



# CENTRAL BANK OF CYPRUS

EUROSYSTEM

## RESIDENTIAL PROPERTY PRICE INDEX

2014 Q3

### The rate of decrease in residential property prices remained stable during the third quarter of 2014

- The residential property price index (houses and apartments) recorded a quarterly decrease of 2,0% during the third quarter of 2014, the same as that of the previous quarter. House prices recorded a rate of decline of 1,5%, while apartment prices declined by 2,7%.
- On an annual basis, the residential property price index declined by 8,9%, compared with 9,1% in the previous quarter.

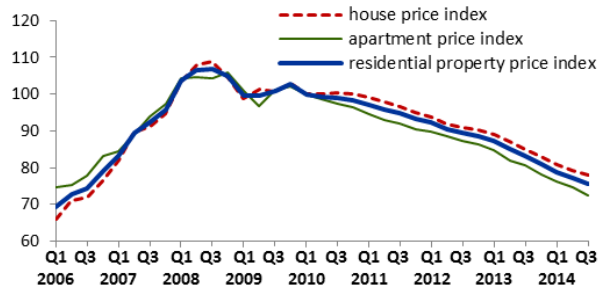
Overview	2013 Q4	2014 Q1	2014 Q2	2014 Q3
Quarterly index (2010 Q1=100)	80,9	78,8	77,2	75,7
Quarterly change	-2,6%	-2,7%	-2,0%	-2,0%
Annual change	-8,7%	-9,7%	-9,1%	-8,9%

### Main results of the residential property price indices

In the third quarter of 2014, the residential property price index recorded the same quarterly decline (2,0%) as in the previous quarter. Apartment and house prices declined by 2,7% and 1,5%, respectively, compared with 2,1% and 1,8%, respectively, in the previous quarter (**Chart 1**).

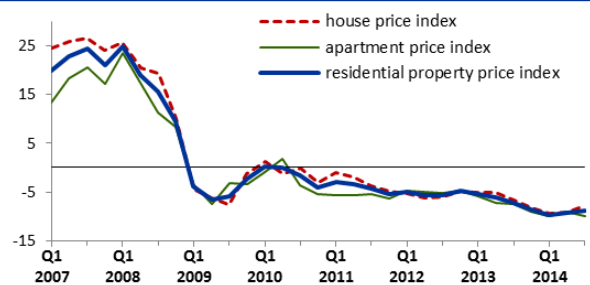
On a regional level, the largest quarterly decline in apartment prices was recorded in Famagusta (6,2%), while Larnaca and Paphos had the smallest decline (1,3%). In the districts of Nicosia and Limassol, apartment prices declined by 2,2% and 1,7%,

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



Source: CBC.

CHART 2 House and apartment price indices (annual change,%)

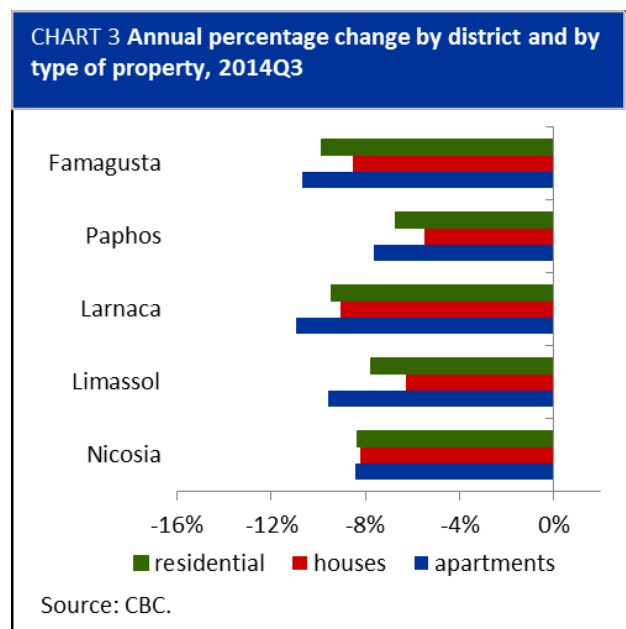


Source: CBC.

respectively. As regards house prices, the largest quarterly decline was recorded in Larnaca (3,2%), while the smallest decrease was observed in the districts of Limassol and Paphos (0,1%). In the districts of Nicosia and Famagusta, house prices declined by 1,8%, and 0,8% , respectively, compared with the previous quarter.

On a year-on-year basis, the residential property price index fell by 8,9% in the third quarter compared with a 9,1% decline in the previous quarter. House prices declined by 7,9% and apartment prices by 10,1% (**Chart 2**).

