



Industry Annual Update: Cyprus Real Estate

May 2025



The better the question.
The better the answer.
The better the world works.



EY

Shape the future
with confidence

Foreword

EY Cyprus is pleased to present the latest edition of its annual property market report, aimed to serve as a valuable resource for investors, real estate developers, and other decision-makers navigating this dynamic sector. The report not only tracks market activity but also delves into key trends in both demand and supply, examining how macroeconomic and geopolitical factors are shaping Cyprus's real estate landscape.

Drawing on our in-depth market knowledge and sophisticated data analytics, we combine insights from 2024 market data with responses from a pulse survey conducted among key stakeholders in the last quarter of 2024. Our Strategy and Transactions Team remains deeply engaged with the market, enabling us to access valuable perspectives from major stakeholders, collaborators, and active participants in the sector.

In an increasingly complex and dynamic global environment, Cyprus's property market faces both challenges and opportunities. Our report

highlights the sector's resilience in the face of rising costs, shifting buyer behaviors, and evolving investor expectations. As inflation moderates and construction costs begin to ease, we observe notable trends. Meanwhile, the influx of foreign residents and businesses in response to regional instability continues to fuel demand, underscoring Cyprus's role as a stable and secure destination.

We have made efforts to compile the most recent data available and present the complete year of 2024 for what we could obtain. The year 2024 was exceptionally strong, setting records in both transaction volume and value. The rental sector also gained significant momentum, underscoring the importance of understanding the drivers and their long-term implications. Our analysis of building permits and other supply indicators on the other hand offers valuable insights into future market capacity, reflecting a balance between increased construction activity and the lingering effects of past market conditions.

Responses from our pulse survey reflect an optimistic outlook among industry participants, who anticipate robust demand from both local and foreign perspective. Their insights help us understand the evolving priorities and expectations shaping the sector's trajectory.

We trust that this report offers you a clear and comprehensive view of the Cyprus property market's current state and future prospects. By staying informed of these trends and underlying drivers, we hope to empower you to navigate the opportunities that lie ahead.

Contents

07

Section 1

Market trends and
overview

15

Section 2

Real estate
market
performance

33

Section 3

Market supply
factors

41

Section 4

Industry
sentiment



Section 1

Market trends and overview

Market Trends and Overview

Market trends per asset class (1/2)

Analyzing market trends is essential for real estate stakeholders, as it enables them to navigate the market more effectively, seize opportunities, and meet their strategic goals. We thus begin our analysis by highlighting key emerging trends at both national and European levels. Given the relatively illiquid nature of the sector, such trends typically evolve in real estate cycles lasting around 10-18 years. Events such as pandemics, wars, or new legislations however can accelerate changes. Generally, these shifts first occur at a European level and reach Cyprus subsequently with a lag of about six months. We thus explore recent developments within different segments of the European real estate sector in an effort to predict their impact on the local market.

Residential assets

Europe

- Residential real estate in Europe has seen rising prices driven by high demand, especially in urban areas.
- Sustainable living is becoming increasingly important in residential real estate. There is a growing demand for energy-efficient homes and developments that incorporate green technologies and sustainable building practices.
- Smart home technologies and advanced home automation systems are becoming standard in new residential developments. Such technologies enhance convenience, security, and energy efficiency of homes.

Cyprus

- Similar to Europe, residential real estate in Cyprus has seen increased demand. This is driven by both foreign and local demand as well as a cultural preference of homeownership. It's clear that as inflation and construction costs ease, prices have also begun to stabilize.
- A noticeable trend is emerging whereby more people move towards suburban and coastal areas in search of homes that offer outdoor space and more affordable prices. Meanwhile, apartments continue to be highly popular among younger generations.
- Local real estate developers are increasingly incorporating technological advancements and sustainable practices in residential projects to attract tech-savvy and eco-conscious buyers.

Offices assets

Europe

- The European office market is facing uncertainty, particularly due to high vacancy rates exacerbated by the shift to remote and hybrid working models. Many companies are reevaluating their office space needs, leading to a potential surplus of office space.
- There is a noteworthy shift towards more high-quality offices, with advanced. This trend is driven by the need to attract and retain talent by offering superior work environments.
- Environmental, Social, and Governance (ESG) considerations are increasingly shaping the market. Investors and occupiers are prioritizing office assets that meet high sustainability standards, such as energy efficiency, reduced carbon footprints, and certifications like BREEAM or LEED. This trend aligns with regulatory pressures, including the EU's Green Deal and stricter building performance standards, as well as corporate commitments to net-zero goals. Companies are not only focusing on environmentally friendly features but also on creating socially inclusive spaces that foster employee well-being and diversity.

Cyprus

- The strong demand for renting offices observed, especially in districts like Limassol and Nicosia, continues. This trend is driven by a continuous demand from businesses relocating their headquarters/regional offices to Cyprus (fueled by geopolitical developments and conflicts (Ukraine, Israel, etc)).
- As a member state of the EU, Cyprus's office sector is also expected to be impacted by EU sustainability related regulations. Energy efficiency upgrades of older buildings will be necessary, affecting a material portion of offices stock.
- Multinational companies operating in Cyprus are already implementing ESG practices, prompting local firms to follow suit in order to remain competitive in the evolving market landscape.

Market Trends and Overview

Market trends per asset class (2/2)

Retail assets

Europe

- More and more consumers choose convenience over in-store experience. This trend in combination with the pandemic, accelerated online sales not only in Europe but worldwide. Consequently, demand for retail space is facing challenges.
- The decreasing purchasing power and higher cost of living are also adversely affecting the retail sector as disposable income decreases and consumer demand softens.
- Neighborhood retail though does hold and relevant investment volumes remain steady, driven by a defensive investment strategy focusing on essential retail locations.

Cyprus

- Online sales in Cyprus have gained a lot of popularity in the last years.
- Many retailers in Cyprus have shifted their operational focus online and areas which once were retail hubs are now facing high vacancy rates, affecting their overall attractiveness to walk-in consumers.
- Similar to the rest of Europe, the decreasing purchasing power and higher cost of living are also anticipated to adversely affect the retail sector in Cyprus. The flourishing tourism industry on the other hand does support demand for retail spaces in the coastal cities.

Industrial assets

Europe

- Globally, industrial real estate, particularly warehouses and distribution centers, have experienced robust demand post-pandemic. The long-term outlook remains positive, with steady annual rental growth expected due to factors like reshoring and nearshoring.
- Sustainability is a growing focus, with more industrial real estate projects incorporating green practices and energy-efficient designs. This shift is fueled by regulatory pressures, such as stricter environmental standards, and growing corporate commitments to sustainability, as businesses seek to reduce their carbon footprints and align with ESG goals.

Cyprus

- Industrial real estate assets rank among the weaker-performing market segments locally. Despite Cyprus' advantageous geographic location, the island has yet to establish itself as a major logistics hub. This limitation stems from challenges such as insufficient infrastructure scale and limited connectivity compared to larger logistics hubs in Europe and the Middle East.
- Over the past year, however, there has been growing interest in reshoring operations to Cyprus, alongside an influx of participants from the MENA region seeking access to the EU market. This trend has spurred developments like the establishment of bottling manufacturing facilities in peripheral areas of Limassol.
- Like other segments of local commercial real estate, industrial assets are influenced by ESG principles and EU sustainability regulations. These factors may render much of the existing stock outdated, necessitating significant upgrades to meet modern standards and attract investment.

Market Trends and Overview

Factors affecting the Cypriot Real Estate sector

This section offers a detailed examination of the evolving trends in both the local real estate market and the broader European and global markets, along with their potential impacts.

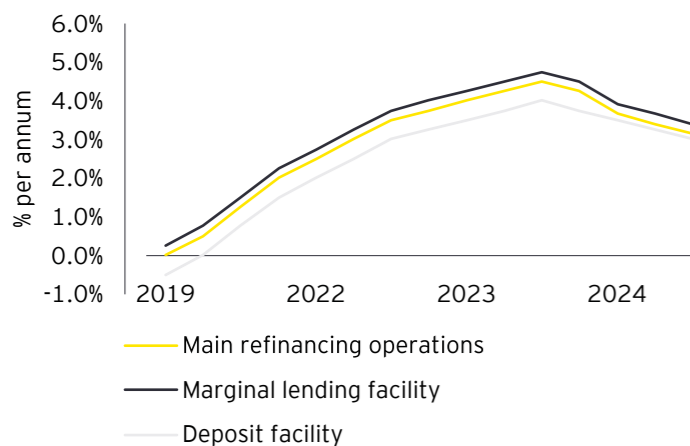
Geopolitical tensions and migration

Geopolitical conflicts in neighboring regions can destabilize economies, leading individuals and businesses to seek more stable environments. Over the past years, ongoing tensions have consistently sustained demand for relocations to Cyprus, as both individuals and businesses pursue stability and security. These relocations impact the demand for commercial and residential properties, potentially driving up prices in specific areas and asset types. Currently, this trend is influenced by geopolitical tensions in Ukraine and the broader Middle East. The proximity to conflicts in the region may also deter some international investors on the other hand from viewing Cyprus as a safe investment destination.

Elevated interest rates and borrowing costs

While interest rates started to decline in late 2023, they remained elevated compared to pre-2022 levels. EURIBOR forward curves indicate that rates are expected to drop further within the next six months. The ECB and other central banks initially kept rates elevated to prevent hyperinflation. However, since Q3 2023, rates have been reduced, with the potential for further cuts. Cypriot banks typically adopt rate changes more slowly, leading to higher lending costs compared to other countries. Many investors, holding substantial cash reserves since the pandemic, have adopted a cautious "wait-and-see" approach over the past two years during a stagnant investment market. As rates decrease, housing and investment opportunities will become more affordable and appealing, potentially boosting demand for real estate.

Key ECB rates



Source: ECB.

Changes in legislation

In October 2023, amendments to VAT legislation for first-time property buyers were introduced, tightening eligibility for reduced VAT rates. The 5% VAT rate now applies only to the first 130 square meters of properties valued up to €350,000, with a total buildable area capped at 190 square meters. Properties exceeding these limits are subject to the standard VAT rate. This change is expected to shift demand toward smaller, lower-value homes, potentially impacting larger properties, though the exact effect remains uncertain due to a lack of data.

Additionally, forthcoming EU sustainability regulations, including revisions to the Energy Performance of Buildings Directive (EPBD), the introduction of a green tax, stricter energy efficiency standards for existing buildings, and mandatory renovation requirements, are expected to increase construction and renovation costs, further shaping investment decisions and market trends.

High construction costs

Despite inflation easing, construction material prices continued to rise. High construction costs are squeezing the viability and profit margins of real estate developments while also eroding the purchasing power of potential buyers. As a result, property developers and investors are adopting a cautious approach toward new projects, influenced by ongoing global disruptions from the pandemic, the war in Ukraine, and now the Middle East crisis, which has prolonged elevated construction costs. Data for 2024 shows a decline in construction material prices, though they have yet to return to pre-pandemic levels—a topic explored in more detail later in the report.

Government's incentive schemes

The need for affordable housing has become increasingly urgent, prompting the government to introduce the 2024 Affordable Housing Scheme. This initiative is designed to make homeownership and rental options more accessible by addressing the housing shortage and rising costs of ownership. To achieve this, developers are offered the opportunity to increase their available building coefficient by 25% or 45%, provided that the units are to be sold at a price prescribed by the Cyprus Land of Development Corporation (CLDC) or rented below market value as prescribed by the Department of Land and Surveys (DLS). The criteria for eligibility for buyers or tenants, set by CLDC, are straightforward and primarily based on their annual income.

This scheme not only aims to alleviate the financial burden on eligible individuals and families but also encourages developers to offer more affordable options without reducing their profit margins. Similar initiatives have been successful across Europe, and its introduction in Cyprus has been long awaited, marking a significant step towards resolving the housing crisis in the country.

Market Trends and Overview

Macroeconomic environment (1/3)

In this section, we analyze the key latest full year macroeconomic indicators influencing the real estate sector and their forecasts, while comparing these factors between Cyprus and the broader Euro Area.

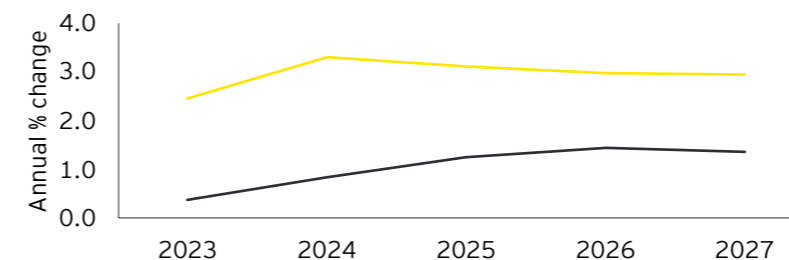
Although the macroeconomic environment in Cyprus generally aligns with European trends, the country enjoys notably lower inflation and unemployment rates. The International Monetary Fund's (IMF) outlook for Cyprus is optimistic, emphasizing a strong economy with GDP growth that has consistently outpaced the EU average in recent years and also projected to maintain this momentum.

Macroeconomic snapshot¹

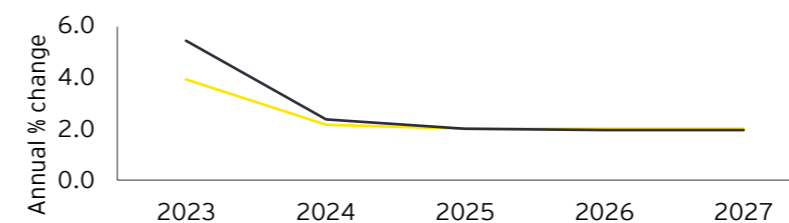
Unemployment		Inflation rate	
Cyprus	6.10%	Cyprus	3.94%
Euro Area	6.57%	Euro Area	5.42%
Yoy change	-10.0%	Yoy change	-2.8%
10-Year government bond yield ¹		GDP growth	
Cyprus	3.20%	Cyprus	2.47%
Germany	2.03%	Euro Area	0.42%

Source: IMF, INVESTING.COM

Cyprus's projected metrics vs. Eurozone



GDP
Cyprus's GDP is projected to continue growing at a higher rate than the EU average.



Inflation
Inflation in Cyprus is expected to remain below the EU average through 2024, aligning with EU levels in subsequent years.

Source: IMF.

1. As at 31/10/24 and based on latest available actuals.

Market Trends and Overview

Macroeconomic environment (2/3)

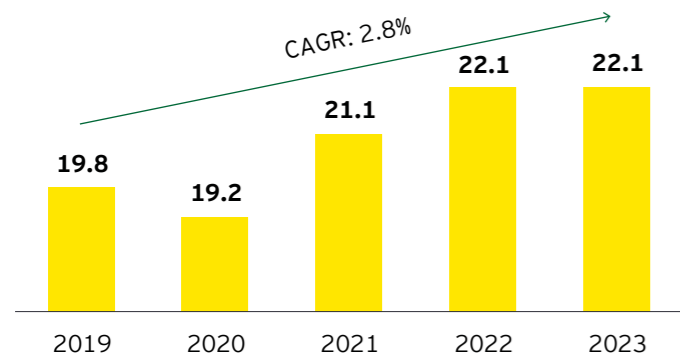
Sovereign credit rating overview

	MOODY'S	FitchRatings	S&P Global Ratings
Current rating	A3 (11/24)	A- (12/24)	A- (12/24)
Outlook	Stable (11/24)	Stable (12/24)	Stable (12/24)

Gross Value Add (GVA) and sector contribution

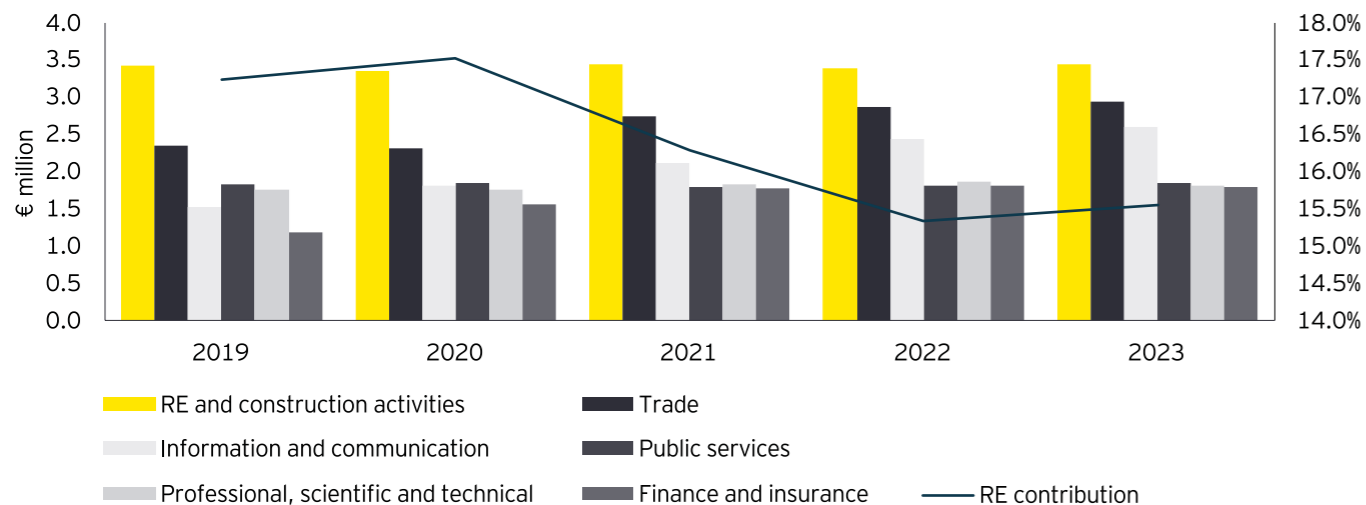
Cyprus's economic output has shown steady growth since 2019, with only a slight decline in 2020, resulting in a CAGR of 2.8% in real terms. The year-on-year (yoy) growth between 2022 and 2023 was marginal, at around 0.2%. The Cypriot economy is supported by various sectors, with real estate and construction historically serving as one of its key pillars. On average, this sector contributes approximately 16% to the country's GVA annually, making it a leading force and confirming its significant role for the country's economic growth.

