



CENTRAL BANK OF CYPRUS

EUROSYSTEM

RESIDENTIAL PROPERTY PRICE INDEX (RPPI)

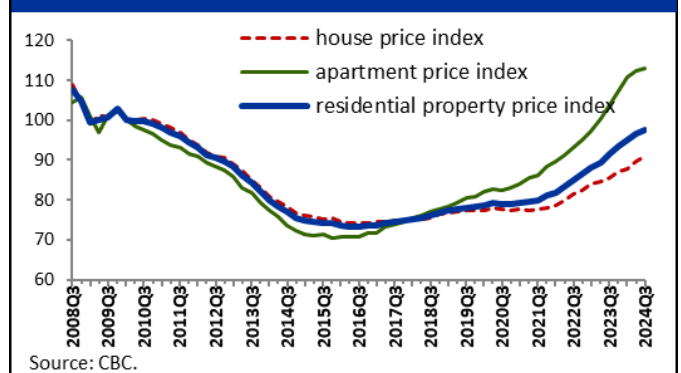
2024 Q3

Residential property prices index records decelerated increases during 2024Q3.

- In 2024Q3, the Residential Property Price Index (RPPI) of the Central Bank of Cyprus (CBC)¹ (houses and apartments) recorded decelerated annual increase (Table 1). The apartment price index recorded larger deceleration on the annual growth rate than the houses price index (Table 1).
- Regarding the demand for real estate properties, according to data from the Department of Lands and Surveys (DLS), the total number of sales contracts, for all types of properties, recorded decelerated annual increase in 2024Q3. Sales contracts of local buyers recorded an annual increase, while those of foreign buyers recorded a small decrease. On a by district basis, during 2024Q3, annual increase was recorded in the number of sales contracts in all districts, except Paphos, which recorded a decrease.
- Regarding the supply of real estate properties, according to the latest available data of authorised building permits, an influx of new properties is expected in the market in the medium-term horizon, as a result of increased demand.

Table 1 Overview	2023 Q4	2024 Q1	2024 Q2	2024 Q3
Residential property price index (2010 Q1=100)	93,5	95,0	96,6	97,4
Quarterly change	2,3%	1,6%	1,6%	0,9%
Annual Change	8,3%	7,8%	8,0%	6,5%
(a) Property price index Houses (2010Q1=100)				
	87,2	87,9	89,7	90,8
Quarterly change	1,8%	0,8%	2,0%	1,2%
Annual change	5,7%	4,7%	6,2%	6,0%
(b) Property price index Apartments (2010Q1=100)				
	107,2	110,8	112,3	113,0
Quarterly change	3,2%	3,4%	1,4%	0,6%
Annual change	12,7%	13,9%	12,0%	8,8%

CHART 1 House and apartment price indices (2010 Q1 =100)



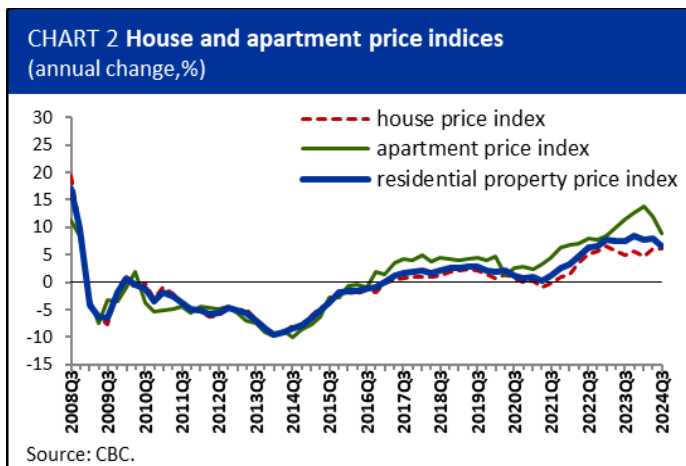
¹ The CBC RPPI is calculated by the Real Estate Unit of the Division of Economic Analysis and Research on the basis of market valuations of real estate prices and a statistical methodology widely used in the international literature. It takes partial account of developments in previous quarters through smoothed regression coefficients (see relevant methodology:

https://www.centralbank.cy/images/media/pdf/Methodology_EN_la_test.pdf). Therefore, it is likely that there will be a short lag in fully capturing the pass-through of developments in the Index's turning points, with respect to both time and the magnitude of the change in market course.

