



OVERVIEW

The Cyprus property market is navigating a complex landscape shaped by both local and global economic pressures. Although the surge in property prices has eased, they remain elevated, driven by sustained demand and broader economic influences.

Rising construction costs and ongoing supply chain disruptions, largely due to geopolitical tensions, continue to exert upward pressure on property prices and reshape demand dynamics. High mortgage rates are further straining affordability, particularly for middle and lower-income buyers, leading to weakened demand in these segments.

This combination of factors—higher borrowing costs, increased construction expenses, and regional instability—necessitates a cautious approach from investors and lenders.

The global economic outlook remains fraught with uncertainty, heavily impacted by the Russian invasion of Ukraine and the Israel-Hamas conflict, which intensify the risk of further instability in the Middle East and compound global economic challenges.

As 2025 approaches, investment strategies are likely to become more discerning. Despite the need for caution in the short term, certain asset types are expected to stabilize as the market gradually adjusts to these evolving economic conditions.

Cyprus Economy at a glance

Real GDP growth in Cyprus slowed to 3.6% in 2024, primarily driven by domestic demand, especially consumption, supported by rising employment and disposable incomes in a declining inflation environment. Economic growth is forecast to moderate to 2.8% in 2025 and 2.5% in 2026, with domestic demand remaining the key driver.

Investment is expected to continue benefiting from the Recovery and Resilience Facility funds, with easing financial conditions providing additional stimulus. Export performance is projected to improve, supported by increasing tourist receipts and a positive outlook for services, particularly in the ICT sector.

Harmonized Index of Consumer Prices (HICP) inflation is anticipated to stabilize, having closed at 2.3% in 2024, and is expected to fluctuate around the 2% mark in 2025.

Unemployment in Cyprus fell to 4.5% in the third quarter of 2024, according to a report released by the state's statistical service, marking the lowest level since the fourth quarter of 2008.

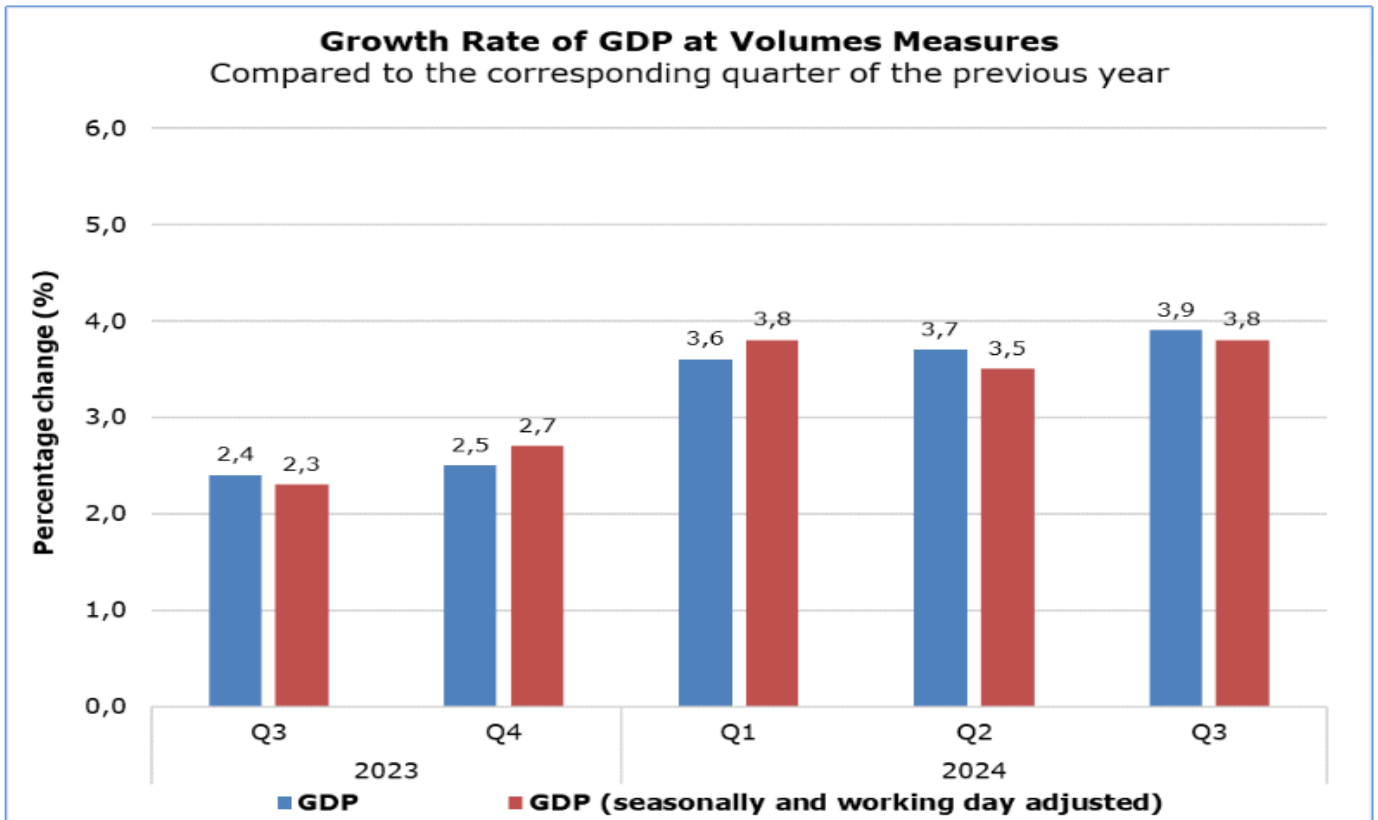
Cyprus' general government reported a surplus of €867.5 million in the third quarter of 2024, according to preliminary data released on December 20 by the state's statistical service.

This figure closely aligns with the €872.8 million surplus recorded in the same period last year, despite government spending increasing at a faster rate than revenue growth.

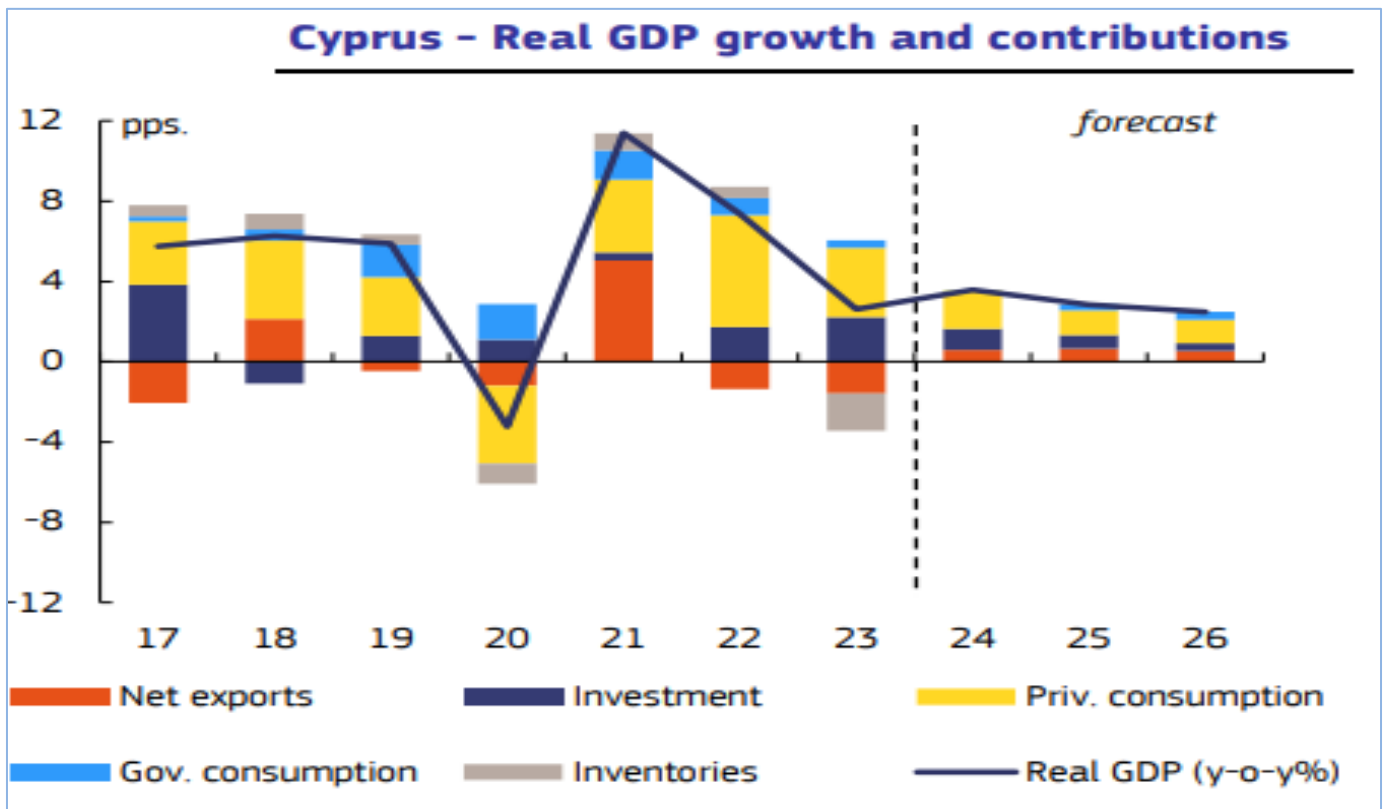
The budget surplus for 2024 is projected at 3.5% of GDP, up from 2% in 2023. The 2023 budget was temporarily impacted by retroactive payments to civil servants' pension funds, accounting for a 1.1% reduction in GDP, which will not recur in 2024.

