CYPRUS MARKET REPORT

Full-year 2026 growth is now seen around 2.5%, easing further in 2027, with the downgrade reflecting the Middle East conflict rather than domestic weakness. The domestic engine consumption, services exports, relocation-led investment and a healthy public balance sheet remains intact. Public finances are a clear strength, with a general government surplus of about 1.4% of GDP in the first five months and public debt falling towards the low-50s of GDP. Risks are tilted to the downside from prolonged regional conflict.

Macro Figures

Cyprus entered 2026 from a position of strength. The economy expanded 3.0% year-on-year in the first quarter the fastest pace in the European Union and roughly four times the euro-area average of 0.8% led by wholesale and retail trade, information and communication and financial services. Momentum is normalising from an exceptional 2025 (Q4 growth of 4.3%), and the clearest macro turn of the half was in prices: headline inflation reversed from around 1.5% in March to an estimated 4.0% in June, driven almost entirely by imported energy and transport costs linked to regional instability. Against this backdrop the property market was conspicuously strong, with residential transaction values reaching a new high.

Indicators	2025	2026	2027
GDP growth (%, y-o-y)	3.2	2.5	2.3
Inflation (%, y-o-y)	0.5	2.5	2.0
Unemployment (%)	4.9	4.7	4.6
General government balance (% of GDP)	4.3	3.5	3.4
Gross public debt (% of GDP)	58.0	52.0	47.5
Current account balance (% of GDP)	-6.5	-6.0	-5.6

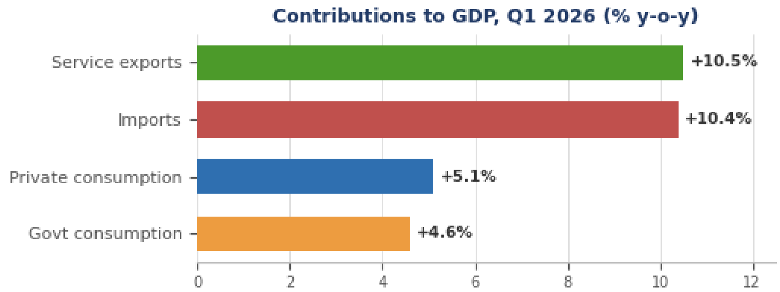
Source: European Commission, CYSTAT, Danos Research

Cyprus Economy Overview

Cyprus posted the highest first-quarter growth rate in the European Union in 2026. Real GDP rose 3.0% year-on-year in seasonally adjusted terms and 0.2% quarter-on-quarter a deliberate moderation from the exceptional 4.3% of Q4 2025 and the softest expansion in ten quarters, but a normalisation towards trend rather than a loss of direction. Private consumption accelerated to 5.1% and government consumption to 4.6%, while fixed investment returned to positive territory.

The most consequential development was the reversal in prices. Having flirted with deflation in late 2025, harmonised inflation climbed from about 1.5% in March to an estimated 4.0% in June, moving above an easing euro-area average. The move was almost entirely an energy-and-transport story petroleum products rose close to 23% and transport by roughly 9.5% while underlying pressures stayed contained, indicating a supply-side, imported shock rather than domestic overheating.

Quarterly real GDP (y/y growth rate)



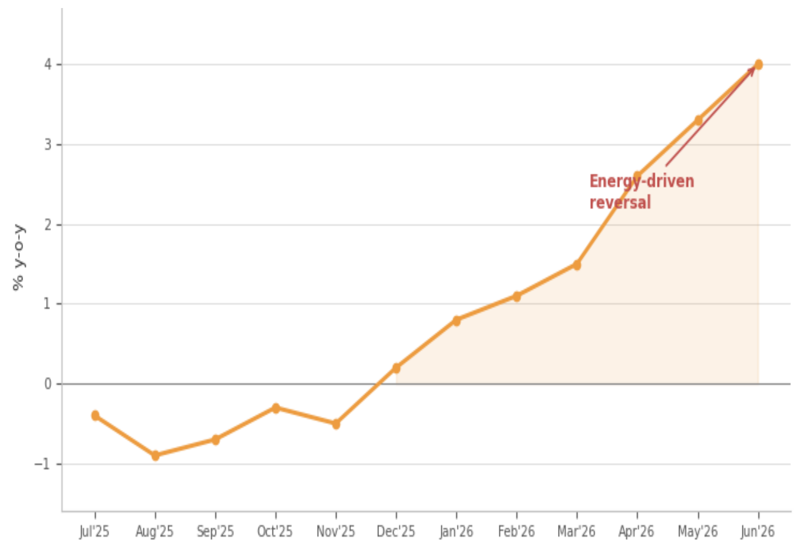
Source: CYSTAT

Private consumption

Private consumption accelerated to 5.1% year-on-year in the first quarter, and government consumption to 4.6%, underpinning growth even as households turned more price-conscious. Retail turnover rose 9.8% by value and 7.5% by volume in May, pointing to confident domestic demand entering the second half.

