



CYPRUS MARKET REPORT

MACRO ECONOMY

We are presently navigating a period marked by significant global economic challenges and heightened uncertainty, primarily attributed to the Russian invasion of Ukraine and the ongoing conflict between Israel and Hamas, which poses a substantial risk of escalating throughout the Middle East.

These unprecedented conditions have created an unpredictable economic landscape in the post-Covid era. High inflationary pressures, especially in the energy sector, continue to erode citizens' disposable incomes, impacting their standard of living.

Effective public finance management has enabled the implementation of direct, targeted, and comprehensive support programs, particularly for vulnerable population groups. It is noteworthy that, despite the challenging economic environment, social indicators of inequality and poverty continue to record improvement.

Real GDP growth moderated to 2.5% in 2023, primarily driven by domestic demand, particularly consumption, bolstered by rising employment and disposable incomes amidst a declining inflation environment.

Economic growth is projected to strengthen to 2.8% in 2024 and 2.9% in 2025, with domestic demand continuing to be the primary driver. This growth will be fueled by a surge in investment from both existing and upcoming major construction projects, resulting in a performance that significantly exceeds the EU average.

The anticipated investment boost will complement the already positive contributions from household and government consumption. Public investment, which has seen significant growth since 2023, is expected to continue its strong trajectory, partially financed by the Recovery and Resilience Facility (RRF) and other EU funds. Additionally, exports of tourism and non-tourism services are set to perform well, further supporting economic growth.

HICP inflation is projected to decrease from 3.9% in 2023 to 2.4% in 2024, further decelerating to 2.1% in 2025. In 2023, employment rose by 1.4%, and the unemployment rate declined to 6.1%, down from 6.8% in 2022.

The general government surplus grew to 3.1% of GDP in 2023, up from 2.7% in 2022. This increase was driven by double-digit revenue growth from tax-rich sources such as consumption and rising wages, which outpaced the robust expenditure growth fueled by higher public wages and social spending. However, measures to mitigate the impact of high energy prices slightly dampened the budget balance, incurring a net budgetary cost of approximately 0.4% of GDP in 2023. The budget is expected to remain in surplus, at 2.9% of GDP, in 2024.

The general government debt-to-GDP ratio is anticipated to decline significantly from 77.3% in 2023 to 65.4% in 2025, mainly due to primary surpluses combined with continued strong nominal GDP growth.

In the banking sector, challenges have become more manageable despite a slight increase in the absolute number of non-performing loans (NPLs) in Cyprus as of January this year. The ratio of NPLs to total loans has remained stable at 7.9%.



GDP growth rate 2020Q1-2024Q1



Source: Ministry of Finance, IMF

CYPRUS ECONOMIC OUTLOOK

Economic growth is projected to strengthen to 2.8% in 2024 and 2.9% in 2025, with domestic demand continuing to be the primary driver. This growth will be fueled by a surge in investment from both existing and upcoming major construction projects, resulting in a performance that significantly exceeds the EU average.

Following robust growth of 5.6% in 2022, economic activity slowed down to 3.1% in 2023, amid persistent inflationary pressures and rising interest rates.

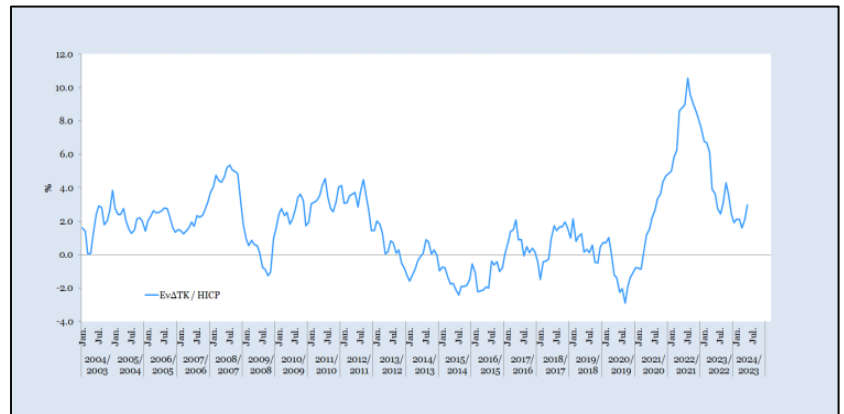
Inflation (HICP) rose by 3.1% in June 2024 compared with 3.0% in May 2024. For the period January-June 2024, the HICP is estimated to rise by 2.3% compared to the corresponding period of the previous year.

After peaking in 2022 at 8.1%, inflation is set to abate as global energy prices moderate and supply chain disruptions ease, not withstanding upward pressures coming from a partial indexation of wages.

Cyprus is forecast to maintain a government budget surplus over the forecast horizon, while the public debt is expected to continue decreasing, to 65.4% of GDP in 2025.

This improvement is attributed to the robust economic performance and high growth rate.

