



Cyprus' Real Estate Insights

13th Edition

Key trends and major drivers of the Real
Estate Market in 2023 and 2024

November 2024

Foreword

We are pleased to present the latest edition of our real estate sector performance report, providing a comprehensive overview of the Cypriot economy and real estate market amid ongoing regional challenges, including Middle East instability and the Russia-Ukraine conflict. Despite these obstacles, the sector has shown resilience and growth in specific sectors. This report covers key economic indicators, demand and supply dynamics, price trends, and major developments, offering insights into the conditions of 2023 and mid 2024. We hope it serves as a valuable tool for your strategic decision-making, and we welcome any questions or additional requests for KPMG's tailored real estate advisory, audit, and tax solutions.

Christophoros Anayiotos

Board Member and Head of the Real Estate Industry Group

This report provides a comprehensive overview of the current state of the Cypriot economy and the local real estate market. It offers critical insights reflecting the conditions of 2023 and the first half of 2024. While uncertainties persist, the overall strong performance of the real estate sector reaffirms its adaptability and potential for growth. Through this report we aim in reinforcing our commitment to supporting clients with insights and solutions that drive informed, impactful decisions in these dynamic times.

Christos V. Vasiliou

Managing Director of KPMG in Cyprus

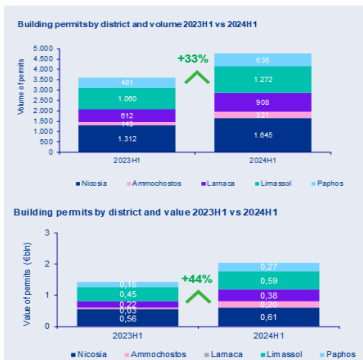
Key Insights

+44%

Increase in value of building permits issued for 2024H1 vs 2023H1, with 81% of permits related to residential projects

Permits increase by 33% in volume and 44% in value in 2024H1 compared to 2023H1

- Ammochostos has experienced a triple-digit increase of 124% in volume and 67% increase in value of permits.
- Nicosia and Limassol districts continue to account for the largest share of building permits by both volume and value, but their relative share slightly declined in 2024H1 as other districts experienced faster growth.
- Larnaca and Paphos districts saw notable jumps, with Larnaca's value increasing by 73% and Paphos by 80%, signaling expectations for rising construction activity in these areas. This suggests broad-based growth in the construction sector, with particular momentum in Ammochostos, Larnaca, and Paphos.

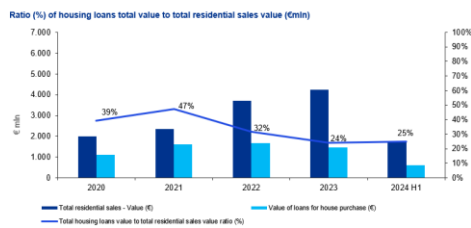


Limassol led apartment transaction values in 2023, reaching €1,8 bln and 3,053 units

Larnaca experienced remarkable growth in value at 54.9%



Cash buyers returned in the housing market after 2021



- From 2020 to H1 2024, the ratio of total housing loan value to total residential sales value experienced fluctuations, likely driven by global events, including the COVID-19 pandemic, inflationary pressures, and the Ukraine conflict
- The ratio surged from 39% in 2020 to a peak of 47% in 2021, reflecting increased reliance on financing during the pandemic
- By H1 2024, housing loan-to-sales ratios reverted to pre-pandemic norms, declining to 25%.

Varied trends across Cyprus districts, Ammochostos showing growth while others face declines in 2024H1



€1,69 billion

Total transaction value of residential assets in Cyprus during 2024H1

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Cyprus at a glance

Cyprus at a glance

Tax System

- Attractive tax regime: modern and low rates (e.g. corporate tax 12,5%)
- A huge network of Double Tax Treaties (circa 68 countries)

Legal and Regulatory framework

- Robust regulatory structure, closely aligned to the English common law legal system
- Strong protection for investment and intellectual property (IP)

Human capital

- Access to talent, youngest population and workforce in the EU, 55% of the workforce has tertiary education (*investcyprus.org.cy*)
- More than 73% of Cypriots speak English (*investcyprus.org.cy*)

Innovation

- Cyprus ranks 10th and is categorized as a strong innovator amongst 27 EU countries as per the innovation index 2024, above the EU's average and above countries such as France, Spain and Italy.

Source: EU Innovation Index 2024



Two Deep sea ports (Limassol and Larnaca)



Two International Airports (Larnaca and Paphos)



Currency: Euro (€)
(since 2008)



Political System: Presidential Democratic Republic



Memberships: EU member
(since 2004)



Official languages: Greek, Turkish



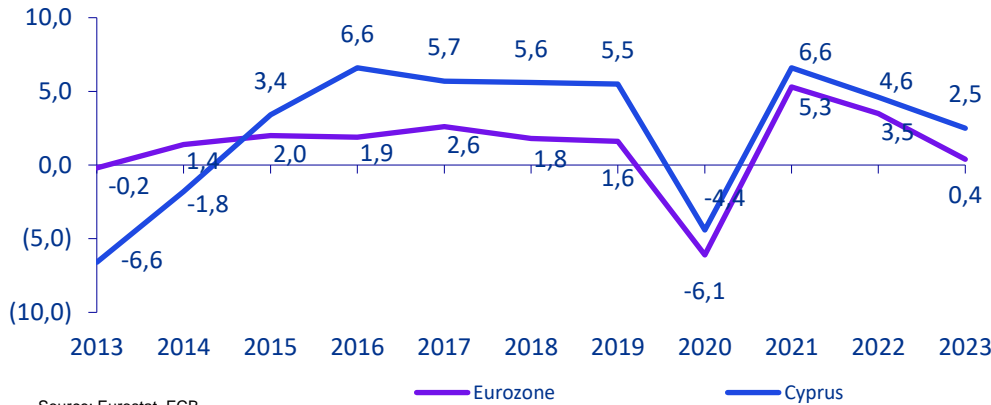
Population: 918.100
(Census 2021)



Economic overview

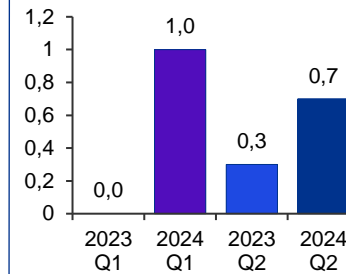
Despite the slowdown in Cyprus' GDP growth rate, it continues to outperform the Eurozone average

Gross domestic product (y-o-y % change)



Source: Eurostat, ECB

GDP growth rate (q-o-q % change)



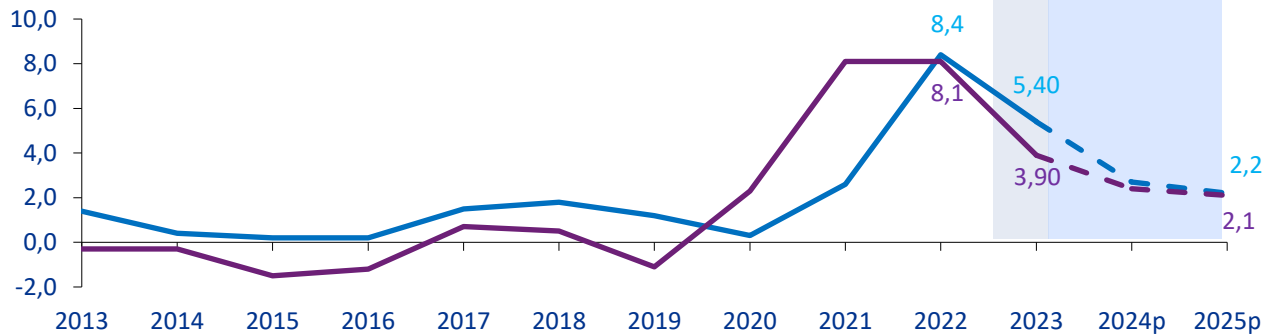
Source: CYSTAT



GDP+2,5%

- Positive GDP y-o-y growth in 2023. Cyprus' annual GDP growth rate has been consistently above the Euro area average since 2015. Data from Cystat indicates a stronger GDP performance for the first half of 2024.

Inflation (y-o-y % change)



Source: Eurostat, ECB

— Eurozone — Cyprus - - - Eurozone ECB projections - - - Cyprus' ECB projections

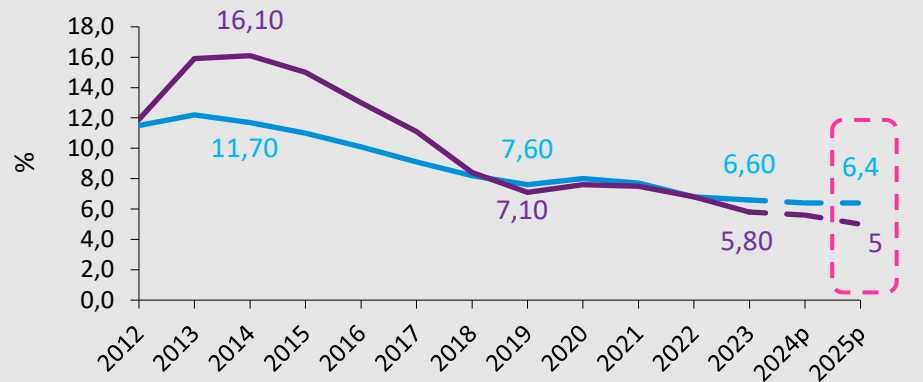


Inflation + 3,9%

- Inflation in Cyprus for 2023 stood at 3,9%, while Eurozone's average was 5,4%.
- Inflation is expected to drop to 2,7% and 2,2% in eurozone for 2024 and 2025, respectively.

Cyprus also performs better in terms of unemployment

Unemployment rate (%)



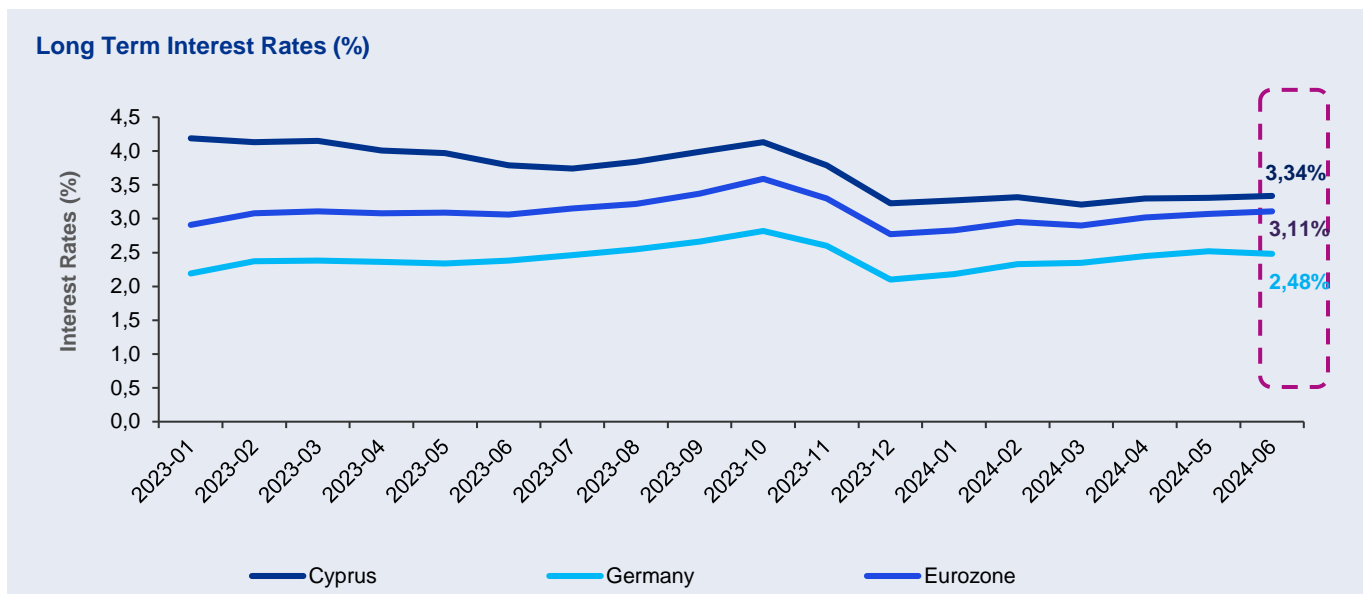
Source: Eurostat, ECB

— Eurozone — Cyprus - Eurostat forecast - - - Cyprus - Eurostat forecast - - - Eurozone - ECB forecast



- The unemployment rate in Cyprus has been steadily declining since 2022 and is projected to remain below the Eurozone average unemployment rate in 2024 and 2025.
- This trend can be attributed, in part, to the robust performance of the Cypriot economy, which continues to create new employment opportunities.

Cyprus ratings of long term debt at BBB+ with positive outlook



Credit ratings

- Fitch latest ratings, upgrade the long term debt to BBB+ and changed the outlook to “positive”.
- Report stresses out that the rating upgrade reflects improved fiscal stability and reduced banking risks.

Cyprus Bond Yields

- The average long-term return on Cyprus government bonds decreased further between January 2023 and June 2024, dropping from 4,19% to 3,34%.
- During the same period, this return was 0,23 basis points higher than the Eurozone average.