Labour market

The labour market remained tight but is stabilising, with unemployment holding around 4.6-4.7% effectively full employment and net job creation concentrated in services. The earlier surge in foreign-worker inflows, driven by the relocation of multinational headquarters, is now moderating, which should gradually ease wage and accommodation pressure without reversing recent structural gains. Fiscal policy remained a source of stability. The general government recorded a surplus of roughly EUR 552.9 million (1.4% of GDP) in the first five months of 2026, as revenue growth outpaced expenditure, while public debt continued its multi-year decline towards the low-50s of GDP one of the fastest deleveraging paths in the euro area.



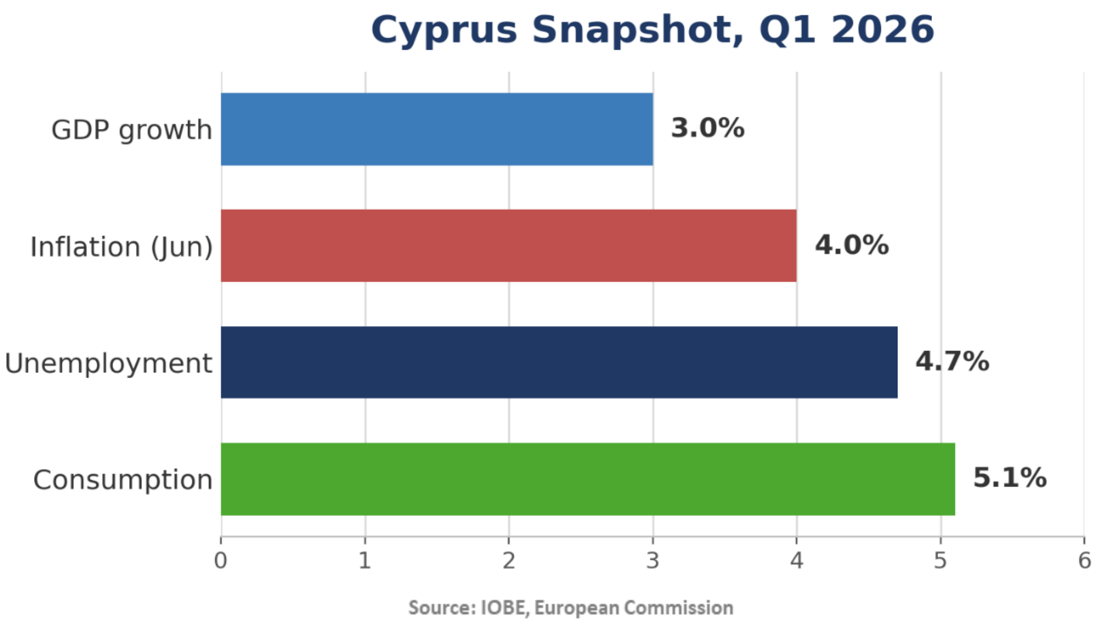
Cyprus HICP inflation -- energy-driven reversal, Source: CYSTAT / Eurostat

Fixed investment returned to positive territory in the first quarter, but new completions in prime urban and coastal locations continue to lag demand, sustaining the supply scarcity pushing values higher across offices, warehousing and prime residential. Reform of the building-permit system is the single most important domestic lever for delivery.

Economic activity in Cyprus remained clearly ahead of the euro area in the first half of 2026, led by higher-value, services-oriented sectors, though net trade was a drag as buoyant demand pulled in imports (+10.4%) at almost the pace of strong service exports (+10.5%).

Monetary conditions eased materially through 2025, a significant tailwind for property demand entering 2026. The first-half inflation resurgence complicates that picture: with domestic prices well above the euro-area average, the scope for further rate cuts has narrowed, favouring assets such as logistics and prime residential where income growth, rather than yield compression, is doing the work.

In summary, Cyprus grew 3.0% year-on-year in Q1 2026, the fastest in the EU, but momentum is normalising from a very strong 2025. Inflation reversed from near-zero to an estimated 4.0% by June on imported energy costs, narrowing the scope for further rate cuts. Public finances remain a clear strength. The dominant risk is external and regional; the dominant opportunity is a deepening, relocation-led base of domestic real-estate demand.



The external accounts are the weaker flank, with the current-account deficit widening to about EUR 1.27 billion in the first quarter. Even so, the domestic engine consumption, services exports and relocation-led investment remains intact, supporting a resilient but more clearly moderating economy.

Household sentiment stayed resilient despite the inflation turn: the strength of private consumption, alongside retail turnover growth of 9.8% by value in May, points to confident if increasingly price-conscious households. The key question for the second half is whether higher energy and transport costs erode real incomes enough to slow discretionary spending felt first in retail and hospitality. improved modestly, services confidence remained flat, consumer confidence was broadly unchanged, retail trade confidence declined, and construction confidence remained stable despite demand and labour/material constraints. These results indicate that households and businesses maintained cautious optimism, supporting moderate growth in consumption and investment.

Sectoral developments were broadly constructive: services, ICT and financial activities led growth and continue to generate office and residential demand, while construction stayed supply-constrained. The structured non-domicile regime more relevant since the UK abolished its own non-dom status in March 2025 and the permit-system reform both bear directly on property.

OFFICE MARKET REPORT

OVERVIEW

The office market extended its measured recovery into 2026. Capital values rose 2.91% year-on-year in the first quarter and rents advanced 3.03% the second-strongest rental growth of any asset class after apartments while the office yield held essentially flat at 5.60%. The pattern is one of steady, occupier-led improvement rather than speculative repricing.

