

First half of 2023

# Dynamics of the Cyprus Real Estate Market

**spm** Real Estate

Cyprus real estate market 2023, economic impact, new trends and innovations

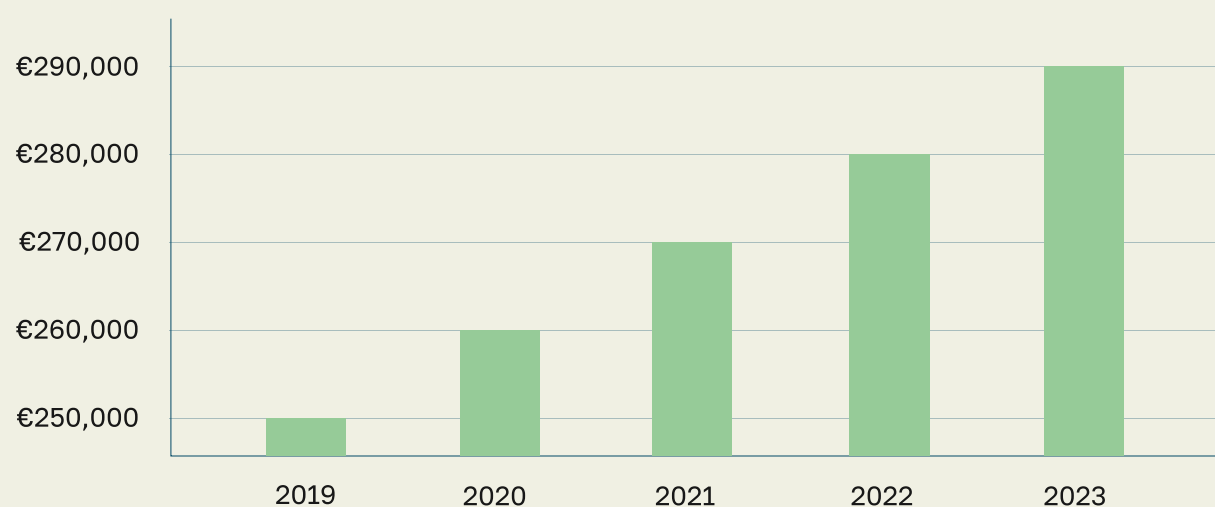
[spm.estate/en/analytics](https://spm.estate/en/analytics)



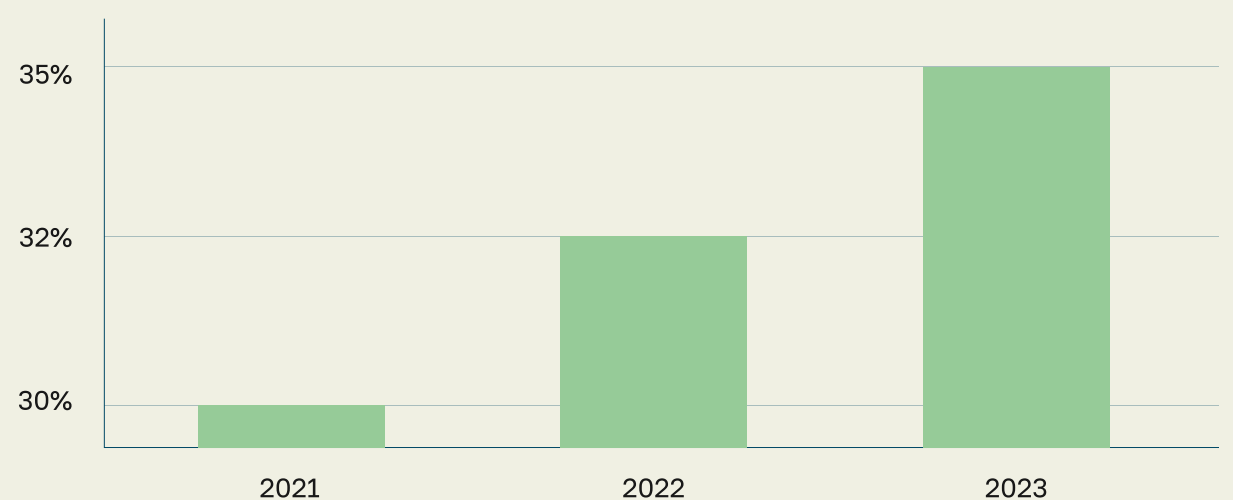
# Cyprus real estate market 2023

## Dynamics of residential real estate prices by regions of the island

Comparative analysis of the average cost of a new property in Cyprus over the last 5 years



Percentage of foreign investors in total real estate transactions in Cyprus over 3 years



The final increase in the cost of housing in Cyprus is 15%

According to a report from Savills Impacts, the outlook for global real estate investment in 2023 is positive.

Despite the pandemic and war in Ukraine, which will continue to weigh on confidence in 2023, as well as the energy crisis, inflation, monetary tightening and climate change, investment activity is expected to rebound in the second half of 2023.

