



# Cyprus Real Estate Market Report - The Insights

10<sup>th</sup> edition

Annual report outlining the key trends  
and major drivers of the Real Estate  
Market for 2018

April 2019

[kpmg.com.cy](http://kpmg.com.cy)





## Dear Reader,

The real estate sector continues to play a pivotal role in the Cypriot economy, therefore we are pleased to present our newest KPMG Cyprus Real Estate Market Report – The Insights. This is the 10<sup>th</sup> edition of our report, which provides insightful leads into the Cypriot economy and the local real estate market.

This report provides an overview of the Cypriot economy and an assessment of the performance of the real estate sector during 2018.

Overcoming the challenges of recent years, the Cypriot economy continued to exhibit a solid growth and has maintained its status as one of the fastest growing economies in Europe. Given the significance of the real estate sector for the Cypriot economy, we continue publishing our expert sectoral report. This edition delves into the key economic conditions and provides invaluable insights into demand and supply, key trends and notable sectoral developments.

We hope that you will find our report enlightening and useful in supporting your future business decisions related to the real estate sector. Kindly feel free to contact us for further inquiries. KPMG's "one-stop-shop" real estate service offering covers advisory, audit and tax related matters, customised to provide real added value to your specific needs and environment.

Christos V. Vasiliou  
Managing Director  
KPMG in Cyprus



## Economy



Source: Ministry of Finance  
\*R.E.= Real Estate & Construction activities



Source: CyStat



Source: CyStat

Positive economic growth has continued in 2018 for Cyprus, with GDP exhibiting an annual 3,9% increase (considerably higher than the EU average).

The Real Estate sector (including construction activities) has contributed c. 38,5% of the annual growth rate and 16% of the Cypriot economy Gross Value Added.

## Construction & Building Permits



Source: CyStat



The issuance of Building Permits continued its upward trend in 2018, both in terms of volume (+12% year-on-year) and value (+20% year-on-year).

Famagusta district exhibited the biggest annual increase in terms of volume (36%) and in terms of value (77%).

Transactions activity remained strong, with the number of Contracts of Sale exhibiting an annual increase of 6%.

## Transactions Activity



Source: Department of Land and Surveys (DLS)



Limassol had the highest share (37%) of the market for 2018, same as in 2017, and Nicosia exhibited the largest year-on-year increase (+10%) in sales.

Non-nationals contributed 47% of total transactions activity.

Notable Real Estate Matters include:

- An annual increase of 27% in the volume of transactions for high value residential properties (> €1 million) in 2018
- New Building Permits for hotels have exhibited a growth of +122% in terms of m<sup>2</sup> during 2018, when compared to 2017
- Bookings through Airbnb showed an annual increase of 71% in 2018.

## Notable Real Estate Matters



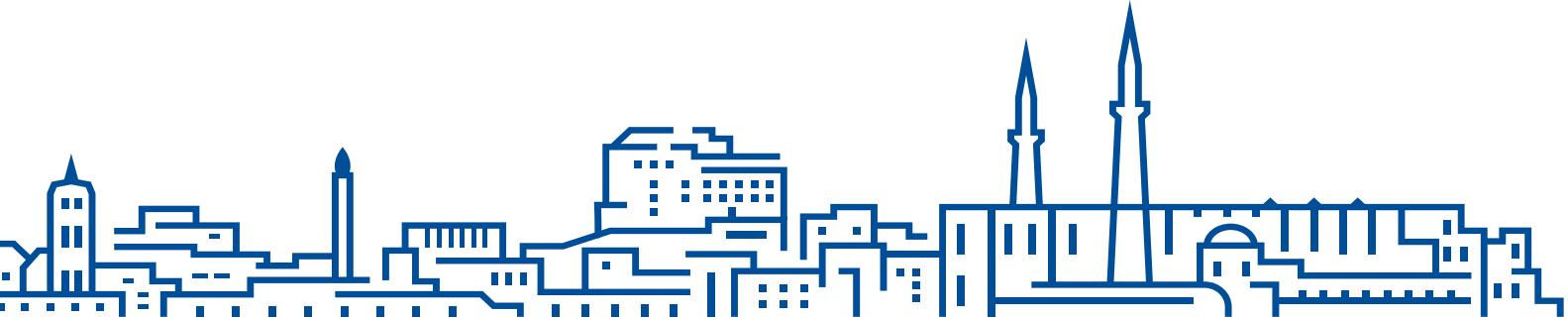
Source: DLS



Source: CyStat



Source: AirDNA.co



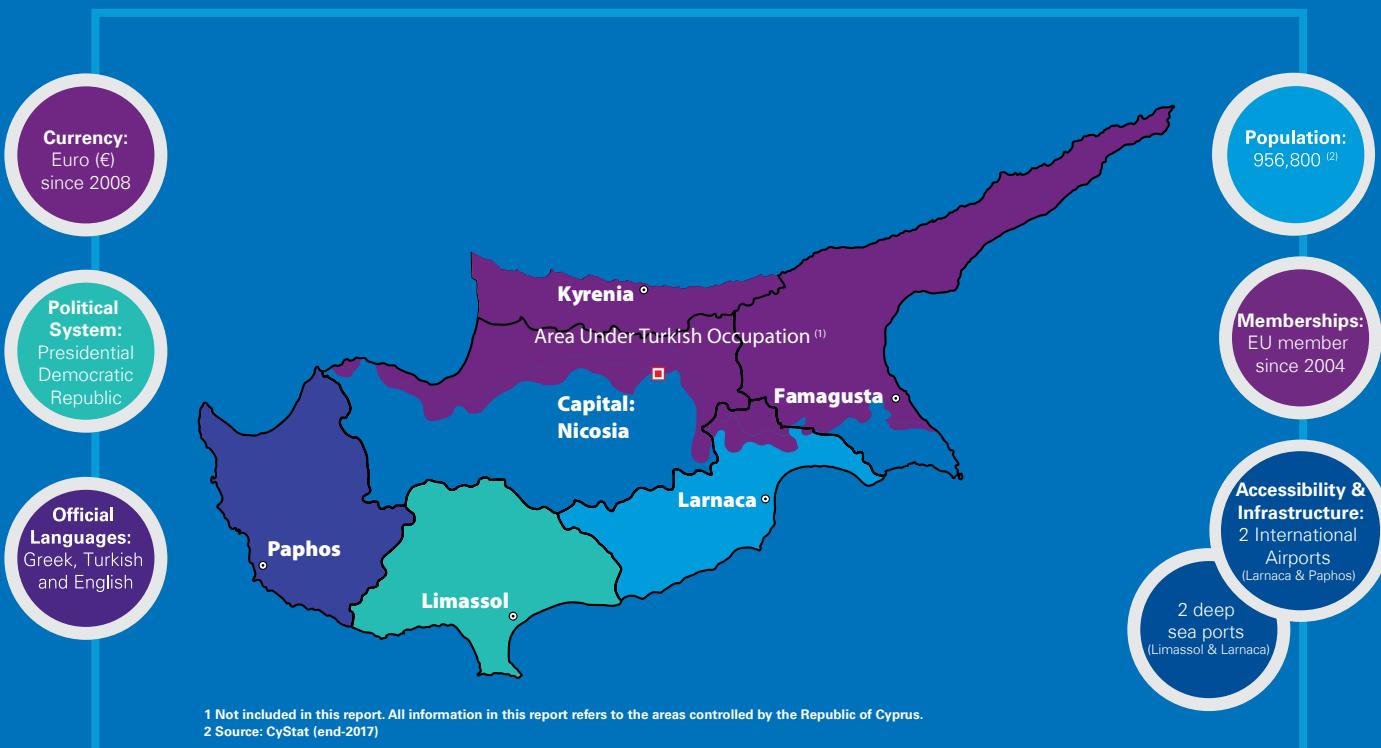


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# Cyprus at a glance





## Key Benefits

### Tax System

- Attractive tax regime: modern, simple and low rates (e.g. corporate tax 12.5%)
- A huge network of Double Tax Treaty (circa 60 countries)

### Legal and Regulatory Framework

- Robust regulatory structure, closely aligned to the English common law legal system
- Strong protection for investment and intellectual property (IP)

### Human Capital

- Access to talent, youngest population and workforce in the EU, 55% of the workforce has tertiary degree ([investcyprus.org.cy](http://investcyprus.org.cy))
- More than 73% of Cypriots speak English ([investcyprus.org.cy](http://investcyprus.org.cy))
- Best island economy for 2017/18 in terms of lifestyle and human capital (fDi magazine)

### High Quality of Life

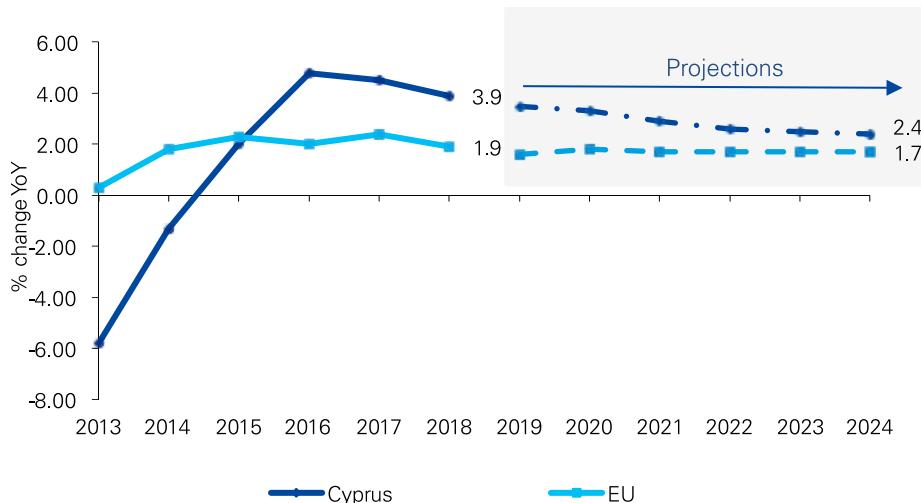
- One of the best climates worldwide
- Top 5 safest country in the world (Value Penguin 2015)



# Economic overview

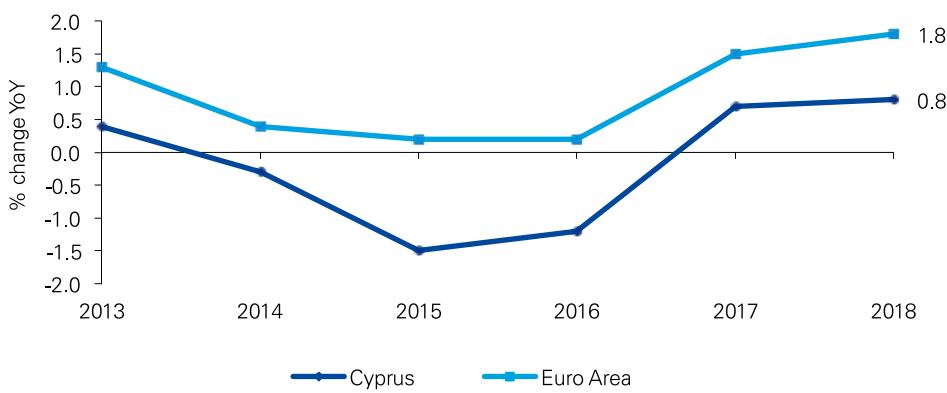
# GDP growth, inflation and unemployment rate

## GDP YoY change - Cyprus vs EU



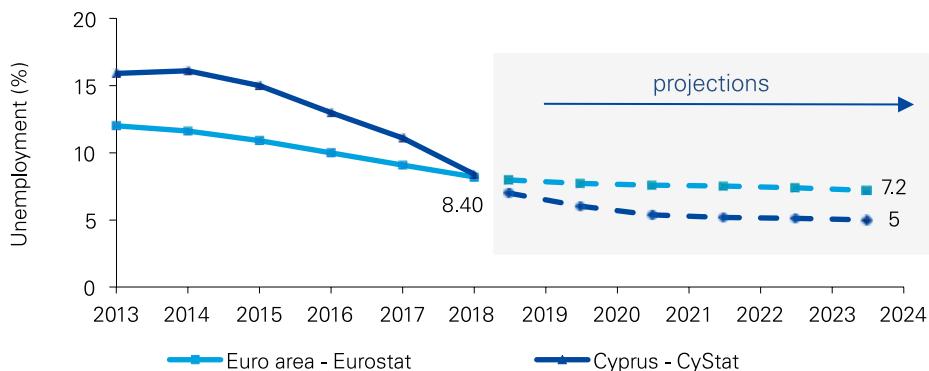
Source: CyStat, IMF projections (World Economic Outlook Database, 2019), KPMG analysis