Demand is generated by the same services sectors driving GDP technology, professional services and shipping and is concentrating in genuinely prime, well-specified space. The flight to quality is pronounced: occupiers pay up for energy-efficient, amenity-rich buildings, while older stock faces lengthening void periods.

Occupier demand is underwritten by the relocation of international companies and the expansion of established domestic firms. This bifurcation between prime and secondary stock, rather than the headline vacancy rate, is the most important dynamic in the market.

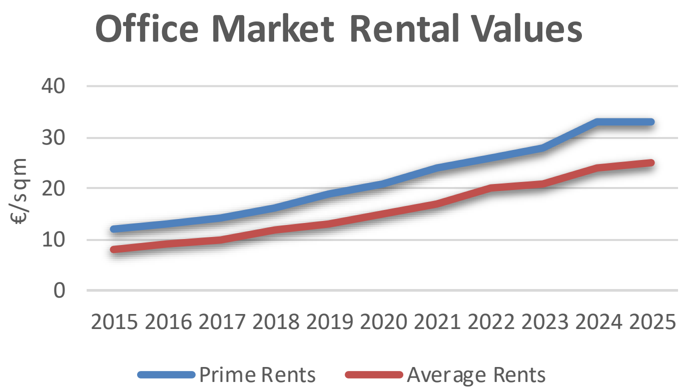
CYPRUS OFFICE MARKET

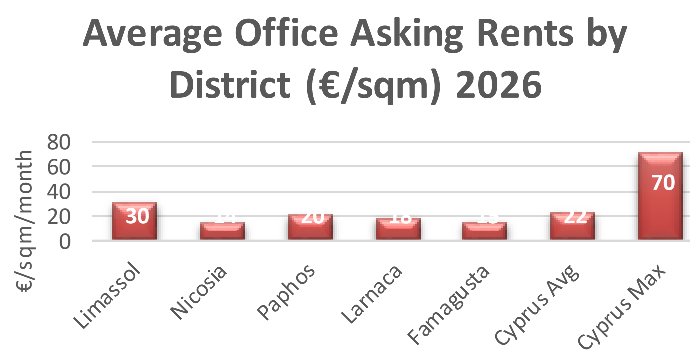
The market remains sharply two-tiered by geography. Limassol is the clear rental leader, with prime space commanding around EUR 29/sqm per month, sustained by the concentration of international, shipping and technology headquarters.

Nicosia, as the administrative and financial capital, remains the deepest market by transaction volume and available stock, with a wide range of product and more moderate average rents. Paphos and Larnaca are smaller, steadier markets where rents sit well below the two primary centres.

Supply is the defining constraint: new delivery of Grade-A space in prime locations continues to lag requirements, with the pipeline concentrated in Limassol, steadily widening the rental and value gap between prime and secondary stock.

Steady, occupier-led recovery, with a widening gap between prime and secondary space





Significant Rental Growth Driven by High Demand for Modern and Sustainable Workspaces

Cyprus's office market recorded a balanced advance in rental values into 2026, driven by demand for prime, energy-efficient space amid limited supply. Rental growth of just over 3% masks a widening spread between prime and secondary assets, and we expect that spread to widen further as scarcity of Grade-A space persists in Limassol and central Nicosia., and

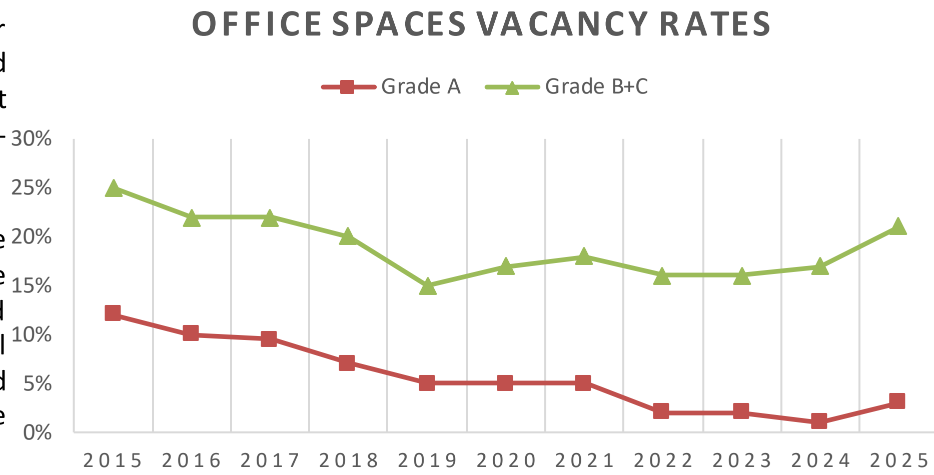
Prime office rents in Limassol reached around EUR 29/sqm per month, the highest on the island, while Nicosia offers a wide range of product at more moderate average rents that appeal to domestic corporate occupiers. On a quarterly basis, the only meaningful value movements came through in Nicosia and Paphos, consistent with a market advancing selectively rather than uniformly.

On the investment side, the office sector continues to attract both domestic and international capital, with the largest recent transactions including landmark office and mixed-use assets in Nicosia and Limassol.