DBRS	
Long term debt	BBB (high)
Short term debt	R-1(low)
Outlook	Positive
Latest evaluation	20/09/2024
Next evaluation	22/03/2025

Fitch	
Long term debt	BBB+
Short term debt	F1
Outlook	Positive
Latest evaluation	07/06/2024
Next evaluation	06/12/2024

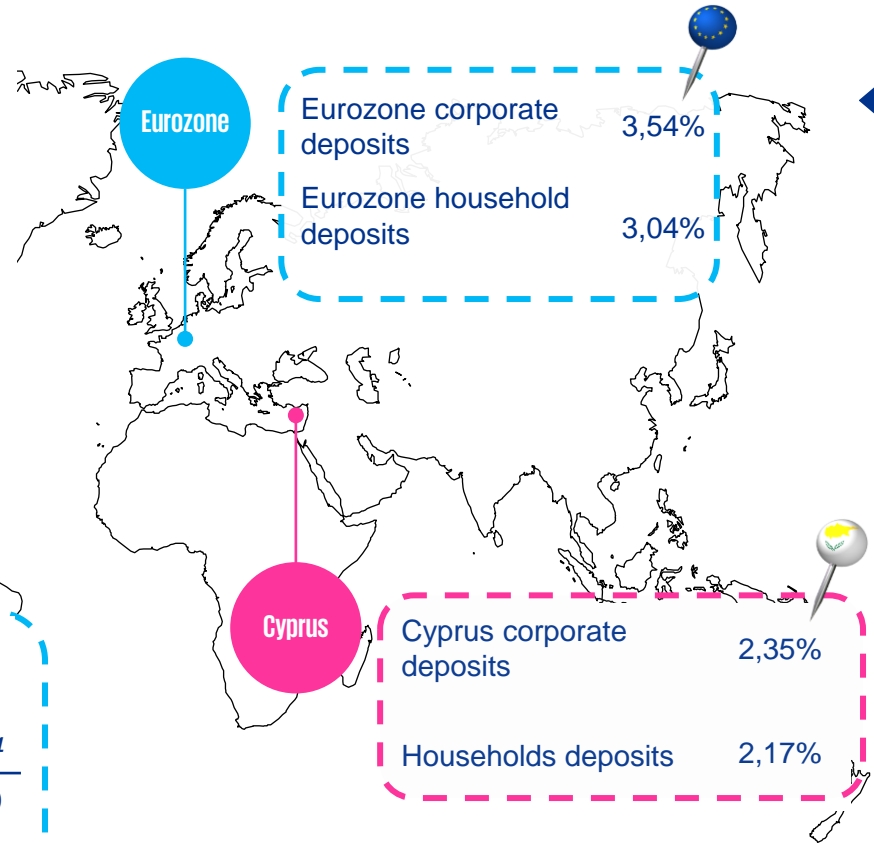
Moody's	
Long term debt	Baa2
Short term debt	(P)P-2
Outlook	Positive
Latest evaluation	24/05/2024
Next evaluation	22/11/2024

Standard & Poor's	
Long term debt	BBB+
Short term debt	A-2
Outlook	Positive
Latest evaluation	14/06/2024
Next evaluation	13/12/2024

Source: DBRS, Fitch, Moody's, S&P, Eurostat

Interest rates for both loans and deposits across Europe continued their upwards trajectory

- Both household and corporate loan interest rates have increased since 2023 across Europe.
- Loans to Cypriot corporations are still more “expensive”, compared to their Eurozone counterparts.
- The interest rate spread between loans and deposits has been reduced in Cyprus for both households and corporations. However, Cypriot Banks are still enjoying a higher spread than the Euro area average. More specifically there is a spread of 0,57% in Household loans and 1,76% in Corporate loans.

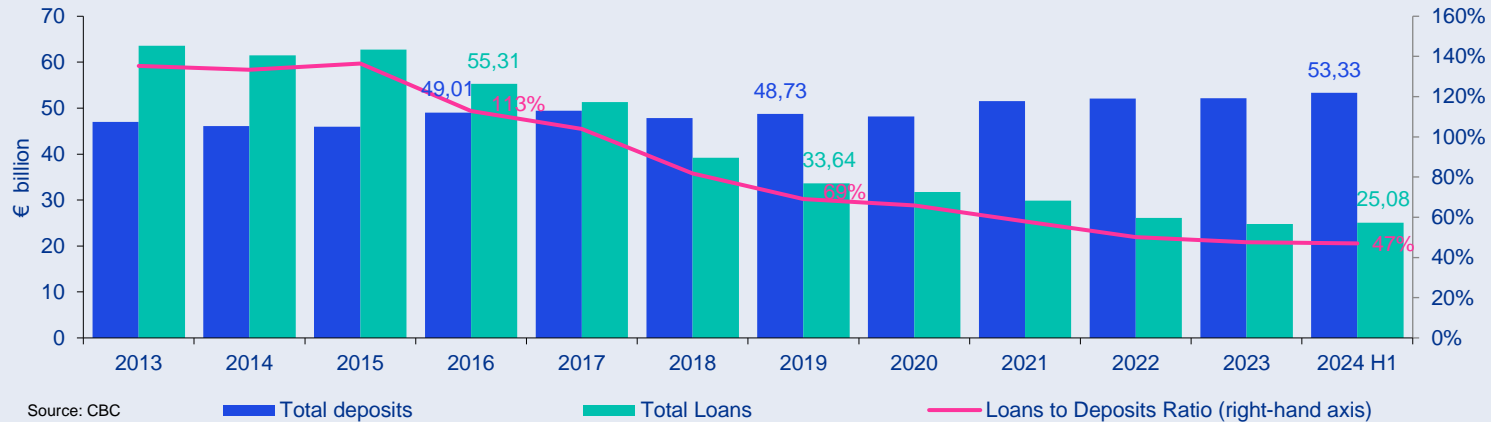


Loans – Deposits interest rate spread (%)

	Households		Corporate	
	June-23	June-24	June-23	June-24
Cyprus	2,64	2,35	3,17	3,10
Eurozone	1,72	1,78	1,99	1,76

Loans to deposits ratio stabilised near 50% after 2022

Loans - Deposits trends in Monetary Financial Institutions in Cyprus

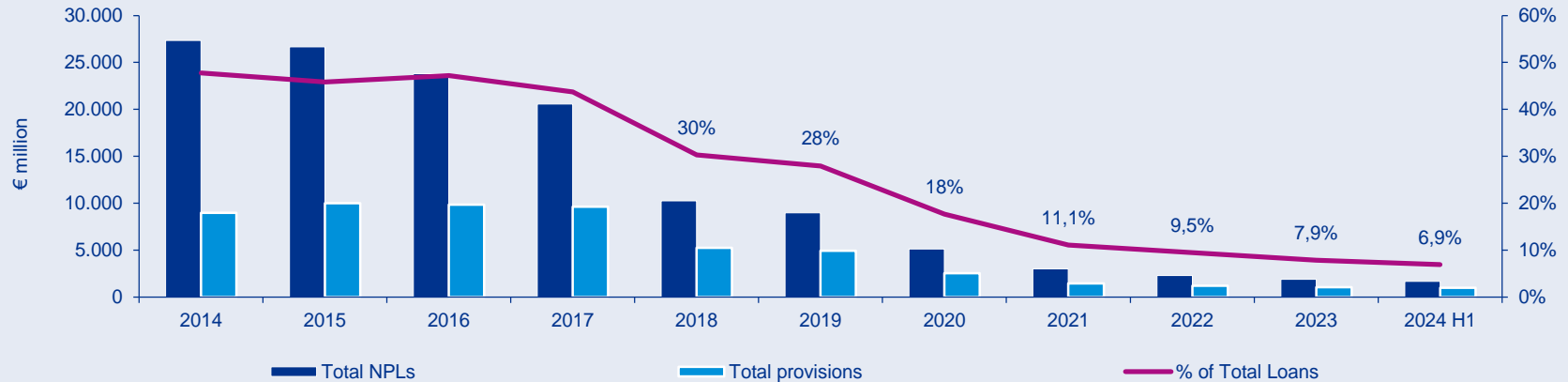


- The aggregate level of total bank deposits remains relatively stable since 2013.
- Loans have more than halved since 2013.
- Loans to deposits ratio decreased from 69% to 47%, between 2019 and 2024 H1.
- These trends continued into 2024H1, with a slight increase in deposits during the same period.

- The loans-to-deposits ratio has stabilized around the 50% mark after a five-year decline, highlighting the banking system's surplus liquidity.

NPLs have significantly reduced in Cyprus Banks

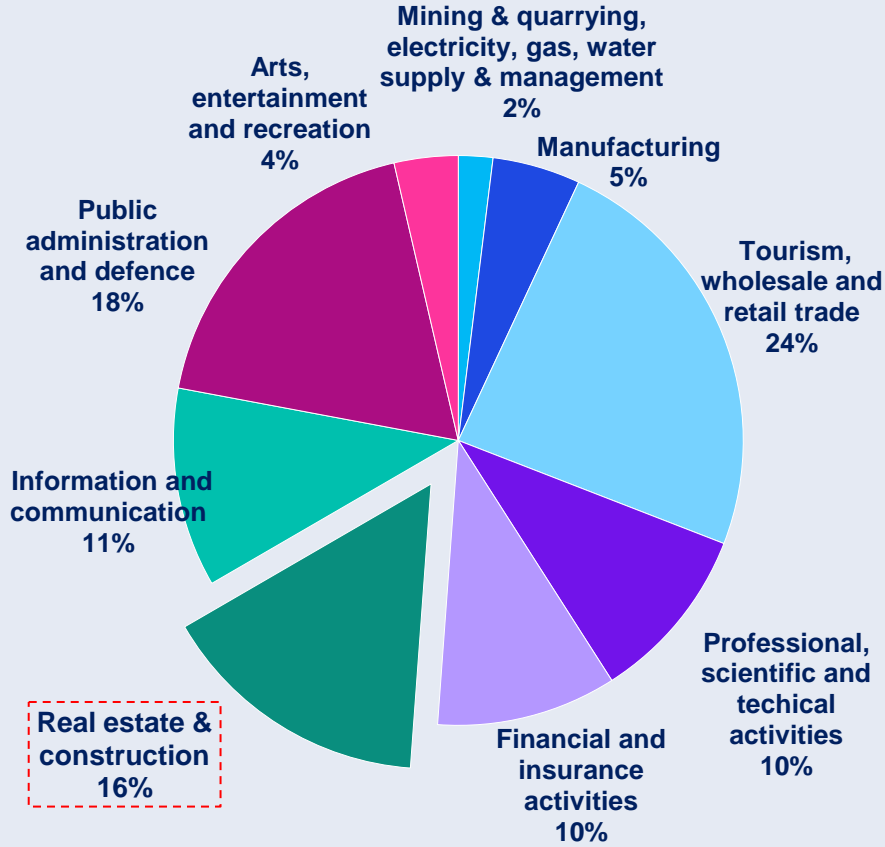
Non-Performing Loans in Cyprus



Source: CBC, ECB, KPMG Analysis

- Cyprus has made remarkable progress in reducing Non-Performing Loans (NPLs) in recent years, thanks to sustained economic growth and strategic NPL portfolio sales. From a high of €27,3 billion in 2014, NPLs fell sharply to €1,66 billion by 2024H1, representing only 6,9% of total loans—down from 48% in 2014.
- This reduction is tied to the efforts to clean up banks' balance sheets through NPL portfolio sales. Cyprus' improving banking sector has bolstered financial stability, supported by robust capital buffers and rising profitability, contributing to overall macroeconomic stability.

Tourism, trade and real estate remained the most important sectors and ICT sector increased notably



Source: Cystat, KPMG Analysis

Tourism



- Tourism has traditionally been a key driver of growth in Cyprus.
- The “sun and sea” branding has historically been the primary attraction for tourists.
- The Cypriot government now aims to enhance this by promoting year-round tourism and upgrading the country’s overall offerings.

Real estate & Construction



- Real estate and Construction activities contributed 16% of the GVA during 2023.
- The sector continues to play a pivotal role in the Cypriot economy.

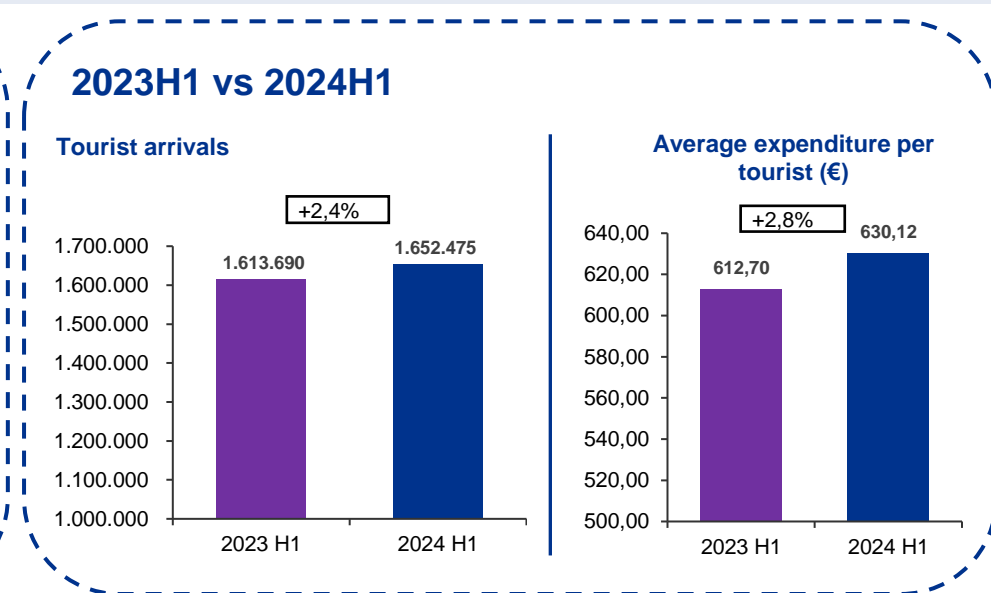
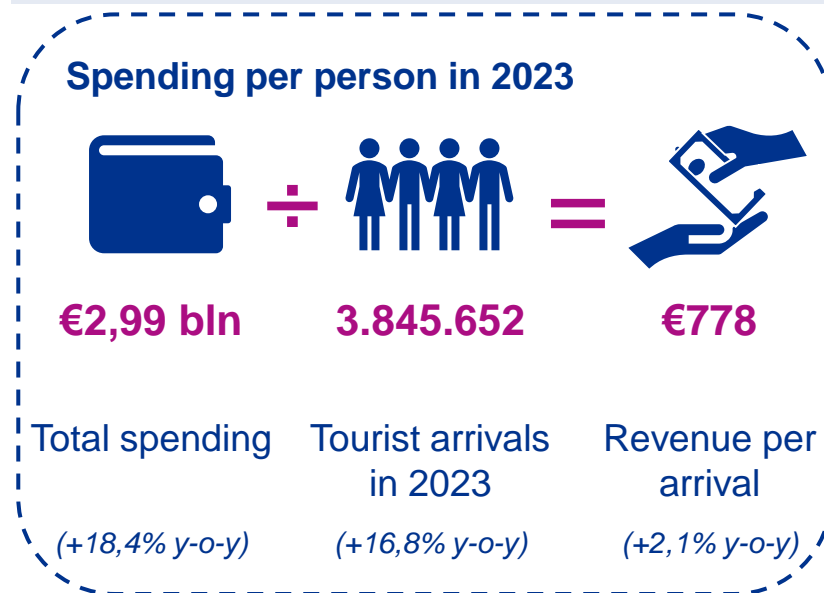
Information and communication



- The information and communication sector is a vital component of the Cypriot economy, making a significant contribution to GDP growth and employment.
- In recent years, the sector has demonstrated consistent growth, advancing digital infrastructure and services and enhancing the country’s overall competitiveness.