The growth in surplus this year is driven by revenue outpacing expenditure, supported by improved labor market conditions and higher social security contributions from employers and employees. Tax revenue is expected to rise by 11%, fueled by increases in corporate income tax, personal income tax, and VAT. Public wage expenditure is also forecast to increase by over 11%, mainly due to inflation indexation and higher social contribution rates for civil servants.

Meanwhile, the non-performing loan (NPL) ratio, although still higher than that of peers, has steadily declined, reaching 6.9% in the second quarter of 2024.



Source: Statistical Service of Cyprus





CYPRUS ECONOMIC OUTLOOK

OVERVIEW

Real GDP growth in Cyprus remained resilient in 2024, expanding by 3.6% year-on-year, primarily driven by a 4.5% increase in private consumption. Investment, excluding the volatile sectors of ship and aircraft registration, grew by 4.8% year-on-year, supported by positive sentiment in the construction sector. Strong foreign demand for services, especially in sea transport and tourism, contributed to robust export performance.

This positive momentum is expected to persist, with economic growth forecasted at 2.8% in 2025 and 2.5% in 2026. Investment will likely continue benefiting from the Recovery and Resilience Facility funds, with easing financial conditions providing additional stimulus.

Export performance is expected to remain strong, driven by increasing tourist receipts and a dynamic outlook for services, particularly in the ICT sector.

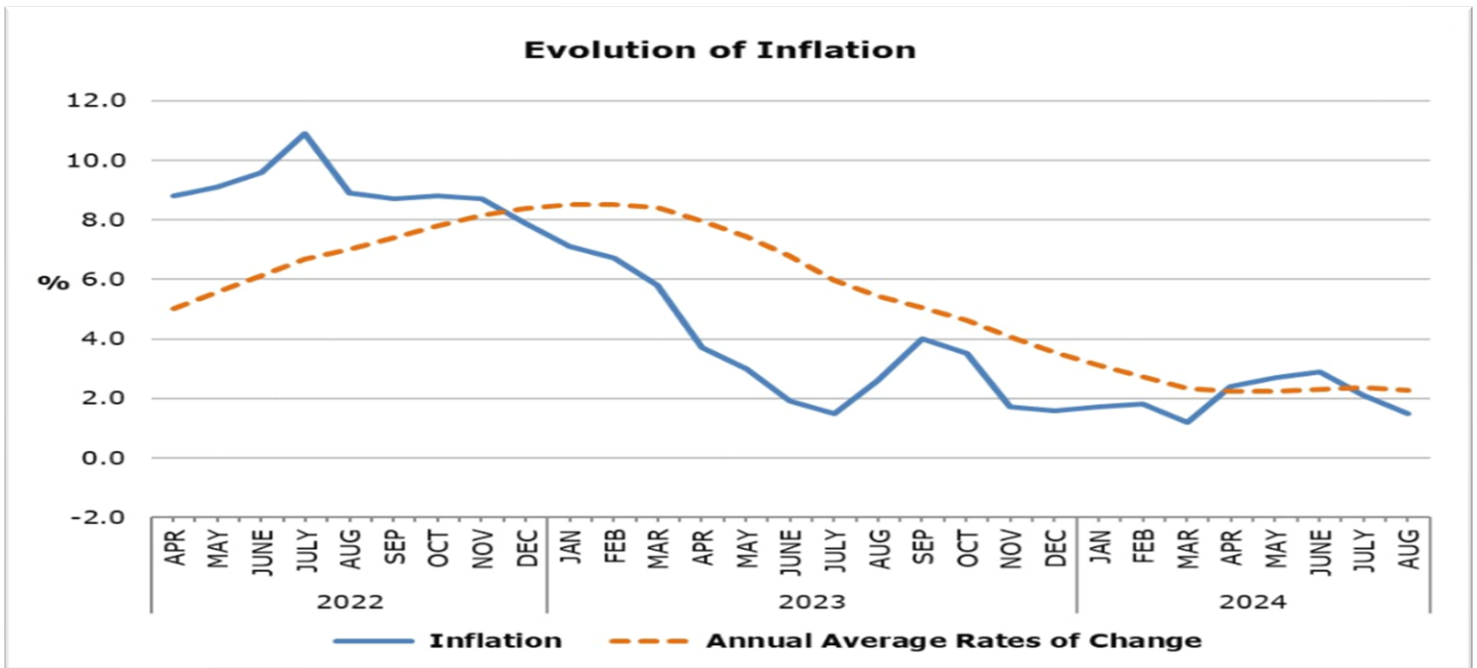
The ongoing recovery in household purchasing power, fueled by rising nominal wages and declining inflation, is expected to further boost private consumption.

Harmonized Index of Consumer Prices (HICP) inflation converged to 2.3% in 2024, reflecting a gradual easing of base effects, especially for food, and a decrease in domestic energy prices.

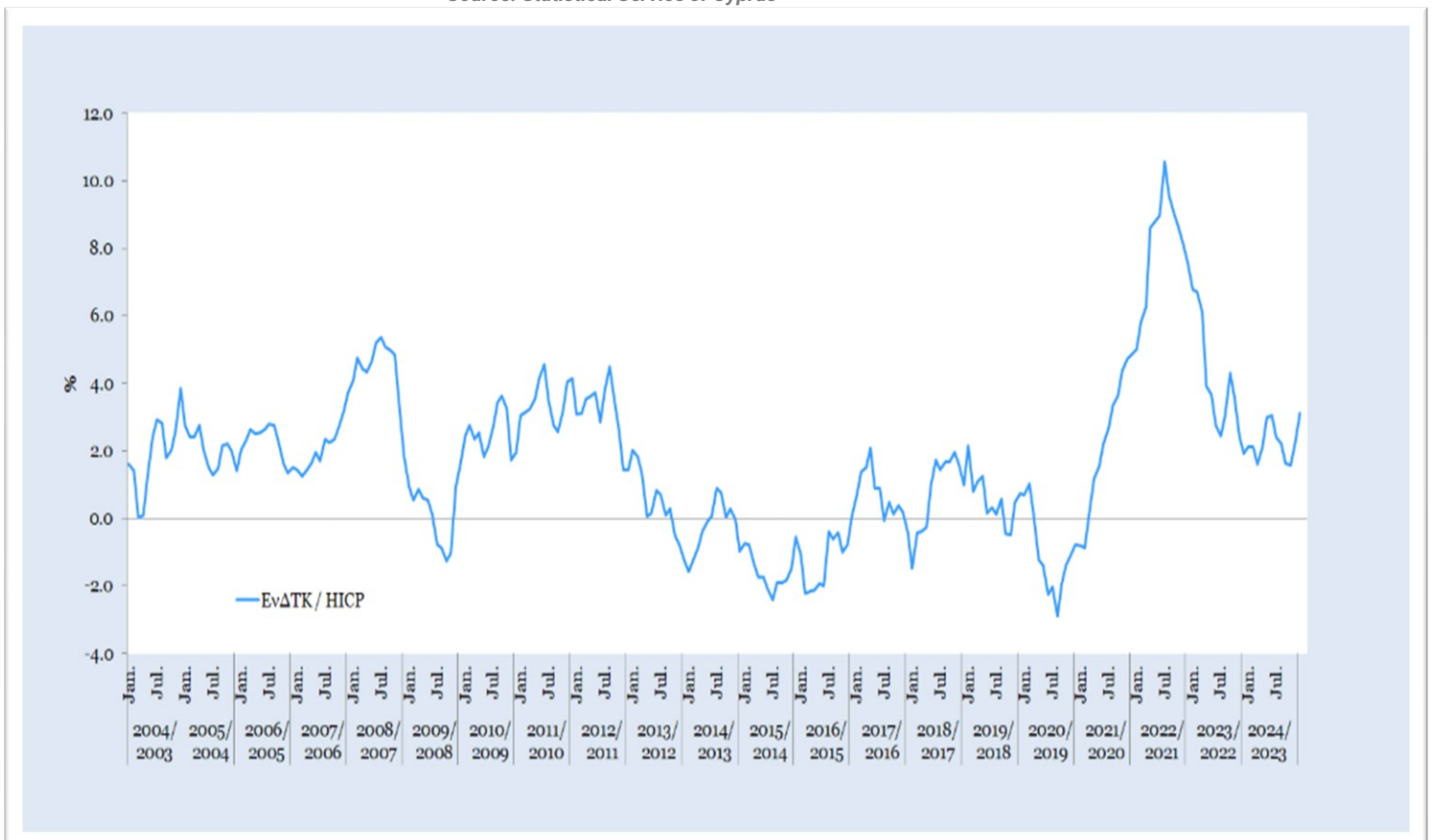
However, services inflation is expected to stay elevated due to high nominal wage growth and increasing demand, particularly in tourism.