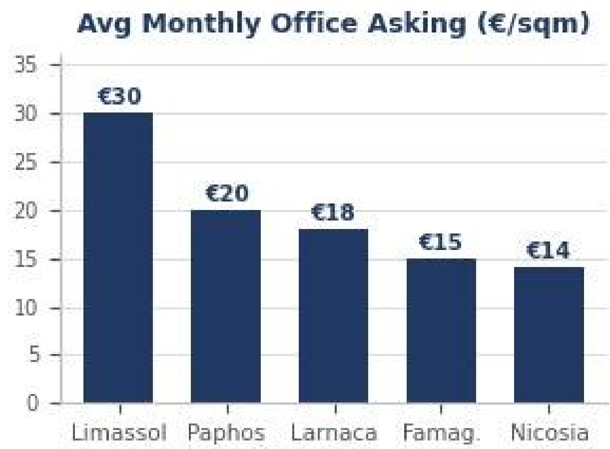
Pricing is supported by a stable yield and the depth of occupier demand, though buyers are increasingly disciplined about building quality and covenant strength in a higher-cost-of-capital environment**.** The pace at which reformed permitting translates into new supply is the principal swing factor for the prime market

The outlook is constructive but selective: prime, sustainable offices in Limassol and Nicosia should see continued rental growth and firm investor demand through the second half. Secondary stock will require repositioning or repricing to compete, and on balance offices should remain one of the more dependable commercial segments into 2027

Yields	Locations
5,75%-7%	Grade A Prime Locations
7% - 7,5%	Grade B Prime Locations
7,5% - 8%+	Grade B Secondary Locations

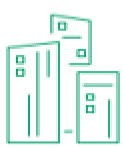


Source: Danos, an alliance member of BNP Paribas Real Estate



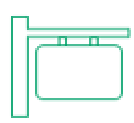
Source: Danos

KEY FIGURES S1 2026

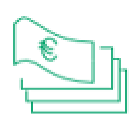


+3.03% PRIME OFFICE RENTAL GROWTH

EUR 29/sqm
Limassol prime office rent



5.60%
OFFICE YIELD



+2.91% CAPITAL VALUE GROWTH

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CYPRUS RETAIL MARKET REPORT

OVERVIEW

Retail paradox

Retail's paradox defines its investment case: consumer spending is accelerating, yet retail property remains the weakest asset class for both capital and rental growth. Retail trade turnover rose 9.8% by value and 7.5% by volume year-on-year in May, with broad-based gains across food, household equipment and automotive fuel.

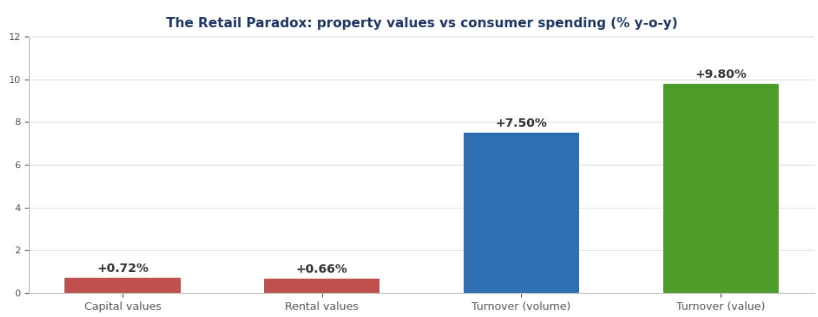
Property performance

Retail recorded the smallest rental growth of any asset class at 0.66% and the weakest capital-value growth at 0.72%, broadly flat quarter-on-quarter. The retail yield was essentially unchanged at 5.77%, signalling stable if unenthusiastic investor pricing.

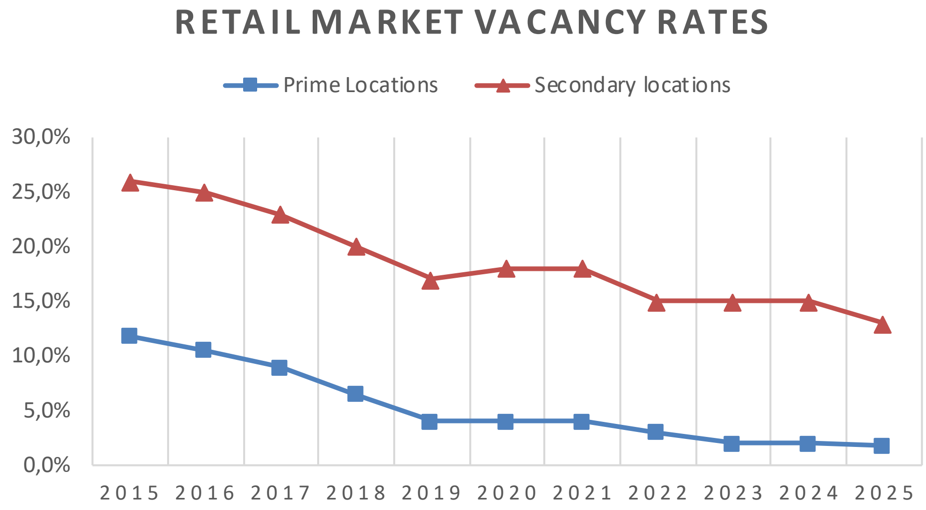
That divergence buoyant sales, subdued property values is the sector's central tension, reflecting healthy occupier turnover set against rental affordability, online competition and cautious investor sentiment. For investors ready to underwrite the right pitch, that dislocation is where opportunity sits.

