



**EU One Stop Shop**

Supporting Green Line  
Trade & Businesses

# Market Intelligence Report: Construction Materials



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# Market Intelligence Report: Construction Materials

## Glossary:

BIM - Building Information Modelling  
BREEAM– Sustainable Environment in Construction Certification  
CCCI – Cyprus Chamber of Commerce and Industry  
CPR – Construction Products Regulation  
GC – Greek Cypriot  
GCc – Greek Cypriot community  
GLT – Green Line trade  
GLR – Green Line Regulation  
LEED - Leadership in Energy and Environmental Design, a green building rating system  
MSME – Micro, Small and Medium Size Enterprises  
RoC – Republic of Cyprus  
TC – Turkish Cypriot  
TCc – Turkish Cypriot community  
TCCI – Turkish Cypriot Chamber of Commerce



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## Introduction:

The market intelligence report on construction material seeks to provide an understanding of the current market for construction materials in the Republic of Cyprus, and how to stimulate more Green Line trade (GLT) in construction materials.

The construction materials market is an important sector of the economy, supporting the construction sector which provided 5% of the value-added of the economy in 2024 (Statistical Service, 2025). The Republic of Cyprus also imports a large volume of construction materials.

Construction materials also represented about 40% of the Green Line trade that took place in 2022 – 2023 and has seen an increase in purchases. In addition, the key market identification report has noted a range of specific construction materials that are possible new avenues for trade between the Greek Cypriot and Turkish Cypriot communities.

The aim of this report is to:

- Map and analyse the construction materials market in Cyprus
- Identify possible challenges and opportunities for Green Line trade in construction materials

## What is the EU One Stop Shop?

This report is a product of the EU One Stop Shop Supporting Green Line Trade and Businesses. The EU One Stop Shop (EU OSS) was established by the European Commission, in cooperation with and support from the Cyprus Chamber of Commerce and Industry (CCCI), and the Turkish Cypriot Chamber of Commerce (TCCI) to:

- Support Green Line trade for the benefit of both Cypriot communities
- Promote business cooperation across the Green Line
- Inform key stakeholders and the general public about the processes of GLT.
- Increase quality standards in line with the EU *acquis* to facilitate trade and protect the consumers.

You can find out more about the EU One Stop Shop by visiting <https://www.eu-oss.com/>

## Aim and Methodology

### Aim of the report

The aim of this report is to understand the construction materials sector in Cyprus with a particular focus on the RoC economy<sup>1</sup>. This sector has been identified as important for the growth of GLT. Not only is this a sector for which there is existing GLT, but it also provides a basis for Turkish Cypriot producers to further expand their sales in the RoC market.

The construction materials market is a broad market that is driven by the demand of the construction sector. Construction materials are defined in this report as all substances or products used for building structures, infrastructure or other construction projects. It includes cement and articles made of cement, aggregates, masonry and ceramics, metals and glass, plastic materials, wood and flooring, as well as chemicals, including paints that are used in construction. This report focuses on providing an overview of this wide market. However, where possible, the report will focus on key sectors in the construction materials market that have been identified as conducive to increasing GLT.

### Methodology

The research commenced with the collection of statistical data from key publications, business organizations, international economic databases and domestic authorities. The quantitative data provides a macro-level perspective on current trade volumes, sector performance, and key economic indicators. Analysing these figures enables the identification of trends and patterns that could inform potential areas for expansion.

The quantitative approach provides an understanding of the sector, but to understand how to expand GLT, other factors that cannot be quantified statistically also play an important role. To understand such factors, a series of interviews and focus groups were undertaken with important stakeholders of GLT and traders in both communities. This enabled the identification of common themes, patterns, and unique insights, providing depth and context to the quantitative findings.

To capture the experiences and insights of those directly involved in GLT, a structured questionnaire was created for Turkish Cypriot and Greek Cypriot businesspeople who currently undertake GLT in construction materials. A focus group was undertaken in each community based on the questionnaire. These focus groups gathered valuable information on experiences, challenges, and perceptions, shedding light on practical issues that may not be evident from statistical data alone.

The insights were complemented by the experience gained by the EU OSS in undertaking GLT support and facilitation.

In addition, the research explored issues that arose from focus groups with consumers in the Greek Cypriot community. These conversations offered direct insights into demand-side considerations, capturing their experiences, expectations, and any obstacles faced in engaging with GLT. The qualitative data from these interviews complemented the quantitative findings and helped identify areas where support or intervention might be needed.

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<sup>1</sup> Please note that the term ‘Republic of Cyprus’ refers to areas under effective control of the Government of the Republic of Cyprus.

Throughout the research process, strict ethical standards were adhered to. All participant information was kept confidential, and data was anonymized to protect the identities of survey respondents, focus group participants, and interviewees. Participants were informed about the purpose of the research, and their consent was obtained prior to participation. Efforts were made to minimize researcher bias by using standardized data collection instruments and involving multiple analysts in data interpretation.

In addition, the researchers paid attention to the political sensitivities in Cyprus and a neutral language was employed, without ignoring the general tendencies in each community, during the research.

By integrating diverse data sources and employing a combination of research methods, this report provides a comprehensive understanding of the opportunities and challenges associated with expanding GLT. Grounding the analysis in both empirical data and the experiences of stakeholders directly involved in trade across the Green Line enhances the relevance and applicability of the findings. It is anticipated that this report will serve as a valuable resource for businesses looking to understand and expand GLT.

### Limitations of the research

Certain assumptions and limitations were inherent in the research. It was assumed that the statistical data and responses collected are accurate and reflective of current conditions. It is worth noting that, there is a dearth of available data, especially in relation to the productive capacity of the Turkish Cypriot community.

In addition, the participants in the focus groups, and subsequent consumer interviews might not represent the point of view of the broader population of GLT stakeholders. Participants may exhibit bias or reluctance to disclose certain information, which could influence the results. The focus groups were primarily comprised of persons currently undertaking GLT, which has an inherent bias – these participants are positive and choose to undertake GLT despite any issues. Despite this inherent bias, the answers of the participants clearly indicated that the challenges faced by those who decided to stop undertaking GLT were well represented.

The research is based on data collected within a specific timeframe and may not fully account for rapid economic or political changes that could impact GLT.

## Part 1 – Market Overview

### 1.1 Economic Context

The construction material market is a key market in the Greek Cypriot economy, driven by the demand for construction in Cyprus<sup>2</sup>. Construction in Cyprus created 5% of the total value in the RoC economy in 2023 (Cyprus Statistical Service, 2024). While this percentage may seem modest, the sector's impact is amplified when considering its linkages with other industries, such as real estate, manufacturing, and services (European Commission, 2020). The construction sector employed 46,000 workers in 2024, which is equivalent to 9.6% of the total employment in the RoC (Cyprus Statistical Service, 2024). However, this is certainly an underestimate, as the sector has substantial informal employment.

The size and dynamism of the construction sector of Cyprus substantially affects the market for construction materials. However, construction is highly cyclical in the RoC economy. Construction underwent a very large period of retraction between 2009 and 2015 when its value-added in the economy decreased by 60 %. Since then, the sector has undergone a recovery, but its value-added in 2025 was still 9% below its 2009 peak. A range of Cypriot MSME companies that produced construction material for the market prior to 2009 have not yet recovered, and up to 100 companies have since ceased operations (IBIS World, 2025). As a result, imports of construction materials, mainly from the EU but increasingly from non-EU countries, have risen dramatically. Data created by the EU OSS for the purposes of this report indicate that €648 million of the imports represent materials that could be of interest to the Turkish Cypriot traders, as they constitute products that can be traded across the Green Line, according to the Green Line Regulation.

In addition to the recorded imports, the RoC economy has a substantial production of certain construction materials, catering largely to the local market. There is substantial manufacturing related to cement and products of cement, aggregates, paints and chemicals used in construction, bricks and roofing materials and of plastic products, including pipes, used in construction. Estimates of the size of the domestic RoC production of construction materials<sup>3</sup> indicate the revenue to be €439.8 million, declining by over 5.9% due to competitive pressures from imports during the period 2019-2024 (IBIS World, 2025). The estimated profit in 2024 was 9.6% of the generated revenue. A key insight is that the existing RoC construction material market is larger than that of the Turkish Cypriot community and is growing, but profit margins are low, perhaps due to increasing competition from imports.

