Larnaca District — Buy-to-Let Investment Report

Rental Market, Land and Build Costs, Five-Year Prospects, and Market Gaps

Prepared September 2026. Data current to July 2026 (DLS) and Q1 2026 (CBC, RICS). Companion to Reports I–III on the Cyprus market.

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1. Executive summary

Larnaca is the best-value coastal rental market in Cyprus and the only coastal district where the price index is still accelerating — +8.9% year on year in Q1 2026, against moderating readings in Limassol and Paphos. Apartments average €178k against Limassol's €403k, and rents run 20–35% below Limassol for stock of comparable quality.

For a buy-and-hold investor, three findings matter more than the headline growth:

1. **Resale beats new-build on net yield**, and by a wide margin. A buy-to-let purchase does not qualify for the reduced VAT rate, so a new build carries 19% VAT that cannot be recovered against exempt long-term residential rent. That single line moves roughly 40–50 basis points of net yield.
2. **The supply risk is concentrated in exactly the product most investors are being sold.** Larnaca holds 3,778 authorised dwelling units — 23% of the national pipeline on a 16% share of national transaction value. The pipeline is weighted to compact investor units in the coastal corridor. That is where rents will come under pressure in 2028–29.
3. **The genuine gap is professionally managed two- and three-bedroom long-let stock**, which is not what the pipeline is delivering.

Recommendation: a two-bedroom of 85–100 m², refurbished resale rather than new build, in Drosia, Sotiros, or one to two blocks back from the Finikoudes promenade, or in Oroklini for the family tenant. Target entry €180k–€230k, rent €1,150–€1,400, net yield 4.5–5.0% after costs and before finance. Avoid one-bedroom investor stock in the Mackenzie–Marina corridor.

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2. Where Larnaca stands

2.1 Transaction record

2025 (DLS/PwC)	Units	Value	Avg price	vs 2024
Apartments	2,808	€500m	€178k	from €166k
Houses	951	€256m	€269k	from €251k
Land fields	1,068	€141m	€132k	from €114k
Land plots	626	€101m	€161k	from €154k
District total	**5,735**	**€1,057m**		**+7% vol, +15% value**

Larnaca took 22% of national transaction volume but only 16% of value — the clearest statement of its position as the affordable coastal district.

2.2 Current momentum

- H1 2026 contracts: **2,163, +11%**
- Jan–Jul 2026 completed transfer value: €375m
- CBC price index Q1 2026: **+8.9% year on year, accelerating** — the only coastal district accelerating rather than moderating
- Foreign buyers 2025: 1,793 properties, +17%, of which **72% non-EU — the highest non-EU proportion of any district**
- Median listing price July 2026: €330k; median asking €2,605/m²
- Sale-to-asking ratio around 95–98%, so headline asking prices are close to achievable

2.3 What drives the rental demand

Larnaca International Airport sits roughly ten minutes from the city centre. That single fact shapes the tenant base: frequent European connections make the district popular with remote workers, fly-in-fly-out professionals, and expatriates with family ties in the UK, Germany and the Gulf.

This matters more than it first appears. It gives Larnaca a **year-round tenant** that

Paphos does not have. Paphos runs on tourism, with Airbnb occupancy falling to 50–60% in winter. Larnaca's core demand is people who live there and fly out, not people who fly in for a week.

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3. The rental market

3.1 Rents by area

Area	1-bed	2-bed	Character
Finikoudes (promenade)	€900–1,300	€1,500–2,600	Premium; frontline new-build well above
Mackenzie	€850–1,200	€1,400–2,200	Under-40 professional, short-let heavy
Drosia / Sotiros	€700–950	€1,050–1,400	Central, schools, long-let
Livadia	€650–850	€950–1,250	Family, new complexes
Oroklini	€750–900	€1,100–1,400	Expat, remote worker, beach proximity
Aradippou	€600–800	€900–1,200	Domestic, motorway and airport access

Rents across the district run **20–35% below Limassol** for comparable quality.

