



HOTELBEAT

DESTINATION: CYPRUS

COUNTRY COMMENTARY

Cyprus is located within the eastern Mediterranean basin, to the west of Syria and Lebanon, and to the north of Egypt. It is the third largest island within the Mediterranean in terms of land mass covering an area of 9,250 km². Cyprus has a chequered political history dominated by the Greeks, the British and the Turkish all seeking to take advantage of its strategic location within the Mediterranean.

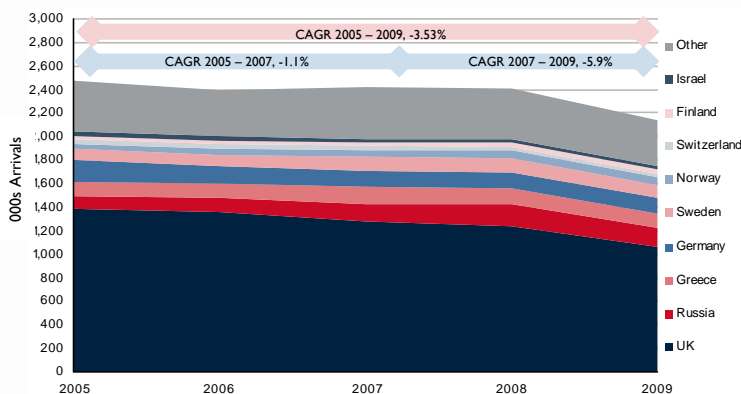
Cyprus has one of the European Union's fastest growing populations (at around 1.5% per annum since 2001) which has been driven to a large extent by expatriates locating to the island for its good year round climate, culture and attractive beaches. The official population of Cyprus in 2008 stood at 882,000.

Tourism has long been a feature of the island and the Cypriot economy is heavily reliant upon it. The island has witnessed significant investment historically in this sector to meet growing demand, including two international airports, extensive road networks, and a diverse range of hotel accommodation from luxury 5-star beach resorts to budget city centre hotels. In 2009, Cyprus attracted 2.1 million tourists, contributing €1.5 billion in revenues. The UK is the dominant feeder market for visitors to Cyprus, accounting for 50% of all tourist arrivals. As a result of the global recession, and the weakness of the pound against the euro impacting the UK market in particular, tourist arrivals fell 11% on 2008 figures with revenues down by 17%. Other more lucrative markets are now being targeted including Russia, however, Cyprus continues to face a tough battle to demonstrate its value for money, particular in comparison to other tourist destinations outside of the euro zone.

ECONOMIC TRENDS

In 2009, GDP totalled €16.9 billion, down from €17.2 billion in the previous year. The service sector accounts for 78%, which includes tourism, financial services and real estate.

Total international arrivals to Cyprus peaked in 2005 at 2.5 million visitors. The decline in tourist arrivals has been sharpest between 2008 and 2009 (see graph below).

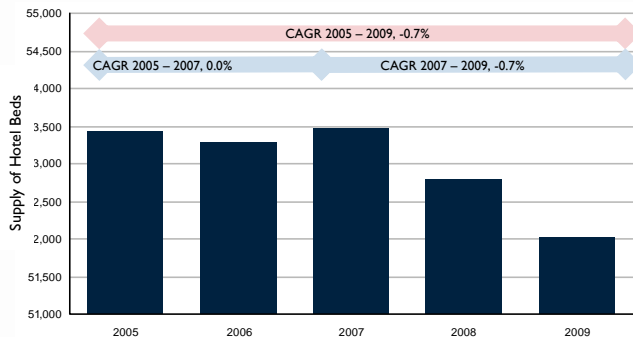


Source: Ministry of Tourism

HOTEL SUPPLY

As at the end of 2009, Cyprus had a total of 224 hotels. Over the past decade, the pace of hotel development was at its greatest between 2000 and 2003 with the number of hotels increasing from 234 to 242.

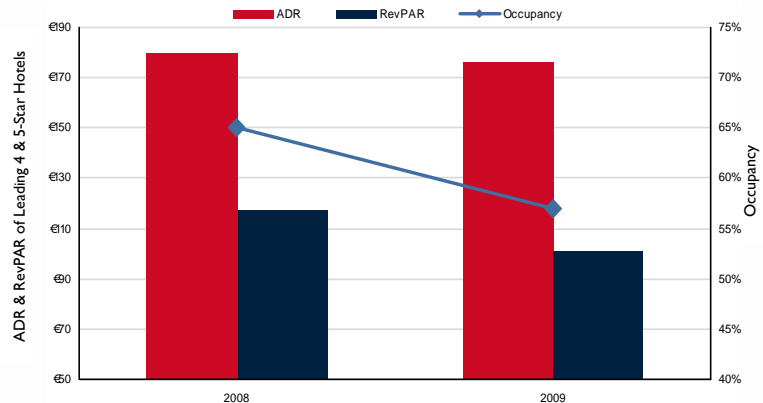
The number of new hotel rooms entering the market in 2010 and 2011 is expected to be minimal with a large number of developments being postponed until the market recovers.



Source: Ministry of Tourism

HOTEL PERFORMANCE TRENDS

Hotel operating performance data is not collated at an island-wide level in Cyprus. However, based on our research of a selection of the leading 4 and 5-star quality hotels in Cyprus, we estimate an ADR of €177 in 2009, a slight fall on 2008 levels. The biggest impact over the past two years has been on occupancy, as a result of the decline in tourist arrivals, falling from 65% to 57% (see graph below). Performance levels are forecast to stabilise at best in 2010.



Source: Cushman & Wakefield Hospitality research 2010

DENSITY OF HOTEL SUPPLY

Hotel supply is heavily concentrated in the southwest of Cyprus in the Paphos area. Of the total provision of hotel rooms, just under one third are located within Paphos.

Agia Napa and Larnaca have the next highest provision of hotel bedrooms, each equivalent to 20% of total supply on Cyprus.



Source: Cyprus Tourism Organisation