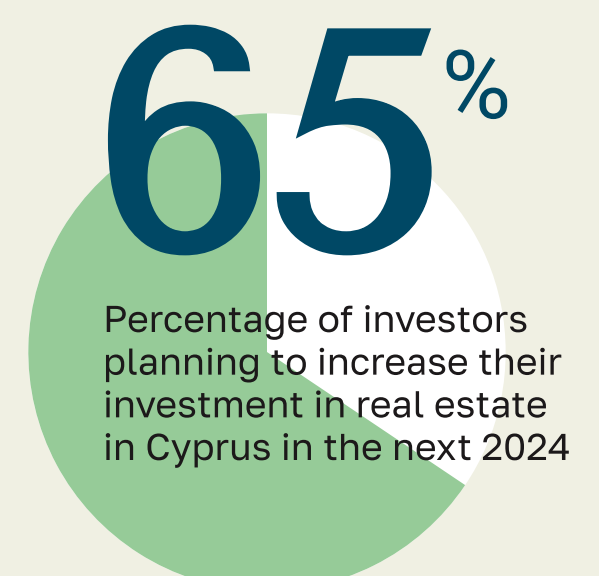
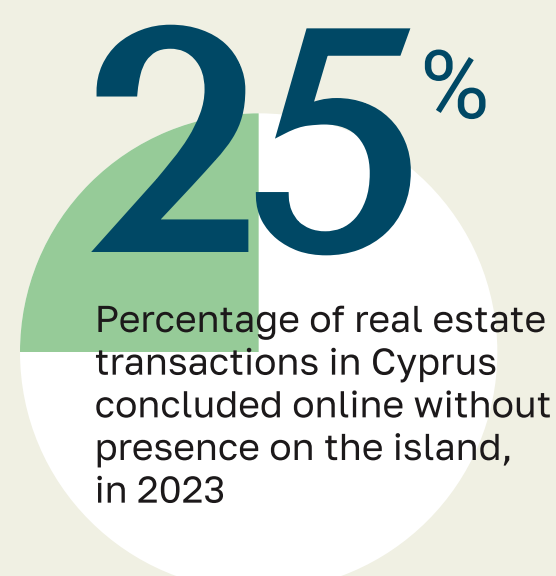
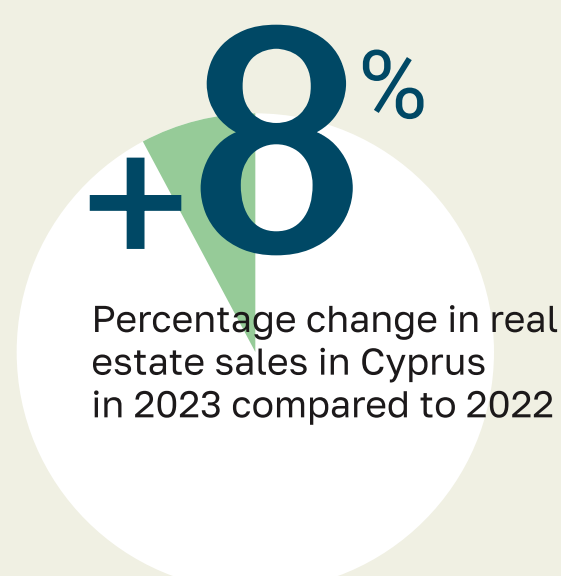
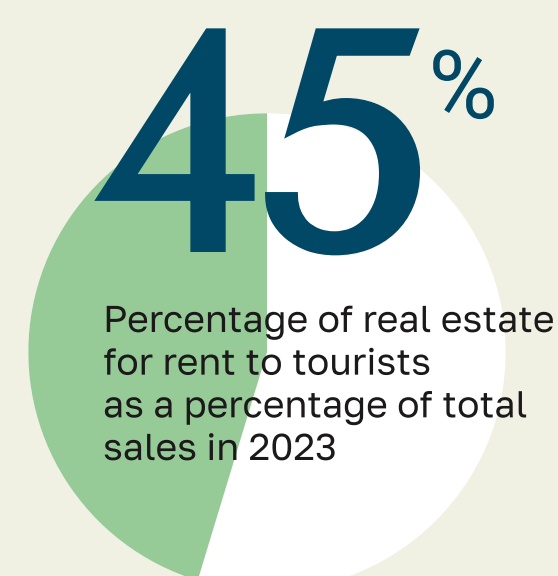
The global real estate market size was estimated at \$3.69 trillion in 2021 and is expected to grow from \$3.88 trillion in 2022 to \$6.13 trillion by 2030, with a growth rate of 5.2% between 2023 and 2030.

As for Cyprus, according to the KPMG Cyprus Real Estate Market Report «The Insights», the real estate market in Cyprus has been performing better during 2022.

Despite the challenges posed by the economic situation, the Cyprus real estate market has shown strength and resilience in the first half of 2023, recording significant growth in both the volume and value of real estate sales compared to the same period in 2022. The real estate market also continues to grow in 2023 due to foreign demand and favorable tax incentives, with Paphos emerging as one of the best investment destinations.

The Cyprus real estate market in 2023 is showing steady growth dynamics, attracting investors and interested parties. Price trends, investment trends and the use of new technologies make it one of the most attractive real estate markets in Europe.

**Cyprus real estate market brings 15% of income to the country's economy**



# Demanded types of real estate

Estimation of demand for residential, commercial and tourist real estate

## Residential real estate

Residential real estate remains one of the most sought-after market segments in Cyprus. In 2023 there is a stable demand for apartments, houses and villas in different regions of the island. Buyers are actively interested mainly in the primary housing market.

The most sought-after regions and housing types:

	Apartments	Villas
Limassol	✓	✓
Paphos	✓	✓
Nicosia	✓	
Larnaca		✓

## Tourist real estate

Tourist real estate remains attractive to investors due to the active development of the tourism industry in Cyprus, as already in 2022 the tourist flow in Cyprus has reached pre-Cyprus levels, and in 2023 showed an increase of 32% from last year's figures.

The prospects for profitability in the tourism sector are very high. Hotels, aparthotels, resorts and hostels in the island's resort regions remain in focus.

The most sought-after regions and types of tourist facilities:

- Hotels
- Aparthotels
- Resorts
- Hostels
- Limassol
- Paphos
- Larnaca
- Ayia Napa
- Protaras
- Paralimni
- Polis

## Commercial real estate

The commercial real estate segment also demonstrates stable interest from investors. In 2023, there is active investment in office, retail and industrial properties. The main advantage of business relocation in Cyprus and investing in commercial real estate is tax benefits and investment programs for businesses.