## Inflation % change (YoY)



Source: Eurostat (March 2019), KPMG analysis

## Unemployment rate, Cyprus vs Euro area, %



Source: Cy Stat, Eurostat, IMF projections (World Economic Outlook Database, 2019), KPMG analysis

- Positive growth in 2018 at 3.9% (y-o-y)
- Cyprus' annual GDP growth is starting to stabilise at approximately twice the EU average
- IMF is forecasting a growth rate of 3.5% in 2019 and then milder growth rates in the next 5 years
- The largest growth driver in 2018 was construction and real estate activities, closely followed by tourism, wholesale and retail trade

2018 growth drivers	
Construction	1.4%
Real estate activities	0.1%
Tourism, wholesale and retail trade	1.2%
Financial and insurance activities	-0.5%
Professional scientific and technical activities	0.5%
Other	1.2%

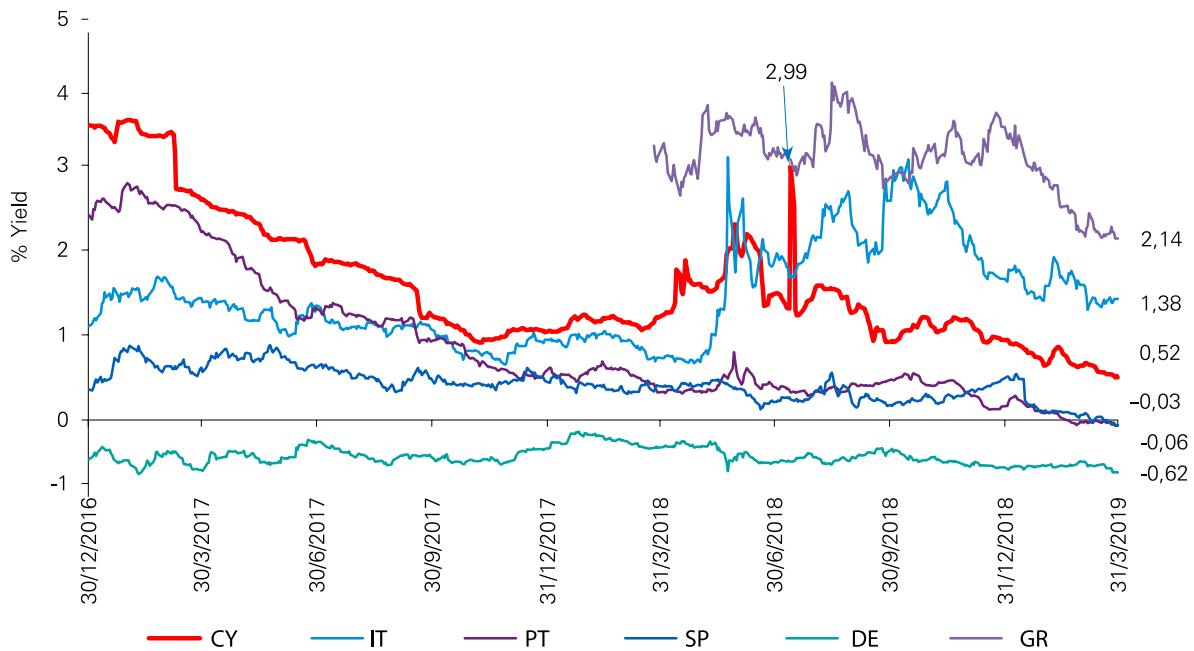
- Inflation in 2018 was 0.8%, significantly lower than the Euro Area. Private consumption continued to expand, supported by rising employment and gradually increasing wages
- The unemployment rate of Cyprus is on a decreasing trend since 2013. The latest Eurostat figures show a drop to 8.4%, almost equal to the Euro Area average of 8.3%, for the year 2018

# Government bonds and credit rating

Cyprus credit rating				
Agency	Moody's	S&P	Fitch	DBRS
Previous Rating	Ba3	BB+	BBB-	BB
Current Rating	Ba2	BBB-	BBB-	BBB (low)
Explanation	Non-Investment grade (two grades below investment)	Investment grade	Investment grade	Adequate credit quality
Current rating as of	27 Jul 2018	14 Sep 2018	12 Apr 2019	23 Nov 2018
Upgrade / Downgrade	upgrade	upgrade	stable	upgrade
Outlook	stable	positive	stable	stable
Upcoming rating dates	20 Sept 2019	6 Sept 2019	11 Oct 2019	17 May 2019

Source: Credit rating agencies

## Government bonds with maturity close to end of 2022

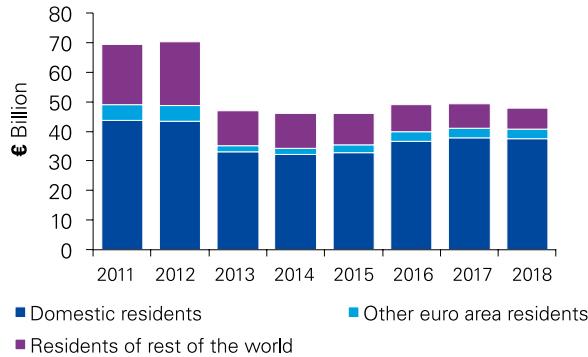


Source: Stock Markets data

- Since the events of the Cypriot economic crisis in 2013 and the downgrade of Cyprus' sovereign rating by various international credit rating agencies to "Non – Investment Grade", the country has significantly progressed
- The positive economic growth has led to a series of upgrades of the Cyprus sovereign rating from international credit rating agencies
- A Cypriot 10-year government bond yield issued in mid 2013 (July) was priced c. 3.43% and this has now dropped to 0.52% in March 2019, signifying the strong fiscal performance of the economy
- The uncertainty surrounding the troubled Coop Bank had increased the Cypriot bond yield to c. 2.99% in July 2018, but the normal trajectory was re-established once the resolution deal was completed

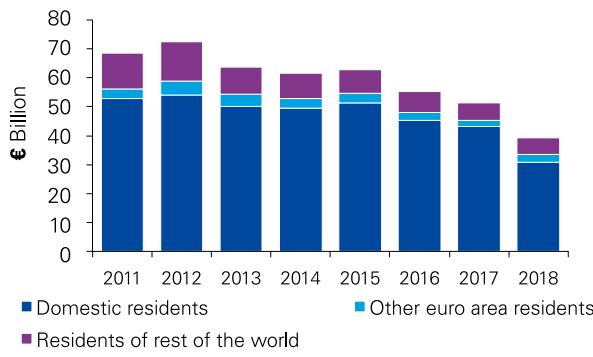
# Deposits and Loans breakdown

## Deposits movement



Source: CBC, KPMG analysis

## Loans movement



Source: CBC, KPMG analysis

## Loans to deposits ratio

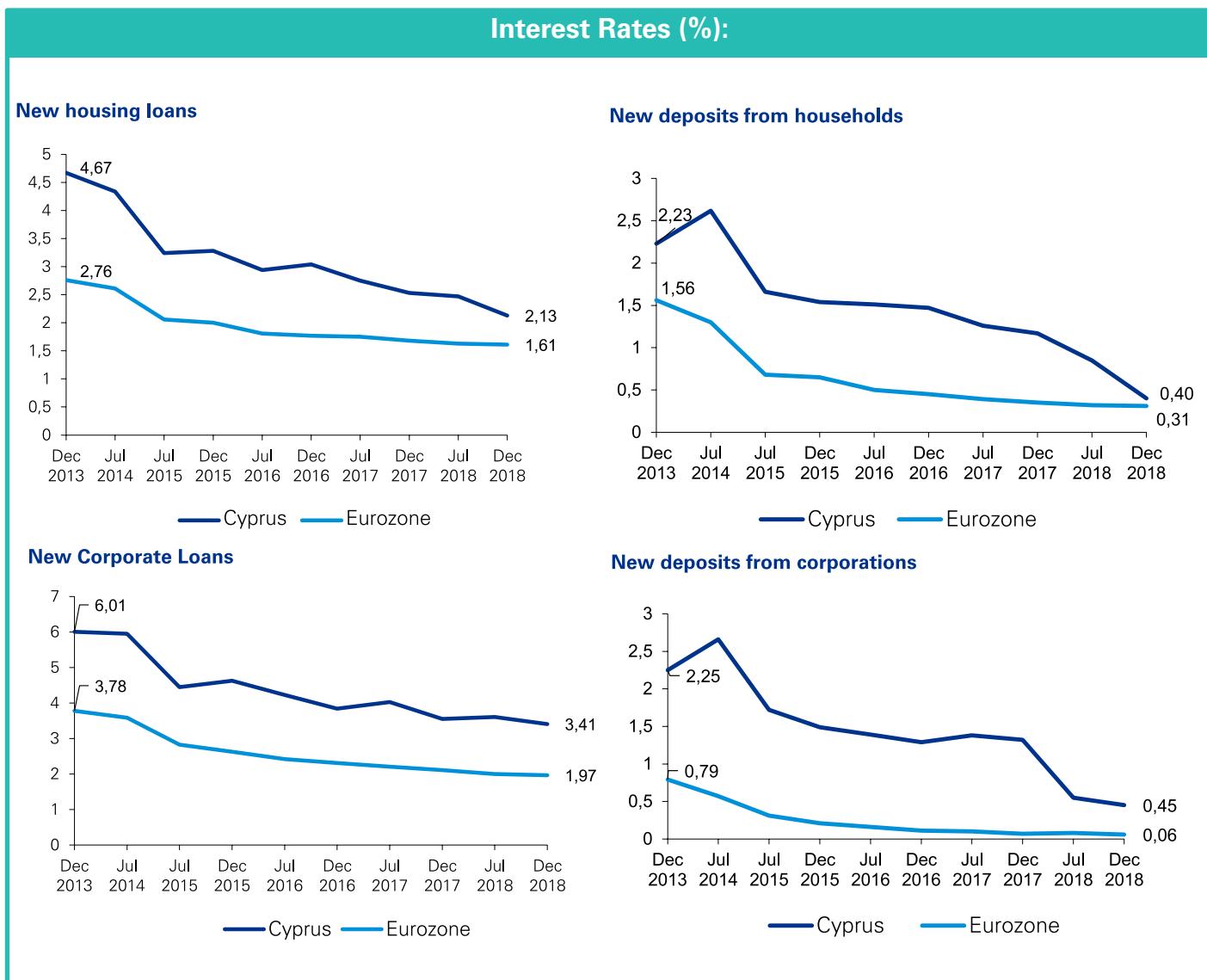
	2011	2012	2013	2014	2015	2016	2017	2018
Loans to deposits ratio %	99%	103%	135%	133%	136%	113%	104%	82%

Source: CBC, KPMG analysis

- The level of total bank deposits shows aggregate stability over the past few years, since the events of 2013
- Local deposits have been relatively stable during the last three years, whereas foreign deposits exhibit a steadily decreasing trend from 2011 to 2018
- Loans have significantly reduced since 2011. There was a decrease of c. 24% between 2017 and 2018
- The decline in loans is multi-faceted; it is attributed to the banks' efforts to de-leverage their balance sheets via debt for asset swaps, write offs and cash collections, but more importantly, particularly in 2018, to the sale of loan portfolios and the recent transfer of the Coop Bank's NPL portfolio outside the banking system
- The loans to deposits ratio has decreased significantly during the last 5 years. Loans have a lower aggregate value in 2018, compared to deposits for the first time since 2011



# Interest rates, deposits and loans movement



Source: Eurostat, KPMG Analysis

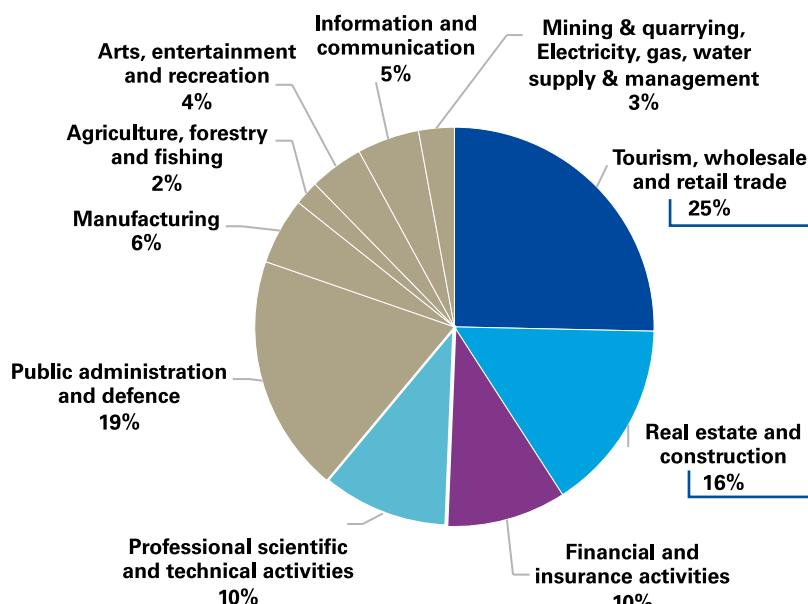
Loans - Deposits interest rate spread (% points)				
	Households		Corporate	
	Dec 2013	Dec 2018	Dec 2013	Dec 2018
Cyprus	2,44	1,73	3,76	2,96
Eurozone	1,20	1,30	2,99	1,91