INFLATION

Inflation (HICP) is estimated to have increased by 3.1% in December 2024 compared with an increase of 2.2% in November 2024. For the period January-December 2024, the HICP rose by 2.3% compared to the corresponding period of the previous year.



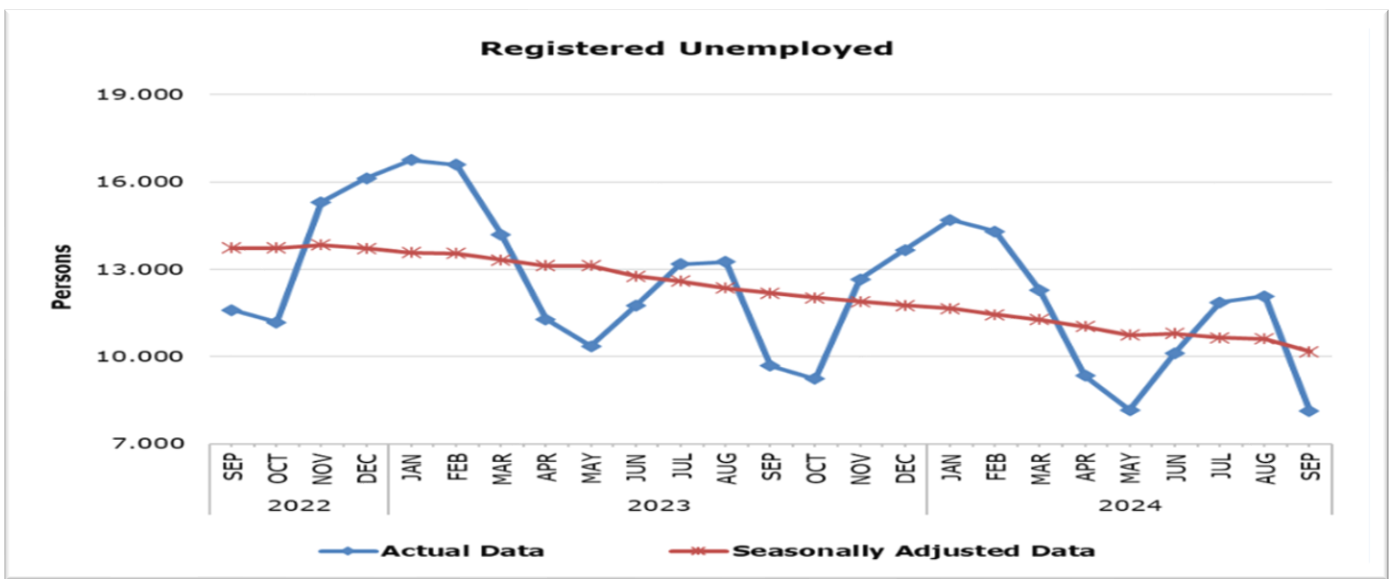
Source: Statistical Service of Cyprus



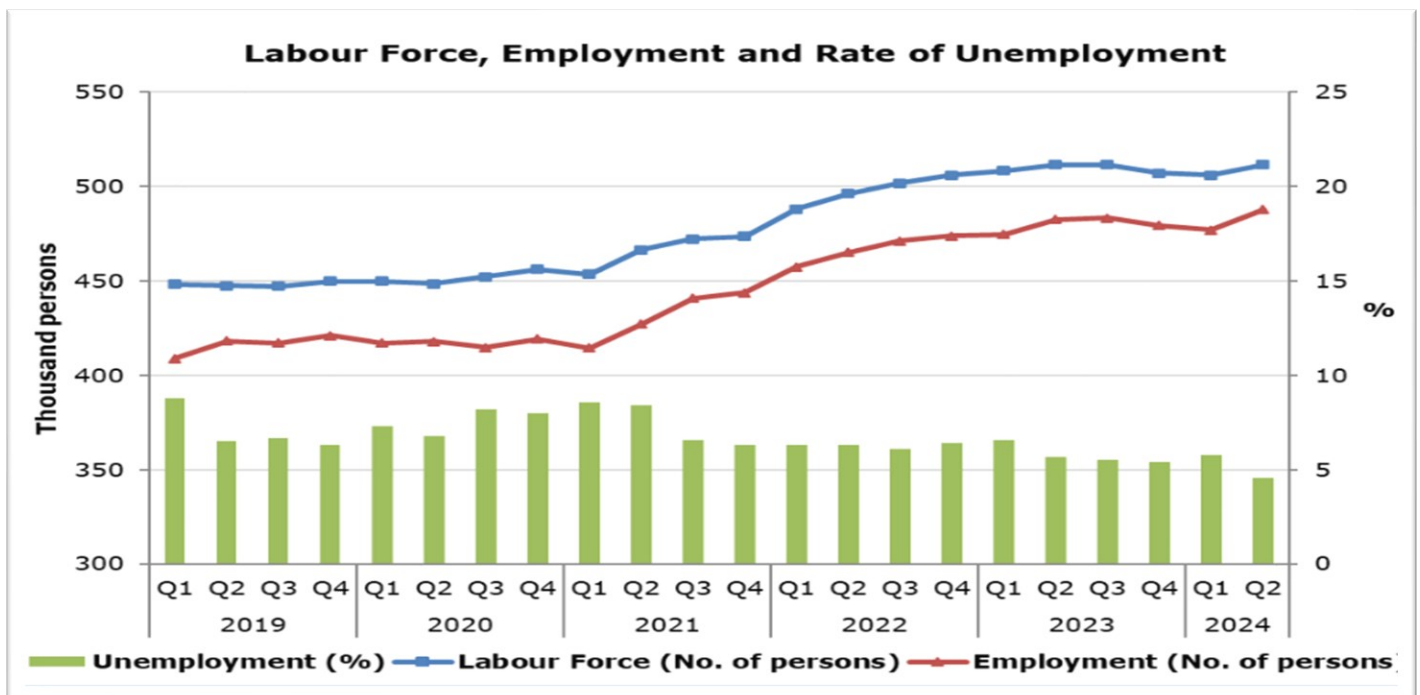
UNEMPLOYMENT

The introduction of temporary Government measures to protect employment, decelerated the country’s increasing unemployment rate during 2022 and 2023 (6.1% and 7.5% respectively), to push back the effects of the COVID-19 pandemic and lockdowns.

In 2024 the unemployment rate on the island dropped to 4.5%, 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 labor market recovery is expected to continue, albeit at a slower pace.



Source: Statistical Service of Cyprus





TOURISM MARKET REPORT

Overview

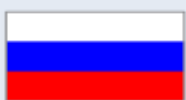
Based on the latest results of the Passengers Survey carried out by the Statistical Service, revenue from tourism reached €407,9 mln in October 2024, recording an increase of 17,7% as compared to the corresponding month of the previous year (€346,5 mn).

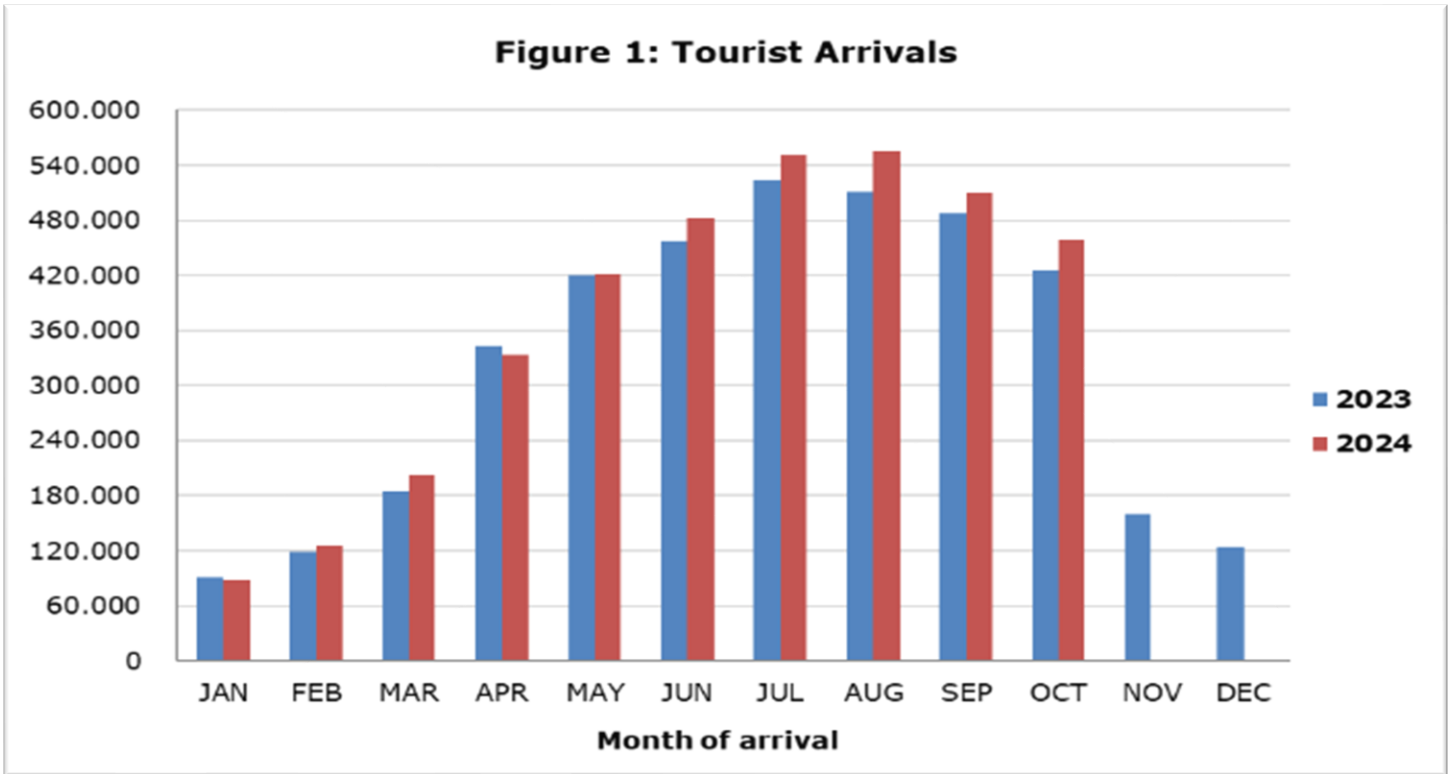
For the period of January – October 2024, revenue from tourism is estimated at €2.983,8 mn compared to €2.802,6 mn in the corresponding period of 2023, recording an increase of 6,5%.