Retail turnover growth (% y-o-y)

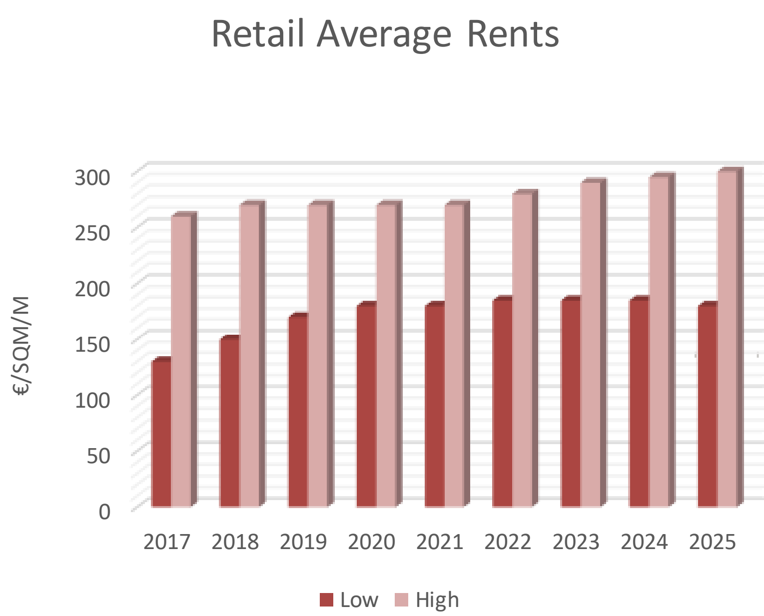
Retail: property vs consumer spending (% y-o-y, 2026)

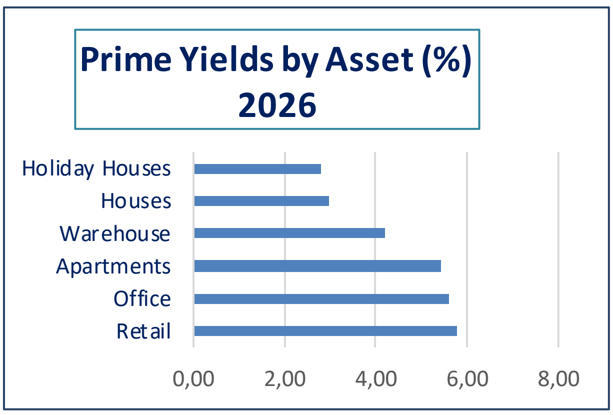


MARKET TRENDS PRIMARY RETAIL LOCATIONS	
RENTALS	↗
YIELD	→
VACANCY RATE	↘
ABSORPTION	→



Main yields: Retail yields held broadly stable at about 5.77% for prime assets. Rents remain highly location-specific: prime Limassol high-street pitches command a substantial premium over every other district averaging around EUR 39/sqm and reaching EUR 94/sqm for the best units while secondary and tertiary locations see little or no growth. The strongest performances remain confined to prime high streets in Limassol and to the island's major organised shopping centres, which continue to capture footfall and brand demand. Retail is best approached as a stock-selection play rather than a beta call.





