

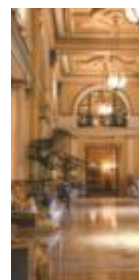


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# IN FOCUS: CYPRUS

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## Summary

The Republic of Cyprus is a Eurasian island nation in the eastern part of the Mediterranean Sea south of Turkey and to the east of the Greek island of Rhodes. 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 784,000. 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.



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

## Visitation

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

Table 1 summarizes the foreign tourist arrivals to Cyprus for the past 11 years.

**TABLE 1: FOREIGN TOURIST ARRIVALS (000S) 2004-2014**

Year	Arrivals	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
2013	2,405	-2.4
2014	2,441	1.5

### Year-to-November

2014	2,384	—
2015	2,581	8.3 %

### Compound Annual Growth Rate 2004-2014

**0.4 %**

Source: Statistical Service of the Republic of Cyprus

Foreign tourist arrivals in Cyprus have recorded a moderate compound annual growth rate of 0.4% over the 11-year period from 2004 through 2014, reaching a peak of 2.47 million in 2005. Year-to-November 2015 total foreign tourist arrivals indicate a positive increase of 8.3% over the same period in 2014.

## Demand for Lodging Accommodation

Demand for lodging accommodation in Cyprus is depicted in Table 2, illustrating arrivals and accommodated bednights at all accommodation establishments, as well as average length of stay for the most recently-reported years.

TABLE 2: ARRIVALS AND ACCOMMODATED BEDNIGHTS AT ALL ESTABLISHMENTS (000S), 2007-2014

Year	Arrivals	Change	Accommodated Bednights	Change	Average Length of Stay (days)
2007	2,416	—	14,378	—	6.0
2008	2,403	-0.54 %	14,380	0.01 %	6.0
2009	2,141	-10.90	13,004	-9.57	6.1
2010	2,173	1.49	13,801	6.13	6.4
2011	2,392	10.08	14,285	3.51	6.0
2012	2,465	3.05	14,577	2.04	5.9
2013	2,405	-2.42	14,048	-3.63	5.8
2014	2,441	1.49	13,715	-2.37	5.6
<b>Year-to-June</b>					
2014	965	—	5,234	—	5.4
2015	898	-6.90 %	4,611	-11.90 %	5.1
<b>Compound Annual Growth Rate 2007-2014</b>	<b>0.1%</b>		<b>-0.7%</b>		

Source: Cyprus Tourism Organization

Arrivals at all establishments have recorded a moderate compound annual growth rate of 0.1% over the 8-year period from 2007 through 2014. Year-to-June 2015 total arrivals and accommodated bednights indicated a negative trend over 2014; however, this reversed in the second half of 2015. The current year is on track to record total tourist arrivals near the all-time records of about 2.69 million set back in 2000 and 2001.

## Visitation Source Markets

The primary source country for visitation to Cyprus is by far the United Kingdom with 36%, followed by Russia with 26% of the total market for 2014. Russia recorded the highest compound annual growth rate of 22.5% for the period 2004 – 2014. The following table indicates the evolution of visitation by source market to Cyprus.

