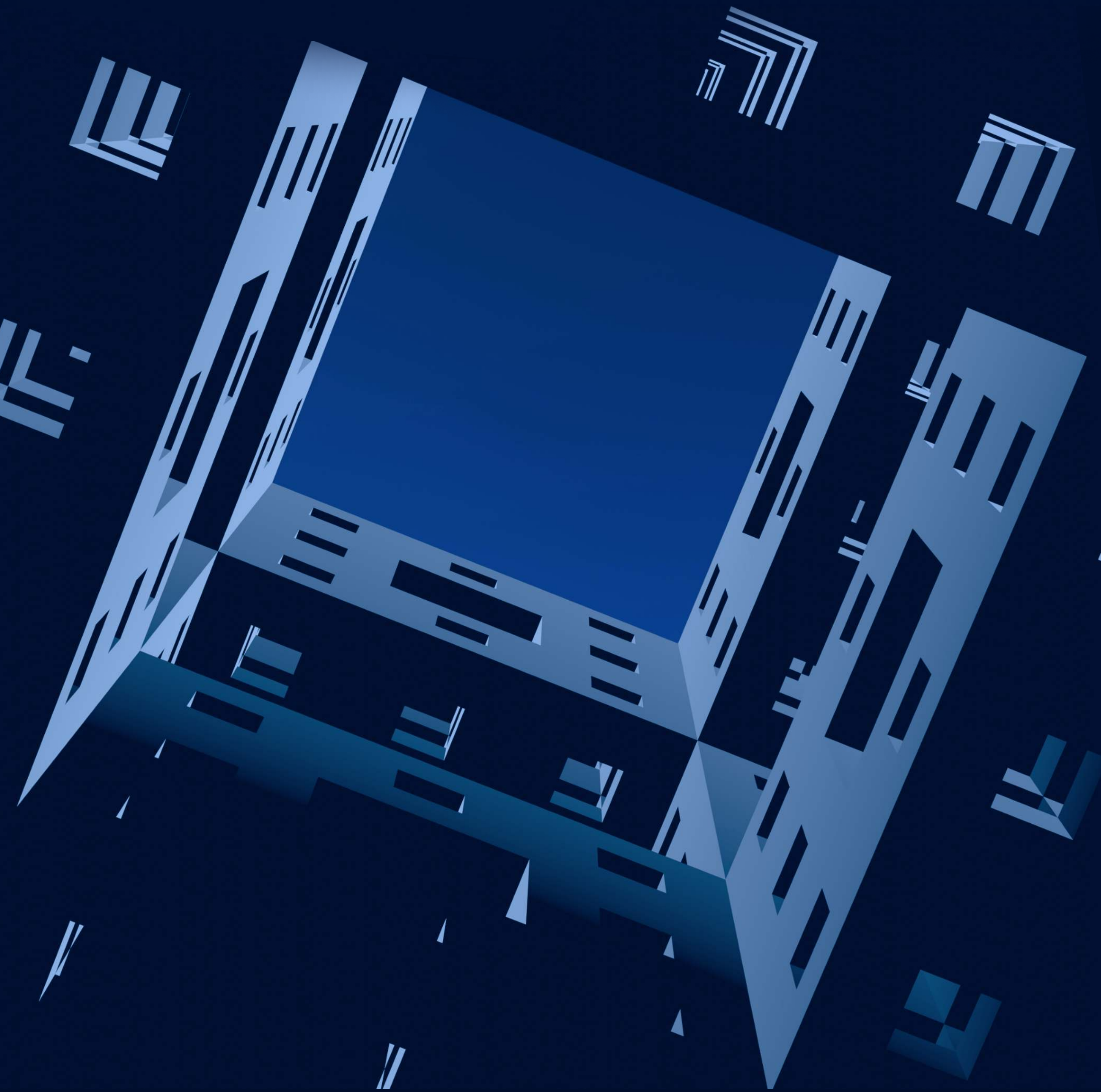


# Types of high-margin properties in Cyprus 2023

**spm**

Analysis of high yield property types, investment strategies

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

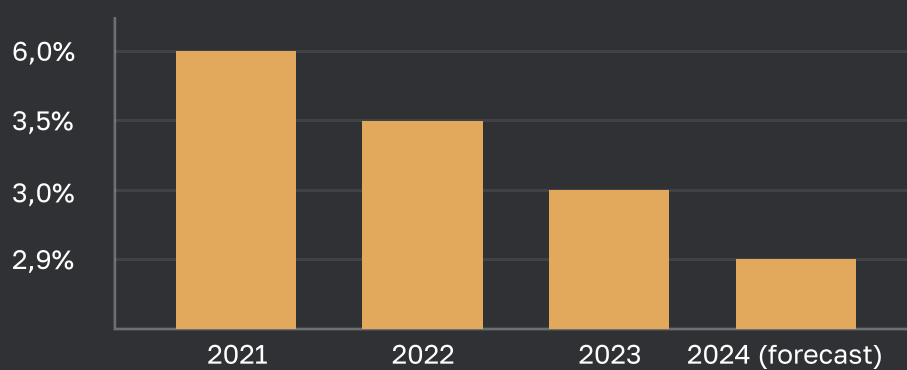


# A brief analysis of the current state of the real estate market in Cyprus in 2023

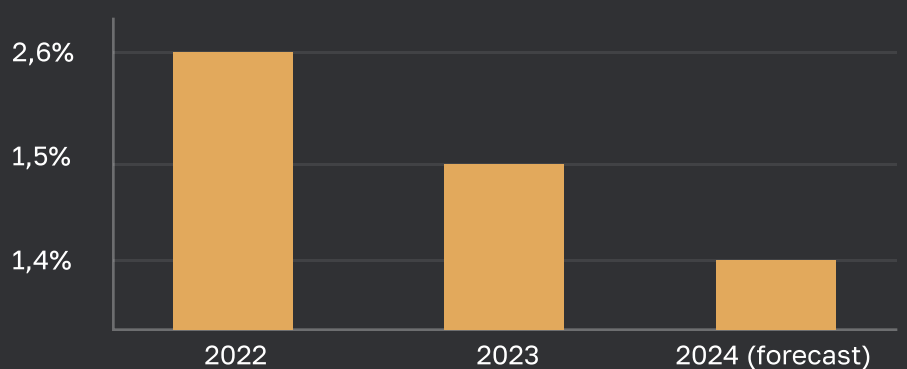
## The economic crisis of 2023 and the Cyprus real estate market

2023 has been one of the more challenging years for the global economy in recent memory. The economic crisis and military conflicts impacted both developed and developing countries, leading to trade disruptions, food and fuel price shocks, which in turn contributed to high inflation and subsequent tightening monetary policies across the globe. Global economic growth slowed from 6.0% in 2021 to 3.5% in 2022, then to 3.0% in 2023 and will further decline to 2.9% in 2024 according to the International Monetary Fund.