Source: Eurostat, KPMG Analysis

- Interest rates have been declining since 2013. The decision of the Central Bank of Cyprus in February 2015 to lower the ceiling of its base interest rate by 1%, is reflected in the declining trend
- More specifically, new housing and corporate loans interest rates continued their decline and stand at 2,13% and 3,41% respectively, as of December 2018. However, the interest rates for both housing and corporate loans are still significantly higher than Eurozone's average
- The interest rate spread between Loans and Deposits has been reduced in Cyprus for both Households and Corporates. However, Cypriot Banks are still enjoying a bigger spread than the Eurozone average

# Keys pillars of the economy

## Cyprus Gross Value Added (GVA) by sector (2018)



Source: CyStat, KPMG Analysis



Tourism, wholesale and retail trade account for the employment of 32% of the working population of Cyprus



Despite the fact that Real estate and construction activities employ only 9% of the working population, they account for 16% of GVA

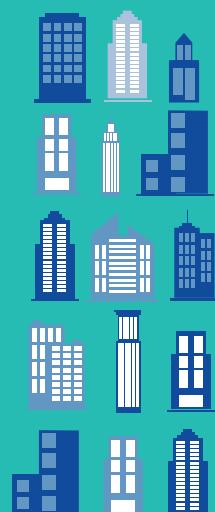
## Real Estate in the Real Economy 2018

### Economic Contribution

Real Estate contributed  
€2.78 billion

to Cypriot Economy for 2018

Significantly higher than either the Financial and Insurance Activities sector or Manufacturing sector



Financial and Insurance Activities sector



€1.75 billion

Manufacturing sector



€969 million

### Jobs



Real Estate sector 36.528



Manufacturing sector 27.564



Financial and Insurance Activities sector 21.069

The sector directly employs  
36.528 People

More jobs than in the Manufacturing sector and more than in the Financial and Insurance Activities sector

Note: Real Estate sector includes Real Estate and Construction activities

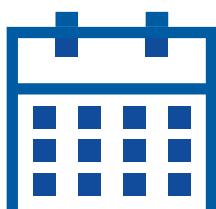
Source: CyStat, KPMG Analysis

# Tourism

- Tourist arrivals have continued their strong growth over the past years. Tourist arrivals in 2018 exhibited an increase of 7,8%, compared to 2017
- Revenues from tourism hit a double-digit percentage increase in the previous two years (11,9% and 11,7% in 2016 and 2017 respectively). The growth was milder in 2018 (2,7%)
- Revenue per arrival has a decreasing trend: from €865,7 in 2013 to €688,2 in 2018 (20,5% cumulative decrease). This is a combined result of the decrease in the average length of stay and of the average spend per day. However, these reductions are compensated by the increasing trend in arrival numbers



**€74,8**  
Revenue per person  
per arrival  
(-12% from 2013)



**9,2 days**  
Average stay  
(-11% from 2013)



**€688**  
Revenue per arrival  
(-20% from 2013)



## Arrivals (thousand)

1.328 (+6%)		€980 (+3%)
784 (-5%)		€523 (-13%)
233 (-11%)		€114 (-25%)
189 (0%)		€146 (0%)
154 (+12%)		€93 (+8%)
86 (+10%)		€66 (+13%)
1.065 (+30%)		€789 (+23%)

Note: Comparisons between 2018 and 2017

## Tourist sources

- UK is still the top market of origin (34%) with Russia in second place (20%)
- The UK market of origin exhibited a 5,9% (74 thousand arrivals) y-o-y increase in 2018. Revenues from the UK market have increased by 3,2% (€31 million) for the same period. It is noted that the effects of Brexit may have profound implications for the local tourist industry in the future
- The second (Russia) and third (Israel) highest tourist sources recorded decreases in arrivals (5% and 11,2% respectively in 2018)
- The source markets with the highest increase in tourist arrivals in 2018 compared to 2017 were Poland (58%), Ukraine (44,5%) and Romania (35,8%)

# Potential growth drivers



Source: Melco Cyprus announcements

## Casino Resort

The development of a luxurious integrated casino resort, a €550 million project, has commenced in Limassol

The resort is expected to be completed by 2021. It is estimated that it will contribute €700 million/year (over 3% of Cyprus' annual GDP).

## Satellite Casinos

- 3 Satellite casinos commenced operations in 2018: Nicosia, Larnaca and Limassol
- The remaining 2 are expected to operate in 2019-2020: Paphos and Ayia Napa

## Shipping Industry



## Education



Source: Ministry of Education

- 48.172 post-secondary education students over the academic year 2017/2018
- 8.4% growth in 2018

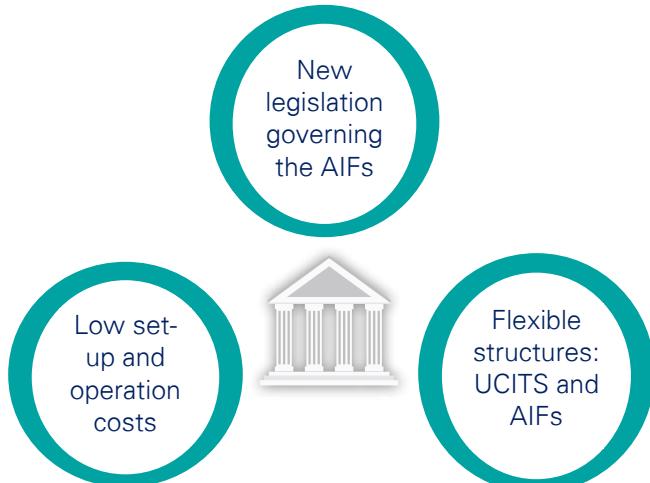
## Energy Sector

- Natural gas has already been discovered in Block 12 (Aphrodite field) by Noble Energy
- The second drilling programme, "Glaucus 1," of Block 10 has been completed in February 2019 with positive results. Excellent quality of natural gas was discovered and the quantities of natural gas in the Block are estimated between 5 and 8 trillion cubic feet.



Source: Ministry of Energy, Commerce and Industry

## Alternative Investment Funds



### Movement of Assets under Management and number of entities 2012-2018



Source: Central Bank of Cyprus, Cyprus Securities and Exchange Commission, KPMG Analysis

A wide-angle, aerial photograph of a city skyline at sunset. The sky is a warm, golden-yellow. In the foreground, a modern skyscraper with a glass facade reflects the surrounding buildings. A bridge with a distinctive cable-stayed design spans a river in the middle ground. The city is densely packed with various buildings, including office towers and residential blocks. The overall atmosphere is one of a bustling, urban environment.

# Real Estate sector

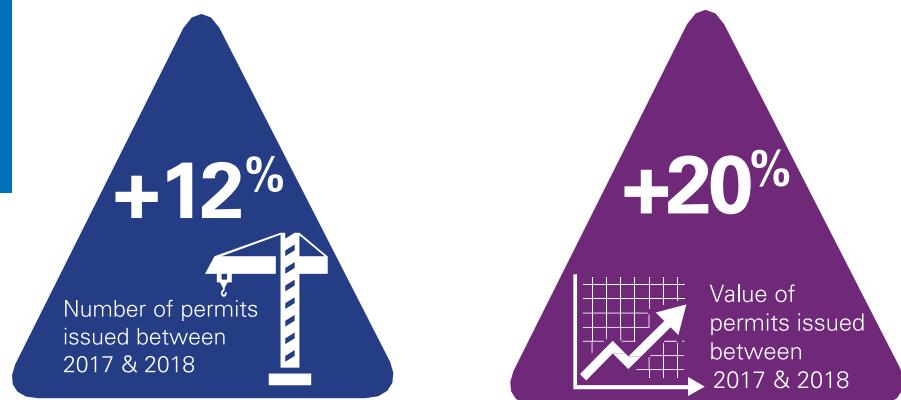
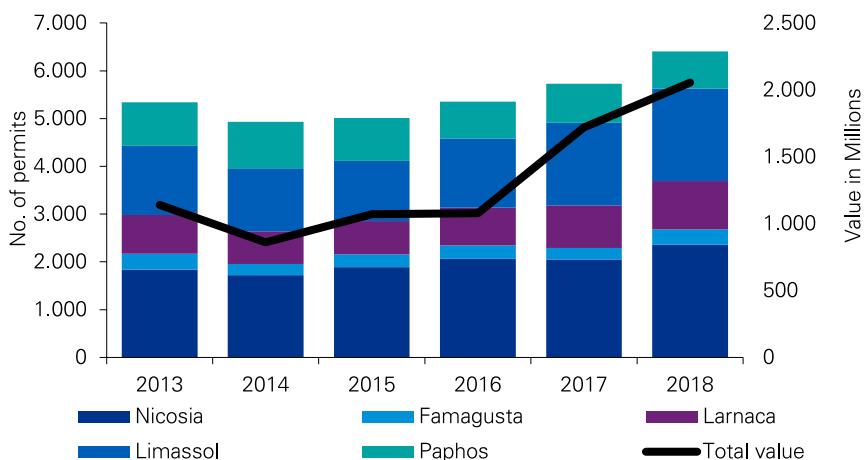
# Building permits activity steadily rising

The issuance of new building permits exhibits a steady growth in numbers over the last few years but even more so in value.

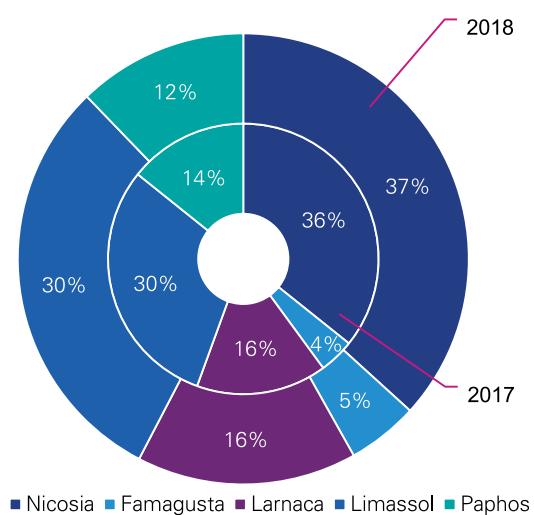
Nicosia is the district with the highest number of building permits (37% of total).

In terms of value, Limassol is the leading city (31% of the total), closely followed by Nicosia (29% of the total).