KEY FIGURES S1 2026

€94/SQM TOP HIGH-STREET RENT

€39/SQM PRIME LIMASSOL RENT

€12-18/SQM NICOSIA & LARNACA RENTS

5.77% PRIME RETAIL YIELD

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LOGISTICS MARKET REPORT

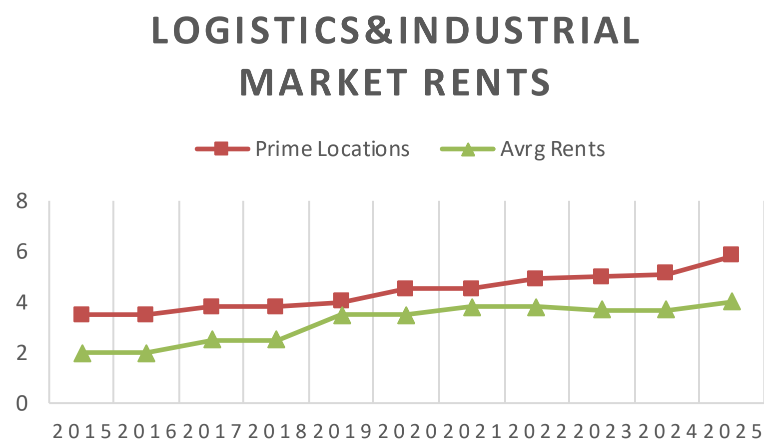
OVERVIEW

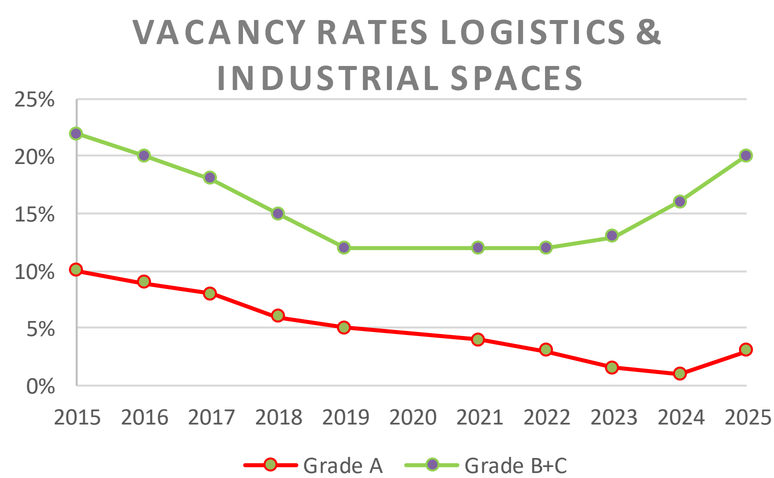
Warehousing was the quiet outperformer of the half. Capital values rose 3.48% year-on-year the third-strongest of any asset class and rents 2.58%, while the warehouse yield compressed marginally to 4.20%, the lowest and most stable in the commercial universe. Low, firm yields on a segment still delivering value growth are a clear signal of institutional conviction. National warehouse supply remained tight but stable, with availability little changed from a year earlier. Limassol dominates with roughly 47% of available stock, followed by Nicosia at around 33% and Larnaca at about 20%, its port role concentrating logistics and distribution demand.

Rents remain firmly location-led. The national average sits at approximately EUR 5/sqm per month, but the spread is wide: Limassol commands the highest rents at around EUR 7/sqm on persistent demand and limited supply, Nicosia is stable at roughly EUR 5/sqm, and Larnaca remains the most affordable at about EUR 3/sqm.

High demand set against constrained supply in Limassol continues to push rents upward, and with no major new supply emerging mid-year the balance of pressure remains to the upside. The sector is being reshaped by automation, AI-led inventory tools and quick-commerce, steadily raising the specification bar.

Modern, well-located, technology-ready stock will continue to pull away from older industrial space, and refurbishment of obsolete warehouses remains a central strategy for owners and investors.





Investment interest in Cypriot logistics remained firm, anchored by Limassol's role as the island's principal port and by structural, rather than cyclical, demand. The logistics and industrial segment delivered one of the most attractive risk-adjusted performances of the half, with strong value growth and the lowest, most stable yields in the commercial universe.

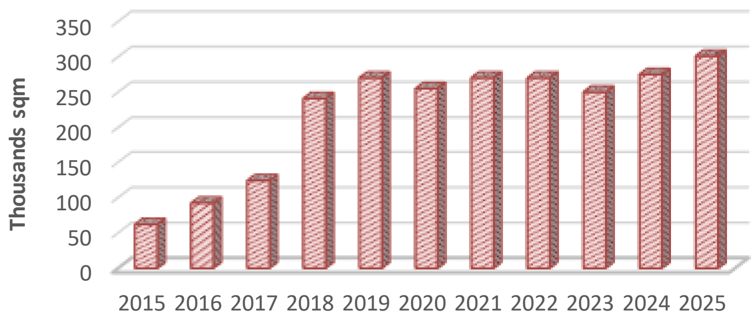
The warehouse yield compressed marginally to 4.20% evidence of firm institutional appetite while capital values rose 3.48% and rents 2.58% year-on-year.

The outlook is the most straightforwardly positive of the commercial classes: tight supply, a firm port-anchored demand base and rising specification requirements point to continued rental growth and resilient pricing, particularly in Limassol.

The principal opportunity is the development of modern, sustainable logistics space, where demand comfortably exceeds current supply.

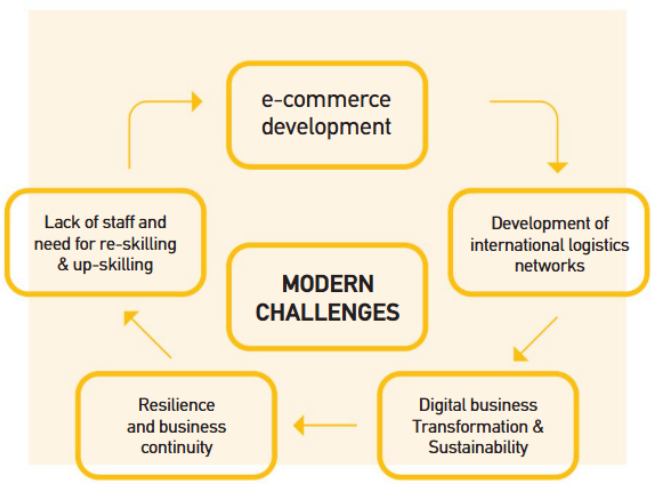
Rents remain firmly location-led, with Limassol above the national average and Larnaca the most affordable; with no major new supply mid-year, the balance of pressure stays to the upside.
We expect warehousing to remain a core institutional target through the second half and into 2027, driven by stable returns and firm, port-anchored demand.