INFLATION



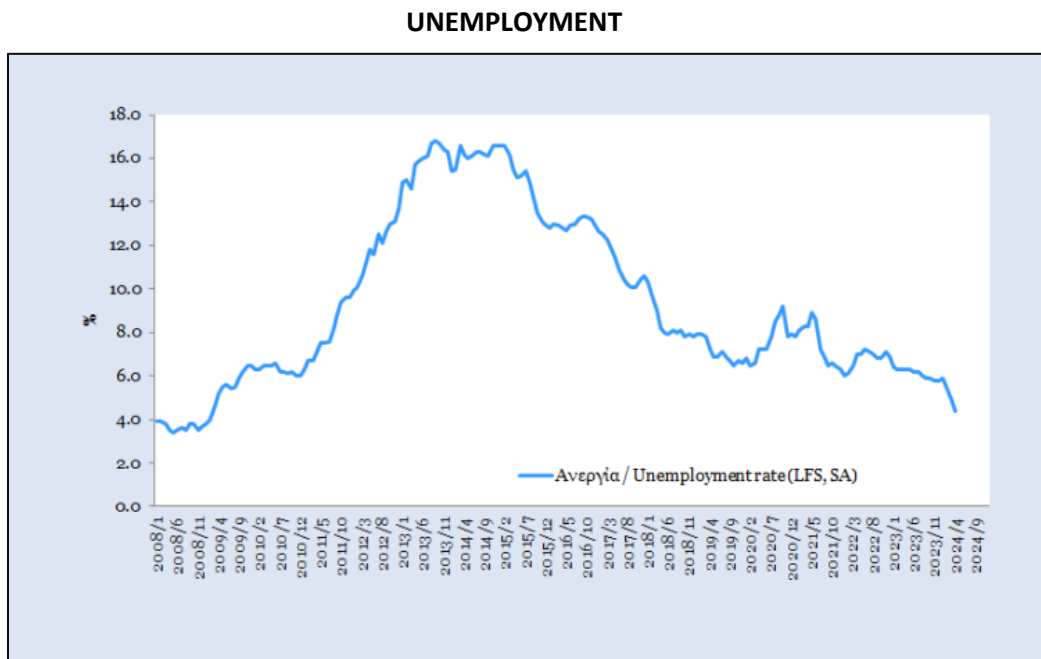
Source: Ministry of Finance, IMF

UNEMPLOYMENT

The introduction of temporary Government measures to protect employment, decelerated the country's increasing unemployment rate during 2021 and 2022 (7,5% and 6.8% respectively), to push back the effects of the COVID-19 pandemic and lockdowns.

In 2023 the unemployment rate on the island dropped to 6.1%. According to the latest report from the Cyprus Statistical Services, the unemployment rate for the first quarter was 6%.

According to the European Commission, the labour market recovery is expected to continue, albeit at a slower pace.



Source: Ministry of Finance, IMF



↓ 6,0%

Unemployment Rate

1st Quarter 2024



↓ 78,0%

**Rate of Employment
(group of age 20-64)**

1st Quarter 2024

Source: Ministry of Finance, IMF



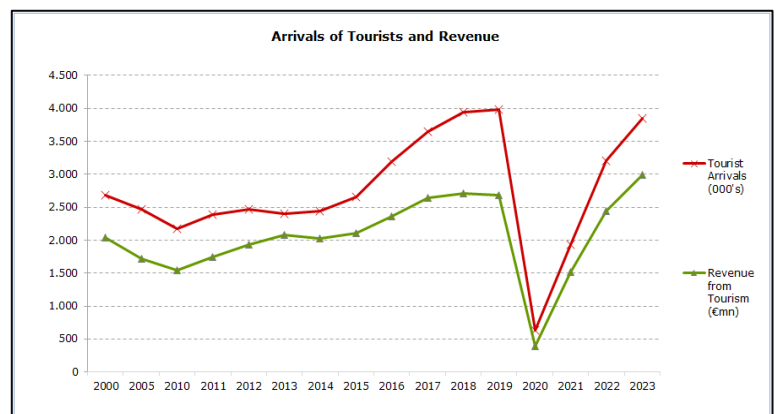
TOURISM MARKET REPORT

OVERVIEW

Based on the results of the Passengers Survey carried out by the Statistical Service, revenue from tourism reached €217,4 mn in April 2024, recording a minor decrease of 0,1% as compared to the corresponding month of the previous year (€217,6 mn). For the period of January - April 2024, revenue from tourism is estimated at €440,7 mn compared to €417,6 mn in the corresponding period of 2023, recording an increase of 5,5%.

The average expenditure per person was €651,69 in April 2024 compared to €634,89 in April 2023, recording an increase of 2,6%.

Tourists from the United Kingdom (the largest tourist market with 35,3% of the total tourists in April 2024) spent on average €81,21 per day, while tourists from Israel (the second largest market during the specific month with 10,7% of the total tourists) spent on average €140,03. Tourists from Poland (the third largest market with 7,6%), spent on average €80,67 per day.



Source: Statistical Service of Cyprus



↓ -0,1%

Tourism - Revenue

Apr 2024/2023



↑ 0,3%

Tourist Arrivals

May 2024/2023



REAL ESTATE MARKET REPORT

OVERVIEW

The Cyprus property market has continued its strong performance in 2024, echoing the remarkable success of 2023, one of the best years in the past 15 years despite a slight slowdown. In the first quarter of the year, 4,543 property transactions were registered, totaling €955.8 million.

This follows 2023's impressive figures, with a total value of real estate transactions reaching €5.6 billion across 25,400 deals.

The 2023 figures encompass all property types, including residential, commercial, land, and buildings. Sales of residential units alone (apartments and houses) in 2023, amounted to €3.8 billion, slightly down from €3.9 billion the previous year.

However, high-end residential properties continued to drive the residential market, totaling €2 billion in sales, a trend continuing in 2024.

Foreign buyers acquired 6,900 properties in 2023, marking a 16% increase from the 5,928 properties purchased in 2022.

Limassol continues to dominate the luxury apartment and high-rise seafront tower market, while Nicosia presents a more modest yet stable market, attracting students, business owners, and government workers.