Tourist arrivals and total spending increased

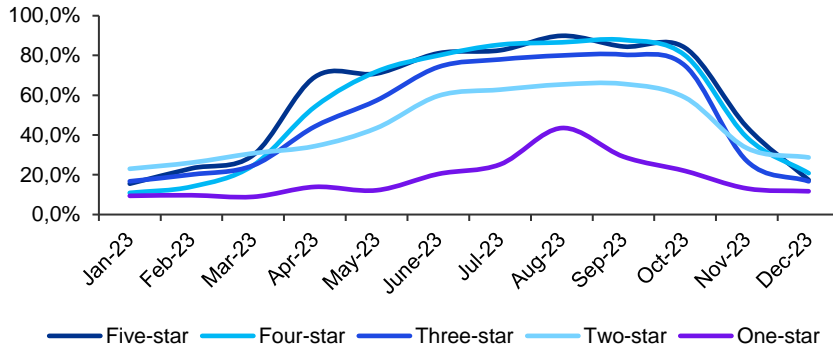
Arrivals, 2023 (thousands) (y-o-y change)	1.302 [+6,9%]	65 [+21,3%]	410 [+32,4%]	187 [+9,6%]	211 [+6,1%]	144 [+17,6%]	3.154 [13,5%]	3.845 [+16,8%]
								Total
Spending per person, 2023 (€) (y-o-y change)	848,52 [+1,36%]	1044,85 [n/a]	597,82 [-0,58%]	380,60 [+2,77%]	869,24 [-0,17%]	768,05 [+6,32%]	[n/a]	777,68 [+2,03%]



Source: Cystat, KPMG Analysis

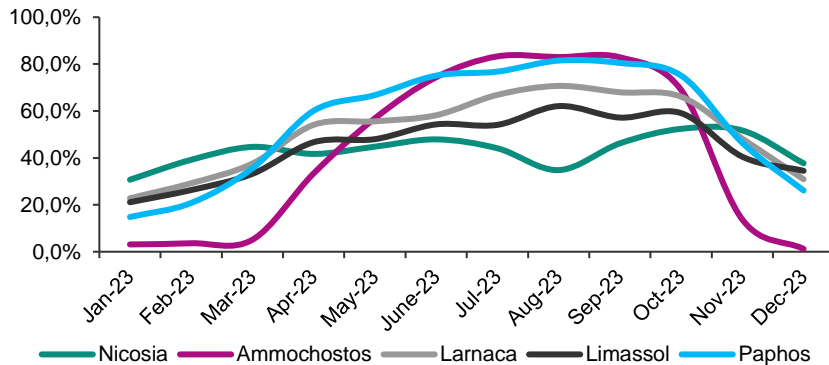
Gross room occupancy of hotels in Cyprus for 2023 at 52,7%

Monthly gross room occupancy per hotel category



Source: Deputy Ministry of Tourism

Monthly gross room occupancy per hotel operating district



Source: Deputy Ministry of Tourism

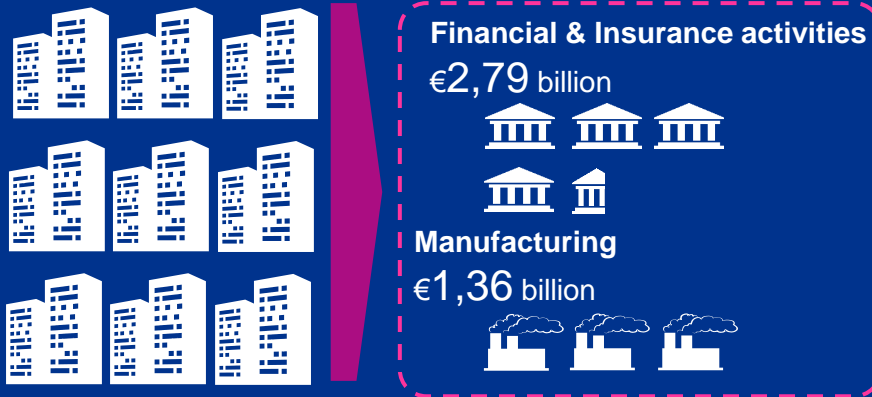
2023 Total occupancy		2022 Total occupancy	
Gross	Net	Gross	Net
57,9%	70,1%	51,7%	64,6%
54,6%	76,8%	47,8%	72,0%
49,8%	71,2%	43,5%	65,2%
44,6%	62,7%	42,2%	57,5%
18,5%	20,6%	21,3%	23,1%
43,0%	48,5%	30,7%	45,0%
44,7%	53,9%	43,7%	52,4%
50,5%	63,1%	50,0%	61,5%
54,9%	71,1%	56,1%	69,2%
42,7%	78,5%	42,4%	79,3%

- 4 and 5 Star Hotels appear to have the highest occupancies throughout the season while lower Star hotels operate with lower occupancy rates.
- Hotels in Nicosia and Limassol appear to experience the least seasonality. In addition to leisure demand during the peak season, hotels in these cities also serve corporate transient groups, as both Nicosia and Limassol are prominent business districts on the island.

Real Estate contribution to the economy grows during 2024 H1

Economic contribution

Real estate and Construction Gross Value Added (“GVA”) to the Cyprus economy in 2023 was €4,2 bln, which is higher than the contribution of the Financial and Insurance activities combined with the Manufacturing sectors.

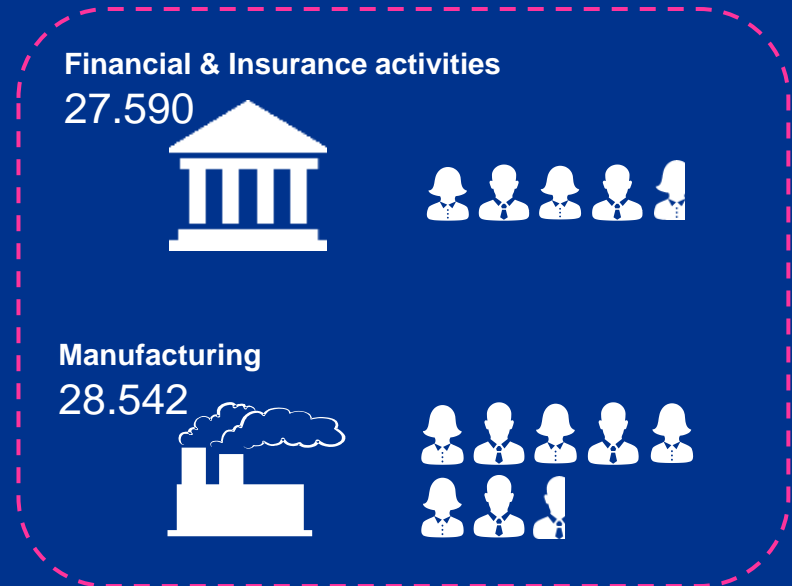


Jobs

The sector directly employed 42.317 people during 2023 and fell second in total number of employees only behind Retail and wholesale trade. In 2024 H1 the sector employed approximately 42.590 people.



2022 vs 2023		
+6,4%	Growth in Real estate and Construction activities GVA (€4,22 bln total GVA for 2023 vs €3,95 bln for 2022)	-5,3%
2023H1 vs 2024H1		
+9,4%	Further growth in real estate and construction activities' total GVA (€2,23 bln total GVA for 2024 H1 vs €2,02 bln for 2023 H1)	+1,5%
		Reduction in workforce for real estate and construction activities
		Growth in workforce for real estate and construction activities



Source: CyStat, KPMG Analysis

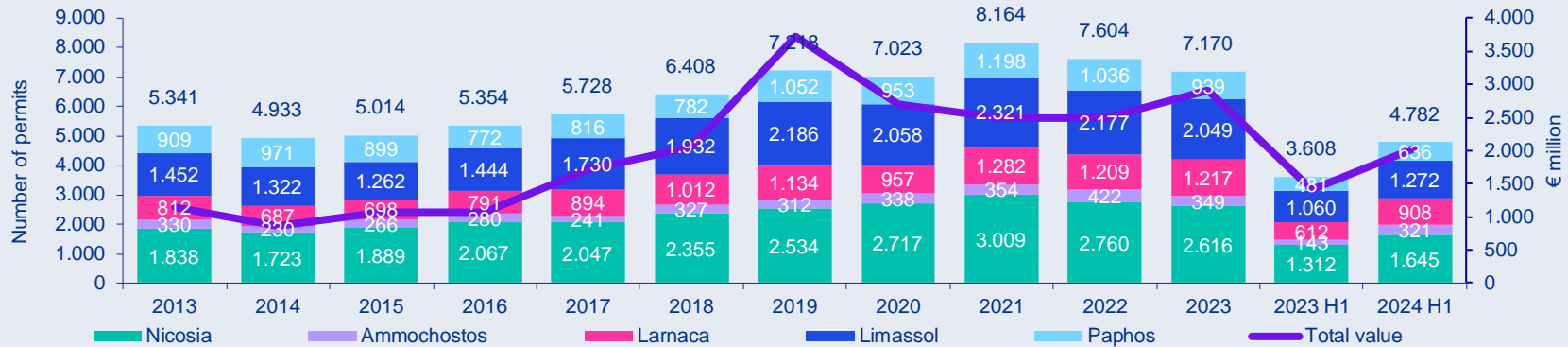
Note: The employment data presented in this report includes only employees in the Real Estate and Construction sectors. Self-employed individuals within these sectors are not represented in the figures.



Real Estate Sector

Building permits increased in value and volume for 2024 H1

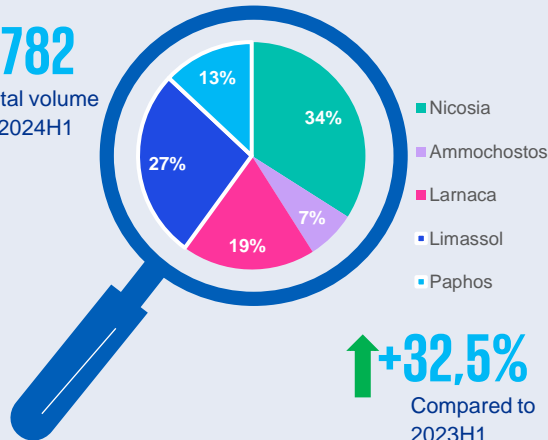
Number and value of building permits



Building permits by volume 2024H1

4.782

Total volume in 2024H1



↑ +32,5%

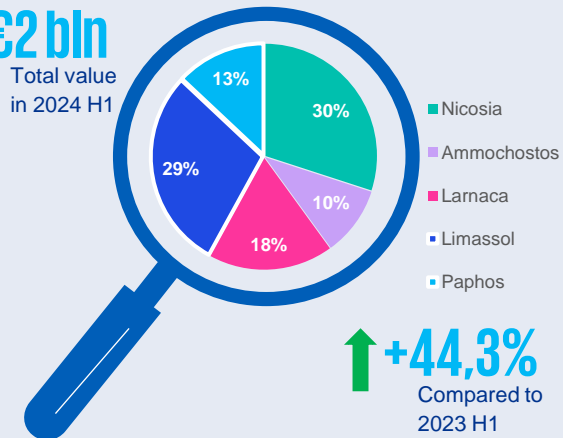
Compared to 2023H1

- In 2023, a total of 7.170 permits were issued compared to 7.604 in 2022, recording a 5,7% decrease.
- In 2024H1 there was a 32,5% increase in number of building permits and 44,3% in value compared to the same period in 2023.
- Nicosia has traditionally been the district with the highest number of building permits. In 2024H1, it accounted for 34% of all permits and 30% of the total permit value.
- Limassol accounts for 27% of the total number of permits and 29% of the total value of permits.

