



RESIDENTIAL PROPERTY PRICE INDEX

2011 Q3

Further reduction of 0,9% in residential property prices

- Residential property prices (house and apartment prices) continued to record a downward trend across all districts during the third quarter of 2011. Overall, the Cyprus residential property price index recorded a quarterly decline of 0,9%.
- Apartment prices registered a larger decline compared to house prices, 1,4% and 0,6% respectively.
- The largest quarterly reductions in both house and apartment prices were recorded in Famagusta, 2% and 4%, respectively.

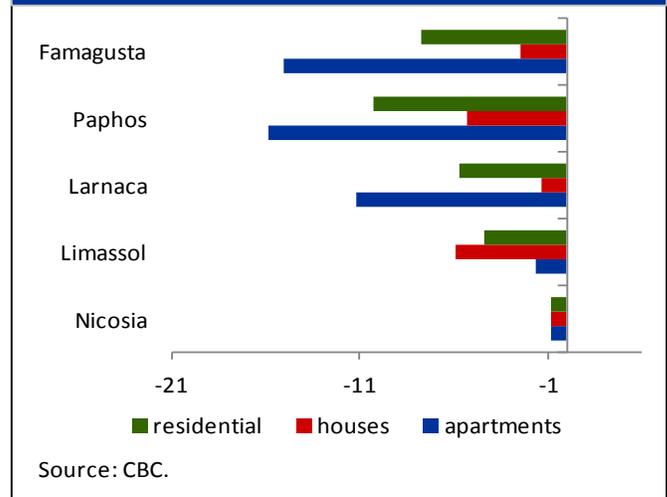
Headlines	2011 Q2	2011 Q3
Quarterly Index (2010Q1=100)	94,2	93,4
Quarterly change	-0,9%	-0,9%
Annual change	-4,9%	-5,5%

Residential property price indices results

Residential property prices (house and apartment prices) continued on a downward trend during the third quarter of 2011. As in the previous quarter of 2011, residential property prices in the third quarter of 2011 were 0,9% lower. The decline was larger for apartment prices (1,4%) than for house prices (0,6%). As expected, given the large inventory of apartments available for sale, which was created in the boom years prior to the economic crisis, apartment prices were subject to more downward pressure from weak demand than house prices.

With respect to the by district results, Famagusta recorded the largest decline in residential property prices in the third quarter of 2011 (2,6%). Famagusta

CHART 1 Annual percentage change by district and by type of property, 2011Q3



also registered the largest decline in both house and apartment prices, compared to other districts. Specifically, apartment prices in Famagusta fell by 4% and house prices by 2% during the period under review. On the other hand, Paphos registered the smallest decrease in apartment prices (0,5%), while house prices in the same district registered a marginal increase of 0,2%. It should be noted however that, overall, Paphos has recorded the largest decline in both house and apartment prices since the first quarter of 2010, when the by district residential property price indices first started being compiled.

On an annual basis, i.e. in relation to the third quarter of 2010, residential property prices in Cyprus recorded a decrease of 5,5%. As mentioned before, apartment prices registered larger reductions compared to house prices. In the third quarter of 2011, apartment prices recorded a decrease of 6,7% compared with the third quarter of 2010, while the corresponding reduction in house prices was 4,9%.

During the period under discussion, decreases were also observed in all the by district residential property price indices. The largest decline was recorded in Paphos (10,7%) followed by Famagusta (7,7%), while the smallest was recorded in Nicosia (0,8%). Nicosia also registered the smallest decline in the two house and apartment price sub-indices (0,8% for both). On the other hand, Paphos registered the largest annual decline in apartment prices (15,8%), while the largest decline in house prices was recorded in Limassol (5,9%).

Major developments in the property market

According to data published by the Statistical Service of Cyprus, construction activity continued to record negative growth in the third quarter of 2011, confirming that the housing sector remains in recession, and thus indicating negative prospects for the real estate market.

Specifically, during the third quarter of 2011, domestic sales of cement recorded an annual

decrease of 16,5%, registering the lowest quarterly sales volume (in absolute numbers) since records began. In contrast, the price index of construction materials rose by 4,4%.

Additionally, according to data collected from the Department of Lands and Survey, during the third quarter of 2011, the number of sale contracts decreased by 14,6% compared with 11,4% in the corresponding quarter of 2010. The largest annual decreases were recorded in Nicosia (33,9%) and Paphos (21,1%).

The number of unemployed in the construction sector grew by 28,3% in the third quarter of 2011 compared with the third quarter of 2010. In addition, building permits for residential properties also continued to register large reductions (19,6%), signifying an even greater decline in future construction activity.