Exports of some locally produced construction materials did take place in the 2019-2024 period, but the RoC construction material producers are mainly focusing on producing for the local market (IBIS World, 2025). Imports of construction materials far outweigh their export (Cyprus Statistical Service, 2023). After the substantial reduction in the demand for

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<sup>2</sup> In addition to the demand of the construction sector, there lower demand for construction material derived by repair and DIY services, which are not necessarily adequately captured in GDP data.

<sup>3</sup> The particular report considers construction material as Timber Products, Aggregate and cement, plumbing and heating equipment, construction tools, Paint, varnish and adhesives, glass and fixtures (IBIS World, 2025).



construction materials in the 2009-2015 period, there is now an increase in investments to create additional domestic production capacity for construction materials, especially in terms of wall panels, and aluminium for construction<sup>4</sup>. However, this increase in investments in local production capacity has not yet replaced the large increase in imports of such materials (European Construction Sector Observatory, 2021).

The construction material production sector employs 2,712 identified employees in 366 businesses, although this is likely an underestimate, as sub-sectors of the construction materials sector are not included in the IBIS report. (IBIS World, 2025). Reports might assign some workers to construction works, rather than to construction material production.

The value of increasing Turkish Cypriot product market penetration in this market can be significant. In 2022, about 40% of total GLT value came from construction materials<sup>5</sup>. The OSS Key Sector Identification Report found that GL-traded products have managed to penetrate the sub-market of prefabricated containers, representing 64.6 % of the total value of all imported prefabricated containers. In addition to this sub-market, there has been GLT in glass, aluminium, aggregates and stone, although their penetration of the RoC market is substantially lower than that for pre-fabricated containers (when compared to the available RoC import data).

## 1.2 Market Segments

The construction material sector significantly influences infrastructure development and economic growth across the island and is multifaceted, involving various stakeholders such as developers, constructors, and producers of construction materials. The construction material sector in Cyprus comprises several interconnected market segments, each playing a vital role in the industry's overall performance.

### *Developers*

Developers are at the forefront of the construction industry, initiating projects that drive demand for construction materials. They are responsible for identifying opportunities, securing financing, acquiring land, and overseeing the planning and approval processes. Developers collaborate with architects, engineers, and urban planners to conceptualize projects that meet market demands and comply with regulatory requirements. In Cyprus, developers focus on a range of projects, including residential complexes, commercial buildings, tourism facilities, and infrastructure developments. Their decisions significantly influence the types and quantities of construction materials required, as well as the adoption of innovative and sustainable building practices.

As many developers also have their own constructor's outfit, they hold a key position in translating the decisions of the final client, the consumer, to purchasing decisions by the constructors.

### *Constructors (Contractors and Builders)*

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<sup>4</sup> For example, see the creation of an affiliated [Knauf](#) factory and the increase in [aluminium producers](#) for the construction industry.

<sup>5</sup> There were restrictions places in some construction materials crossing the Green Line in 2023 and thus 2022 was used as a reference year.



Constructors, encompassing contractors and builders, are responsible for executing construction projects. They translate architectural designs and engineering plans into physical structures, managing on-site activities and coordinating with various subcontractors and suppliers. Constructors play a crucial role in sourcing construction materials, balancing factors such as cost, quality, availability, and compliance with standards. In Cyprus, constructors range from large firms capable of handling major infrastructure projects to Micro, Small and Medium-sized Enterprises (MSMEs) focusing on residential and commercial buildings<sup>6</sup>. Their expertise and efficiency directly impact project timelines, costs, and the overall quality of construction.

While large constructors procure materials directly or through dedicated wholesalers, the sector is fragmented with MSMEs, who often procure materials either through wholesalers or large retail stores.

#### *Producers of Construction Materials*

Producers form the backbone of the construction material sector, manufacturing and supplying essential components needed for construction projects, although their position has been eroded through imports. This segment includes companies involved in producing cement, concrete products, aggregates, steel and metal products, timber and wood products, roofing materials, insulation, finishing materials, and more. In Cyprus, producers vary from large industrial manufacturers to smaller specialized firms. Their operations are influenced by factors such as raw material availability, technological advancements, environmental regulations, and market demand.

Producers are pivotal in ensuring a steady supply of quality materials, meeting local needs. Some producers, such as those of aluminium products, are concerned about competition from Green Line trade, while others, often not the dominant players in their market segment, have undertaken GLT to complement their budget range of products, or to satisfy demand when it was beyond their capacity.

#### *Suppliers and Distributors*

Suppliers and distributors act as intermediaries between producers and end-users, managing the logistics of transporting and storing construction materials. They maintain inventories, provide customer service, and often offer additional services such as credit facilities and technical support.

In Cyprus, these entities play a key role in making materials accessible to constructors and developers, particularly in remote areas or for specialized products. Their efficiency affects the timely delivery of materials, which is critical for adhering to project schedules. Suppliers can be further categorized to those more focused on the wholesale market, providing for the constructors. However, retail stores focusing on the final consumer often dominate the market for ceramic products, kitchen furniture and hygiene products, as those decisions are often made by the final consumer. In addition, there are large retail stores that satisfy both the DIY market and the large range of SME constructors.

#### *Architects and Engineers*

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<sup>6</sup> According to a snapshot of the construction sector of the Republic of Cyprus, there are 5,200 self-employed persons in the sector with the average size of the company being 3.2 persons employed (European Commission, 2020)

While not directly involved in producing or distributing materials, architects and engineers significantly influence the construction material sector through their design specifications and technical requirements. They select materials based on factors like structural integrity, aesthetics, sustainability, and compliance with building codes. Their decisions drive demand for certain materials and encourage the adoption of innovative products, impacting producers and suppliers alike. For large products, architects and engineers might request not just EU certificates of compliance, but also voluntary compliance to international standards.

#### *End-Users and Clients*

End-users, including property owners, investors, and occupants, ultimately drive the construction market. Their preferences and requirements influence developers' decisions and, by extension, the entire supply chain. Trends such as demand for energy-efficient buildings, sustainable materials, and modern design features shape the types of construction materials used, affecting all market segments (IBIS World, 2025). The end users have also reacted to the rapid increase in the price of construction materials in Cyprus by requesting more budget options.

### 1.3 Trends in the sector

The construction material sector in Cyprus is experiencing several trends that impact key market segments, presenting both opportunities and challenges.

#### *Emphasis on Sustainable and Energy-Efficient Materials*

There is a growing focus on sustainability and environmental responsibility within the construction industry. Developers and constructors are increasingly adopting green building practices, driven by regulatory requirements, market demand, and incentives. This is in part driven by the high cost of energy in Cyprus, as well as government policy. As of January 2021, all new buildings must be Nearly Zero Energy Buildings. This trend boosts demand for materials that improve energy efficiency, reduce carbon footprints, and are sourced sustainably. Producers are responding by developing eco-friendly products, such as recycled materials, high-performance insulation, and low-emission cement (European Commission, 2020). The adoption of sustainable practices enhances the sector's competitiveness and aligns with global environmental goals.

#### *Technological Advancements and Innovation*

Technological innovation is reshaping the construction material sector. Digital tools like Building Information Modelling (BIM) enhance collaboration among developers, constructors, and producers, leading to more efficient project management and material usage. Advanced manufacturing techniques, such as prefabrication and 3D printing, are gaining traction, allowing for faster construction times and reduced waste. Producers investing in new technologies can gain a competitive edge by offering innovative products that meet the evolving needs of constructors and developers. The use of BIM is necessary in terms of assessing energy efficiency and environmental impact as required by law and regulation, especially for the emerging high-rise and luxury developments market. Projects in the public sector have initiated BIM modelling to ensure energy rehabilitation on existing public buildings (European Commission, 2020).