GVA of Cypriot Economy (constant prices in € billion)



Source: CYSTAT.

GVA contribution by main sectors (constant prices in € million)



Source: CYSTAT.

Market Trends and Overview

Macroeconomic environment (3/3)

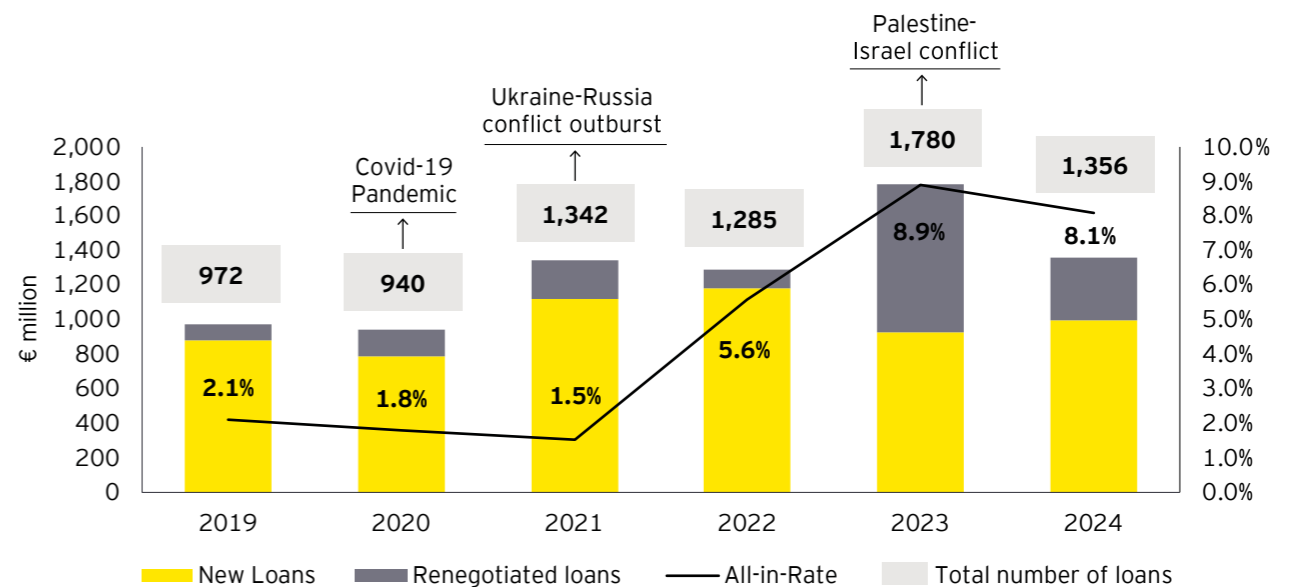
Mortgage loans

Mortgage loans have consistently served as a critical driver and facilitator for the Real Estate sector, as well as an indicator of its overall performance. During the examined period (2019-2024), the value of new and renegotiated loans hit its lowest point in 2020, largely due to the impact of COVID-19. Over this timeframe, interest rates recorded a significant CAGR of 43.6%.

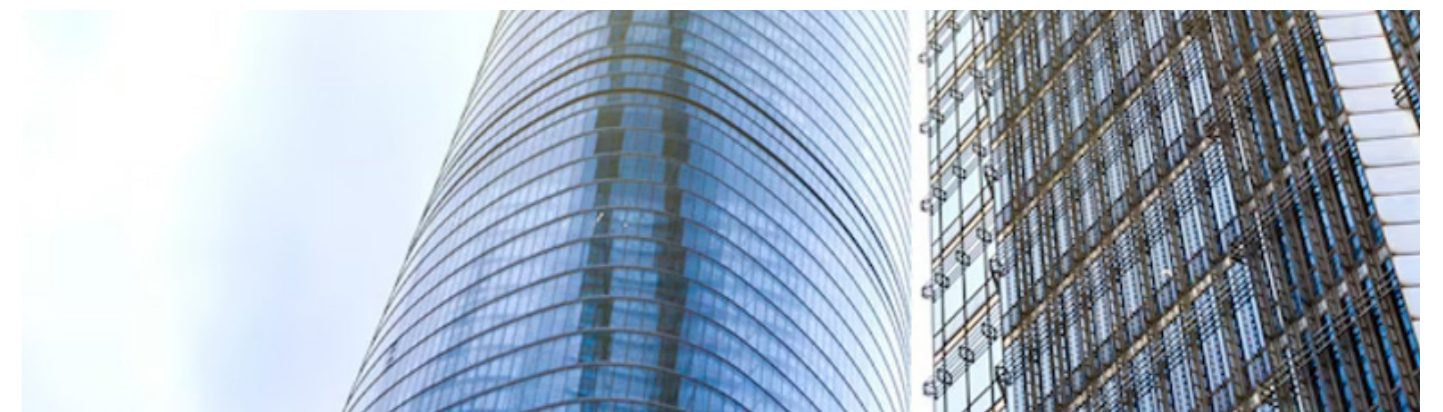
All-in interest rates dropped to a historic low of 1.5% in 2021, primarily due to government measures aimed at stimulating post-pandemic economic recovery. However, 2023 saw a sharp increase in interest rates, with a c.60% rise compared to 2022. This led to a significant rise in loan renegotiations, as borrowers with variable-rate loans faced higher-than-expected payment obligations, prompting them to restructure their loans to manage repayment challenges. The share of renegotiated loans, which fluctuated between 8% and 17% from 2019 to 2022, surged to 48% in 2023. 2023 recorded the highest volume of renegotiated loans, increasing by 8 times from 2022 levels, while new loan issuance declined significantly by c.20%.

After a prolonged period of rising interest rates, central banks began implementing cuts, with the ECB ending its rate hike cycle in September 2023 and initiating reductions in 2024. The impact on lending became evident, as new loan issuance increased by c.7% from 2023 levels. While policymakers remain cautious about lowering rates too quickly to prevent inflationary risks, further cuts are anticipated in 2025. However, forecasts indicate that interest rates are unlikely to return to pre-2022 levels in the near term.

New & renegotiated mortgage loans and mortgage interest rates



Source: Central Bank of Cyprus (CBC), European Central Bank (ECB).



Note: Data for new loans, renegotiated loans, and the mortgage interest rate are available through November 2024, while the 6-month EURIBOR data covers the full year 2024. The "all-in rate" shown in the graph is calculated as the sum of the mortgage interest rate and the 6-month EURIBOR.



Section 2

Real estate market performance

Market performance

Real Estate Transactions - Cyprus overall (1/2)

As Cyprus navigates the intricate dynamics of global economic and political uncertainties, its real estate sector has shown resilience, maintaining strength despite experiencing a slight decline over the past year. In recent years, the market has faced significant tests—from the global pandemic to geopolitical instabilities, yet it has demonstrated remarkable recovery. This section focuses on the performance of the sector both in Cyprus and district wide in terms of transactions.

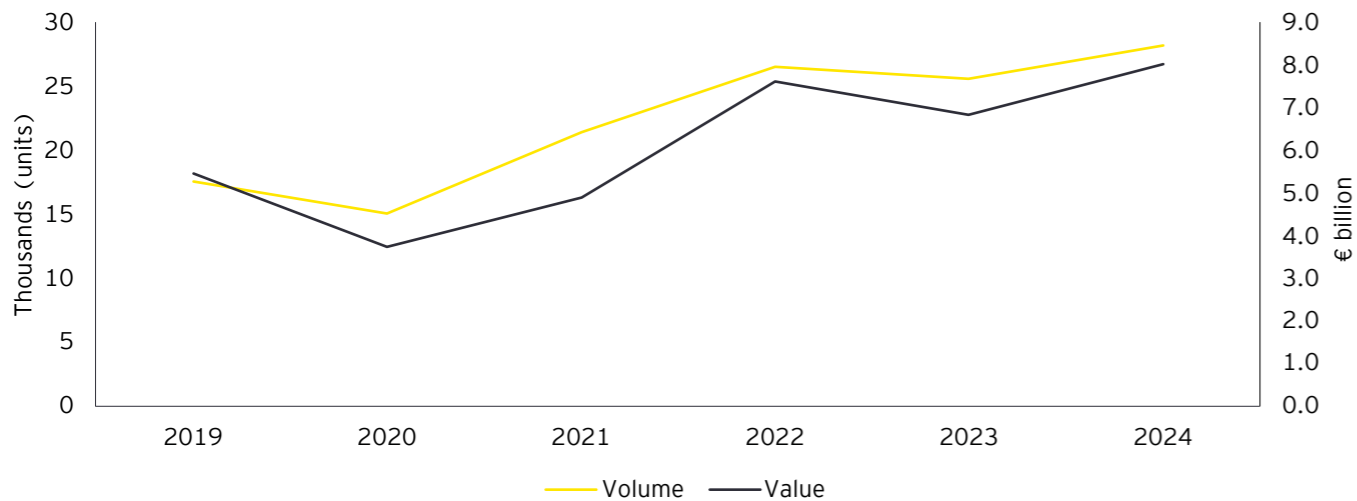
In 2021, the market began to recover from the stagnation experienced in 2020, driven by renewed investor confidence and an influx of foreign capital. This momentum carried through 2022, with both transaction volumes and values steadily increasing. After two years of expansion, 2023 saw a slight decline, but in 2024, figures rebounded to record high levels.

In 2023, total sales value and volume decreased. The yoy drop in volume was marginal, just over 3%, while the decline in value was more pronounced at around 10%. The values' decrease can be attributed to easing inflation from the 2022 peak, while the decline in volumes is likely a result of the market adjusting to the high prices of 2022. Additionally, potential buyers were discouraged by interest rates, which had not yet fallen to the expected lower levels.

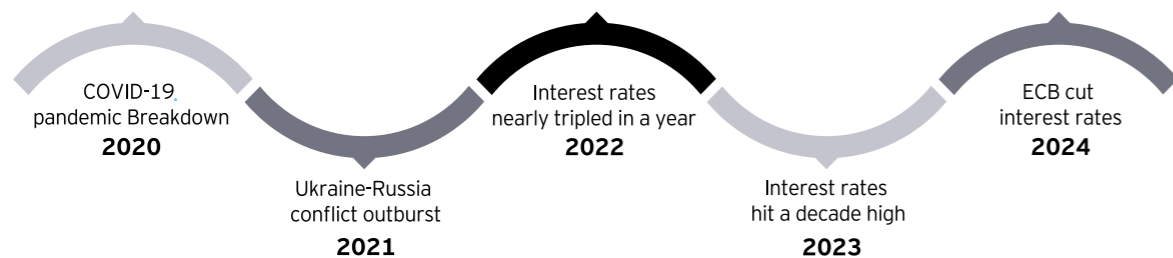
In 2024, total sales value exceeded €8 billion, with transactions surpassing 28,000 units, rebounding above 2022 levels after a slight decline in 2023. Transaction volume increased by 10.1% yoy, while total value rose by 17.1% yoy, reflecting stronger price growth. This rebound aligns with declining interest rates, which supported market activity. The substantial increase in value compared to volume suggests a shift in market dynamics, likely driven by steady demand for high-value properties following the reduction of inflation in 2023. However, given that real estate is illiquid, it typically takes longer to adjust to price declines. Therefore, it is anticipated that values may experience a relative drop in the future as the market adapts to the decrease in inflation.

The CAGR in transactions between 2019 and 2024 was approximately 9.9% for volume and 8.1% for value. This resilience can be credited to the market's inherently illiquid nature and the long property cycles that help the sector absorb and adapt to external shocks over time.

Transactions activity (2019-24)¹



Timeline of key events



Source: DLS, EY Real estate data analytics platforms, EY analysis.

1. This analysis is based on data sourced from the Department of Lands and Surveys (DLS) in February 2025. The data covers both transfers and COS between January 1 and December 31, 2023. Any discrepancies with other publications are due to updates in DLS records, as the data source is subject to changes over time.

Market performance

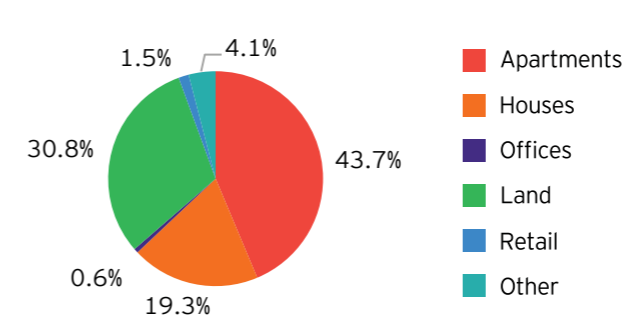
Real Estate Transactions - Cyprus overall (2/2)

Analysis by asset type

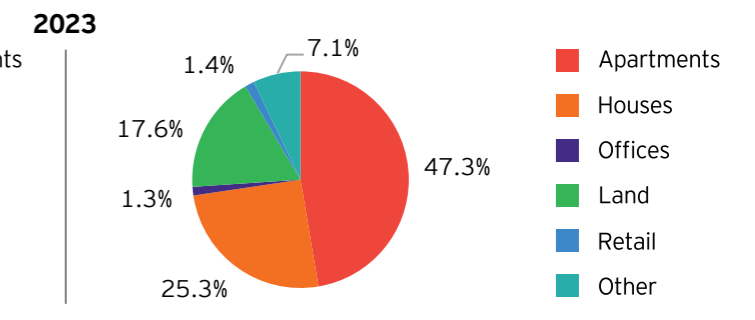
The following analysis examines the types of transactions completed in 2024. Historically, residential transactions have dominated the market, far surpassing all other categories. Offices and Retail consistently represent the lowest transaction volumes. This is due to the fact that a significant portion of commercial property transactions take place through share deals or Special Purpose Vehicles (SPVs) and, as a result, are not recorded in the DLS. Land transactions rank third after residential type sales (ie. Apartments and Houses); however, this category encompasses multiple types of properties. Land transactions often include not just land but also pre-construction sales, representing future developments such as apartments or other buildings that have yet to be constructed.

The next largest category is "Other," which includes special-purpose buildings such as sports facilities, warehouses, and farms. We note that, in absolute terms, nearly all asset classes saw a decrease in value, with the exception of houses and the two land categories. Regarding absolute volume, almost all asset classes also experienced declines, except for apartments and the two land categories. The increase in absolute numbers for total transaction volume and value, despite drops in most market shares, suggests a shift in demand patterns.

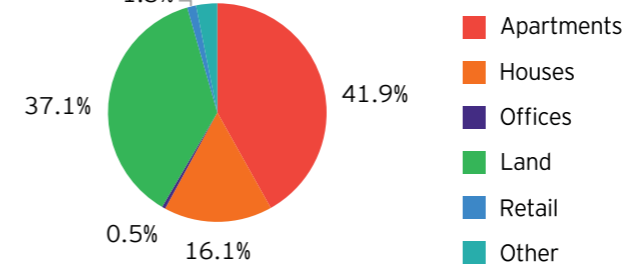
Transactions by type - Volume



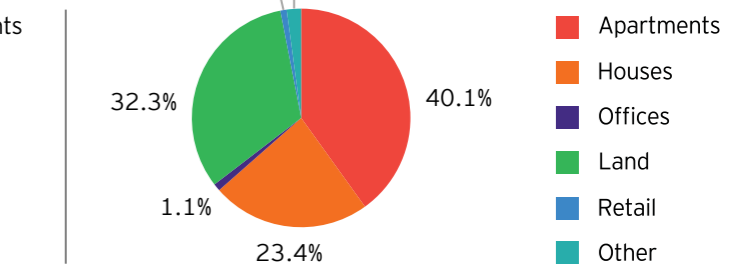
Transactions by type - Value



Transactions by type - Volume



Transactions by type - Value



Market performance Real Estate Transactions - Cyprus overall (2/2)

Key Takeaways

Residential

Residential transactions have historically dominated the real estate market, consistently outpacing all other asset classes. In 2024, the market share of apartments declined by 4.1% in volume and 15.3% in value, despite a 6% increase in absolute volume, indicating a slight shift in demand dynamics. Conversely, the market share of houses also experienced a decline, dropping by 8% in volume and 7.4% in value during the same period. These trends reflect a broader move toward smaller, cost-effective housing solutions, as consumers navigate changing preferences and economic conditions.