Notably, transactions in the district of Larnaca recorded a 22% increase in transaction value terms with the district of Paphos recording a 4% y-o-y increase. The growth observed in these two districts appears to have offset the reduced transaction activity observed in the district of Limassol.

However, despite a 8% contraction in the value of transactions in Limassol, the district continues to absorb the majority of the share of transactions, making up 41% of the total value. Paphos ranked second contributing 20% of the total value of transaction, followed by Nicosia with 18%.

What to expect?

In the next couple of years, the Cyprus property market is expected to experience moderate growth as high interest rates stabilise demand.

Continued foreign investment, spurred by regional geopolitical tensions, will play a significant role, although the market will face challenges from rising construction costs and regulatory changes.

The Cyprus Residency Program, known as the "Golden Visa," has been a significant driver of this foreign investment.

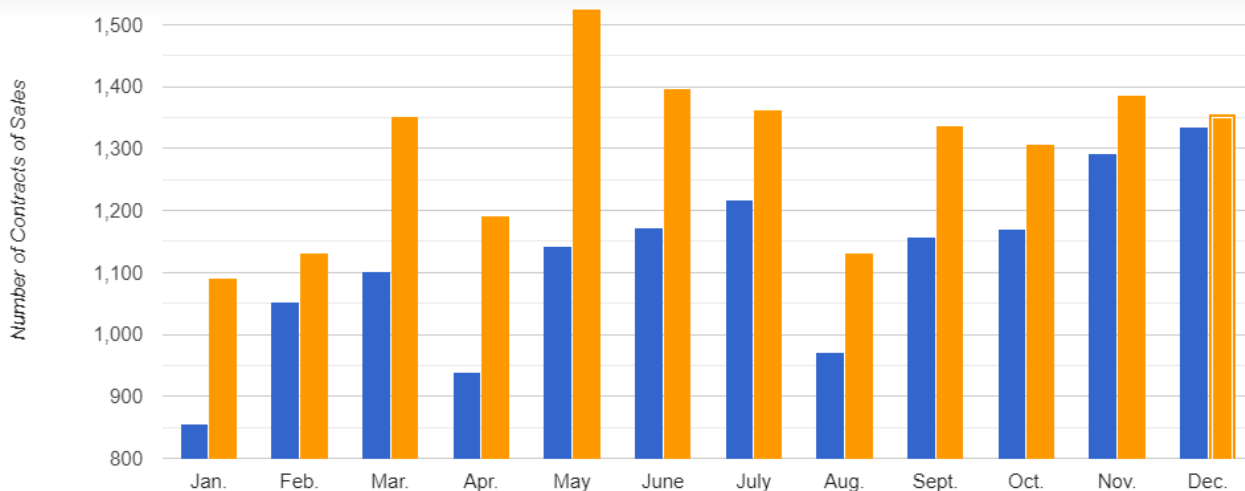
Meanwhile, rising construction costs have further impacted new developments, contributing to the upward pressure on property prices.

These dynamics present distinct implications for various stakeholders. Local buyers are finding home ownership more challenging due to high property prices and elevated mortgage rates. In contrast, Cyprus remains an attractive destination for foreign investors, offering promising returns on investment.

For developers, the high demand, especially in areas like Limassol, Paphos and Larnaca, presents lucrative opportunities despite the challenge of rising construction costs.

Overall, the market conditions in Cyprus favor foreign investment and development, while local buyers face increasing difficulties in achieving home ownership.

BREAKDOWN OF REGISTERD SALES IN 2023



Source: Department of Lands and Surveys

NEW DATA AND TRENDS

It is a common finding that the war between Israel and Hamas, and the war in Ukraine have brought about significant changes in our daily lives and lifestyles.

At the same time, EU regulations on moving towards a carbon neutral economy, push up the cost of buildings.

Combined with the hike of the cost of living, an increase in interest rates has also forced families and households to reconsider goals and priorities.

There is increased demand in rentals which are more affordable.

Cyprus, with the comparative advantages it brings together and the opportunities it offers, is an attractive destination for starting a new life experience.

- Technology has become a very important part of the real estate purchase process, imposing the need for the highest standards in 2D / 3D virtual photos, videos and electronic tours. Shoppers now prefer virtual browsing visits, zoom meetings for further information and clarification, personalized videos that can be shared with family and friends, searching for services and favorite locations via Google Maps / Google Earth, etc.

- Millennials (Gen Y) and Gen Z are going to represent 70% of real estate market customers by 2025.
- The provision of many and important services and amenities has now become necessary. A more holistic approach to housing search is needed. Experienced buyers / investors are very demanding in their quest and emphasize detail, preferring properties that are environmentally friendly and close to communities that are committed to using sustainable practices and are family and animal friendly.
- Finally, high end buyers are much more demanding with experienced real estate brands that offer authenticity and trust, personalized management services, top online experiences and highly professional service that meets their needs and expectations.