TABLE 3: ARRIVALS BY SOURCE COUNTRY (000S), 2004-2014

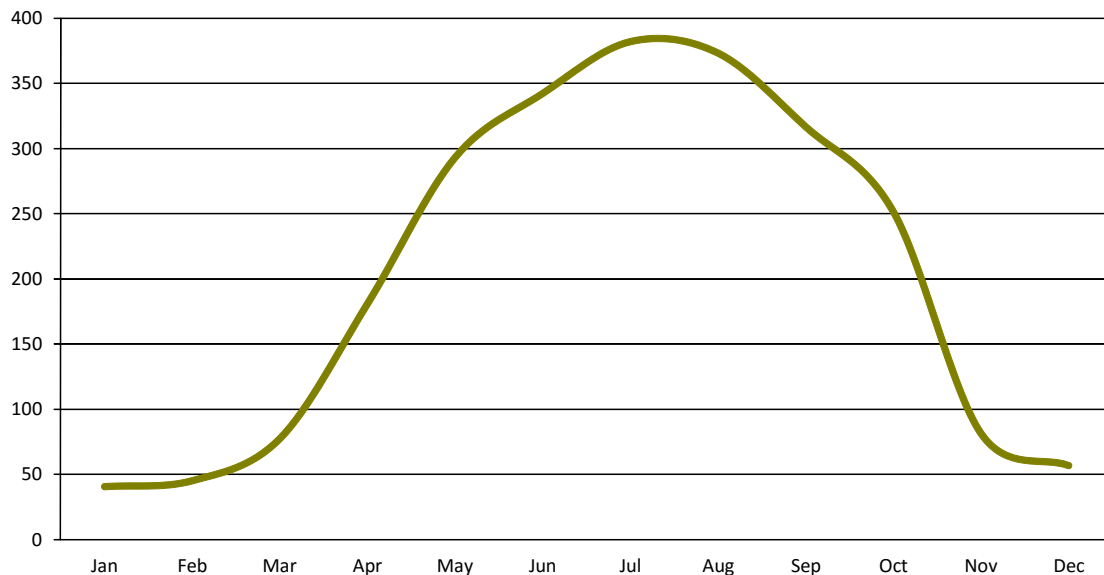
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Compound Annual Growth Rate 2004-2014	Share of Total (2014)
U.K.	1,333	1,392	1,360	1,283	1,243	1,069	996	1,021	959	891	872	-4.2 %	36 %
Russia	84	98	115	146	181	149	224	334	474	609	637	22.5	26
Germany	162	183	153	138	138	131	139	158	144	99	86	-6.1	4
Greece	133	130	127	140	133	131	128	139	133	105	101	-2.7	4
Sweden	84	88	94	121	125	108	110	112	117	118	107	2.4	4
Norway	51	48	51	53	63	60	63	64	69	66	57	1.1	2
Switzerland	41	40	41	41	39	39	42	45	47	42	49	1.7	2
France	47	53	38	41	36	26	29	34	36	27	29	-4.6	1
Other	415	438	423	452	446	427	443	485	483	401	504	2.0	21
<b>Total</b>	<b>2,349</b>	<b>2,470</b>	<b>2,401</b>	<b>2,416</b>	<b>2,404</b>	<b>2,141</b>	<b>2,173</b>	<b>2,392</b>	<b>2,464</b>	<b>2,357</b>	<b>2,441</b>	<b>0.4 %</b>	<b>100 %</b>

Source: Statistical Service of the Republic of Cyprus

## Seasonality

Tourist visitation to Cyprus follows a rather distinct seasonality pattern. Graph 4 illustrates the monthly foreign visitor arrivals pattern for 2014. Cyprus experiences large numbers of arrivals from May to October, during which approximately 75% of the total number of tourists visit the island. The remaining 25% 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 out across the year.

GRAPH 4: TOURISM SEASONALITY PATTERN IN MONTHLY ARRIVALS (000S) FOR 2014



Source: Statistical Service of the Republic of Cyprus

## Hotel Supply and Market Performance

The 2014 supply of hotels and beds in Cyprus is illustrated in Table 5. In 2014, there were 227 hotels in Cyprus. The majority of these were in the three-star segment with 34% of the total, followed by four-star

hotels with 26% of the total. Five-star hotels made up about 12% of the total supply. Most of the hotels are in the area of Famagusta with a 32% share, followed by Paphos with 25% of the total. The majority of hotels are independently operated with a lack of international brands present on the island; this reflects the dependency of the tourism industry on “package group tourism” obtained through tour operators.

**TABLE 5: HOTEL AND BED SUPPLY BY CLASSIFICATION AND REGION, 2014**

	5*		4*		3*		2*		1*		Total		Share of Total (%)	
	Hotels	Beds	Hotels	Beds	Hotels	Beds	Hotels	Beds	Hotels	Beds	Hotels	Beds	Hotels	Beds
Lefkosia	1	588	3	823	4	394	9	688	3	217	20	2,710	8.8	5.0
Limassol	7	3,396	8	2,870	13	3,042	3	415	2	81	33	9,804	14.5	18.1
Larnaca	1	386	6	2,316	4	643	11	910	2	45	24	4,300	10.6	7.9
Famagusta	6	2,488	21	7,269	36	7,761	9	913	1	45	73	18,476	32.2	34.1
Paphos	11	5,106	19	8,161	15	3,347	5	401	7	303	57	17,318	25.1	31.9
Hill Resorts	—	—	1	280	6	715	6	350	7	286	20	1,631	8.8	3.0
<b>Total</b>	<b>26</b>	<b>11,964</b>	<b>58</b>	<b>21,719</b>	<b>78</b>	<b>15,902</b>	<b>43</b>	<b>3,677</b>	<b>22</b>	<b>977</b>	<b>227</b>	<b>54,239</b>	<b>100.0</b>	<b>100.0</b>

Source: Cyprus Tourism Organization

Table 6 illustrates total hotel arrivals, total accommodated bednights, and bed occupancy for the last two years by hotel classification and by region.