The average expenditure per person was €888,47 in October 2024 compared to €812,95 in October 2023, recording an increase of 9,3%.

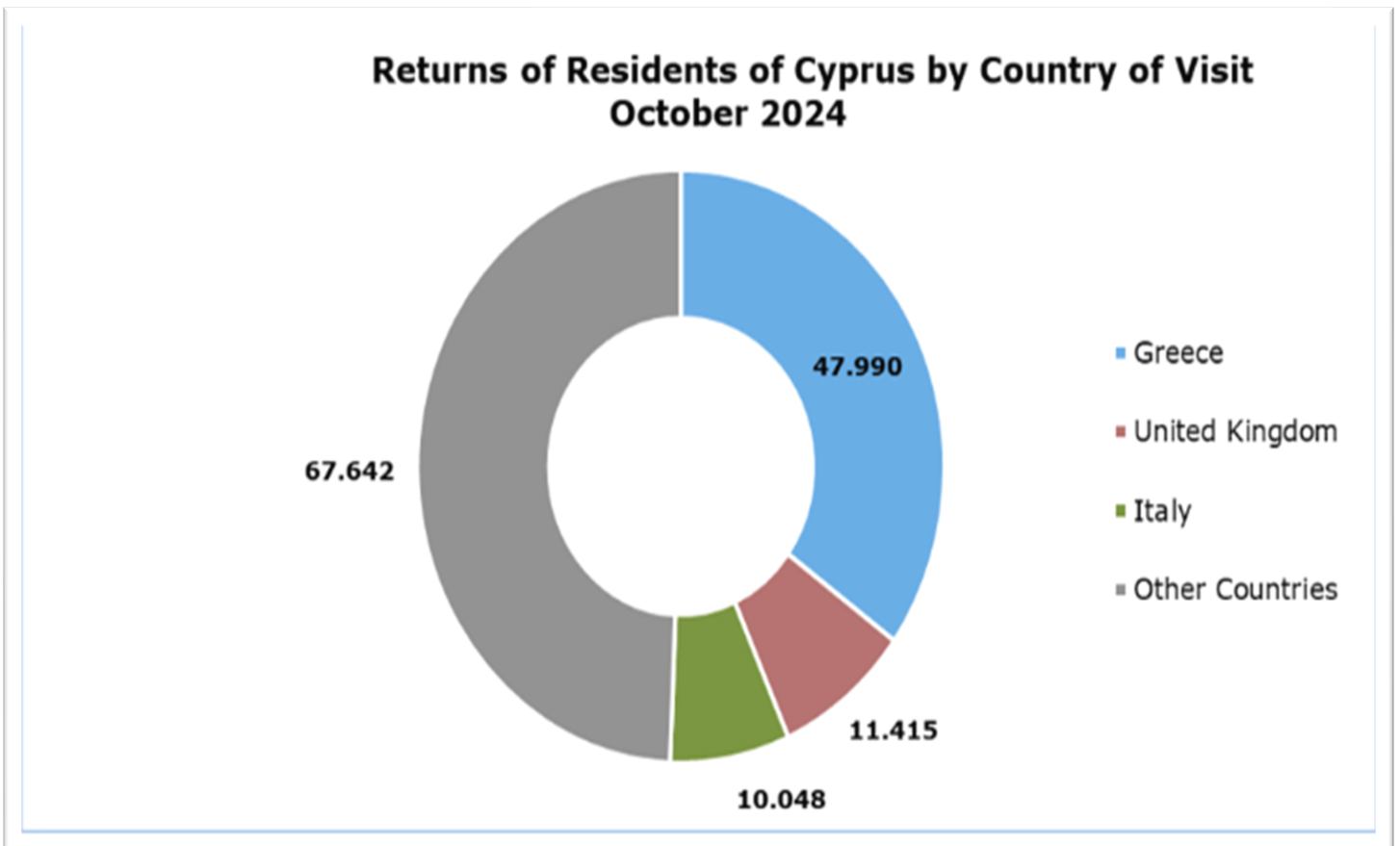
Tourists from the United Kingdom (the largest tourist market with 36,3% of the total tourists in October 2024) spent on average €114,99 per day, while tourists from Poland (the second largest market during the specific month with 8,1% of the total tourists) spent on average €85,41. Tourists from Germany (the third largest market with 7,6%), spent on average €109,22 per day.

Tourist Arrivals 7,7% and Returns of Residents of Cyprus 4,4%





Source: Statistical Service of Cyprus





REAL ESTATE MARKET REPORT

Overview

The Cyprus property market, despite a slowdown, demonstrated promising growth in 2024, following the remarkable success of 2023, one of the best years in the past 15. According to the Department of Lands and Surveys, sales in December 2024, as measured by the number of contracts deposited at Land Registry offices, fell by 1% compared to December 2023.

While sales in the coastal region of Paphos rose by 34% year-on-year in December, declines of 16% in both Nicosia and Famagusta, and smaller decreases of 2% and 1% in Limassol and Larnaca respectively, pushed the overall figure into negative territory.

Over the full year, property sales increased by 1% compared to 2023. Sales rose in Nicosia and Larnaca by 14% and 5%, respectively, but fell in Paphos (8%), Famagusta (5%), and Limassol(1%).

In the overseas market, total property sales in December 2024 fell by 5% compared to December 2023. While sales rose significantly in Paphos (47%) and slightly in Nicosia (2%), they declined sharply in Limassol (41%), Famagusta (7%), and Larnaca (4%). For the entire year, overseas sales dropped by 10%, with increases in Nicosia (19%), Famagusta (13%), and Larnaca (4%), but significant declines in Limassol (23%) and Paphos (14%).

Looking ahead, the Cyprus property market is expected to experience moderate growth over the next few years, as high interest rates will be hindering local demand.

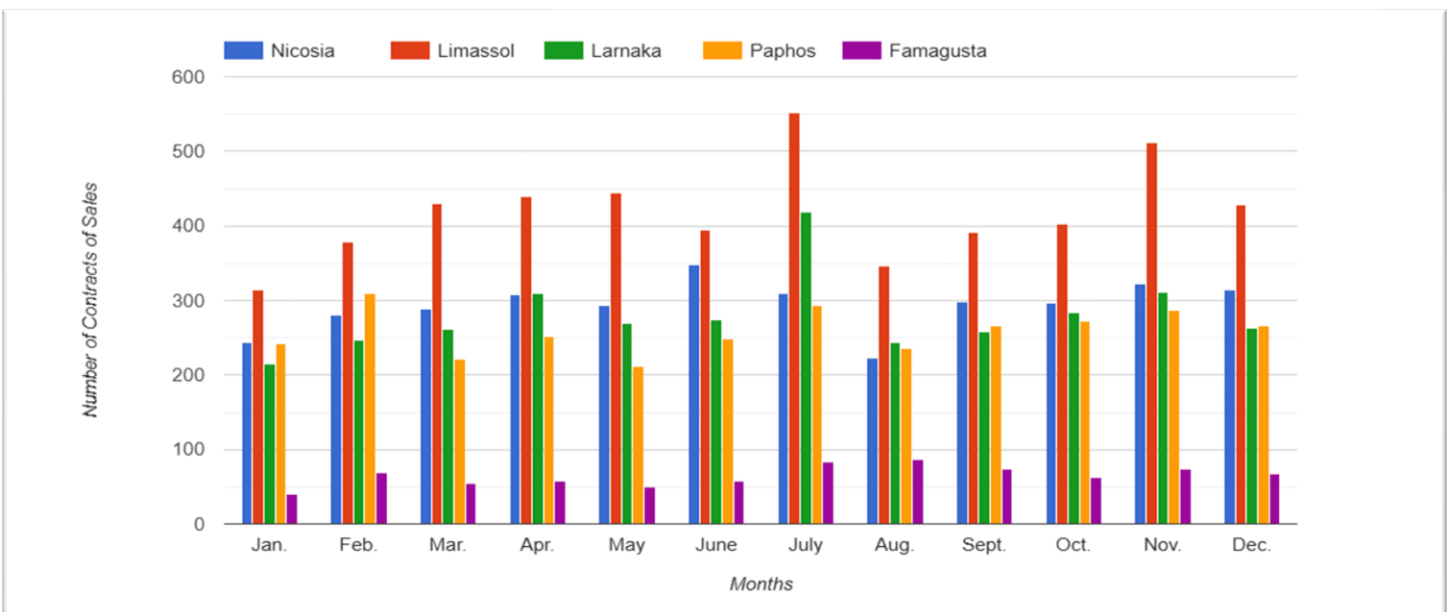
Continued foreign investment, spurred by regional geopolitical tensions and the Cyprus Residency Program ("Golden Visa"), will remain a significant driver. However, the market