Source: Department of Lands and Surveys



RESIDENTIAL MARKET REPORT

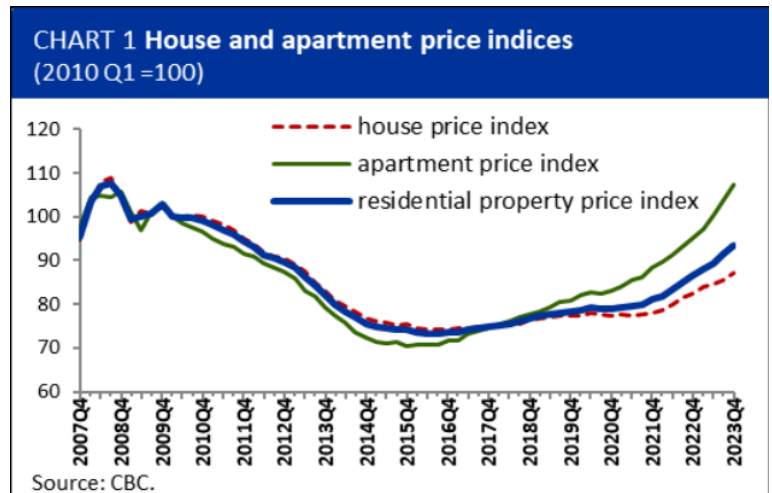
OVERVIEW

First reports indicate that the island's residential market in the first half of the year, is picking up from where it left off in 2023.

According to the latest data available for Q1 2024, property prices and rental values have shown significant annual growth. Apartment prices increased by approximately 6% and rents by 9.3% compared to Q1 2023, evidence of a continuous growth trend.

On a quarterly basis, house prices recorded increases in all districts. In particular, house prices increased in Nicosia by 1,5%, in Limassol by 2,5%, in Larnaca by 1,2%, in Paphos by 1,7% and in Famagusta by 1,4%. On an annual basis, house prices recorded an increase in all districts too. Specifically, house prices in Nicosia, Limassol, Larnaca, Paphos and Famagusta increased by 5%, 6,5%, 7,7%, 2,6% and 10,9%, respectively.

CYPRUS HOUSE PRICE INDEX



Source: Central Bank of Cyprus

BUILDING PERMITS

Building permit issuance in Cyprus increased by 8.3% from January to April 2024 compared to the same period in the previous year, according to a report by the Cyprus Statistical Service (Cystat).

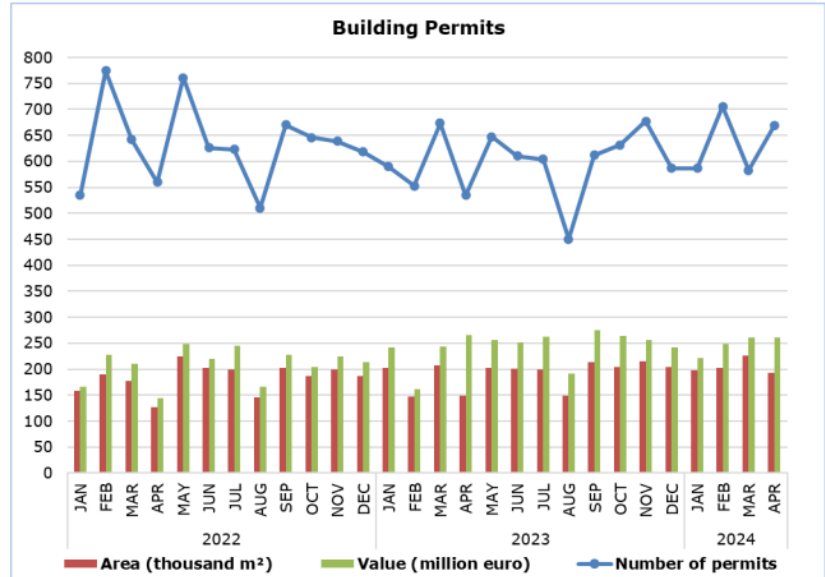
Local authorities issued 2,545 permits in the first four months of 2024, up from 2,351 in the same period of the previous year.

The value of these permits rose by 8.9%, and the total area covered expanded by 15.7%. There was also a significant 24.2% increase in the number of planned residential units.

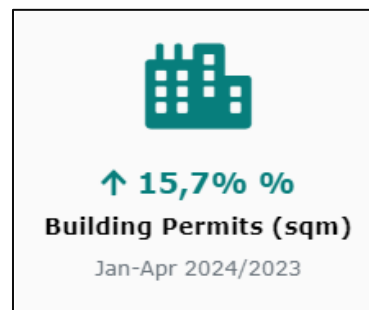
In April alone, municipal authorities and district offices issued 669 building permits, valued at €261.3 million and covering 192,300 square metres.