3.2 Yields by area and strategy

Area / strategy	Gross yield
Mackenzie / Marina, short-let dominant	6.5–8.0%
Finikoudes / Mackenzie, short-let	7.0–9.0%
Drosia / Livadia, long-term residential	5.5–6.5%
Oroklini, villa and expat housing	5.0–6.2%
Skala / central, long-term	5.0–5.8%

Larnaca residential apartments, overall	5.4–7.4%

For reference, the RICS Cyprus Property Index puts national apartment yields at 5.44% in Q1 2026 and houses at 2.97%. Larnaca sits at or above the national apartment figure across most of its long-let stock.

Houses do not work as rental assets here or anywhere in Cyprus. At 2.97% gross nationally, a Larnaca house is a capital play or a lifestyle purchase, not an income asset.

3.3 The short-let question

The headline gross yields in Mackenzie and Finikoudes — 7–9% — are real but misleading for a passive investor. Cleaning, furnishing, platform fees, management, licensing compliance and winter vacancy typically compress a 7.5% gross to 4.5–5.5% net. That is no better than a well-bought long-let, with materially more operational exposure and a regulatory environment that can change.

Short-let makes sense here only if the investor intends to operate the asset rather than hold it. One structural point in its favour: short-term and tourist accommodation is a VATable supply, whereas long-term residential letting is exempt. An investor operating licensed short-lets may be able to recover input VAT on a new build; a long-let investor cannot. That is worth modelling with a tax adviser before choosing the strategy, because it can reverse the new-build versus resale conclusion in Section 5.

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4. Land and construction costs

4.1 Land

Location	**€/m²**
Aradippou, Livadia, Dhekelia (residential)	€200–400
Standard 500 m² plot, Livadia / Oroklini	€200–300
Larnaca centre / near-coastal	€400–700+
Sea-view and coastal fringe (Mackenzie, Dekeleia, Perivolia)	Premium above the above

DLS 2025 averages: land plots €161k (from €154k), land fields €132k (from €114k). Field values rose 16% while plot values rose 5% — consistent with developers buying ahead of subdivision rather than competing for serviced plots.

Aradippou is the volume land market. The municipality receives roughly 500 applications for new homes each year, has substantial undeveloped area, motorway and airport access, and a four-storey height limit that keeps density and therefore land pricing moderate.

4.2 Construction

- **Residential construction: €1,700–€2,500/m²** excluding land, the national range applicable in 2025–26
- Self-build in Livadia / Oroklini: around **€2,000/m²** plus land
- Turnkey from a developer in the same areas: around **€3,700/m²** — the gap is land, finance, marketing and developer margin
- Construction materials index rose 1.3% in 2025 after a 0.8% fall in 2024; labour shortages remain the CBC's stated cost pressure

4.3 New-build selling prices

Segment	€/m²
Peripheral new 2-bed (Livadia, Oroklini, Aradippou)	~€2,200
Central and eastern new-build (Drosia, Sotiros, marina corridor)	€2,300–2,800
Larnaca centre	€3,000+
Waterfront / marina projects	~€2,856
Luxury seafront (Mackenzie, Oroklini)	€3,200+
Older stock, outskirts	€1,330–1,800

Apartments in the Mackenzie–Marina–Finikoudes triangle carry a **15–25% premium** over comparable stock further inland.

Note the spread between build cost (€1,700–2,500) and peripheral selling price (~€2,200). Outside the coastal corridor, development margins are thin. That is a signal about where the pipeline will and will not deliver.

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5. The investment cases, modelled

Illustrative, before finance. Purchase costs, operating assumptions and tax treatment must be confirmed with a Cyprus tax adviser.

	A: New build 2-bed	B: Resale 2-bed refurbished	C: Short-let 1-bed Mackenzie
Location	Drosia, 90 m²	Central Larnaca, 90 m²	Mackenzie, 55 m²
Headline price	€225,000 (€2,500/m²)	€180,000 (€2,000/m²)	€165,000 (€3,000/m²)
VAT at 19%	€42,750	—	€31,350
Transfer fees	— (VAT-exempt)	≈€3,800	—
Legal and costs	€4,000	€2,000	€3,000
Refurbishment	—	€25,000	—
Furnishing	€12,000	€10,000	€18,000
Total capital in	**€283,750**	**€220,800**	**€217,350**
Monthly rent	€1,300	€1,150	€1,350 equiv.
Annual gross rent	€15,600	€13,800	€16,200
Gross yield on capital in	**5.5%**	**6.25%**	**7.5%**
Operating costs	€3,940	€3,900	€7,600
Net yield	**≈4.1%**	**≈4.5%**	**≈4.0%**

The VAT point is the whole story. A buy-to-let purchase does not qualify for the 5% reduced rate, which applies only to a qualifying primary residence within the area and value caps. Long-term residential letting is a VAT-exempt supply, so the 19% paid on a new build cannot be recovered as input tax. On a €225,000 unit that is €42,750 of unrecoverable cost — roughly three years of net rent.