S2 2024 MARKET INSIGHT REPORT

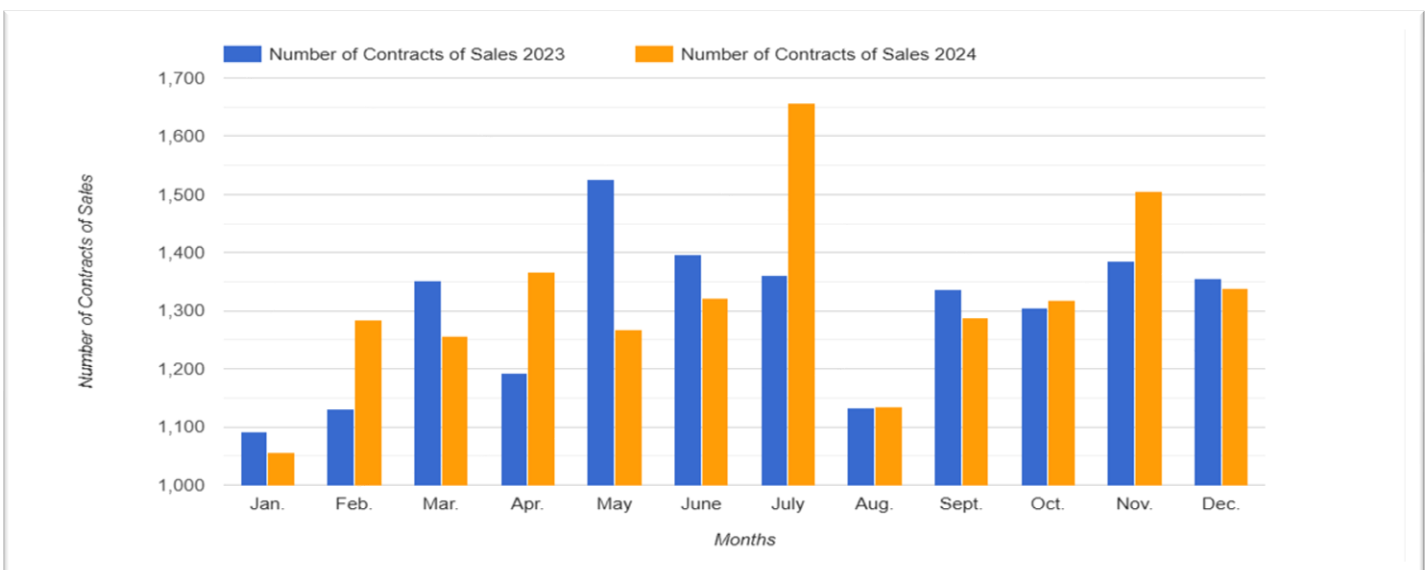
will face challenges from rising construction costs and regulatory changes, impacting new developments and putting upward pressure on property prices.

At the same time, local buyers are increasingly challenged by high property prices and elevated mortgage rates, making home ownership more difficult.

Conversely, Cyprus continues to attract foreign investors seeking promising returns. For developers, the high demand, particularly in Limassol, Paphos, and Larnaca, offers lucrative opportunities despite rising construction costs. Overall, the market conditions are likely to favour foreign investment and development, while local buyers will continue to face hurdles in achieving home ownership.



Source: Statistical Service of Cyprus



New Data and Trends

Recent geopolitical events, including conflicts in the Middle East and the war in Ukraine, have significantly impacted daily life and lifestyles globally. Concurrently, EU regulations aimed at transitioning to a carbon-neutral economy have increased building costs. Combined with rising living expenses and higher interest rates, many families and households are re-evaluating their goals and priorities. This has led to a heightened demand for rentals, which are often more affordable. Against this backdrop, Cyprus, with its unique advantages and opportunities, emerges as an attractive destination for those seeking a new beginning.

Technological Advancements in Real Estate

Technology has become integral to the real estate purchasing process, necessitating high standards in 2D/3D virtual photography, videos, and electronic tours. Prospective buyers increasingly prefer virtual tours, Zoom meetings for additional information, personalized video presentations to share with family and friends, and the use of tools like Google Maps and Google Earth to explore services and desired locations.

Artificial intelligence (AI) and smart assistants are also transforming the real estate industry. These technologies enhance customer experiences by providing personalized property recommendations, automating property searches, and streamlining communication between agents and clients. Smart assistants help buyers and investors by quickly responding to inquiries, scheduling viewings, and even predicting market trends, making the home-buying process more efficient and tailored to individual needs.

Demographic Shifts and Service Expectations

Millennials (Gen Y), now representing more than two-thirds of the residential real estate market customers, are pushing the average age of first-time homebuyers closer to 40. This tech-savvy demographic relies heavily on digital tools and online platforms throughout their buying journey. As a result, real estate services must adapt to these technological preferences, offering comprehensive online resources and virtual interactions.

Today's buyers and investors seek a holistic approach to their housing search, emphasizing not only the property itself but also the surrounding amenities and community offerings. Experienced buyers prioritize properties that are environmentally friendly and situated in communities dedicated to sustainable practices and family- and animal-friendly environments.

High-end buyers demand even more from the real estate experience. They seek well-established, reputable real estate brands that offer authenticity, trust, personalized management services, exceptional online experiences, and professional service tailored to meet their specific needs and expectations.

RESIDENTIAL MARKET REPORT

The latest reports on the Cyprus property market indicate a slowing down of both property prices and rental values after reaching their peak in mid-2024.

Despite the minor decreases observed in property prices during the last quarters of the year, prices have generally increased compared to the same period in the previous year. This trend reflects a continued, albeit moderated, growth in the property sector.

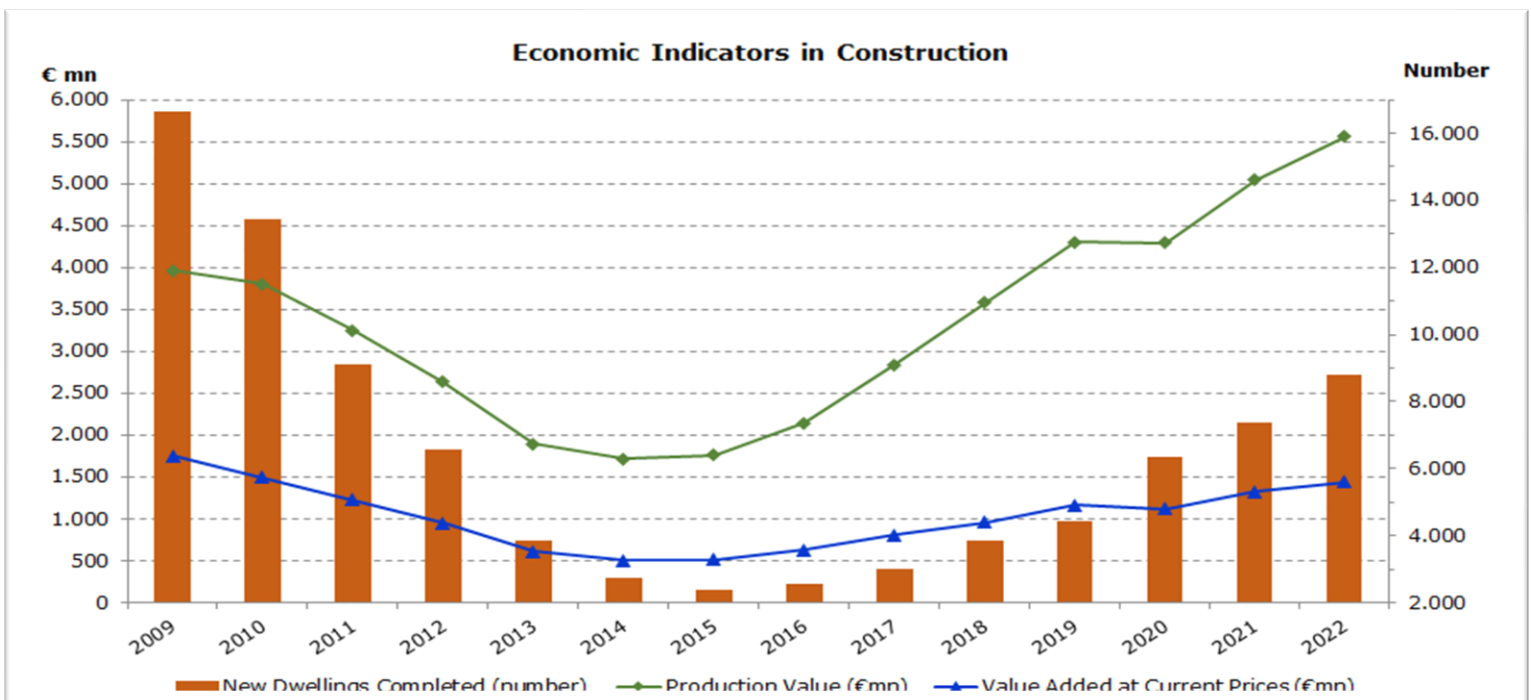
Apartment prices saw a modest annual increase of approximately 1%, while rents rose by 1.5% compared to the first quarter of 2023. This continuous growth underscores the market's resilience. Among the various regions, Paphos recorded the most significant growth, with apartment prices nearly 9% higher at the end of 2024 than at the end of 2023.