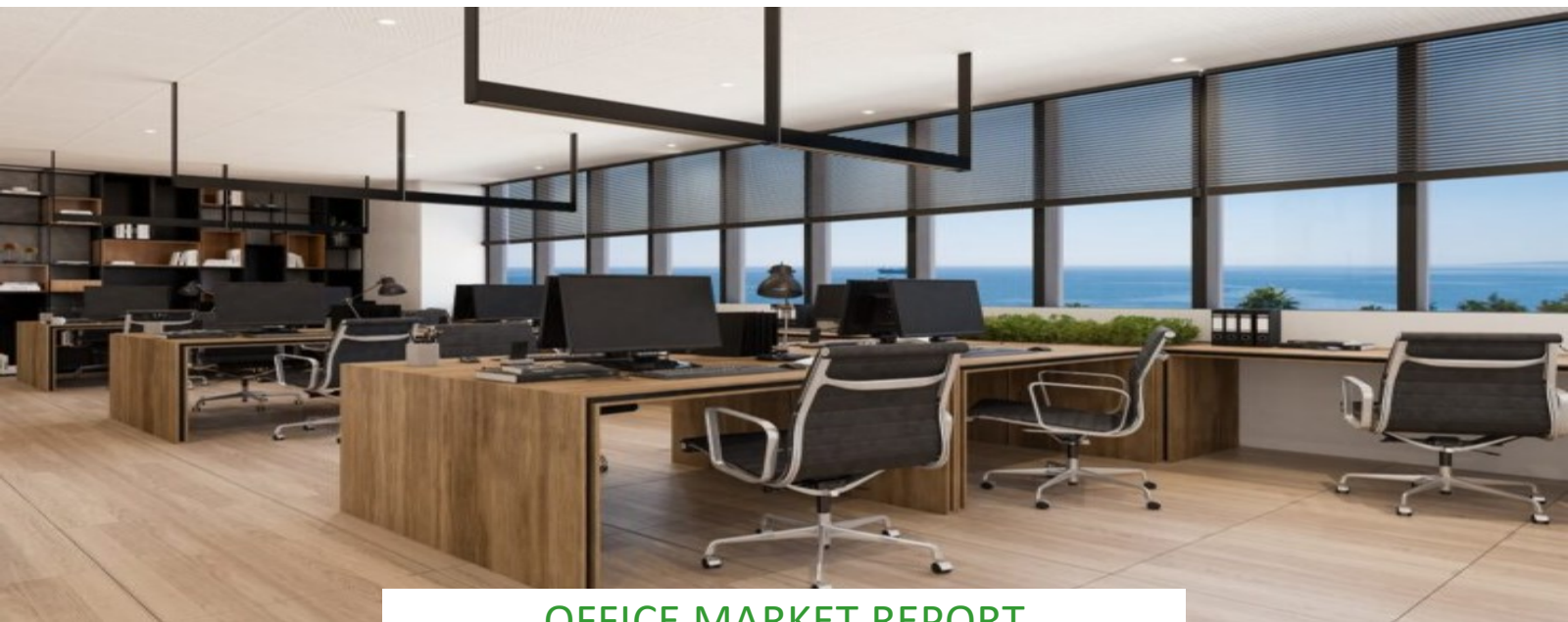
These permits will facilitate the construction of 930 residential units, including 558 multi-family units, 226 single-family units, 97 double-family units, and 49 mixed multi-family units.

Building permits constitute a leading indicator of future activity in the construction sector.



Source: Cyprus Statistical Service





OFFICE MARKET REPORT

OVERVIEW

Demand for business space in Cyprus has reached its highest levels in five years and recovering from COVID-19 effects, powered by increased foreign investment has boosted office space demand.

The demand for modern, Grade A offices is expected to continue throughout 2024, driven by both the private and public sectors.

Nationwide rental prices increased by 8.5% year-on-year in the first quarter of 2024 and about 10% compared to 2019. Office rents, which hit their lowest point in Q1 2022, are now about 14% higher.

Limassol and Larnaca lead the way, with the capital showing steady recovery.

In Q1 2024, Limassol's office rentals were €25-50 per square metre, up from €20-45/sqm in 2023 (18% increase).

Larnaca's prices almost doubled to €15-20/sqm from €8-12/sqm in 2023.

Nicosia's rates rose to €15-30/sqm from €12-23/sqm in 2023. In the Famagusta district, prices increased to €10-15/sqm from €5-12/sqm in 2023. Paphos saw a rise to €10-15/sqm from €7-10/sqm in 2023.

Office sale prices

Prices have remained at 2023 levels in the first quarter of 2024, with increases recorded in Larnaca and Famagusta.

In Limassol, prices ranged from €5,000 to €6,000 per square metre. Similarly, prices in the capital range from €3,000 to €4,500/sqm close to 2023 levels.

In Larnaca, office sale prices in the first quarter of 2024 increased to €2,500-3,500 per square metre from €2,000-3,000/sq.m. in 2023.

