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# MARKET AREA SNAPSHOT CYPRUS

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## Summary

Cyprus, officially known as the Republic of Cyprus, is a Eurasian island nation in the eastern part of the Mediterranean Sea, south of the Anatolian peninsula Asia Minor (a.k.a. modern-day Turkey) and to the east of the Greek islands of Rhodes and Kastellorizo. It is the third largest island in the Mediterranean Sea, covers an area of 9,250 km<sup>2</sup>, and has a population of approximately 839,000. The island's terrain consists of a major mountain (Troodos) in the central part, a mountain chain in the north (Pendadaktilos), and plains. The Republic of Cyprus is divided into six districts: Nicosia, (the capital), Ammochostos, Keryneia, Larnaca, Limassol, and Paphos.



A former British colony, Cyprus gained independence in 1960, while the United Kingdom retained two Sovereign Base Areas. Following 11 years of alternating inter-communal violence and peaceful attempts at reconciliation, including the establishment of the United Nations Peacekeeping Force in 1964, Turkey launched a two-stage invasion of the island in 1974 in response to an Athens-engineered coup which overthrew the legitimate Cypriot government of President Makarios. The invasion led to the internal displacement of thousands of mainly Greek but also Turkish Cypriots and the subsequent establishment of a separatist regime to govern the invaded area, currently styling itself the so-called “Turkish Republic of Northern Cyprus”, separated from the free areas of the south by the U.N.-controlled Green Line and recognized only by Turkey and no other country.

Today Cyprus is an independent sovereign republic with a democratic presidential system of government. The country is also a full member of the European Union since 1 May 2004 and joined the European Monetary Union on 1 January 2008 (the former currency was the Cypriot Pound). Other memberships include the United Nations and the Commonwealth.

This article discusses the Cyprus hotel market in terms of supply and demand and analyzes past and future tourism trends.

## Visitation

Cyprus is serviced by two airports: Larnaca International, located 4 km southwest of the city of Larnaca and Paphos airport, located 6.5 km southeast of the city of Paphos.

Table 1 summarizes the foreign tourist arrivals to Cyprus for the past nine years.

TABLE 1: FOREIGN TOURIST ARRIVALS, 2004 – 2012

Year	Foreign Tourist Arrivals (000s)	Change
2004	2,349	— %
2005	2,470	5.2
2006	2,401	-2.8
2007	2,416	0.6
2008	2,403	-0.5
2009	2,141	-10.9
2010	2,173	1.5
2011	2,392	10.1
2012	2,465	3.1

**Compound Annual Growth Rate 2004-12** **0.6 %**

Source: Statistical Service of the Republic of Cyprus

Annual tourist arrivals in Cyprus have recorded a moderate compound annual growth rate of 0.6% over the 9-year period from 2004 to 2012. According to the Statistical Service of the Republic of Cyprus, the primary source country for visitation to Cyprus is by far the United Kingdom, followed by Russia and Germany. Initial estimates for the 2013 tourist season indicate an anticipated 3% decrease in foreign tourist arrivals over 2012. It is important to note that 2012 was the second best in terms of foreign tourist arrivals and tourism receipts since 2001, with 2005 being historically the best.

## Demand for Hotel Accommodation

Demand for hotel accommodation in Cyprus is depicted in Table 2, illustrating arrivals and accommodated bednights at all licensed establishments, as well as the resulting average length of stay.

TABLE 2: DEMAND FOR TRANSIENT ACCOMMODATION, 2007 – 2012

Year	Arrivals at all Licensed Establishments (000s)	Accommodated Bednights	Average Length of Stay
2007	2,326	14,378	6.2
2008	2,297	14,380	6.3
2009	2,269	13,004	5.7
2010	2,429	13,801	5.7
2011	2,495	14,285	5.7
2012	2,530	14,577	5.8

**Compound Annual Growth Rate 2007-12** **1.7%** **0.3%**

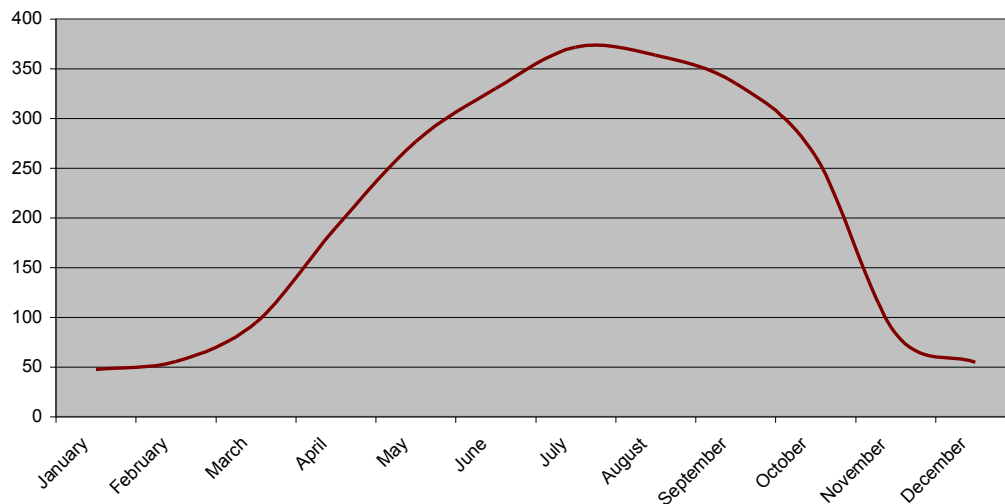
Source: Cyprus Tourism Organization

Arrivals at all licensed establishments have recorded a moderate compound annual growth rate of 1.7% over the 6-year period under review. The average length of stay decreased in 2009 as a result of the global economic crisis but has averaged at roundly six days over the period under review.