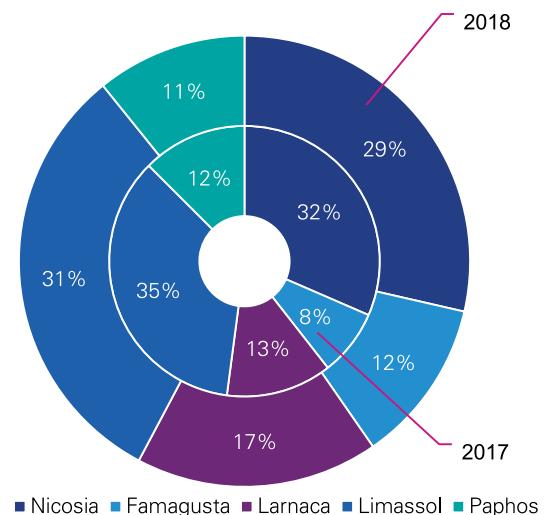
No. of building permits vs value



Building permits issued, by volume



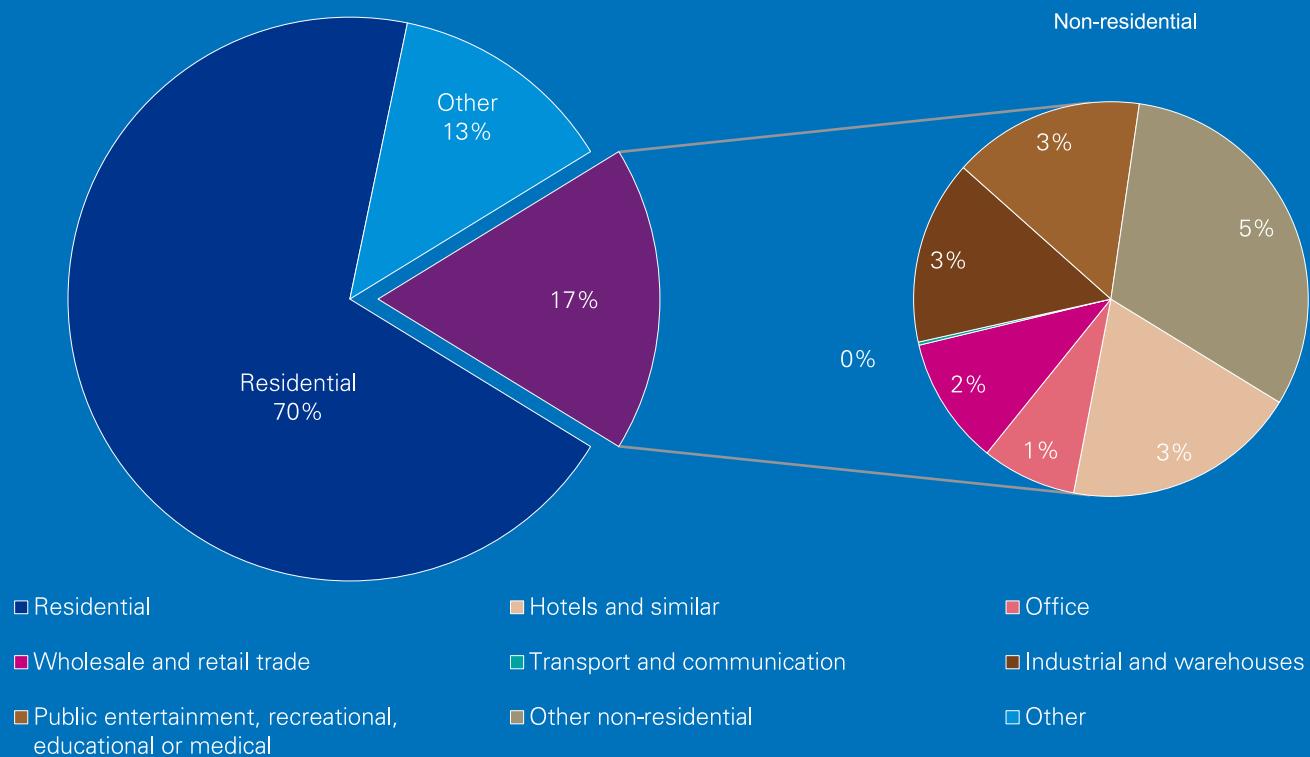
Building permits issued, by value



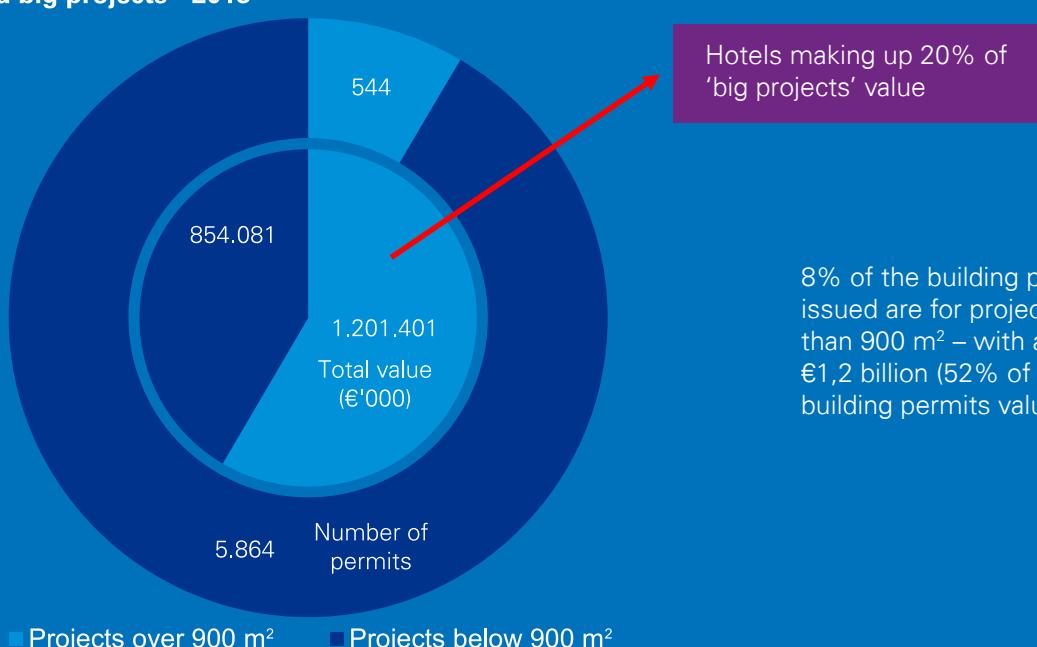
# Building permits issued by type of development

The majority of building permits issued in 2018 is related to residential developments (70% of total volume), with a total value of €1,3 billion (63% of total value).

## Building permits issued, by type of development - 2018



## Proportion of building permits for small and big projects - 2018



Note: Big projects are those with area > 900 m<sup>2</sup>  
(as classified by CyStat)

8% of the building permits issued are for projects bigger than 900 m<sup>2</sup> – with a value of €1,2 billion (52% of the total building permits value).

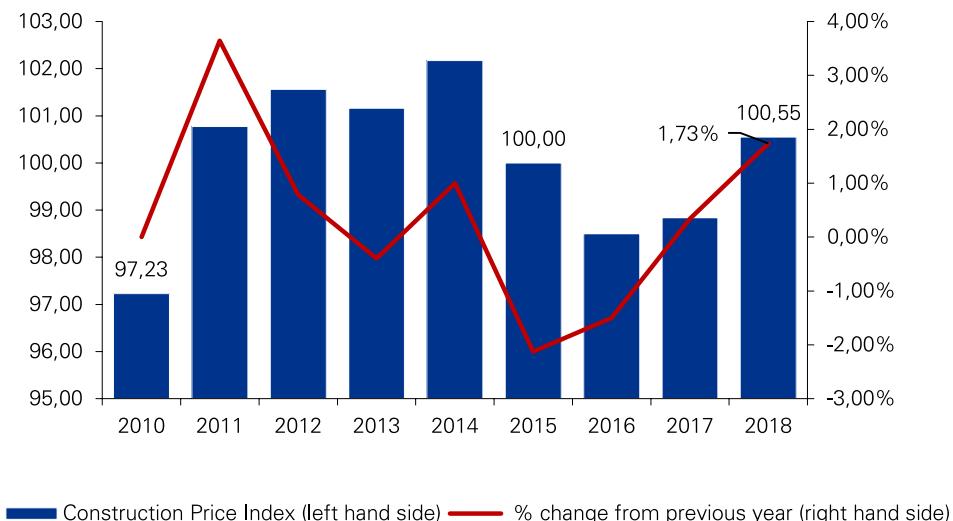
# Construction price index & cost per building permit

## Construction Price Index

The construction sector was one of the sectors which was affected severely, as a result of the economic crisis of 2013.

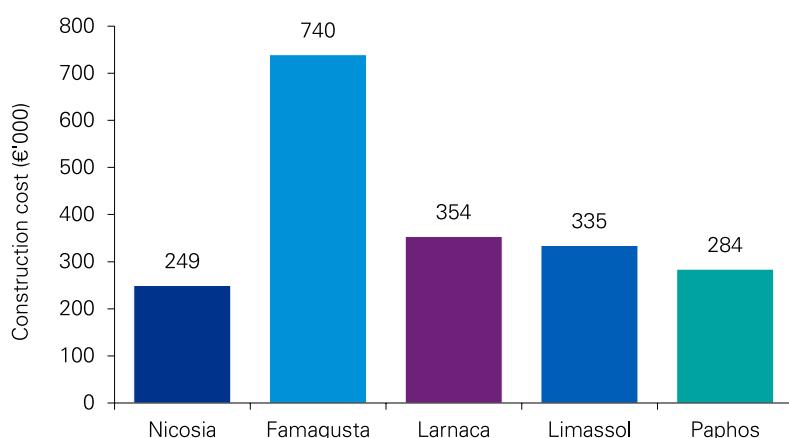
The 2018 index reflects a y-o-y growth, following years of no or negative growth, indicative of the increased construction activity on the island.

## Construction price index 2010 - 2018



Source: CyStat, KPMG Analysis

## Average construction cost per building permit issued - 2018



Source: CyStat, KPMG Analysis

## Construction cost per Building Permit

The average construction cost per building permit issued varies between regions, implying moderately higher scale developments in certain geographical areas. One such example is Famagusta, which is mainly touristic-oriented and a big percentage of construction activity is attributed to hotels; for 2018 demonstrates by far the highest average construction cost per building permit.

# Increased sales activity annually since 2014

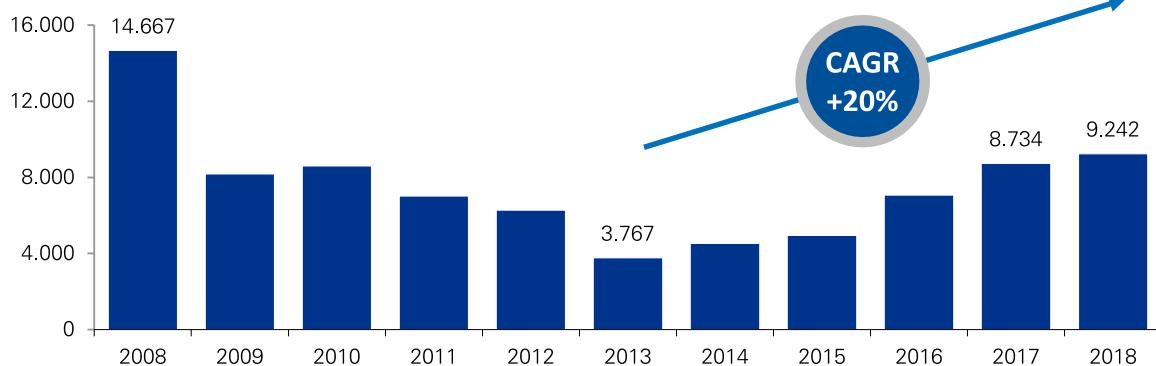
Following the 2004-2008 rise in transactions, the market experienced a sharp drop in 2009 through to 2013 when it reached a trough. The market is gradually rebounding, with continuous increases every year since 2014. The largest y-o-y increase in transactions since 2013 was recorded in 2014 (43%), albeit starting from a very low base, followed by 2017 (24%). 2018 was a year of consolidation with still a healthy growth rate of 6%.

Arguably, the increase in property transactions has been enhanced by improved economic conditions.

The latter led to improved domestic confidence levels and to an increase in domestic demand. In addition, various Government incentives have also led to a surge in foreign demand; such measures include the abolition of immovable property taxes, schemes for permanent residency and naturalisation of investors by exception.

It should be noted that Debt for Asset Swap ('DFAS') transactions are not included in these numbers.

## Contracts of sale submitted to the Department of Lands and Surveys

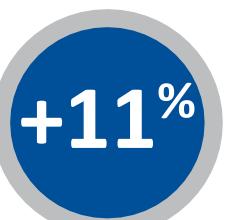


Source: Department of Land and Surveys (DLS), KPMG Analysis

DLS Disclaimer: The data above refers to the number of contracts of sale; this represents the sale agreements submitted to the DLS for the acquisition of property as extracted by the DLS portal up until 31/12/2018. The data was sorted and consolidated.