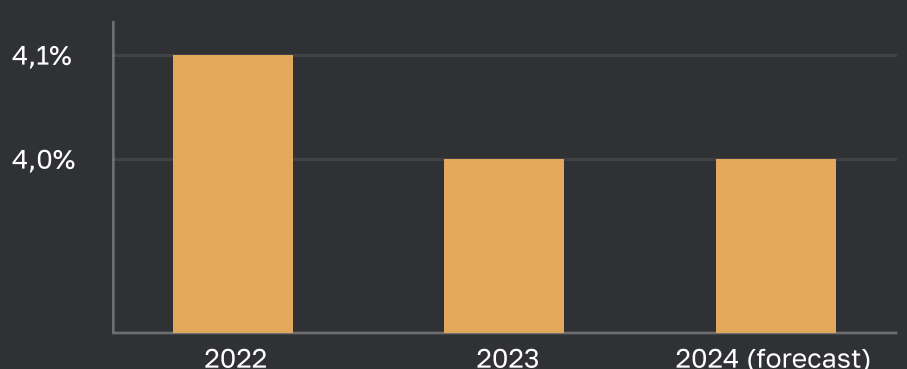
**According to the International Monetary Fund, global economic growth has slowed down**



**The impact of tighter economic policies will lead to slower growth in advanced economies.**



**Emerging and developing economies are projected to experience a moderate decline in growth.**



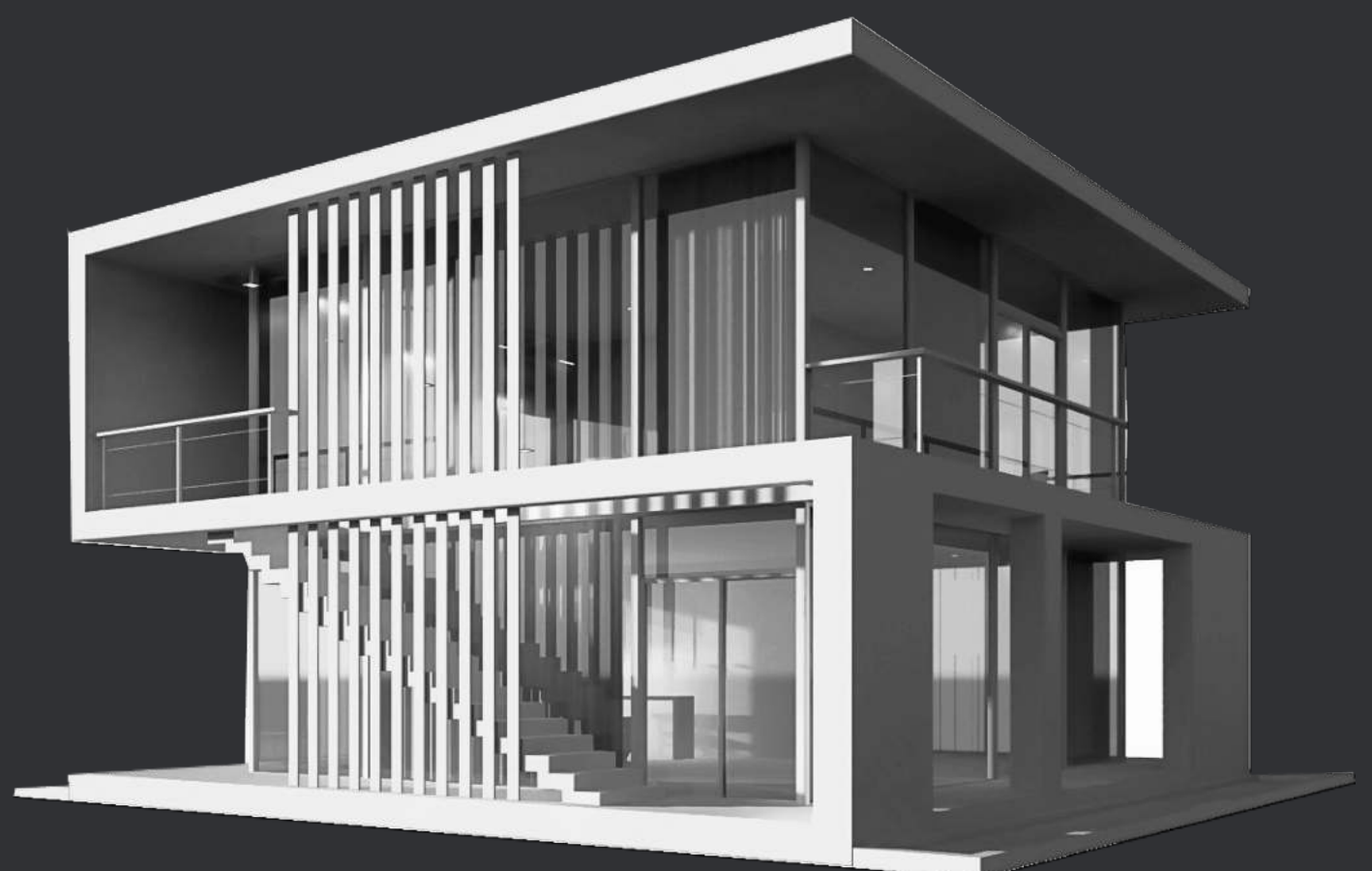
However, the macroeconomic market fluctuations in 2023 have not had such a profound impact on Cyprus. The country's GDP continues to remain stable, real estate rental and purchase prices are increasing, the real estate sector makes up 15% of the national budget, and the average ROI is a respectable 5-8% per annum. Tourist flow has already returned to pre-COVID levels, having increased by 36% year-on-year and causing an increase in rental prices. Consequently, in the current market investors can expect income of up to 15-35% per annum by renting out property during the high season.

GDP of Cyprus for the first quarter of 2023 showed a growth of 3.4%. Looking at similar countries during 1Q of 2023, GDP of Portugal grew by 2.5%, Italy - 1.9%, and Greece - just 1.3%.

It is also interesting to look at how the "Investment as percent of GDP" ratio evolved in the mentioned countries.