#### *Regulatory Compliance and Standards*

While compliance with European Union regulations remains a challenge in the RoC, it is assessed to be gradually improving. The European Union has recently updated its Construction Products Regulation (CPR) to enhance sustainability, transparency, and digitalization in the

construction sector. The revised regulation, officially published as Regulation (EU) 2024/3110 on December 18, 2024, came into force on January 7, 2025, with most provisions becoming applicable from January 8, 2026 (European Union, 2024). The updated CPR introduces mandatory environmental declarations that are considered challenging to implement for all construction material producers.

As per EU *acquis*, the operator placing a construction product on the EU market must ensure that the material meets all standards. Producers are required to provide products with proper CE marking and documentation. The harmonization of standards promotes quality and safety but also imposes challenges, especially for smaller producers who may need support to achieve compliance. Navigating these regulations effectively can open up new markets and opportunities for Green Line trade.

#### *Infrastructure Development and Government Initiatives*

Government investments in infrastructure projects, such as transportation networks, energy facilities, and public buildings, are driving demand for construction materials. Developers and constructors engaged in these projects require large quantities of materials, offering significant opportunities for producers. Additionally, initiatives aimed at promoting affordable housing and urban development stimulate activity across all market segments, contributing to economic growth.

## 1.4 Growth potential

The future of the construction sector in the RoC is considered to be relatively robust. The economic forecast of the European Commission for the RoC expects a slowdown of GDP growth from 3.5% in 2024 to 2.8% in 2025 (European Commission, 2024). Despite the increasingly gloomy economic predictions that relate to the looming global trade war, the construction sector is in part insulated from a more rapid economic slowdown due to the infrastructure investments undertaken by the RoC, including in the context of the European Recovery and Resilience Facility (European Commission, 2020). The index of production of buildings<sup>7</sup>, which increased by 6% in 2023, supports the assertion that a robust increase in construction will continue (Cyprus Statistical Service, 2025).

Given the assessment of continued growth in the construction sector, the demand for construction material will remain, at least in the medium term. The potential increase of tariffs might encourage the replacement of non-EU providers with domestic and other EU providers. Thus, it is not expected that there will be a substantial slowdown on the demand for construction materials in the RoC over the next three years. A key insight is that despite previous reversals, the robust construction industry will maintain high demand for construction materials.

The demand for construction for the next three years is expected from both public and private investment. The RoC is investing in infrastructure with the use of the Recovery and Resilience funding. It is also using part of that funding to provide incentives for private investment into energy efficiency in the existing building stock.

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<sup>7</sup> The Index of Production in Construction is a quarterly statistical measure published by the Statistical Service of Cyprus (CYSTAT). It serves as a tool for monitoring short-term developments in construction activity, providing insights into the volume of construction work completed over time.

In addition, there are large private investment in projects related to real estate and tourism that are currently ongoing and are expected to maintain demand for materials for the next three years.

The combination of private and public investment will maintain the high demand for construction materials for the next three years and allow existing TC companies as well as new entrants to enter the market in a more dynamic way.

However, there are some negative headwinds that might affect the growth of demand in the construction material sector. Global supply chain disruptions can affect the availability and cost of raw materials, impacting producers' ability to meet demand. Rising energy prices and raw material costs in the RoC and the TCc can reduce margins for producers and raise project costs for developers and constructors, leading to a reduction of the expected demand.

## Part 2: Market Players

### 2.1 Key Market Players in the Construction Sector

The construction material sector in the RoC economy is marked by a dynamic relationship between buyers and suppliers. Understanding the key players in this sector is essential for assessing market opportunities, particularly in determining whether Greek Cypriot buyers might consider sourcing supplies from Turkish Cypriot suppliers.

#### Buyers and Producers of Construction Materials

##### *Major Buyers and Their Roles*

The primary buyers continue to be major developers, construction companies, construction material wholesalers and retail stores, and the diverse MSMEs in construction.

##### **1) Developers and Construction Companies**

Developers and construction companies are large buyers of construction materials. They often buy in bulk and expect discounts. Some of the larger developers and construction companies, mentioned below, buy directly from suppliers as well as from wholesalers.

Leptos Estates, Aristo Developers, and Cybarco as well as Pafilia are the leading developers, with continued expansion into new projects that emphasize sustainability and technological integration. Such developments require advanced construction materials and have heightened competition among buyers:

- Leptos Estates has initiated the "Neapolis Smart EcoCity" project in Paphos, aiming to create a sustainable urban environment incorporating smart technologies (Leptos Estates, 2025). This project increases demand for innovative construction materials, such as energy-efficient building components and smart infrastructure materials.
- Aristo Developers has expanded into educational infrastructure by developing campuses for international schools, requiring specialized construction materials that meet additional international standards (Aristo Developers, 2025).
- Cybarco is advancing with the "Trilogy Limassol Seafront" project, a high-rise development that demands high-quality materials and cutting-edge construction techniques (Cybarco, 2025).

- Cyfield is currently the premier construction company in Cyprus in terms of size, due to its ability to compete for and complete infrastructure investments of the RoC. It both completes projects on its own and delivers some projects through subcontracting (Cybarco, 2025).
- Newer entrants like Pafilia Property Developers have gained prominence with projects like "ONE Limassol", the tallest residential seafront tower in Europe (Pafilia, 2025). Pafilia has also developed projects in Paphos such as Minthis Resort and NEO Paphos: A high-end residential development.

In addition, there is an increased demand for mixed-use development. Invel Real Estate Partners has increased investments in mixed-use developments, combining residential, commercial, and leisure facilities, leading to diverse material requirements.

## **2) Private equity real estate in the RoC**

An emerging market is the private equity led real estate development. These buyers are focused on large products and often work with a variety of constructors. Although they are not always directly in charge of construction material buying decisions, they have the ability to influence such decisions for their real estate projects.

Henderson Park is a private equity real estate firm focusing on European markets, including Cyprus. In 2019, the firm acquired significant hospitality assets, such as the Elounda Portfolio, which encompasses luxury resorts in Cyprus and Greece. Henderson Park invests in redeveloping these properties to enhance their value and appeal, necessitating substantial quantities of construction materials, particularly for premium finishes and sustainable building features that align with contemporary luxury standards.

Round Hill Capital is an international real estate investment, development, and asset management firm with operations extending to Cyprus. The company focuses on residential property investments, including student housing and multifamily developments. Round Hill Capital's projects emphasize modern living spaces with energy-efficient designs and smart technologies, increasing demand for construction materials that support these advanced features and contribute to sustainable building practices.

## **3) Wholesalers of construction materials**

Wholesalers of construction materials are important players in purchasing construction materials. Such wholesalers can be a key to entry in the broader construction material market of the RoC as they act as distributors both of local materials but also as importers of such materials.

The Hadjiyiannis Group is a leading supplier and distributor of construction materials, including sanitary ware, ceramic tiles, plumbing supplies, and general building materials. Representing numerous international brands, they provide comprehensive solutions to constructors and developers across Cyprus.

George Petrou Ltd is a prominent importer and distributor of building materials such as tiles, sanitary ware, and plumbing fixtures. They serve the Cypriot construction industry with quality products from reputable international manufacturers.



Kyriakides Ltd imports and distributes a wide range of construction materials, including insulation products, roofing materials, and structural components. The company supports builders and developers with quality products and technical expertise.

FDL Group specializes in importing and distributing flooring solutions, including tiles, laminates, and parquet. They supply materials for residential and commercial projects, representing well-known international brands.

Epiphaniou specialities in importing and distributing flooring and bricks, with emphasis on ceramic tiles and hygiene products.

#### **4) Retailers of construction materials**

Many MSMEs in the construction sector receive their supplies from retail DIY stores. The largest in terms of sales of construction materials are:

Leroy Merlin Ltd is French-based multinational home improvement and gardening retailer, with a strong MSME constructor consumer base as it provides wholesale prices

Superhome Centre is the largest DIY and home improvement chain in Cyprus, operating six megastores across Nicosia, Limassol, Larnaca, and Paphos, and serves over 1.3 million visitors annually.

Mangas Home improvement was a wholesaler in Limassol that is now a retail DIY store, although it retains its MSME constructor clientele with a dedicated service for construction supplies.

#### **5) MSMEs in construction**

The most numerous of buyers in terms of numbers are the MSMEs in the construction sector. These are quite often self-employed individuals or micro-enterprises and operate in a very tight margin. Their purchases are often ad-hoc and put emphasis on value for money purchases. The majority prefer to purchase construction materials on the basis of an invoice which they can pay at a later time.

