January 2020 – March 2023)



Source: Land Registry, Rolling three-month average

Over Q1 2023, contracts of sale to local residents comprised circa 45% (1,868 properties) of the total transaction volume, indicating that the increase in new construction activities across the island is tapering off. Transfer transactions to locals across Cyprus decreased by 20% (-848 properties) and contract of sale transactions decreased by 7% (-137 properties). Nicosia had the highest reliance on local buyers, with them accounting for 1,130 transfer transactions out of total during the last quarter. This is followed by Limassol and Larnaca (1,034 transfers and 668 COS, and 647 transfers respectively), 415 for Paphos and 195 transfers for Famagusta.

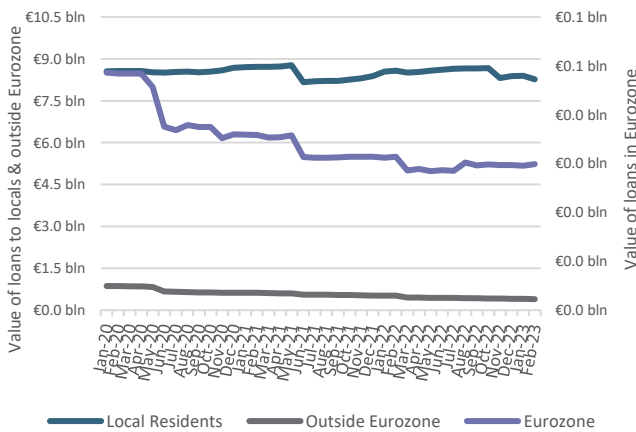
In terms of transactions to foreign buyers, all districts experienced significant rises – 36% for Paphos (947 properties), 30% for Limassol (817 properties), 20% for Larnaca (516 properties), 9% for Nicosia (206 properties) and 5% for Famagusta (123 properties).

Lending

Household lending for housing loans totalled €8.7bln in February 2023, with 95% being to local residents, 0.3% to residents of other Eurozone countries, and 4.6% to other (not Eurozone) countries. Compared to February 2022, housing loans to locals decreased by €307.4m, €1.5m to residents of other Eurozone countries, and €130.6m to other (not Eurozone) countries.

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

Household Housing Loans (January 2020 – February 2023)



Source: Cyprus Central Bank (data only available until 2/2023)

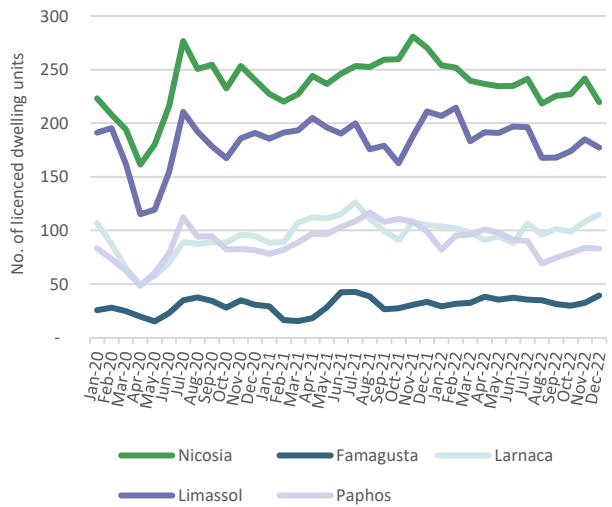
Building Permits

Year-on-year building permits for residential properties showed a decrease of 9.6% in terms of size (1,806,617 sqm, permitted from 01/2022 to 12/2022) and by 6.3% in terms of number of dwellings (9,842, permitted over the same period).

With residential properties representing circa 80% of the total size licensed during the year, the number of dwelling units for which a building permit was issued, decreased by 6.3% (YoY). Increase was experienced in Famagusta (19%), whilst decreases were experienced in Larnaca (13%), Paphos (10%) Limassol (7%) and Nicosia (4%).

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

Licensed Dwelling Units (January 2020 - December 2022)



Source: Cystat (data only available until 12/2022), 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).

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.

Advisory services

Business consulting

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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