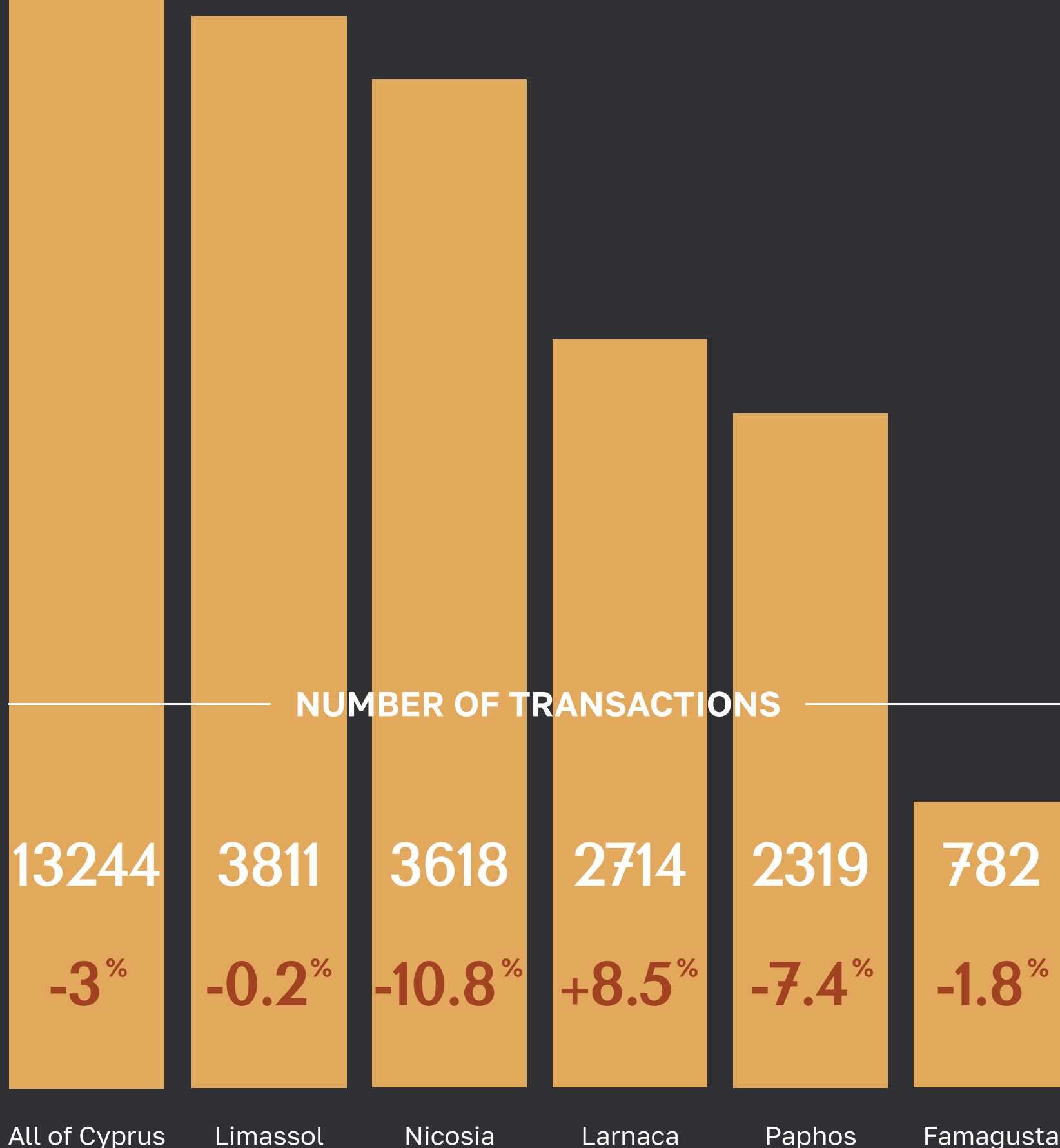
**Total investment as a percent of GDP by country**

	2021	2022	2023	2024
Cyprus	17,6%	20%	22,4%	22,5%
Greece	18,1%	21,4%	20,8%	21,7%
Italy	20,6%	21,7%	21,3%	22,1%
Portugal	20,6%	20,6%	20%	20,1%



# Number of transactions by regions of Cyprus from January to September 2022 and 2023.

The volume of real estate sales in Cyprus in 2023 increased by 12% compared to 2021 and tripled since 2015. However, compared to 2022, there is no growth in 2023 due to political and military conflicts around the world. But even a stable situation should be considered an achievement, as the global economy is unstable and markets of similar countries are falling.



**€2,82<sup>bln</sup>**

Consolidated real estate sales in 2022 (January through September)

**€2,89<sup>bln</sup>**

Consolidated real estate sales in 2023 (January through September)

**13,658**

Total number of real estate sales transactions in 2022 (January through September)

**13,244**

Total number of real estate sales transactions in 2023 (January through September)

During the year, there were bursts of activity in the market in comparison to the previous year. For instance, in July 2023, there were 1,588 property transactions, which is 4.6% more than July 2022. The total value of properties sold in Cyprus in 2023 before July was over €374 million, which is 14% more than the first half of 2022.

The overall trend, which started in 2015, shows an annual increase in the Cyprus real estate market which continues into the current year. However, comparing 2022 and 2023 (Jan-Oct) we consider the market as stable - the number of real estate transactions in 2023 fell by only 3%, while the amount of cash volume of real estate sales transactions increased by 2.5%.

From January to May 2023, the average property value went up by 10% compared to the same period of last year. This increase is partly explained by the fact that in 2022, overall space being built decreased by 15% compared to the previous year. Also, the cost of construction materials went up by 5.78% in 2023 (Jan-Jun) compared to the same period in 2022.

# 10%

Property price increase in 2023

# 5,78%

Reduction of construction volume in 2023

# 15%

Construction material price index increase

Despite these fluctuations, the real estate market in Cyprus is stable, with a main focus on premium properties. This is due to several reasons:

- ✓ The cost of building materials in Cyprus in 2023 increased, which also led to an increase in real estate prices.
- ✓ Russian citizens were the largest group of foreign property buyers in Cyprus in the first two months of 2023.
- ✓ The premium real estate market in Cyprus includes houses priced from €500,000 and apartments priced from €200,000.
- ✓ Demand for real estate in Cyprus is high, including demand from foreign investors.

In 2023, Cyprus is seeing an increase in real estate prices and this trend continues. Here are some of the property types that can offer high returns:

- ✓ Residential real estate is showing an increase in prices along with the recovery of the tourism sector after the pandemic. Apartments in Cyprus are bought twice as often as houses or townhouses. The average cost of an apartment in Cyprus (primary and secondary market) is €235,000.
- ✓ Properties located close to beaches and tourist sites usually have greater potential for high rental yields and growth in value.
- ✓ Those who expect high margin investments in Cyprus are advised to look at luxury residential properties and commercial properties in tourist areas.
- ✓ Investment properties during the construction phase - off-plan properties sell for 15-30% more after construction is complete.

Thus, the Cyprus real estate market in 2023 will be stable with an emphasis on properties priced €350,000 or more.

The property market in Cyprus is not expected to decline in 2023. Its main focus will be urban areas and properties located near infrastructure projects, transportation lines and schools, due to the mass relocation of foreign nationals who moved here permanently and desire to live near infrastructure.

# Residential real estate

## Estimating demand and ROI

Despite a slight slowdown in the market, residential real estate in Cyprus in 2023 continues to be in demand and offers high returns. Limassol is still the most popular city, with steady growth in demand and residential property prices. Investors can expect high ROI when buying apartments in the city center, villas on the coast and commercial real estate - from 6-8% per annum when renting out the object for long-term rent and up to an incredible 20-30% per annum for short-term rentals in the hot season or when reselling the object after completion of construction. Buying land in Cyprus for construction is also a promising investment option in 2023.

### Demand

Property in Cyprus is popular with foreigners: they bought more than half of all apartments and houses sold in 2023. Demand among foreign buyers increased 1.5 times compared to last year. Sales of apartments and houses account for 70% of the real estate market by value.

### ROI

Rental yields average 8.5% per annum on the value of the property. Rents for apartments are up 20% for Q1 2023 compared to last year.