Building permits issued by value 2024H1

€2 bln

Total value in 2024 H1



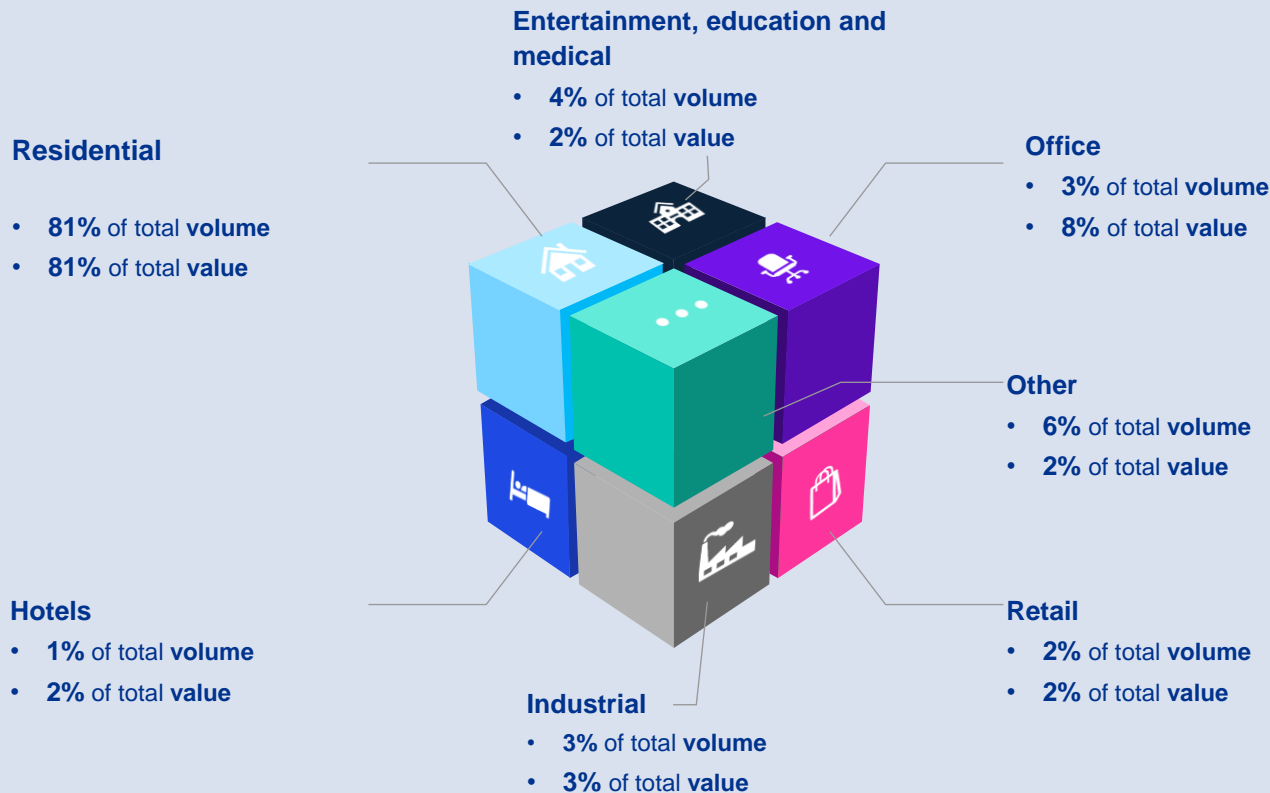
↑ +44,3%

Compared to 2023 H1

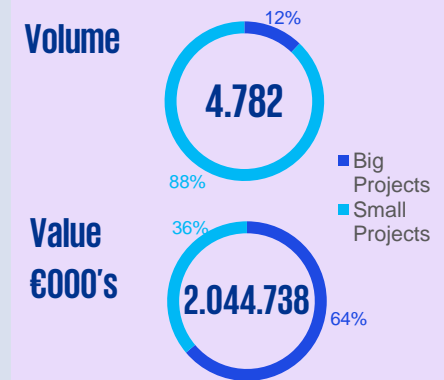
Source: Cystat, KPMG Analysis

Majority of building permits relate to residential developments

Building permits 2024H1 by economic activity



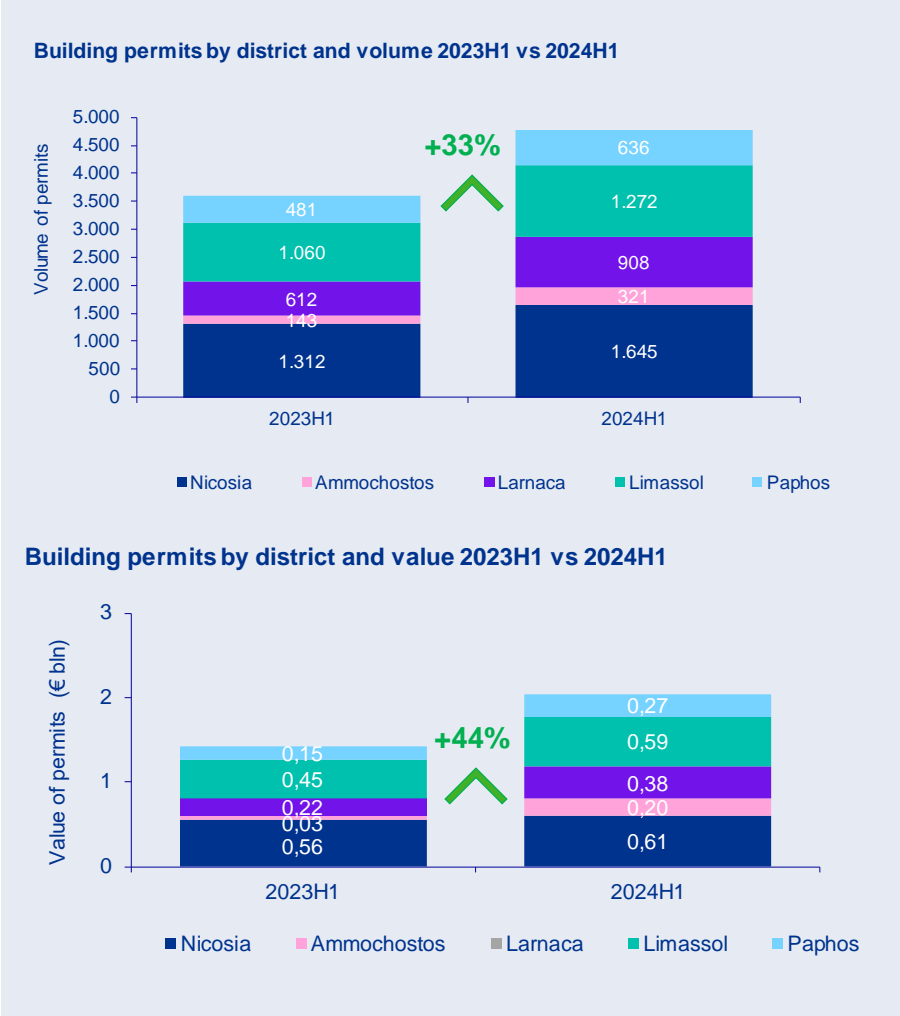
Projects by size 2024H1



- 582 permits refer to big projects (bigger than 900sqm) and correspond to 12% of total volume of permits and 64% of total value of permits.
- While the value of big project's permits has increased by 52% compared to 2023H1, the volume has increased by 62%.
- The value of small projects has increased by 32% and the volume by 29%, compared to 2023H1.

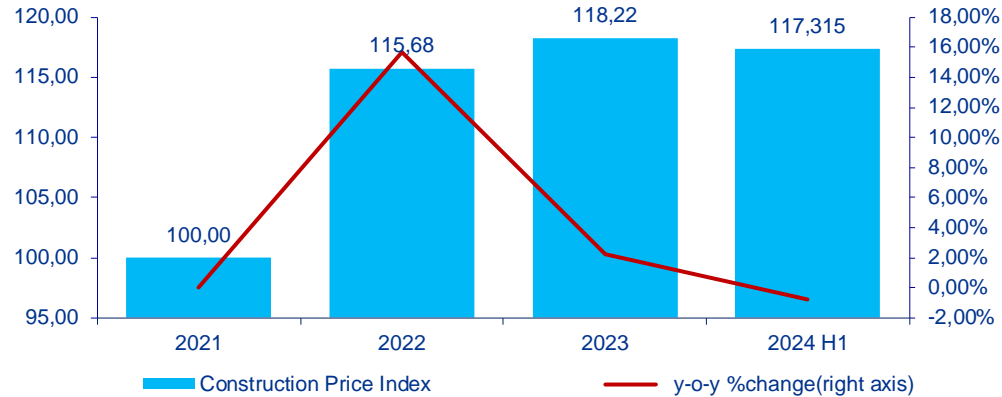
Permits increase by 33% in volume and 44% in value in 2024H1 compared to 2023H1

- Ammochostos has experienced a triple-digit increase of 124% in volume and 67% increase in value of permits.
- Nicosia and Limassol districts continue to account for the largest share of building permits by both volume and value, but their relative share slightly declined in 2024H1 as other districts experienced faster growth.
- Larnaca and Paphos districts saw notable jumps, with Larnaca's value increasing by 73% and Paphos by 80%, signaling expectations for rising construction activity in these areas. This suggests broad-based growth in the construction sector, with particular momentum in Ammochostos, Larnaca, and Paphos.



Construction costs begin to stabilize showing less volatility

Construction Price Index (2021=100) - 2024H1



Source: CyStat,

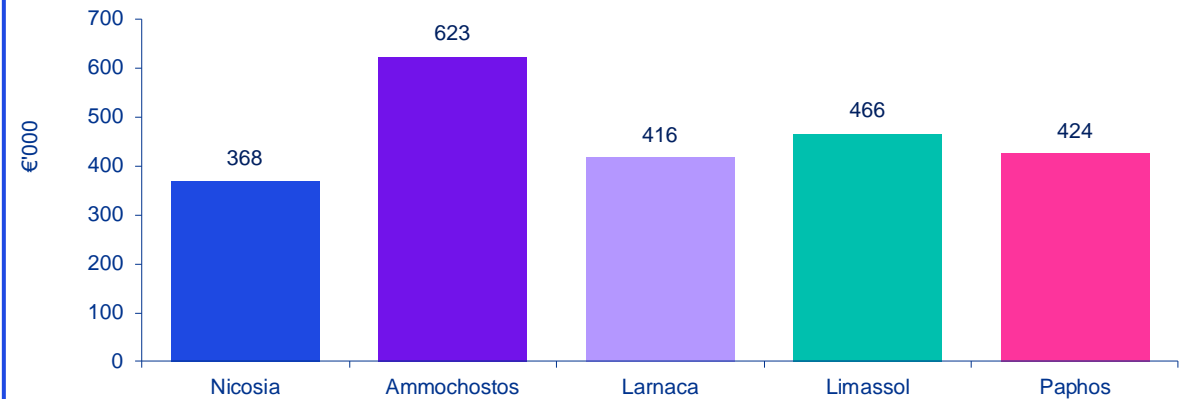
Construction output

- Between 2013 and 2020, the construction sector has been recording stable growth rates.
- In 2022 a significant surge in prices was observed of c.16%, followed by a small (c.2%) increase, in 2023.
- In 2024 H1 the construction output marked a 0,76% decline compared to the year prior, though still reflecting a generally elevated cost compared to earlier years.

Construction cost per building permit

- Despite Nicosia having the highest overall value of construction permits, Ammochostos leads in average cost per permit, suggesting either larger or more expensive projects.
- Nicosia continues to have lower costs, suggesting that most of the projects are on a smaller scale compared to other districts.

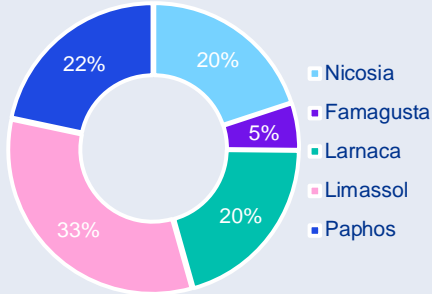
Average construction cost per building permit issued - 2024H1



Source: CyStat, KPMG Analysis

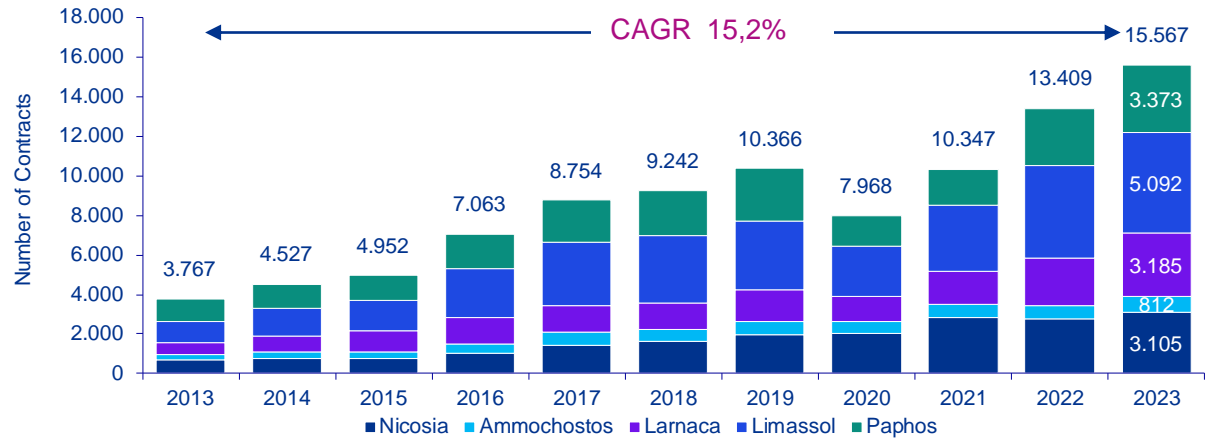
CoS increased by 15% in 2023, with Limassol leading the way