### **Producers of Construction Materials**

The producers of construction material market are often producing a range of products, and can act as wholesalers in importing more specialised items. Major market players are positioning themselves as pioneers in sustainable and smart developments, enhancing their market appeal to environmentally conscious investors and clients or clients who require premium products.

#### **1) Local Manufacturers**

Vassiliko Cement Works is one of the leading cement producers in Cyprus, supplying high-quality cement and clinker for various construction projects. The company emphasizes innovation, sustainability, and adherence to European standards, operating a state-of-the-art cement plant with an annual production capacity exceeding two million tons.

Cyprometal Ltd specializes in the production of steel and metal products essential for construction, such as reinforcement bars and mesh. Established in 1987, the company ensures compliance with EU standards, providing materials crucial for the structural integrity of buildings and infrastructure projects.

Athinodorou Beton Ltd is a major producer of ready-mix concrete in Cyprus, supplying concrete for residential, commercial, and infrastructure projects. The company operates multiple batching plants and focuses on quality control and timely delivery.

MUSKITA Aluminium Industries Ltd is an aluminium extrusion company in Cyprus, manufacturing aluminium profiles and architectural systems for windows, doors, and facades.

Geopet Aluminium Ltd is an aluminium systems and steel structures company, focusing on premium production of slim and ecofriendly aluminium and steel products. It is in receipt of a Stelios Hadjioannou award for cooperation with a Turkish Cypriot producer, having established together Slimline frame ltd (Slimline frame, 2025) to produce ultraslim premium products through the use of GLT.

Petrou Bros produces aggregates, ready-mix concrete, and asphalt products. With several quarries and production facilities across Cyprus, they supply essential raw materials for road construction and building foundations.

P.K. ThermoGlass Ltd manufactures energy-efficient aluminium and PVC windows and doors. They provide customized solutions for thermal insulation and soundproofing, contributing to sustainable building practices.

## **2) International Companies with Local Presence**

KNAUF Cyprus Limited, part of the global KNAUF Group, offers gypsum-based products like plasterboards, plasters, and insulation materials. Operating since 1997, KNAUF introduces advanced building technologies and sustainable solutions to the Cypriot market.

LafargeHolcim, a global leader in building materials, supplies cement, aggregates, and ready-mix concrete in Cyprus via local partnerships. They provide innovative and sustainable construction solutions tailored to local needs.

Saint-Gobain offers a range of construction materials, including glass products, insulation, and gypsum plasterboard. Their products are available in Cyprus through local distributors, supporting modern and energy-efficient building practices.

## **Sectoral demand for construction materials**

The demand of construction material can vary depending on its final use, as different sectors require different qualities of material. A sector demand for construction materials is presented below.

### **Housing**

Housing is the largest segment of the demand for construction materials. This segment is served mainly by MSMEs in construction, although there is an increasing increase in construction of housing (bought off-site) by developers.

The housing market is a very competitive market with very tight margins, and hence the emphasis in purchasing construction material is on the cost. However, the demands for Nearly Net zero energy consumption and the need to be able to receive a building permit requires that all material be up to the safety standards and regulation demanded by the European Union and the RoC.



This has been an issue in the past. At least one wholesaler confirmed that a consignment of bricks bought from a TC seller was placed under restrictions by the Ministry of the Interior for not fulfilling the required EU standards. Subsequently the wholesaler was sued successfully in court for the cost by the buyer. This makes wholesalers reluctant to purchase products without some assurances about their compliance with EU standards.

The demographic pressure for more housing and for more coastal developments comes mainly from the international migration to Cyprus– foreign buyers represent 45% of all housing transactions in Pafos and Limassol (Loizou, 2024). Demand for housing construction material is hence expected to shift to higher value-added materials that are in demand by foreign, more environmentally conscious, clients. However, the budget conscious market for construction material will remain an important part of domestic housing demand, especially since the mean equivalised net income in Cyprus does not appear to be rising (European Commission, 2020).

### **Office space**

The office space market is considered the second largest segment of the construction material sector. Its focus is more on the appealing design and energy efficiency of the construction material and less on the cost. The reason for this is that the aging office space stock is less appealing to the new international companies that are seeking offices. Office space has also been affected by the desire of employees to work from home, and as a result the selling prices of office space have remained largely stagnant since 2019 (AskWire, 2024).

### **Education and Healthcare**

Demand and expectations of quality are rising also within the domestic private sector, especially in the growing sectors of education and healthcare. Post-pandemic recovery has accelerated investments in healthcare and educational infrastructure in Cyprus with several institutions expanding their facilities, necessitating construction materials that meet stringent health, safety, and environmental standards:

Aretaeio Hospital has continued to expand its infrastructure to improve patient care and introduce new medical specialties. In 2023, the hospital completed the construction of a new diagnostic imaging centre equipped with the latest medical technology.

Ygia Polyclinic in Limassol, one of Cyprus' leading private hospitals, has invested in expanding its facilities to include a new cardiology centre and additional patient rooms. Completed in early 2023, the expansion aims to enhance the hospital's capacity and services.

The German Oncology Center in Limassol has expanded its facilities to include new treatment units and research laboratories. Opened in mid-2022, the expansion supports advanced cancer treatments and clinical research.

The University of Cyprus has continued its significant campus development plan. In 2023, the university commenced the construction of a new Engineering School building, designed to be a benchmark for sustainable architecture.

The analysis of the market players confirms that the desire to ensure the lowest cost of material is not the only driver of a purchasing decision. It matters who is the buyer (a larger developer or an MSME in construction) and what is the construction being built (budget housing or

specialised healthcare and education buildings). What is clear is that all market segments and actors are increasingly demanding that the products they purchase be up to EU standards.

## 2.2 Market Strategies of the Buyers and Suppliers

### Strategies of the Buyers

Buyers in the Greek Cypriot community adopt comprehensive strategies that balance cost efficiency with quality, compliance, and sustainability. Cost management is a critical element, especially for MSMEs as margins are small.

Larger market players implement value engineering to optimize expenses without compromising on essential standards, especially since there has been an increase in price of construction materials. This involves negotiating competitive pricing through bulk purchasing, considering alternative materials that meet project specifications at lower costs, and establishing long-term contracts with suppliers to secure favourable terms and supply stability. Efficient resource allocation and minimizing waste are also key practices to enhance financial efficiency while maintaining project integrity.

Quality assurance and strict adherence to European Union regulations, particularly the Construction Products Regulation (EU) No 305/2011 and the new Construction Products Regulation (EU) 2024/3110, are paramount. Buyers prioritize sourcing materials that meet these standards to ensure safety, durability, and longevity in their constructions, and they build long-term relationships with producers who can ensure they will not have issues.

Historical examples of where such standards were not met by Turkish Cypriot products create uncertainty about procurement from Turkish Cypriot businesses. This is despite the efforts made by TC businesses to make improvements in quality and compliance. For example, in an interview, a major construction material wholesaler stated that they had a negative experience in the past, where the material failed to comply with EU standards. This incurred a large financial cost to the wholesaler as well as a fine, and this supplier is now reluctant to re-stock Turkish Cypriot products. It is imperative that the Turkish Cypriot construction material production sector complies fully with EU *acquis* and can demonstrate this compliance.

Wholesalers, especially retail wholesalers who are parts of global conglomerates, conduct thorough supplier evaluations, implement rigorous quality control processes, and maintain detailed documentation for compliance verification. Alongside quality, there is a growing emphasis on sustainability and environmental responsibility. Buyers actively seek eco-friendly and energy-efficient materials that reduce environmental impact and contribute to green building certifications like LEED and BREEAM, aligning with global sustainability trends and enhancing the market appeal of their projects.