### Prices

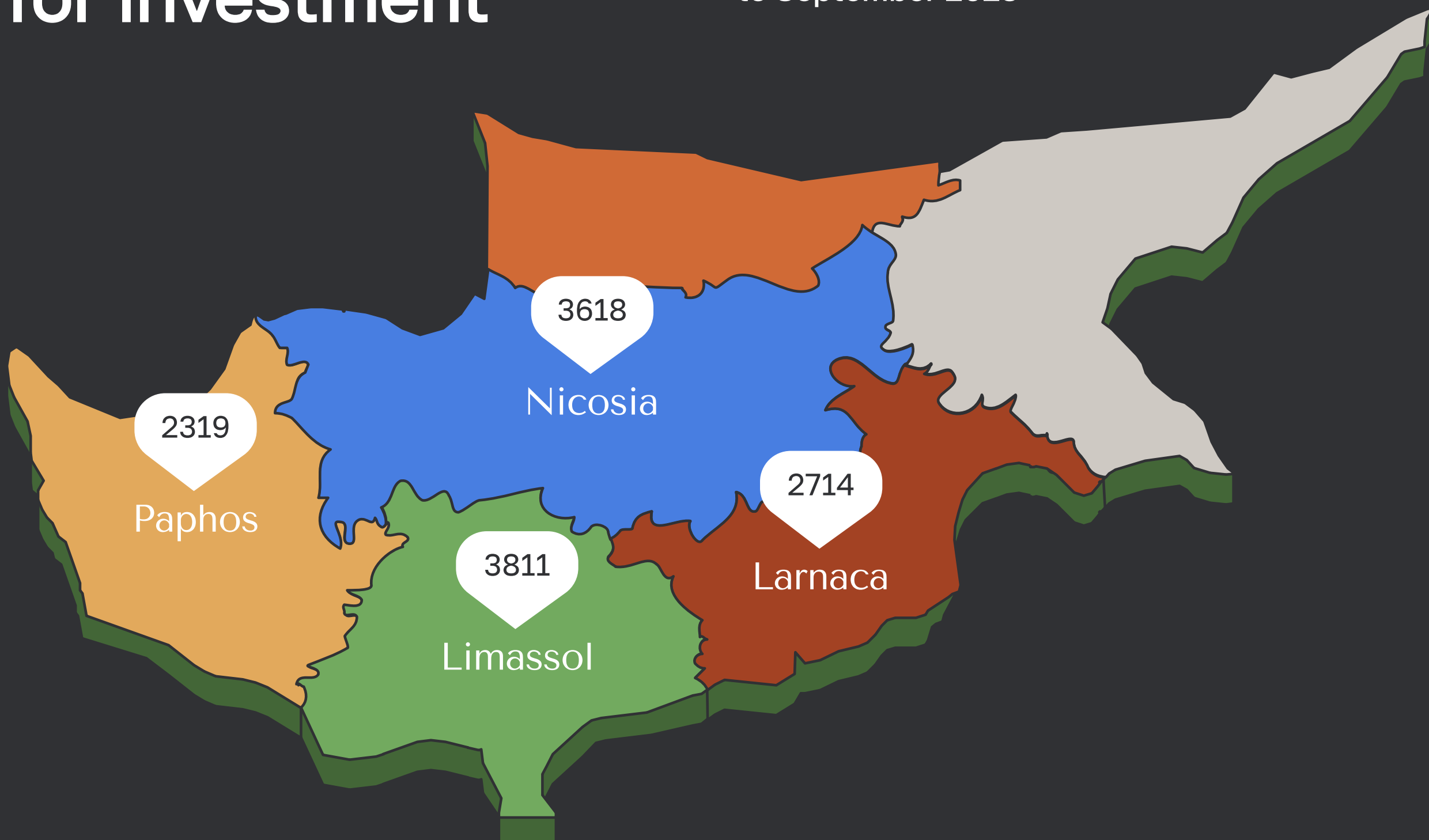
Cypriot house and apartment prices increased by 3.5% for 2022 and continued to increase in 2023, up 6% for the first quarter. Annual growth for 2023 is expected to be 7.7%. Notably, last year's 2022 real estate price increases were driven primarily by higher building material costs, but this year's increases are causing increased demand.

### Supply and Demand

Demand in 2023 remains strong and construction volume is gradually increasing. As of September 2023, there are many off-plan properties on the market waiting for investment to start construction.

## Overview of regions for investment

Number of sales on the real estate market in different regions of Cyprus from January to September 2023



# Cyprus regions and real estate

## Overview of residential real estate in the regions

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Limassol is the most popular region in Cyprus for residential real estate investment. There has been a steady growth in the residential real estate market here, with property prices continuing to rise in 2023.

Some of the most attractive areas for real estate investment in Limassol include the Historical Center, Neapolis and Agios Tychonas. Investors can choose from different types of properties to invest in, including apartment buildings under renovation, luxury villas and penthouses near the marina, boutique hotels and newly built properties.

The minimum price per square meter starts from €1,560, the average price is €5,000 and the maximum is €19,000.



Here you can find properties of different types and classes including apartments, villas and commercial properties.

Larnaca is a popular city for businesspeople to meet and negotiate, as it is the air gateway of Cyprus, receiving flights from all over the world.

Promising areas for investment are Kato Larnaca near the harbor and waterfront, as well as Harbour and Mackenzie near the tourist locations.

The minimum price per square meter starts from €980, the average price is €2,740 and the maximum price is €7,900.

# Cyprus regions and real estate

## Overview of residential real estate in the regions

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Paphos is also a popular region for residential real estate investment in Cyprus. Here you can find properties of various types and classes, including luxury apartments, villas, townhouses and business centers.

Some of the most attractive areas for investment are Kato Paphos, which includes the tourist promenade and harbor, and Universal, which is a luxury development with swimming pools and attractive architecture.

The minimum price per square meter starts from €1,000, the average price is €3,140 and the maximum is €14,500.



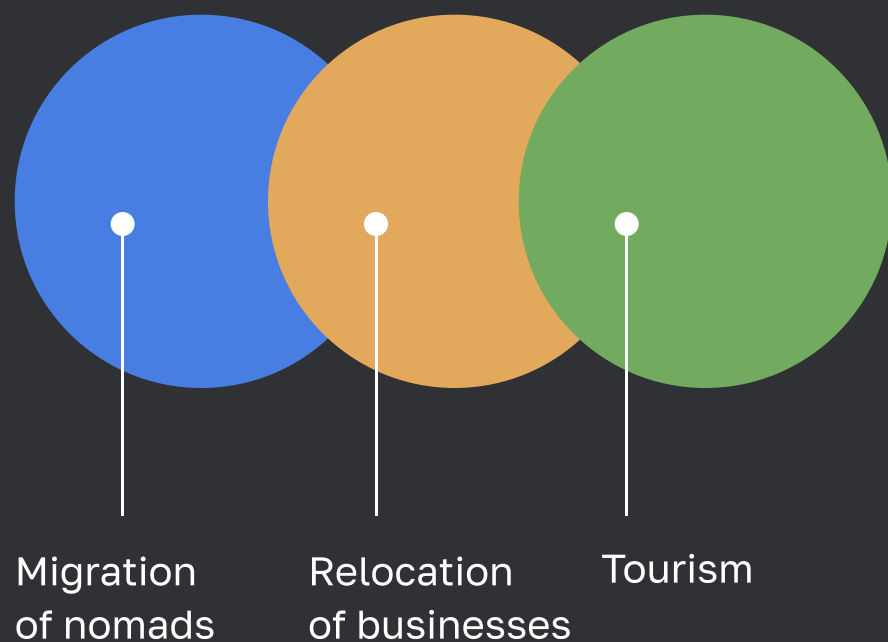
Nicosia is the capital of the island and its population is primarily Greek-speaking Cypriots. Real estate demand, too, is dominated by the local population. Apartments, especially inexpensive ones, are in demand, because the city is home to many universities, which creates a high demand for student housing.