Contracts of Sale per district 2023

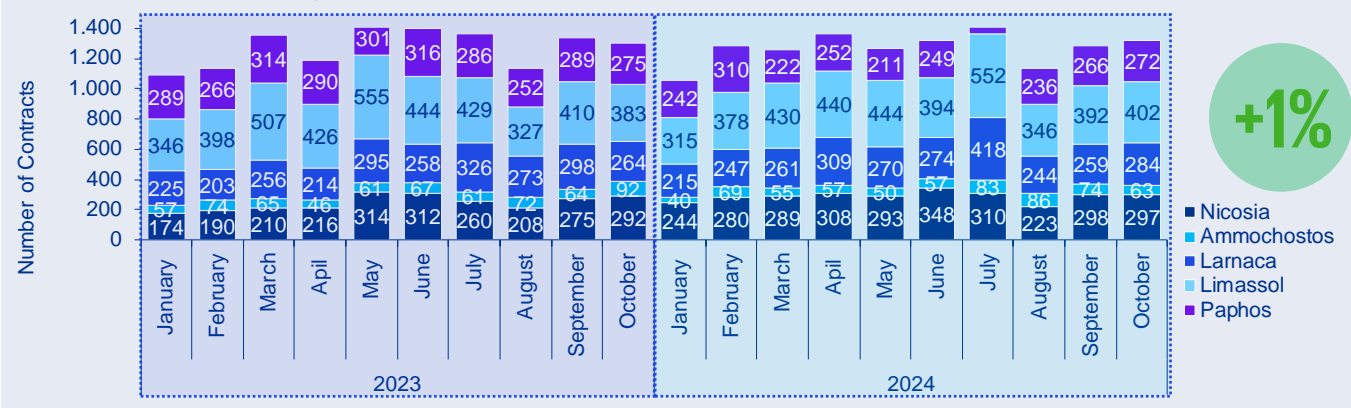


- Limassol continues to dominate the share of Contracts of Sale (CoS) with 33% of all transactions, followed by Paphos (22%).
- CoS have been increasing steadily since 2013, achieving a Compound Annual Growth Rate (CAGR) of 15,2%.
- CoS from January to October 2024 show a slight 1% increase (12.952) compared to the same period in 2023 (12.825).

Contracts of Sale submitted to the Department of Land and Surveys- annually



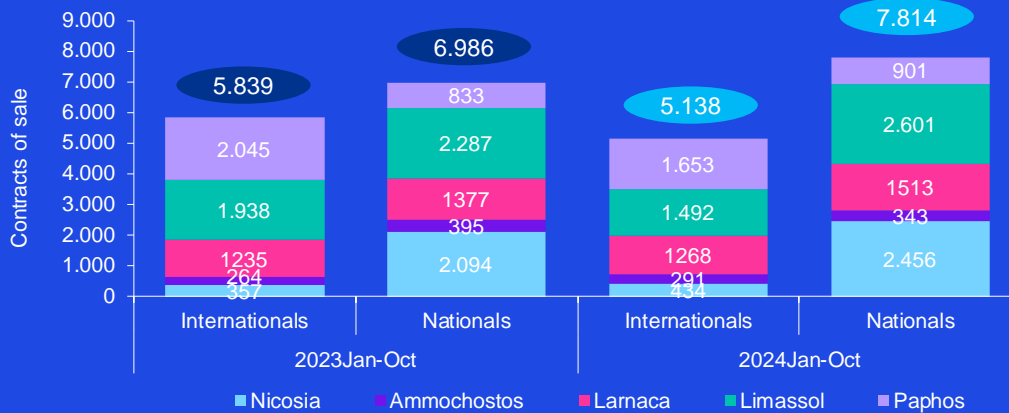
Contracts of Sale - monthly



Source:DLS

Non-nationals account for 44% of CoS, with continued strong demand in 2024

CoS per District and nationality - 2023Jan-Oct vs 2024Jan-Oct



- Cypriot nationals continue to drive demand, with 6.986 CoS recorded until October 2023, increasing to 7.814 CoS in the same period in 2024 reflecting healthy and growing domestic demand.
- The distribution of CoS between international and national buyers shifted from 46% international and 54% national in January-October 2023 to 40% international and 60% national in the same period of 2024.
- Despite a decline in international CoS by 2024, Larnaca recorded a slight increase in International CoS.

Contracts of sale

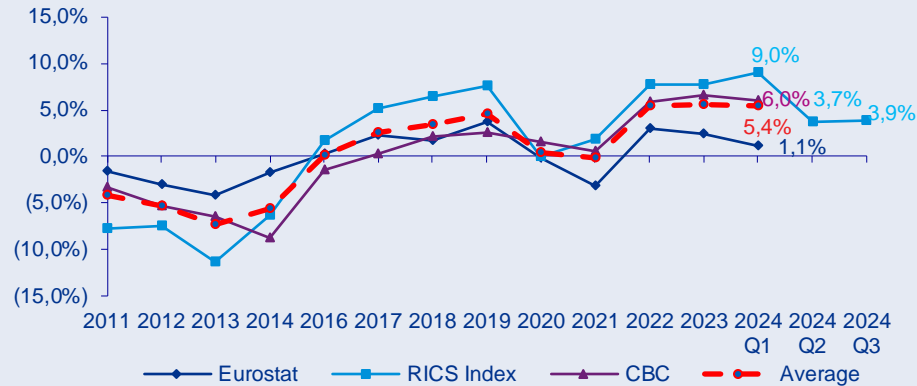


Source: DLS

Note: As per the DLS, the Non-nationals counting methodology changed from 2018 onwards

Residential and commercial prices showed a slight increase in 2024

Cyprus Residential Price Indices (% Annual Change)

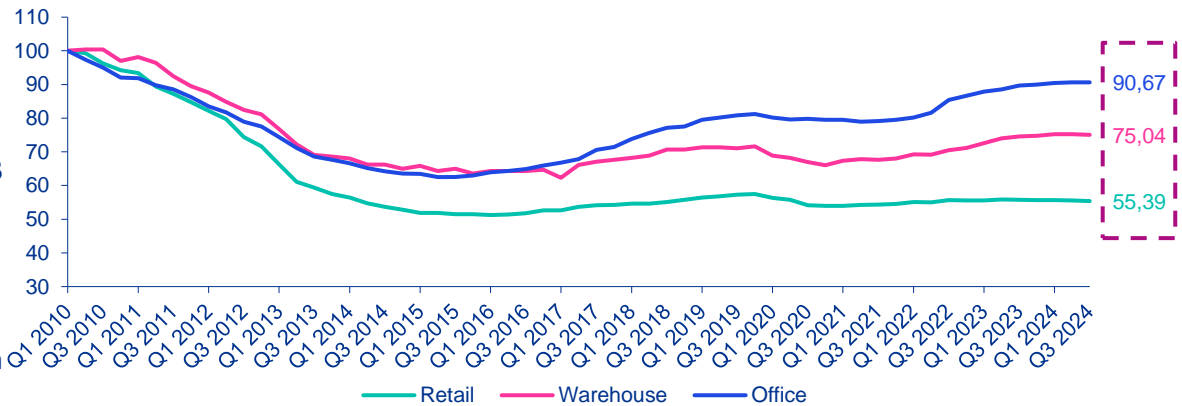


Source: RICS, CBC, EuroStat, KPMG Analysis

- The residential price evolution is monitored by the CBC, Eurostat, and RICS.
- These indices use different methodologies but have displayed similar trajectories since 2011
- The RICS Index recorded a 3,7% increase in 2024Q2, followed by a 3,9% increase in 2024Q3.
- Similarly, the Eurostat and CBC indices recorded increases of 1,1% and 6%, respectively, in 2024Q1.

RICS Cyprus Commercial Price Index

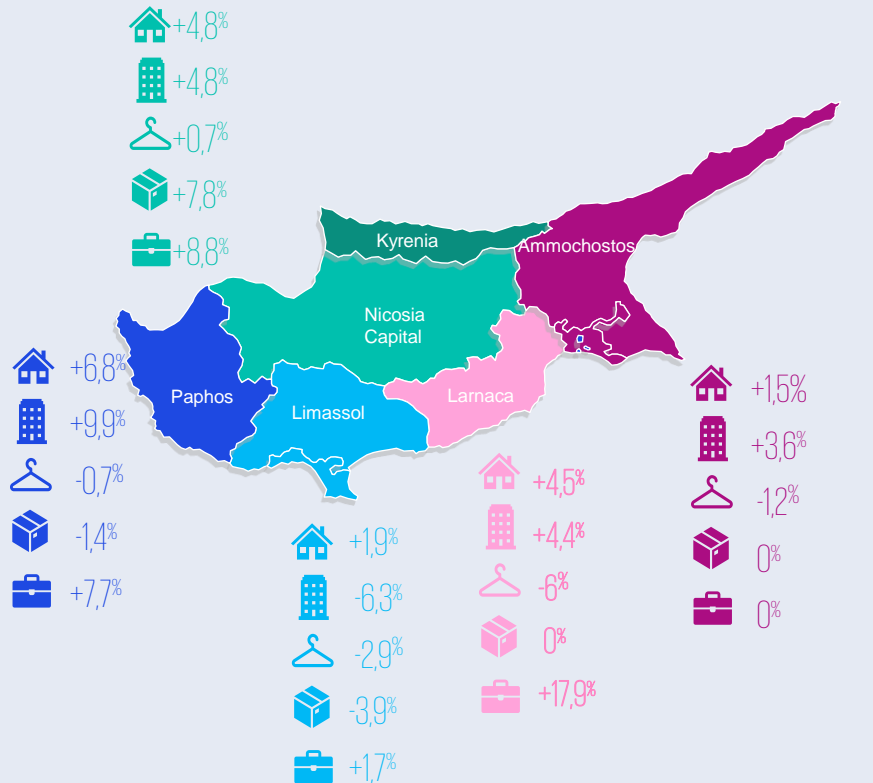
- The pace of recovery for retail spaces has been slow compared to other sectors, indicating that demand for retail spaces may still be struggling in the post-crisis period.
- Offices have displayed a robust recovery in recent years, with a slight increase in 2024Q3 amid rising demand for office spaces.
- Overall, the commercial real estate market in Cyprus is showing varied recovery across different property types, with office properties outperforming retail and warehouse spaces in terms of price recovery.



Source: RICS Index, CBC, EuroStat, KPMG Analysis

Rental prices surge across all property types in Nicosia

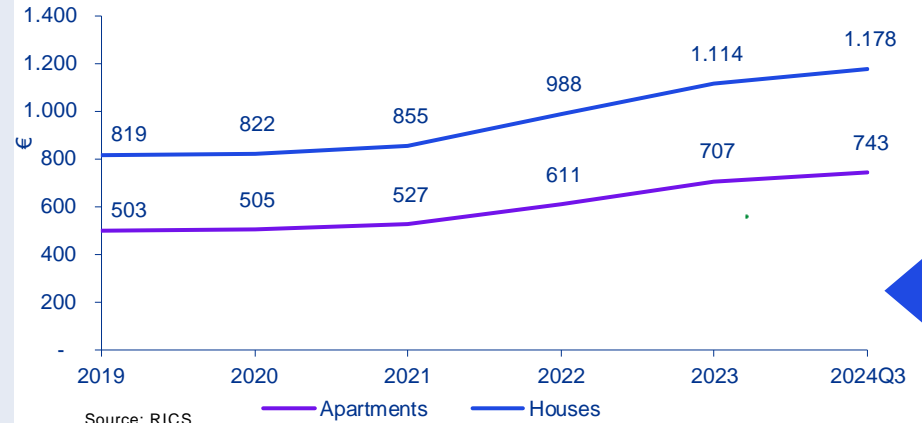
Rental prices (y-o-y % change) 2023Q3 vs 2024Q3



Houses
 Apartments
 Retail
 Warehouse
 Offices

Source: RICS

Cyprus Average Monthly Rent



Source: RICS

- Rental prices in the residential sector exhibited a significant increase across all districts in 2024Q3 compared to 2023Q3, except in Limassol, where apartment rental prices fell by 6,3%.
- Notably, apartment prices in Paphos rose by 9,9%.
- Rental prices in the retail sector recorded a decrease in all districts except Nicosia, where a slight increase of 0,7% was observed.
- Overall, rental prices across all asset classes have shown a long-term rise over the past five years, with residential properties leading the increase. This surge in rental prices can be attributed to the imbalance between supply and demand, as high demand for both residential and commercial properties far outpaces the available supply.