1. Changes in the residential property price index (RPPI)

On a quarterly basis, the RPPI (houses and apartments) recorded a decelerated quarterly increase of 0,9% in 2024Q3, compared with stabilisation of 1,6% in 2024Q2. This is driven by a decelerated quarterly increase of 1,2% in house prices, and by a 0,6% decelerated quarterly increase in apartment prices (Chart 1, Table 1, p.1).

On an annual basis, the RPPI recorded a decelerated increase of 6,5% in 2024Q3 compared with an increase of 8% in 2024Q2. In the quarter under review, apartment prices recorded a decelerated increase of 8,8%, and house prices a decelerated increase of 6% (Chart 2, Table 1, p.1).

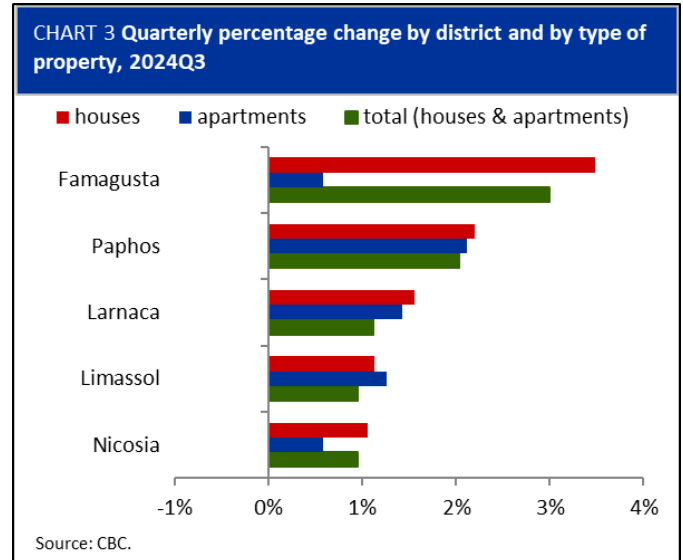


According to various indications, the real estate sector appears to be experiencing a slowdown in its growth trajectory. The indications are primarily shaped by the deceleration in the increase in the number of sale contracts, combined with an increase in supply (increase in the availability of residential properties for rent and sale). A limiting factor for the expansion of activity in the real estate sector is the cost of construction materials which remain at high levels despite the small decreases recorded, as well as the high borrowing cost.

The developments in the real estate market seem to vary across districts. In Limassol and Nicosia, supply increases to meet the demand, whereas in Larnaca and Paphos, the supply remains restrained while demand continues to trend upwards. In Famagusta the supply is still relatively restrained, with the prices to trend upwards due to increased demand, and the development of new modern residential units.

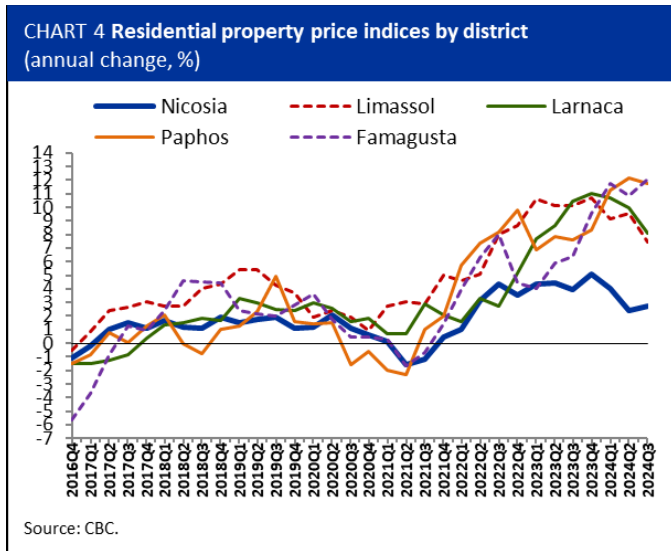
2. Price changes by district

In 2024Q3, residential property prices recorded accelerated quarterly increases in Nicosia and Famagusta (1% and 3%, respectively) and decelerated quarterly increases in Limassol, Larnaca and Paphos (0,9%, 1,1% and 2%, respectively). (Chart 3).



Regarding the annual changes in the price indices of individual districts, RPPI recorded accelerated increases in Nicosia and Famagusta (2,7% and 11,1%, respectively), while a deceleration in increases was recorded in Limassol, Larnaca and Paphos (7,4%, 8,1% and 11,8% respectively) (Chart 4, p.3, Table 5, p.7).