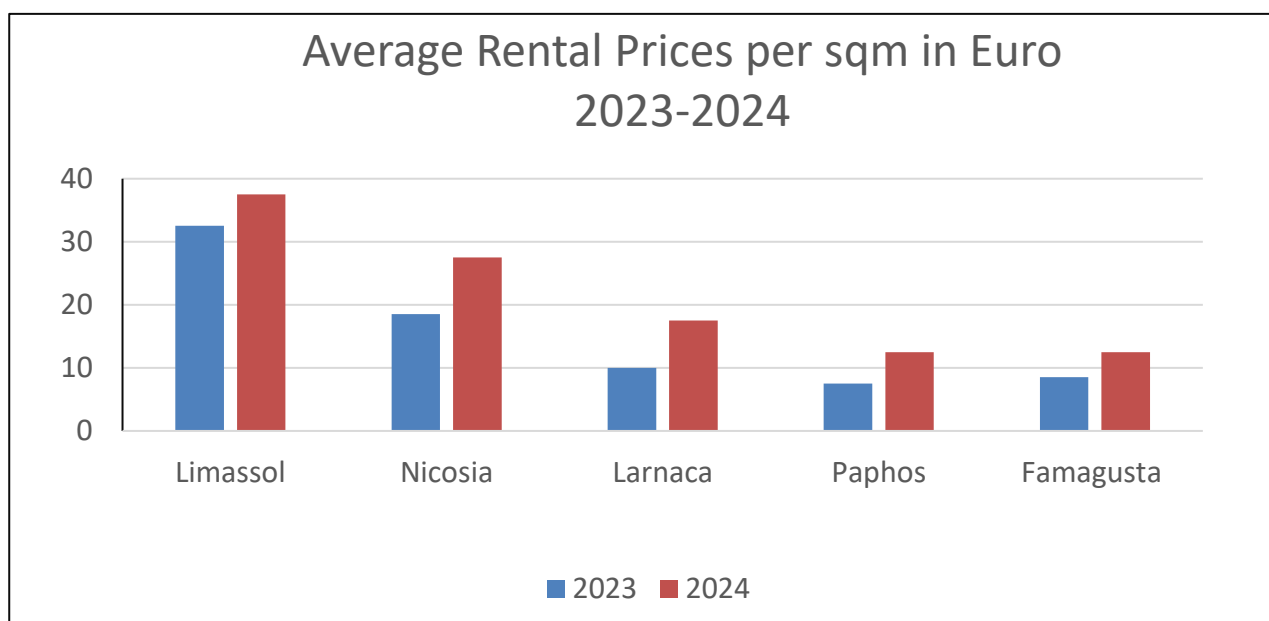
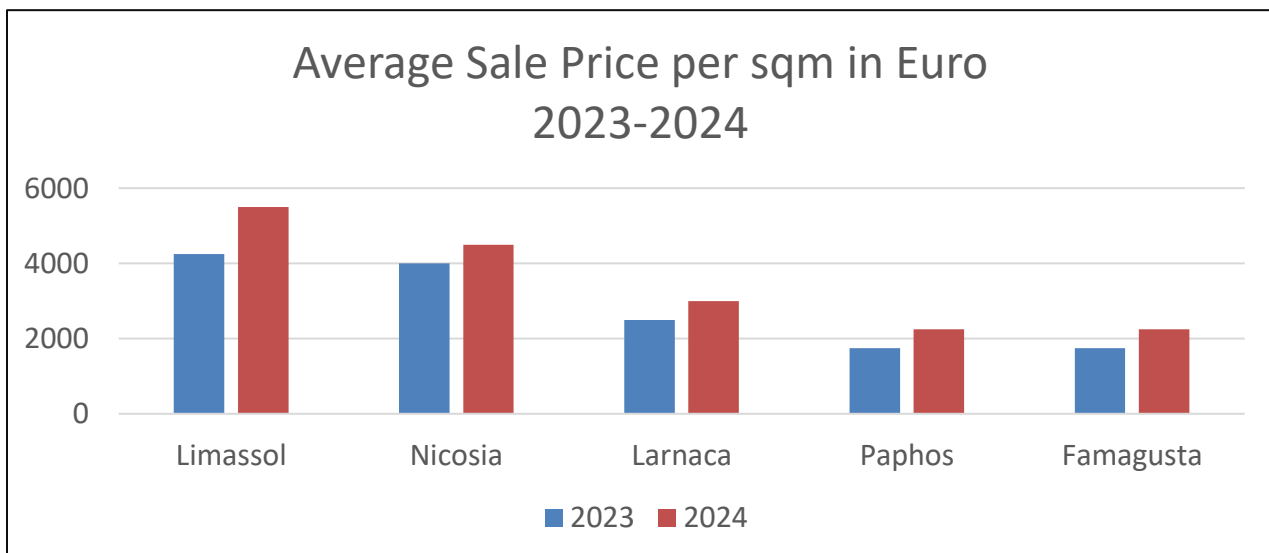
In Famagusta district, prices rose to €2,000-2,500 per square metre from €1,500-2,000/sqm in 2023. In Paphos, prices remained the same at €2,500/sqm at the upper level, while the lowest prices are estimated at €2,000/sqm from €1,500 in 2023.

CONCLUSION

The demand for modern, Grade A offices in Cyprus is expected to remain strong throughout 2024, as businesses are transitioning from older buildings to state-of-the-art, energy-efficient facilities.

While the current supply and upcoming projects will help stabilize prices, they will remain relatively high due to ongoing demand and new standards. The commercial property market in Cyprus is especially attractive, with global companies setting up offices here due to the quality of life, strategic location, and favorable tax system.

However, many commercial buildings are outdated. With the influx of international companies, there is a pressing need for new, modern buildings with the latest energy upgrades, highlighting the necessity for stakeholders and the government to develop a joint action plan.



Source: Danos Analysis



RETAIL MARKET REPORT

OVERVIEW

Retail sales in Cyprus eased to 2.6% year-on-year in May 2024 from a five-month high of 5.2% in the previous month. This marked the weakest retail trade growth since October 2022, as sales sharply slowed for information & communication equipment (0.1% vs 15.2% in April), pharmaceuticals, orthopedic goods & cosmetics (9% vs 10.3%), flowers, plants, watches, jewellery, optical goods & second-hand goods (3.7% vs 5.9%), and clothing & footwear (4.2% vs 4.5%).

Moreover, sales tumbled for other household equipment (-1.4% vs 9.7%) and automotive fuel (-4.3% vs 5.4%). Meanwhile, sales increased at a faster pace for food, beverages & tobacco in both specialized (8.7% vs 8.5%) and non-specialized stores (4.4% vs 2.7%), while fell at a softer rate for cultural & recreation goods (-0.6% vs -2.5%). On a monthly basis, retail trade rose 0.5% in May 2024, the least since February.

CYPRUS RETAIL SALES



Source: Cyprus Statistical Service

Retail stores

Commercial centers, both existing and planned, are significantly outpacing street shops in popularity. In 2024, the total commercial space is expected to grow substantially, keeping prices similar to those in 2023.

According to Danos International Property Consultants and Valuers, Cyprus's malls have waiting lists with interested parties ranging from well-known clothing chains to fast-food restaurants.