Conversely, Famagusta experienced a 9% decline in apartment prices, while Nicosia's prices showed a slight upward trend of 1%, indicating stabilization. Limassol and Larnaca also recorded growth, with prices increasing by 2.5% and 1.5%, respectively.

On a quarterly basis, the market showed overall stability. In Nicosia, rents inched up by nearly 1%, while Larnaca experienced a 1% drop. Limassol's apartment prices remained steady for the second quarter in a row. Paphos continued to demonstrate strength, with prices increasing by almost 4% in the fourth quarter compared to the third. Meanwhile, Famagusta faced a 4.5% decrease during the same period. House prices across Cyprus recorded a slight annual decline of about 1% by the end of 2024. Nicosia saw a 1% drop in house prices, while Limassol bucked the trend with a 1% increase.

In Larnaca, house prices decreased by close to 2%, and Paphos maintained stable prices. Famagusta experienced a 3% drop in house prices.

Quarterly, house prices fell slightly by one percentage point island-wide, with Limassol's prices remaining unchanged and other districts seeing decreases ranging from 1% to 1.5%. This data paints a complex picture of the Cyprus property market, marked by regional disparities and varying trends in different property.



Source: Statistical Service of Cyprus

S2 2024 MARKET INSIGHT REPORT

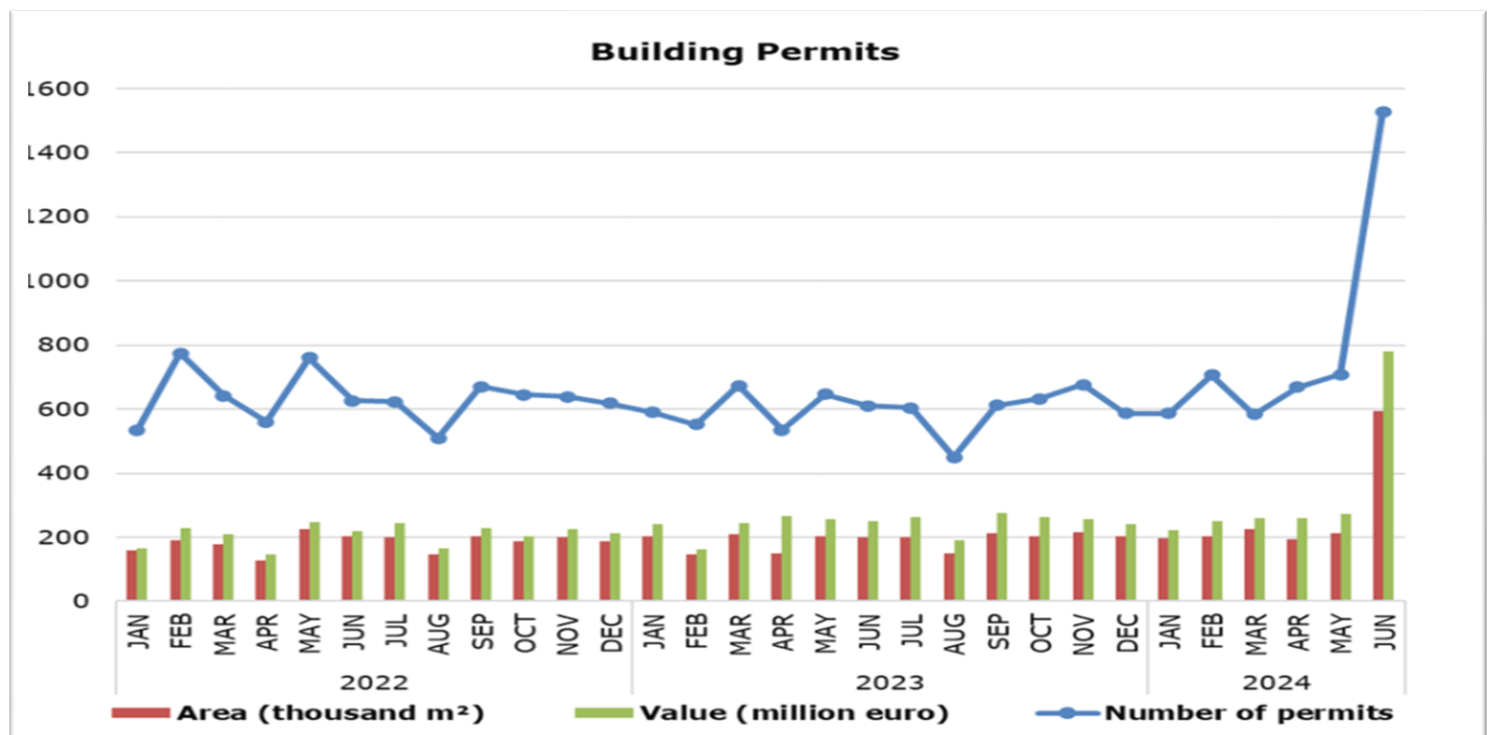
BUILDING PERMITS

Cyprus' Statistical Service has announced a delay in the release of building permits data due to technical and procedural issues that appeared following local administration reform.

These issues arose during the transition, starting from July 1, 2024, when the authority to issue building permits was transferred from municipalities and district administration offices to the newly established Local Government Organizations. The introduction of the integrated information system "Hippodamos" further contributed to these delays.

The most recent data available covers the first half of the year and presents a somewhat skewed perspective, reporting an extraordinary 150% increase. This sharp rise is attributed to the authorities' efforts to clear a significant backlog of applications.

Between January and June 2024, a total of 4,782 building permits were issued, compared to 3,608 permits in the same period the previous year, representing a 32.5% increase. The total value of these permits surged by 44.4%, surpassing €2 billion. Additionally, the total area covered by these permits increased by 46.5%, and the number of residential units rose by 44.4%. Notably, in May alone, 709 permits were issued, valued at €271.6 million, covering 213,800 square meters and resulting in 990 new residential units. This data, although reflecting a significant rise in activity, should be viewed in the context of the backlog clearance, which may not accurately represent ongoing trends.



Source: GOVCY



OFFICE MARKET REPORT

Overview

Demand for business space in Cyprus has shown signs of stabilization after reaching its highest levels in five years and recovering from the effects of COVID-19. This recovery has been fueled by increased foreign investment, which has significantly boosted the demand for office space. The demand for modern, Grade A offices is expected to remain strong throughout 2024, driven by both the private and public sectors. This demand is anticipated to stabilize prices, despite the first drop in office rental prices recorded in the past two quarters.

Across the island, rental prices for office spaces have decreased slightly, with a drop of less than a percentage point in 2024. In contrast, rental prices nationwide had risen by 8.5% year-on-year in 2023, and by about 10% compared to 2019. Office rents, which hit their lowest point in the first quarter of 2022, have since increased by approximately 14%. Limassol and Larnaca have led the charge in this recovery, while the capital has also shown steady progress.

Limassol's office rental prices remained steady at €25-50 per square meter, the same as at the end of 2023. In 2023, office rents in Limassol were 18% higher than in 2022. In the capital, rental prices dropped by around 3% by the end of 2024 compared to the same period in 2023, ranging between €15-30 per square meter. Larnaca's prices remained stable in 2024, ranging from €15-20 per square meter, while Famagusta and Paphos districts also saw stable prices, with office rents ranging from €10-15 per square meter.