On a quarterly basis, house prices by district recorded quarterly acceleration in Nicosia and Famagusta (1,1% and 3,5%, respectively), while quarterly deceleration was recorded in Limassol, Larnaca and Paphos (1,1%, 1,6% and 2,2%, respectively). On an annual basis, acceleration in house prices was recorded in Nicosia and Paphos (2,1% and 11,4%, respectively) while a deceleration was observed in Limassol, Larnaca and Famagusta by 7,4%, 6,1% and 8,5%, respectively.



Apartment prices recorded decelerated quarterly increase in Larnaca, Paphos and Famagusta, accelerated quarterly increase in Limassol, while the quarterly growth rate in Nicosia remained stable. Specifically, apartment prices increased in Nicosia by 0,6%, in Limassol by 1,3%, in Larnaca by 1,4%, in Paphos by 2,1% and in Famagusta by 0,6%. On an annual basis, apartment prices recorded decelerated increases in all districts, except Famagusta which recorded accelerated increase. Specifically, apartment prices increased in Nicosia by 3,3%, in Limassol by 10,2%, in Larnaca by 15,1%, in Paphos by 14,4% and in Famagusta by 19,2%.

3. Other market indicators

Various real estate indicators reflect decreased demand dynamics in 2024Q3. In particular, the gradual increase in supply, the relatively high loan interest rates, the relatively stable demand for housing loans, as well as the relatively small decreases in the construction cost, are significant indicators of normalisation of the real estate market.

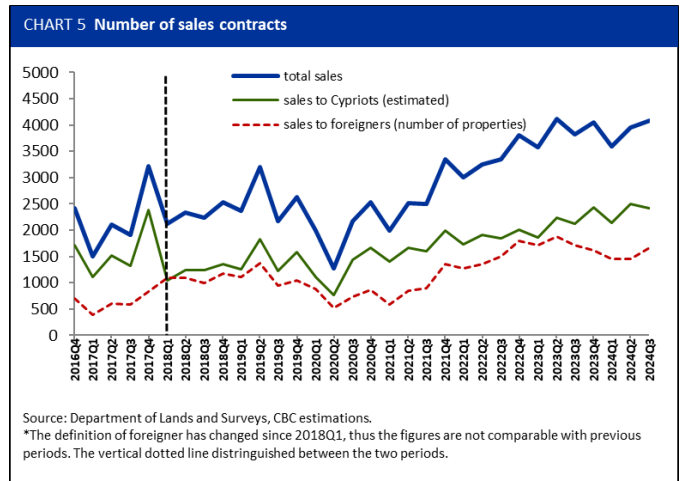
According to data published by the DLS, **sales contracts**, which concern all types of properties, showed an annual increase of 6,6% in 2024Q3 (4.081 compared with 3.830 in 2023Q3) (**Chart 5, Table 2**).

Table 2 Number of Sales contracts per district*, 2024Q3.

	Locals	Foreigners		Total
		EU	Non-EU	
Nicosia	718 87%	52 6%	61 7%	831
Limassol	779 60%	130 10%	381 30%	1290
Larnaca	514 56%	114 12%	293 32%	921
Paphos	256 32%	185 23%	355 45%	796
Famagusta	142 59%	42 17%	59 24%	243
Total	2409	523	1149	4081

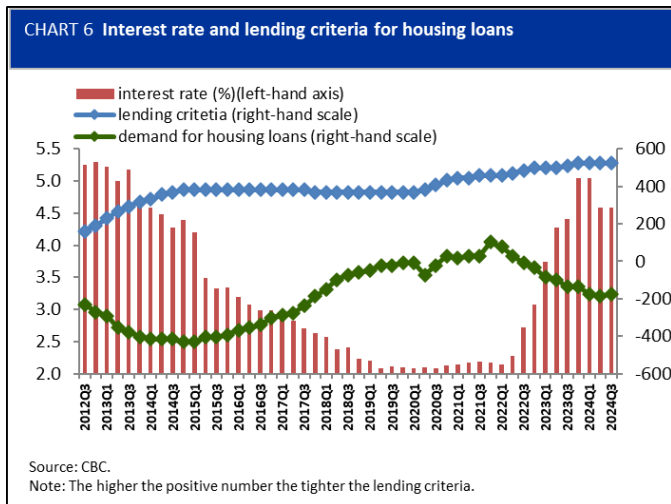
*The percentages (%) concern the share of local and foreign buyers per district.

