



CYPRUS MARKET REPORT

MACRO ECONOMY

GDP growth for 2023 is expected to be 2,4%, compared to significant growth of 5,6% in 2022. In 2024-25, GDP is expected to grow by 2,7% and 3,1%, respectively. Compared with 2022, the rate of GDP change in 2023-25 is the result of several factors, including the base effect from the faster-than-expected opening of the economy after the lockdowns of 2021, the fragile external environment and the impact of sanctions from the ongoing war on turnover in professional services. At the same time, it is noted that the annualised growth rate of the Cypriot economy remains higher in the first half of 2023 (2,7%) than the euro area average (0,9%). It will gradually pick-up again in 2024 and 2025.

Following its peak of 8,1% in 2022, inflation is set to subside as global energy prices have moderated. Supported by dynamic growth, the labour market is performing well. The general government balance is expected to remain in surplus over 2024-2025, while the public debt-to-GDP ratio is set to decrease further to 66,3% by 2025.

Slow-down of Growth of Real GDP in 2023 and is driven mostly by domestic demand. Private consumption has expanded strongly as a result of continued dynamic growth of employment and wages. The automatic partial indexation of wages has somewhat cushioned the negative impact of elevated prices on consumption. Investment in residential and commercial construction has been supported by the interest-subsidisation scheme for mortgages and a vigorous influx of foreign companies.

Economic activity is forecast to pick up to 2,6% and 2,9% in 2024 and 2025 respectively. Measures taken by the government to curb inflation together with the increased automatic partial wage indexation are expected to continue supporting consumption growth, albeit at a slower pace. Increasing interest rates are set to dampen the demand for residential properties, while foreign investments and the implementation of the Cypriot Recovery and Resilience Plan should boost infrastructure in the green and digital transitions as well as in healthcare, education and tourism. Tourism and other export-oriented services are expected to slow down following dynamic growth in previous years and due to weakened growth momentum in Cyprus' trading partners.

In 2023, the surplus is expected to be 2,3% of GDP thanks to buoyant revenues offsetting most of the expenditure increases. VAT revenue was boosted by inflation and strong consumption growth.

Revenues from income taxation also grew significantly thanks to increasing wages and improved collection of corporate taxes. On the expenditure side, the withdrawal of COVID-19 support measures contributed further to a positive government balance. At the same time, changes in wage indexation and the reintroduction of some of the previously phased-out measures to mitigate the impact of high energy prices and other new fiscal measures decided in October 2023 are expected to put upward pressure on public expenditure over the forecast horizon.

The budget balance is forecast to remain in surplus at 2,1% of GDP in 2024 and 2,5% in 2025.

The negative impact from housing policy measures, such as the government-subsidised mortgage-to-rent scheme and other direct subsidies for vulnerable households, on the budget balance in 2023 is set to continue and strengthen in 2024. The projected gradual phasing out of all the energy-related measures, the assumed ending of the mortgage-to-rent scheme and the increase in social security contributions are expected to contribute positively to the budget balance by 2025.

The debt-to-GDP ratio is set to decline rather strongly. It is projected to reach 66,3% in 2025, down from 85,6% in 2022, on the back of nominal GDP growth and significant primary surpluses, notwithstanding pressures from higher costs of funding.

Country-specific risks to the fiscal outlook are tilted to the downside as possible budget overruns in the ongoing and new government initiatives may reduce projected surpluses.

ECONOMIC FORECAST – MACROECONOMIC – 2023-2025

Indicators	2023	2024	2025
GDP growth (% , yoy)	2,2	2,6	2,9
Inflation (% , yoy)	4,1	3,0	2,2
Unemployment (%)	6,4	6,1	5,9
General government balance (% of GDP)	2,3	2,1	2,5
Gross public debt (% of GDP)	78,4	71,5	66,3
Current account balance (% of GDP)	-9,6	-8,8	-7,5

Source: European Commission

UNEMPLOYMENT

Unemployment rate in Cyprus decreased to 5,8% in October, the lowest since August 2009, from 5,9% in September of 2023. Unemployment Rate in Cyprus averaged 7,7% from 2000 until 2023, reaching an all time high of 16,8% in September of 2013 and a record low of 3% in March of 2002.

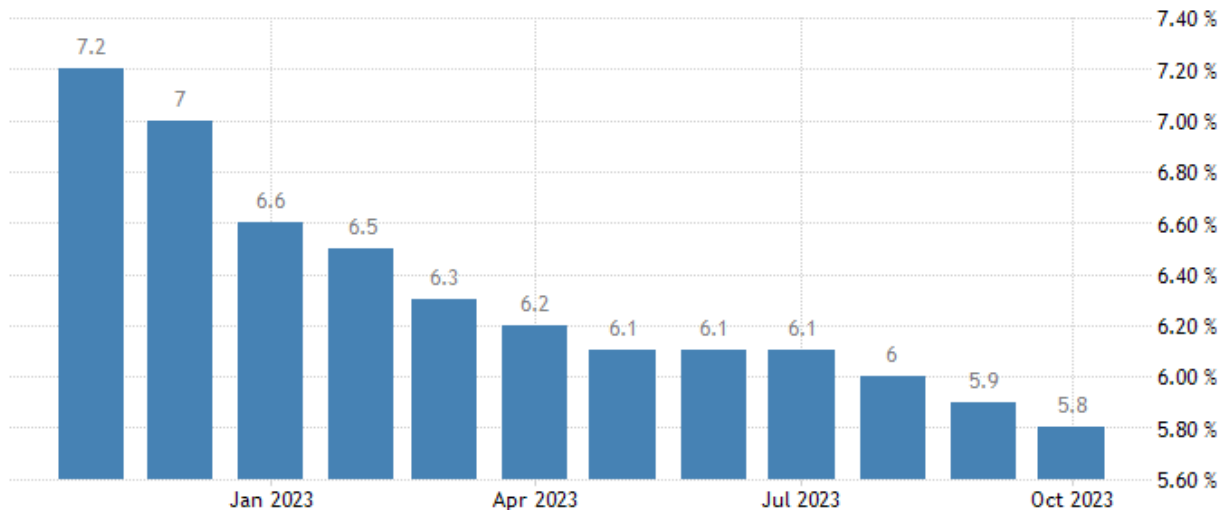
Source: EUROSTAT

Unemployment



Labour Force Survey (LFS) unemployment, in monthly seasonally adjusted terms, decreased to 5.8% in October 2023 compared to 6.8% in October 2022.

Source: Ministry of Finance, IMF



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TOURISM MARKET REPORT

OVERVIEW

Arrivals have increased by about 32%, and revenues have spiked by 34%.

There is also an increase in per capital spending, indicating a positive tourist year.