Offices

Office transactions' share recorded a 14% decline in absolute volume in 2024, with the volume share decreasing by 22.3%. In terms of value, there was a 2% decline in absolute value, accompanied by a 16.4% drop in value share compared to 2023. This decline continues the pattern of previous years, aligning with European trends where office properties are not as sought after. However, as previously explained, transactions involving commercial properties are not filed on the DLS, which may affect the visibility and perception of their performance in the market.

Land

Land transactions, consisting of fields and plots, experienced growth in 2024, with market share increasing by 20.6% in volume and 84.3% in value. Both fields and plots saw increases in absolute figures, with fields recording a 39% increase in volume and plots a 19% increase. In terms of value, fields increased by 35%, while plots saw an impressive 139% rise. The strong performance of plots indicates a record year, suggesting that construction activity might peak.

Retail

Retail transactions in 2024 experienced a decline, with market share volume decreasing by 14.5% and values seeing an even greater decrease of 32.4%. Similar to the office sector, visibility remains a concern, as most transactions are not filed on the DLS.

Other

The 'Other' category saw a decline in market share, with volume decreasing by 22.8% and value dropping by 70.1%.

Market performance Real Estate Transactions - District analysis

Analysis by District

Nicosia serves as the administrative and cultural hub of Cyprus, with its real estate market largely driven by local buyers and government-led development projects. As the island's business center, Nicosia experiences consistent demand for office buildings underpinned by both local and international companies. Limassol, on the other hand, has established itself as the island's business and tech hub lately, traditionally powered by the shipping and construction industries, and attracting high-net-worth foreign individuals and businesses. Larnaca, home to Cyprus' largest airport, and Paphos, renowned for its rich history and culture, are popular destinations for holiday homes and retirees. Famagusta, although the smallest of the cities, has an economy that thrives on tourism, particularly during the summer, due to its pristine waters and Blue Flag beaches. It also hosts a significant number of foreign residents.

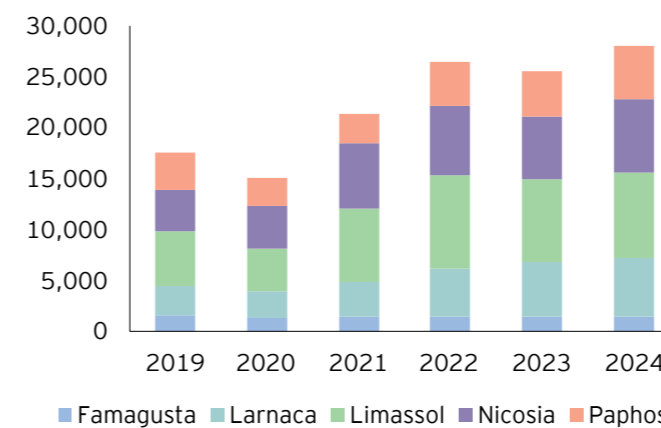


Analyzing the CAGR of individual districts from 2019 to 2024, Larnaca recorded the highest CAGR in both transaction volume (15%) and value (16%), followed by Nicosia (13% volume, 10% value) and Limassol (9% volume, 12% value). Paphos experienced a 7% CAGR in volume but remained flat in value at 0.2%, while Famagusta was the only district to see declines, with -1% in volume and -8% in value.

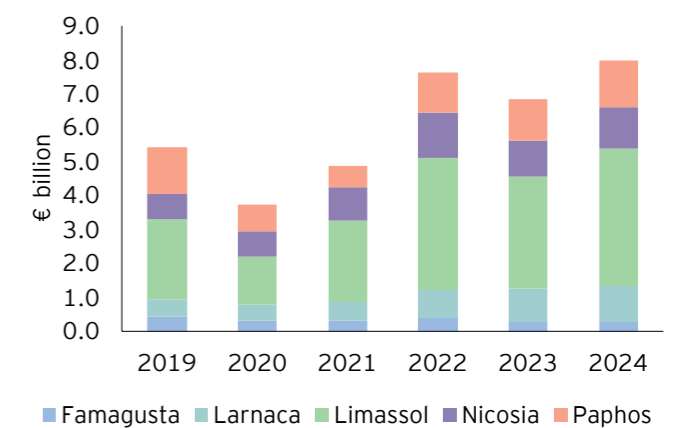
Focusing on the past year, all districts exhibited yoy growth, signaling resilience in the market following the declines in 2023. Nicosia and Paphos led in volume increases at 19% and 18%, respectively, followed by Larnaca with 7%, Limassol with 6%, and Famagusta with 2%. In terms of transaction value, Limassol, despite having the lowest volume increase, saw the strongest value growth at 23%, with Paphos at 18%, Nicosia at 11%, Larnaca at 9%, and Famagusta at 2%.

These varying growth rates across districts can be attributed to localized economic, demographic, and market dynamics, all of which influence property demand and investor interest. The market is showing signs of resilience after the decline in 2023, driven by easing inflation and a shift toward more affordable properties. This trend is reflected in the decreasing transaction volumes in more expensive districts like Limassol, while Larnaca emerges as an increasingly attractive opportunity, offering more affordable options and robust growth potential. The following pages will provide further details on the performance of each district, along with an analysis of foreign investor transaction activity, which also varies significantly by location.

Transaction volume by district: 2019-23



Transactions value by district: 2019-23



Source: DLS, EY Real estate data analytics platform, EY analysis.

Market performance

Real Estate Transactions - District analysis - Nicosia

Key Figures 2024

€1 billion		7 thousand		15%		26%	
Total Value		Total Volume		Market Share of total Value		Market Share of total Volume	
YoY Growth 2023-24:	11% ↑	YoY Growth 2023-24:	19% ↑	YoY Growth 2023-24:	5% ↓	YoY Growth 2023-24:	8% ↑
CAGR 2019-24:	10% ↑	CAGR 2019-24:	13% ↑	CAGR 2019-24:	2% ↑	CAGR 2019-24:	3% ↑

Nicosia remains a key market in Cyprus's real estate sector, holding the second-largest market share after Limassol. Between 2023 and 2024, the district experienced yoy growth in both transaction volume and value, accompanied by an increasing share of total transactions' volume. However, its share of total transaction value saw a slight decline, primarily due to the growing contribution of other districts. Despite these shifts, Nicosia has maintained a positive CAGR of volume and value over the long term, reflecting its consistent market performance.

Number of Transactions in Nicosia: 2019-24



Source: DLS, EY Real estate data analytics platform, EY analysis.

In 2024, apartments remained the leading asset class by transaction volume, representing 41% of total transactions. Land closely followed with 40%, while houses ranked third, contributing 12% to the overall transaction volume.

As shown in the graph, transaction volumes have rebounded across most asset types after the decline in 2023. Land and apartments, which together make up 80% of total transactions, saw substantial growth in transaction volumes, increasing by 26% and 16%, respectively. In contrast, houses and retail experienced slight declines. Notably, the "Other" category, despite its smaller market share, recorded the highest growth, soaring by 90%.

Regarding transaction value, there was also a year-over-year increase from 2023. The most significant absolute increases were seen in land and houses, both rising by 22%, while the transaction value for offices decreased by 47%, despite an increase in office transaction volumes.

Market performance

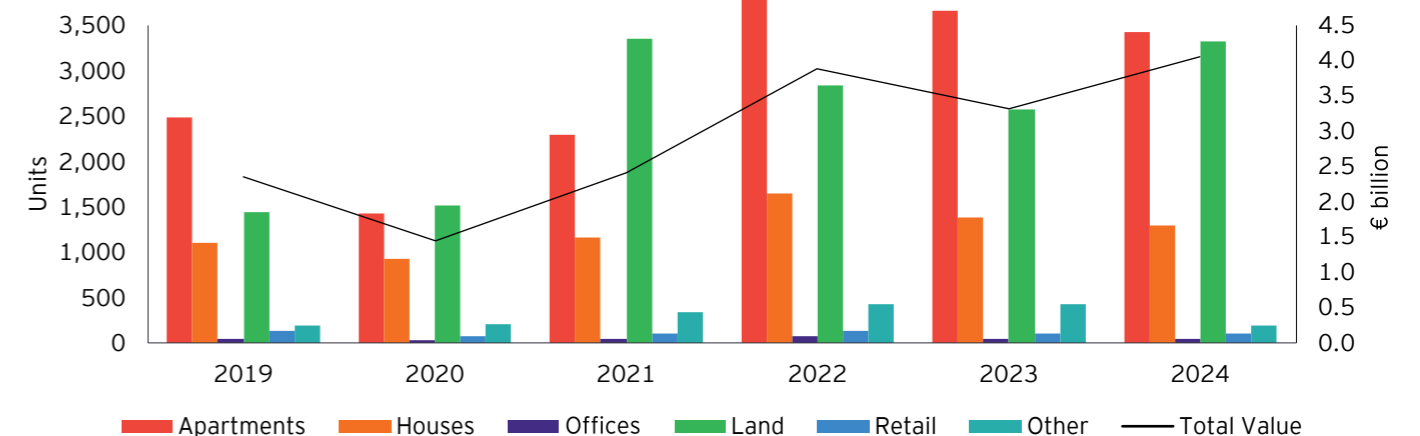
Real Estate Transactions - District analysis - Limassol

Key Figures 2024

€4 billion		8 thousand		51%		30%	
Total Value		Total Volume		Market Share of total Value		Market Share of total Volume	
YoY Growth 2023-24:	23% ↑	YoY Growth 2023-24:	2% ↑	YoY Growth 2023-24:	5% ↑	YoY Growth 2023-24:	7% ↓
CAGR 2019-24:	12% ↑	CAGR 2019-24:	9% ↑	CAGR 2019-24:	3% ↑	CAGR 2019-24:	1% ↓

Limassol dominates Cyprus's real estate market, accounting for over half of the island's total market value. In 2024, transaction value and volume continued to rise yoy, though its share of total transaction volume saw a slight decline. However, with all CAGR metrics remaining positive between 2019 and 2024—except for market share of volume—this indicates that despite a decline in volume, asset prices have continued to rise. The city's strong appeal to international buyers and its status as a business/tech hub contribute to its continued prominence, although the market faces increased competition from other regions in Cyprus probably due to its elevated prices.

Total Transactions in Limassol: 2019-24



Source: DLS, EY Real estate data analytics platform, EY analysis.

Similar to Nicosia, in 2023, apartments in Limassol represented the most significant asset class by transaction volume, accounting for 45% of total transactions in Limassol. Land followed with 40%, while houses ranked third, contributing 15% to the overall transaction volume.

As illustrated in the graph, transaction volumes growth in 2024 varied across asset categories. Land and retail recorded increases of 29% and 4%, respectively, while most categories saw declines. Residential transactions fell by 7%, while offices and the "Other" category experienced steeper drops of 19% and 55%, respectively.

However, total transaction values increased compared to 2023, with variations across asset types. Apartments saw a moderate decline of 9%, while retail and the "Other" category dropped by 33% and 82%, respectively. In contrast, land recorded the highest year-over-year increase at 217%, followed by offices (84%) and houses (21%).

Market performance

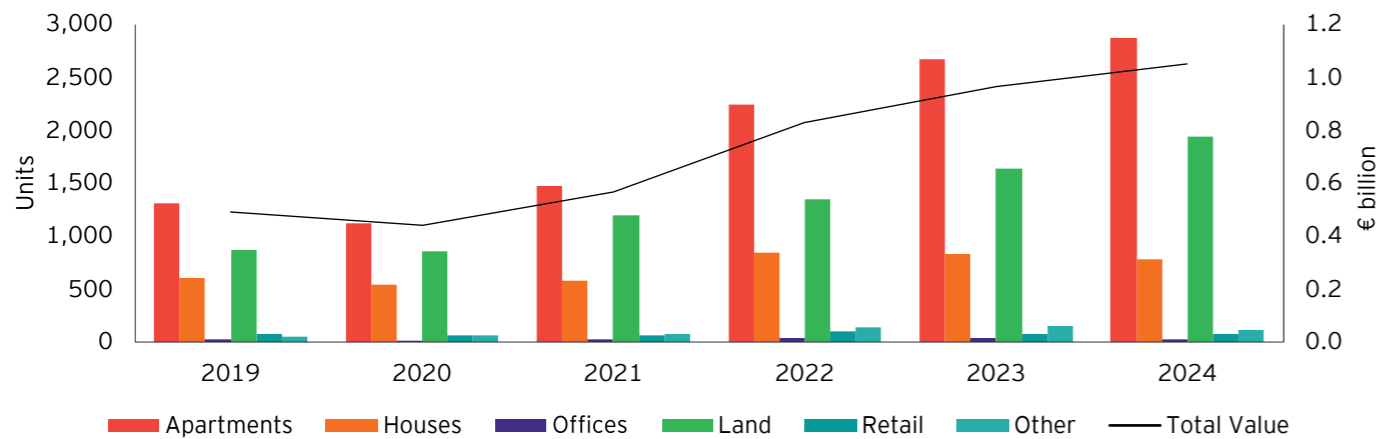
Real Estate Transactions - District analysis - Larnaca

Key Figures 2024

€1 billion		6 thousand		13%		21%	
Total Value		Total Volume		Market Share of total Value		Market Share of total Volume	
YoY Growth 2023-24:	9% ↑	YoY Growth 2023-24:	7% ↑	YoY Growth 2023-24:	7% ↓	YoY Growth 2023-24:	3% ↓
CAGR 2019-24:	16% ↑	CAGR 2019-24:	15% ↑	CAGR 2019-24:	8% ↑	CAGR 2019-24:	4% ↑

Larnaca is emerging as a key player in Cyprus's real estate market, driven by a combination of strategic developments, local and foreign investments and government-backed initiatives aimed at revitalizing the city's infrastructure. Known for its coastal appeal, Larnaca has seen an uptick in new residential and commercial developments, catering to both local residents and international buyers. The city's real estate market has recorded consistent growth in both transaction volume and value, with positive CAGRs over the past five years (2019-2024). Although market share in 2024 appears to have declined compared to 2023, this is largely due to the exceptional surge experienced in the previous year rather than a weakening trend. Both volume and value market share have maintained positive long-term growth, reinforcing Larnaca's rising prominence in Cyprus' competitive real estate landscape.

Total Transactions in Larnaca: 2019-24



Source: DLS, EY Real estate data analytics platform, EY analysis.

In 2024, apartments were the leading asset class also for Larnaca, making up 50% of total transaction volume. Land transactions followed at 34%, and houses contributed 25%, ranking third in overall transaction volume for the city.

In 2024, Larnaca recorded a significant yoy increase in absolute volumes for its two main asset classes, with apartments rising by 8% and land by 18%. Conversely, offices saw the largest yoy decline, with volumes dropping by 37%.

Shifting our focus to transaction values, overall total has also risen. Retail in Larnaca saw a 34% yoy increase, while despite a slight decrease in their transaction volumes—indicating potential upward pressure on sale prices. On the other hand, office transaction values dropped by 57%.