Overall yields continued their upward trend in 2023 and 2024Q3



Source: RICS



Notable Real Estate matters

720 licensed touristic establishments across Cyprus in 2024



35 5 star hotels across Cyprus, with 37% located in Paphos



69 4 star hotels across Cyprus, with 31 located in Ammochostos



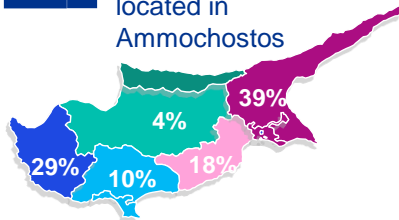
78 3 star hotels across Cyprus, with 38 located in Ammochostos



44 2 star hotels across Cyprus, with 40% located in Larnaca

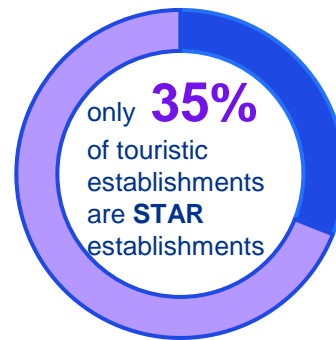
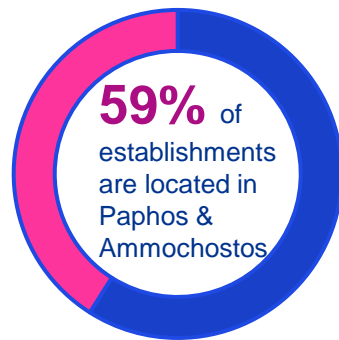


492 1 star hotels and Other across Cyprus, with 30% located in Ammochostos



Source: Deputy Ministry of Tourism

	5*	4*	3*	2*	1*	Other	Total
Nicosia	1	2	4	5	4	9	25
Limassol	8	8	11	4	1	32	64
Larnaca	1	5	6	18	2	78	110
Ammochostos	12	31	38	10	2	147	240
Paphos	13	22	15	4	6	121	181
Hill Resorts	-	1	4	3	7	83	98



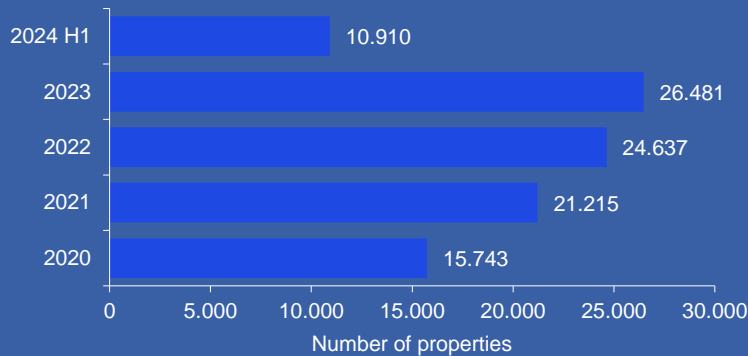
- 17% increase** in new licensed 5*star establishments in 2024 vs 2022
- 28% increase** in new licensed 5*star establishments in Paphos and Ammochostos for 2024 vs 2022
- 9% increase** in licensed establishments in Larnaca for 2024 vs 2022

2023 exhibit increase in transaction value and volume, with 2024H1 moving along the same line with marginal decreases

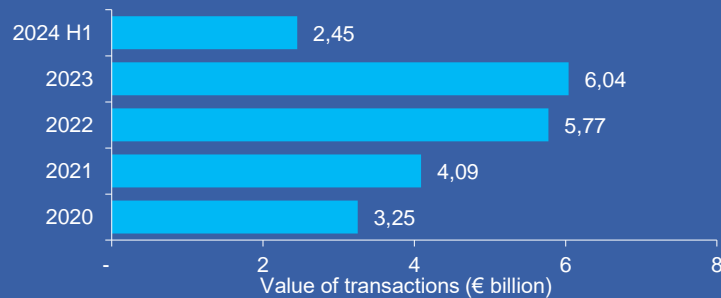


In 2024 H1, the volume of transactions decreased by approximately 3,6%, and the value of transactions dropped by around 5% compared to 2023H1.

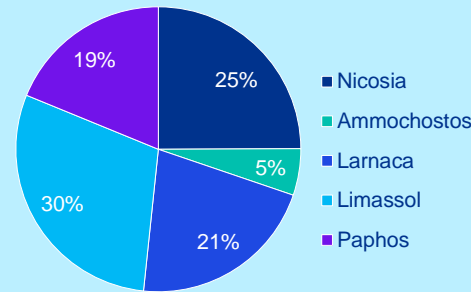
Volume of transactions



Value of transactions



2023 Volume of transactions per district



Limassol led the Cyprus real estate market in 2023, holding the largest share of transactions.

▲ **+23,7%** growth in transaction volume in 2023 vs 2022 in Larnaca

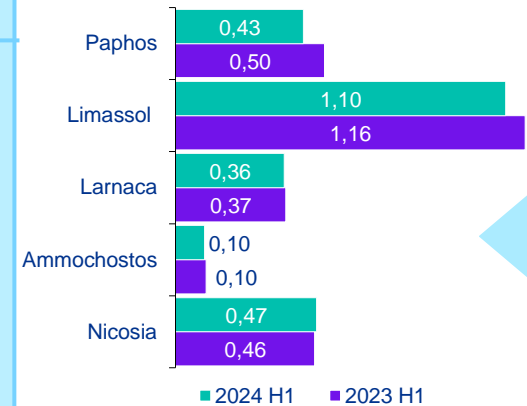
▲ **+15,3%** growth in transaction volume in 2023 vs 2022 in Paphos

▲ **+7,5%** growth in real estate transactions rising from 24.637 to 26.481 in 2022 vs 2023

€2,45 bln

worth of transactions were recorded in 2024H1. Limassol had the highest share with circa €1,1bln, followed by Paphos with circa €0,43bln.

Value of transactions 2023 H1 vs 2024 H1 (€ 'billions)



✓ **-5%** total transaction value 2024H1 vs 2023H1 (y-o-y)

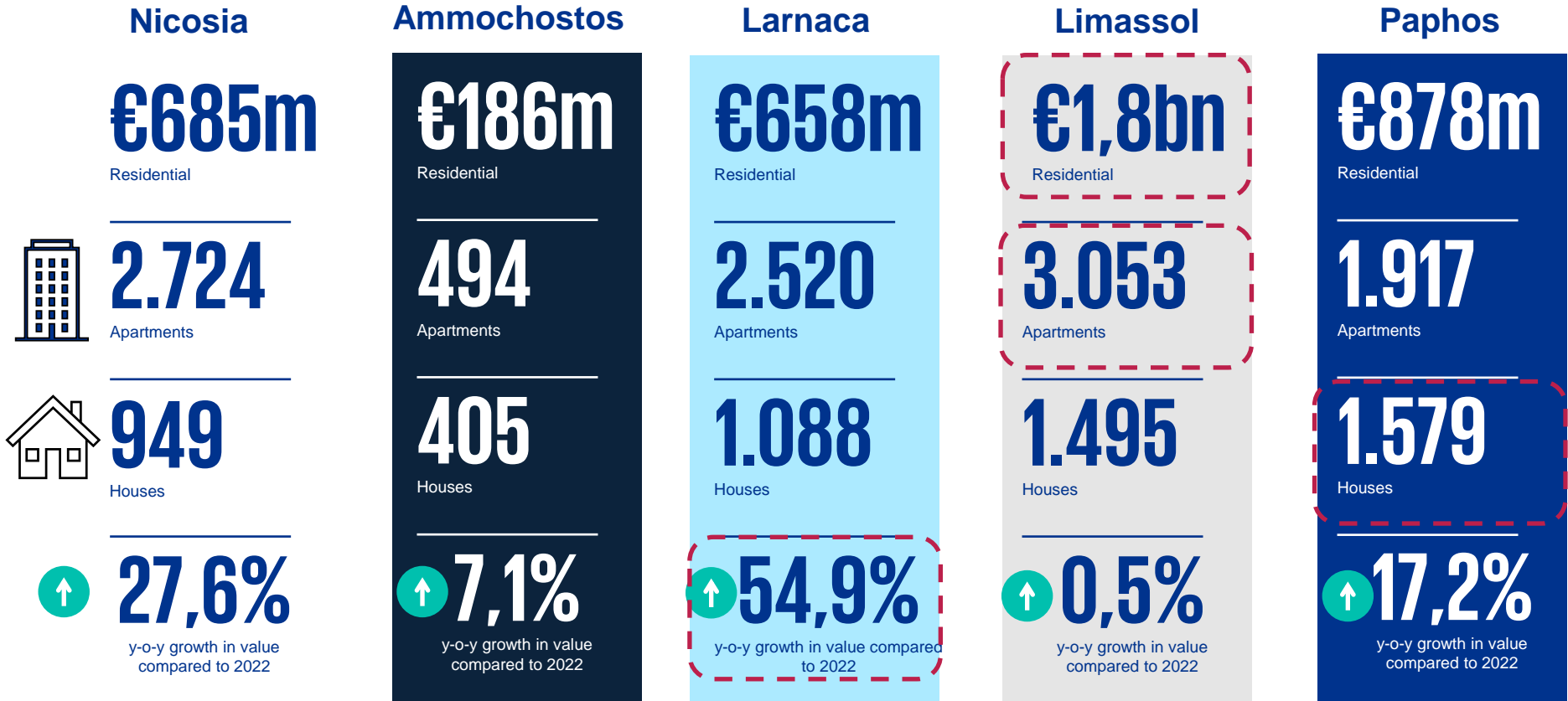
✓ **-3,6%** total transaction volume 2024H1 vs 2023H1 (y-o-y)

Source: Department of Land and Surveys, KPMG Analysis

Note: The data provided includes raw figures on Contracts of Sales and Sales sourced from the Department of Land and Surveys, as extracted in September 2024. This data has been reviewed, consolidated, and integrated for clarity and coherence. For consistency, figures from 2022 and prior years have been retained as per previous report editions

Larnaca experienced remarkable growth in value at 54,9%

2023

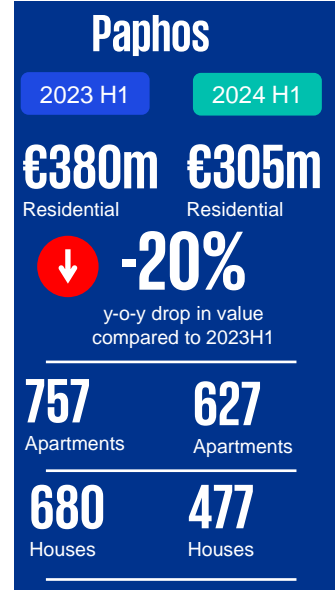
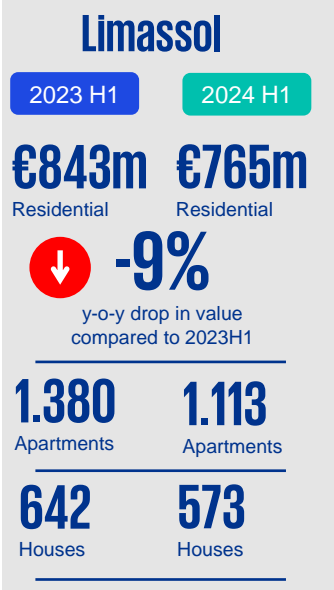
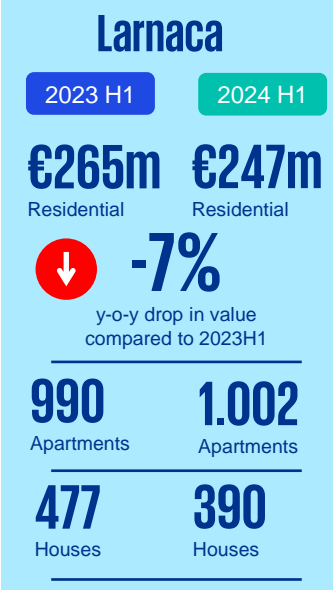
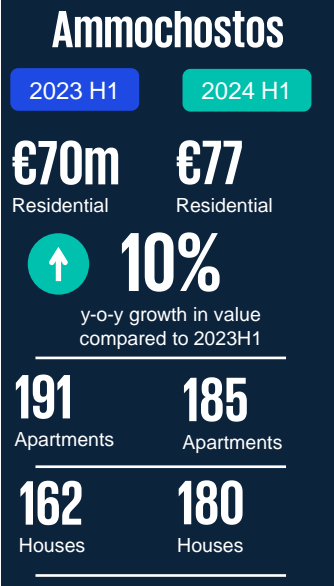
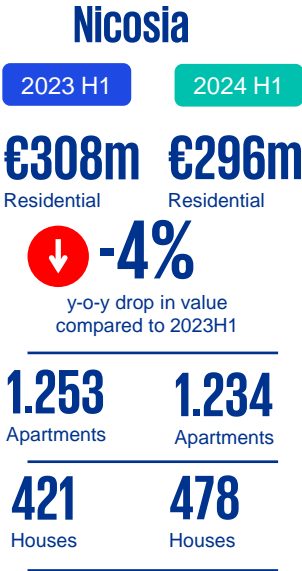


Source: Department of Land and Surveys, KPMG Analysis

Note: The above data concern raw data regarding Contracts of Sale and Sales, from the Department of Land and Surveys (extracted in September 2024) in raw format and have been cleared, consolidated and combined.