Regarding the loss of the Russian and Ukrainian markets after the Russian invasion, and despite the overall increase in tourism numbers, those markets still remain valuable to Cyprus.

The Russian market, in particular, traditionally contributed during the beginning and the end of the tourist season.

Cyprus is vying for its share and will continuously strive for it, especially considering that it has a geographical advantage concerning this particular market, being closer compared to other markets.

The arrivals of tourists reached 456.985 in June 2023 compared to 372.324 in June 2022, recording an increase of 22,7%.

For the period of January – June 2023, arrivals of tourists totalled 1.613.690 compared to 1.221.382 in the corresponding period of 2022, recording an increase of 32,1%.



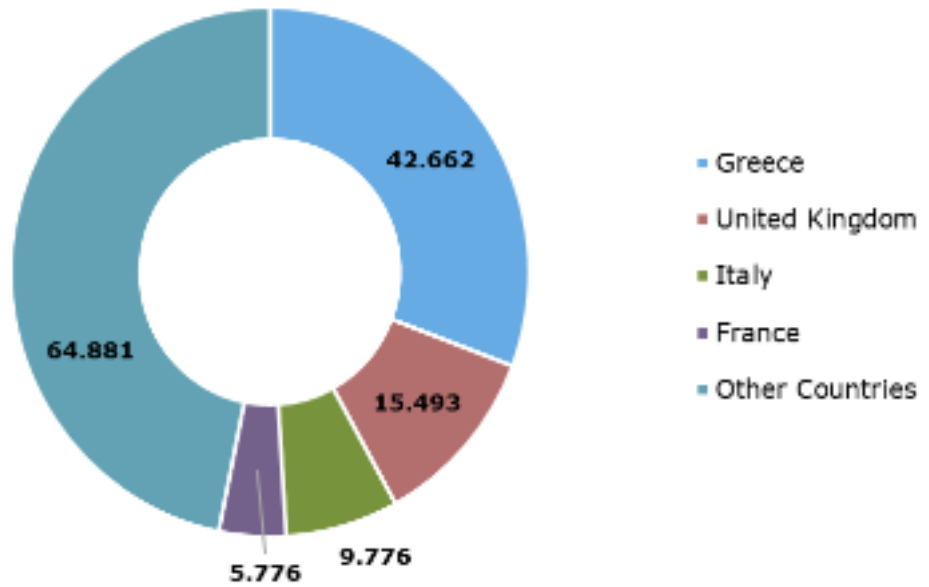
Source: Statistical Service of Cyprus

Arrivals from the United Kingdom were the main source of tourism for June 2023, with a share of 34,8% (159.061) of total arrivals, followed by Israel with 10,2% (46.402), Poland with 6,6% (30.293), Sweden with 5% (22.724) and Greece with 4,5% (20.722).

For a percentage of 81,7% of tourists, the purpose of their trip in June 2023 was holidays, for 12,6% visit to friends and relatives and for 5,5% business. Respectively, in June 2022, 82% of tourists visited Cyprus for holidays, 10,9% visited friends or relatives and 7% visited Cyprus for business reasons.



**Figure 2: Returns of Residents of Cyprus by Country of Visit
June 2023**



Purpose of visit	Percentage (%)		
	June 21	June 22	June 23
Holidays	82,8	82,0	81,7
Visiting friends & relatives	10,9	10,9	12,6
Business	6,3	7,0	5,5

The purpose of travel for the residents of Cyprus in June 2023 was mainly holidays, with a percentage of 61,9%, whilst business reasons held a percentage of 26%, studies 9,8% and other reasons 2,3%.



REAL ESTATE MARKET REPORT

OVERVIEW

It is acknowledged that there is resilience of the real estate market and increasing challenges that consciously arise and should not be underestimated. Real Estate Sector significantly contributes to the Cypriot economy, and it is crucial for the government to find ways to support and maintain its momentum.

The data reveals that during the second quarter, a total of 5,974 transactions took place, amounting to €1.52 billion in property sales. However, there is a decrease in both the value and volume of transactions compared to the first quarter.

On an annual basis, the volume of transactions in the second quarter of 2023 remains similar to the corresponding period in 2022. However, the value of properties sold has significantly increased compared to last year, amounting to €1.2 billion.

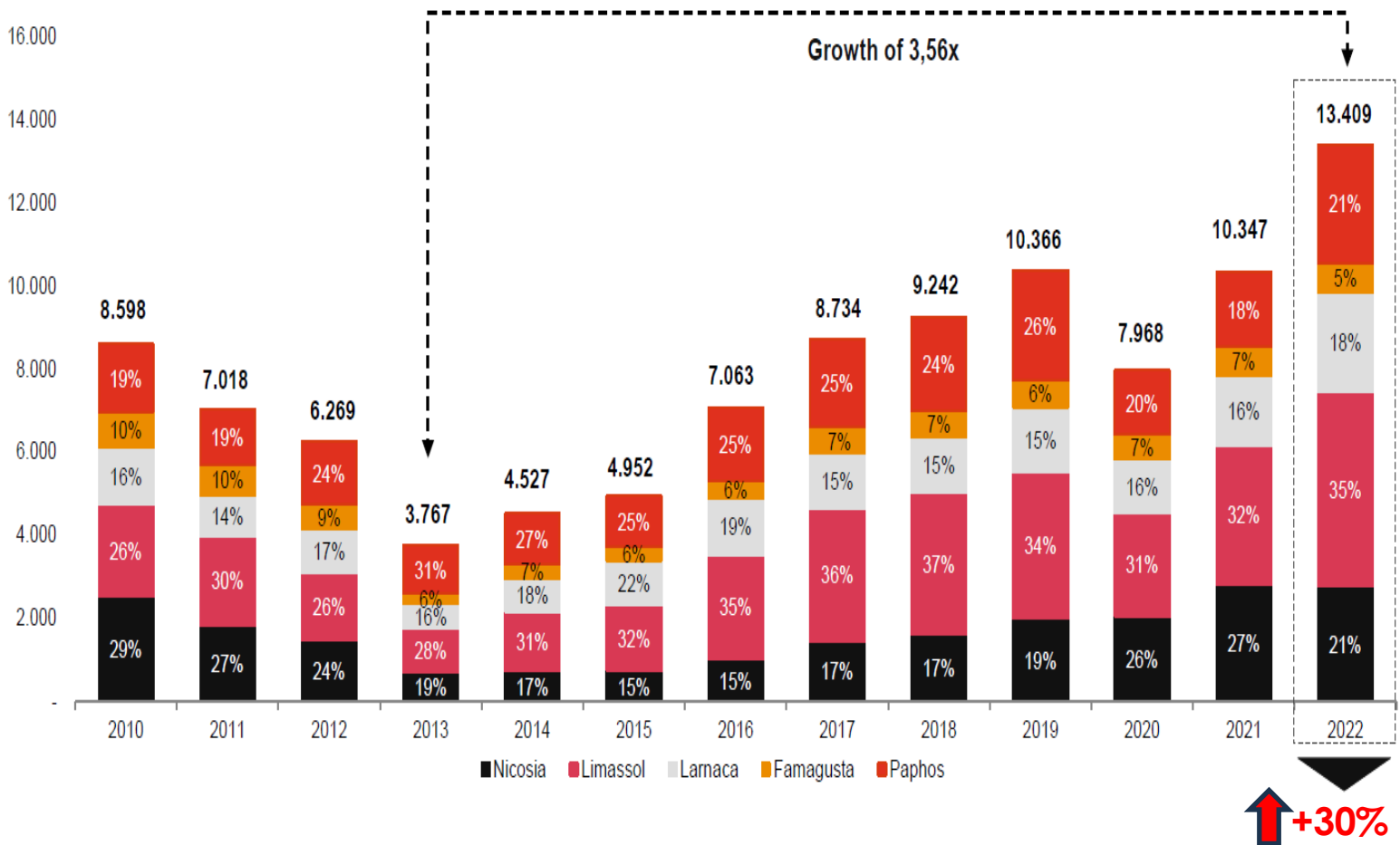
Notably, Nicosia and Famagusta are the only provinces experiencing an increase in property values during the second quarter, compared to the first quarter. In Nicosia, despite a decrease in the volume of sales transactions (1,549), the value of properties sold reached €299.8 million. Similarly, in Famagusta, an increase in value (€59.7 million) is accompanied by a rise in the volume of sales transactions (303).