**TABLE 6: MARKET PERFORMANCE BY HOTEL CLASSIFICATION AND REGION, 2013-2014**

	5-star			4-star			3-star			2-star			1-star		
	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)
<b>2014</b>															
Lefkosia	22,044	56,028	26.1	30,730	74,046	24.6	26,134	62,632	43.6	20,341	52,963	21.1	5,420	5,550	7.0
Limassol	114,254	548,650	50.4	95,121	473,186	46.0	59,463	342,597	45.2	8,751	22,604	15.5	2,136	2,354	8.7
Larnaka	18,230	80,928	57.4	81,040	454,437	65.7	16,431	71,338	39.8	22,378	73,420	27	1,149	3,203	20
Paphos	198,565	910,579	60.7	228,541	1,602,178	67.3	86,669	558,598	55.7	8,210	27,325	23	13,302	31,739	29
Famagusta	85,701	558,380	74.9	187,100	1,383,561	88.0	211,620	1,523,076	93.0	13,154	82,482	50	595	2,940	32
Hill Resorts	—	—	—	5,003	10,736	17.8	30,624	57,092	30.5	13,626	17,981	19	11,847	16,531	22
<b>Total</b>	<b>438,794</b>	<b>2,154,565</b>	<b>58.4</b>	<b>627,535</b>	<b>3,998,144</b>	<b>66.3</b>	<b>430,941</b>	<b>2,615,333</b>	<b>66.9</b>	<b>86,460</b>	<b>276,775</b>	<b>26.4</b>	<b>34,449</b>	<b>62,317</b>	<b>19.7</b>
<b>Change</b>	<b>13.3%</b>	<b>7.6%</b>	<b>6.0%</b>	<b>2.3%</b>	<b>1.1%</b>	<b>-0.5%</b>	<b>-0.9%</b>	<b>0.3%</b>	<b>1.2%</b>	<b>-4.3%</b>	<b>-9.4%</b>	<b>-6.7%</b>	<b>-0.4%</b>	<b>2.7%</b>	<b>7.7%</b>

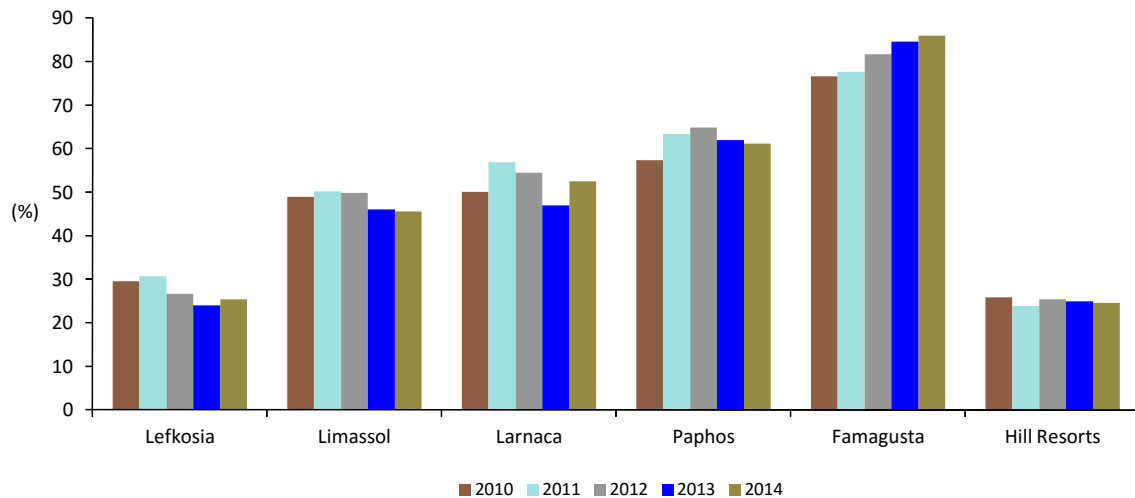
	5-star			4-star			3-star			2-star			1-star		
	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)	Arrivals	Bednights	Bed Occupancy (%)
<b>2013</b>															
Lefkosia	21,487	55,264	25.7	29,918	74,525	24.8	22,575	54,876	38.2	13,675	39,893	19.4	8,937	10,904	9.3
Limassol	107,304	540,402	48.3	93,418	499,597	48.5	65,459	376,914	47.4	9,197	31,536	17.1	2,174	2,227	8.8
Larnaka	16,657	65,145	46.2	89,419	447,016	57.3	9,789	42,052	34.3	25,412	81,608	26.8	323	517	7.5
Paphos	162,354	806,228	55.1	226,596	1,645,741	71.1	88,458	572,754	58.4	10,575	39,396	31.7	13,562	32,512	29.9
Famagusta	79,414	536,090	76.7	168,825	1,276,600	87.9	218,608	1,500,416	87.8	15,746	91,683	58.1	623	1,889	19.5
Hill Resorts	—	—	—	5,169	10,675	17.8	30,025	59,796	31.0	15,773	21,353	20.7	8,963	12,654	20.0
<b>Total</b>	<b>387,216</b>	<b>2,003,129</b>	<b>55.1</b>	<b>613,345</b>	<b>3,954,154</b>	<b>66.6</b>	<b>434,914</b>	<b>2,606,808</b>	<b>66.1</b>	<b>90,378</b>	<b>305,469</b>	<b>28.3</b>	<b>34,582</b>	<b>60,703</b>	<b>18.3</b>