The minimum price per square meter starts at €1,430, the average price is €2,330 and the maximum price is €4,700.

# Commercial real estate

## Commercial real estate investment analysis

Demand for commercial real estate is driven by three factors:



**Migration of digital nomads who need access to co-working spaces and innovation hubs.**

In 2023, Cyprus increased the number of visas for digital nomads from 100 to 500 per year. However, by August 2023, all 500 visas had already been issued. Most of them were granted to Russian citizens, many of whom chose Larnaca as an ideal place to work remotely.

**Relocation of foreign businesses to Cyprus and the creation of companies in need of office space, including business centers.**

According to the Cyprus Statistical Service, more than 6,000 new companies were registered on the island between January and June 2023. In August 2023, the number of company registration applications filed amounted to 1,012, an increase of 42.5% compared to the previous month.

**Increased tourist flow, which increases the demand for tourist real estate - hotels, resorts, apartments and villas by the sea.**

Tourist traffic has almost returned to pre-Covid levels and by August 2023 was already 32% higher than the same period of the previous year 2022.

## Types of commercial real estate with high yields

### Apartments and villas

In tourist areas adjacent to the beach are in high demand. This is due to the high price of rentals on such properties - they offer ROI from 8% (long-term) to 15-30% (short-term rentals during the high season).

### Offices and business centers

Are in demand in Limassol, Nicosia, Paphos and Larnaca. As expected, buyers favor downtown areas of each city, as well as beachfront areas in Limassol. ROI 5-10% per annum.

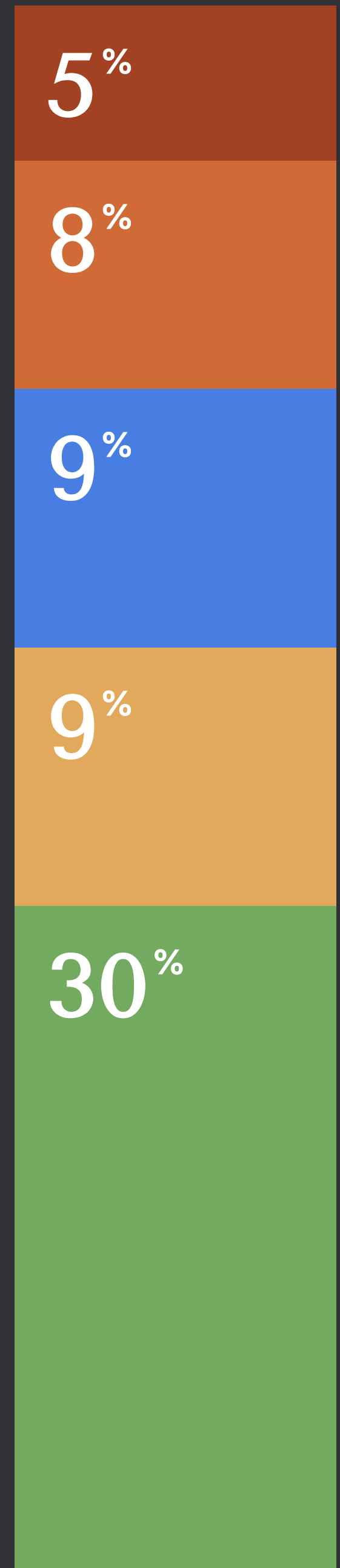
### Distressed Properties

These are resale properties in need of repair and renovation. They offer the highest margins in Cyprus. Two pathways are available for investors: property flip + quick sale to exit the investment (30-70% margin depending on your cost basis, total renovation cost and final property price when selling) AND property flip + rental (works well to provide long-term profits in the 9-23% per annum range).

### Hotels and apart-hotels

Continue to attract investors. This demand is correlated with ever-increasing tourist traffic. The hottest areas are resort town coastal strips (Limassol, Paphos and Larnaca). Small resort towns of Ayia Napa, Polis and Protaras, as well as some locations in the interior of the island, such as Troodos Mountains villages, protected natural habitats and green areas with golf courses, are also much-in-demand. ROI 9-13% p.a.

- Apartments and villas
- Distressed Properties (sale)
- Distressed Property (rent)
- Offices and business centers
- Hotels and apart-hotels



Average ROI by types of commercial real estate properties



# Tourism real estate

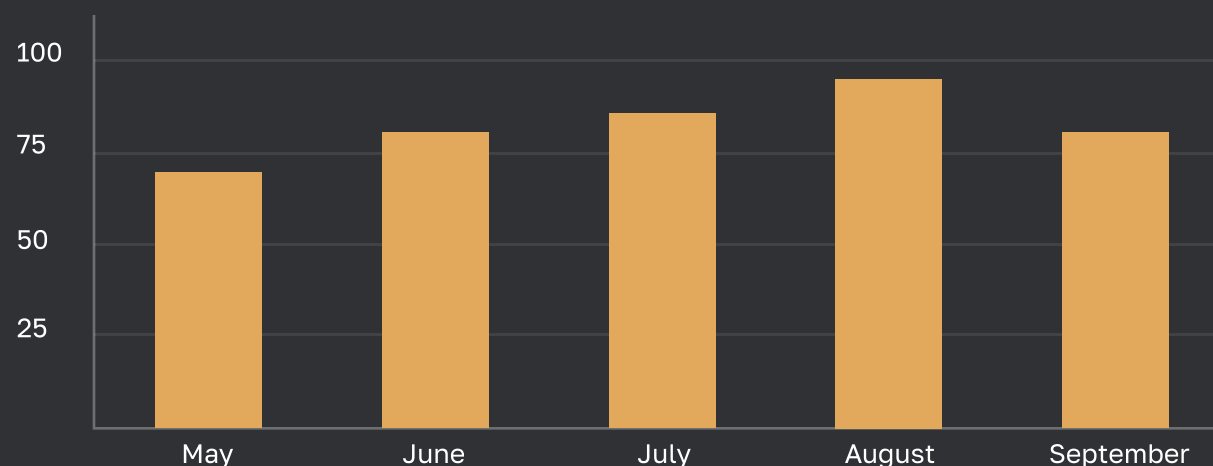
## ROI and prospects in the tourism real estate industry

Due to the mild climate, Cyprus offers arguably the longest vacation season in Europe. Therefore, rental properties here are popular with tourists from May to October. During this time, the demand is high for short-term rental villas and apartments on the coastal strip, as well as for hotels and hostels boasting a great occupancy rate. For instance, in 2023 the average monthly occupancy rate for hotels is about 80% during the high season.