Conversely, the province of Limassol witnessed a substantial decrease. The value of properties sold in Limassol dropped by €200 million compared to the first quarter, reflecting a significant decline in sales volume. In the provinces of Paphos and Larnaca, there was a decline in the property market during the second quarter. Paphos experienced a more significant decrease in both value and volume of sales compared to the previous quarter. In Larnaca, while the volume of transactions increased, the value of properties sold was slightly lower.

Undoubtedly, the driving force of the market relates to apartments.

Demand appears by a growing interest of foreign companies to relocate their operations and staff on the island, mainly in the coastal areas, and was further supported by a resilient domestic segment. Data indicates that 9,000 apartments were transacted during the year, recording a 29% annual increase.

NUMBER OF REGISTERED CONTRACT OF SALES PER DISTRICT FOR THE YEARS 2010-2022



- 2nd Quarter 2023 sales reached 7.689, representing a 23% uplift, compared to Q2 2022, going for the new record of sales.
- 2023 level of sale contracts forecasted to be more than 15.000.
- The Abolishment of the citizenship by investment program did not affect the Real Estate market in Cyprus.

Source: Department of Lands and Surveys



RESIDENTIAL MARKET REPORT

OVERVIEW

Cyprus' housing market continues to grow, amidst increasing property sales driven by strong domestic demand, coupled with returning foreign investors.

During the year to Q2 2023, the nationwide residential property price index rose by 7,42% (5,41% inflation-adjusted), following y-o-y increases of 7,66% in Q1 2023, 6,6% in Q4 2022, 6,28% in Q3 2022, and 4,57% in Q2 2022.

On a quarterly basis, prices increased by 1,46% (1,15% inflation-adjusted) in Q2 2023.

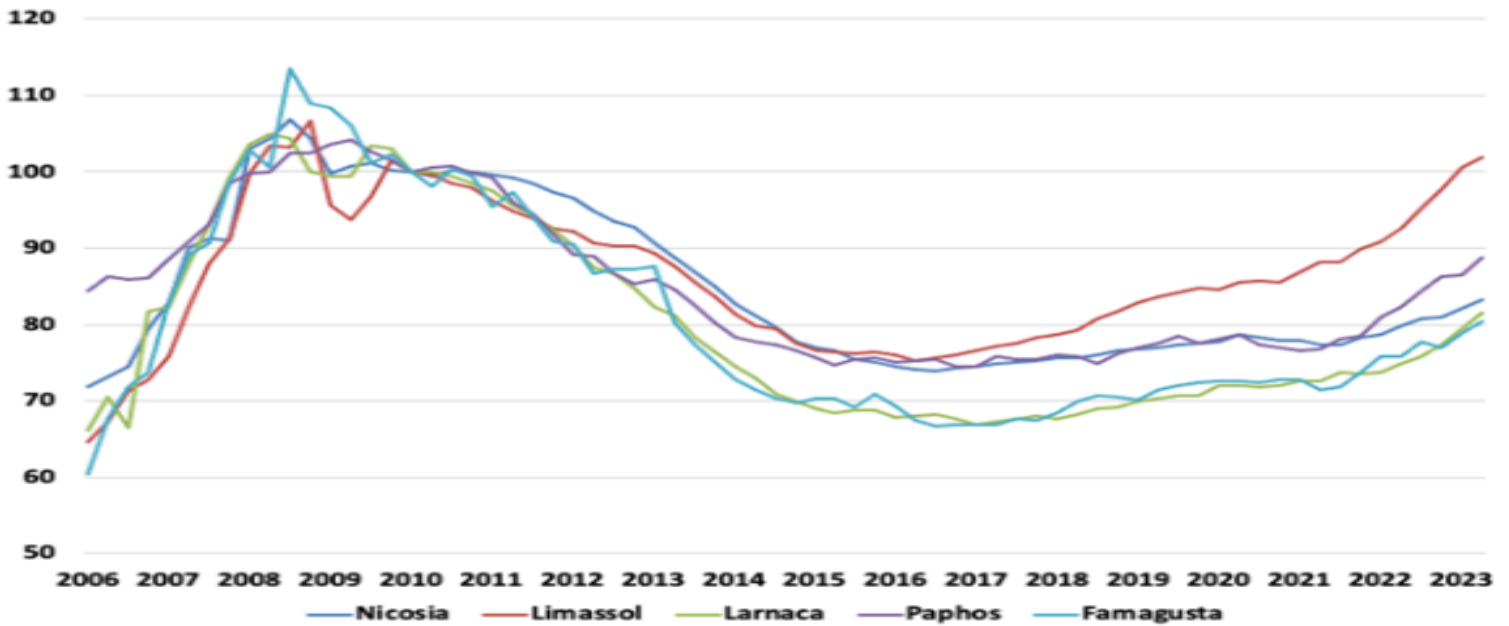
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Cyprus House Price Index