Technological adoption plays a significant role in buyers' strategies. Embracing advancements such as Building Information Modelling (BIM) enhances project planning, coordination, and material management, requiring suppliers to support digital workflows and provide compatible materials. Ensuring that suppliers are up to date with technological innovation will be increasingly important, especially for the premium market. Building strong, strategic relationships with reliable suppliers ensures consistent material availability, better pricing, and collaborative problem-solving, which is crucial for meeting project timelines and

specifications. Risk management strategies, including supply chain diversification and market trend monitoring, help buyers mitigate potential disruptions. By integrating these elements—cost management, quality assurance, sustainability, technological innovation, and strategic partnerships—buyers aim to deliver successful projects that meet client expectations, comply with regulations, and achieve financial viability.

## Strategies of the Suppliers

### *Market Strategies of Suppliers*

The TC suppliers that would like to enter the market of the RoC in construction material should be aware of the strategies of other suppliers of the market. The current strategies of the suppliers in the market is to:

- Emphasise Sustainability, and where applicable, energy efficiency. Suppliers in the RoC market focus on their ability to reduce energy consumption.
- Emphasise technological innovation: In order to attract more premium clientele, the suppliers of construction materials emphasise their use of technology to highlight the quality of their product.
- Supply Chain Resilience: Suppliers of such material are developing more resilient supply chains by securing a range of sources for their material. Some wholesalers and retailers also have created their own brand of material for more budget-friendly options.
- Diversity of ranges: Many have introduced premium ranges for the high-end demand but also budget options, as recent price rises affected consumers
- Customer Engagement: Greek Cypriot suppliers of construction material often provide a dedicated officer to each buyer, in order to provide customer service until the product is placed in the construction. Most larger sellers have online ordering systems and virtual product demonstrations, are improving client interactions. Distributors and importers strengthen their market position through extensive product portfolios and strong relationships with reputable international brands. By providing comprehensive solutions, exceptional customer service, and technical support, they meet the diverse needs of constructors and developers.
- Local manufacturers emphasize quality assurance and strict compliance with European Union regulations. Their marketing is focused on modern production facilities and adherence to standards.

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## Part 3: The Construction materials Sector and GLT

### 3.1 The Regulatory environment

#### The Green Line Regulation

Protocol 10 of the Accession treaty of Cyprus (2003) provides that the application of the *acquis* shall be suspended in those areas of the Republic of Cyprus in which the government of the Republic of Cyprus does not exercise effective control. Based on that legal background, the Council Regulation 866/2004 ("Green Line Regulation") sets out the terms under which persons and goods can cross this line from the non-government-controlled areas into the government-controlled areas. Additionally, Commission Regulation 1480/2004 lays down specific rules concerning goods arriving from the areas not under the effective control of the RoC in the areas in which the RoC exercises effective control.

As the *acquis* in the areas not under the effective control is suspended pending the solution of Cyprus problem, the trade across the Green Line is regulated one-way: from the areas which are not under control to the areas which are. This is what is considered as GLT. The basic premise of the Green Line Regulation is that locally produced goods, with certain exceptions, are allowed to be traded. Imported goods are excluded from Green Line trade.

Although outside the scope of the Green Line Regulation, it is important to note that the Turkish Cypriot community "mirror" the Regulation by allowing trade from the areas under the effective control of the government of the Republic of Cyprus to the areas not under its effective control of similar goods that are allowed for GLT. This trade is referred to as reverse trade and is not the emphasis of this report.

GLT products are not subject to VAT by the RoC. However, for reverse trade the Turkish Cypriot community currently imposes "VAT" and "duties" on goods entering from the areas under the effective control of the RoC. For these products, the Greek Cypriot producer also to pays VAT in the RoC.

#### Other EU and domestic regulations

The construction materials sector is extensively regulated both through EU wide regulation and EU directives transposed into domestic law. The key regulation relating construction materials is the Construction Products Regulation (CPR) of 2011 transposed in the RoC with the Construction Products Law of 2013<sup>8</sup>. As mentioned above, a new CPR has been adopted (European Union, 2024), although full implementation will not be immediate as new standards need to be developed.

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<sup>8</sup> See [The Construction Products Law of 2013 \(L.130\(I\)/2013\)](https://www.eu-oss.com/resources/legal-repository/marbles-granites/). The EU OSS legal repository has an extensive explanation of the regulatory environment for some key construction materials, as for example for marble and granite: <https://www.eu-oss.com/resources/legal-repository/marbles-granites/> and of paints <https://www.eu-oss.com/resources/legal-repository/paints/>

The competent authority of the RoC to ensure that the CPR and other construction material regulation is upheld is the Ministry of the Interior, Directorate of Technical Services, Construction Materials Sector. The Ministry can request other ministries and services to provide support and opinion. For example, the Ministry might defer part of its compliance duties for paints to the Ministry of Labour, Welfare and Social Insurance, Department of Labour Inspection.

As per EU law, the economic operator introducing goods into the EU market is responsible for meeting all requirements and standards. As a result, for any GLT in construction materials, the Turkish Cypriot producer needs to ensure that they satisfy all the requirements and have all the necessary documentation to demonstrate this compliance with all relevant EU and domestic legislation. There is a perception among GC traders that all construction material products traded across the Green Line are consistently checked at the crossing points while imports are subject to random sample checks only. This perception was shared in focus group discussions.

The current lack of comprehensive, EU aligned standards consistently applied and enforced in the Turkish Cypriot community is a substantial obstacle to increasing the GLT in construction materials. Based on the experience of the EU OSS, not all construction products destined for GLT are compliant with EU standards and have the required documentary evidence to demonstrate compliance, including CE marking. If a first initial check of the documents for goods destined for GLT at the crossing point reveals shortcomings, a full technical file will be requested to assess compliance.

A key insight is that a Turkish Cypriot producer of construction materials who seeks to expand sales through GLT needs to invest upfront in ensuring that the produced goods meet all requirements and that they have all the necessary documentation to prove this compliance, including a full technical file, before undertaking GLT.

The Turkish Cypriot community focus group participants indicated that the responsibility of demonstrating compliance is burdensome. They consider that the necessity to demonstrate compliance creates a regulatory hurdle for Turkish Cypriot products. They consider that Greek Cypriot producers are not checked for compliance within the RoC government-controlled areas.

While understanding the challenges that the Turkish Cypriot producers might face regarding ensuring and demonstrating compliance with EU requirements, an investment in ensuring compliance is the necessary first step for trading in the RoC and in the rest of the Single Market. This is not only a condition for the trade to take place but is increasingly demanded by Greek Cypriot buyers, especially the large wholesalers and retailers of construction materials. Large retail sellers of construction materials, especially those who are part of multinational conglomerates, will expect evidence of regulatory compliance as a precondition for cooperation, in addition to expecting adherence to some pan-European standards that might be voluntary.

## 3.2 Trade Flows through GLT

This section examines GLT from 2020 to 2023 with an emphasis of the trade of construction materials. Table 1 indicates the summary data of GLT with emphasis on construction materials:

**Table 1: Summary data for Green Line trade<sup>9</sup>**

	2020	2021	2022	2023
Value of GLT in Construction materials	€1,274,486	€2,255,952	€6,750,530	€6,897,823
Value of overall Green Line trade	€4,693,898	€6,151,022	€14,647,241	€16,046,304
Percentage of GLT in Construction material as compared to overall Green Line trade	27.2%	36.7%	46.1%	43.0%

Construction materials are one of the goods that cross regularly through GLT and key to the increase of GLT from €4.6 million in 2020 to €16 million in 2023. Some construction products exhibit consistent trade over the four-year period, suggesting stable supply chains and steady demand. In terms of construction materials, these include tiles, filler and plastering agents, aluminium profiles and pipe fittings.

### 3.3 Value chain synergies through GLT in construction material

The construction material sector offers substantial opportunities for both Turkish Cypriot suppliers and Greek Cypriot buyers under the GLR. The demand for construction materials in the RoC remains high due to ongoing infrastructure projects, urban development, and the thriving real estate market fuelled by tourism and foreign investment.

The integration of Turkish Cypriot suppliers into the construction material value chain of the RoC economy creates opportunities for synergies that enhance efficiency, productivity, and sustainability.

#### *Optimized Resource Utilization*

The northern part of Cyprus possesses significant natural resources that can be sustainably utilized to meet the material demands in the RoC economy. By leveraging these resources, both communities can prevent over-exploitation in certain areas, promote balanced environmental management, and ensure a steady supply of construction materials.