In Limassol, there are plans for two new malls in the same area, Eastern Limassol, both approved by the environmental service.

One project, the Mall of Limassol, is promoted by Atterbury Europe, which also manages the Mall of Cyprus and Engomi Mall. The other, Nicosia Mall, is partnering with the Papantoniou Group to expand in Eastern Limassol. Each investment is expected to exceed €120 million, with both projects featuring over 100 stores if they proceed.

Malls have gained consumer favor in recent years by offering a variety of shops and entertainment options under one roof. This success is reflected in rental prices, which have soared to €70 per square meter, up from €45 pre-pandemic.

For street shops, rental prices in Nicosia are between €20 and €45 per square meter in 2024, up from €15 to €45 in 2023.

In Larnaca, prices increased from €10 to €25 per square meter, compared to €6 to €20 in 2023. In Limassol, rents range from €25 to €50 per square meter, up from €20 to €45 in 2023.

In Famagusta and Paphos, rental prices remain at 2023 levels, between €10 and €25 per square meter.

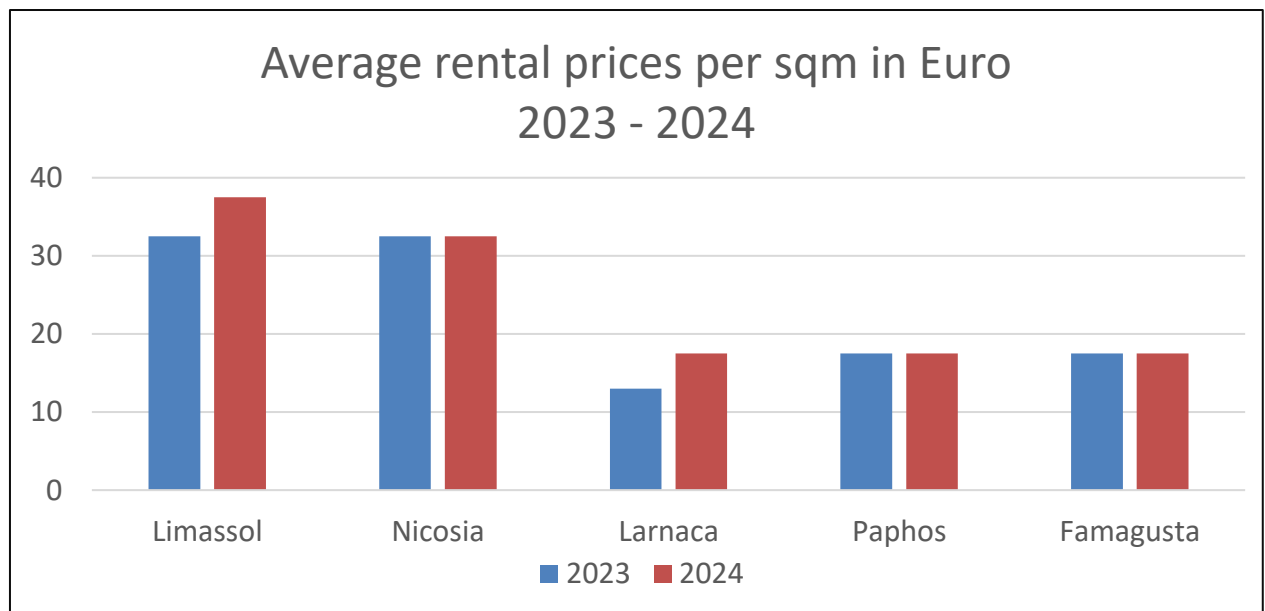
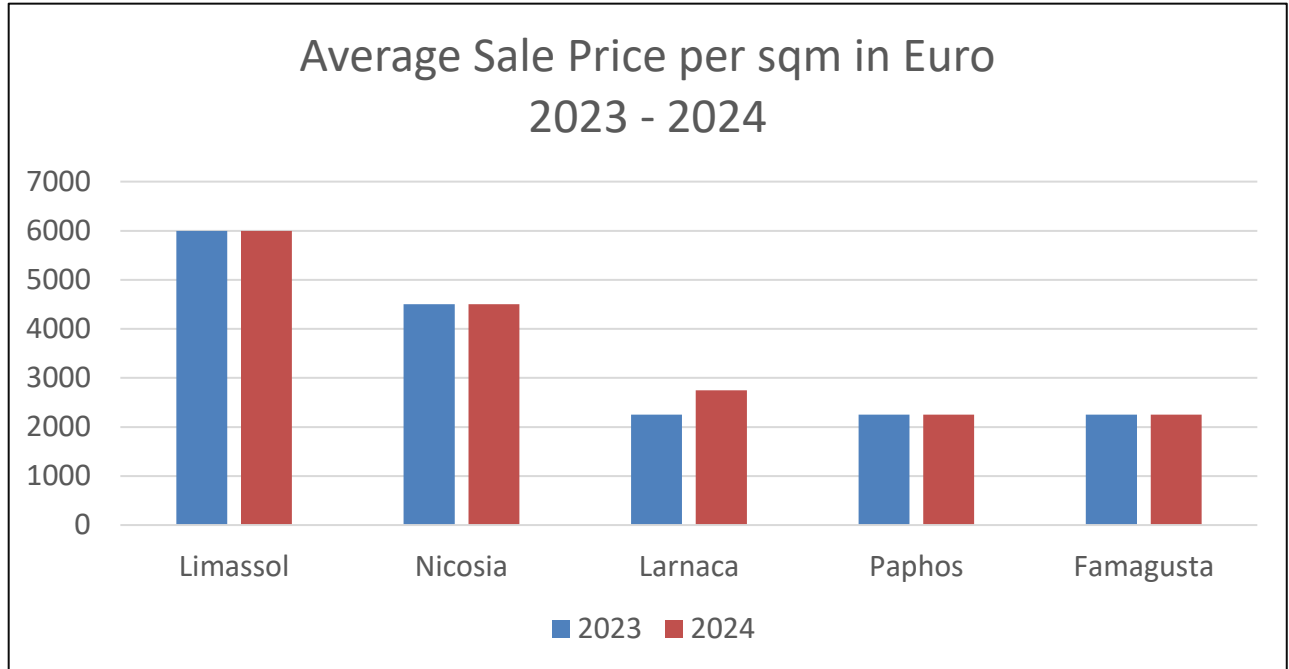
Shop sale prices in Nicosia have stayed at 2023 levels, ranging from €4,000 to €5,000 per square meter. In Larnaca, sale prices increased in the first quarter of 2024 to €2,500-3,000 per square meter from €2,000-2,500 in 2023.