Notable Real estate sector matters

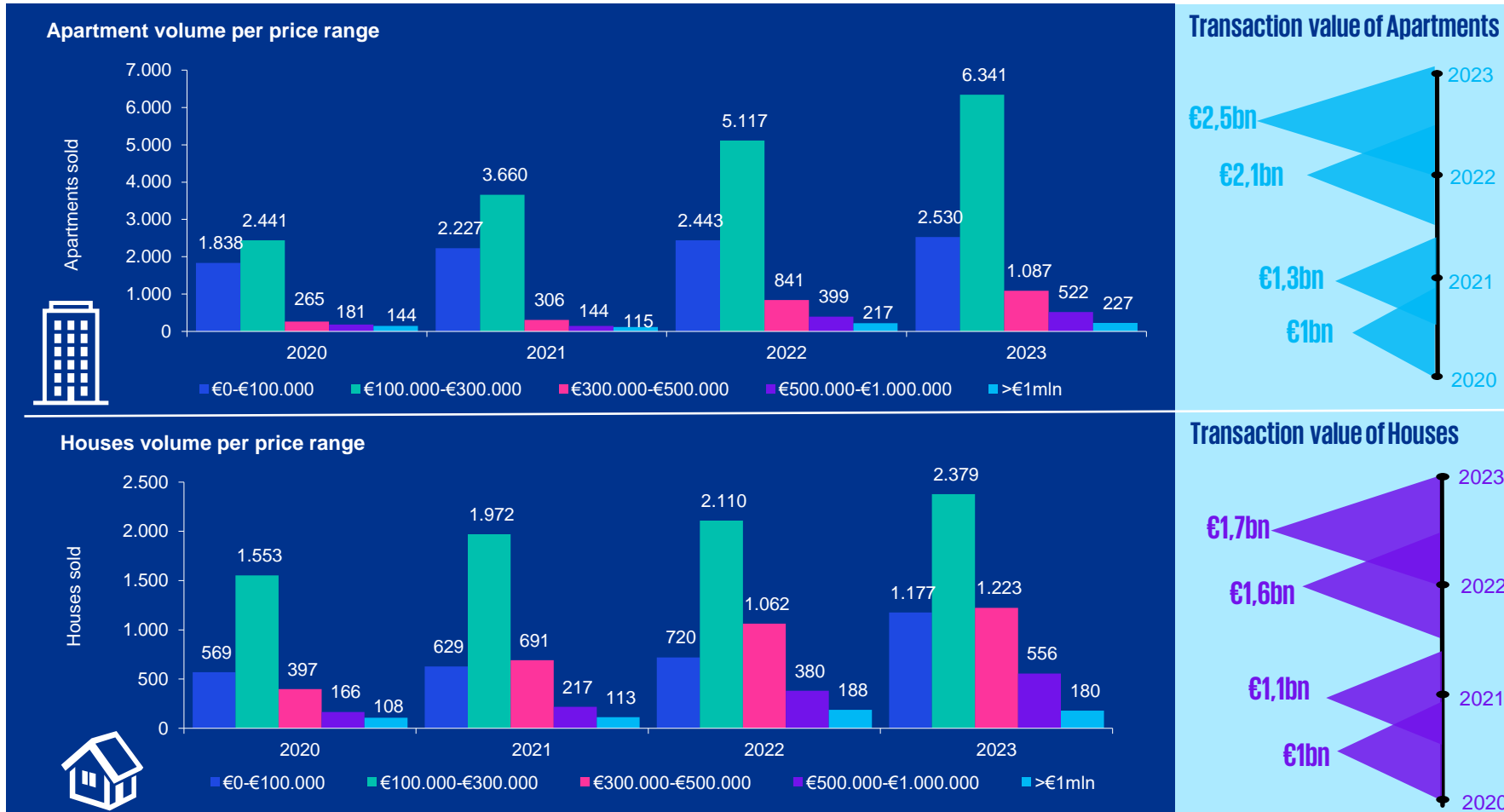
Varied trends across Cyprus districts, Ammochostos showing growth while others face declines in 2024H1



Source: Department of Land and Surveys, KPMG Analysis

Note: The above data concern raw data regarding Contracts of Sale and Sales, from the Department of Land and Surveys (extracted in September 2024) in raw format and have been cleared, consolidated and combined.

Significant increases in transactions recorded in all price categories since 2020, with €100k – €300k leading the market

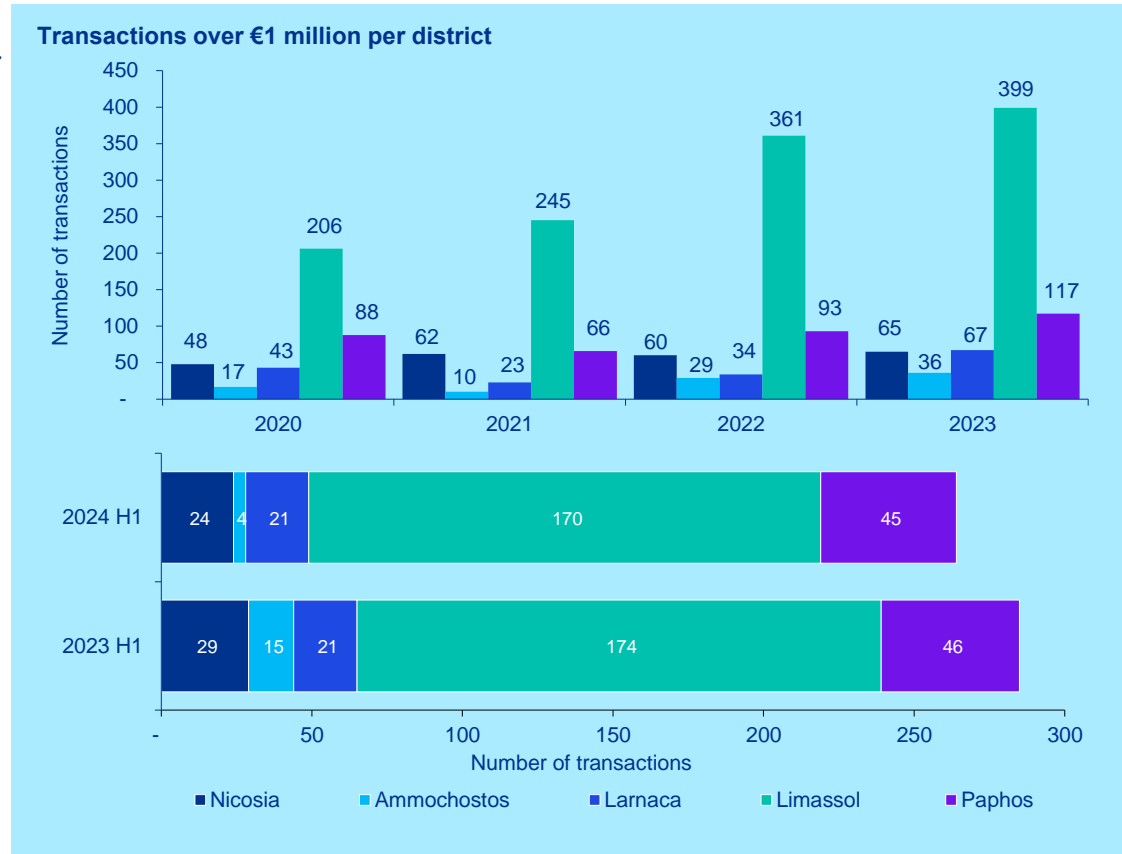


Source: Department of Land and Surveys, KPMG Analysis

Note: The above data concern raw data regarding Contracts of Sale and Sales, from the Department of Land and Surveys (extracted in September 2024) in raw format and have been cleared, consolidated and combined. Please note that data for the year 2022 and prior have been retained from previous versions of this report for consistency purposes.

Limassol continues to dominate transactions over €1 million

- The cancellation of the CIP, effective from 1 November 2020, caused a decrease in the number of transactions over €1 million for residential properties
- However we see an increase 2023, 407 out of 684 transactions worth over a million related to residential properties, indicating a partial recovery and suggesting that this market segment remains active
- Total transactions over €1 million recorded a 7% decrease in 2024H1 compared to 2023H1



Source: Department of Land and Surveys, KPMG Analysis

Note: The above data concern raw data regarding Contracts of Sale and Sales, from the Department of Land and Surveys (extracted in September 2024) in raw format and have been cleared, consolidated and combined. Please note that data for the year 2022 and prior have been retained from previous versions of this report for consistency purposes.

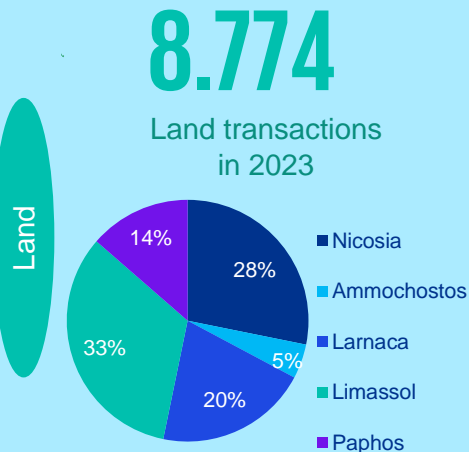
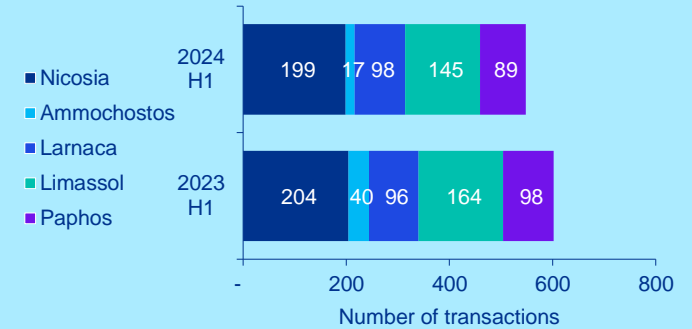
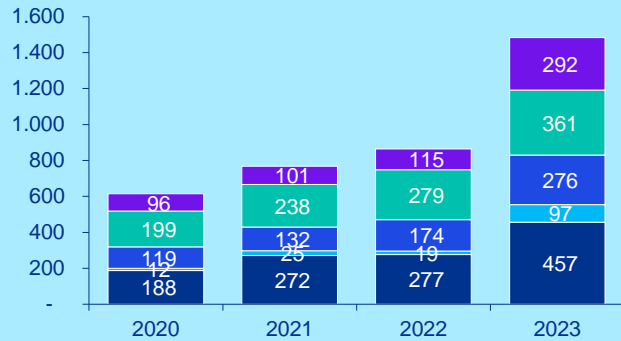
Limassol achieved a dominant position in land transactions in 2023

Commercial

1.483
Commercial Transactions in 2023

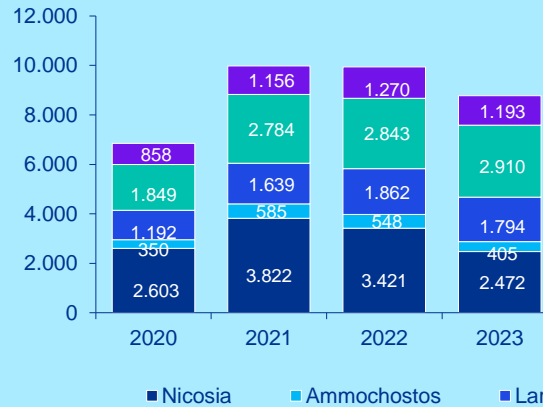
Limassol and Nicosia experience the highest transaction volume in commercial properties

Commercial property transactions



Nicosia had the highest land transaction volume over the past 4 years, however, Limassol achieved a dominant position in land transactions in 2023 and 2024H1

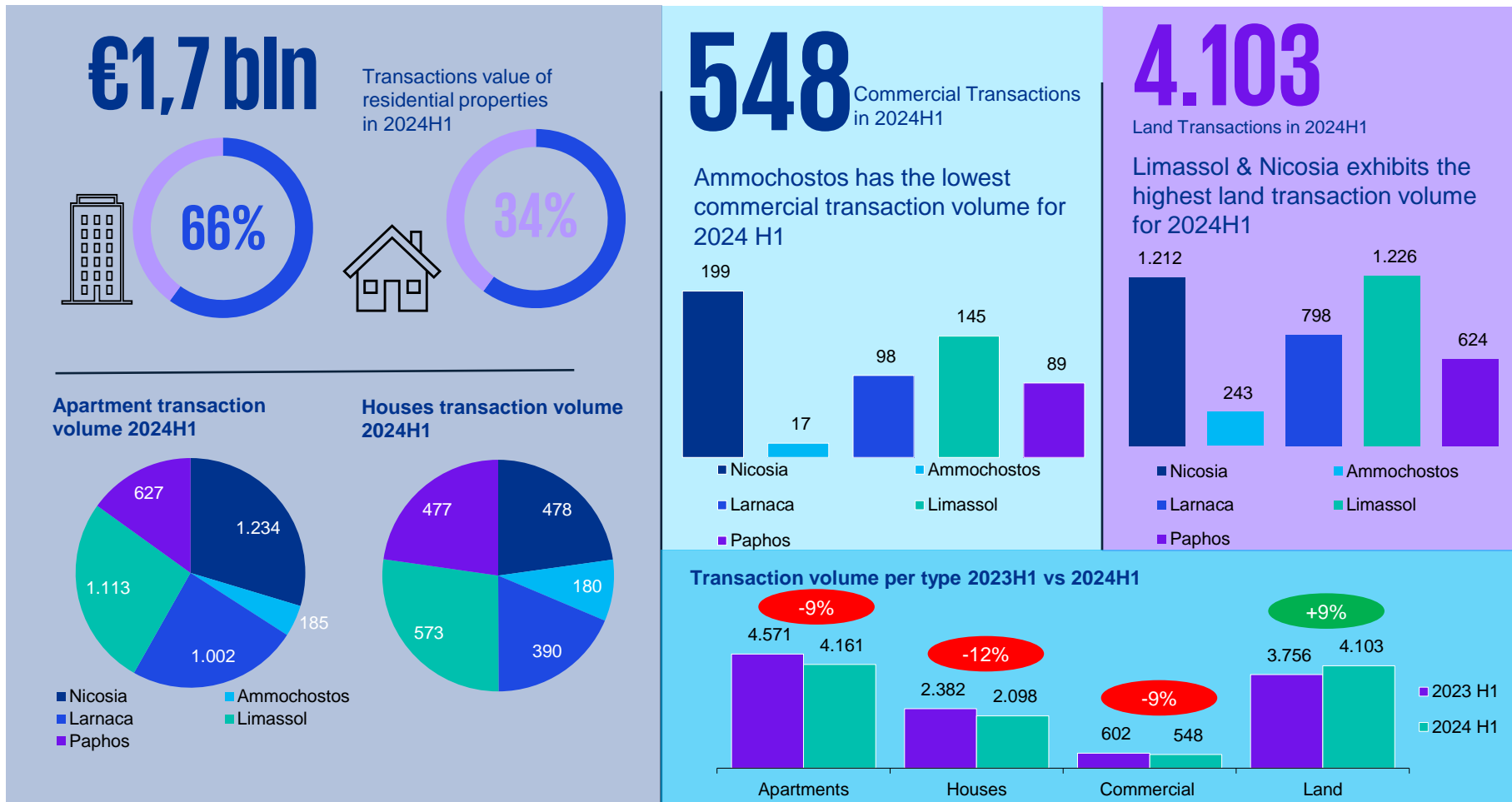
Land volume per District



Source: Department of Land and Surveys, KPMG Analysis

Note: The above data concern raw data regarding Contracts of Sale and Sales, from the Department of Land and Surveys (extracted in September 2024) in raw format and have been cleared, consolidated and combined. Please note that data for the year 2022 and prior have been retained from previous versions of this report for consistency purposes.