#### *Enhanced Supply Chain Efficiency*

Direct procurement from Turkish Cypriot suppliers streamlines the supply chain for Greek Cypriot construction companies. It reduces the reliance on intermediaries, lowers transaction costs, and simplifies logistics. This efficiency leads to lower project costs and can improve the competitiveness of the construction sector domestically and internationally.

#### *Joint Investment and Collaborative Ventures*

Collaborative ventures in processing and manufacturing can enhance value addition and innovation. Businesses from both Cypriot communities can pool resources, share expertise,

<sup>9</sup> Data from the Annex: Report from the Commission to the Council on the implementation of council regulation (EC) No 866/2004 of 29 April 2004 and the situation resulting from its application for the period 2020 to 2023



and invest in technology to improve product quality and diversify offerings. For example, joint facilities for processing raw materials into finished products can benefit both sides economically and technologically.

#### *Knowledge and Technology Transfer*

Collaboration facilitates the exchange of best practices, particularly in sustainable construction methods, environmental compliance, and adherence to EU regulations. Knowledge transfer enhances the capabilities of businesses in both communities, promoting innovation and competitiveness.

#### *Employment Generation*

Increased trade activities create employment opportunities in extraction, processing, logistics, and construction.



### 3.4 Factors of Opportunity

The Key Sector Identification Report identified a range of construction materials from the Turkish Cypriot community that have a competitive advantage vis-à-vis RoC imports. There is therefore potential for these products to be sourced from the Turkish Cypriot community instead of importing them from outside of Cyprus. This would lead to an overall increase in GLT. We have already witnessed an increase in the sale of construction materials across the Green Line in the recent years.

Access to the larger RoC market enables Turkish Cypriot suppliers to increase their sales volume and diversify their customer base. This expansion can lead to enhanced revenue streams, business growth, and economic development within the Turkish Cypriot community. It also provides an incentive for businesses in the northern part of Cyprus to invest in capacity building and quality improvements.

Engaging with the RoC market encourages Turkish Cypriot suppliers to align their products with European Union (EU) quality and safety standards. Compliance with these standards is essential for trade under the GLR and can facilitate future access to other EU markets. This alignment drives improvements in production processes, quality assurance, and adherence to environmental regulations.

The increase of GLT in construction materials is due to a range of factors:

- **Increase in GLT of prefabricated containers**

This increase is in line with the growing emphasis on the Greek Cypriot market for cheaper alternatives to storage and housing. This is a general trend within Europe as prefabricated containers can reduce the labour and material costs of construction. Their modular designs can often reduce the time of completion as compared to traditional construction, which in Cyprus favours the use of cement, rebar iron and bricks. The increase in demand for cheaper alternatives to construction has led to an increased demand for Turkish Cypriot production of pre-fabricated containers. In the Greek Cypriot economy, the index of construction materials<sup>10</sup> increased by 18.6% from 2020 to February 2025 (Cyprus Statistical Service, 2025). Using Turkish Cypriot community data, the cumulative GLT value of pre-fabricated containers for the period 2019-2023 was over €9.4 million.

The producers of pre-fabricated containers in the Turkish Cypriot community have a range of competitive advantages over imports in the RoC. They can make the product to be bespoke to the customers' needs. Delivery can be much quicker than imported containers, and transport costs are much lower.

At least one Turkish Cypriot producer has established a range of Greek Cypriot companies in the Greek Cypriot community who buy the product indicating higher market penetration. The diversity of Greek Cypriot buyers allows for some resilience, as the Turkish Cypriot producer is not beholden to a single Greek Cypriot buyer.

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<sup>10</sup> The index of construction material cost is an index of cost of different construction material created by the Cyprus Statistical Service. It allows a view of the increase of costs of the same material over time.

Production of prefabricated buildings in the Turkish Cypriot community has also a key advantage relative to price as it benefited from a favourable exchange rate between the Turkish lira and the Euro, which is discussed below. This enabled Turkish Cypriot pre-fabricated buildings to be competitive vis-à-vis those produced in the Greek Cypriot community.. However, the current inflationary pressures in the Turkish Cypriot community can erode this advantage, as the cost of producing construction materials rises.

- **The favourable exchange rate of the Turkish Lira vis-à-vis the Euro**

The favourable exchange rate of the Turkish lira with the Euro was the primary reason for the increase in 2023 of GLT of construction materials. This encouraged more Greek Cypriot companies to seek Turkish Cypriot companies as partners. Turkish Cypriot community data confirms that the cumulative GLT sale values of aluminium profiles and windows, doors and shutters, stone and marble products as well as metal products, and construction chemicals, was in the period 2019-2023 over €10 million. This increase is in part due to the favourable exchange rates of the Turkish Lira to the Euro.

In the focus groups, both Turkish Cypriot producers and Greek Cypriot buyers identified the cost competitiveness of the Turkish Cypriot construction products as a key incentive to undertake GLT. This makes such products an attractive option, especially for budget-sensitive projects. This cost advantage became especially apparent during 2023. In 2023, the price index of construction materials in the RoC economy saw substantial year-on-year increases on the price of minerals, with a weighted increase in price of 13.8% (Cyprus Statistical Service, 2025).

However, the sustained inflationary pressures within the Turkish Cypriot community can remove this important advantage. Turkish Cypriot producers are facing increasing costs in production. Unless these costs are contained, the important cost advantage of production in the Turkish Cypriot community might be eroded.

- **Existing relationships of Turkish Cypriot producers with Greek Cypriot buyers through Green Line trade.**

Green Line trade has commenced in 2004, and thus there is a twenty-year track record of buyers and sellers. Relationships have been established and developed between buyers and sellers and networks have been created. Such relationships allow both sides to understand the market of the other. It also normalises such sales. The Greek Cypriot focus group participants stated that other construction material wholesalers and retailers are interested in undertaking GLT, as they saw the former undertake this trade.

- **Increase in quality and capacity of production in the Turkish Cypriot community**

There is evidence of an increase in the quality of Turkish Cypriot producers of construction material. The increase is in part due to the requirements needed to be met for GLT, but also mainly due to the rapid increase of demand from construction within the Turkish Cypriot community. The Turkish Cypriot focus group identified that investments have been introduced within the sector. These investments led to higher value-added Turkish Cypriot products being now traded across the Green Line, such as integrated glass units, aluminium profiles and pre-fabricated containers.

The ability of the Turkish Cypriot producers to undertake more GLT must be in lockstep with their ability to serve the growing domestic market. As the Greek Cypriot market is much bigger, the Turkish Cypriot producers must ensure they can expand their capacity to serve both markets at the same time.

- **The construction material sector of the RoC has a high import dependency**

Due in part to the rise in the demand in construction and the effects of the previous economic crisis, the Greek Cypriot construction materials market has a high import dependency. This import dependency ensures that there is less resistance to GLT by existing producers of construction materials, so long as Turkish Cypriot products are replacing imported products. Currently Turkish Cypriot community products traded across the Green Line are largely replacing imported ceramic tiles and paving stones; Greek Cypriot community traders imported over €51.1 million of such goods in 2023 (Cyprus Statistical Service, 2023).

However, in the higher value-added materials sector, such as in pre-fabricated containers, integrated glass units, aluminium and tubing, there is a substantial domestic production within the Greek Cypriot community. Accordingly, Greek Cypriot producers in these sectors are more sensitive to competition from Turkish Cypriot producers. Moreover, although Greek Cypriot products can be traded in the Turkish Cypriot community, the fact that such products are liable to VAT and other taxation is seen as unfair. Thus the increase of GLT in Turkish Cypriot construction material might lead to a stronger reaction by Greek Cypriot producers.

- Ability to supply essential materials

Turkish Cypriot suppliers have access to some abundant natural resources, including aggregates, sand, and stone. These materials are essential for construction activities and are in continuous demand in the Greek Cypriot community. By supplying these materials, Turkish Cypriot businesses can fill supply gaps, ensuring that construction projects in the Greek Cypriot community have timely and adequate access to necessary inputs.

- EU Support for Economic Integration

Since 2006, the European Commission has been promoting economic cooperation between the two communities through programmes like the "Aid Programme for the Turkish Cypriot community", which provides, among other things, technical assistance to ensure products meet EU standards.