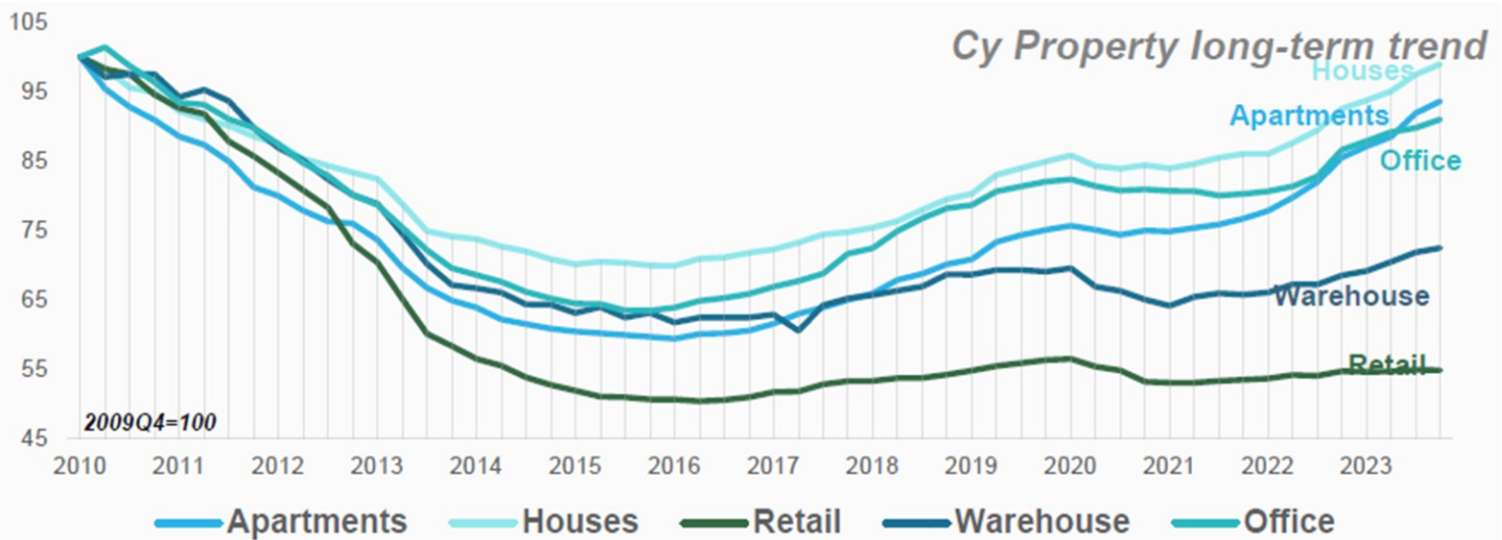
Residential Property Price Indices, By District



Source: Central Bank of Cyprus

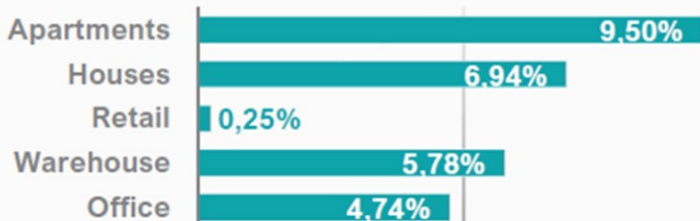
RICS-----

-Based on figures from the [Central Bank of Cyprus \(CBC\)](#).



Market values - YoY% change (by sector)

2023Q3 Vs 2022Q3



Looking at the data on a year-on-year (YoY) comparison reveals increases in all asset classes, with the largest rise evident in Apartments, followed by Houses, Offices and Warehouses. Retail is exhibiting a very marginal increase as against a year ago.

BUILDING PERMITS

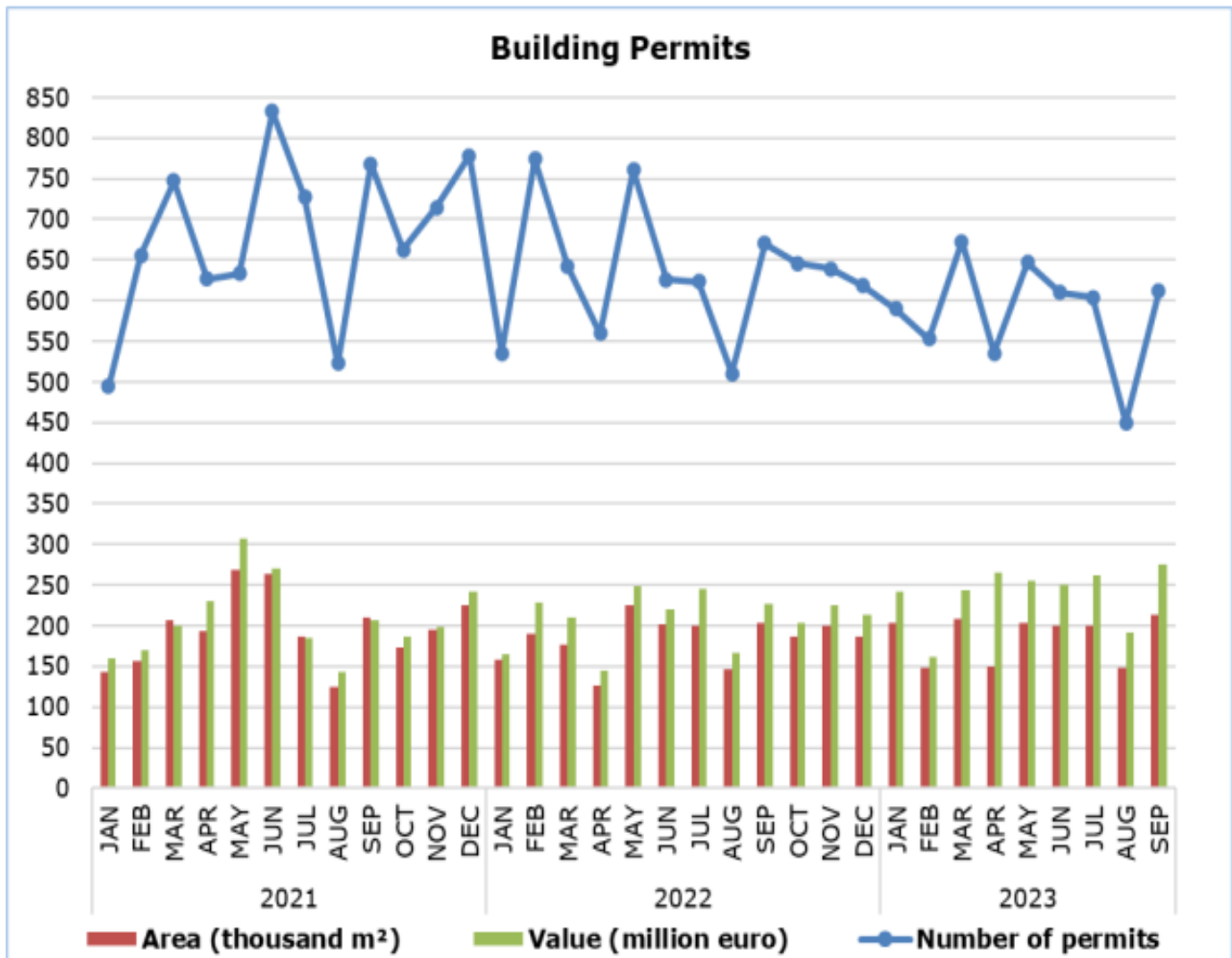
Despite the drop of total number of building permits during the first nine months of 2023, compared to the same period of 2022, their total value recorded an increase of 15,7%, and their volume went up by 2,9%.