The most sought after regions and types of commercial properties:

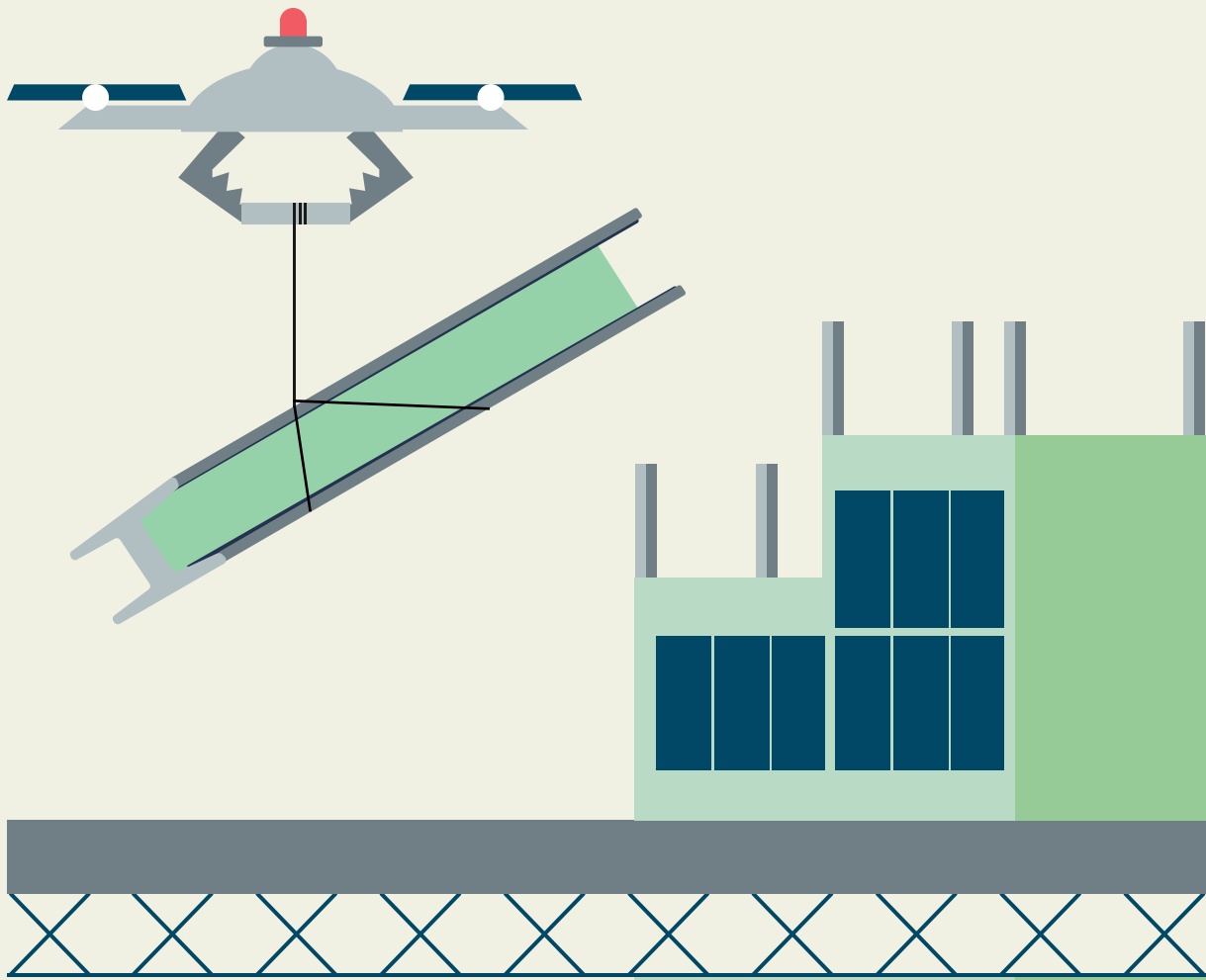
- Class A offices
- Business centers
- Co-working centers
- Innovation Hubs
- Limassol
- Nicosia
- Paphos

Demand for investment in public commercial real estate also increased in 2023:

	Entry threshold (€ mln)	ROI
Medical facilities	10	от 8%
Educational institutions	6	от 8%
Industrial facilities	2,5	от 8%



# Investment real estate



Real estate prices are constantly changing, so the above data is current as of the date of this report – August 2023. It is assumed that the cost will increase in the future.

The profitability of a property is determined through its ROI, derived from rent. During the high season, which lasts from June to September, ROI on short-term rentals of investment properties can reach record highs of 15-35% per annum.



A stable trend in the Cyprus market is the active interest in investment real estate. Investors seek to acquire properties with high yields and potential for future growth in value.

Investment real estate includes both commercial properties and residential complexes oriented to rent. This segment attracts with its profitability and the possibility of portfolio diversification.

The cost per square meter of real estate is variable, which is due to many factors. The price is influenced by: a particular region (for example, in Limassol the highest prices), proximity to the sea (the closer, the more expensive), the development and proximity of infrastructure, the presence of a swimming pool and recreation area, the quality of house materials and finishes, local demand, technological equipment and more.