Resale wins despite lower rent. Option B produces a higher net yield than Option A on 15% less capital, and leaves headroom for the refurbishment to be specified to what tenants actually want rather than what a developer's standard finish provides.

Short-let does not compensate for its risk. Option C shows a 7.5% gross collapsing to 4.0% net once cleaning, management, platform fees, winter vacancy and heavier furnishing are priced in — worse than the resale long-let, with more work and more regulatory exposure.

On income tax: the SDC on rental income was abolished from 1 January 2026, and the personal tax-free threshold rose to €22,000. Rental income remains subject to income tax and to GHS at 2.65%. For an investor whose Cyprus-source income sits below the threshold, the effective income tax on a single unit's rent may be nil — a material improvement on the position before 2026.

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6. What is missing from Larnaca

This section is the investment thesis. The gaps are where the returns are.

6.1 The port and marina — the largest absence

The €1.2bn Kition Ocean Holdings concession, awarded in 2020, was **terminated in March 2024** following a disagreement over financial guarantees — the government requesting €8m against the consortium's position that €4.2m had been agreed. The project had received permits for the main infrastructure work shortly before termination. As of January 2026 it remains stalled, with the consortium publicly asking for the contract to be revived and the transport ministry signalling only continued consultations and expert studies.

Do not price this into an acquisition. A great deal of Larnaca marketing material still cites the waterfront transformation as a live catalyst. It is an option with no committed timetable. If it revives, it is upside; if the investment only works because of it, the investment does not work.

6.2 Grade A office stock

Larnaca has effectively none. Over 8,700 tech companies are now based in Cyprus and the relocation wave went almost entirely to Limassol, taking the office demand with it. Larnaca captured the residential spillover — people priced out of Limassol — without capturing the employment base.

This is a genuine gap, but it is not an easy one for a private investor to fill. It requires scale, an anchor tenant, and a view on whether Larnaca can attract employers rather than only their employees. Worth watching, not worth speculating on.

6.3 Professionally managed long-let stock — the actionable gap

Larnaca's rental stock divides into two categories: older walk-ups with dated specification, and new-build units designed for investors and short-lets. What is thin in between is **two- and three-bedroom apartments, professionally maintained, with dedicated parking, on quiet streets, let long-term to the airport-driven professional tenant.**

That tenant exists in volume and is year-round. The pipeline is not being built for them. This is the clearest mismatch between what Larnaca's demand looks like and what its supply is producing.

6.4 Family housing near schools with parking

Related, and equally underserved. Livadia and Aradippou are expanding with new complexes and schools, but the product is largely sold to owner-occupiers rather than held for rent. Very little institutional-quality family rental stock exists.

6.5 High-end depth

Larnaca houses average €269k against Paphos at €466k. There is no meaningful prime residential market and correspondingly no branded or serviced residence product of the kind Limassol and Ayia Napa have. This limits Larnaca's ceiling but is not, in itself, an opportunity — the demand for that product has not appeared.

6.6 Central parking and public realm

A structural constraint on the Finikoudes and central letting market. The €22m seafront park improves the public realm; parking pressure remains. Units with dedicated parking command a premium that most inventory cannot offer.

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7. Five-year prospects

7.1 The supply picture, which governs everything

District	Authorised dwelling units	Share of pipeline	Share of transaction value
Nicosia	5,374	33%	19%
Limassol	4,745	29%	41%

Larnaca	**3,778**	**23%**	**16%**
Paphos	1,729	11%	19%
Famagusta	545	3%	5%

Larnaca's licensed surface grew 32% across 10M 2025 to 483,784 m². On the standard 24–36 month permit-to-completion lag, that cohort delivers in **2028–29** into a district transacting roughly 5,700 properties a year.