Increase both in Area (2,9%) and in Value (15,7%)

The Statistical Service announces that the number of building permits authorized by the municipal authorities and the district administration offices during September 2023 stood at 612. The total value of these permits reached €275,4 million and the total area 214,1 thousand square metres. These building permits provide for the construction of 1.030 dwelling units.

During the period January – September 2023, 5.274 building permits were issued compared to 5.701 in the corresponding period of the previous year, recording a decrease of 7,5%. The total value of these permits increased by 15,7% and the total area by 2,9%. The number of dwelling units recorded an increase of 8,6%.

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





OFFICE MARKET REPORT

OVERVIEW

The market for commercial property investment in Cyprus is very attractive. Many companies, including global giants are choosing to establish their offices here due to the lifestyle, strategic location and the advantages of the tax system. However, many commercial buildings are outdated so with this influx of global companies, new contemporary buildings are in need.

Commercial real estate (CRE) tends to be for business purposes and workspaces rather than living space, although it is not limited to these. They range from small restaurants through to large scale retail parks. Investors can use direct investments which is where they become landlords through the ownership of the property or indirect investments, this is where investors indirectly invest in the ownership in various market securities like REITS. Commercial property does have potential downsides like any other type of investment, these include values dropping suddenly, damages to the properties as well as malfunctioning interiors. However, tenants are much more likely to take care of commercial property because the lease is usually for a longer period of time. Another benefit to this type of investment is that the value usually increases at a faster rate than residential real estate.

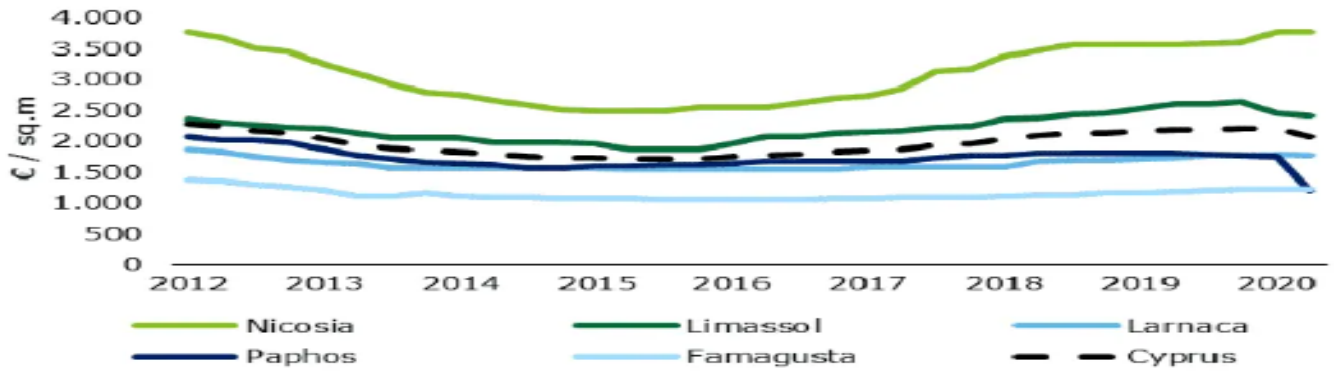
Types:

- **Retail –Warehouses – Offices - Apartment Complexes - Multi-family Buildings - Hotels**

Furthermore, Larnaca is the new up and coming investment hub of Cyprus. There has been a number of commercial property investments in recent years including a new retail Center.

Second location is Limassol. This city has arguably been the biggest area of interest for foreign investors with it being the maritime capital of the island. However, with its apartment prices increasing by 8,1% last year, investors are shifting to the smaller cities for commercial developments as it is vital due to the work/travel culture of Cyprus. Nicosia, the capital of Cyprus, is well known for commercial property investment in Cyprus due to its working lifestyle. Demand for office space has increased as projected. Limassol's capital values of office premises increased beginning in 2016. By the end of 2019, the average office value was €2.639/sqm, representing a 42 percent gain over the end of 2015 (€1.859/sqm).

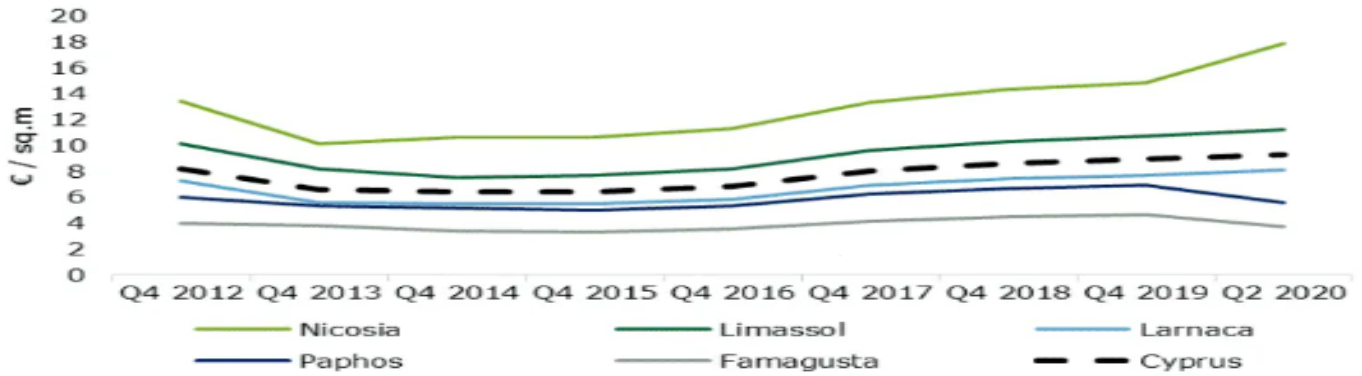
RICS Property Price Index–Office Capital Values



Note: Office price and rental rates according to the RICS (Cyprus Property Price Index) are based on 200m², city center location of Grade A office.