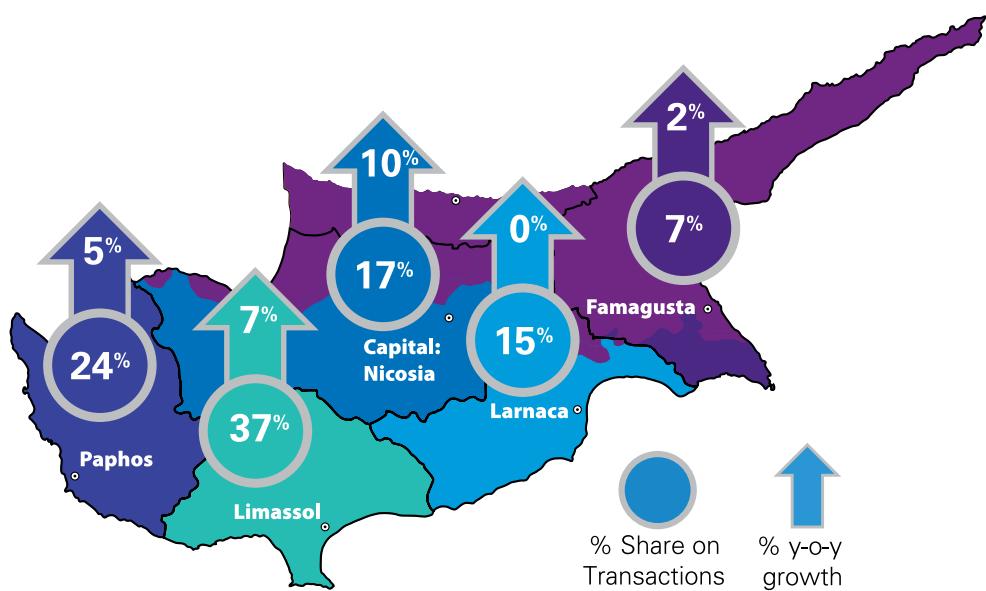


In total sales from 2017 to 2018



On the total contracts of sale in Q1 2019 vs Q1 2018

## Geographical distribution of contracts of sale and growth in 2018 vs 2017



The majority of transactions in 2018 has been recorded in Limassol (37%) followed by Paphos (24%). The largest y-o-y growth in the number of transactions was recorded in Nicosia (+10%) followed by Limassol (+7%).

# Sales breakdown by nationals and non-nationals

In 2018, a total of 4.367 contracts of sale were submitted to the DLS by non-nationals, accounting for 47% of total sales contracts.

The highest share of contracts of sale by non-nationals was recorded in Paphos (40%), followed by Limassol (30%), Larnaca (16%), Famagusta (10%) and Nicosia (5%).

Paphos and Limassol remain the preferred cities of choice by non-nationals, with Nicosia being the least preferable city.

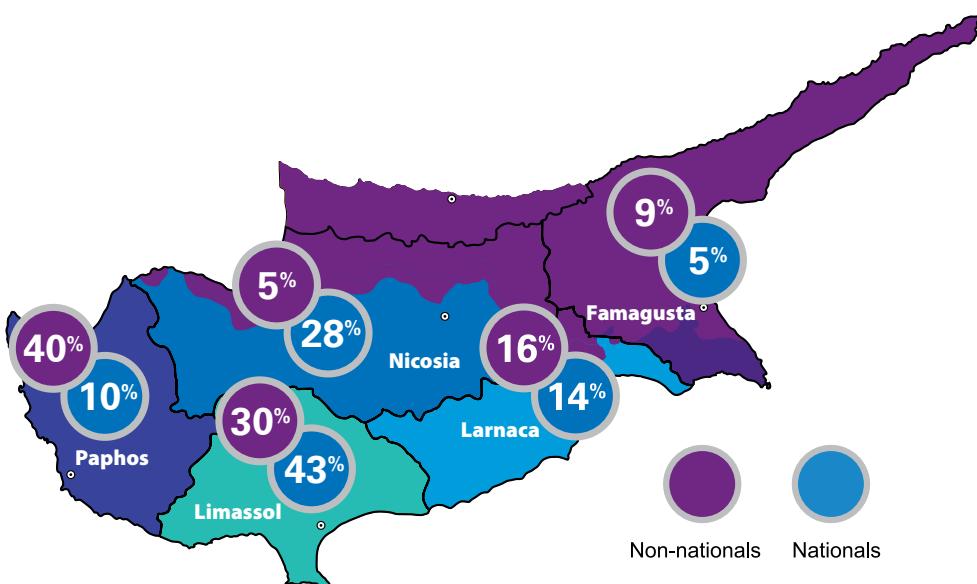
In terms of domestic demand, Limassol is leading with 43% of the market, followed by Nicosia with 28%.

2019 started on a similar trend, with an 11% increase in sales, compared to the corresponding 2018 period and non-nationals accounting for 47% of the total sales.



Source: DLS, KPMG Analysis

## Geographical distribution of contracts of sale by nationality in 2018

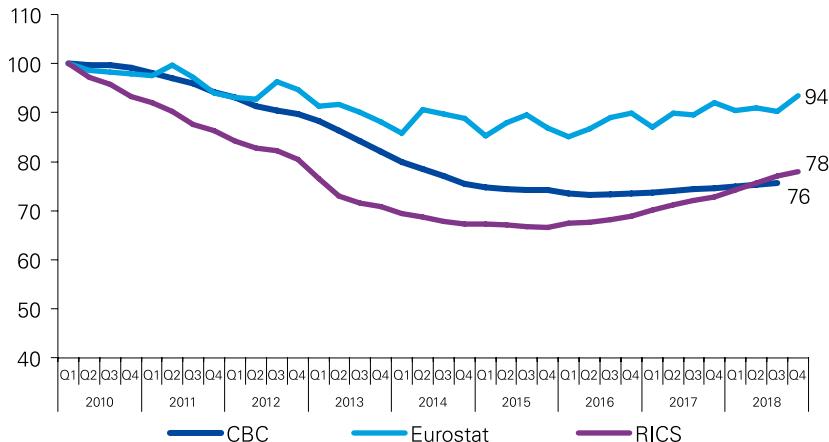


Source: DLS, KPMG Analysis

Disclaimer: DLS changed the methodology of counting the sales to non-nationals in 2018

# Price evolution

## Cyprus residential price indices

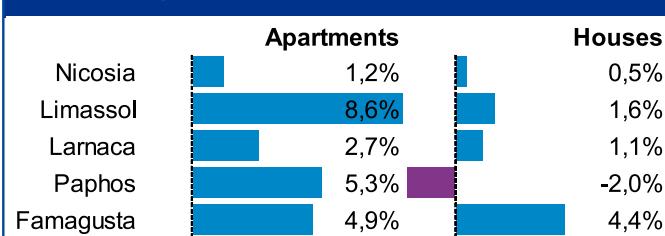


Source: RICS, CBC, Eurostat, KPMG Analysis

The residential price evolution is monitored by both the Central Bank of Cyprus (CBC) and the Royal Institution of Chartered Surveyors (RICS). In addition to these two indices, there is a third one monitoring the residential price evolution from Eurostat.

These indices have different methodologies but all have displayed similar negative trajectories after 2010, which have been reversed from early 2017 onwards.

## CBC Housing Prices - Q3 2017 vs Q3 2018



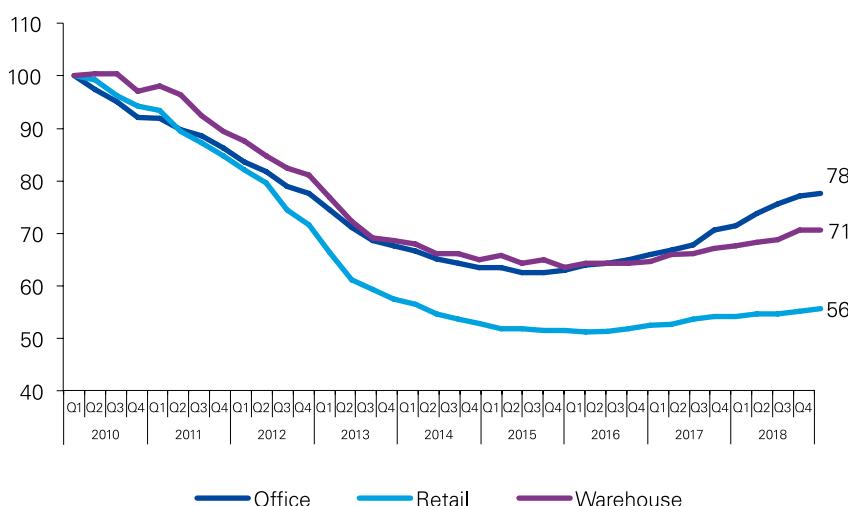
Source: RICS, KPMG Analysis

As per the CBC index apartments in Limassol exhibit an 8,6% year - on - year increase, followed by apartments in Paphos and Famagusta with annual increases of 5,3% and 4,9% respectively.

According to RICS, commercial properties have moved along similar lines, with a negative trajectory from 2010 onwards and mild growth exhibited towards the end of 2016 - beginning of 2017 onwards, with offices displaying a sharper rise.

At the same time, price indices for all property types are still much lower than the respective 2010 levels.

## RICS Office, Retail & Industrial Properties Indices



Source: RICS, KPMG Analysis

# Property yields

Despite the economic crisis of 2013, Residential yields both for apartments and houses have been relatively steady, according to RICS. The latest available data (Q4 2018) indicates a yield of 2,4% for houses and 4,5% for apartments.

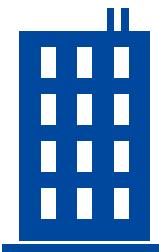
In contrast, yields for Commercial and Industrial Properties have had more volatility as a result of the crisis. Office yields have been contracting since the economic crisis of 2013 but have shown a notable growth since the end of 2016, with the latest data by RICS (Q4 2018) suggesting yields in the region of 5,1%.

## Residential yields - Q4 2018



Houses

2,4%



Apartments

4,5%

## Commercial yields - Q4 2018



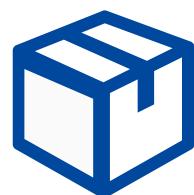
Offices

5,1%



Retail

5,5%



Warehouse

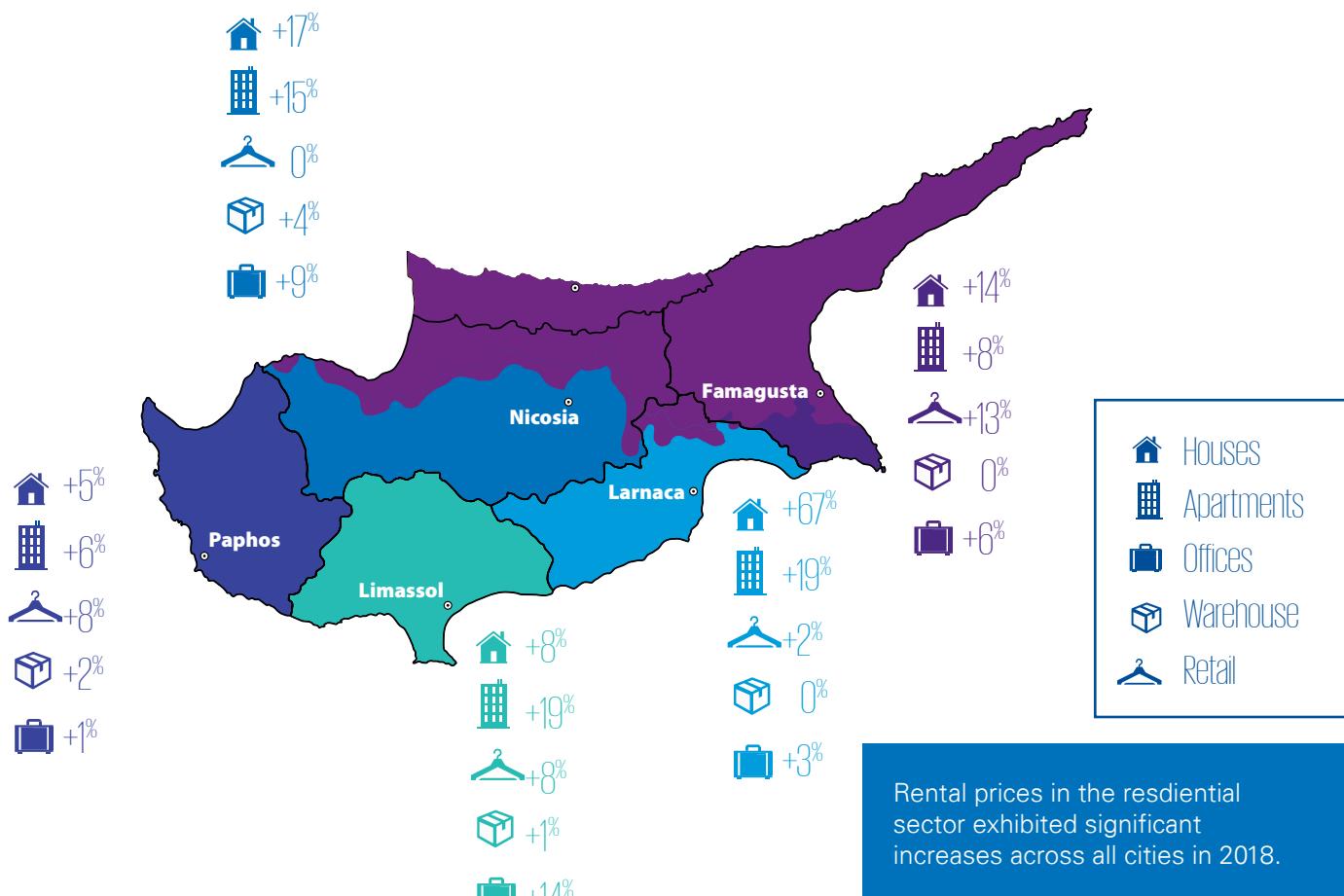
4,2%

## Industrial yields - Q4 2018

Retail properties have been constantly performing better compared to the other non-residential properties. Following the drop experienced in 2013, retail properties have been yielding a steady rate of return with a slight increase since 2016.