TAKE UP OF INDUSTRIAL PROPERTIES



Source: Danos

Logistics is a key driver of competitiveness, especially in the modern business environment



Source: Danos

MARKET TRENDS LOGISTICS				
		YIELDS	DEMAND	SUPPLY
GRADE A	↗	↘	↗	↘
GRADE B	→	→	→	→

KEY FIGURES S1 2026

€7/SQM LIMASSOL PRIME RENT	€3/SQM LARNACA RENT	4.20% WAREHOUSE YIELD	€5/SQM NATIONAL AVERAGE RENT

RESIDENTIAL MARKET REPORT

OVERVIEW

Residential was, once again, the standout sector. Transaction activity reached a new high, with 4,308 sales worth EUR 1.26 billion recorded in the first quarter, up 43% in volume and 52% in value year-on-year. The defining story is structural: demand is shifting from speculative, seasonal purchases towards primary homes and long-term relocation.

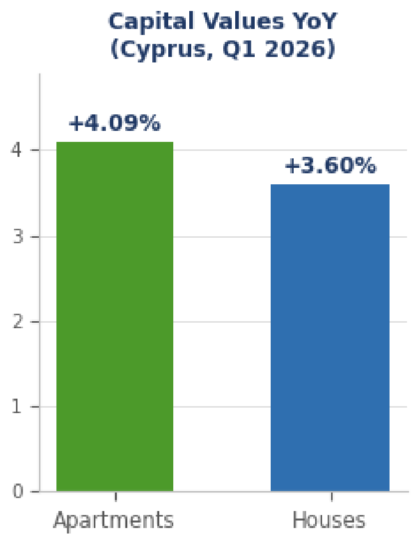
Capital values rose across the board, led by apartments (+4.09%) and houses (+3.60%), and the pace of activity carried into the spring, with May volumes still running ahead of the prior year. Crucially, the strength is broad, owner-occupier-led and increasingly rational in its pricing.

The most telling shift was in houses: house sales rose 63% year-on-year against a still-strong 38% for apartments, as buyers increasingly prioritised space, lifestyle and long-term suitability over the compact, investment-led units of previous cycles.

Foreign demand remained a central pillar and its composition is evolving. European Union buyers were the fastest-growing segment, with contract volumes up around 31% in May, while non-EU demand held broadly steady. Paphos has become the focal point of international interest.

The upper end is propelled by relocation as much as investment: the abolition of the United Kingdom's non-dom regime in March 2025 has left Cyprus as one of the few EU jurisdictions offering a structured non-dom status, drawing private wealth and corporate headquarters, the latter concentrated in Limassol.

Domestic buyers remained the backbone, accounting for close to 63% of May transactions and growing around 6% year-on-year, but the geography of demand is redistributing. Supply continues to trail demand in the segments buyers most want -- modern houses and quality apartments in prime and coastal locations -- sustaining upward price pressure.
Pricing gains were led by Paphos and Famagusta at district level, with Nicosia the most stable market. Overall, the market continues to grow at a more sustainable pace, with apartments leading and houses benefiting from demand for modern, family-oriented housing.



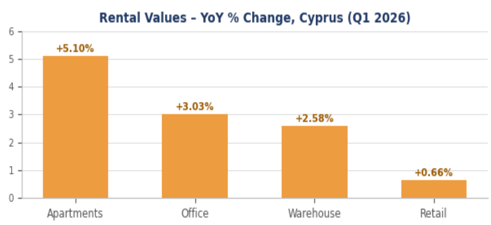
Source: Department of Lands & Surveys / RICS

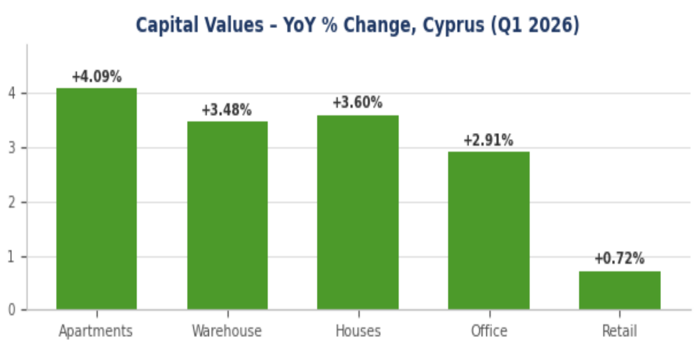
RESIDENTIAL MARKET REPORT

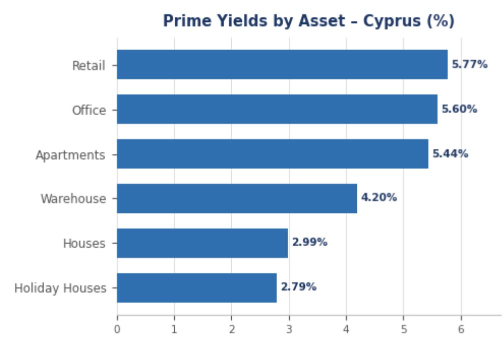
RESIDENTIAL MARKET

Capital values, rents and yields

Capital values rose across every monitored sector, led by apartments (+4.09%) and houses (+3.60%), with warehouses (+3.48%) and offices (+2.91%) close behind and retail the laggard (+0.72%). Apartments also led rental growth at 5.10% year-on-year, ahead of offices (+3.03%) and warehousing (+2.58%). Holiday assets extended a positive but more moderate trend, with holiday apartments up 3.66% and holiday houses up 2.42%. Yields were broadly stable apartment yields edged up to 5.44%







