



RESIDENTIAL PROPERTY PRICE INDEX

2011 Q4

Further reduction of 1,8% in residential property prices

- Residential property prices (houses and apartments) continued to record a downward trend during the fourth quarter of 2011. Across all districts, residential property price indices declined at a faster pace than in the previous period.
- Overall, on a quarterly basis, house prices recorded a decrease of 1,8%, twice as large as the one observed during the third quarter of 2011.
- The largest quarterly decline in house prices was registered in Famagusta (4,5%), while the largest quarterly decline in apartment prices was registered in Larnaca (4,2%).

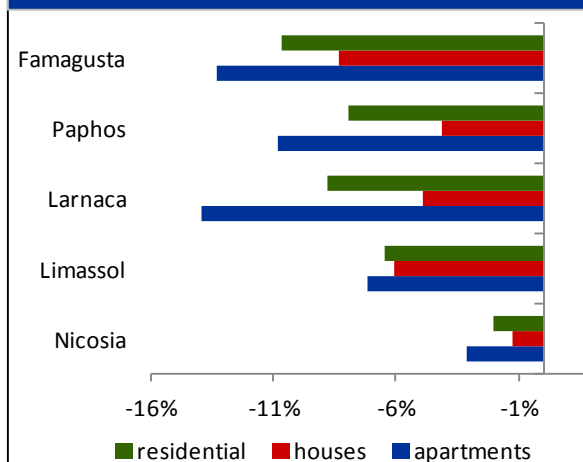
Headlines	Q3 2011	Q4 2011
Quarterly index (2010Q1=100)	93,4	91,7
Quarterly change	-0,9%	-1,8%
Annual change	-5,5%	-5,6%

Residential property price indices results

The decline in residential property prices (houses and apartments) continued and intensified during the last quarter of 2011. In particular, residential property prices registered a decline of 1,8% in the fourth quarter of 2011, compared to 0,9% registered in the previous quarter of the same year. The decline was slightly larger for house prices (1,9%) compared with apartment prices (1,6%).

With respect to the by district results, Famagusta recorded the largest quarterly decline in residential property prices (3,5%) during the quarter under review, reflecting also the highest registered quarterly decline in house prices (4,5%). The largest

CHART 1 Annual percentage change by district and by type of property, 2011Q4



Source: CBC.

decline in apartment prices was recorded in Larnaca (4,2%). In contrast, Nicosia registered the smallest decline in house prices (0,9%) while a marginal increase in apartment prices was recorded in Famagusta (0,3%). It is worth noting that despite this marginal increase in apartment prices in Famagusta; these have registered the second largest decline (after Paphos) since the first quarter of 2010, where data are available. On the contrary, residential property prices in Nicosia, while by the end of 2010 remained relatively stable, they have now began to retreat, following to a lesser extent the downward trend recorded in the residential property prices of other districts.

On an annual basis, i.e. in relation to the fourth quarter of 2010, residential property prices in Cyprus declined by 5,6%. Apartment prices registered the biggest annual decline since 2010 (7,2%). The reduction was smaller for house prices, which in the fourth quarter of 2011 shrank by 4,7%.

Residential property prices registered a decline across all districts during the period under review, with the largest being registered in Famagusta (10,7%), followed by Larnaca (8,8%). The smallest reduction in residential property prices was registered in Nicosia (2%). It should be noted that Nicosia has recorded the smallest decline in both house and apartment prices (1,2% and 3,1% respectively). However, these annual reductions were the largest registered in Nicosia since 2010, where data are available, suggesting that residential property prices in the capital have also started to be affected by the negative market climate. Larnaca recorded the largest annual decline in apartment prices (13,9%), while the largest decrease in house prices was registered in Famagusta (8,3%).

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 fourth quarter of 2011, with no signs of recovery.

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

decrease of 24,5%, while the price index of construction materials rose by 4,1%.

Additionally according to data collected from the Department of Lands and Survey, during the fourth quarter of 2011, the number of sales contracts decreased by 21% compared with a decrease of 5,5% in the corresponding quarter of 2010. The largest annual decreases were recorded in Nicosia (37,4%) and Larnaca (27,8%). Significant declines were also registered in the state revenues from immovable property tax and capital gains tax (57,1% and 39,4% respectively).

The number of unemployed in the construction sector grew by 37,4% in the fourth quarter of 2011 compared with the fourth quarter of 2010, recording the highest number of unemployed since 2002. Building permits for residential properties also continued to register large reductions (43,9%), signifying an even greater decline in future construction activity.

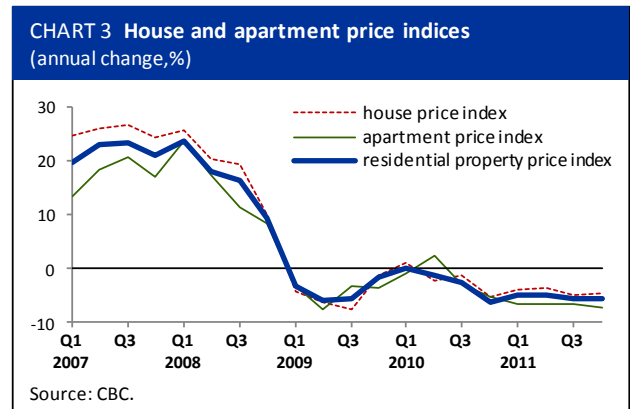
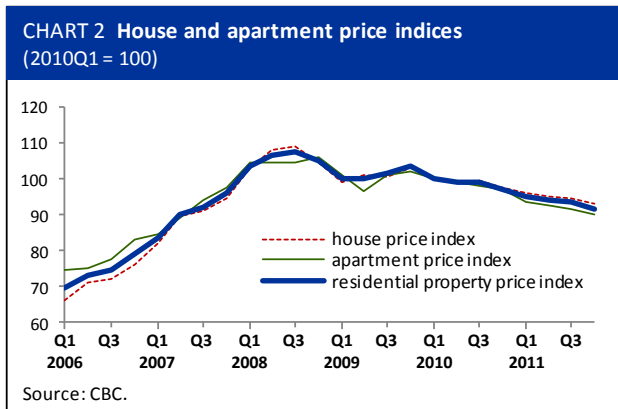


TABLE 1 Residential property price indices by type and by district
(quarterly data, 2010Q1 = 100)

Quarter	<u>Residences by type</u>			<u>Residences by district</u>				Residential property price index
	Apartments	Houses	N/sia	L/sol	L/ca	Paphos	F/sta	
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
Q4	89,9	92,9	99,1	90,3	87,3	83,1	84,7	91,7

Source: CBC

TABLE 2 Residential property price indices 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
Q4	99,2	90,6	83,6	75,3	81,6	98,9	90,2	90,3	90,2	87,5

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=11836&lang=en