The annual increase in the sales contracts stems from local buyers. Specifically, in the quarter under review, the number of properties sold to local buyers registered an annual increase of 13,7% (2.409 compared with 2.118 in 2023Q3, **Chart 5**), while the number of properties sold to foreign buyers decreased by 2,3% on an annual basis (1.672 compared with 1.712 in 2023Q3, **Chart 5**).



As far as the number of sales contracts by district is concerned, the greatest number of transactions is traced in Limassol (1.290), followed by Larnaca (921), Nicosia (831) and Paphos (796), while Famagusta (243) records the lowest number of transactions (**Table 2**). Regarding the percentage of local buyers, in districts Nicosia, Limassol, Larnaca, Famagusta is over 50%, while in Paphos the buyers are mainly foreigners (68%).

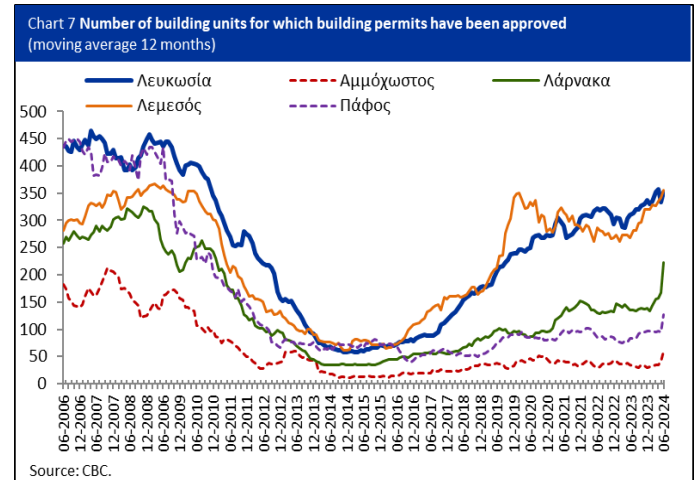
According to CBC's latest *Monetary and Financial Statistics publication*², the volume of new housing loans recorded an annual increase of 6,5% (€270m in 2024Q3 compared with €253,2m in 2023Q3). In addition, according to the same source, the mortgage-loan rate³ averaged at 4,59% in 2024Q3, compared with 4,58% in 2024Q2. Furthermore, according to CBC's *Bank Lending Survey*⁴, **lending criteria** remain at the same strict levels compared with the previous quarter, while the same survey confirms that the demand for loans increased in 2024Q3 (**Chart 6**).



Regarding **the supply of residential properties**, according to the latest available data published by the Statistical Service of Cyprus (CYSTAT), **the number of residential units for which building permits have been approved**, which is a leading indicator of construction activity, recorded a significant increase of 44,4% in the period January – June 2024 (from 5.276 units in January – June 2023 to 7.616 units in January – June 2024). This was mainly due to the fact that in June a significant increase in building permits was recorded due to the upcoming transfer of the permits approval procedure to the District Local Government Organisations (DLGO). Secondly, there was a significant increase in the permits for buildings with multiple units, i.e. blocks of apartments, because of the already existing increased demand for apartments.

As a result, a gradual increase in the supply of residential units is expected in the medium term. The number of residential units by district for which building permits

have been approved (**Chart 7**) has recorded an increase in recent months in Nicosia and Limassol. This confirms the view of market participants that, in the aforementioned districts, the stock of residential properties will increase, offsetting upward price pressures from the demand side.