Source: RICS, Deloitte analysis

RICS Property Price Index–Office Rents

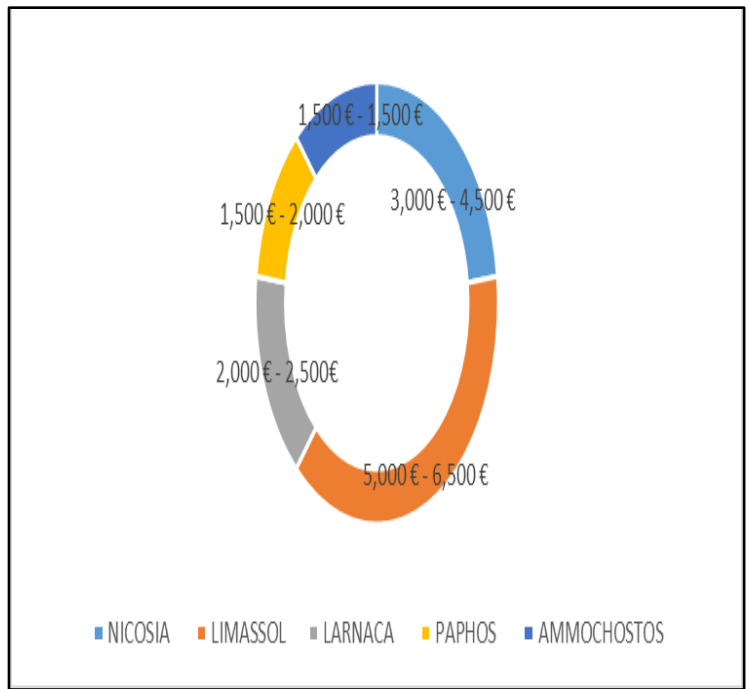
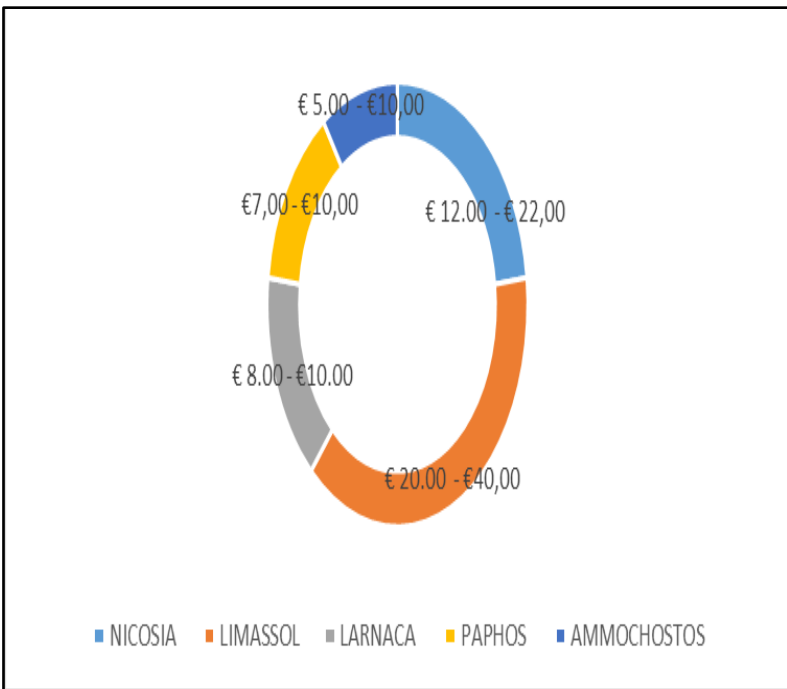


Note: Office price and rental rates according to the RICS (Cyprus Property Price Index) are based on 200m², city center location of Grade A office.

Source: RICS,

OFFICE RENT PRICES PER SQM 2023

OFFICE SALE PRICES PER SQM 2023



Source: Danos Analysis



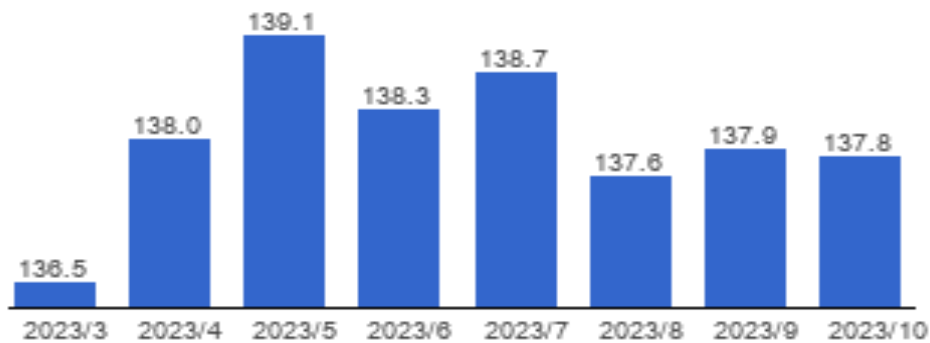
RETAIL MARKET REPORT

OVERVIEW

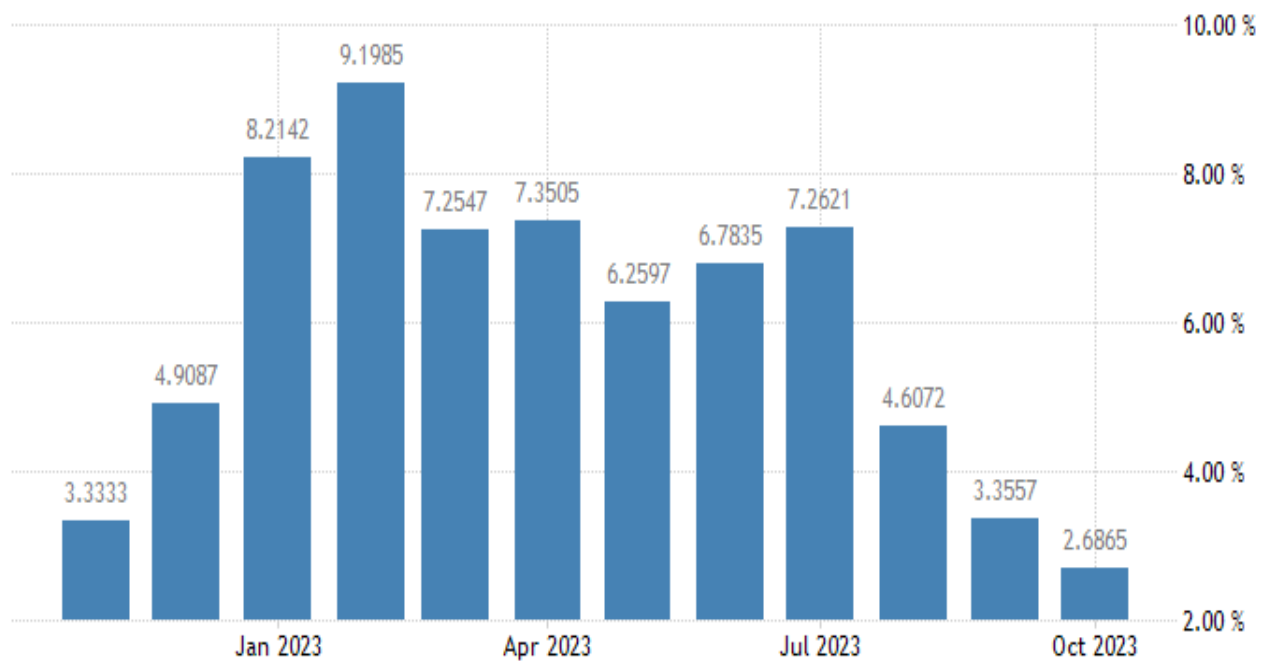
Retail sales in Cyprus grew by 2,7% year-on-year in October 2023, slowing from a revised 3,4% rise in September. It was the softest reading in a year amid weaker trade of non-food products (1,7% vs 4,1%), particularly textiles, clothing & footwear (-4,2% vs 4,9%). On the other hand, sales rebounded for automotive fuel in specialized stores (1,3% vs -1%) and increased at a faster pace for food products (3,9% vs 3,6%). On a monthly basis, retail trade fell by 0,7% after a 0,1% rise in the previous period.