Market performance

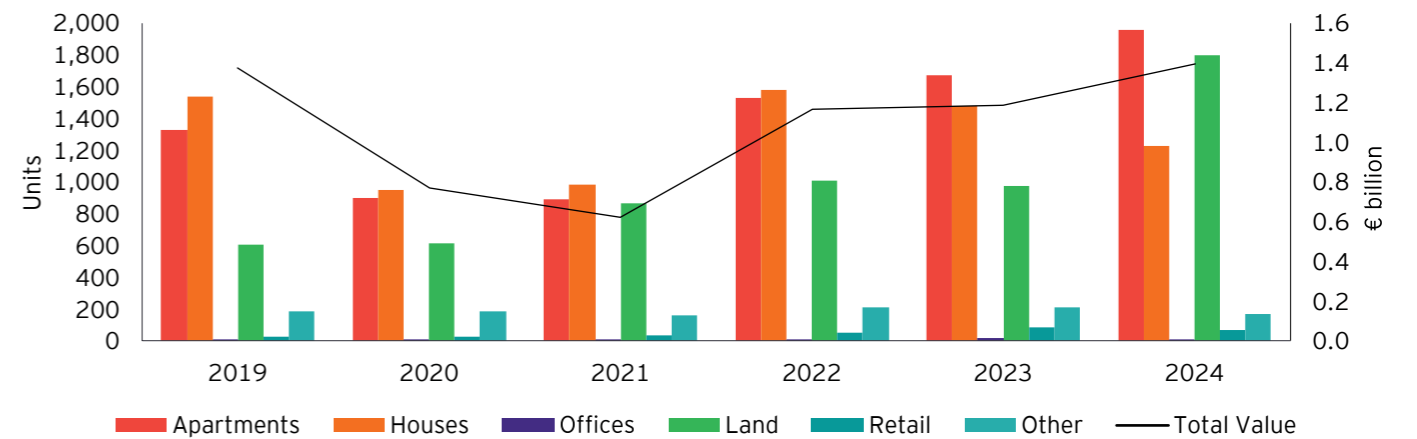
Real Estate Transactions - District analysis - Paphos

Key Figures 2024

€1 billion		5 thousand		17%		19%	
Total Value		Total Volume		Market Share of total Value		Market Share of total Volume	
YoY Growth 2023-24:	18% ↑	YoY Growth 2023-24:	18% ↑	YoY Growth 2023-24:	0.4% ↑	YoY Growth 2023-24:	7% ↑
CAGR 2019-24:	0.2% ↑	CAGR 2019-24:	7% ↑	CAGR 2019-24:	7% ↓	CAGR 2019-24:	2% ↓

Paphos, a renowned leisure destination, surpassed Nicosia's transaction value in 2024, despite having approximately 25% fewer transactions, indicating larger and more expensive property sales. Alongside other cities, Paphos experience positive growth in both transaction volume and value, leading also to a yoy increase in market share (for both volume and value). However, long-term indicators, (i.e. CAGR) for both volume and value market share, show a negative trend. Paphos' natural beauty, paired with its growing luxury real estate market, makes it an attractive destination for foreign buyers, offering a perfect setting for leisure and recreational activities. Its appeal extends to retirees as well, providing an ideal place to enjoy a comfortable retirement.

Total Transactions in Paphos: 2019-24



Source: DLS, EY Real estate data analytics platform, EY analysis.

In Paphos, apartments accounted for the largest share of transaction volumes in 2024 at 37%, followed by land at 34% and houses at 23% of total market volume.

In 2024, Paphos saw a yoy increase in transaction volumes, with apartments up 17% and notable rise of 84% in land transactions. All other asset classes experienced declines ranging from 17% to 27%.

Focusing on transaction values, Paphos recorded a modest overall increase. Apartments and land saw yoy growth of 11% and 151%, respectively. In contrast, all other asset classes declined, with the most significant drop observed in office properties, down 67%.

Market performance

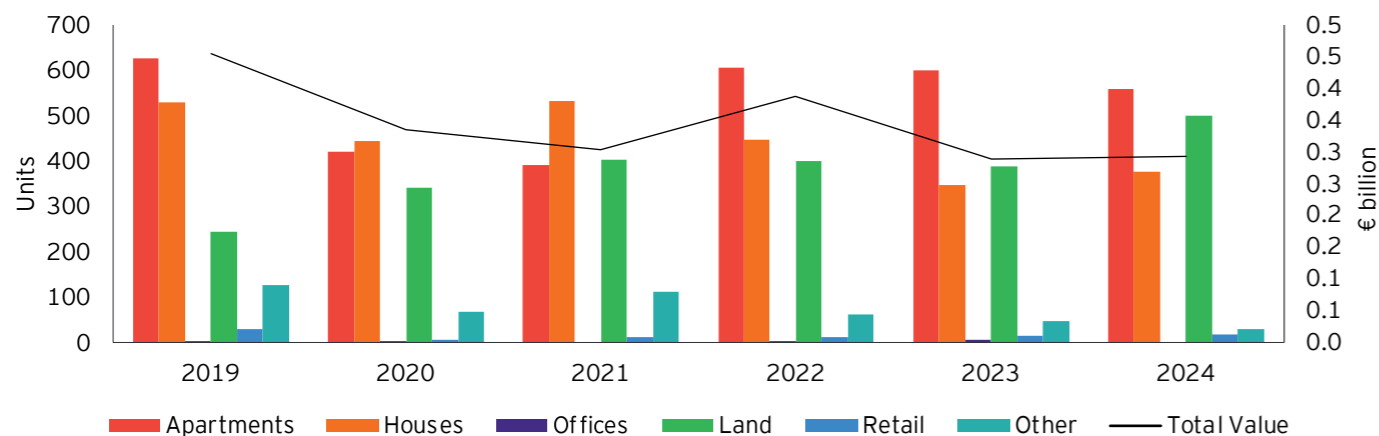
Real Estate Transactions - District analysis - Famagusta

Key Figures 2024

€293 million		1 thousand		4%		5%	
Total Value		Total Volume		Market Share of total Value		Market Share of total Volume	
YoY Growth 2023-24:	2% ↑	YoY Growth 2023-24:	6% ↑	YoY Growth 2023-24:	13% ↓	YoY Growth 2023-24:	4% ↓
CAGR 2019-24:	8% ↓	CAGR 2019-24:	1% ↓	CAGR 2019-24:	15% ↓	CAGR 2019-24:	10% ↓

Famagusta, while historically known for its tourism and coastal appeal, has recently seen a decline in its real estate market performance. The city, which has a smaller real estate footprint compared to other districts, is facing a contraction over the examined period, in both transaction value and volume, despite the yoy increases in 2024. This slowdown is reflective of reduced local and foreign investment, with fewer new developments and limited growth in both residential and commercial sectors. Famagusta's is experiencing a shrinking market share and a downward trend in its 2019-24 CAGR. These declines indicate a more challenging outlook for the city's real estate market compared to other regions in Cyprus, where growth remains more robust.

Total Transactions in Famagusta: 2019-24



Source: DLS, EY Real estate data analytics platform, EY analysis.

In 2024, Famagusta followed a similar asset class pattern as all other cities, with apartments leading at 38% of total transactions, followed by land at 34% and houses at 25%.

In 2024, Famagusta saw an overall increase in transaction volumes, driven primarily by retail and land, which recorded yoy growth of 14% and 28%, respectively. In contrast, offices and the "other" category experienced sharp declines of 100% and 38%, respectively.

Famagusta's transaction value saw a moderate increase. Apartments record a 26% yoy growth (despite the drop in volume) and retail 124%. This spike is atypical, given the generally low volume of retail transactions in the area. Meanwhile, office and the "other" category saw notable declines in value, dropping by 100% and 82%, respectively which also stand out as outliers driven by a small number of transactions.

Market performance

Real Estate Transactions - Foreign buyers

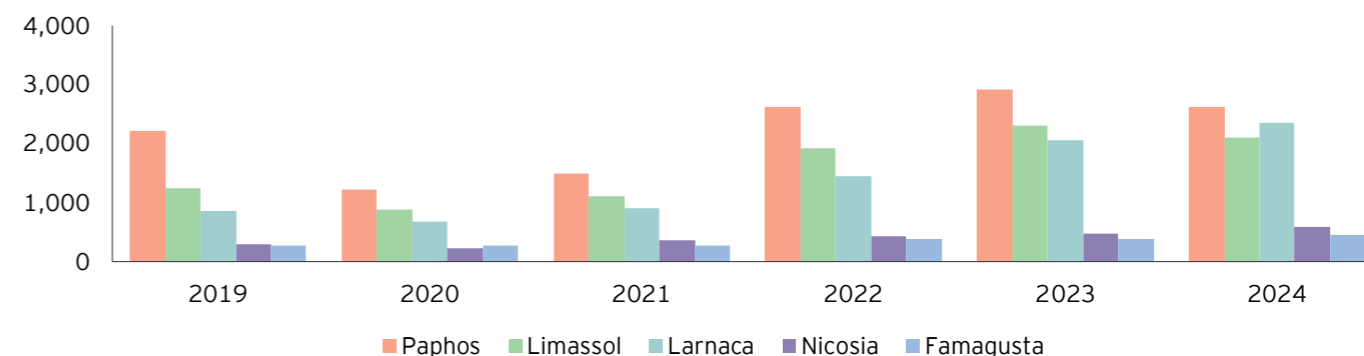
Foreign buyers have consistently been a key part of the Cyprus real estate market, contributing significantly to its growth over the years. The following data highlights their ongoing contribution to the sector.

Cyprus remains an attractive destination for foreign real estate investors. While the Cyprus Investment Program (CIP) ended in 2020, the Permanent Residency by Investment program, EU membership and favorable tax regime, continue to draw investors seeking residency through property purchases.

Lifestyle and weather play a major role in driving demand, making Cyprus a popular choice for vacation and retirement homes. Additionally, geopolitical instability in neighbouring regions has reinforced Cyprus's reputation as a safe and stable investment option.

Over the past five years, Paphos consistently attracted the highest volume of foreign real estate investors, peaking at 2,900 in 2023 before declining to 2,600 in 2024. Limassol historically followed Paphos. However, in 2024, Larnaca surpassed Limassol for the first time among the past five years, with 2,300 foreign buyers compared to Limassol's 2,093. Overall, foreign buyer numbers have nearly doubled from 4,898 in 2019 to 8,106 in 2024, reflecting a CAGR of 11%.

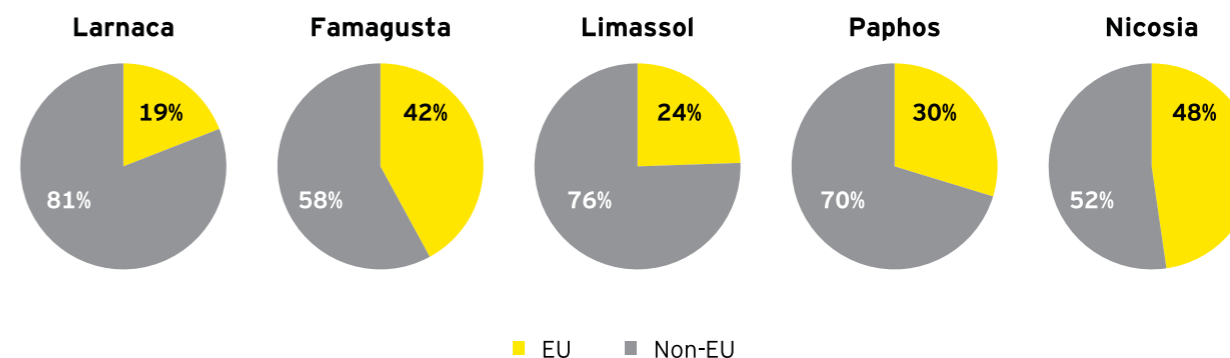
Number of foreign buyers



Source: DLS, EY Real estate data analytics platform, EY analysis.

In 2024, over 70% of all foreign buyers in Cyprus are non-EU citizens, underscoring the country's strong global real estate appeal. The chart below provides a district-level breakdown of EU and non-EU buyers for 2024. Notably, 2023 marked a significant turning point, with the number of non-EU foreign investors surging by 60%, increasing from approximately 3.7k to 6k. This sharp rise was fueled by a post-COVID rebound in demand and heightened interest amid geopolitical uncertainties, and these elevated levels have continued into 2024.

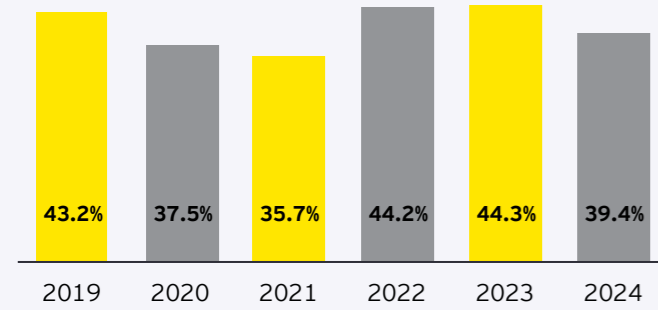
At the district level, Larnaca boasts the highest proportion of non-EU buyers at 81%, followed closely by Limassol at 76% and Paphos at 70%. This trend reflects non-EU investors' strong preference for coastal areas, particularly in prime tourist locations where properties are often purchased for leisure purposes. While non-EU buyers dominate across all districts, Nicosia presents a more balanced mix, with 52% of buyers from outside the EU and 48% from within. This further highlights the overall inclination of non-EU investors toward coastal regions, while Nicosia remains a more attractive option for EU citizens.



Source: DLS, EY Real estate data analytics platform, EY analysis.

Market performance Transactions - foreign buyers

% of contracts of sale by foreign buyers



Source: CYSTAT, EY analysis.

“
Historically, a substantial share of COS purchases, often close to half, has come from foreign buyers. Recent geopolitical issues in the area have proven to be a double-edged sword: they deter some nationalities from entering the market while offering a security that attracts buyers from the conflict zones. This leaves the future outlook uncertain. Although the 2024 figure dipped to 39.4%, many in the market appear optimistic about short-term growth, barring any major unforeseen events.



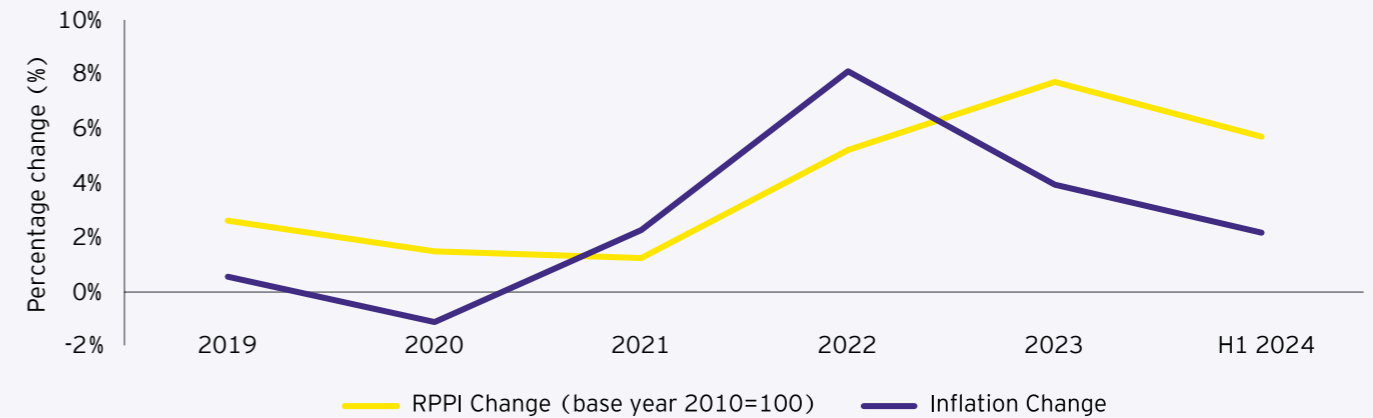
Market performance Real Estate Sales: Price evolution (1/2)

The analysis of price shifts underscores the sector's adaptability and resilience in the face of economic fluctuations and shifting market dynamics. The behaviour of different price indices during this period, shaped by both domestic demand and external factors, offers deeper insights into the overall performance of the sector.

From 2021 to 2023, Cyprus's Residential Property Price Index (RPPI) steadily increased, driven by strong local and international demand as well as rising construction costs. Inflation surged during this period, peaking at 8% in 2022, initially outpacing RPPI growth and pushing prices higher across various sectors. As inflation eased to 4% in 2023, the RPPI continued to rise, increasing by 8%, demonstrating market strength despite moderating inflation. Based on the latest data, as of the first half of 2024, the RPPI has risen by 6% compared to Q4 2023. At the same time, annual inflation is anticipated to ease, suggesting emerging signs of market stabilization.

With inflation expected to keep declining until it reaches the target of 2%, RPPI growth is likely to persist, highlighting the residential real estate sector's effectiveness as an inflation hedge. This resilience is due in part to the market's illiquidity, which makes it less responsive to short-term price changes. Consequently, residential real estate continues to appreciate even during economic fluctuations. However, as portrayed by the data below, the RPPI tends to align with inflation over time, suggesting that there could be a decline in real estate prices over the longer term.

Residential Property Price Index¹ (RPPI) and inflation rate (%) (2019- H1 2024)



Source: CBC, EY Real estate data analytics platform, EY analysis.



1. The RPPI data in this section is sourced from the CBC Residential Property Price Index, developed in partnership with member banks of the Association of Cyprus Banks. The index is based on property valuations collected since 2006 for mortgage transactions, with Q1 2010 serving as the base period. It is published quarterly, with the most recent data, released in November 2024, covering up to Q2 2024.