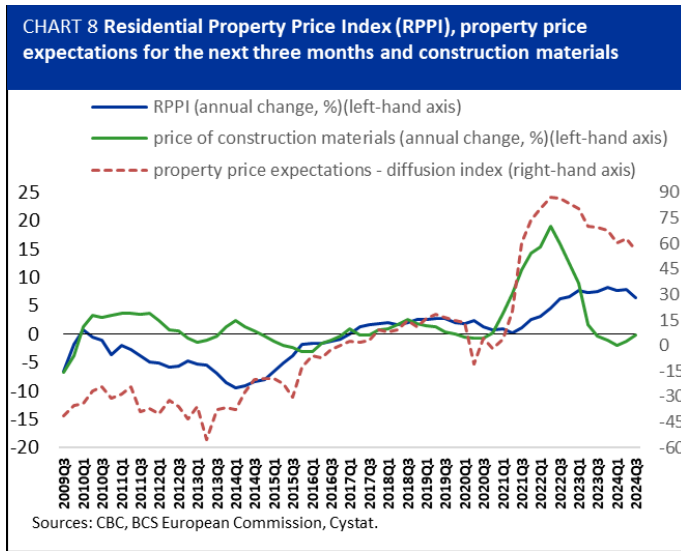
According to data from the *Business and Consumer Surveys (BCS)* of the European Commission for the construction sector (September 2024), the **index of construction activity** in the previous 3 months recorded an increase in 2024Q3 (8,4%) compared with 2024Q2 (7,5%).

The **price index of construction materials**, published by CYSTAT, recorded a minor decrease of -0,2% in 2024Q3. On an annual basis, since 2023Q3, decreases in the price index of construction materials were recorded (**Chart 8, p. 5**). The trend of the index points towards further decreases in the prices of construction materials from previously high levels recorded over the last years.

² <https://www.centralbank.cy/el/publications/monetary-and-financial-statistics>

³ Floating rate and up to one year fixed.

⁴ <https://www.centralbank.cy/el/publications/surveys/bank-lending-survey>



According to the BCS of the European Commission, in 2024Q3, **property price expectations** over the next three months were on a lower level compared with the respective quarter last year, suggesting a smaller consensus among survey participants regarding increases in property prices in the next three months (**Chart 8**). Specifically, property price expectations for the next three months averaged at 56,2 in 2024Q3, compared with 69,7

in 2023Q3. It appears that most of the survey participants expect that property prices will continue to increase, as opposed to the remaining participants that expect either stabilisation or a decrease, but the percentage of the former has decreased compared with the previous quarter.

4. Conclusion

In 2024Q3, residential property prices recorded decelerated increases. Other market indicators confirm that the market is entering a phase of slowdown of its upward trend. The reduced demand for properties from foreign buyers suppresses the upward pressures that had been observed on property prices in previous quarters. Additionally, the small decreases in construction material prices, combined with the increasing construction activity and the influx of more residential units in the market, is contributing to a rise in supply and easing upward pressure on property prices. As a result, the RPPI is expected to record more moderate increases in the short-term future.

TABLE 3 Residential property price indices by type and by district

Year*	Quarter	Residences by type		Residences by district					Residential property price index
		Apartments	Houses	N/sia	L/sol	L/ca	Paphos	F/sta	
2010	-	98,2	100,1	99,9	99,0	99,5	100,3	99,5	99,6
2011	-	93,3	97,2	98,6	94,4	94,9	95,4	94,4	96,3
2012	-	89,0	91,8	94,4	90,8	87,3	87,5	87,9	91,2
2013	-	82,5	86,1	87,8	86,5	79,5	83,3	80,0	85,2
2014	-	74,7	78,8	80,3	79,5	72,1	77,4	71,1	77,8
2015	-	71,0	75,6	76,0	76,4	68,7	75,3	70,1	74,4
2016	-	71,0	74,3	74,2	75,7	67,9	75,1	67,6	73,4
2017	-	73,4	74,6	74,9	77,4	67,4	75,3	67,2	74,3
2018	-	76,6	75,6	76,0	80,1	68,5	75,7	69,9	75,8
2019	-	78,8	77,1	77,2	83,8	70,4	77,6	71,5	77,8
2020	-	82,6	77,6	78,1	85,3	72,0	77,8	72,6	79,0
2021	-	85,9	77,6	77,7	88,2	73,1	77,5	72,5	80,0
2022	-	92,3	80,7	80,0	94,1	75,5	83,5	76,6	84,1
2023	-	102,2	85,3	83,6	103,9	82,6	89,9	81,5	90,6
2024	Q1	110,8	87,9	85,3	109,7	87,8	96,2	88,0	95,0
2024	Q2	112,3	89,7	85,3	111,6	89,6	99,6	89,1	96,6
2024	Q3	113,0	90,8	86,1	112,7	90,6	101,6	91,8	97,4

Source: CBC.

*The annual index is calculated as the average of the four quarters of each year.