## Regions and types of residential real estate for rent with high ROI

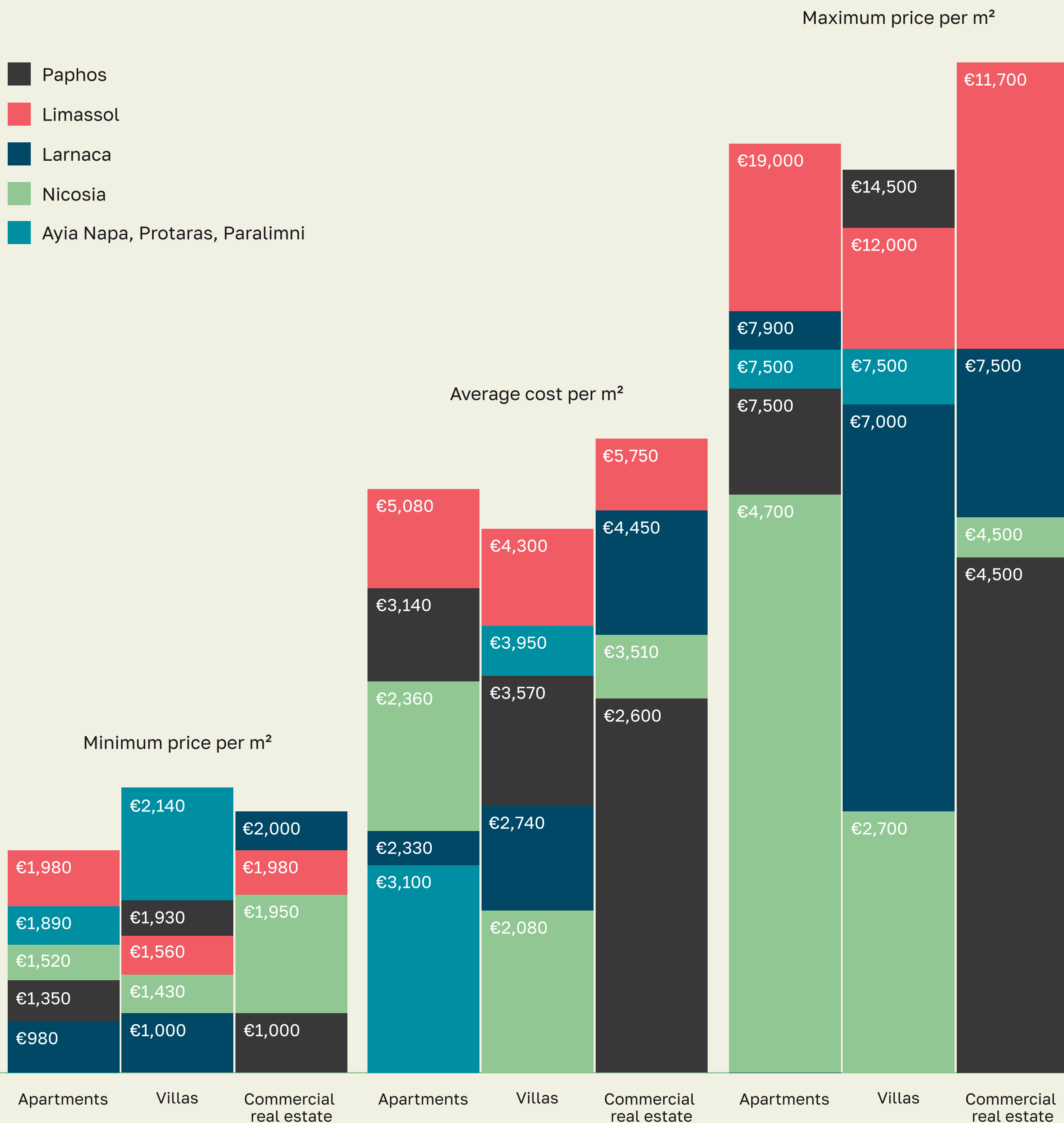
	Apartments	Villas
Feature	Walking distance to the sea	With swimming pool, near the sea
Location	Tourist area	Tourist area
Type of lease	Short-term	Short-term
Regions	Limassol, Larnaca, Paphos	Limassol, Paphos, Ayia Napa

## Regions and types of commercial real estate objects with high ROI

	Offices	Hotels
Feature	Business centers, innovation hubs, co-working spaces	5-star hotels, resorts with spa and pool, apart-hotels
Location	Business center, first line from the sea in Limassol	Near the sea, natural area
Regions	Limassol, Nicosia	Limassol, Paphos, Larnaca, Ayia Napa, Protaras, Polis

# Cost per square meter in Cyprus

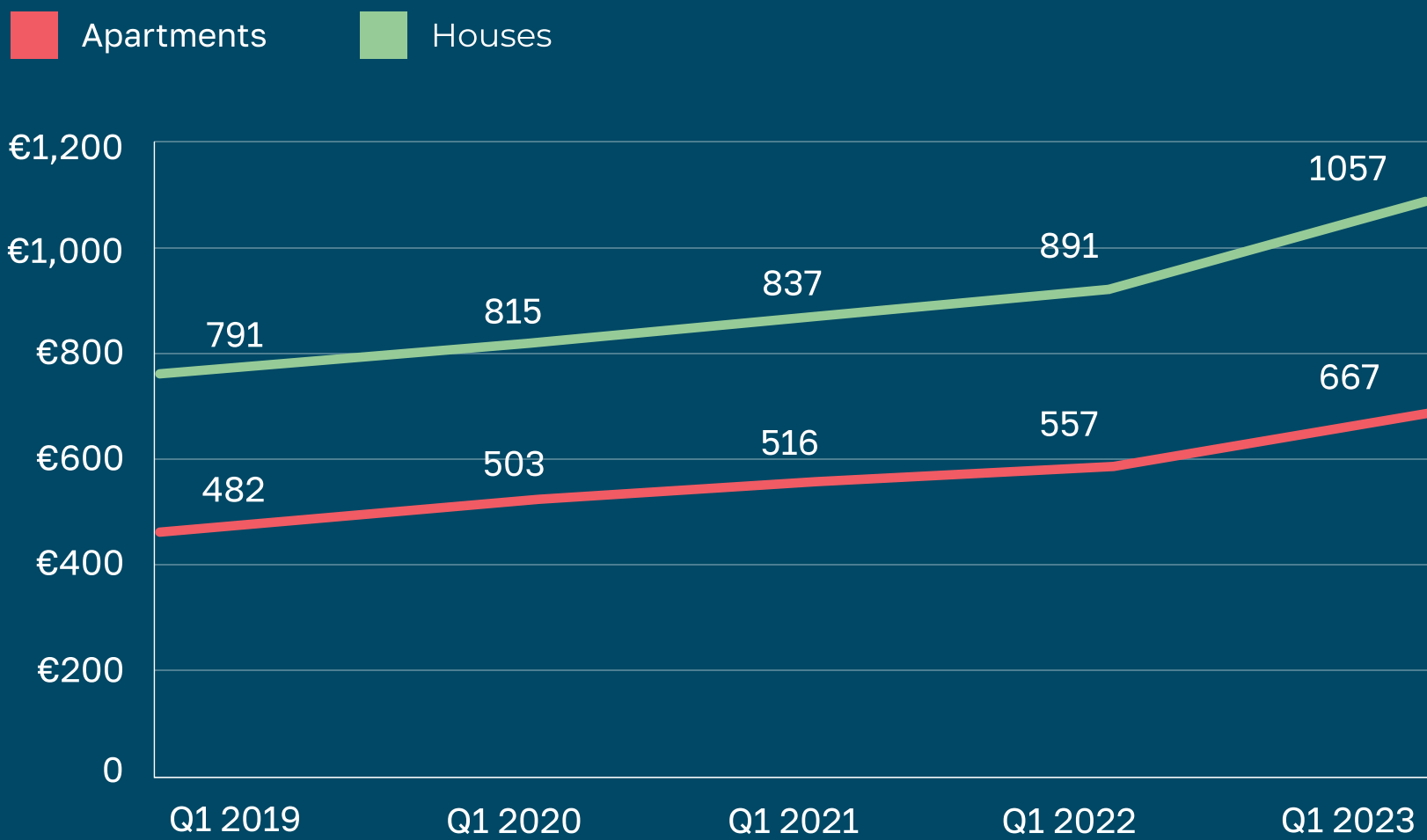
In the first half of 2023 by region.  
According to SPM Real Estate analytics.