Market performance

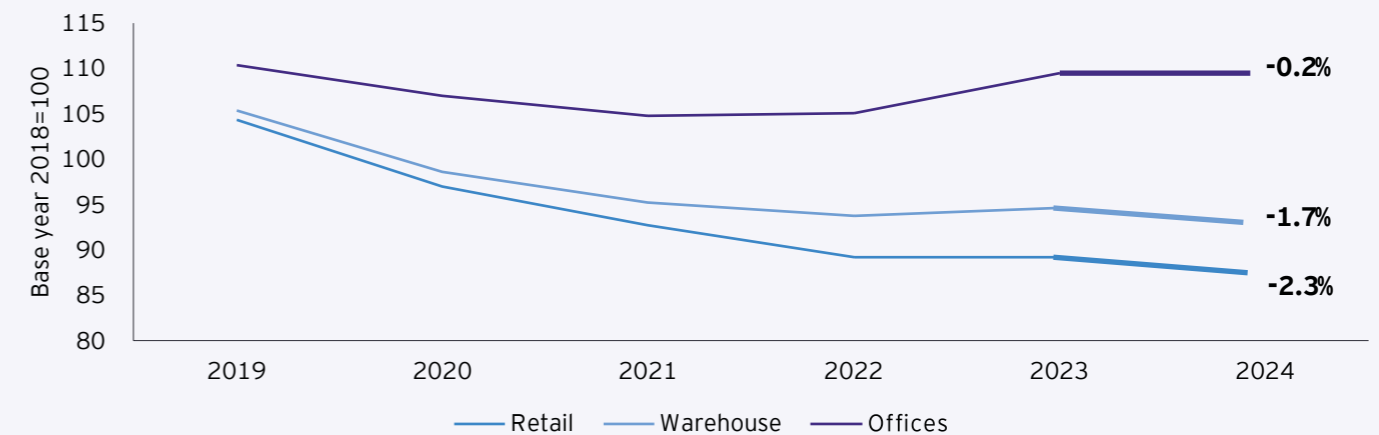
Real Estate Sales: Price evolution (2/2)

Shifting the focus to the Commercial Real Estate price index (CRE) , a steady recovery across all property types becomes evident, following a period of decline.

Over the past five years, all commercial asset classes (retail, warehouse, and office) experienced consistent price declines until 2022. While office prices remained above the 2018 base year throughout this period, they did experience a downturn before rebounding with a 4% increase in 2023. Retail and warehouse prices, having fallen below their base year levels after 2019, began to stabilize in 2022. By 2023, retail prices had increased by 1%, while warehouse prices remained stable, marking the first year since 2019 without further declines.

In 2024, the commercial asset classes saw a return to mild declines. Office prices remained relatively stable, while both retail and warehouse prices fell after the stabilization seen in 2023. These trends suggest that despite earlier signs of recovery, growth remains subdued, particularly in the retail and warehouse segments, with overall CRE prices still below pre-2020 levels.

CRE price index (per type) (2019-24)



Source: Ask Wire¹, EY analysis.

“

Residential Stability vs. Commercial Volatility

While commercial price indices declined until 2022, modest increases were observed in 2023. In contrast, the RPPI exhibited stronger growth from 2021 onward, supported by resilient residential demand. This resilience was driven by limited local investment alternatives and sustained foreign interest, particularly from buyers seeking stability or security (such as those from Lebanon and Israel) and Europeans investing in second homes. Additionally, the perception of residential properties as an inflation hedge reinforced demand.

However, despite this initial strength, the RPPI has begun to decline in 2024, aligning with the continued decrease in inflation observed since 2022. This delayed response reflects the inherent illiquidity of real estate assets, where price adjustments tend to lag behind broader economic shifts. In contrast, demand for commercial real estate (CRE) remains more volatile, responding more quickly to macroeconomic conditions. Unlike other countries, where CRE ownership is typically more institutionalized through Real Estate Investment Trusts (REITs) or Real Estate Operating Companies (REOCs), Cyprus's market is less structured, further accentuating the differences between the two asset classes.

Note: 1. Data depicted in this section is based on the Ask Wire Index (Q4 2024). The index relies on a methodology involving hypothetical properties in various key markets in Cyprus, which are subsequently valued by professional valuers. They may differ from last year's publication for the same period due to a change in the base year from 2009 to 2018.

Market performance

Real Estate Rents: Rates evolution (1/2)

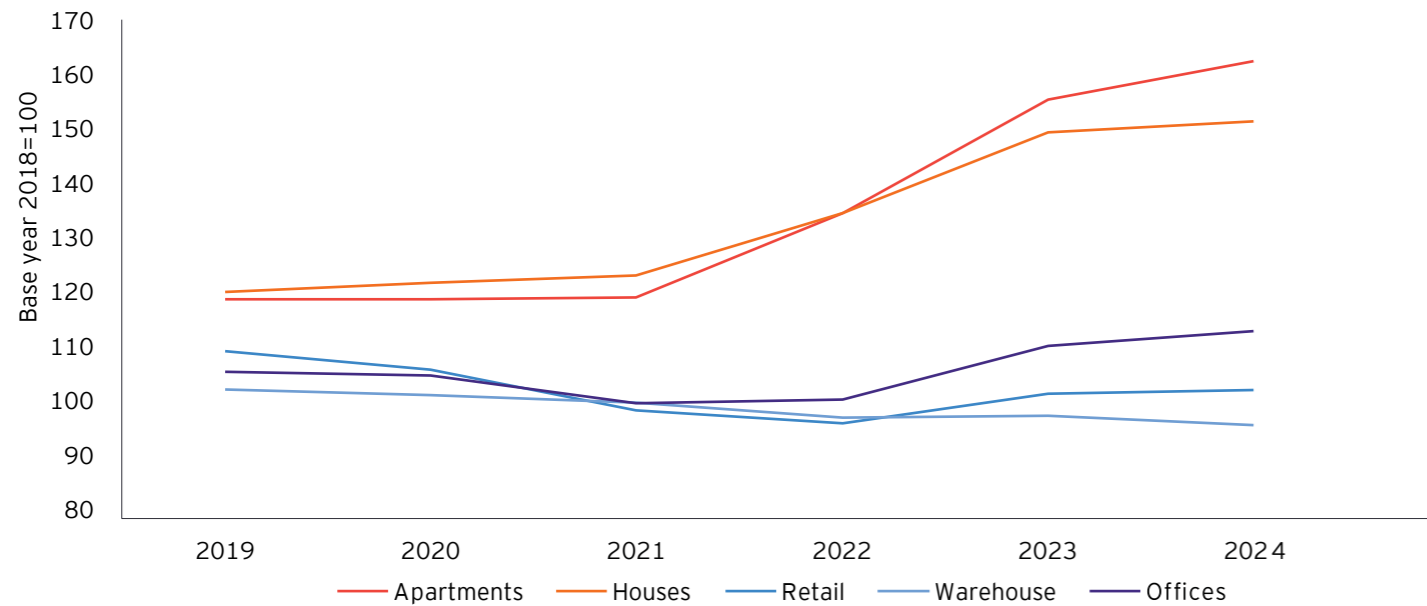
The increased momentum in the rental real estate market calls for the need of further analysing price trends and drivers behind the changes.

During last years, the Rental Prices Index experienced significant growth across various property types, with increases in rental prices outpacing sale price growth as portrayed in the previous pages, particularly in the residential sector. The factors driving this surge have intensified, as rising costs, elevated mortgage rates and strict lending criteria, continue to make homeownership increasingly expensive, presenting substantial challenges for potential buyers. Concurrently, the continuous influx of foreigners and businesses relocating to Cyprus exerts further upwards pressure on rental prices. Between 2022 and 2023, each index category experienced its highest growth of the past five years. The residential rental price index saw substantial increases, with apartment rents rising by 15% and house rents by 11%. The office rental price index also posted a strong 9% growth. Retail and warehouse rental prices recorded yoy gains of 5% and 0.2%, respectively, but still showed negative CAGR of -1% and -2%. All other categories maintained positive CAGR during this period.

In 2024, rental price growth moderated across all property types, signalling a cooling trend after the rapid increases observed in 2023. Apartment rents continued to rise but at a slower pace of around 4%, while office and house rents grew by 2% and 1%, respectively.

Retail rents remained relatively stable with a slight increase, while warehouses saw a marginal decline, marking the only property type with negative rental growth. This shift suggests that the rental market is beginning to ease from its previously accelerated momentum.

Rental Index by type (2019-24)



Source: Ask Wire¹, EY analysis.



Note: 1. Data depicted in this section is based on the Ask Wire Index (Q4 2024). The index relies on a methodology involving hypothetical properties in various key markets in Cyprus, which are subsequently valued by professional valuers. They may differ from last year's publication for the same period due to a change in the base year from 2009 to 2018.

Market performance

Real Estate Rents: rates evolution (2/2)

Yields serve as a critical indicator, reflecting the return on investment from properties. To further understand the relationship between prices and rents, we examine the yields provided by RICS.

Between 2019 and 2023, retail yields have remained the highest with a modest increase of 10 basis points. During the same period apartment yields rose by about 70 basis points, followed by office yields at 60 basis points. Houses, despite having the lowest yields, have increased by 50 basis points. Conversely, warehouses have faced ongoing challenges, resulting in declining yields since 2021.

Yields differ across districts, with various asset classes leading in returns, reflecting the distinct nature of each area. For instance, Limassol and Paphos show higher-than-national average yields for apartments, while Nicosia stands out with high yields for commercial assets. As of Q4 2023, overall, Nicosia recorded the highest yields across all asset classes, averaging 5.5%, followed by Limassol at 5.1%, Larnaca at 4.7%, Paphos at 4.5%, and Famagusta at 3.9%.¹

Residential yields saw the most notable increase in 2023, consistent with earlier observations of declining property values and rising rents for these asset classes, which together have driven the yield growth.

Based on the latest 2024 data, it appears that office yields recorded the largest increase at 4.5%, followed by houses at 1.9%. These two asset classes were the only ones to show growth, while all others experienced slight declines in 2024 Q1-Q3.

Running yields per property type (2019-24 Q1-Q3)²



Source: RICS, EY analysis.

Notes: 1. Holiday houses and apartments are excluded from the estimation of the average yield of coastal areas to ensure consistency in comparison across asset types in all cities.
2. The data in this section is based on RICS yield figures as of 2024 Q1-Q3. Yields are calculated using the Net Initial Yield (NIY) method, which involves dividing the annual net rental income by the capital value of the property. RICS relies on market data, including comparable property information and input from local professionals. Variations from earlier publications may arise due to market fluctuations and updates to the underlying data sources.



Section 3

Market supply factors

Market supply factors Building permits (1/2)

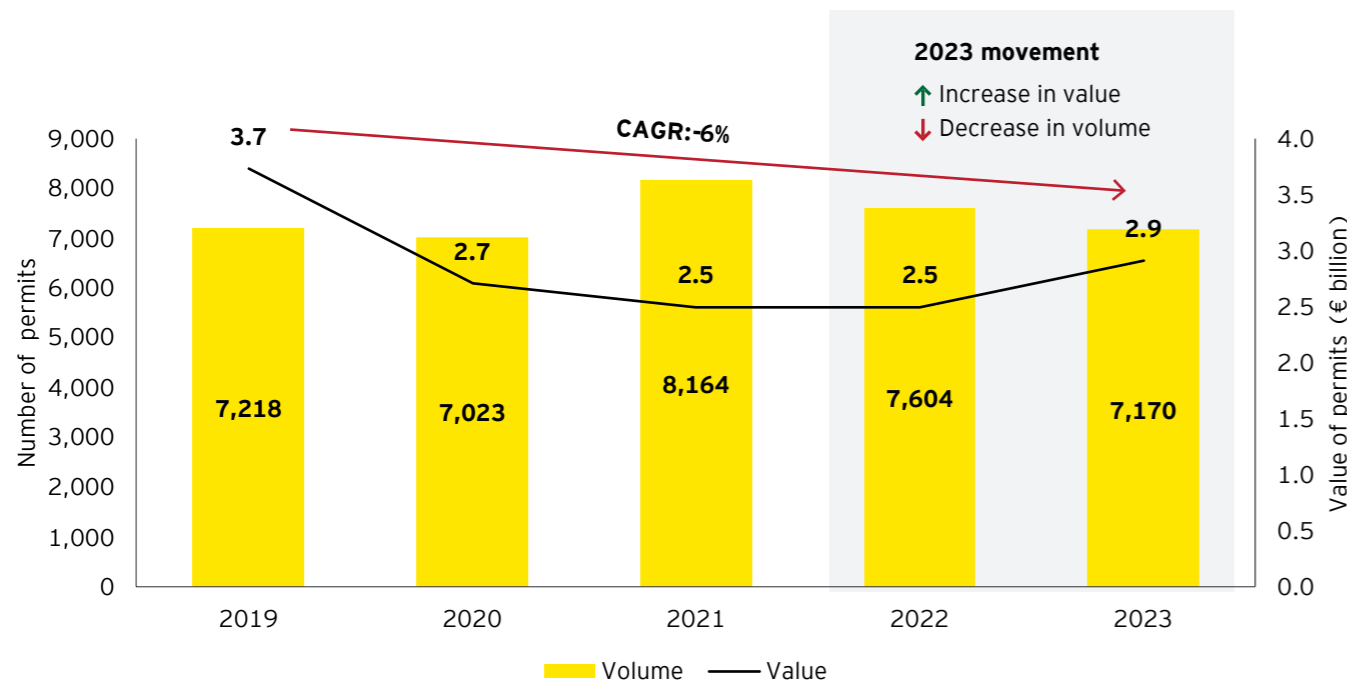
This section shifts focus from demand to analyze proxies of supply, beginning with Building Permits.

Building permit is the final approval required before construction starts, serving as an execution permit rather than a speculative one, issued only for projects likely to proceed to implementation. As a result, Building Permit statistics are considered as a reliable indicator of upcoming supply. However, it's important to note the time lags between project budgeting, permit applications, and permit issuance. Reported permit values and volumes thus reflect the macroeconomic and geopolitical conditions of previous periods.

It is evident that over the past five years, building permit issuances have fluctuated, with a notable peak in volume in 2021. However, in the last two years, permit volumes have declined, as developers and investors adopted more conservative approach in response to rising construction costs, increased interest rates and geopolitical uncertainties.

In 2023, the total value of building permits increased by 16% yoy, driven by the gradual reversal of past adverse conditions (inflation, rising construction costs, etc) as well as a trend toward modernizing and upgrading spaces to meet changing tenant needs and ESG requirements. Despite this annual growth, the negative 5-year CAGR reflect the fact that permit values still remain below 2019 levels.

Total number and value of building permits (2019-23)



Source: CYSTAT.

H1 2023	H1 2024	Notes
3,608 Total volume	4,782 Total volume	<ul style="list-style-type: none"> When comparing the first half of 2024 with the first half of 2023, a significant increase is observed in both volume and value of building permit (growth rates of 32.5% and 44.4% respectively). This trend suggests an increase in potential construction activity, probably caused by the improving lending conditions, regained investor confidence and shifts in tenant or buyer demand. Building permits volume and value in the first half of the year typically represent c. 50% of the annual total.
€1.4bn Total value	€2.0bn Total value	

Yoy
 ↑ 32.5%
 ↑ 44.4%

Market supply factors Building permits (2/2)

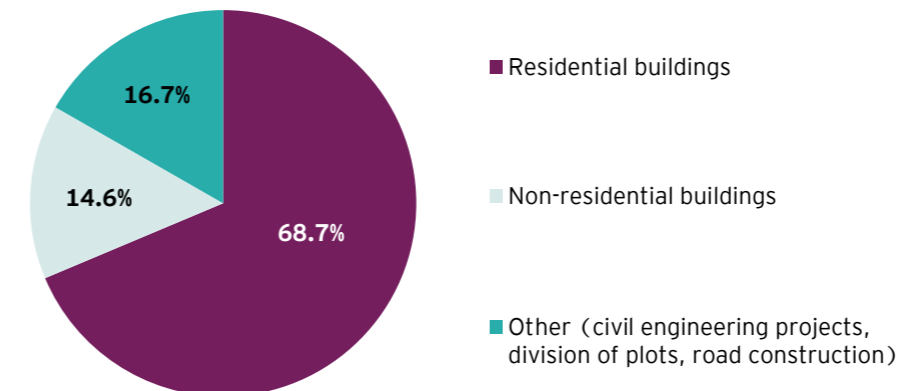
Building permits per asset type

Historically, the majority of building permits issued in Cyprus have been for residential developments. In 2023, residential projects accounted for 68.7% of all permits, while non-residential buildings comprised 14.6%, and the remaining 16.7% were for other types of developments (civil engineering works, land division, road construction, etc).

It is evident that certain housing types are more prevalent. Notably, 68% of residential building permits were issued for single houses, 19% for apartment buildings, 11% for two-unit residential structures and a negligible 0.3% for other residential buildings.