Source: Ministry of Finance, Cyprus

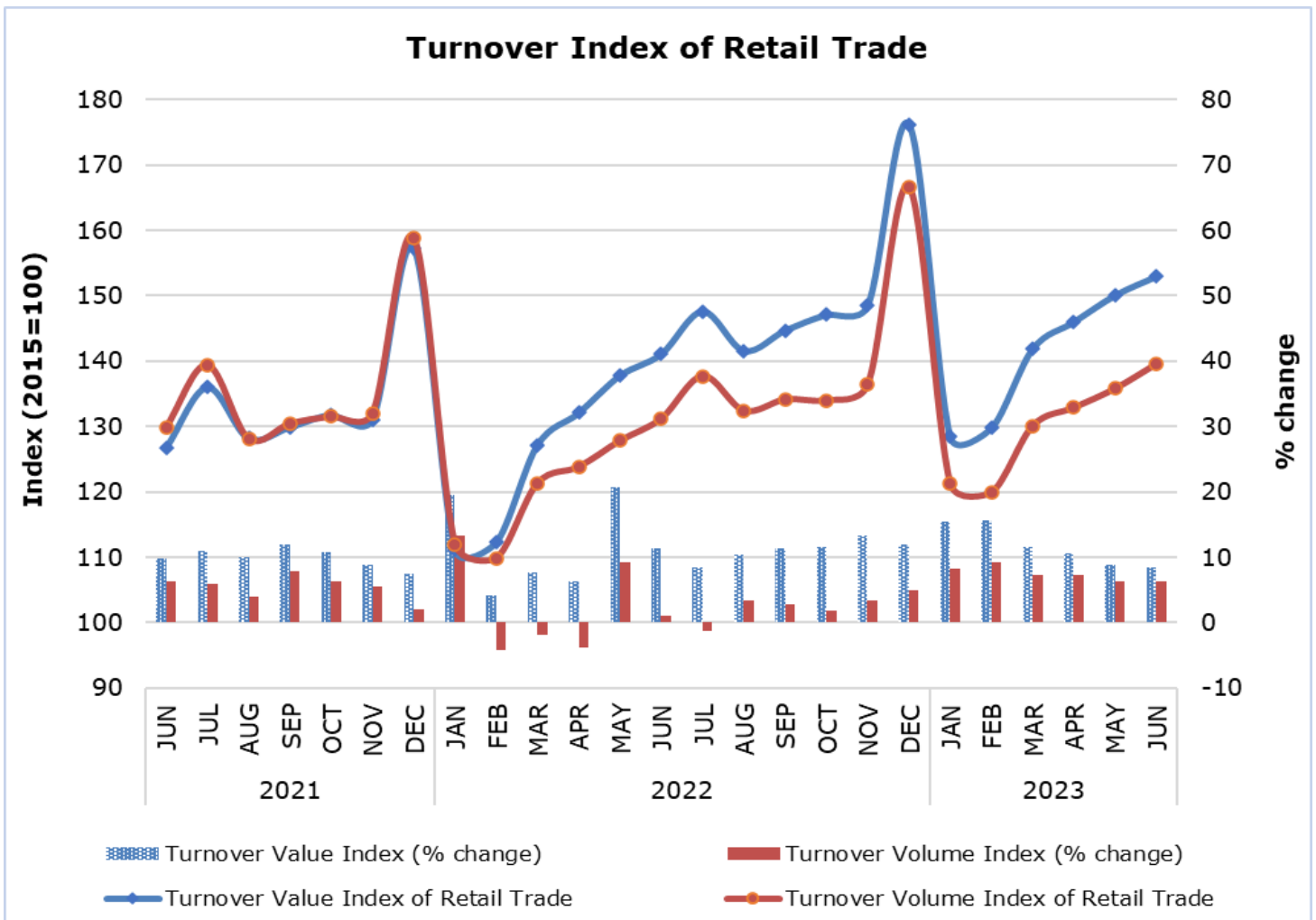
Cyprus Retail Sales



Source: Ministry of Finance Cyprus



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LOGISTICS MARKET REPORT

OVERVIEW

Industrial production index: July 2023

In July 2023, the Industrial Production Index reached 155,6 units (base 2015=100), recording an increase of 1,6% compared to July 2022. For the period January – July 2023, the index recorded an increase of 0,4% compared to the corresponding period of the previous year.

The manufacturing sector registered an increase of 1,4% compared to July 2022. An increase was also observed in the sectors of mining and quarrying (+8,8%), water supply and materials recovery (+8,8%) and electricity supply (+0,4%).

In the manufacturing sector, the most significant positive changes compared to July 2022 were observed in the manufacturing of machinery and equipment, motor vehicles and other transport equipment (+26,3%), electronic and optical products and electrical equipment (+22,2%), basic metals and fabricated metal products (+17,3%) and textiles, wearing apparel and leather products (+13,4%). Negative changes were observed in the manufacturing of furniture and repair/installation of machinery and equipment (-13,5%), refined petroleum products, chemicals and chemical products and pharmaceutical products and preparations (-3,6%), paper and paper products and printing (-3,1%) and the manufacturing of other non metallic mineral products (-3,1%).