## Seasonality

Tourist visitation to Cyprus follows a rather distinct seasonality pattern. Table 3 illustrates the monthly foreign visitor arrivals for 2012. Graph 1 is a representation of the 2012 seasonality pattern. Cyprus experiences large numbers of arrivals from May to October, during which approximately 79% of the total number of tourists visit the island. The remaining 21% arrive in the low season, which runs from November until April. The most popular destinations during the off-season periods are Limassol and Paphos. Limassol records a relatively poor performance during the summer months and high occupancies in the spring and autumn. Cyprus has recently been marketing itself as a year-round tourism destination in hopes that tourist arrivals will increase and spread themselves further out across the year.

GRAPH 1: TOURISM SEASONALITY PATTERN – 2012 FOREIGN TOURIST ARRIVALS (000)



Source: Statistical Service of the Republic of Cyprus

## Hotel Supply

The 2013 supply of hotels and beds in Cyprus is illustrated in Table 3, featuring a total of 201 hotels. The majority of these units were in the three-star segment, with a lesser supply of two- and four-star units. Five-star hotels make up about 12% of the total supply. The majority of hotels are independently run, with a lack of international brands present on the island. This reflects the dependency of the tourism industry on “package tourism” obtained through tour operators. Nonetheless, Hilton, InterContinental, and Le Meridien brands do have presence in Nicosia, Paphos district, and Limassol. In addition, several hotels have become members of marketing consortiums such as Great Hotels of the World, Leading Hotels of the World, Small Luxury Hotels of the World.

TABLE 3: 2013 HOTEL AND BED SUPPLY

	5*		4*		3*		2*		1*		Total	
	Hotels	Beds	Hotels	Beds	Hotels	Beds	Hotels	Beds	Hotels	Beds	Hotels	Beds
Nicosia	1	588	3	823	4	394	8	564	1	51	17	2,420
Limassol	7	3,396	8	2,870	12	2,846	4	586	2	81	33	9,779
Larnaka	1	386	7	2,454	3	503	11	901	1	19	23	4,263
Ayia Napa	4	1,700	9	3,197	23	4,957	8	760	1	45	45	10,659
Paralimni	2	788	11	3,552	13	2,796	1	145	—	—	27	7,281
Paphos	9	4,240	18	7,961	13	3,107	2	69	8	439	50	15,816
Hill Resorts	—	—	—	—	4	291	—	—	2	137	6	428
<b>Total</b>	<b>24</b>	<b>11,098</b>	<b>56</b>	<b>20,857</b>	<b>72</b>	<b>14,894</b>	<b>34</b>	<b>3,025</b>	<b>15</b>	<b>772</b>	<b>201</b>	<b>50,646</b>

Source: Cyprus Tourism Organization

Apart from hotel properties, Cyprus features several additional types of accommodation establishments such as hotel apartments, tourist villages, and villas and guest houses. These account for about 40% of the country total number of beds.

New luxury supply for the island nation involves the Venus Rock Golf Resort, the Eagle Pine Golf Resort, and the Apollo Heights Polo Resort, all anticipated to enter the market in the next 2-5 years.

## Conclusion

Cyprus is a deeply enjoyable holiday island that boasts myriad charms all year round. As a destination, it is not only about attractive and impressively clean beaches, but offers skiing, hiking, and several other outdoor activities, always combined with unique culinary experiences.

The recent Cypriot financial crisis, involving the exposure of Cypriot banks to overleveraged local property companies, disrupted economic growth. On 25 March 2013, a €10 billion bailout was announced in an effort to restore financial sector stability, strengthen public finance sustainability, and adopt structural reforms to support long-run growth, while protecting the welfare of the population.

The economic situation remains difficult, although the recession has been less pronounced than expected. Based on recent indicators, output in 2013 is projected to contract by about 7.7 per cent, about one percentage point less than originally envisaged. Tourism and professional services have proven relatively resilient and confidence has continued to improve gradually. New foreign direct investment in the banking sector has been a positive sign. Looking forward, given the significant need to reduce high levels of private sector debt, output is expected to contract by 4.8 per cent in 2014 and to recover only gradually starting in 2015, driven by non-financial services. However, the risks surrounding the outlook remain substantial.



## About HVS

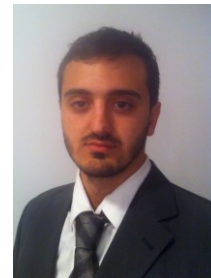
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## About the Authors

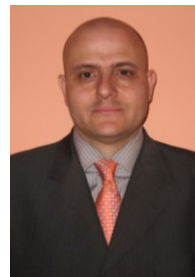


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