TABLE 4 Apartment and house price indices by district
(annual and quarterly, 2010Q1 = 100)

Year*	Quarter	Apartments					Houses				
		N/sia	L/sol	L/ca	Paphos	F/sta	N/sia	L/sol	L/ca	Paphos	F/sta
2010	-	99,3	97,8	97,1	97,0	97,1	100,1	99,4	100,4	101,4	100,1
2011	-	99,0	91,8	88,7	82,7	83,1	98,5	95,1	96,8	99,1	97,2
2012	-	95,2	88,3	82,2	76,9	76,8	94,1	91,5	88,7	90,7	89,7
2013	-	89,0	82,8	71,7	71,7	71,8	87,3	87,5	82,1	86,7	81,4
2014	-	81,5	74,9	63,8	67,2	64,1	79,8	81,1	74,7	80,7	72,3
2015	-	76,6	74,0	61,0	64,2	60,3	75,8	77,2	71,9	79,3	71,8
2016	-	75,0	74,6	61,3	66,0	57,8	73,9	76,1	70,8	78,9	69,4
2017	-	77,0	78,6	61,8	64,2	57,4	73,9	76,9	69,5	80,2	69,4
2018	-	78,9	84,6	63,5	67,6	59,5	74,6	78,4	70,1	79,8	72,4
2019	-	80,3	90,8	69,0	69,5	61,7	75,9	81,3	70,9	81,3	73,8
2020	-	82,2	96,3	71,9	70,0	62,0	76,4	81,5	72,0	80,9	75,7
2021	-	84,0	100,2	75,7	71,7	65,2	74,9	83,6	72,4	79,7	74,5
2022	-	87,6	108,2	80,3	79,0	71,0	76,6	87,7	73,9	85,3	77,8
2023	-	91,8	122,9	91,6	92,4	72,7	80,0	93,7	79,0	88,7	84,2
2024	Q1	94,4	134,9	101,9	102,9	82,9	81,4	96,3	81,9	93,5	89,5
2024	Q2	95,0	136,4	105,0	106,4	85,0	81,0	99,5	83,6	97,0	90,3
2024	Q3	95,5	138,2	106,5	108,6	85,5	81,9	100,6	85,0	99,1	93,4

Source: CBC.

*The annual index is calculated as the average of the four quarters of each year.

Table 5 Residential property price indices by type and by district
(year on year change, %)

Year*	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	
2010	-	-2,0	-0,8	-0,6	2,1	-1,8	-2,6	-4,7	-1,1
2011	-	-5,0	-2,9	-1,3	-4,6	-4,6	-4,9	-5,1	-3,3
2012	-	-4,6	-5,6	-4,3	-3,8	-8,1	-8,2	-6,9	-5,3
2013	-	-7,3	-6,2	-7,0	-4,8	-8,9	-4,8	-8,9	-6,5
2014	-	-9,4	-8,5	-8,5	-8,0	-9,3	-7,0	-11,2	-8,8
2015	-	-4,9	-4,0	-5,3	-4,0	-4,6	-2,7	-1,4	-4,3
2016	-	-0,1	-1,8	-2,4	-0,9	-1,2	-0,4	-3,6	-1,4
2017	-	3,3	0,5	0,9	2,2	-0,8	0,3	-0,6	1,2
2018	-	4,4	1,2	1,5	3,5	1,6	0,6	4,0	2,1
2019	-	4,2	2,0	1,6	4,7	2,8	2,5	2,3	2,6
2020	-	3,5	0,7	1,2	1,8	2,2	0,2	1,5	1,5
2021	-	4,1	0,0	-0,5	3,4	1,6	-0,4	-0,2	1,2
2022	-	7,4	3,9	3,0	6,6	3,2	7,8	5,7	5,2
2023	-	10,6	5,7	4,4	10,4	9,5	7,7	6,5	7,7
2024	Q1	13,9	4,7	4,0	9,2	10,7	11,2	11,8	7,8
2024	Q2	12,0	6,2	2,4	9,5	9,9	12,1	10,9	8,0
2024	Q3	8,8	6,0	2,7	7,4	8,1	11,8	11,1	6,5

Source: CBC

*The annual figures are calculated as the annual change of the average of the four quarters of each year.