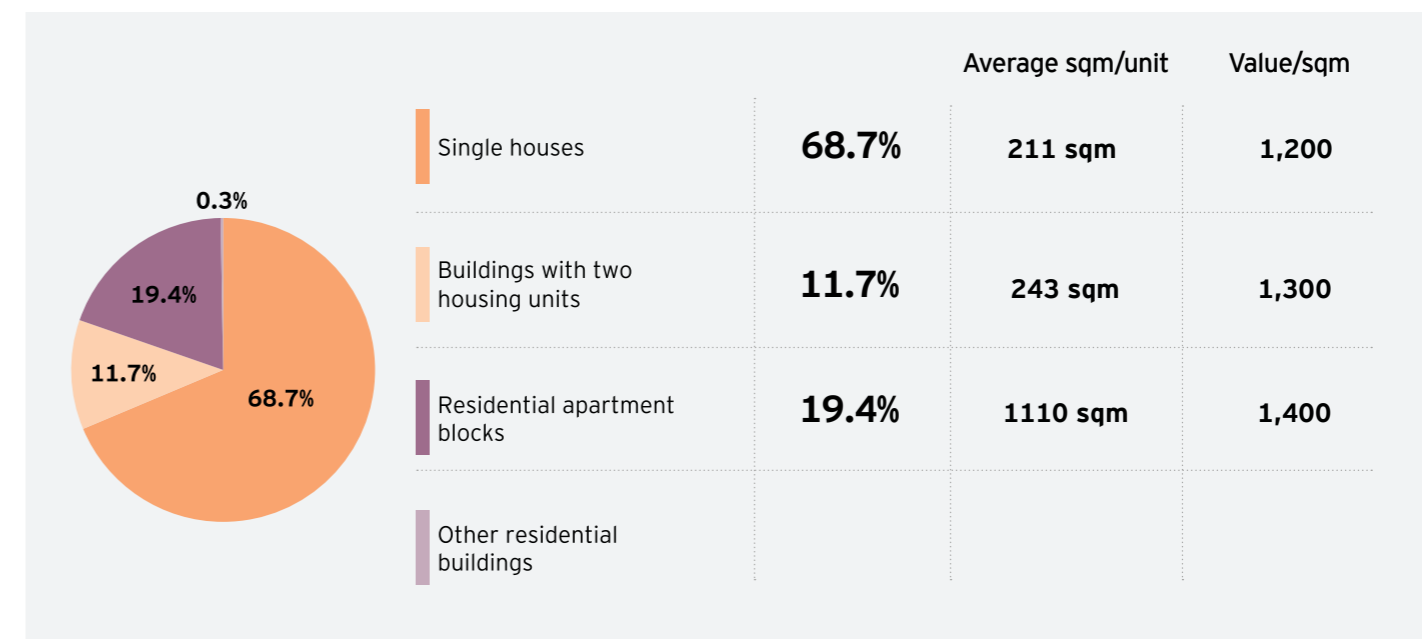
In terms of size, the average building permit of a single house spans approximately 210 sqm, with two-unit buildings reflecting a slightly higher size average (i.e. 240 sqm). In addition, the average size of building permits for residential apartment blocks is 1,110 sqm and for other residential buildings 875 sqm.

Building permit value per sqm varies between €1,200 and €1,400, with permits relating to single houses at the lower end, followed by two-unit buildings. Apartment building permits command the highest value per sqm.



Source: CYSTAT.

Building permits per residential type



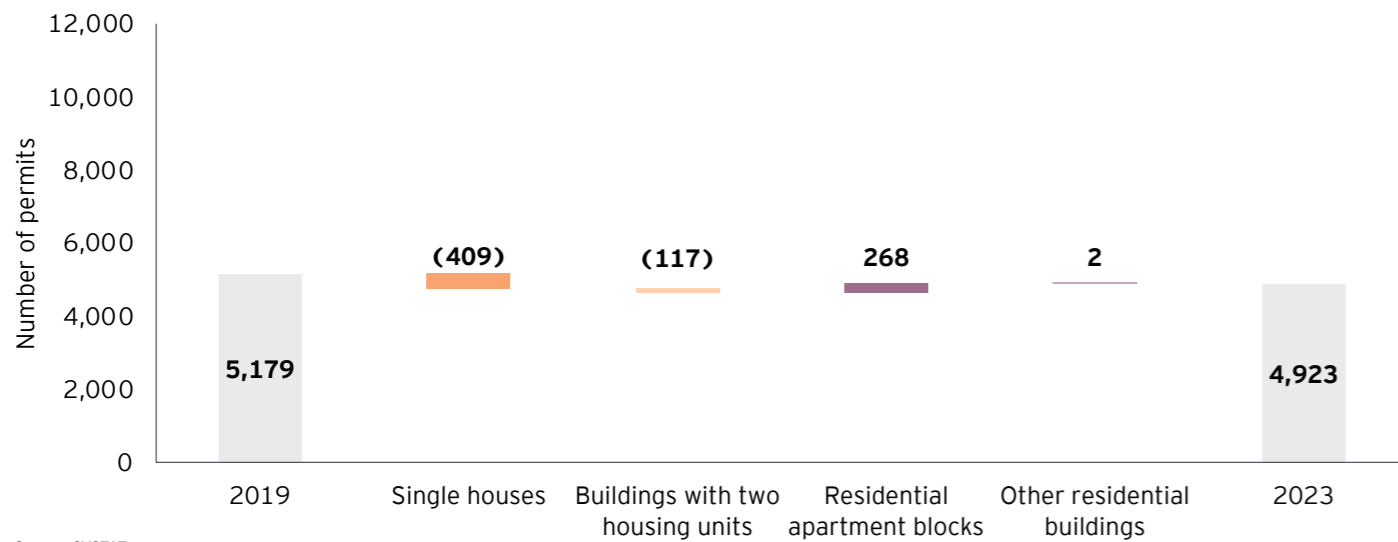
Source: CYSTAT.

Market supply factors Building permits - Residential Sector

We now turn our attention to the trends in residential building permit issuance from 2019 to 2023, the largest segment of the building permits sector. The graph below offers a comparative view of how the number of building permits issued for each residential property type has evolved over this period, highlighting how resilient the market of residential development activity is.

The total number of building permits has decreased marginally, from 5,179 in 2019 to 4,923 in 2023, reflecting a CAGR of approximately -1%. The most significant change within this period is the decrease in building permits issued for single houses, while the number of building permits for apartment blocks has increased, indicating a shift in the residential construction focus towards higher-density housing and a growing construction activity of multi-unit residential projects, possibly driven by urbanization and rising cost of living. However, the slight decline in residential building permits, compared to the sharper drops in building permits related to non-residential and other projects (i.e. civil engineering works, land division, and road construction) which saw a CAGR of -20% and -18% respectively, highlights the residential sector's resilience.

Change in volume of building permits per residential type (2019-23)



Source: CYSTAT.

The following section examines the building permits market by district to provide insight into the projected supply dynamics of each district. This analysis highlights where developers and key stakeholders are concentrating their efforts.

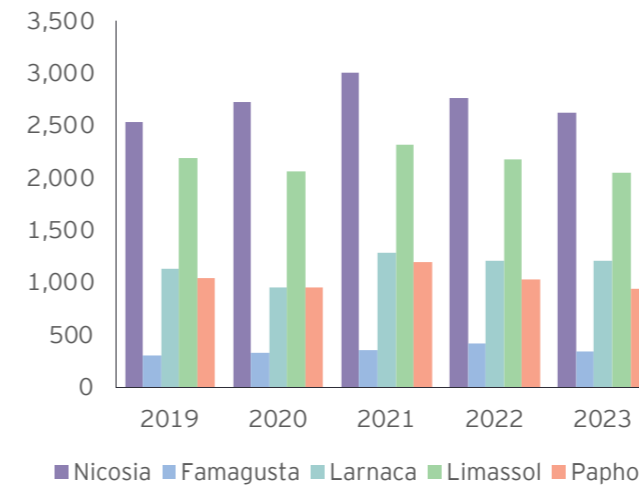


Market supply factors Building permits - District Analysis

Volume Trends (2019-2023)

Over the past five years, building permit volumes have varied across districts, reflecting shifts in development activity. Nicosia maintains its leadership in volume and accounted for over one-third of total permits in 2023. However, its yoy volume declined by 5%, from 2,760 permits in 2022 to 2,616 in 2023. Limassol, with nearly one-third of total volume, experienced a negative five-year CAGR and a 6% year-on-year decline in 2023, continuing its downward trajectory since peaking in 2021. In contrast, Larnaca's permit volume grew slightly, with an 1% increase in 2023. Paphos and Famagusta showed declining trends, with Paphos recording a 9% drop and Famagusta a 17% decrease from 2022 to 2023, marking volume challenges for these cities.

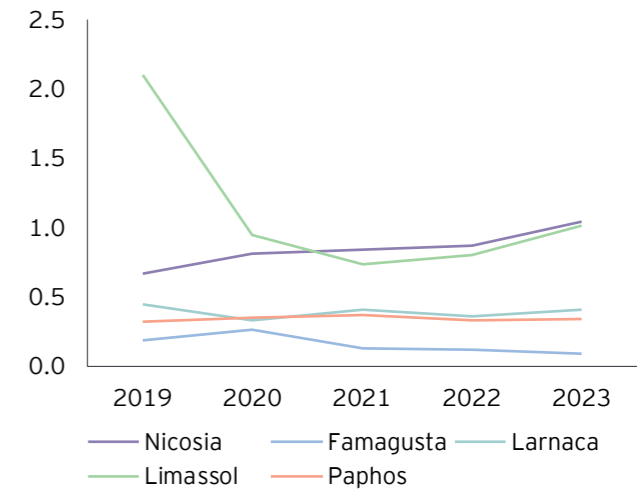
Building permits by volume



Value Trends (2019-2023)

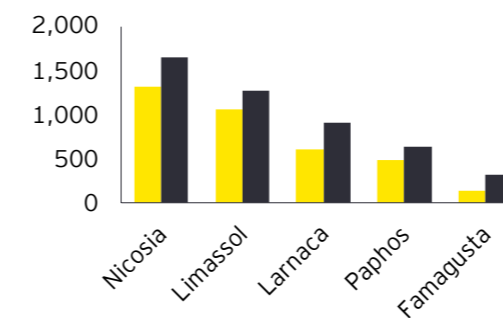
Building permit values show a more dynamic picture, with significant growth in some districts despite volume challenges. Nicosia's value increased substantially, with a 12% CAGR since 2019, and saw a 20% rise in 2023, reaching €1.05 billion. Limassol, despite its volume decline, recorded a 26% increase in value in 2023. Larnaca's yoy value growth has been positive in 2023 with 12% increase. Paphos demonstrated resilience with a 2% CAGR over five years and a 6% recovery in 2023 after a decline the previous year. Conversely, Famagusta's permit value has consistently declined since 2020, with a negative five-year CAGR of 17% and a 28% yoy drop in 2023, highlighting ongoing challenges for the city's development.

Building permits by value (€ billion)

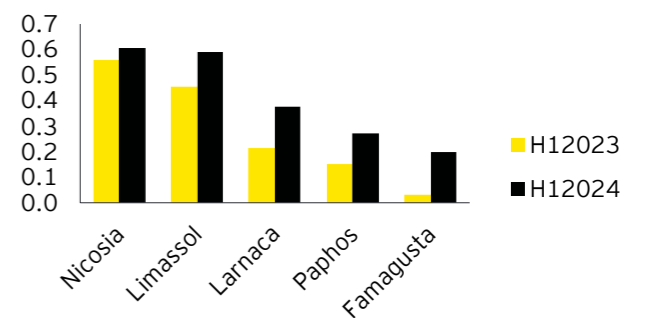


H1 2023 Vs H1 2024

Volume



Value (€ billion)



All districts experienced growth in both volume and value during the first half of 2024 compared to the same period in 2023, signalling a potential rebound in activity. Notably, even cities facing challenges, such as declining trends in prior years, demonstrated improvement in this period. Additionally, the first half of 2023 accounted for approximately 50% of the total annual volume and value of building permits, a consistent trend observed across all cities over the past five years.



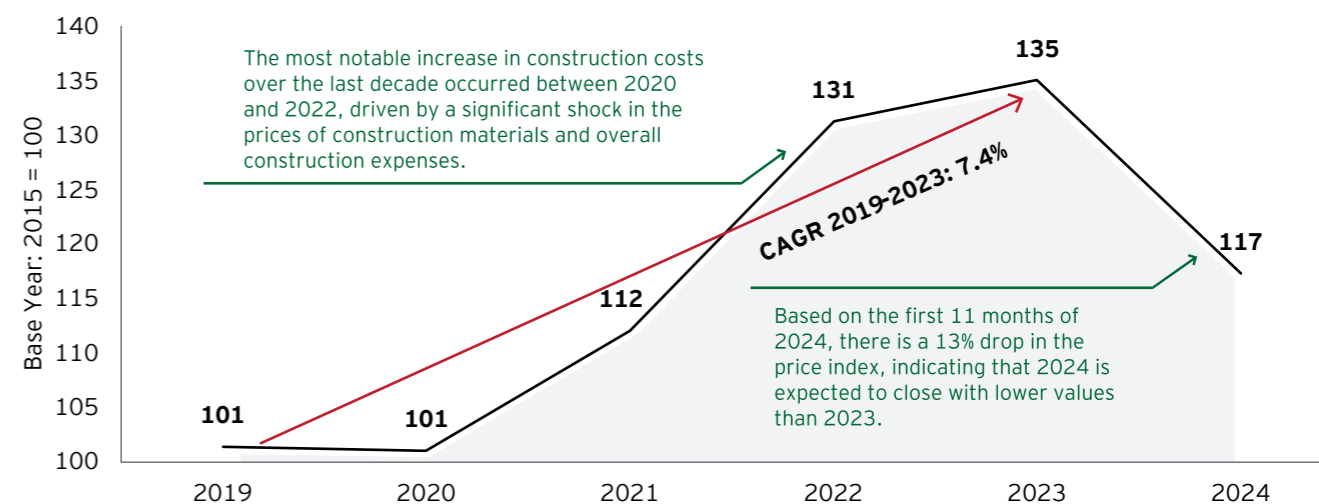
Market supply factors

Construction costs and output

The charts below provide a brief overview of construction cost evolution, a key driver in the sector's supply dynamics.

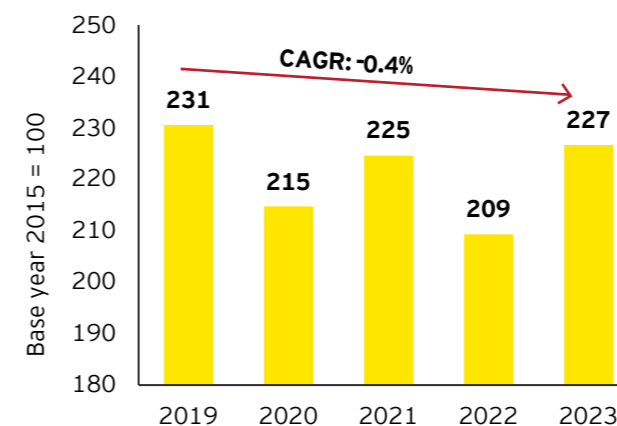
Construction material price index¹ has been maintained at a high level for the past 3 years. In 2022, the index surged by 17%, a rise largely attributed to the ongoing conflict in Ukraine. This surge was exacerbated by existing inflationary pressures from the Covid-19 pandemic and ongoing geopolitical tensions in Ukraine and the Middle East. Despite already elevated costs, construction material prices continued to rise in 2023, with an annual growth of 3%. By January 2023, the construction material price index reached a decade-high of 135 units (base year 2015). Notable price increases were recorded across key commodity categories, including metallic products, wood products, insulation materials, and minerals, among others. Based on the first 11 months of 2024, there is a 13% drop in the price index.

Price index of construction materials (2019-23)



Source: CYPSTAT.

Index of production: construction of buildings



Source: CYPSTAT.

The production index², a key business-cycle indicator, tracks inflation-adjusted changes in building output. It encapsulates projects initiated several years prior, indicating a buffer against the immediate impact of fluctuating market conditions.

Over the past five years, the construction market experienced a CAGR of -0.4%, despite notable fluctuations. Covid-19 restrictions caused significant setbacks, labour shortages, and rising costs, further exacerbated by geopolitical events. In 2023, the index rebounded with a 9% growth, likely driven by a backlog of construction activity. Projects postponed due to pandemic-related shortages began to materialize in the following years, contributing to the current growth.

Note: 1. The Index of Construction is published by CYPSTAT to track changes in the price of construction materials in Cyprus. The Index of Construction Materials is based on the price movements of key construction materials, weighted according to the share of each material to the total expenditure for construction materials incurred by the contractors and are derived from the value of imports and local production for that material in the base year (2015).