### 3.5 Constraints

As section 3.4 indicated there is opportunity for TC producers in the construction material sector through GLT, but there have been factors that limited the growth. Below we evaluate these factors and argue for measures that can be taken by TC producers to overcome them.

#### - **Unpredictability**

In our interviews and focus groups the key concern raised was the unpredictability of GLT. Turkish Cypriot producers consider that trade can start but can often be suspended due to a variety of reasons. Such suspension can come due to a lack of mutual trust or due to the discovery during checks at the crossing point that a relevant EU standard has not been followed. Such issues have led to some businesses incurring financial losses by engaging in GLT.

The imposition of restrictions on GLT of construction material products is clearly a major factor that creates unpredictability. Since 2023, 18 products were added to the restrictive list of the Department of Construction Materials, Directorate of Technical Services of the Ministry of Interior (Ministry of the Interior, 2025). These restrictions are imposed at the crossing point when the market surveillance authority considers that a product does not meet the standards required for the product to be sold on the EU Single Market. The process to remove oneself from the restrictive list is lengthy and trade in the specific restricted product is stopped in the meantime. The resulting delays in trade can destroy any headway and trust built between traders.

This unpredictability can also stem from other processes, such as the lack of a dispute settlement mechanism for GLT. In a system based solely on trust, any issue between the buyer and seller can give rise to a financial loss that is not recoverable. There is also unpredictability in ensuring trade takes place in the designated time, either due to transport issues or due to the working hours of authorities. For instance, a public holiday in one community might coincide with a working day in the other.

Despite the efforts of many stakeholders, the GL traders of both communities see GLT as unpredictable and thus they are not willing to make it a core part of their production and sales. In the Greek Cypriot focus group, the buyers were reluctant to increase their volumes of the Turkish Cypriot products they buy. The participants stated that they feared that in doing so they might be targeted by authorities or individuals that are hostile to Green Line trade. In the Turkish Cypriot focus group, a participant admitted that they saw a 15% - 20% rise in demand by Greek Cypriot buyers but they intentionally restrict the sales in order not to have too large an exposure. The participant cited the unpredictability of this trade for their cautiousness.

Focus group participants stated that the unresolved political situation introduces unpredictability. In their experience, changes in the political climate can lead to abrupt shifts in trade arrangements, disrupting business operations. This uncertainty can only be minimised by strong statements of both leaders in support of GLT and active steps to improve the efficiency of GLT and the scale of the products that are allowed to cross the Green Line.

#### - **Issues of EU Standards and quality perception**

The issue of EU standards and compliance is a key sticking point to GL trade. In the past, there was inconsistency in the compliance of Turkish Cypriot construction materials sold across the

Green Line. Although there are efforts to improve compliance, cases of GLT in construction materials remain where the necessary documentation, such as the CE marking and declaration of performance were not in line with the relevant standards.

Consequently, this creates an erroneous perception that all Turkish Cypriot producers of construction materials do not follow EU standards, which in turn affects the overall perception within the Greek Cypriot community regarding the quality of Turkish Cypriot construction material products. The Turkish Cypriot focus group participants expressed frustration about this perception of quality by the Greek Cypriot buyers. However, this perception should change when all current issues related to compliance of construction material products traded across the GL are resolved.

### **- Issues of Transport**

The GLT of construction materials is facing logistical challenges due to issues of transport and payments.

In terms of transport, the restrictions imposed on the size of Turkish Cypriot vehicles that can cross the Green Line provide a substantial additional administrative burden to companies that would like to undertake GLT in construction materials. The comparative advantage of Turkish Cypriot products vis-à-vis imports to the RoC due to geographical proximity is eroded due to this transport restriction.

This practical issue should not be underestimated as it increases the cost of transport by up to three times: instead of the Turkish Cypriot seller sending his vehicle to the Greek Cypriot buyer, the Greek Cypriot buyer needs to send a vehicle to the Turkish Cypriot seller. The vehicle then needs to travel back to the Greek Cypriot buyer. This is an issue not just of cost of transport and the environmental considerations of the superfluous movements of the vehicle; it also increases the cost of a GLT transaction for the Greek Cypriot buyer in terms of time.

As most trade is undertaken at the Agios Dometios/Metehan crossing in Nicosia, which is busy during the RoC opening hours for Green Line trade, the buyer's vehicle needs to ensure it arrives at the seller and back at the buyer on the same day. This is often difficult due to traffic.

The Greek Cypriot focus group participants also identified practical obstacles that could be overcome. The customs office at Agios Dometios/Metehan crossing cannot physically accommodate a vehicle above 4 meters, severely reducing the ability to load large vehicles in an efficient manner. In addition, Greek Cypriot buyers indicated that inefficient practices exercised by both communities not only delay transport but increase costs in terms of securing possible overtime pay to authorities to ensure that the trade is undertaken within the time window allowed<sup>11</sup>.

### **- Issues of payments**

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<sup>11</sup> Focus group participants stated that the crossing and re-crossing of large trucks with material, when combined with the traffic at the crossing point, often leads to the truck arriving after the designated time when offices are open. If that is the case they are either turned back to start the process again another day or are asked to pay overtime pay for customs (and possibly other authority officials) to come and check the products which are sealed in their premises.

The lack of simple payment transactions across the Green Line is a severe obstacle to GLT. It is not currently possible to open a commercial bank account for GLT trade for a Turkish Cypriot business in the Greek Cypriot community. At the same time, bank transfers between the areas under effective control of the RoC and the areas not under the effective control of the RoC are restricted in both directions, and solutions found to overcome such restrictions often stop working when the size of the trade becomes significant.

The issue of payments across the Green Line severely disrupts growth in GLT. It forces traders to base their transaction on trust and cash. This creates its own range of challenges and makes large orders very difficult to execute.

#### **- Capacity of the authorities, Green Line infrastructure**

The Turkish Cypriot focus group noted that GLT at the moment is being also restricted by the delays at crossing points. The existing crossing point that serves the majority of GLT is also the main crossing point for all vehicles. This can lead to delays. Such delays, combined with the issue of transport restrictions, can create unexpected costs. This is particularly true for B2B trade in construction material, where reliability matters greatly<sup>12</sup>.

Expanding the available crossings and ensuring that at least one crossing is specifically designed to host GLT, would support the increase of construction materials trade. Such a crossing could eliminate height restrictions for vehicles, provide parking and storage solutions and thus reduce the complexity of GLT using the existing infrastructure.

Both focus groups stated that there needs to be increased capacity of officials undertaking GLT related checks, and that the processes be modernised. The capacity of the officials to perform checks has not been increasing in parallel with the increase in GLT. This leads to unnecessary duplication of processes, and lack of clear instructions, all of which increases the uncertainty of GLT.

#### **- Ability to maintain the price advantage and capacity in the Turkish Cypriot community**

Turkish Cypriot construction materials are currently competitive in price. If the high inflation in the Turkish Cypriot community continues to erode price competitiveness, a key advantage to Green Line trade in construction materials will be lost.

In the focus group, Turkish Cypriot producers considered that over time, the quality of their branded products could overcome the issue of them needing to hold a substantial price advantage. However, the Greek Cypriot focus group stated that due to psychological considerations, Greek Cypriot buyers are very reluctant to undertake GLT for products clearly branded as Turkish Cypriot.

However, even if the psychological barriers are reduced, there is a need to maintain the Turkish Cypriot product price advantage. The Greek Cypriot buyers are mainly currently purchasing Turkish Cypriot products from the budget and low-cost market segment. It is in this market

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<sup>12</sup> Participants did not see this as a significant issue of B2C trade, although they argued B2C trade is hard to scale.



segment that the Turkish Cypriot products stand to have more success in replacing imported goods, and in this market segment, price is the first consideration.

Some Turkish Cypriot focus group participants observed that they are reluctant to increase the share of their production capacity dedicated to GLT as GLT in practice can be unpredictable and because demand for construction material within the Turkish Cypriot community is growing rapidly. Thus Turkish Cypriot production capacity needs to grow in line with the demands of the Turkish Cypriot market and the desire to expand Green Line Trade.