Warehouse (industrial) properties have exhibited a constant decline, with no signs of recovery over the past few years.

# Rental prices evolution



Note: Comparisons between Q4 2018 vs Q4 2017  
 Source: RICS, KPMG Analysis

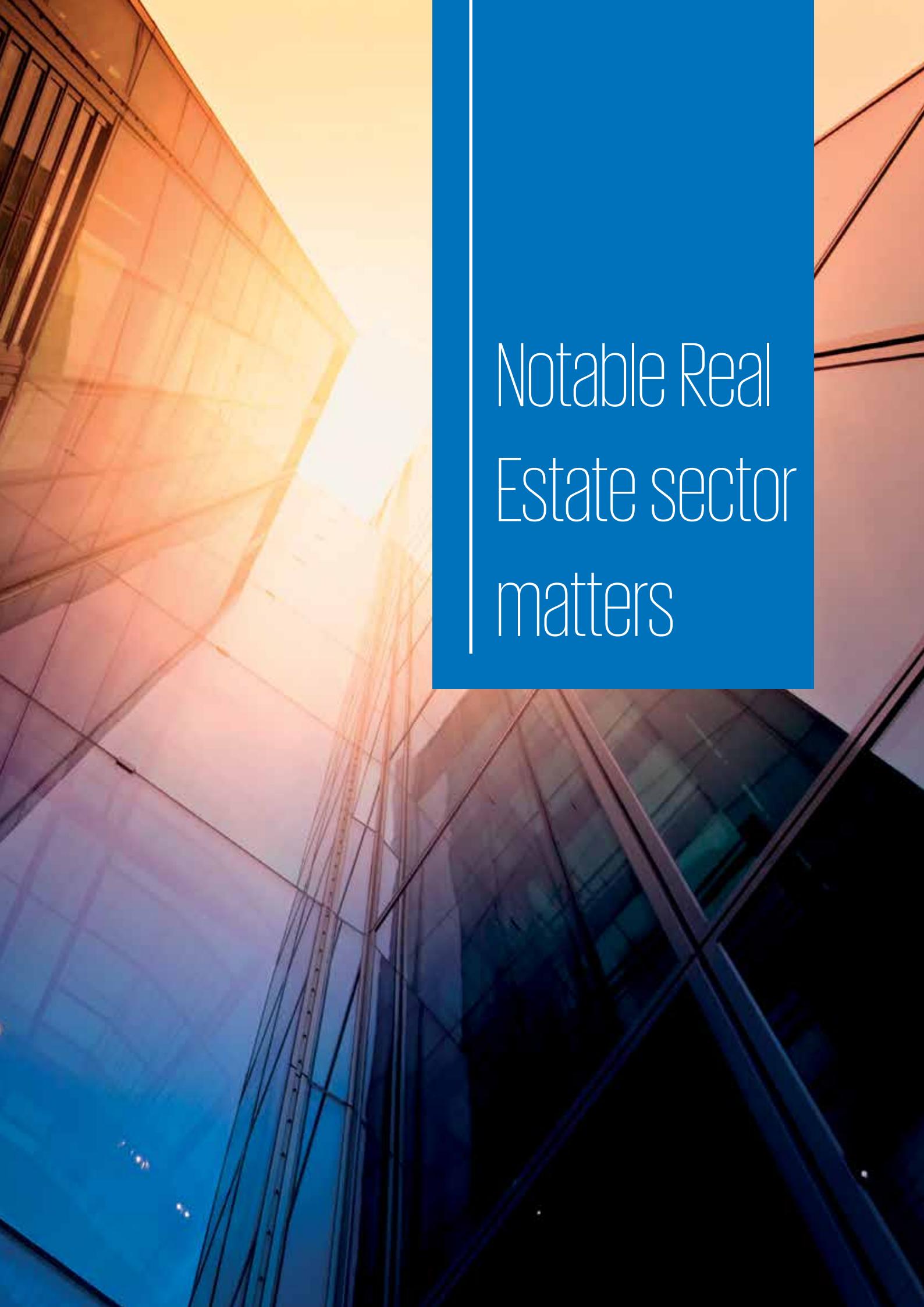
Rental prices in the residential sector exhibited significant increases across all cities in 2018.

Commercial properties exhibited milder increases.

## % change in rental prices compared with % change in earnings



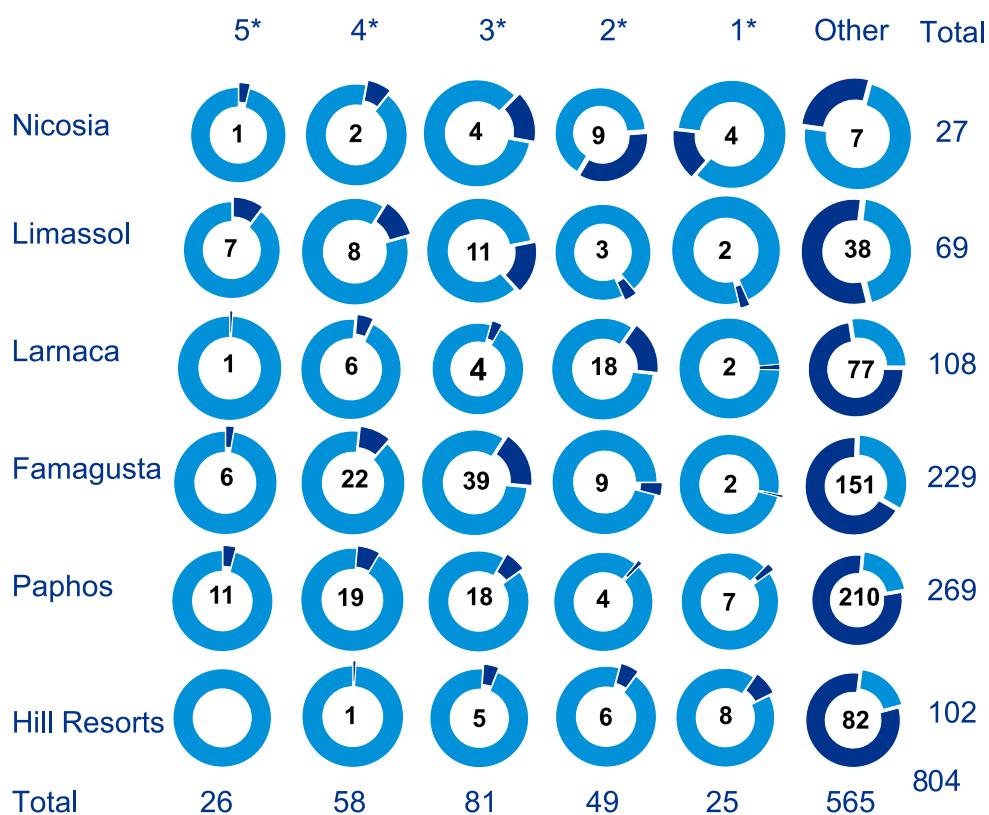
Annual rental increases for residential properties, averaged across all cities, have been rising sharply during the past few years, at a much faster rate compared to the trend of annual average employee earnings.



Notable Real  
Estate sector  
matters

# Hotels sector: overview

## Geographical Distribution of Touristic Units (as at 31/12/2018)



+/- vs 2017 - +1 +3 +3 +1 +7 +15

## Hotel locations

Famagusta and Paphos are dominating the starred hotels market, with a combined 62% of the units. They also have 69% of the 4\* & 5\* hotels.

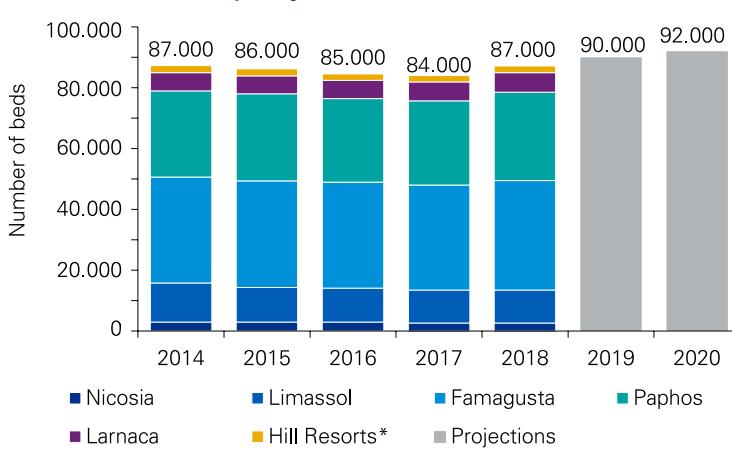
Nicosia is the district with the fewest units, which reflects the fact that it has the lowest number of tourists.

Paphos, on the other hand, has the most units in Cyprus, the majority of which belong to the "Other" category (no-star hotels, apartments, villas etc.).

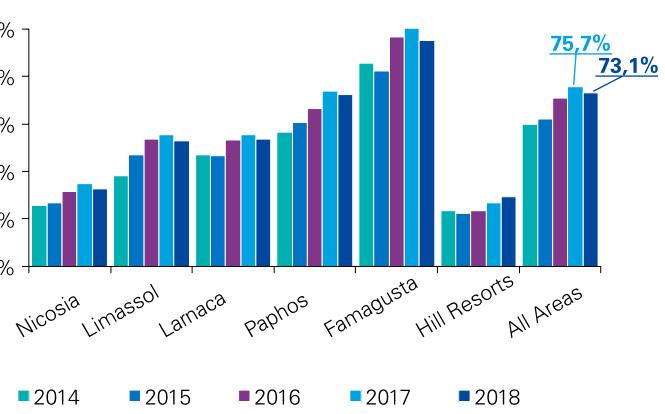
The Hill Resort hotel scene is dominated by no-star agrotourism units.

The increase in tourist arrivals has driven the strong increase in Cypriot hotel occupancy, which was, however, coupled by a slightly decreasing hotel capacity until 2017.

## Available beds capacity



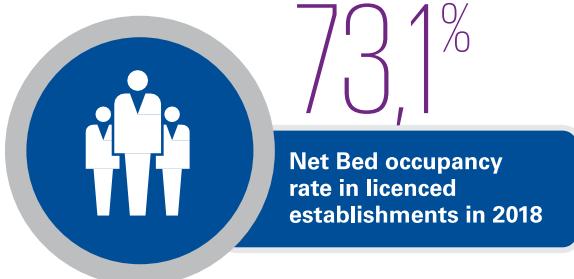
## Net Occupancy Rates for the last 5 years