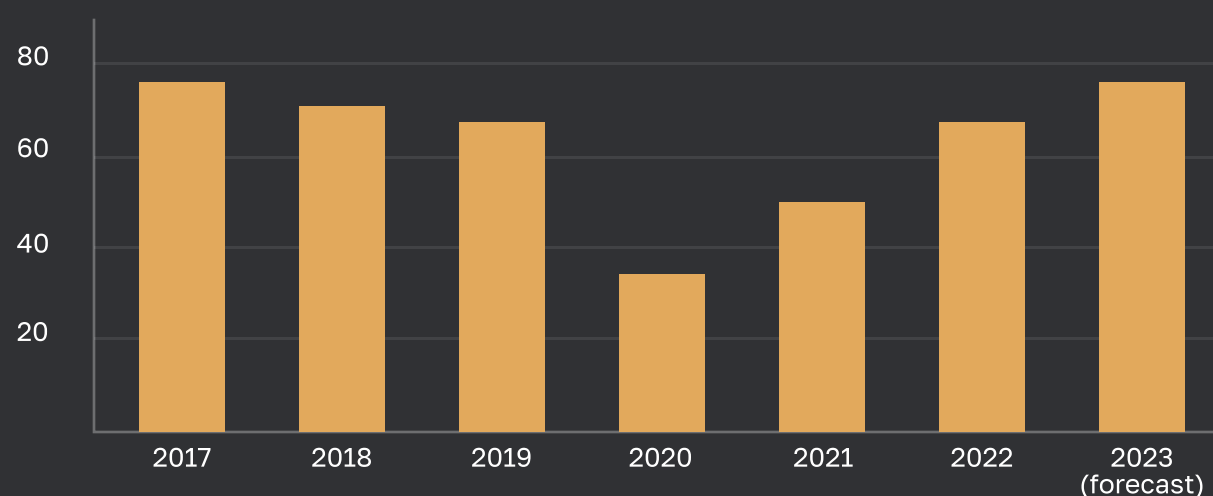
Until 2023, we observed peak numbers for the number of tourists and highest occupancy rates back in 2017. These numbers sharply declined in 2020 during the COVID-19 pandemic and the corresponding restrictions on tourism activities. From 2021 onwards we see a gradual recovery and expect the number of 2023 tourist arrivals to Cyprus return to pre-pandemic levels.

Thus, the country has experienced unprecedented and consistent economic growth due to the growth in tourism and emergence of numerous infrastructure and real estate development projects. These revitalized the economy and the real estate market, promoting tourism.

Hotel occupancy rate in Cyprus by month in 2023, in %



Hotel occupancy rate in Cyprus from 2017 to 2023, in %



The definition of the most lucrative tourist real estate property can vary depending on factors such as location, property type and market conditions.



### Location-oriented properties

Properties in certain cities or regions may offer high margins due to high demand and limited supply.



### Demographics-oriented properties

Properties tailored for specific demographic groups, such as students or retirees.



### Short term rentals

In recent years, short-term rentals and vacation properties have proven to be highly profitable due to high demand and the ability to generate significant cash flow.



### Hotel business

The popularity of Cyprus among holiday-goers means that the occupancy rate is always high, so properties such as hotels, apart-hotels, resorts and hostels always offer lucrative returns.



### Escape resorts

The demand for escape resorts by travelers is steadily increasing, as most holiday-goers prefer eco-friendly vacations (according to one study, this number is currently 55%). By 2030, this number is expected to triple. Escape hotels can bring in ROI from 15 to 19% per annum.

### Return on investment in tourist real estate

	Entry cost (mln €)	Average annual ROI
Hotels, apart-hotels	OT 1,5	OT 7%
Hostels	OT 1	OT 8%

# Cyprus regions suitable for tourism sector investments

Notable tourism trends attractive for investment in 2023

## Health and wellness tourism

The island has all the prerequisites available for further tourism development. It offers great potential for investment in several niche areas. Because of the current shortage of clinics and wellness centers in the country, the local government is getting actively involved in promoting investment and implementation of such infrastructure projects.

## Luxury lifestyle tourism

Cyprus is visited by tourists from everywhere, including visitors from other European countries (over 80% of them coming from Northern, Western and Eastern Europe, including the UK). Visitors from the UK make up 28.8% of all tourist arrivals to the island, followed by visitors from Russia. The rest come from Poland, Ukraine, Greece and Germany.

## Sports tourism

Cyprus is becoming a go-to destination for many more professional sports teams, which offers great potential for investment. For example, athletes from the UAE come to Cyprus to prepare for domestic competitions, as the weather in their country is incompatible with effective training.

Investing in Cyprus' tourism sector can be a lucrative venture considering the country's strategic location at the crossroads of Europe, Asia and Africa.

 United Kingdom

 Russia

 Poland

 Greece

 Ukraine

 Germany

Countries of origin tourists to Cyprus in 2023

Cyprus is visited by tourists from everywhere, including visitors from other European countries (over 80% of them coming from Northern, Western and Eastern Europe, including the UK). Visitors from the UK make up 28.8% of all tourist arrivals to the island, followed by visitors from Russia. The rest come from Poland, Ukraine, Greece and Germany.

# Overview of Cyprus regions for investment in tourist real estate

## Paphos

This city is located on the west coast of Cyprus, distinguished by rich history and natural beauty, and offers great potential for development. The real estate prices here are 1.5 times lower than in Limassol. A major university operates here - Cyprus University of Technology. The municipality already issued permits for developing high-rise buildings and a tender for the construction of the largest marina of the island is underway. Boutique hotels and aparthotels are in demand in the region, bringing 10-11% ROI.

Investment budget – €200,000-€15,000,000

## Larnaca

Larnaca is the transportation center of Cyprus. It is home to an international port and the country's largest airport. In 2020, the Larnaca authorities attracted €1.2 billion for the reconstruction of the coastal infrastructure. The city is building 20 km of modern promenade, sports areas, restaurants, hotels, a terminal for receiving international liners, as well as a new marina. Apart-hotels are now the most sought-after for investment.

## Limassol

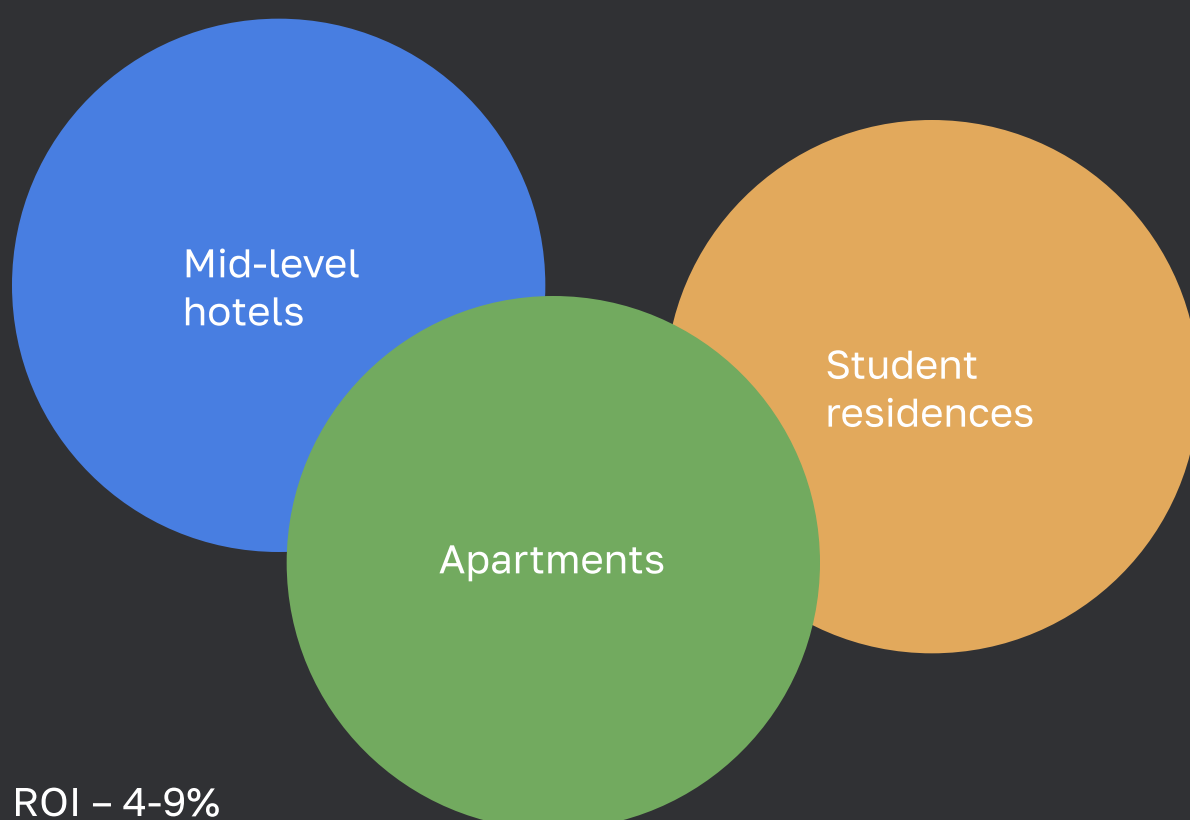
The business center of Cyprus, the largest city after the capital. Real estate in Limassol is in maximum demand. Commercial real estate investing is easily the most liquid category because demand far exceeds supply. Relevant investments in residential real estate budget format costing from €500,000.