Source: Cyprus Tourism Organization

Arrivals in five- and four-star hotels increased by 13.3% and 2.3%, respectively in 2014 in relation to 2013. Accommodated bednights show an increase of 7.6% in five-star hotels and 1.1% in four-star hotels. Total arrivals show an increase of 5.1% and total bednights show an increase of 2% in 2014 in relation to 2013.

Total bed occupancy increased by roundly one percentage point to 60.7% in 2014 over 59.8% in 2013. Graph 7 illustrates the bed occupancy by region for all hotels for the last five years.

GRAPH 7: BED OCCUPANCY BY REGION, 2010-2014

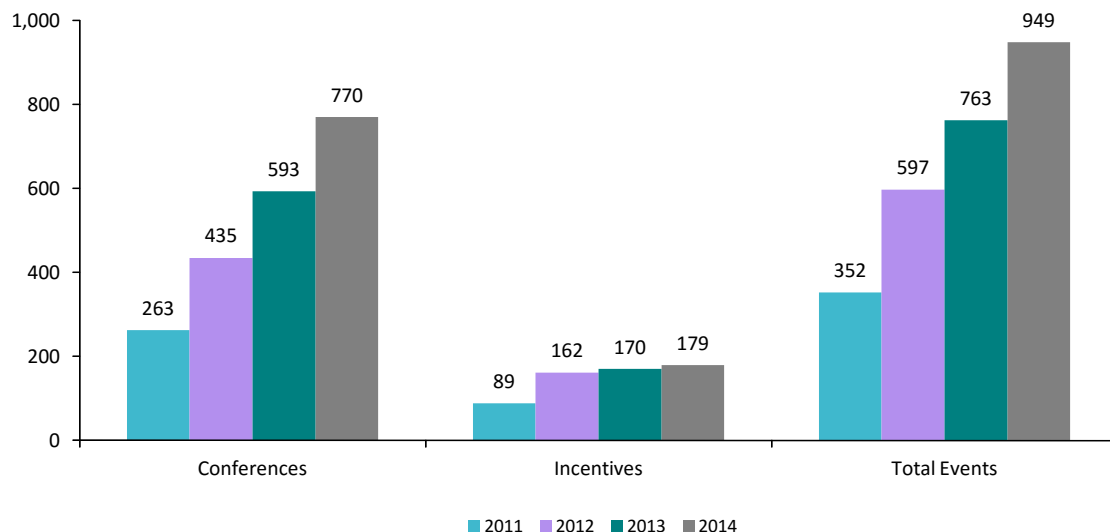


Source: Cyprus Tourism Organization

## Conference and Incentive Market

Cyprus offers 309 conference rooms with a seating capacity of 30,604 people, while 34,189 beds are offered in hotels with conference facilities. The seating capacity by town is 4,460 for Lefkosia, 7,295 for Limassol, 9,981 for Paphos, 2,600 for Larnaca, 5,572 for Famagusta, and 696 for Hill Resorts. Graph 8 illustrates the evolution in the number of events that occurred from 2011 to 2014.

GRAPH 8: NUMBER OF EVENTS, 2011-2014



Source: Cyprus Tourism Organization

The total number of events organized in 2014 in Cyprus (949) increased by 24.4% in relation to the previous year. This can be attributed to the increase of conferences organized as well as the increase of incentives by 30% and 5%, respectively.

## Conclusion

August 2015 officially marked the end of the recession in Cyprus, less than three years after it was bailed out by its international lenders. The country recorded a 1.0% positive economic growth for two consecutive quarters of 2015, exceeding the original 0.4% growth expectations. Further recovery in the Cypriot economy will take place after 2016 due to other external factors; in particular the impact of the recession expected in Russia. Looking further ahead, growth is expected to reach 1.1% in 2016 and 2.5% by 2019.

The latest developments in tourist movements away from destinations in the region that faced security problems led to an increased influx of tourists to Cyprus in late 2015; a trend that is anticipated to continue throughout 2016 and possibly beyond. In addition, the latest tensions in the relationship between Russia and Turkey are expected to channel more volumes of Russian tourists to Cyprus and Greece in 2016.



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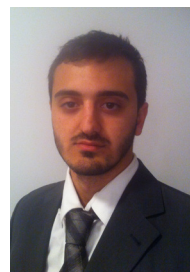
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