#### **- Lack of client diversity or access to final consumer**

In the discussion with the Turkish Cypriot focus group participants, there was an acknowledgement that their existing GLT, bar one exception, is limited to one Greek Cypriot buyer. This lack of client diversity does not support the expansion of GLT, as Turkish Cypriot sellers often feel too dependent on a single buyer.

There is some truth to this claim. As the Greek Cypriot buyer is held responsible by the RoC authorities for any issues that might arise with the Turkish Cypriot product - including the risk administrative fines - their position can be precarious. As a result, they may demand steep discounts.

There needs to be a coherent strategy by Turkish Cypriot sellers to expand their customer base in the Greek Cypriot market. Effort should be made to seek cooperation with larger wholesalers and retailers, perhaps in launching an “own brand” range. An increase in access to the final consumer will support the gradual improvement of Greek Cypriot opinion of the quality of the products and ensure a more stable demand for Turkish Cypriot products.

#### **- Economic Disparities and Competition**

Greek Cypriot producers may perceive the influx of competitively priced construction materials from the Turkish Cypriot community as a threat and take measures to restrict such trade. The Greek Cypriot community focus group stated that this already taking place as those undertaking GLT are being “frozen out” by their competitors.

#### **- Existing psychological barriers**

There are substantial psychological barriers regarding Turkish Cypriot products, especially branded Turkish Cypriot products, within the Greek Cypriot community. However, the rapid expansion of crossings across the Green Line has lessened this barrier. Despite this there have been cases of nationalist press attacking GLT in construction materials, creating a culture of trepidation about procuring such material from the Turkish Cypriot community<sup>13</sup>.

Construction material, without branding, is accepted by the majority of Greek Cypriot buyers. Yet unfortunately the common perception is that Turkish Cypriot construction material is of low quality. This was reinforced by historic failures of Turkish Cypriot construction products to be up to EU standards and to provide adequate certification.

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<sup>13</sup> There have been cases, such in 2017, where the issue of Turkish Cypriot construction material being used to renovate schools in became an issue in parliament (Sigmalive, 2017)



It is thus imperative for Turkish Cypriot sellers to ensure all construction material crossing the Green Line is compliant with EU standards and has the necessary documentation. As cases of products being placed in the restrictive list are resolved, Greek Cypriot perceptions of the quality of Turkish Cypriot construction products should improve.

- **Cultural and Language Barriers**

Historical tensions and language differences can hinder effective communication and collaboration. Misunderstandings and mistrust may arise, impeding the development of strong trade relationships.

In addition, Turkish Cypriot sellers need to invest in communicating with the Greek Cypriot market players, and in providing them information in their language.

- **Shift to sustainability**

There is a shift toward ensuring energy efficiency in production and sustainability. This will require Turkish Cypriot producers to adapt to demands of their clients to ensure that their products satisfy the desire for greener solutions.

A larger challenge is how sustainability-related regulations of the European Union will be implemented alongside the existing Green Line Regulation. Such regulations risk adding an additional layer of challenges to undertake GLT in construction materials.

## 3.6 Recommendations to Overcome Challenges

Addressing these challenges requires coordinated efforts involving both communities, the European Union, and other stakeholders.

### *Regulatory Harmonization and Support*

- Forward planning for possible additional considerations that might affect GLT due to the updated CPR.
- Expand existing support for regulatory harmonisation through technical assistance: Continue to utilize EU-funded programmes to offer training and support to Turkish Cypriot producers, helping them comply with EU standards. This could include grant programmes, workshops, mentorship programmes and trainings on quality control, environmental compliance, and safety protocols.

### *Streamlining GLT Procedures at crossing points*

- Implement Digital Solutions: Adopt electronic data interchange (EDI) systems for customs documentation to expedite processing times.
- Standardize Procedures: Develop clear guidelines and standardized processes, reducing uncertainty and administrative burdens for traders.
- Enhance Transparency: Provide accessible information on customs requirements and procedures to facilitate compliance.
- Increase capacity of RoC to facilitate controls in order to ensure smoother GL trade flow.
- Upgrade Crossing Point Facilities: Invest in infrastructure enhancements, such as weighbridges, storage areas, and handling equipment, to facilitate efficient movement of materials.
- Implement Logistics Solutions: Develop coordinated logistics strategies to optimize transportation and reduce bottlenecks at crossing points.

### *Enhancing Business Communication*

- Organize Networking Events: Facilitate trade fairs, business forums, and networking sessions to foster relationships and understanding among businesses.
- Promote Language Training: Offer language courses and cultural exchange programs to overcome communication barriers.
- Support Chambers of Commerce: Encourage the CCCI and TCCC to continue their collaborative efforts in promoting intra-island trade.

### *Environmental Sustainability Initiatives*

- Promote Sustainable Practices: Encourage responsible extraction methods, recycling of materials, and adoption of eco-friendly technologies.
- Compliance with Environmental Regulations: Ensure that businesses adhere to EU environmental directives, enhancing sustainability and reputation.
- Collaborate on Environmental Projects: Joint initiatives can address shared environmental concerns and promote island-wide sustainability.

The construction material sector holds significant potential for enhancing economic cooperation and mutual prosperity between the Turkish Cypriot and Greek Cypriot communities under the EU Green Line Regulation. By capitalizing on the opportunities for resource optimization, cost efficiency, and market expansion, both communities stand to benefit economically and socially.

However, realizing this potential necessitates addressing the existing barriers and risks through collaborative efforts, policy adjustments, and strategic investments. The recommendations outlined provide a roadmap for overcoming challenges.

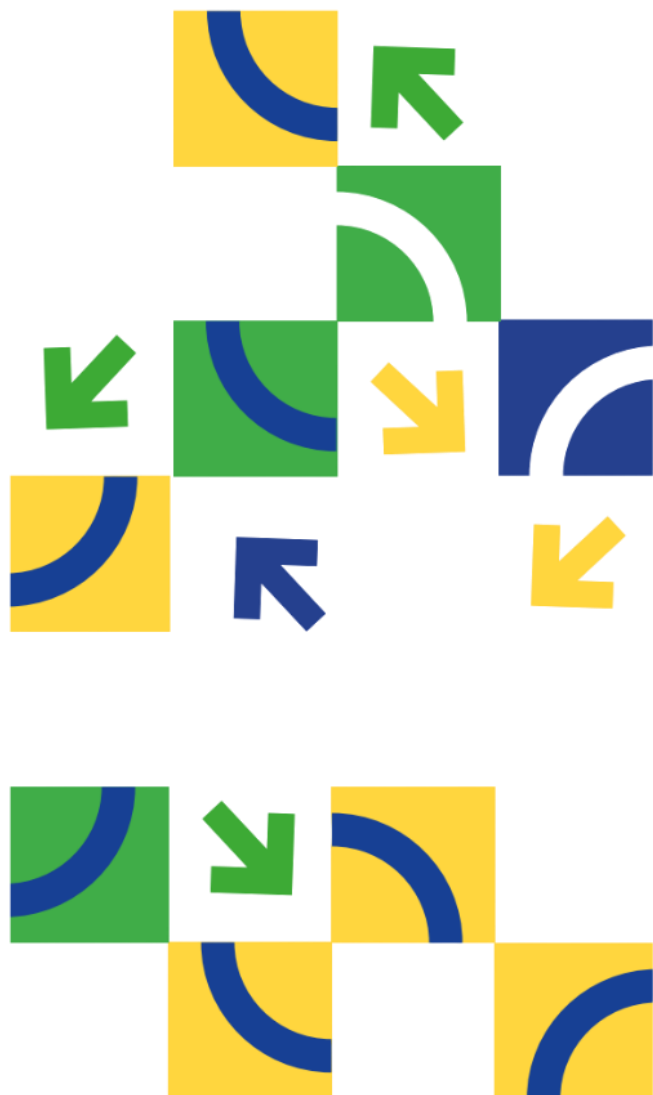
By implementing these strategies, the construction material sector can contribute meaningfully to economic growth, job creation, and the broader goal of reconciliation and peacebuilding in Cyprus. The success of this sector can serve as a catalyst for similar initiatives in other industries, fostering a more integrated and prosperous future for the island.

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