The largest resort hotel with a casino in Cyprus has now opened in Limassol. The investment value of City Of Dreams Mediterranean Casino Resort is €650,000,000. According to government estimates, this resort will bring up to €700,000,000 annually to the island's coffers, which is 4% of the total GDP of the Republic of Cyprus.

### Return on investment

	Residential and tourist real estate (ROI)	Distressed Properties (ROI)
Paphos	4-12%	15-20%
Limassol	от 4%	до 70%
Larnaca	4-7%	30-70%

### Attractive investment projects



## Ayia Napa

A resort town on the south-eastern coast of the island. It doesn't cost a lot to spend a few vacation days here. It gets plenty of young visitors, and a total annual number of tourists is about 1.5 million a year. Mid-level hotel construction is booming, and many inexpensive apartments and villas are being built here. In the near future it is planned to build a campus of the University of Nicosia and a large campus for student housing. This will make the resort a lot more active during the winter off-season period.

The Ayia Napa Marina has now been completed and is expected to make a huge contribution to the development of maritime tourism in Cyprus. Its opening will bring significant economic benefits locally and internationally, as well as increased demand and price for premium apartments in the complexes within the marina.

# Investment property

## Advantages of investing in real estate in Cyprus

### Permanent residence permit

Following a real estate purchase of €300,000 plus VAT, the investor, his/her spouse and dependent children receive permanent residence status within 2 months of the transfer of funds. Permanent residence in Cyprus is valued for a high standard of living, offering simplified taxation and a number of tools for business optimization.

### High yield

Just as in recent years, return on real estate in Cyprus is one of the highest and most stable of all European countries - an average of 5-8% per annum. Prices for Cypriot real estate grow annually by 1-4% and what is more, net rental income in most cases exceeds the mortgage rate.

### English legal system

The country is governed by English law and has a strong legal framework that harmonizes with the EU laws. The protection of private property is paramount to safeguard the interests of residents.

### Excellent choice of properties

Cyprus offers investors a wide range of properties including commercial real estate, luxury homes, spacious apartments and infrastructure projects to suit different budgets and needs.

### Tax advantages

Real estate investors in Cyprus can expect a number of tax incentives including low property taxes, no inheritance tax and reduced capital gains tax.



# Investment property

## Types of investment projects and ROI

### Residential real estate



#### Villas, houses

##### Benefits

Demand for short-term rentals from tourists and long-term rentals from locals

##### Entry cost

from €220,000

##### ROI

from 5-7%



#### Apartments and flats

##### Benefits

Stable high demand for rentals, extensive choice of options near the sea with higher prices

##### Entry cost

from €200,000

##### ROI

from 5-8%

### Tourist real estate



#### Hotels, aparthotels, boutique hotels

##### Benefits

Stable tourist flow, possibility of year-round rentals, support from travel agencies

##### Entry cost

from €1,500,000

##### ROI

from 7%

##### Average return

9-15%



#### Hostels

##### Benefits

Year-round high demand from budget travelers and occupancy rates close to 100%

##### Entry cost

from €1,000,000

##### ROI

from 8%

# Investment property

## Types of investment projects and ROI

### Commercial real estate



#### Office spaces, business centers

##### Benefits

Stable demand from businesses and new foreign residents, especially in large cities

##### Entry cost

from €800,000

##### ROI

from 5%

##### Average return

5-15%



#### Innovation hubs

##### Benefits

Buying shares of the company-owner of the hub, no more than a few investors per facility

##### Entry cost

from €1,000,000

##### ROI

from 5-11%

##### Average return

15-30%



#### Shopping malls

##### Benefits

There is a limited need for new shopping centers. Demand is fully satisfied by the malls available today

##### Entry cost

from €220,000

##### ROI

from 5%



#### Industrial facilities

##### Benefits

Excellent logistics infrastructure supporting a steady demand for industrial sites