In Limassol, prices remained at 2023 levels, between €5,500 and €6,500 per square meter. In Famagusta and Paphos, shop sale prices also stayed at 2023 levels, ranging from €2,000 to €2,500 per square meter.

Concerns Over Dominance of Commercial Centers

It remains to be seen whether new additions will increase mall foot traffic or simply heighten competition among them without affecting street shops. Each move requires thorough study by local and state authorities, guided by expert advisors.

All stakeholders must adopt a hybrid approach to ensure the prosperity of each area's business and commercial activity, rather than merely adding more retail space.



Source: Danos Analysis



LOGISTICS MARKET REPORT

OVERVIEW

The rapid advancements in innovation and technology, accelerated by the pandemic, have significantly transformed business models, production chains, and logistics, which are integral to these processes.

In recent years, supply chains have faced the most significant disruptions since World War II. To maintain and enhance competitiveness, the industry must optimize time and resources and invest heavily in innovation.

As global companies redesign their supply chains, Cyprus, strategically located at the crossroads of three continents, is ideally positioned to become a regional logistics hub. Its transport and logistics infrastructures are among its key comparative advantages as an investment destination.

As an island nation, Cyprus relies heavily on its transport links, which include extensive air connections and sophisticated multipurpose ports that are vital for export and import activities.

Conveniently located, Cyprus is easily accessed with minimum diversion from the main arterial routes.

This coupled with the country's good infrastructure and the pro-business stance has boosted its status as a prominent regional base for cost-effective cargo transport and processing.

Cyprus' potential as a transshipment hub is also becoming evident, as manufacturers and distributors realize that while the island economy itself may be small it is only an hour's flying time from 200 million potential customers and four hour's flight from over 2 billions of people.

Following the natural gas discovery in its waters, the island has attracted some major global players such as ExxonMobil, ENI, Shell and Total who have chosen the island as the natural service center for their regional operations, taking advantage of Cyprus' specialized logistics and port services for this growing industry.



SIGNIFICANT PROJECTS & TRANSACTIONS

- [Metropolitan Private Hospital, Paphos](#)
- [Berengaria Hotel in Troodos](#)
- [The Courtyard](#)
- [The Landmark Nicosia Towers](#)
- [Limassol Greens Golf, Limassol](#)
- [Eagle Pine Golf Resort](#)
- [Neapolis Smart Eco City](#)
- [Land of Tomorrow](#)
- Student residences of the Cyprus University of Technology (CUT) in Kato Polemidia

GREECE

Athens

15, Vouliagmenis Ave., 116 36
+30 210 7 567 567
office@danos.gr

Thessaloniki

4, Aristotelous Str., 546 23
+30 2310 244962-3
info.thes@danos.gr

Chania

3, Iroon Polytechniou Str., 731 33 +30
28210 50900
info.crete@danos-melakis.gr

Iraklio

67, Dimokratias Ave., 713 06
+30 2810 282822
info.crete@danos-melakis.gr

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 **BNP PARIBAS
REAL ESTATE**

www.danos.gr

CYPRUS

Nicosia

35, I. Hatziosif Av., 2027
Strovolos
+357 22317031
sales@danos.com.cy

Limassol

69, Gladstonos Str., 3040,
+357 25343934
limassoldanos@danos.com.cy

www.danos.com.cy

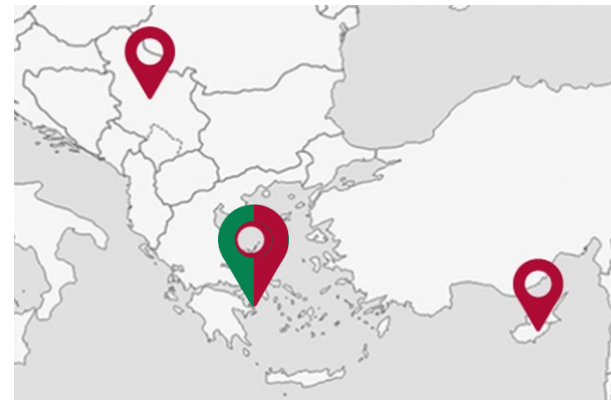
SERBIA

Belgrade

69, Gladstonos Str., 11070 New
Belgrade
+381 0 11 2600 603
office@danos.rs

www.danos.rs

Locations



www.danos-group.com

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