Transactions volume in 2024H1 decrease for apartments, houses, and commercial properties, but increase for land



Source: Department of Land and Surveys, KPMG Analysis

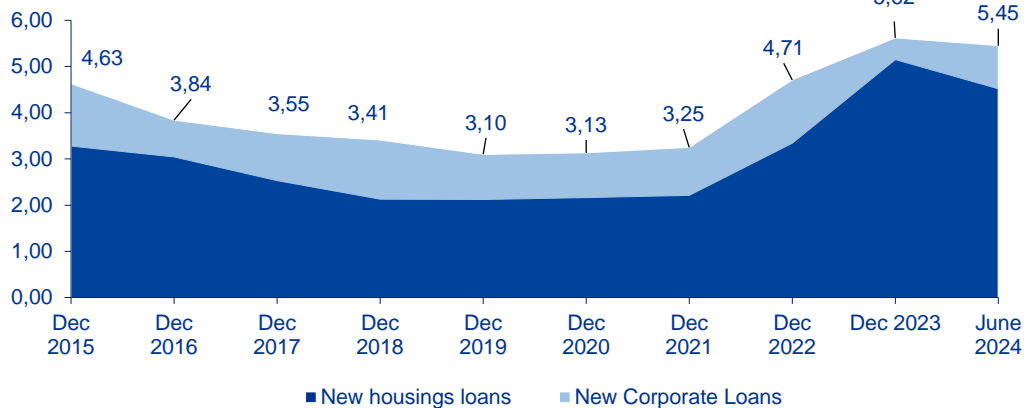
Note: The above data concern raw data regarding Contracts of Sale and Sales, from the Department of Land and Surveys (extracted in September 2024) in raw format and have been cleared, consolidated and combined.



Lending Market

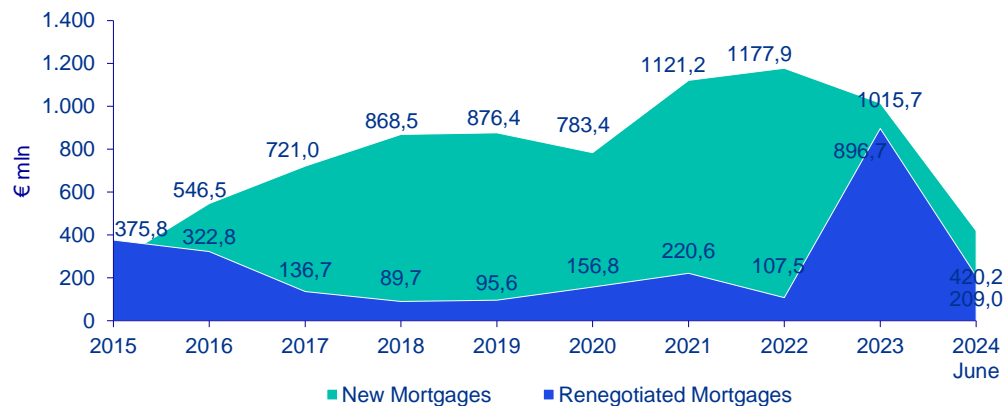
Interest rates rise, mortgages decline in 2023 vs 2022

Cyprus Interest Rates (%)



- Interest rates in Cyprus have undergone substantial shifts in recent years.
- To stimulate the economy, monetary easing policies were introduced, including reductions in interest rates on loans from 2019 to 2021.
- However, the combined impact of the COVID-19 pandemic and the Russian-Ukrainian war led to inflationary pressures and higher interest rates were introduced as a measure to combat inflation.
- By 2024, rates are showing signs of stabilizing, with forecasts suggesting potential reductions in the coming years.

Housing loans renegotiations

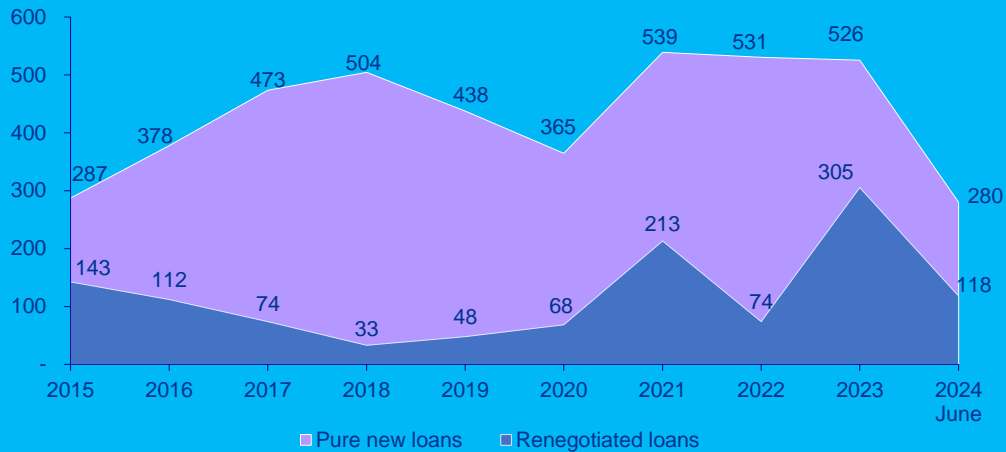


- In 2023, renegotiated mortgages surged to €896,7 million, driven by sharp interest rate hikes that forced many homeowners to restructure their loans for more manageable terms.
- Meanwhile, new mortgages totaled €1,01 billion, reflecting an almost 14% decline from the previous year, largely due to the increased cost of borrowing in the rising interest rate environment.
- Initial data for 2024 showcases relatively strong demand for renegotiations, with €209 million already completed by the end of H1 2024.

Source: CBC

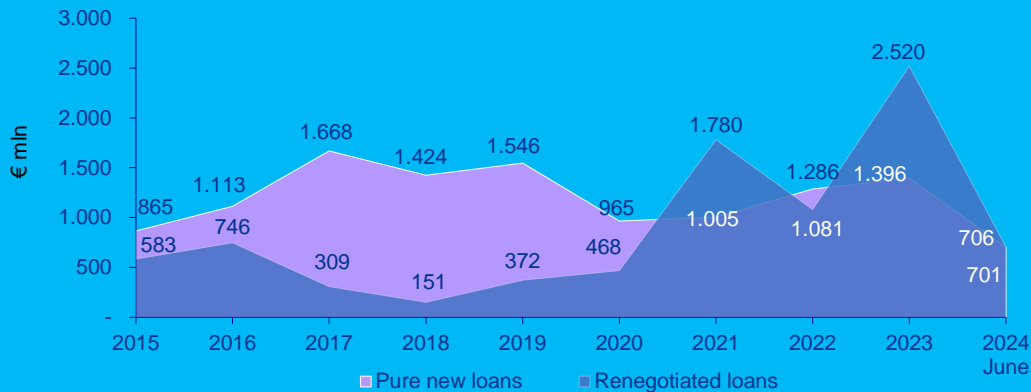
Corporate lending stabilised, renegotiations continue

Corporate loans of up to €1 mln



- In 2023, the segment of corporate loans up to €1 million amounted to a total of €831 million, with €526 million in net new lending and €305 million in renegotiated loans, representing an overall increase of 27,1% from 2022.
- New loan origination stabilized, but renegotiated loans increased by 312% during 2023 vs 2022.
- The rapid increase in renegotiated loans can be attributed to the fact that many corporations sought to renegotiate their existing loans to lock in better rates or restructure their debt in a way that reduces their interest burden.

Corporate loans over €1 mln

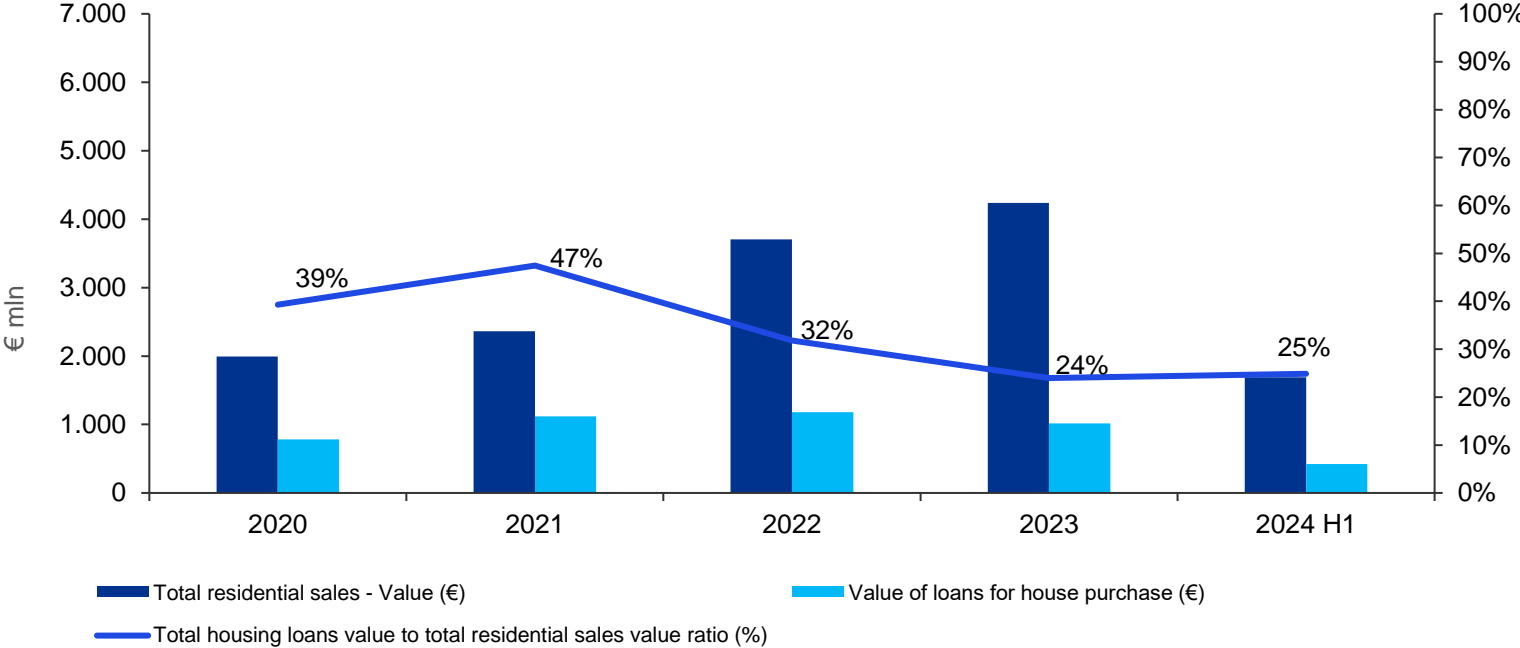


- Loans over €1 million exhibited a 7,9% increase in 2023 compared to 2022. However, new loan origination in this segment is almost 10% lower compared to 2019.
- An increased amount of renegotiated loans has been observed from 2020 onwards.

Source: CBC, KPMG Analysis

With interest rates remaining high, cash transactions appear to dominate the residential market

Ratio (%) of housing loans total value to total residential sales value (€mln)



- From 2020 to H1 2024, the ratio of total housing loan value to total residential sales value experienced fluctuations, likely driven by global events, including the COVID-19 pandemic, inflationary pressures, and the Ukraine conflict.
- The ratio surged from 39% in 2020 to a peak of 47% in 2021, reflecting increased reliance on financing during the pandemic.
- By the first half of 2024, the total housing loan value-to-total residential sales value ratio dropped to 25%.

Source: CBC, DLS, KPMG Analysis



KPMG's Real Estate Services

Real Estate related services



Real Estate Business Plan Preparation, business modelling



Transaction Services (Buy side, Sell side)



Corporate Finance, Feasibility Studies, Business and Assets Valuation



Borrower and Lender Assistance and Options Evaluation



Real Estate sustainability advisory



Restructuring Strategy, Advice & Execution



Funds & Fund Management: One-Stop Shop Service Offering



Asset Management, Strategy and Project Management



Audit & Tax Services

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Glossary

bln	Billion
CoS	Contracts of Sale
CIP	Cyprus Investment Program
CBC	Central Bank of Cyprus
CyStat	Cyprus Statistical Authority
DLS	Department of Land and Surveys
EU25	European Union of 25 member states
EU	European Union
ESG	Environmental social and governance
GDP	Gross Domestic Product
GVA	Gross Value Added
IP	Intellectual Property
KPMG Analysis	KPMG Analysis indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data
NPL	Non Performing Loans
RE	Real Estate
RICS	Royal Institution of Chartered Surveyors
Jan-Oct	Period from January to October
Y-o-y	Year on year



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