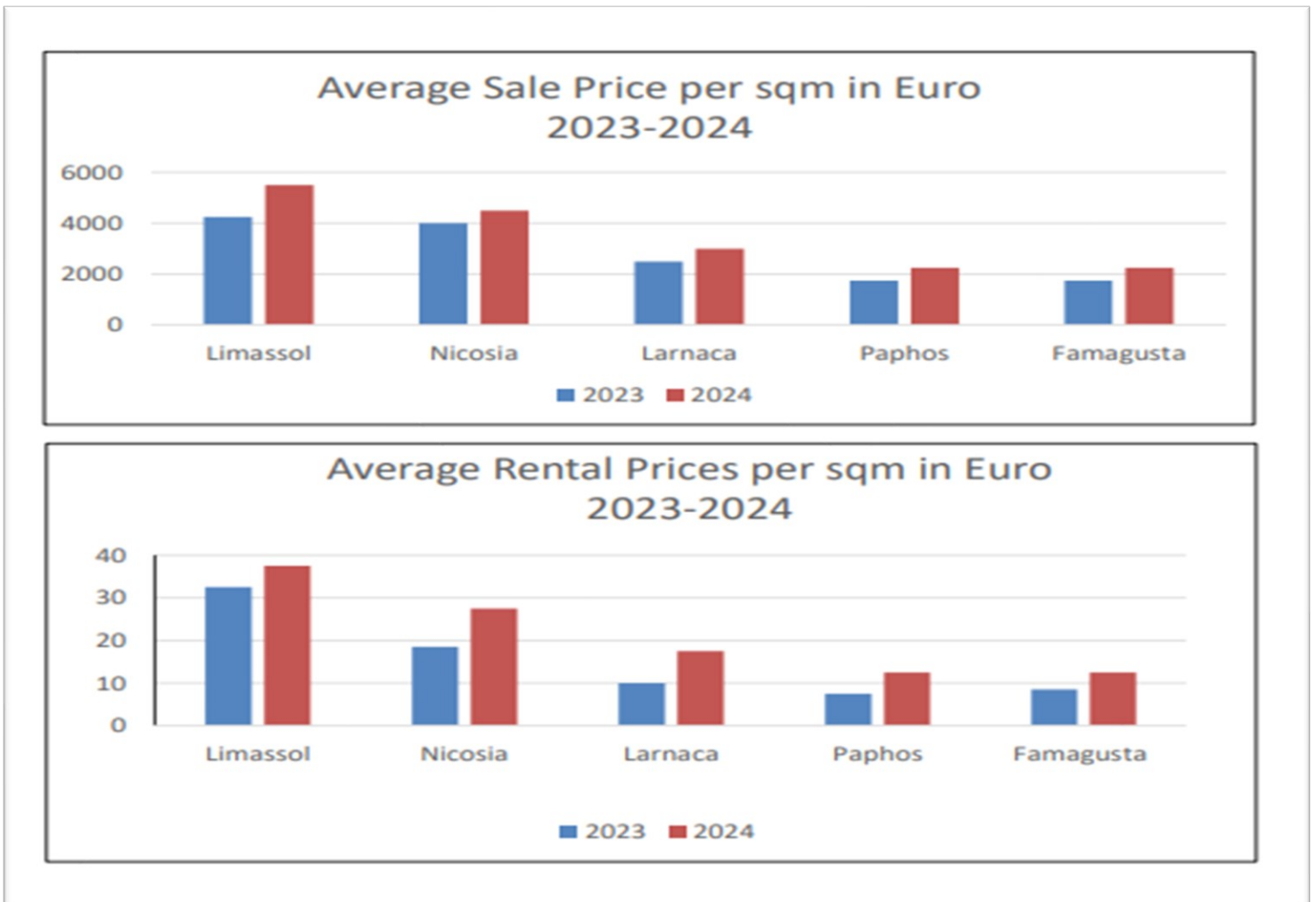
In terms of office sale prices, these remained generally stable at the end of 2024, with only minor negative fluctuations compared to the end of 2023. In Limassol, prices ranged from €5,000 to €6,000 per square meter, showing a slight increase of around 1% on average compared to the previous year. In the capital, sale prices dropped by around 3%, ranging from just under €3,000 to €4,500 per square meter. Larnaca's office sale prices remained stable at €2,500-3,500 per square meter, while in Famagusta, prices decreased to under €2,000 to €2,500

S2 2024 MARKET INSIGHT REPORT

per square meter. In Paphos, prices remained steady, with the upper range at €2,500 per square meter and the lower range at €2,000 per square meter.

Looking ahead, the demand for modern, Grade A offices in Cyprus is expected to remain strong throughout 2025, as businesses transition from older buildings to more energy-efficient, state-of-the-art facilities. Although the current supply and upcoming projects will help stabilize prices further, pressure from high demand and construction costs will keep prices relatively high. The commercial property market in Cyprus remains attractive, with global companies setting up offices here due to the island's high quality of life, strategic location, and favorable tax system.

However, many existing commercial buildings are outdated. With the influx of international companies, there is an urgent need for new, modern office buildings equipped with the latest energy upgrades. This highlights the necessity for stakeholders and the government to develop a joint action plan to address these growing demands.



Source: DANOS ANALYTICS

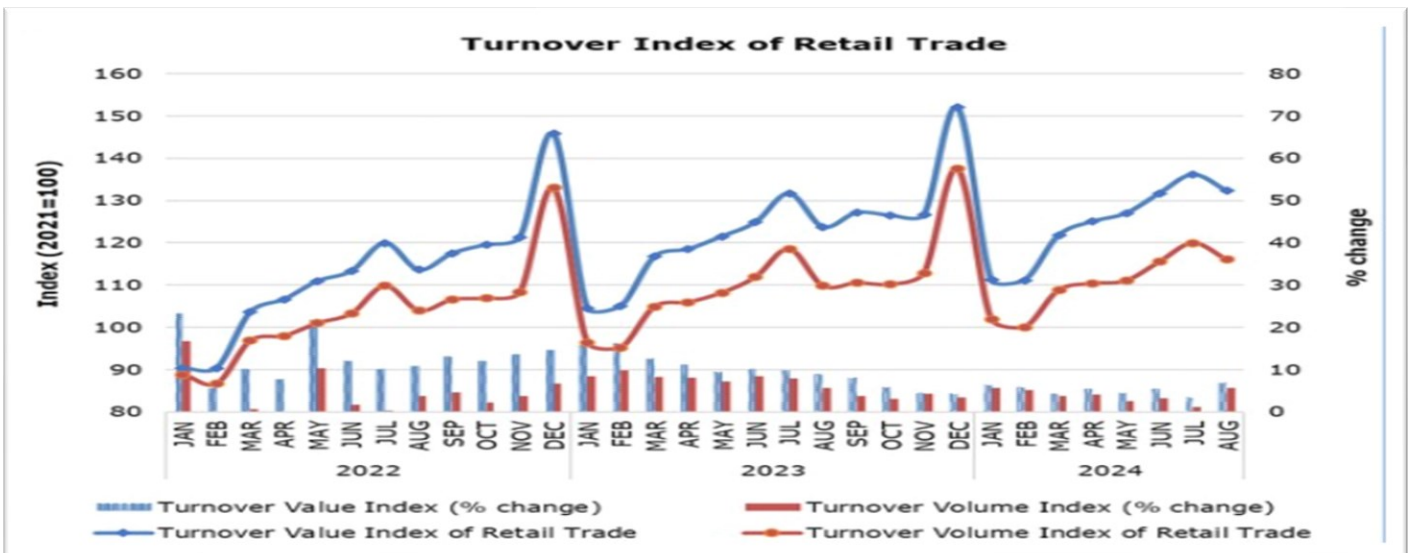


RETAIL MARKET REPORT

Overview

Cyprus is experiencing an uptick in consumer spending, though high prices continue to impact the cost of living. Retail trade in the country, covering everything from groceries to clothing, grew by 7.2% in value in November 2024 compared to the same month the previous year. At the same time, the volume of goods sold—reflecting the number of items purchased—also increased by 6.3%. This indicates that not only are people spending more, but they are also buying a greater number of products. The largest increase in sales was observed in categories such as books, toys, sports equipment, and stationery, which saw a notable 12.3% rise. Clothing and shoes experienced a similar surge, with sales rising at the same rate. Supermarkets also performed well, with sales of food, drinks, and tobacco increasing by 11.7%.

However, not all sectors shared this positive trend. Online stores, which do not sell products directly in physical locations, saw a decline of about 5% in sales. This suggests that while brick-and-mortar stores flourished, some online retail sales faced challenges during this period.



Source: GOVCY

Retail stores

Commercial centers, both existing and planned, are becoming increasingly popular, significantly outpacing street shops in demand. In 2024, the total commercial space in Cyprus is expected to grow substantially, maintaining prices similar to those seen in 2023.

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

With new malls set to open in the near future, combined with slower economic growth, rental prices for stores in both malls and on high streets are expected to experience some negative fluctuations. In Limassol, two new malls are planned for Eastern Limassol, both of which have received approval from the environmental service. One of the projects, the Mall of Limassol, is promoted by Atterbury Europe, which also manages the Mall of Cyprus and Engomi Mall. The other project, Nicosia Mall, is partnering with the Papantoniou Group to expand in Eastern Limassol. Each investment is expected to exceed €120 million, and both projects are set to feature over 100 stores, should they proceed.

The rise of malls has made them more attractive to consumers in recent years, offering a wide range of shops and entertainment options all under one roof. This consumer preference is reflected in rental prices, which have soared to €70 per square meter, up from €45 before the pandemic. In contrast, rental prices for street shops have remained more stable. In Nicosia, prices for street shops are expected to stay between €20 and €45 per square meter at the end of 2024, unchanged from December 2023. Larnaca saw similar stability, with prices ranging from €10 to €25. Limassol experienced a slight decline, with rents ranging from €20 to €45 per square meter, reflecting a 4% decrease by the end of 2024. In Famagusta and Paphos, rental prices remained steady at €10 to €25 per square meter, similar to 2023 levels.

When it comes to shop sale prices, Nicosia's rates have remained consistent with 2023 levels, ranging from under €3,800 to €5,000 per square meter, showing a slight decrease of around 1%.