##### Entry cost

from €2,500,000

##### ROI

from 8%

# Investment property

## Types of investment projects and ROI

### Infrastructure properties



Health care facilities, nursing homes, wellness-centers

#### Benefits

Steady demand for medical services, especially from foreign patients

**Entry cost** from €10,000,000      **ROI** from 5%

**Average return**  
14-15%

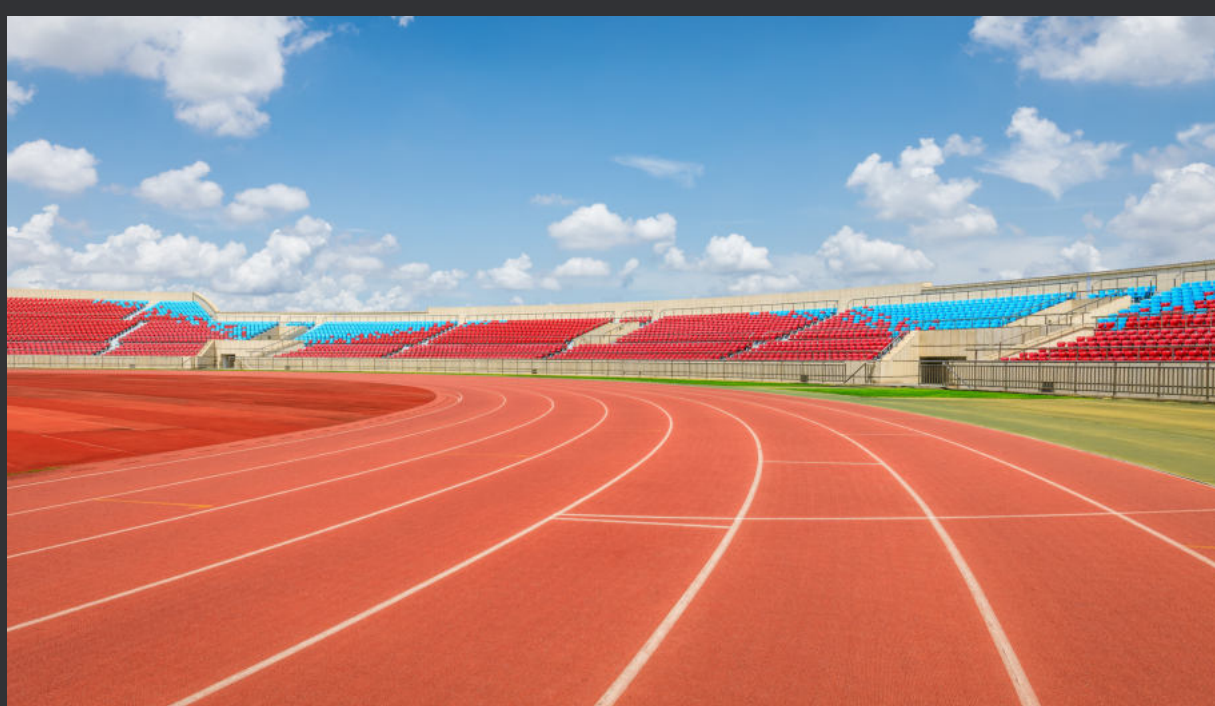


Kindergartens, schools, universities

#### Benefits

Steady long-term demand from foreign students and children of foreign relocants, the number of which is growing annually

**Entry cost** from €6,000,000      **ROI** from 8%



Training facilities, sports stadiums

#### Benefits

Active lifestyle and sports are becoming trendy. There is a growing interest from sports teams based in countries whose climate is unfavorable for effective training process

**Entry cost** from €1,500,000      **ROI** 8-12%

**Average return**  
9-25%

### Distressed Property



Secondary real estate for renovation

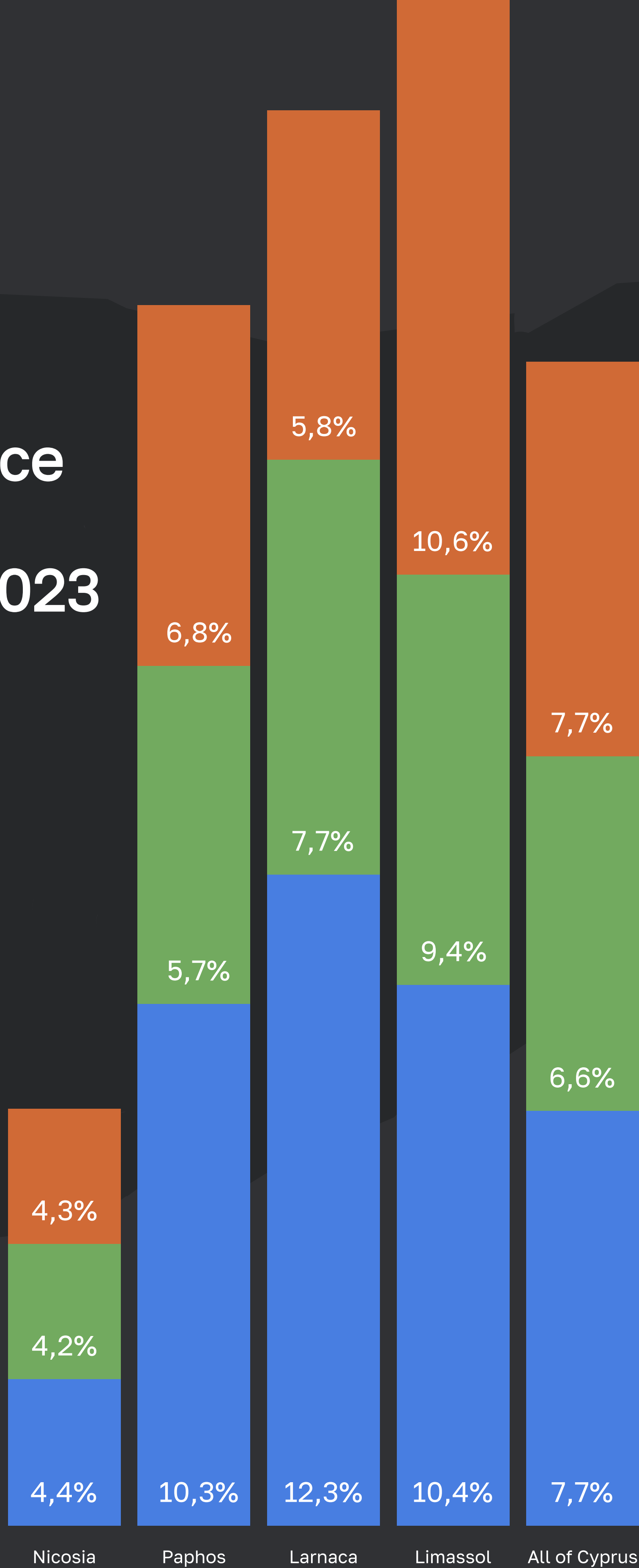
#### Benefits

High profits are expected here. Investors receive high returns and an option to renovate and rent out or sell the property

**Entry cost** from €200,000      **ROI** from 30 to 70%

# Real estate price fluctuations from 2022 to 2023

- Apartments, flats
- Villas, houses
- Residential real estate








# Recommendations on long-term and short-term investment strategies


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## Long-term investment strategies

-  **Investing into developing areas**

Regions with high growth potential can provide opportunities for significant investment and growth in property values over time. These include Ayia Napa, Protaras, Polis, Pomos and Paralimni.
-  **Infrastructure projects**

Investing in properties located near infrastructure projects such as airports, ports and roads can help increase property values. In Cyprus, airports are located in the cities of Larnaca and Paphos.
-  **Diversification**

Diversifying investments with different types of real estate, such as residential properties, commercial properties and tourist complexes, can reduce risk and provide a steady stream of income.
-  **Social responsibility**

Investing in social infrastructure such as medical clinics, schools and sports complexes can benefit the community and create long-term demand.
-  **Long-term lease**

Renting out property on a long term basis can provide a stable income on a long term basis. This is especially suitable for residential and commercial properties.


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## Short-term investment strategies

-  **House flipping**

The practice of buying real estate for the purpose of reselling it quickly at a profit. Prerequisites: a solid understanding of the local market and the availability resources to renovate.
-  **Renovation**

Buying real estate for the purpose of renovation and improvement. After renovation, the property can be resold or rented out at a higher price. This is the highest margin type of real estate.
-  **Buying and selling properties for profit**

The practice of buying and selling real estate with the expectation that the price will rise over time. Allows for short-term profits following a positive price fluctuation.
-  **Arbitrage**

Investing in real estate for short-term rentals, through Airbnb or similar platforms. This can generate high short-term profits.

# Sources

SPM Real Estate analytics system  
Central Bank of Cyprus  
Department of Land and Surveys  
Royal Institution of Chartered Surveyors  
International Monetary Fund  
CyStat  
CoStar

# Contacts

+357 26 020 857  
sales@spm.estate

7, Ermou, 2nd floor  
Paphos, 8046, Cyprus