This is a heavy pipeline for the district's size. It is the single reason Larnaca is a strong 2027–28 story and a more cautious 2029–31 one.

7.2 Price and rent projections

Year	CBC price index	Rents, 2-bed long-let	Rents, 1-bed
2027	+6.0 to 7.0%	+4 to 6%	+2 to 4%
2028	+3.5 to 5.0%	+2 to 4%	0 to +2%
2029	+2.0 to 3.5%	0 to +2%	**−3 to 0%**
2030	+2.5 to 4.0%	+1 to 3%	0 to +2%
2031	+3.0 to 4.5%	+2 to 4%	+1 to 3%
Cumulative	**≈+19% base**	**≈+11%**	**≈+2%**

Range on cumulative price growth: **+8% (bear) to +32% (bull).**

The divergence between the 1-bed and 2-bed rent lines is the most important forecast in this report. **The pipeline is weighted to compact units in the coastal corridor.** Those are the rents that face competition in 2029. Two- and three-bedroom stock on quiet streets, and family housing in Livadia and Oroklini, face far less.

7.3 Assumptions

- ECB deposit rate at 2.25% following the June 2026 increase; Cyprus mortgage rates trough at ~3.1% and drift to 3.5–4.5% across 2027–29
- Net immigration and remote-worker inflows continue at a slower positive rate
- No revival of the marina concession within the forecast period (upside if wrong)
- No change to the €300,000 residency threshold before 2028

- No regional escalation disrupting air connectivity — the most material downside risk, and one Larnaca is unusually exposed to given the airport is the demand driver

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8. Recommendation

8.1 What to buy

Product: two-bedroom apartment, 85–100 m², with dedicated parking. Two bedrooms is the specific call — it sits above the segment the pipeline is flooding and below the segment where yields collapse.

Location, in order:

1. **Drosia or Sotiros** — central, near schools and the Finikoudes beachfront, long-let character, 5.5–6.5% gross
2. **One to two blocks back from Finikoudes** — captures the location premium without the summer noise and parking pressure that deters long-term tenants
3. **Oroklini** — expat and remote-worker demand, beach proximity, 5.0–6.2% gross, better for the family tenant
4. **Livadia** — cheapest entry with genuine growth, but the most exposed to the new-complex pipeline

Basis: refurbished resale over new build, for the VAT reason in Section 5. Specify the refurbishment to the long-let tenant — storage, air conditioning throughout, working from home space, secure parking.

Entry target: €180,000–€230,000. Rent €1,150–€1,400. Net yield 4.5–5.0% before finance.

8.2 What to avoid

- **One-bedroom investor stock in the Mackenzie–Marina corridor.** This is precisely where the 3,778-unit pipeline concentrates and where 2029 rents are most exposed.
- **Any acquisition priced off the marina delivering.**
- **Houses as rental assets** — 2.97% gross nationally.
- **Short-let as a passive strategy.** It is an operating business, not a hold.
- **New build unless the short-let VAT recovery route is being taken deliberately**

and has been confirmed with a tax adviser.

8.3 Timing and horizon

Larnaca's best years are 2027 and 2028. If the horizon is two to three years, weight into Larnaca heavily now. If the horizon is five years or more, buy the product that the pipeline is not competing with — the two- and three-bedroom long-let stock — and treat the 2029 supply year as something to hold through rather than sell into.

Buy before the 2028 completions begin marketing off-plan, which in practice means committing during 2027 at the latest.

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9. Sources

Department of Lands & Surveys; PwC Cyprus *Real Estate Market — Year in Review 2025* (April 2026); Central Bank of Cyprus RPPI Q1 2026; RICS Cyprus Property Index with KPMG, Q1 2026; CYSTAT dwelling authorisations, building permits and construction materials index; Cyprus Mail reporting on the Kition Ocean Holdings concession (January 2026); Cyprus tax reform provisions effective 1 January 2026; district rental and pricing data from Cyprus market analyses published 2025–26.

Yield and cost models in Section 5 are illustrative frameworks using published benchmarks. VAT treatment, transfer fee calculation and income tax position depend on the purchaser's circumstances and must be confirmed with a Cyprus tax adviser before acquisition. Projections in Section 7 are scenario-based and should be re-based against each quarterly CBC release.