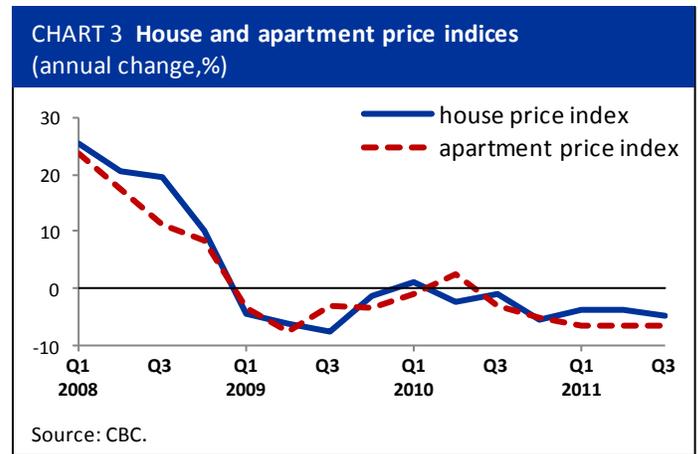


TABLE 1 Residential property price indices by type and by district
(quarterly data, 2010Q1 = 100)

Quarter	<u>Residences by type</u>			<u>Residences by district</u>				
	Apartments	Houses	N/sia	L/sol	L/ca	Paphos	F/sta	RPPI
2007 Q1	84,5	82,2	82,8	75,8	82,3	88,6	82,9	83,6
Q2	89,1	89,6	90,1	82,2	87,9	90,8	89,2	90,0
Q3	93,8	91,3	91,2	88,0	93,2	93,1	90,6	92,2
Q4	97,5	94,7	91,0	91,1	99,3	98,5	98,7	96,1
2008 Q1	104,4	103,2	103,0	99,7	103,6	99,7	102,9	103,5
Q2	104,6	107,9	104,3	103,5	104,9	99,9	100,6	106,3
Q3	104,4	108,9	106,9	103,2	104,3	102,5	113,4	107,3
Q4	105,8	104,3	104,4	106,6	100,0	102,4	108,9	105,1
2009 Q1	100,9	98,8	99,7	95,6	99,4	103,7	108,3	100,0
Q2	96,8	101,2	100,8	93,7	99,3	104,1	106,0	100,1
Q3	101,0	100,6	101,1	96,7	103,4	102,6	101,1	101,3
Q4	102,1	103,0	100,2	101,5	103,0	101,6	102,3	103,6
2010 Q1	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Q2	99,2	98,8	100,1	96,7	99,5	96,8	95,9	99,0
Q3	97,9	99,5	100,7	96,0	95,9	94,2	95,1	98,8
Q4	96,9	97,4	101,1	96,5	95,8	90,3	94,9	97,2
2011 Q1	93,5	96,1	100,7	93,6	92,7	86,6	91,7	95,0
Q2	92,7	95,2	100,6	92,7	91,3	84,6	90,2	94,2
Q3	91,4	94,6	99,9	91,8	90,4	84,5	87,8	93,4

Source: CBC.

TABLE 2 Residential property price by type and by district
(quarterly data, 2010Q1 = 100)

Quarter	<u>Apartments</u>					<u>Houses</u>				
	N/sia	L/sol	L/ca	Paphos	F/sta	N/sia	L/sol	L/ca	Paphos	F/sta
2010 Q1	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Q2	100,0	96,8	100,0	95,0	94,5	100,3	96,7	99,1	98,2	97,0
Q3	100,9	93,1	98,3	91,6	95,9	100,6	97,6	94,0	96,2	93,9
Q4	102,4	97,6	97,2	84,5	94,2	100,2	96,0	94,8	94,1	95,4
2011 Q1	101,2	93,4	90,2	79,5	87,9	100,3	93,7	94,6	93,1	94,1
Q2	101,2	92,8	89,2	77,5	84,8	100,1	92,7	92,9	90,9	93,5
Q3	100,1	91,5	87,3	77,1	81,4	99,8	91,9	92,7	91,1	91,6

Source : CBC.

Notes:

The residential property price index and other residential property price indices and sub-indices presented in the current report are produced by the Real Estate Unit of the Economic Research Department at the Central Bank of Cyprus (CBC).

Data from 2006 to 2009 were collected retrospectively from a number of monetary financial institutions. The data for the period after 2009 are collected by the CBC from the member banks of the Association of Cyprus Banks (BOC, Marfin Popular Bank, Hellenic Bank, Alpha Bank, Emporiki Bank, National Bank of Greece, Piraeus Bank, USB Bank, Cyprus Development Bank, Societe Generale and Eurobank) and the Cooperative Central Bank in a standardised form, through an online data submission platform.

The partnered banks receive the relevant information from independent property surveyors for the purpose of granting mortgage loans. The data received are representative of the Cyprus residential property market, covering the whole of the government controlled territory of the Republic of Cyprus (Nicosia, Limassol, Larnaca, Paphos and Famagusta districts) and they refer to all types of residential property (houses and apartments).

All the estimated indices have been rebased so that the first quarter of 2010 equals 100. The RPPI is calculated as the weighted sum of the two by type sub-indices (house and apartment price indices), using the quarterly number of observations as weights.

The RPPI was calculated by merging the two house and apartment price indices and then rebasing the merged index so that 2010Q1 = 100. Thus, the calculated RPPI may differ marginally from the simple weighted average of the two sub-indices.

In constructing the indices the hedonic methodology was employed. Further details about the methodology and other relevant information are available on the CBC website, www.centralbank.gov.cy.

The current report is available at: http://www.centralbank.gov.cy/nqcontent.cfm?a_id=8054&lang=gr