# Real estate rentals

## Prices and regions

### Rental price growth in Cyprus from 2019 to 2023



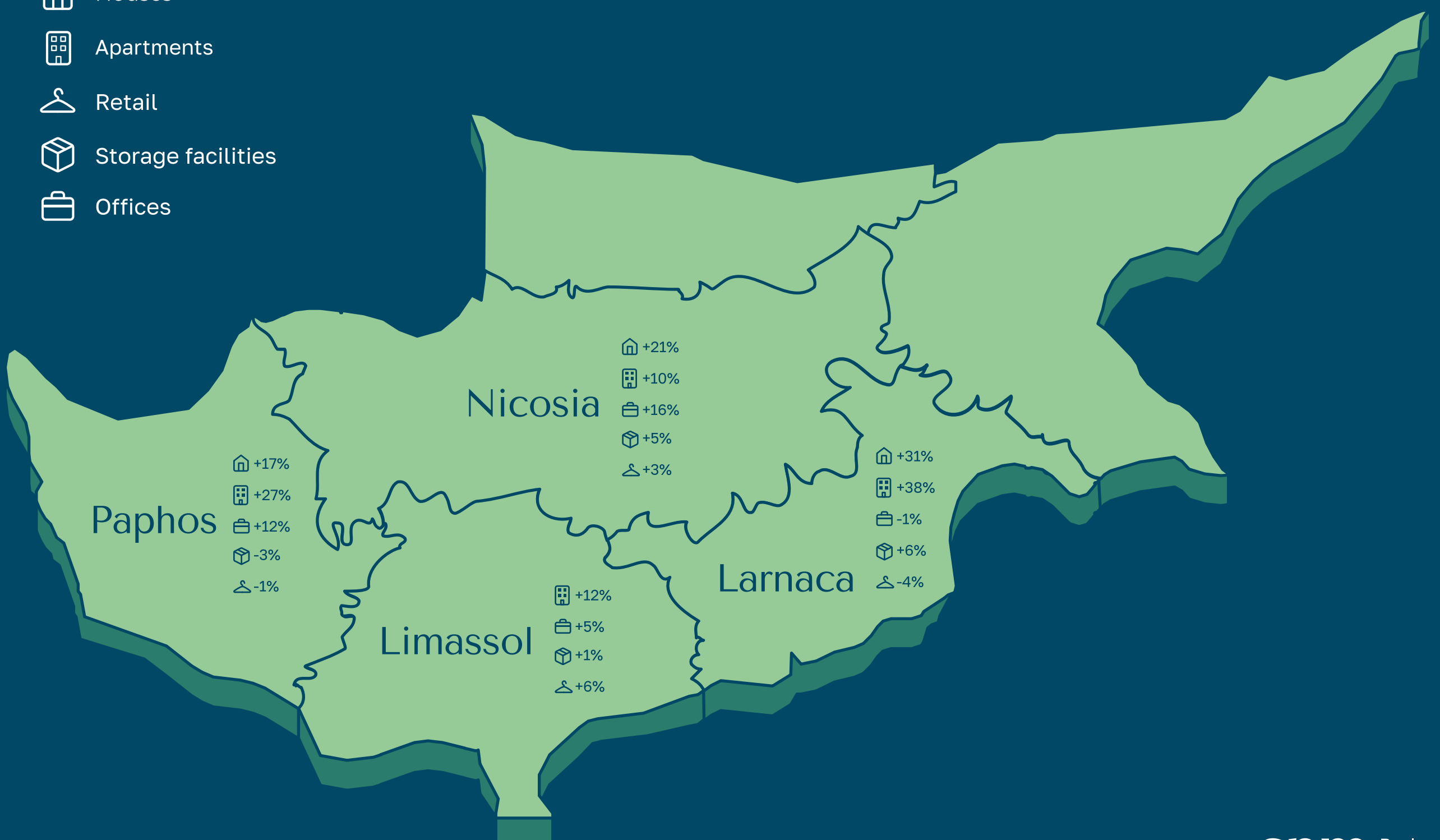
In 2023, the price of rental properties (both long and short term) continues to rise in all regions and for all types of accommodation. This is due to the increase in tourist traffic and the growing demand from foreign visitors to the island.