Section 4

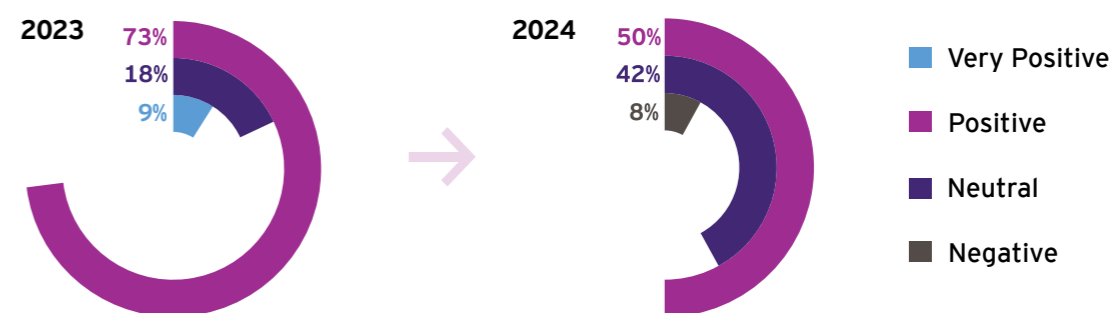
Industry sentiment

Industry Sentiment EY survey results (1/7)

Our 2024 market pulse survey aimed at capturing the current sentiment of key players in the real estate sector. A similar survey was carried out in 2023. The survey targeted a diverse group, including developers, contractors, asset managers, real estate consultants, agents and financial institutions. The responses reflect the perspectives at the time of the survey.

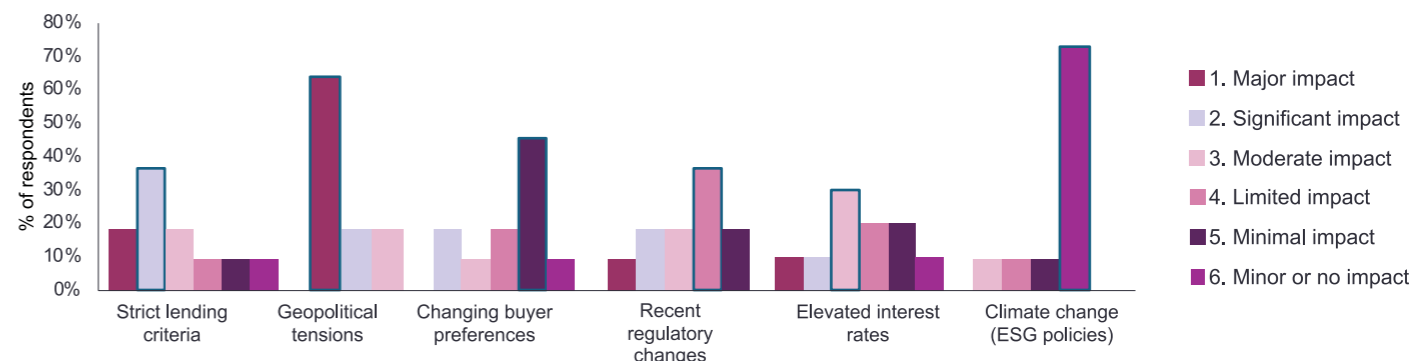
This year's findings highlight several notable shifts compared to the previous year. While the overall market outlook remains positive, it reflects a more tempered optimism than last year. Participants now project stability in both transaction volumes and prices, diverging from the more growth-oriented expectations of the prior year. Furthermore, there is an increasing consensus regarding the likelihood of heightened foreign capital inflows.

Q1 What is your overall sentiment for the Real Estate industry for the next twelve months?



In general, there is a positive market sentiment currently, albeit with a more balanced distribution compared to 2023. In 2024, 50% of respondents expressed a positive outlook, 42% remained neutral, and 8% had a negative sentiment. This reflects a significant shift from last year's more optimistic view, where approximately 70% of participants were positive and none expressed a negative sentiment. This year, the "very positive" sentiment has been replaced by "negative", largely due to concerns about unstable external factors, such as geopolitical challenges.

Q2 Please rank the following macro challenges on a scale of 1 (major impact to Cyprus Real Estate) to 6 (minor/no impact to Cyprus Real Estate).



Respondents ranked different challenges currently phasing the sector in terms of which they consider to have the highest impact. Geopolitical tensions secured the top position as the most critical concern and climate change rated as the least impactful. Notably, no respondent placed geopolitical tensions below the 3rd rank, and none ranked climate change as the number one issue. Geopolitical tensions, for the 2nd year running, emerged as the most critical concern, with a notable increase in 2024 (around 70%, compared to 50% in 2023), likely due to shifting global risks. Strict lending criteria, previously outside the top three, have now emerged as the second most significant challenge. This shift reflects a tighter approach by banking institutions, driven by heightened uncertainty in the broader financial environment and a corresponding decrease in risk tolerance. Elevated interest rates and recent regulatory changes also feature prominently. Meanwhile, ESG policies are still seen as the least impactful, likely reflecting the slower adoption of sustainability practices in Cyprus.

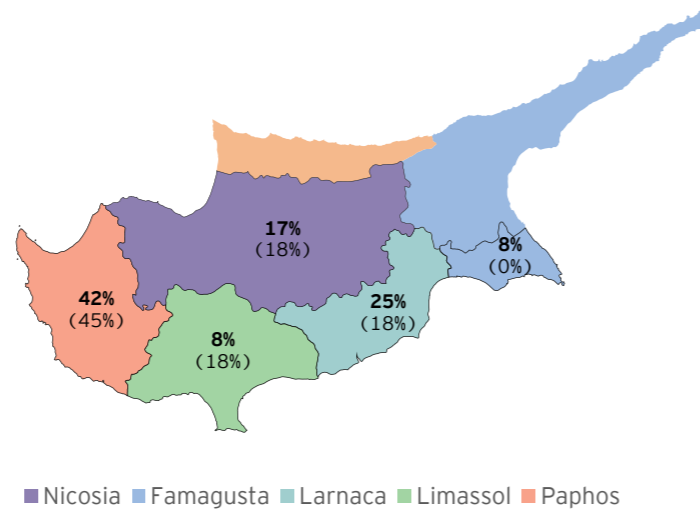
Most frequent ranking

1. Geopolitical tensions
2. Strict lending criteria
3. Elevated interest rates
4. Recent regulatory changes
5. Changing buyer preferences
6. Climate change (ESG policies)

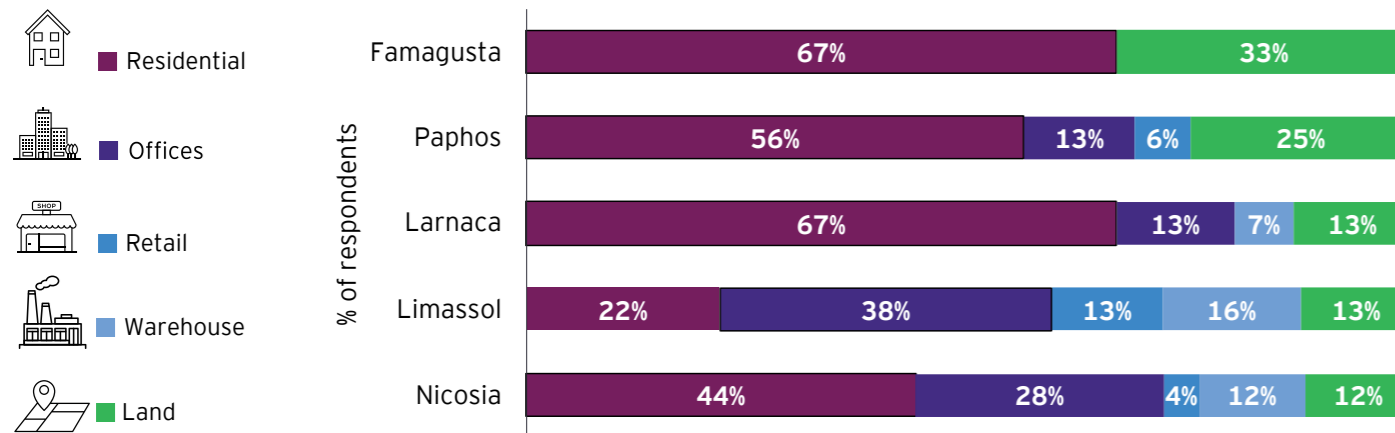
Industry Sentiment EY survey results (2/7)

Q3 Please choose the district that you consider will pose the greatest opportunity over the next twelve months.

The survey revealed diverse perceptions among respondents. Many viewed Paphos favorably, citing its international appeal and affordability compared to Limassol. Interestingly, while 20% of the respondents favored Limassol last year, only 8% did so this year; with attention instead shifting to other cities while also putting Famagusta on the map. This year, Larnaca has also gained momentum, driven by its growing appeal to foreign investors, particularly Israelis, due to the current geopolitical situation. Nicosia maintained a similar percentage, with its advocates citing the fact that local demand, which drives Nicosia's market, is not as vulnerable to the external threats.



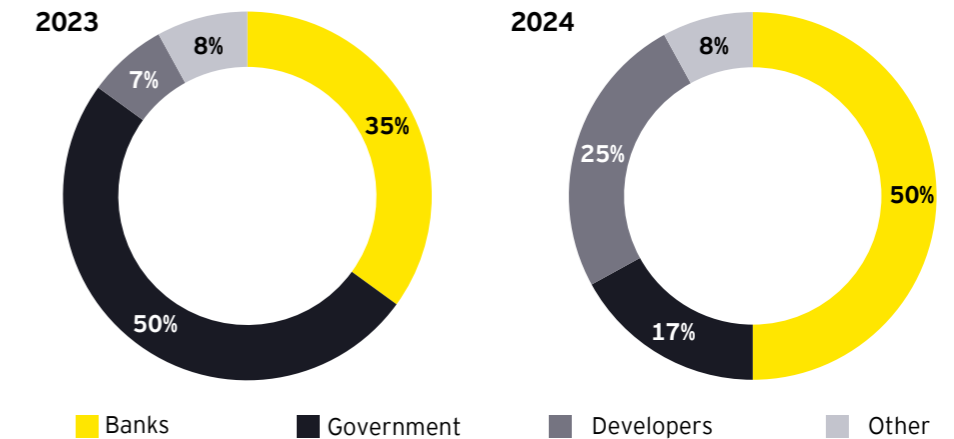
Q4 Which asset class do you consider that prevails in investor preference for each district?



Last year, 90% of respondents favored residential properties, making it the most preferred asset type across all cities. This year, the trend held for 4 out of 5 cities, but in Limassol the preference shifted towards office spaces. Interest in commercial properties in general (and especially retail and warehouses) remained minimal outside of Limassol and Nicosia, with Famagusta showing a complete absence. Interestingly, while industrial assets were not favored in any city last year, they gained traction this year.

Industry Sentiment EY survey results (3/7)

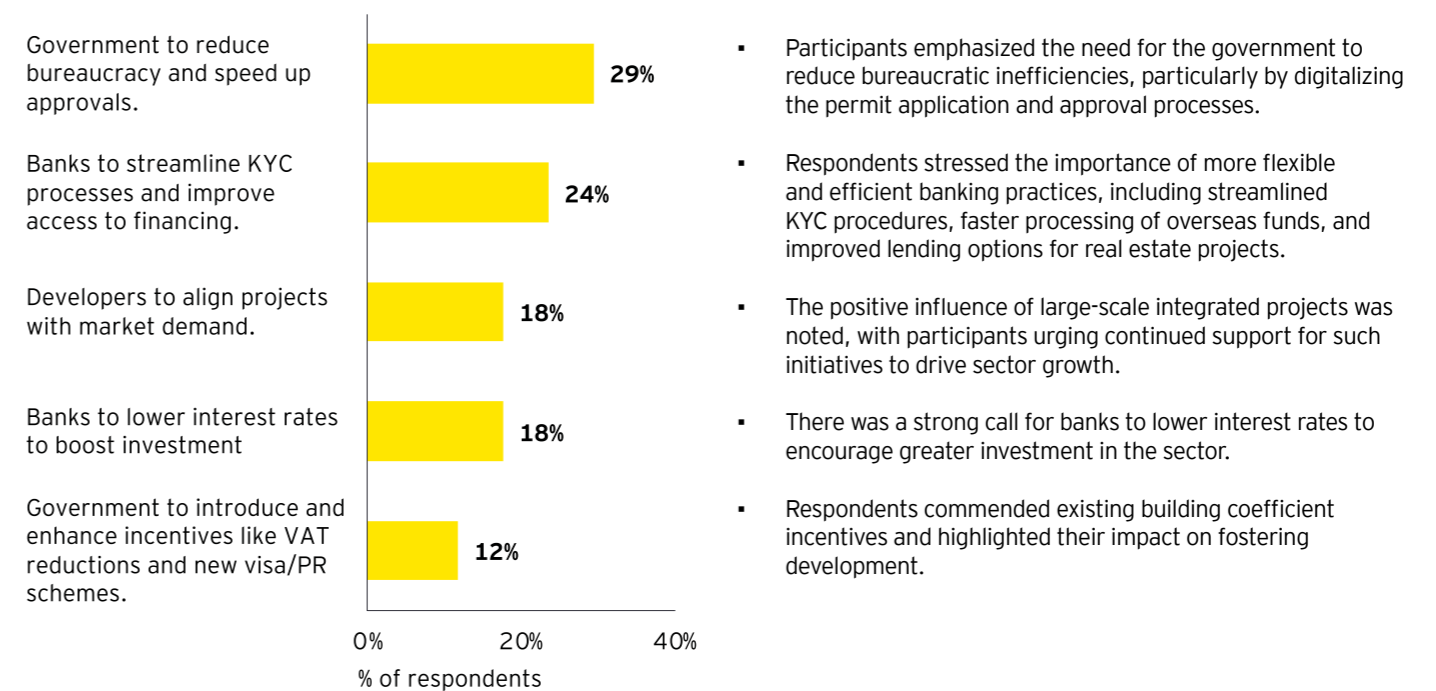
Q5 Over the next 6 months, which stakeholder do you consider will mostly affect the RE sector's growth? In what ways could the aforementioned stakeholder help accelerate and sustain the sector's growth?



This year's survey results reveal a notable shift in stakeholders' perceptions regarding the key influences on the growth of the real estate sector. Half of the respondents (50%) identified banks as the most influential stakeholder, marking a significant increase from 2023. This shift reflects the growing importance of financial institutions in facilitating transactions and providing project financing.

In contrast, the government, which was previously seen as the most impactful stakeholder, was selected by only 17% of participants this year. Developers have gained prominence, with 25% of respondents recognizing them as critical drivers of growth, up from just 7% last year. The "Other" category, which includes foreign investors, did not see a notable change in perceived importance.

Below, we summarize ideas proposed by participants to enhance the efficiency of the real estate sector. Many of these suggestions align closely with feedback provided in the previous year, reflecting consistent priorities among stakeholders.

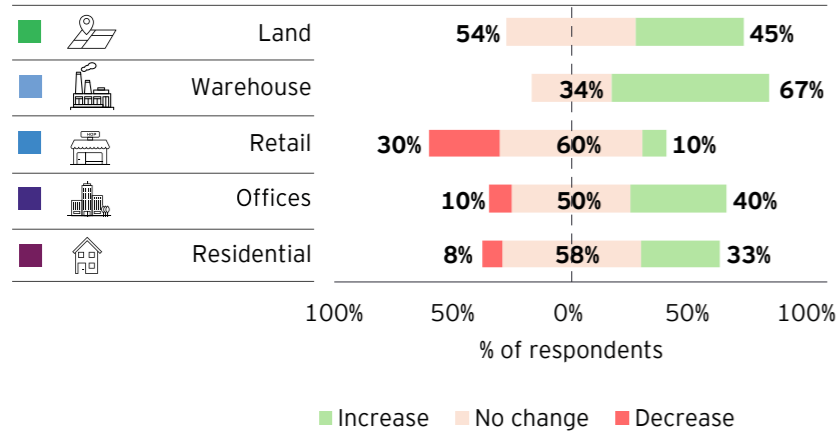


- Participants emphasized the need for the government to reduce bureaucratic inefficiencies, particularly by digitalizing the permit application and approval processes.
- Respondents stressed the importance of more flexible and efficient banking practices, including streamlined KYC procedures, faster processing of overseas funds, and improved lending options for real estate projects.
- The positive influence of large-scale integrated projects was noted, with participants urging continued support for such initiatives to drive sector growth.
- There was a strong call for banks to lower interest rates to encourage greater investment in the sector.
- Respondents commended existing building coefficient incentives and highlighted their impact on fostering development.