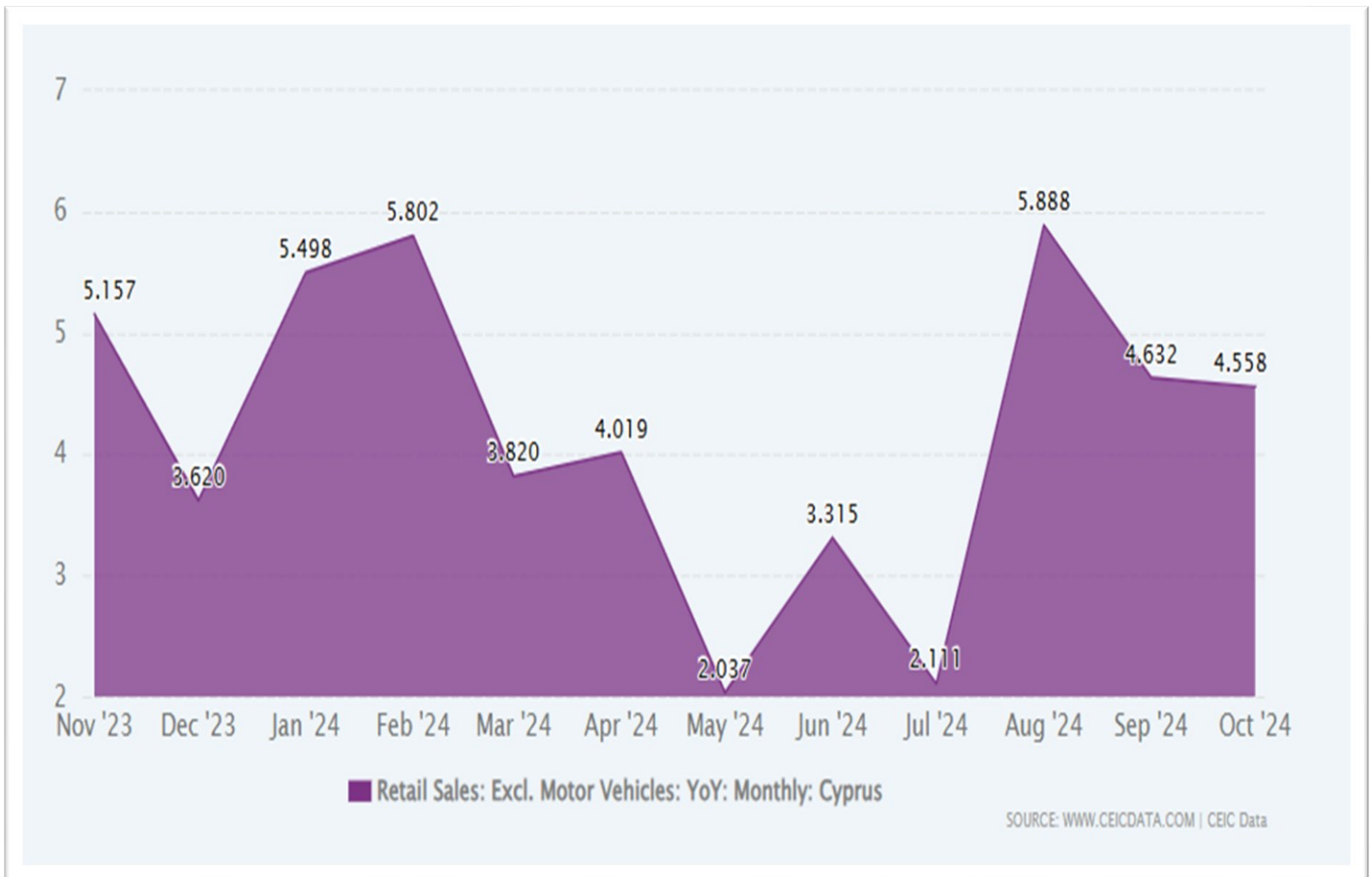
In Larnaca, sale prices increased by 3% in 2024, ranging from €2,500 to €3,000 per square meter by the end of the year. In Limassol, sale prices dropped by 1.5%, with prices ranging from €5,400 to €6,300 per square meter. Famagusta and Paphos also saw stable sale prices, with a decline of 3% and 5%, respectively, ranging from €1,800 to €2,500 per square meter.

S2 2024 MARKET INSIGHT REPORT

There are concerns about the growing dominance of commercial centers and whether new additions will increase foot traffic or simply intensify competition among them without impacting street shops.

Each development should be carefully examined by local and state authorities, with input from expert advisors.

All stakeholders need to adopt a balanced approach to ensure the continued prosperity of business and commercial activities in every area, rather than just expanding retail space indiscriminately.



SOURCE: CEIC DATA



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, with wars and instability raging in the region.

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.

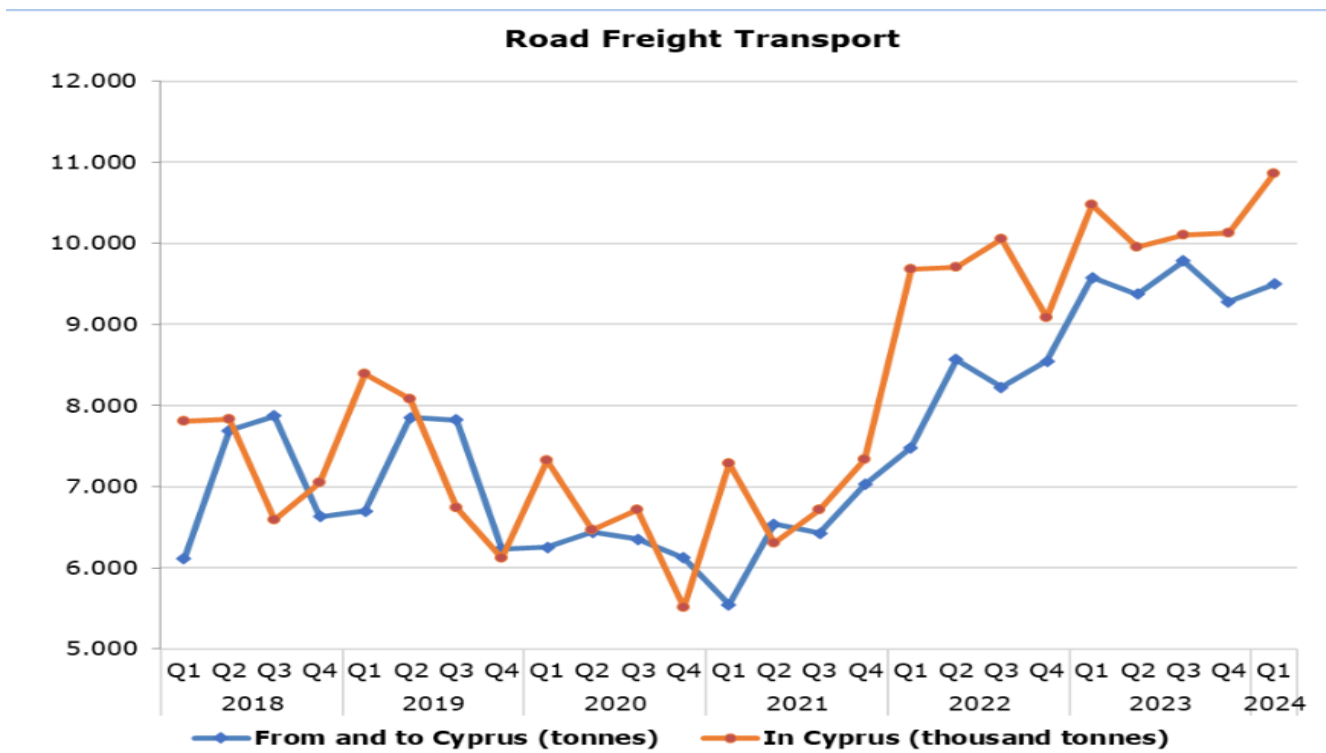
As an island nation, Cyprus relies heavily on its transport links, which include extensive air connections and sophisticated multipurpose ports that are vital for export and import activities.

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.



SOURCE: CYSTAT

S2 2024 MARKET INSIGHT REPORT



SIGNIFICANT PROJECTS & TRANSACTIONS

- ***The Mall of Limassol***
- ***"Alphamega" hypermarket -Paralimni***
- ***Berengaria Hotel- Prodromos***
- ***Tree Hotel- Pano Platres***
- ***Residential development at Limassol Greens Golf Resort***
- ***Metropolitan Private Hospital- Mesogi, Paphos***
- ***Iasio Hospital- Kato Polemidia***
- ***The Great Ocean Building- Limassol***
- ***Global Tower office development- Germasogeia***

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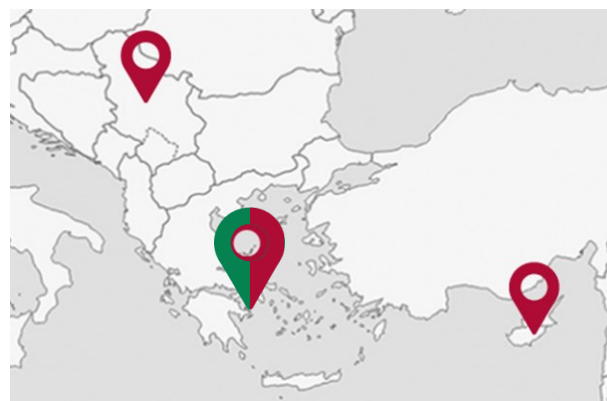
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