In the first quarter of 2023, the highest growth was shown in Larnaca apartments (+38%) and villas (+31%), as well as apartments in Paphos (+27%).

The price of commercial real estate rentals also showed a slight increase in the beginning of 2023. The price of offices increased the most in Nicosia (+16%) and in Paphos (+12%).

### Comparison of the change in rental property prices in the first quarter of 2022/2023 by region of Cyprus

- Houses
- Apartments
- Retail
- Storage facilities
- Offices



# Impact of the economic situation on the Cyprus real estate market

## The economic crisis of 2023 and the Cyprus real estate market

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The real estate market in Cyprus is a stable asset during the economic crisis of 2023. The island state has high growth potential, a stable economy and solid prospects for foreign investors. However, some experts believe that the real estate market in Cyprus is in for some shocks in 2023.

The Parliament of the country in April 2023 passed a bill that increased the rate of VAT on real estate transactions. Prior to that, there were favorable conditions, when buying a new home from the developer, the buyer received a special VAT rate of 5% on the first 200 square meters, and the rest of the area – the rate of 19%. However, now the preferential terms are not valid. Housing was divided into categories, and the 5% rate applies to the first 90 m<sup>2</sup> for apartments and 170 m<sup>2</sup> for houses. All other area is taxed at a rate of 19%. These changes may affect real estate in the long term, but at the moment there is no drop in demand or price.

Overall, UN economists forecast that 2023 will see the slowest growth rates in decades at the macroeconomic level. In 2022, the combined GDP of the CIS countries shrank by 3.3%, and in 2023 the region's economy will shrink by another 1%. In addition, 2023 could be a challenging year for the global economy. The U.S. and Europe are slowing sharply, and three quarters of economic growth in 2023 will come from emerging Asian economies. There is speculation among experts that bursting bubbles in financial markets and tight U.S. policy frameworks will cause a crisis by the end of this year. However, it is difficult to predict whether a full-scale economic crisis will occur in 2023.

Against the backdrop of the falling global economy, the real estate market in Cyprus remains a stable asset and shows growth. This is due to the favorable tax and business policy of the state, which forms favorable conditions for foreign investors.

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The real estate market in Cyprus is a stable asset during the economic crisis of 2023.

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# The role of international investors

and their preferences regarding the location of the property

## Number of real estate transactions among foreigners and locals in July 2023

	Nationals of other countries	Cypriot nationals	Total citizens
Number of transactions	615	747	1362

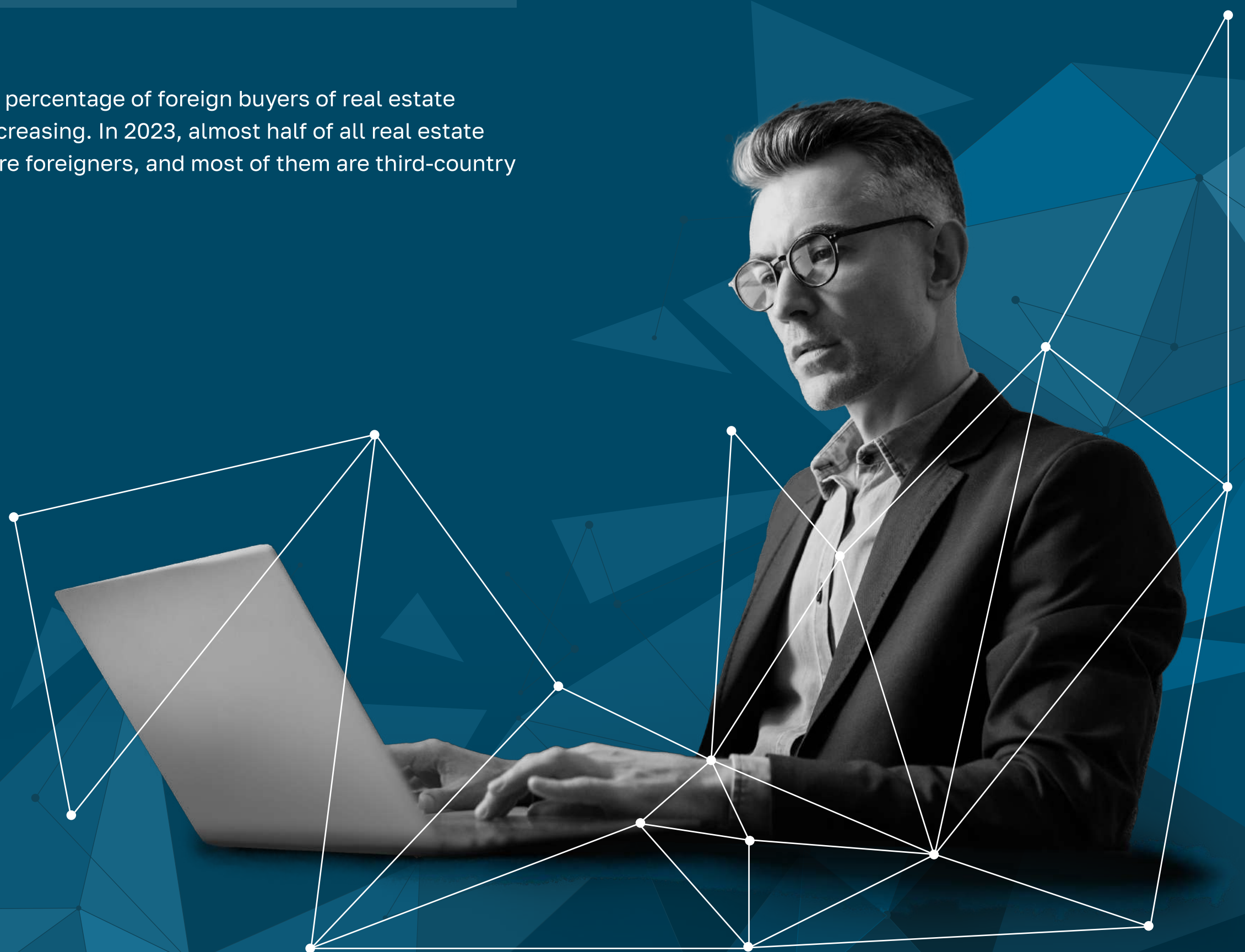
# 33%

Increase in the number of real estate transactions in Cyprus conducted by foreigners between January and July 2023, relative to the same period in 2022.