Industry Sentiment EY survey results (4/7)

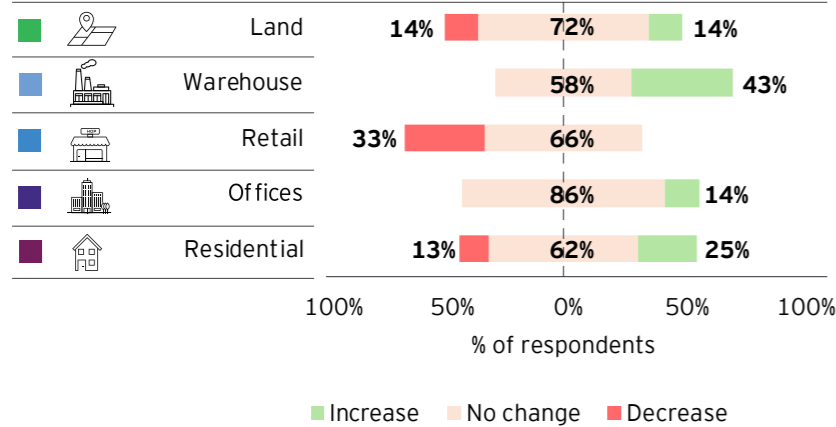
Q6 Over the next 6 months, which stakeholder do you consider will mostly affect the RE sector's growth? In what ways could the aforementioned stakeholder help accelerate and sustain the sector's growth?

Sales volume



The two adjacent graphs clearly illustrate a strong correlation between sales volumes and prices, as the responses closely align. For the second consecutive year, the survey shows that the highest percentage of respondents anticipate both sale volumes and values to remain stable across asset types—including residential (which last year was uniquely expected to experience growth). This trend reflects heightened market caution amid regional geopolitical uncertainties and fluctuating interest rates, tempering growth expectations. For offices, most stakeholders expect either stability or a moderate increase, as they believe recent transactions for under-construction projects will help maintain short-term stability. Conversely, one-third of respondents project a decline in retail volumes due to unfavorable global demand for retail properties.

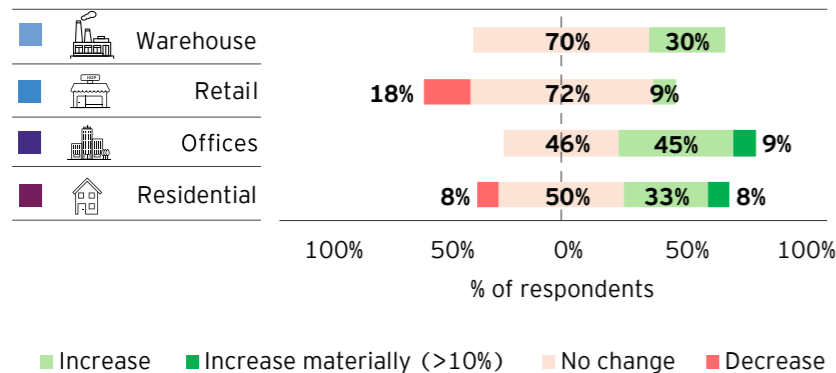
Sales prices



Regarding prices, most respondents expect stagnation, with only one-third anticipating a drop in retail prices. No respondent expects declines in office or warehouse prices, while only a few foresee decreases in land and residential prices.

Q7 How do you expect rental prices to change in the next twelve months?

Rental prices

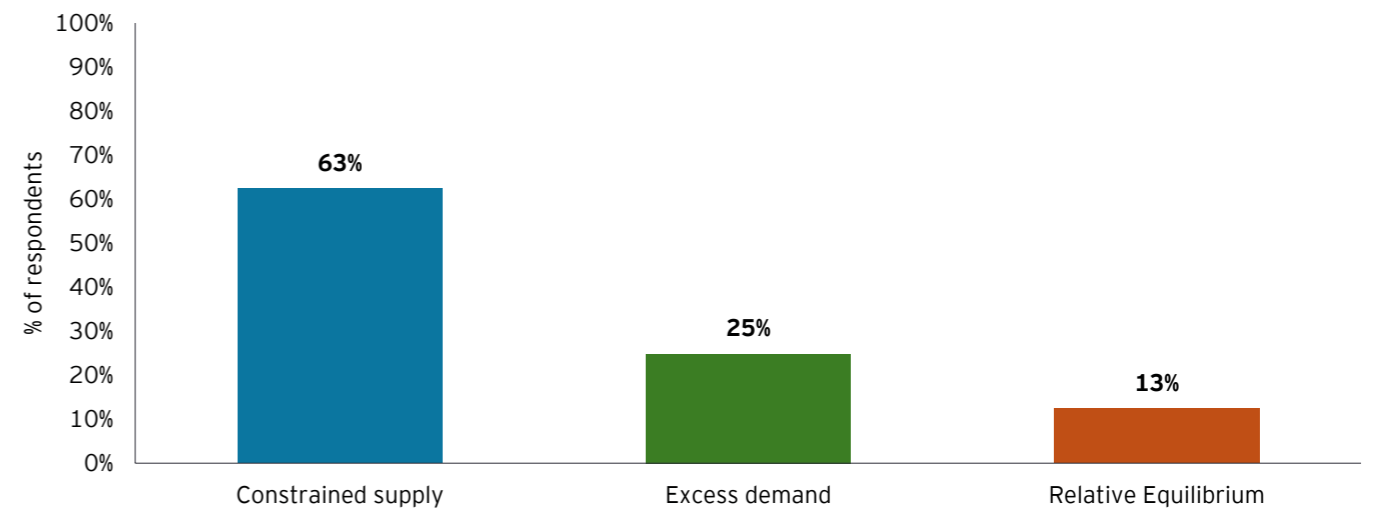


Responses regarding rents are largely consistent with last year's feedback, mirroring the insights on price movements mentioned above. Most respondents anticipate no significant change across all asset classes. However, for offices, nearly half predict a modest increase, signaling a positive outlook for rental rates in this sector. No respondents indicated a severe decrease for any asset class. A small percentage expect modest declines in retail and residential rents, while a similarly small percentage foresee a large increase in residential and office rents, driven by heightened demand.

Industry Sentiment EY survey results (5/7)

Q8 In your opinion is the shift in prices driven by excess demand or constrained supply?

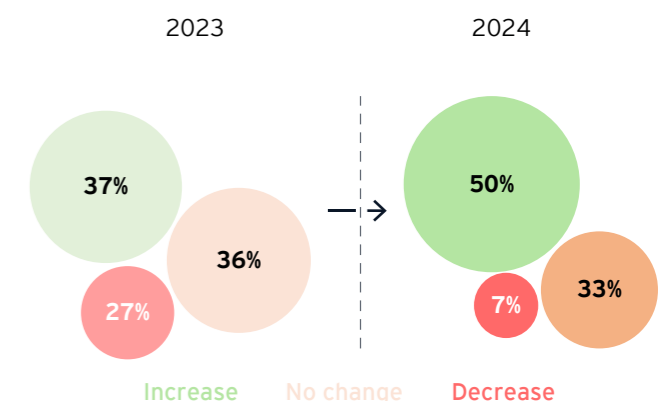
When asked whether the shift in prices is driven by excess demand or constrained supply, 63% of respondents pointed to constrained supply, 25% cited excess demand, and 13% believed there is equilibrium, resulting in no price changes. Those attributing the price shift to constrained supply emphasized issues such as geopolitical instability, which creates uncertainty and delays decisions to start new developments, bureaucracy, which slows down construction through complex regulations, and lengthy permitting processes that hinder project approvals. Respondents who cited excess demand primarily pointed to foreign buyers, whose growing interest in the market has increased competition for available properties. Geopolitical changes stand out as both a challenge and an opportunity, attracting foreign investors seeking more stable environments than their usual markets. Additionally, while many don't expect price changes, fewer believe the market is truly in equilibrium, which would naturally result in stable prices.



Regarding the most attractive district for foreign investors over the next twelve months, Larnaca and Paphos were tied at the top, with 33% of respondents choosing each. Limassol followed with 25%, maintaining its reputation for its business-friendly environment and cosmopolitan vibe. Nicosia garnered 8%, indicating more specialized interest, while Famagusta received no votes, highlighting its continued lack of appeal for foreign investors compared to other regions.

Q9 How do you expect construction costs to change over the next twelve months?

In this year's survey, 50% of respondents predict a further increase in construction costs. They attribute this, to the energy crisis and material shortages resulting from geopolitical instabilities, with particular concern about the Middle East crisis and its impact on oil prices. By comparison, last year's responses were more evenly split, with 37% expecting costs to rise, 36% predicting stability, and 27% anticipating a decrease. Currently, 1 in 3 respondents expect costs to remain stable, while 8% foresee a decrease, citing that costs may have peaked and that macroeconomic conditions are starting to stabilize. This shift underscores how recent instability has influenced investors' expectations for construction costs.



Industry Sentiment EY survey results (6/7)

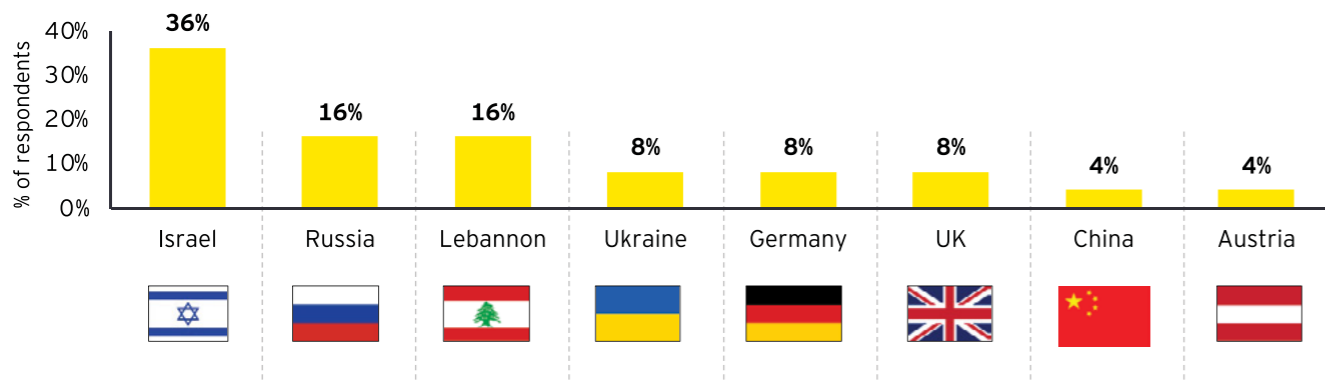
Q10 With respect to foreign investors, what do you think has changed in terms of their profile and preferences during the past twelve months?

Survey respondents reported that in 2024, foreign nationals expressing interest in Cyprus primarily consisted of high-income investors and parties aiming to develop and commercialize real estate. There has been a noticeable shift toward Paphos and Larnaca at the expense of Limassol. However, Limassol remains a key destination due to its cosmopolitan lifestyle and business-friendly environment. This sentiment remained consistent with last year's feedback.

The countries cited remained largely the same, with a few new European additions. Investors from Germany, Austria, and the UK were particularly mentioned, often seeking second holiday homes for tax and retirement purposes, acting as end users. A significant influx of Israeli investors and developers stood out, showing strong interest in both commercial and residential real estate across the island. These investors are drawn to Cyprus for its safety but also seek to combine investment with a "Plan B" residence. Many also purchase land and develop their own projects.

In Limassol, middle- to high-income investors are the primary drivers, while Larnaca attracted those with more modest budgets. Larnaca also continues to be popular with Lebanese and Middle Eastern investors and developers. Notably, high-net-worth Russian and Ukrainian investors, particularly in Limassol and Paphos, remain significant players in the foreign investor market in Cyprus.

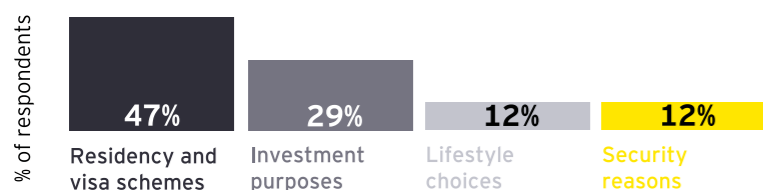
The following graph presents the respondents' perceptions of investors from the nationalities identified.



Q11 With respect to foreign investors, what has been the main reason for buying property in Cyprus during the past year?

The survey revealed that the primary motivation for foreign investors purchasing property in Cyprus over the past year was residency and visa schemes, with 47% of respondents citing this as the main reason. Investment purposes followed, accounting for 29%. Many participants noted a combination of motivations, with the most common being a mix of investment purposes and residency opportunities.

Lifestyle choices, combined with the prospect of investment returns, also ranked high among respondents, while safety concerns were a key factor for Israeli investors. Interestingly, an equal number of respondents cited security and lifestyle as significant drivers behind property acquisitions, highlighting the appeal of Cyprus as both a safe haven and a desirable living destination.



Industry Sentiment EY survey results (7/7)

Q12 How do you expect foreign investor numbers to change over the next twelve months?

When asked about the expected change in foreign investor numbers over the next twelve months, responses were split, with 42% anticipating an increase and another 42% expecting no change. A smaller group, 8%, predicted a material increase, while 8% forecasted a decrease. No respondents believed a significant decrease would occur.

Those expecting no change cited the market's current limitations, including infrastructure constraints such as lower high-end opportunities and connectivity challenges and the belief that investor numbers are already high. Respondents predicting an increase pointed to geopolitical shifts, such as easing interest rates. Conversely, those forecasting a decrease highlighted strict lending criteria, making it harder for foreign buyers to secure leverage, and ongoing bureaucratic delays in the property purchasing process. The results are similar to last year but show a more positive outlook, as "no change" held a larger share than "increase" in the previous year. This year, the expectation for growth is more prominent, reflecting a more optimistic sentiment among respondents.

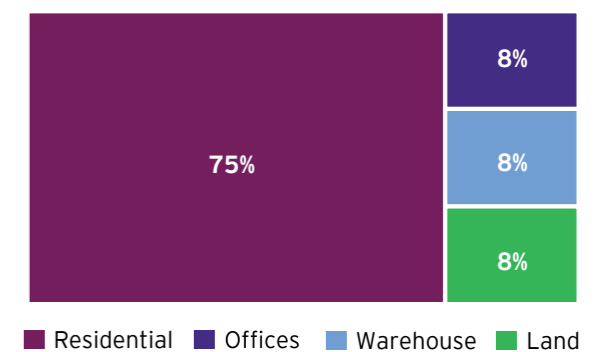


Figures in brackets represent 2023 data

Q13 Which asset class do you believe will be the most sought after by foreign investors during the next twelve months?

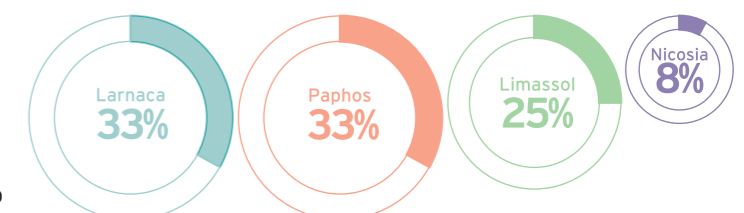
When asked which asset class would be the most sought after by foreign investors over the next twelve months, 2 out of 3 respondents pointed to residential properties. Offices, warehouses, and land each garnered 8% of the responses, while retail saw no interest at all.

This strong preference for residential assets aligns with previous findings, where residency and investment opportunities were highlighted as key drivers for foreign investment in Cyprus. The minimal interest in other asset classes reflects the continued dominance of residential real estate, especially as investors prioritize properties that can serve both as homes and investment vehicles.



Q14 Which district do you anticipate will be the most attractive to foreign investors over the next twelve months?

Regarding the most attractive district for foreign investors over the next twelve months, Larnaca and Paphos were tied at the top, with 33% of respondents choosing each. Limassol followed with 25%, maintaining its reputation for its business-friendly environment and cosmopolitan vibe. Nicosia garnered 8%, indicating more specialized interest, while Famagusta received no votes, highlighting its continued lack of appeal for foreign investors compared to other regions.



EY's Real Estate Team People



Stelios Demetriou

Partner, EY-Parthenon Cyprus Leader,
M&A Leader of Central, Eastern and Southeastern Europe & Central Asia
Stelios.Demetriou@parthenon.ey.com



Andreas Anastasiou

Partner, EY-Parthenon Cyprus
Real Estate Specialist
Andreas.Anastasiou@parthenon.ey.com



Charis Papadopoulou

Manager, EY-Parthenon Cyprus
Real Estate Specialist
Charis.Papadopoulou@parthenon.ey.com

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

© 2025 EYGM Limited.
All Rights Reserved.

EYG no. 003698-25Gbl
ED None

ey.com/cy