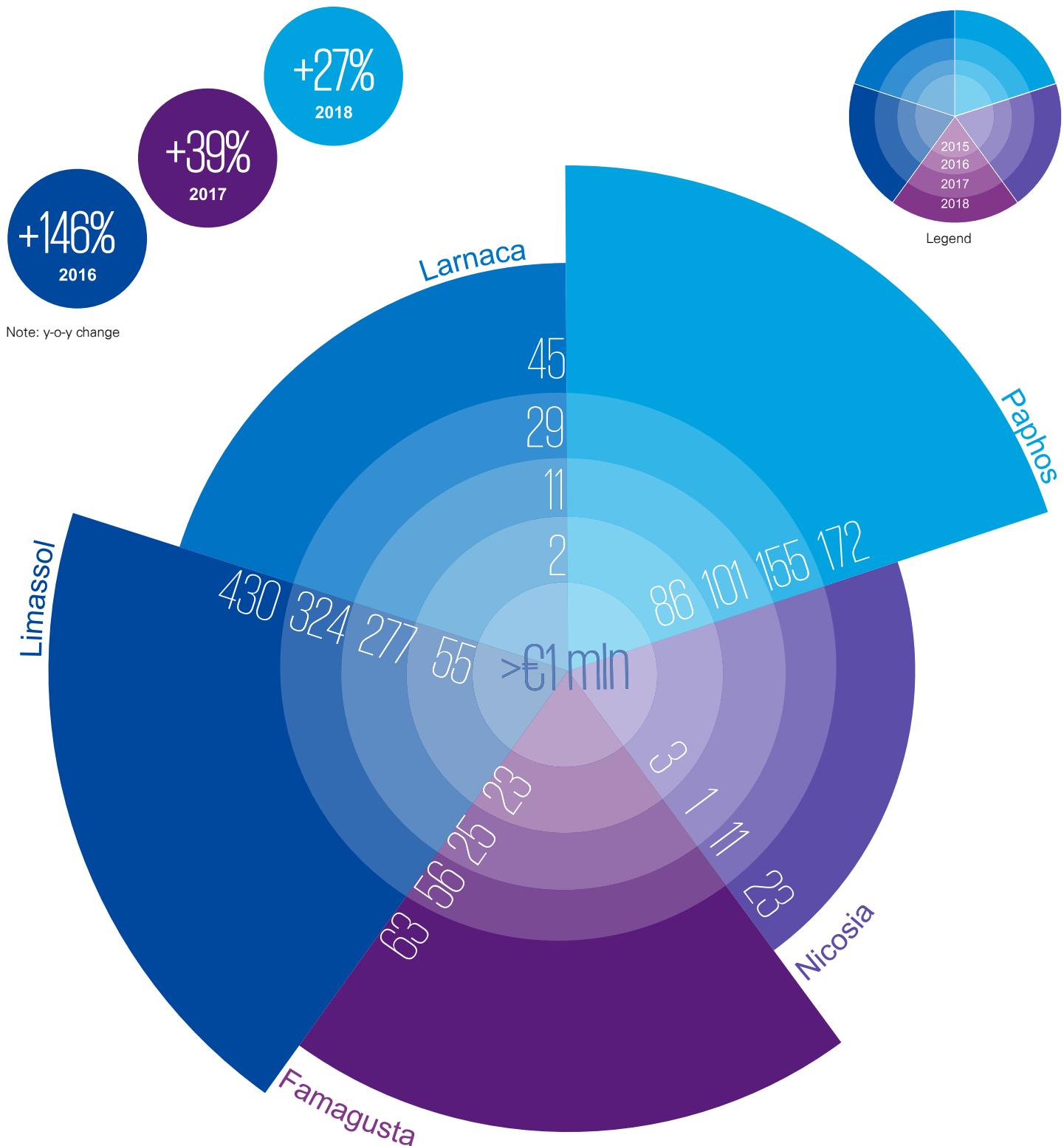
# Hotels sector: key facts

- The available beds capacity has increased by 3,7% y-o-y in 2018 reaching 87.000, the same level as in 2014
- The capacity in beds is expected to further increase, by almost 5-6% by 2020, a result of the commencement operations of 14 new hotels. An additional 4,8 thousand beds are under planning are expected to further increase the capacity after 2020 (by a further 5-6%)

- Cyprus' aggregate Net bed occupancy rate of licenced establishments has increased from 59,8% in 2014 to 75,7% in 2017, slightly dropping to 73,1% in 2018 against the backdrop of increased beds capacity



# Number of high value residential properties transactions > €1 mln

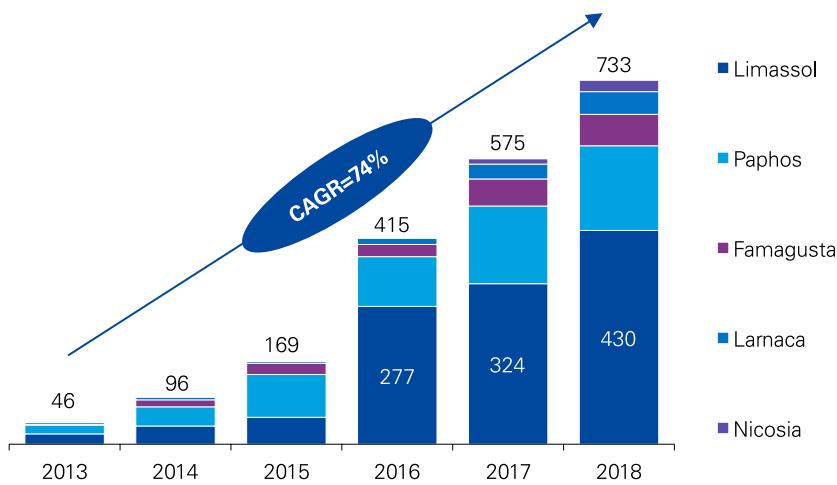


Source: Department of Land and Surveys, KPMG Analysis

Disclaimer: The data refer to the Contract of Sales, that represent the sale agreements only submitted to the Department of Land and Surveys with an agreement date as of 31/12/2018, for the acquisition of property, as extracted by the DLS portal, as of 15/03/2019. The data were sorted and consolidated in order to be presented. KPMG Ltd accepts no liability in case the data prove to be incorrect.

# Number of high value residential properties analysis > €1 mln

## High value residential transactions >€1 mln from 2013

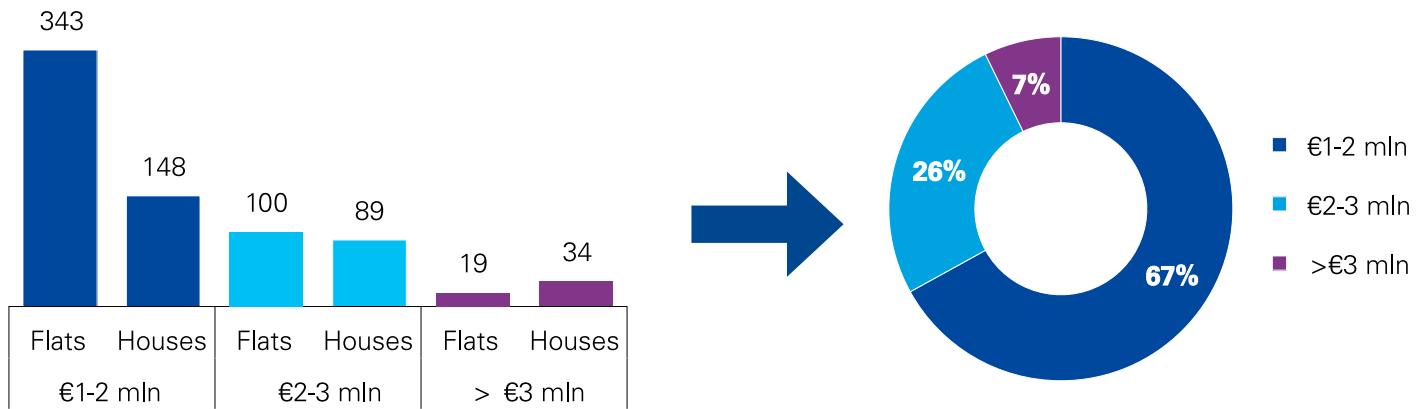


High value residential properties transactions, > €1 million, have been exhibiting a remarkable increase in the past few years. Notably, the Compound Annual Growth Rate (CAGR) from 2013 to 2018 was 74%.

2016 and 2017 exhibited a 146% and 39% y-o-y growth, respectively. During 2018, the number of high value residential property transactions exhibited a further increase of 27%.

Limassol is the key driver of this growth, with more than half of the transactions relating to the coastal city in all years since 2016.

## High value residential transactions by price band - 2018



## Breakdown by city and residential type 2018



Further analysis of high value residential properties transactions, indicates 67% of total volume lies in the price range of €1-2 million, with 26% in the €2-3 million range and 7% over €3 million.

The biggest volume for high value residential properties transactions in Limassol related to flats.

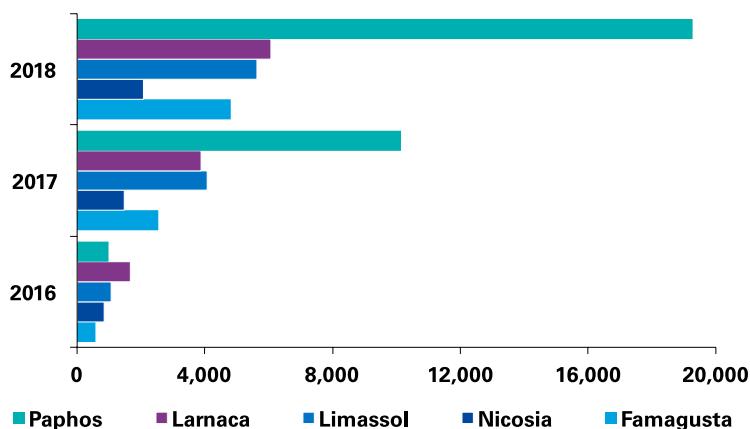
In contrast, the Paphos market for high value residential transactions was dominated by houses.

Source: DLS, KPMG Analysis

Disclaimer: The data above refers to the number of Contracts of Sale; this represents the sale agreements submitted to the DLS for the acquisition of property, as extracted by the DLS portal up until 15/03/2019. The data was sorted and consolidated.

# Airbnb

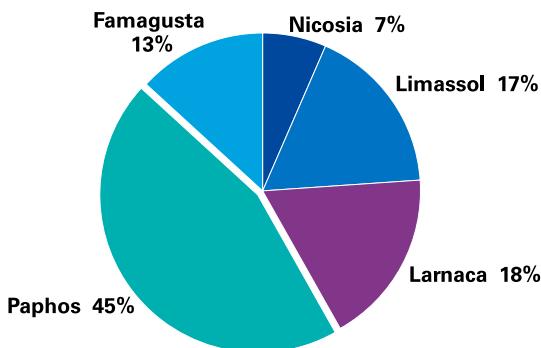
## Number of booked properties



37.862  
bookings made (2018)  
+71% y-o-y



## Active property listings (Feb 2019)



4.538  
Active property listings  
(as at Feb 2019)



Top markets of  
origin:  Russia  
 United Kingdom

1	Paphos	16.922
2	Larnaca	12.450
3	Limassol	10.323
4	Nicosia	5.586
5	Famagusta	3.078

48.359  
guests  
44.825 international  
3.534 domestic  
+41% y-o-y



## Average daily rate (2018)

Paphos	Larnaca	Limassol	Nicosia	Famagusta
€123	€48	€65	€46	€81

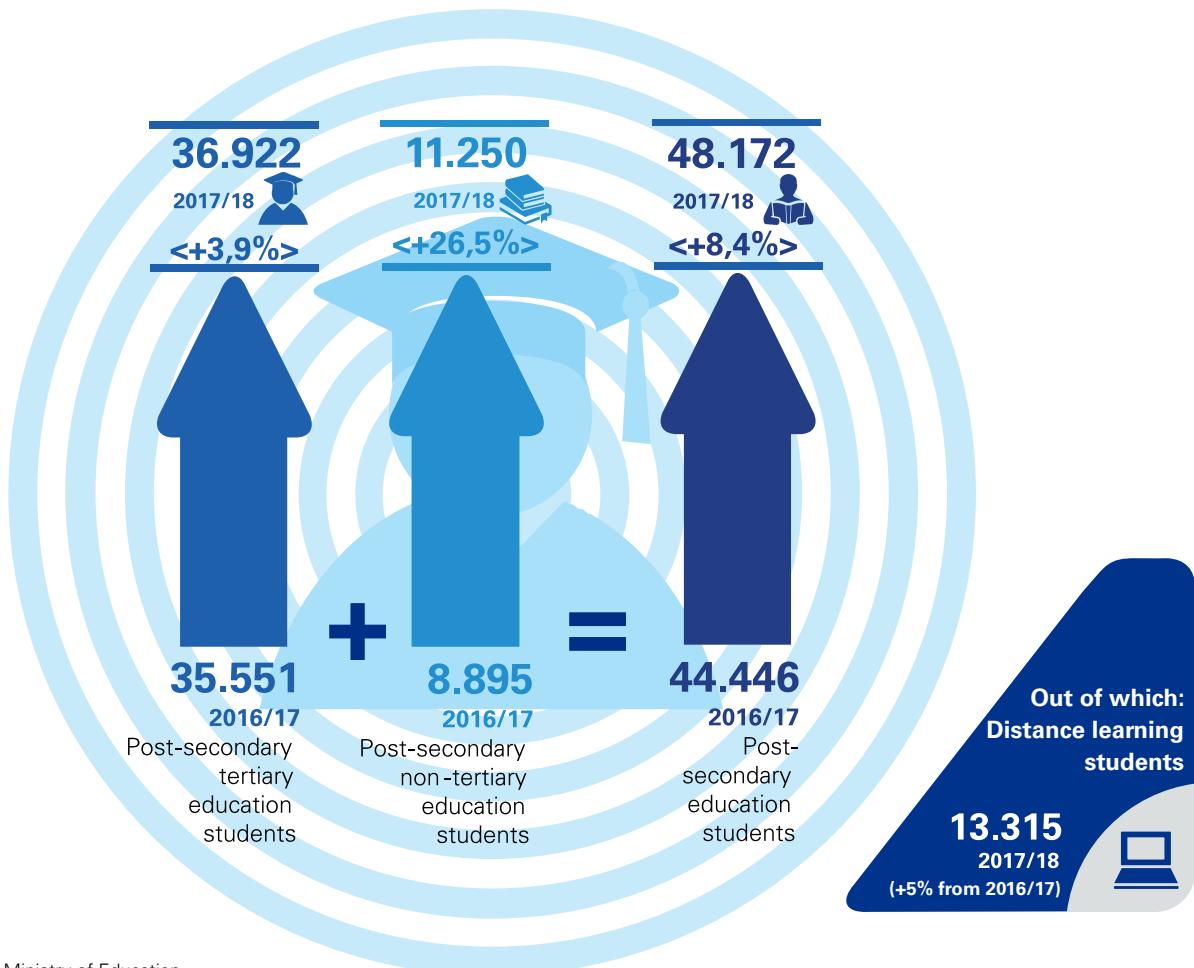
# Student accommodation

Student accommodation has been growing strongly, with an estimated 97% increase in the number of available rooms from 2017 to 2018. 2019 is expected to add another 16% to the existing stock of licensed accommodation units. The number of university and