## Number of real estate transactions among foreigners from different regions in July 2023

	Third-country nationals	EU citizens
Number of transactions	436	178

Every year the percentage of foreign buyers of real estate in Cyprus is increasing. In 2023, almost half of all real estate transactions are foreigners, and most of them are third-country nationals.



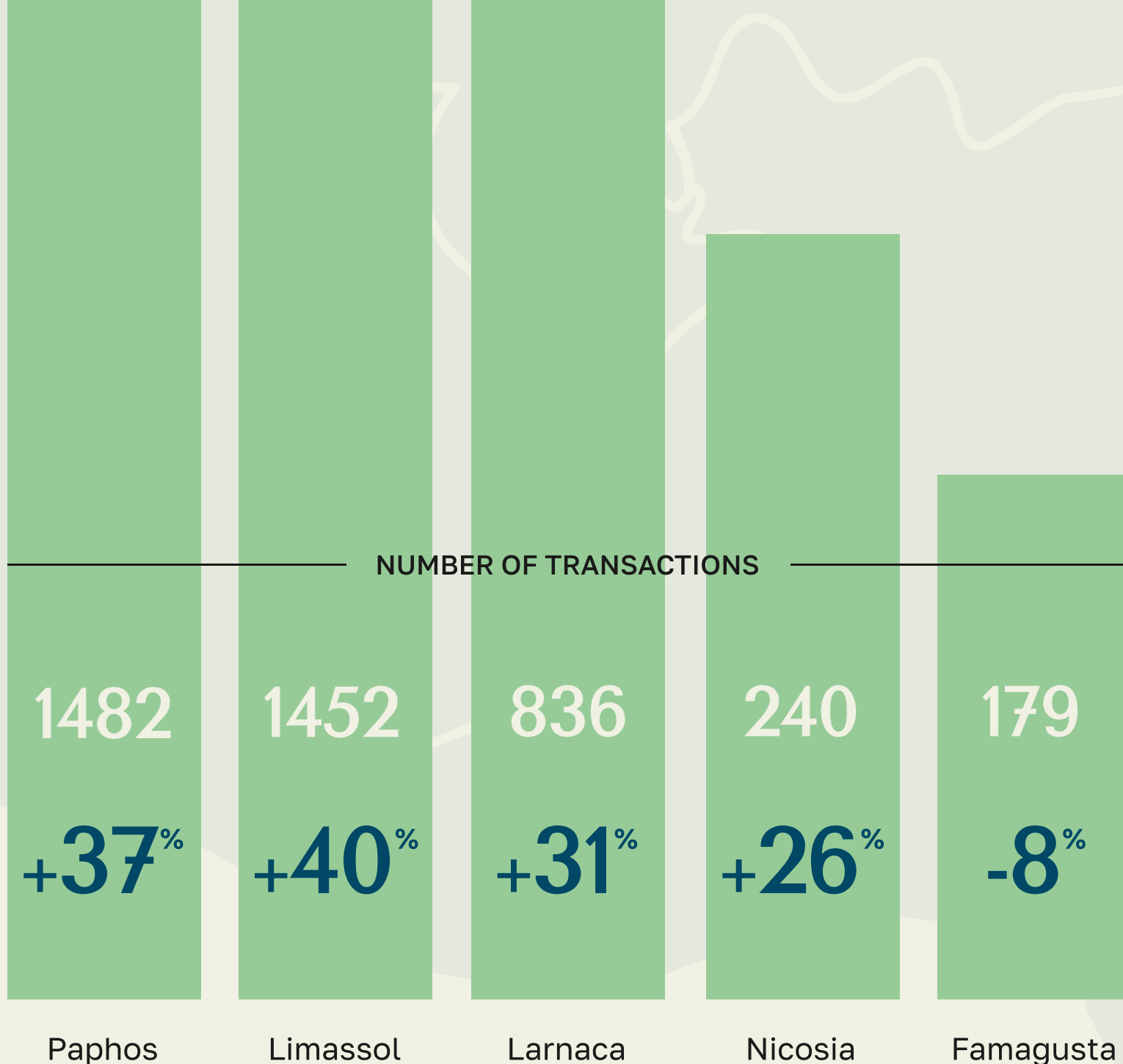


# Preferences of foreigners in choosing a city when buying real estate

The July volume of foreign investment in Cyprus real estate increased by 19% compared to the figures for 2022.

A total of 4192 properties were purchased by foreign nationals in the first half of 2023, while in the same period of 2022 - 3143.

The most attractive for citizens of other countries was the city of Paphos, followed by Limassol, Larnaca, Nicosia and the free neighborhoods of Famagusta.



The majority of foreign buyers are third-country nationals, who completed 3,044 transactions in 2023, up 83% from last year.