Source: RICS / Danos Research

HOTEL & TOURISM MARKET REPORT

OVERVIEW

The Cyprus tourism sector entered 2026 off a record 2025 4.53 million arrivals (+12.2%) and revenue of EUR 3.69 billion (+15.2%) and continued to grow through January and February. Tourism was the exception to an otherwise resilient half.
The escalation of conflict in the Middle East from late February triggered a sharp reversal, concentrated in the spring shoulder season. March arrivals fell 30.7% year-on-year to 139,198, from more than 200,000 a year earlier, driven above all by the collapse of the Israeli market, where March arrivals fell to around 1,500 from over 28,000.

Revenue followed the same path: after a strong start, the March downturn pulled first-quarter revenue down 11.8% to EUR 245.5 million. Encouragingly, the decline moderated as the half progressed by May the year-on-year fall in arrivals had narrowed to under 5%, with volumes still ahead of 2024, pointing to stabilisation rather than structural decline. The United Kingdom reaffirmed its position as the largest source market, accounting for roughly a third of arrivals, ahead of Poland, Germany and Greece. The episode is best understood as an external, geopolitical shock to an otherwise healthy sector rather than any loss of underlying competitiveness.

The half underlined both the strength and the vulnerability of Cyprus's source-market mix: dependence on the United Kingdom provided a stabilising floor, while the sharp contraction of the Israeli and wider regional markets exposed the risk of geographic concentration.

The strategic response diversifying into a broader set of European and long-haul markets and continuing the shift towards luxury and boutique accommodation is the right one, and its execution will shape the sector's resilience to future shocks.
For investors, the disruption creates a selective entry point rather than a warning to retreat. Much of the island's hotel stock dates from the 1980s and 1990s and, despite recent upgrades, requires further modernisation to compete with rival Mediterranean destinations.

Officials have signalled that 2026 will not match 2025's record given the spring losses, but the trajectory points to recovery rather than decline: the May narrowing of losses, the resilience of the core UK market and the push into new source markets all support a return to growth as regional tensions ease.

Tourism & Major Transactions

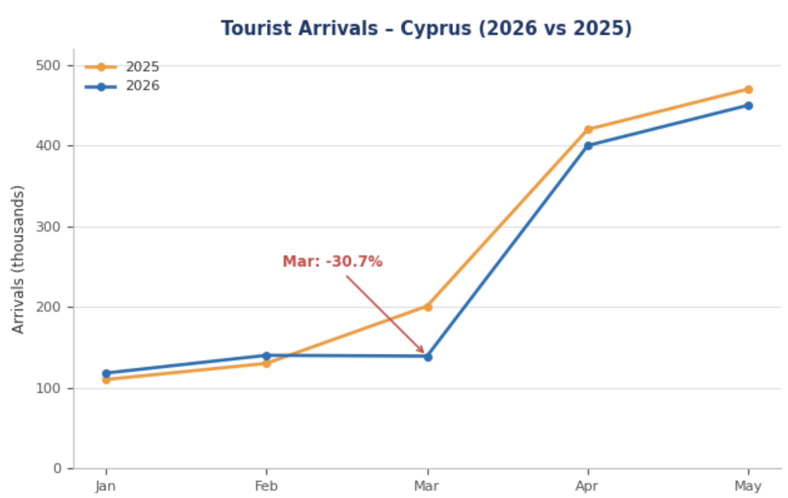
Investment activity remained robust through the first half, with capital continuing to flow into the island's principal urban and coastal markets. The clearest read on deal activity is the distribution of first-quarter transaction value across districts.
Limassol led on capital volume at roughly EUR 442 million, closely followed by a fast-rising Paphos at around EUR 401 million, with Larnaca (EUR 187 million) and Nicosia (EUR 174 million) anchoring the more affordable, relocation-led centres. Cyprus recorded 4,308 residential sales worth EUR 1.26 billion in the quarter.

That Paphos should sit second only to Limassol on capital deployed and within 55 transactions on volume is the single most significant shift in the transactional landscape this cycle, reflecting the same relocation-led, homes-for-living demand reshaping the residential market.

The largest individual transactions of the period again clustered in Limassol and Nicosia, spanning landmark office and mixed-use assets, prime residential land and luxury apartments, alongside selective hospitality deals. Three themes stand out: capital is broadening beyond Limassol; the mix of assets changing hands signals confidence across sectors rather than a single hot segment; and buyers are increasingly disciplined on quality and location as the cost of capital stops falling. We expect deal flow to remain healthy but more selective through the second half.

First-quarter transaction value by district

- **Limassol: EUR 442 million in first-quarter transaction value, the highest by capital deployed and the island's benchmark commercial and prime-residential market.**
- **Paphos: around EUR 401 million on 1,077 sales, turnover close to double the prior year, now within 55 transactions of Limassol as relocation demand surges.**
- **Larnaca: (EUR 187 million, 995 sales) and Nicosia (EUR 174 million, 877 sales) anchor the affordable, relocation-led end, with median apartment prices of roughly EUR 160,000 and EUR 155,000 respectively.**



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