Cyprus

By Ioannis Tirkides and Nektarios Michail, Bank of Cyprus

IN A NUTSHELL

- → GDP increased by 3.8%.
- → House prices continue to increase due to the beneficial macroeconomic environment.
- → Housing demand and construction activity continue to be strong.
- → Bank liquidity remains high.

MACRO-ECONOMIC OVERVIEW

The economy continues to be resilient, with real GDP rising by 3.8%, after registering a 3.9% growth rate in 2024. This was followed by a 3% flash estimate for real GDP growth in 2026Q1. Growth was reported in all sectors of the economy, with the largest drivers being the information and communication sector trade, as well as the transport and accommodation sector, benefiting also from the material growth in tourism arrivals and revenue. Growth was also registered in the industrial sector, while construction growth also remained high. The related categories of real estate activities and professional and administrative services also registered important growth. Overall, growth was fuelled by private consumption, which rose by 3.2% over the year and contributed 2 percentage points, with fixed investment, largely driven by the construction of dwellings as well as intellectual property products, also contributing to growth. The unemployment rate has been declining since its 2013-2015 peak, dropping to 5.5% in the fourth quarter of 2023, further down to 4.6% in the fourth quarter of 2024, and ending 2025 at 4.1% seasonally adjusted.

Cyprus registered the lowest inflation rate in the euro area in 2025, averaging at 0.1%. This reflects the drop in energy and food prices, which had a negative contribution to overall inflation, especially from the second quarter onwards.

The budget surplus stood at 3.7% of GDP, assisting public debt to decline to 55.3%.

HOUSING MARKET

Building permits increased, with total year growth standing at 19.5%, although the figures may be distorted by the local authority restructuring that has taken place and has allowed for a faster processing of cases and a reduction of the backlog. The number of permits for dwellings increased as well, up 42.7% for the year. While the number of permits for office buildings declined, their overall size and value increased by approximately 10%. Along with this increase in building permits, transactions (measured via contracts of sale), have increased in 2025. As per Eurostat data, fixed investment was largely driven by the construction of dwellings (40% of the total), with overall construction activity providing around 60% of fixed investment.

The Central Bank of Cyprus property price index suggests that growth continued during the year, with prices rising by approximately 7.1% in 2025, in line with GDP developments. At 2.4%, compared to an EU average of 8.2%, Cyprus has the lowest housing cost overburden rate in Europe, a metric which shows the share of the population living in a household where total housing costs represent more than 40% of disposable income.

MORTGAGE MARKET

MARKET DYNAMICS

New mortgage lending continued to register steady increases, with around EUR 1.3 bn of new loans granted compared to EUR 1.1 bn in 2024, aided by the continued economic growth as well as the low prevailing debt-to-GDP ratio of the resident private sector (excluding the government), which stood at just 57% in December 2025. Non-performing exposures have declined materially, at 1.6% overall, highlighting the significant progress made in the banking sector.

Interest rates for new mortgage loans (floating and up to one-year initial fixation) stood below 4% in 2025. The weighted average interest rate for all mortgages fell to 3.12% from 4.3% last December.

The applicable Loan-to-Value (LTV) limits vary according to several factors. For loans intended for the purchase of a primary residence, LTV limits are 80%, for non-primary residences the LTV is generally lower, often up to 70% and for investment properties it is often lower still potentially up to 60%.

NON-MARKET LED INITIATIVES

An amendment to the Transfer and Mortgage of Immovable Property Laws of 1965 fixes long-standing title deed problems affecting thousands of buyers, as for contracts lodged with the Land Registry by 31 December 2014, or contracts concluded by 31 December 2024 the law requires the issuance of separate title deeds within two years and eight months of the law's enactment.

In July the framework for "trapped purchasers" – buyers who have paid for a property but cannot obtain the legal title, for example due to a developer's mortgage, another prior encumbrance, or unresolved planning and building issues – was introduced. The law replaced provisions ruled unconstitutional by the Court of Appeal in the previous year. It principally covers sale contracts concluded by 2014. Where an earlier mortgage exists, its holder must consent to its release. Alternatively, a purchaser who has paid the full purchase price may seek a court ruling that consent has been withheld abusively and without justification.

As part of the broader tax reform, stamp duty on property sale and purchase agreements has been eliminated (although VAT is still payable in the case of newly built houses), as well as capital gains tax exemption amounts have been increased. These changes come into effect in 2026.

MORTGAGE FUNDING

Bank and thus mortgage funding stems primarily from customer deposits. Funding conditions are comfortable as reflected in the gross loans to deposit ratio of 48% at the end of 2025. The loan to deposits ratio has been below 50% since early 2023, despite being higher than 100% until early 2018. At the same time, the fact that 84% of total deposits belong to the resident private sector (88% when including the government) as well as the fact that more than half of them are household deposits, provides an additional degree of funding stability. Cypriot banks have access to ECB funding should they require it. The securitisation legislation was enacted in July 2018, and the covered bond legislation in 2010.

	CYPRUS 2024	CYPRUS 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	3.9	3.8	1.5
Unemployment Rate (LSF), annual average (%) (1)	4.4	4.4	6.0
HICP inflation (%) (1)	2.3	0.8	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	69.4	69.2	68.5
Gross Fixed Investment in Housing (annual change) (1)	3.2	2.6	2.8
Building Permits (2015=100) (2)	11.3	16.2	86.9
House Price Index - country (2015=100) (1)	118.3	101.93	161.92
House Price Index - capital (2015=100) (2)	112.6	113	n/a
Nominal house price growth (%) (1)*	7.3	-13.84	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	8,488	8,693.42	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	8,783	8,993	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	43.5	38.94	81.39
Gross residential lending, annual growth (%) (1)	2.2	4.1	2.8
Typical mortgage rate, annual average (%) (2)	4.7	3.95	3.31

(1) Eurostat Data
(2) European Mortgage Federation - Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

CYPRUS FACT TABLE

Which entities can issue mortgage loans in your country?	Banks and non-credit institutions licensed by the Central Bank of Cyprus.
What is the market share of new mortgage issuances between these entities?	Banks issue the vast majority of new mortgages.
Which entities hold what proportion of outstanding mortgage loans in your country?	Deposit taking institutions hold the largest share of outstanding mortgage loans, with credit acquiring companies also holding a significant part, although this has been declining over time.
What is the typical LTV ratio on residential mortgage loans in your country?	The maximum allowable LTV is 80% for a primary residence, 70% for other residential property and 60% for investment properties. In practice, LTV ratios are lower.
How is the distinction made between loans for residential and non-residential purposes in your country?	A residential mortgage is a loan to an individual, to be used for the purpose of buying a residential asset.
What is/are the most common mortgage product(s) in your country?	Mortgages with maturities of 20 to 30 years and interest rate reset periods of 3 to 5 years. The share of new loans to households for house purchase with a variable interest rate has followed a sharply declining trend in recent years, in line with the euro area. Standing at almost 100% in early 2022, it had dropped to 12.2% by March 2026, close to the European median.
What is the typical/average maturity for a mortgage in your country?	20 to 30 years.
What is/are the most common ways to fund mortgage lending in your country?	Customer deposits.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	VAT is payable in the case of a newly built house. Stamp duty applied during 2025 but was abolished from 2026 onwards.
What is the level (if any) of government subsidies for house purchases in your country?	The government has introduced some help-to-buy programmes and pays interest benefits to certain groups including young couples, low-income households and descendants of refugees from the Turkish invasion in 1974.