# Preferences of third-country nationals in choosing a city when buying real estate

Regions from which foreign nationals who bought real estate came:

 United Kingdom

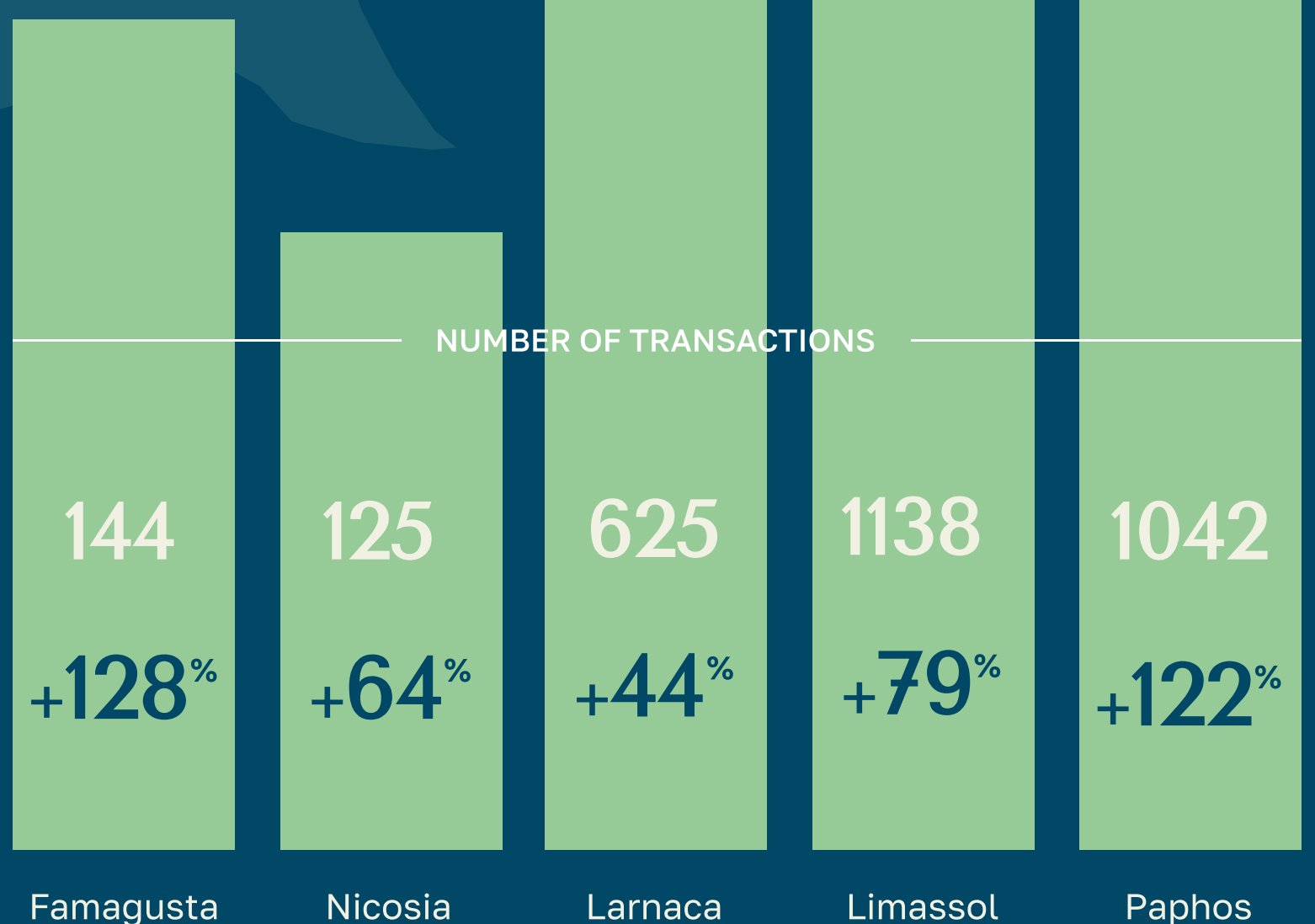
 Belarus

 Ukraine

 Israel

 Russia

 Lebanon



# New trends and innovations

## Demand for green, energy efficient real estate and the benefits of green energy efficient buildings

Environmentally friendly and energy efficient real estate is becoming increasingly popular in Cyprus. Investors and developers are responding to this trend by building new projects with environmental and energy saving standards in mind. And environmental certification and the availability of modern technology are becoming key factors when choosing a property.

The growing interest in environmentally friendly real estate in the global market is connected with the changing preferences of a new generation of investors and buyers. Millennials, whose environmental sensitivity has become a key factor, are particularly active in this issue. They realize that investing in zero-emission real estate helps reduce their environmental footprint and provides economic benefits in the long term.

Green real estate is an innovative approach to the construction and operation of buildings that aims to minimize energy and resource consumption. It typically includes the use of renewable energy sources, better insulation, efficient air conditioning and lighting systems, and a host of other technological solutions aimed at reducing the ecological footprint.

For investors, this means not only contributing to the future of the planet, but also significantly reducing operating costs. Savings on utilities, lower energy costs and long-term increases in property value make eco-friendly real estate an attractive investment. It is the perfect combination of long-term sustainability and financial gain.

### Resource savings

Green building focuses on more efficient use of natural resources such as water and energy. This reduces utility costs and the overall cost of owning and operating a property.

### Energy efficiency

Green buildings are usually equipped with modern technologies that help reduce energy consumption. This includes better insulation, efficient air conditioning and lighting systems, and the use of renewable energy sources.

### Health and comfort

Green buildings create a more comfortable and healthy environment in which to live and work. They provide good ventilation, natural light and the use of environmentally friendly materials to enhance the quality of life.

### Pollution reduction

Green buildings have lower air emissions and less impact on the environment. The use of ecological building materials and systems ensures a reduction in pollution.

### Законодательные нормы

Many countries implement strict environmental standards and laws that regulate construction. Green building helps to meet these standards and avoid fines and penalties.

### Increased cost

Green buildings typically have a higher market value and retain their value over time. This makes them attractive to both investors and buyers.

# Sources

SPM Real Estate analytics system  
Central Bank of Cyprus  
Department of Land and Surveys  
Royal Institution of Chartered Surveyors

CyStat  
PwC  
KPMG  
Savills

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