Table 6 Apartment and house price indices by district
(quarter on quarter change, %)

Year	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
2021	Q1	0,5	1,1	1,9	2,2	3,0	-0,4	1,6	0,3	-1,5	-0,6
2021	Q2	0,5	1,2	0,6	0,9	1,1	-1,3	1,0	-0,1	-0,2	-2,7
2021	Q3	0,7	0,8	0,7	1,7	-0,2	-0,3	-0,3	2,1	1,5	0,7
2021	Q4	0,8	3,4	0,3	4,5	3,4	1,4	0,7	-0,5	-0,6	2,3
2022	Q1	1,3	1,4	0,8	2,7	3,9	0,1	0,6	-0,2	3,3	2,1
2022	Q2	1,6	0,8	3,5	1,0	2,5	1,2	2,3	1,1	1,9	-0,4
2022	Q3	1,1	3,2	2,6	3,3	2,6	1,3	2,8	0,6	2,6	2,3
2022	Q4	0,2	3,6	2,3	1,4	-3,7	0,3	1,2	1,7	2,2	0,1
2023	Q1	1,4	2,4	3,5	4,3	1,2	1,3	2,8	2,2	-1,1	2,9
2023	Q2	1,4	4,0	4,1	6,5	2,5	1,8	-0,4	1,7	0,9	1,9
2023	Q3	1,5	4,0	2,9	5,2	-1,7	0,3	1,4	2,5	1,1	4,3
2023	Q4	1,3	3,9	5,7	4,6	4,4	1,5	2,5	1,2	1,7	1,4
2024	Q1	0,8	3,7	4,3	3,5	10,7	0,0	0,3	1,1	3,3	2,6
2024	Q2	0,6	1,1	3,0	3,4	2,6	-0,5	3,3	2,1	3,7	0,8
2024	Q3	0,6	1,3	1,4	2,1	0,6	1,1	1,1	1,6	2,2	3,5

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 at the Central Bank of Cyprus (CBC).

Data from 2006 to 2009 were collected retrospectively from a number of credit institutions. From 2010 onwards, the data have been collected by the CBC from the member banks of the Association of Cyprus Banks (Bank of Cyprus, Hellenic Bank, Alpha Bank, National Bank of Greece, Astro Bank, Cyprus Development Bank, Société Générale, Ancoria Bank and Eurobank) and the Cyprus Asset Management Company in standardised form, through an online data submission platform.

The partnered credit institutions receive the relevant information from property surveyors in relation to mortgage lending, loan restructures and property revaluations. The valuations come from more than 100 property survey offices all over Cyprus, contributing in the impartiality of the indices. 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 aggregate Residential Property Price Index (RPPI) is calculated as the weighted sum of the two indices by type (house and apartment price indices).

Change in the weighting method to calculate the aggregate indices: In 2015Q1, the weighting method changed and the aggregate houses and flats indices are now calculated by using as weights the summation of the value of the properties in the sample of the last four quarters. In this way a more representative allocation between houses and apartments in the Cypriot housing market is provided. In previous reports, the indices used to be aggregated using the number of observations (valuations) of the last four quarters. Similarly, the aggregate RPPI is calculated using as weights for the residential property price indices by district the summation of the value of the observations of the last four quarters in each respective district. This change in the weighting method was suggested by the IMF as part of an evaluation exercise of the RPPI, in the context of the implementation of the Memorandum of Understanding. The evaluation was carried out in the context of the possible use of the indices for updating the property values of the General Valuation (1 January 2013) undertaken by the Department of Lands and Surveys.

As a result of the change in the weighting method, the RPPI for both the historical (2006-2009) and the new series (2010 onwards) has been revised. In the new series the aggregated flats and houses indices, and the residential property price indices by district have also been revised. It is worth noting that the change in the weighting method has not affected significantly either the level of the indices or their growth rates.

Furthermore, in 2019Q1 the indices have been revised from 2017Q1 onwards, due to the removal of certain observations from the sample. These observations have been examined and assessed to not reflect the open market value. In this way the consistency in the construction of the indices is ensured, according to the international standards. The aforementioned changes did not alter significantly the indices or particularly their growth rates.

The hedonic methodology is used for the construction of the indices. In case the number of observations per quarter in a particular district is not enough to implement the hedonic method, the simple average method is used. Further details about the methodology and other relevant information are available on the CBC's website, at https://www.centralbank.cy/images/media/pdf/Methodology_EN_latest.pdf

The current report is available at <https://www.centralbank.cy/en/publications/residential-property-price-indices>

For further information or/and clarifications please contact the Real Estate Unit of CBC at RealEstate@centralbank.cy.