Comparing the rates of change for the period January – July 2023 against the corresponding period of the previous year, the most significant positive changes were observed in the manufacturing of textiles, wearing apparel and leather products (+14,6%), the manufacturing of machinery and equipment, motor vehicles and other transport equipment (+13,7%), the manufacturing of basic metals and fabricated metal products (+12,7%), the manufacturing of electronic and optical products and electrical equipment (+12,5%) and in materials recovery (+11,7%). The most significant negative changes where a decrease in production was observed compared to the period January – July 2022 were those relating to the manufacturing of furniture and repair/installation of machinery and equipment (-11,6%) and electricity supply (-10,3%).

Source: Cy stat

Imports, sales and stocks of petroleum products: August 2023

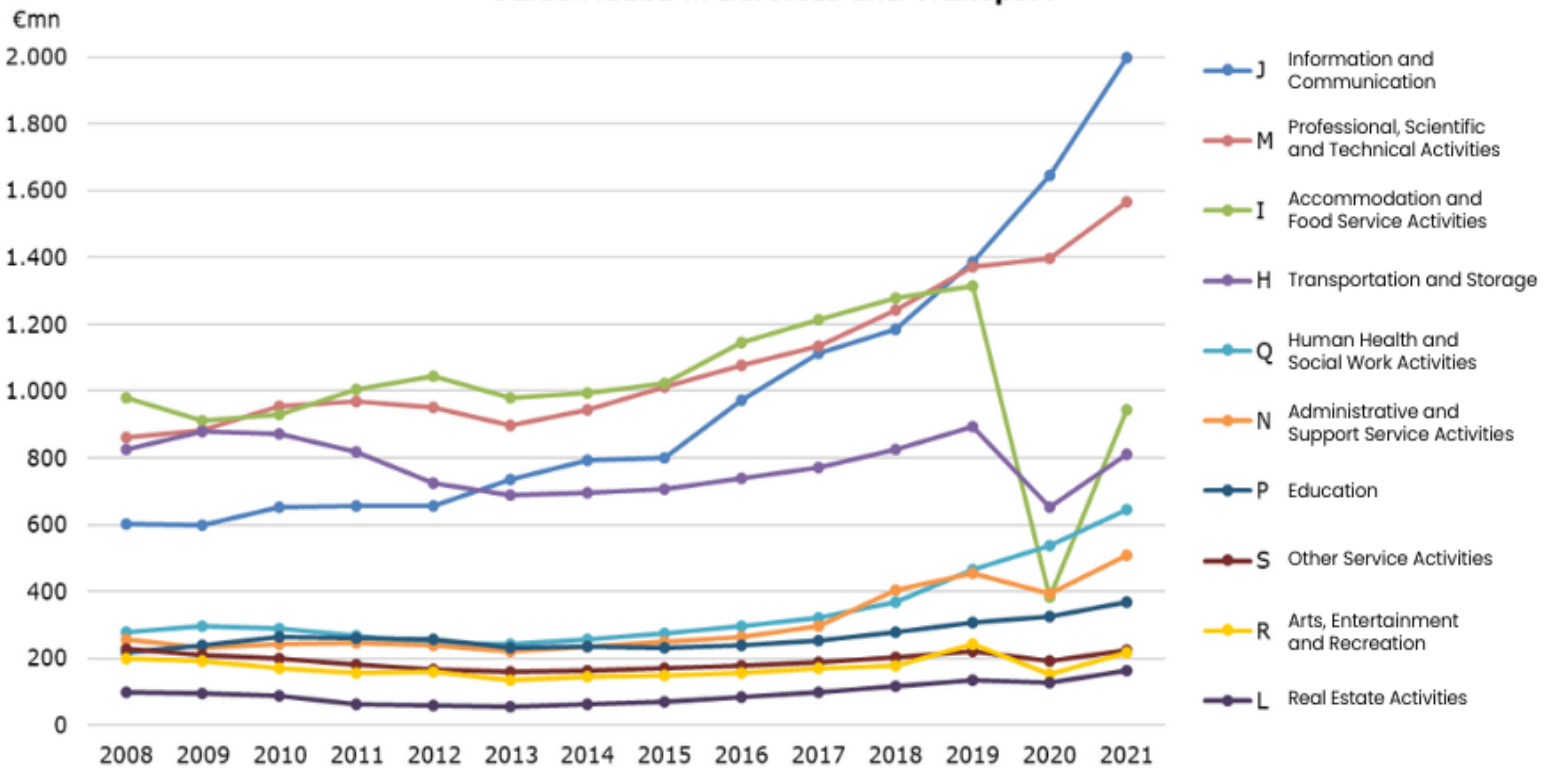
In August 2023, the total sales of petroleum products amounted to 124.832 tonnes, recording an increase of 2,3% compared to August 2022. A rise was observed in the provisions of aviation kerosene (12,5%), as well as in the sales of kerosene (22,2%), motor gasoline (5%), road diesel (4,6%), liquified petroleum gases (3,7%) and heating gasoil (2,5%). On the contrary, a decrease was observed in the provisions of marine gasoil (-23,9%), as well as in the sales of light fuel oil (-14,9%) and asphalt (-9,3%). As far as the sales from filling stations are specifically concerned, these have registered an increase of 5,5% to 54.879 tonnes.

The total sales of petroleum products in August 2023 compared to July 2023 recorded a drop of 2,9%. Indicatively, the provisions of aviation kerosene fell by -2,3%, so did the sales of road diesel (-8,4%) and motor gasoline (-0,2%), while the provisions of marine gasoil increased by 50,9%. The total stocks of petroleum products at the end of August 2023 decreased by 11% compared to the end of the previous month.

During the period January – August 2023, the total sales of petroleum products dropped marginally by 0,1% compared to the corresponding period of the previous year.

Source: Cystat

Value Added in Services and Transport





SIGNIFICANT PROJECTS & TRANSACTIONS

- Larnaca Port & Marina Development
- Unity Apartments, Limassol
- Limassol Greens, Limassol - Lanitis Golf Public Co Ltd
- Yoo Limassol By Philippe Starck, Limassol
- The Floating Scapes - 5* resort in Larnaca
- Sea Horizon Tower, Limassol
- The Landmark Nicosia

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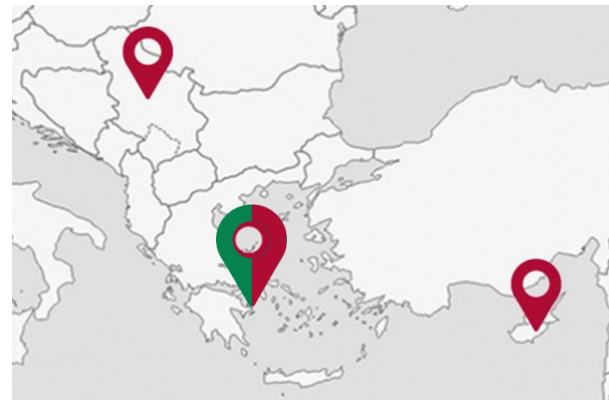
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