Source: KPMG internet research

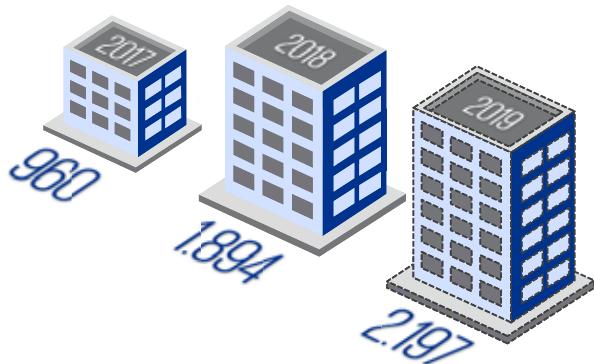
college students saw a strong growth of 8,4% in the academic year 2018.

Unsurprisingly, Nicosia is the dominating city in regards to student accommodation units, as most of the major universities and colleges are based in the capital.



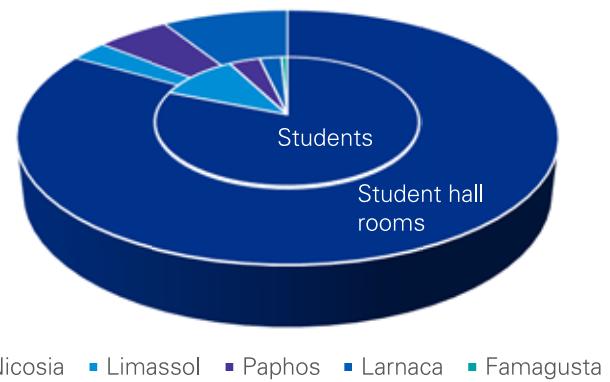
Source: Ministry of Education

## Major student hall rooms



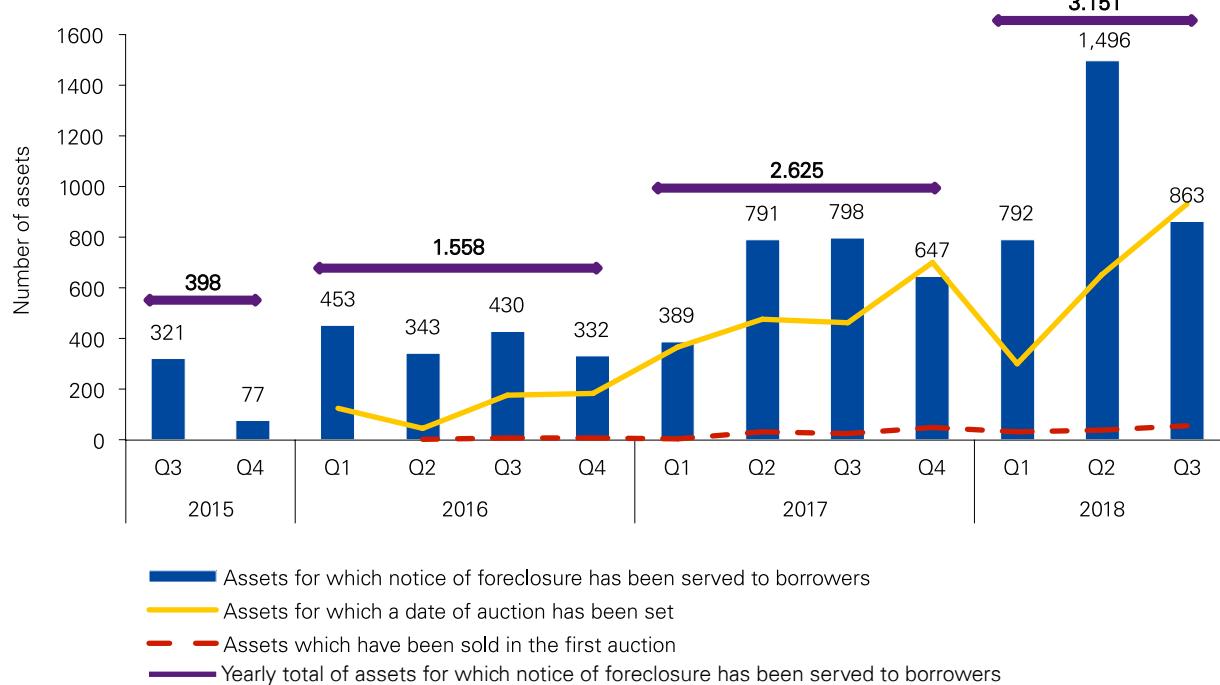
Source: Ministry of Education, KPMG Research

## Distribution of students and rooms per city



# Real estate foreclosures

## Real estate foreclosures from banking institutions



Source: Stockwatch, KPMG Analysis

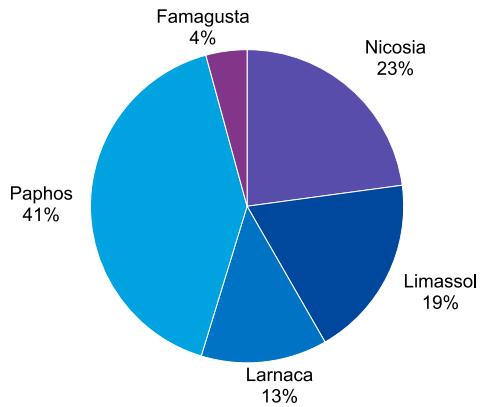
## Property foreclosure legislation

A new procedure was introduced in 2015, to enable the enforcement of mortgages through foreclosure. The purpose of the amendment was to remove the involvement of the DLS and the Courts of Justice in such a manner that an out of court procedure is driven by the secured creditors instead, in an attempt to expedite property foreclosures, protect creditors' rights and offer an alternative, more efficient approach to security realisation.

One of the most prominent features of the new procedure is the imposition of strict deadlines for adherence, in an attempt to reduce the time of completion of the process, without jeopardising the debtors' rights.

The new law came into effect in April 2015. The way distressed auctions will develop in the future will have a significant bearing on the real estate market.

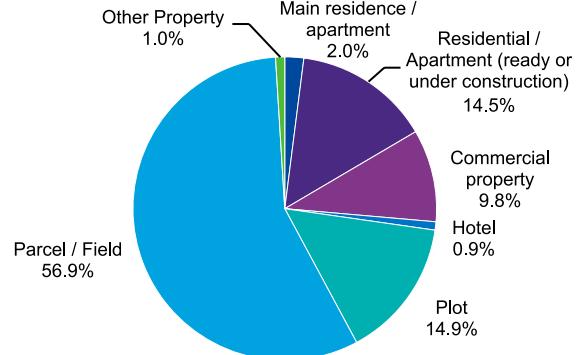
## Real estate foreclosures by city\* (2016 - Q1 2019)



\*for which a date of auction has been set

Source: Ministry of Interior, KPMG Analysis

## Real estate foreclosures by type of asset\* (2016 - Q3 2018)



\*for which a date of auction has been set

Source: Stockwatch, KPMG Analysis



Topics of  
interest

# Immovable property fees & taxes



The VAT rate for acquisition of residential property or renovation/repair purposes can be reduced to 5% provided that:

- The property is intended to be used by the beneficiary as his/her main permanent place of residence while staying or visiting Cyprus
- The reduced rate is applied only on the first 200 m<sup>2</sup> building coefficient
- The property is not used for investment or leasing purposes or to exercise any other economic activity

# Citizenship by Investment scheme

**New terms and conditions in place** (effective from 15<sup>th</sup> May 2019)

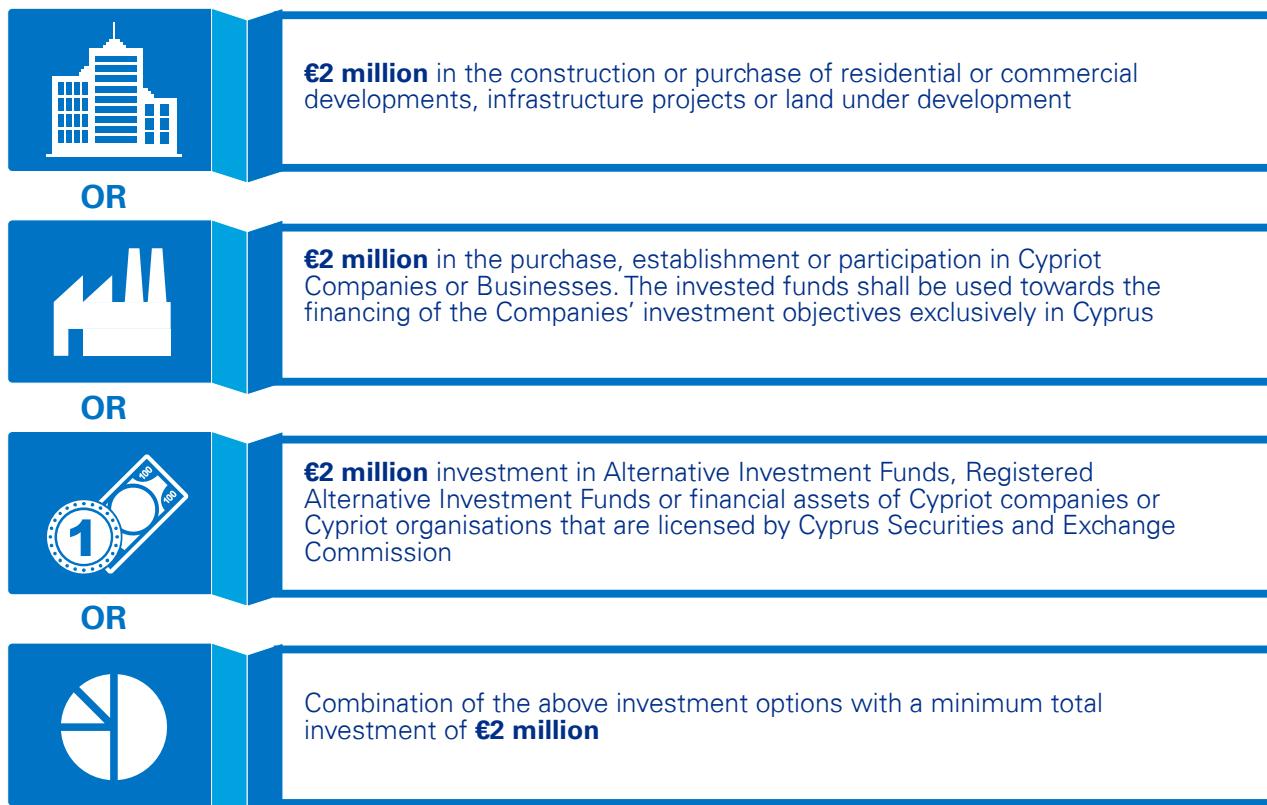


## Financial criteria

### Donations



### Investments



# KPMG real estate services



**Business Plan Preparation Assistance, Business Modelling**



**Transaction Services (Buy Side, Sell Side)**



**Corporate Finance, Feasibility Studies, Business and Asset Valuation**



**Borrower And Lender Assistance and Options Evaluation**



**Citizenship By Investment & Immigration Services**



**Debt for Asset Swap Strategy, Advice & Execution**



**Funds & Fund Management: One-stop Service Offering**



**Asset Management & Strategy**



**Audit & Tax Services**





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