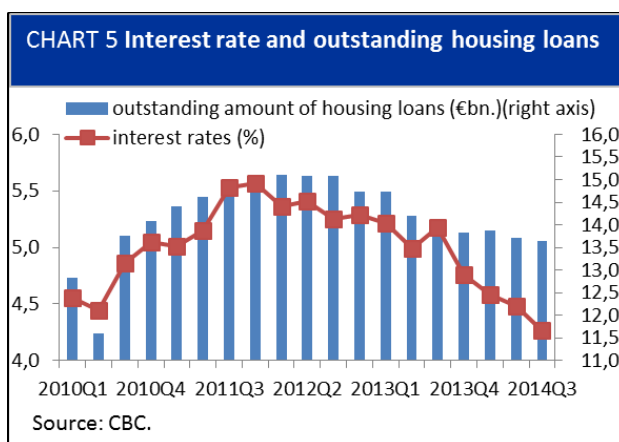
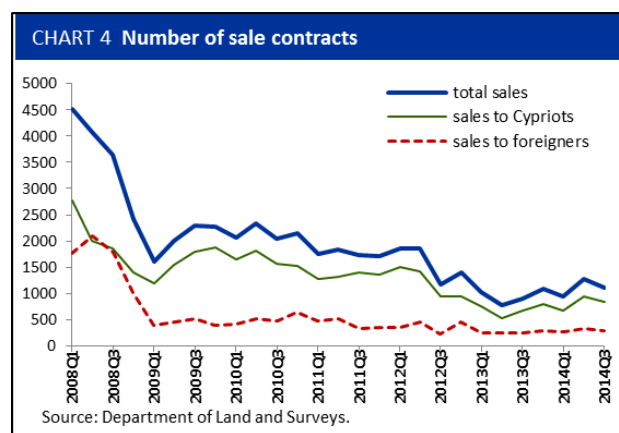
During the third quarter of 2014, the largest annual decreases in house and apartment prices were recorded in the district of Larnaca (9,0% and 10,9%, respectively). The smallest annual decreases were recorded in Paphos (7,6% for apartment prices and 5,5% for house prices) (**Chart 3**). Apartment prices in the districts of Nicosia, Limassol and Famagusta fell by 8,4%, 9,6% and 10,7%, respectively. House prices in the districts of Nicosia, Limassol and Famagusta fell by 8,2%, 6,3% and 8,6%, respectively.



### Other indicators

According to data published by the Department of Lands and Surveys, the total number of sale contracts (for both Cypriot and foreign buyers), recorded an annual increase of 23,2% for the third quarter of 2014 compared to the third quarter of 2013. An increase of 24,1% was recorded in the number of sales to Cypriot buyers, while sales to foreign buyers recorded an increase of 20,8% (**Chart 4**). Apart from Nicosia, all districts recorded annual increases compared to the third quarter of 2013.

According to CBC data, interest rates on housing loans for the third quarter of 2014 declined, on average, to 4,27% compared with 4,48% in the previous quarter (**Chart 5**). The outstanding amount of total housing loans (residents and non-residents) as at the end of September 2014 declined to €13.6 billion.



As regards the construction sector, local sales of cement recorded a smaller decline of 13,7% for the third quarter of 2014, compared with the third quarter of 2013 (18,2%). However, the building sentiment indicator for Cyprus, as published in the Joint Harmonised European Union Business and Consumer Surveys (BCS)<sup>1</sup>, recorded a higher decline compared with the previous quarter, averaging -47,5 compared with an average of -46,6 in the previous quarter.

According to data from the BCS, during the third quarter of 2014, the index of intention to build or purchase a home in the next 12 months recorded an average of -92,5 compared with an average of -90,2 in the previous quarter. The index of property price expectations in the construction sector recorded, on average, a less negative number (-21,4) compared with the previous quarter (-28,6). The index of employment expectations in the construction sector also recorded less negative levels (an average of -9,3 compared with -11,2 in the previous quarter).

<sup>1</sup> The reported indices of the European Commission are revised regularly. As a result, there might be a marginal change in the figures of previous reports.

**TABLE 1 Residential property price indices by type and by district**  
(quarterly data, 2010 Q1 = 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	
2011 Q1	94,4	99,0	99,6	95,7	95,9	95,5	93,0	97,1
Q2	93,0	98,0	99,3	94,3	94,0	92,2	93,4	95,9
Q3	92,0	96,7	98,6	93,6	92,6	89,9	90,8	94,8
Q4	90,5	94,9	97,4	92,2	90,6	87,4	88,9	93,1
2012 Q1	89,9	93,8	96,5	91,9	89,0	85,6	88,2	92,2
Q2	88,4	91,8	95,0	90,3	86,3	85,1	84,6	90,4
Q3	87,3	90,9	94,0	89,8	85,2	82,7	84,9	89,5
Q4	86,2	90,3	92,9	89,7	83,5	81,8	84,6	88,6
2013 Q1	84,6	89,1	91,0	88,8	80,5	82,1	84,8	87,2
Q2	81,9	87,2	89,1	86,7	79,2	80,5	78,3	85,0
Q3	80,7	84,8	87,1	84,8	76,2	79,0	75,8	83,0
Q4	78,3	82,9	85,1	83,0	74,0	76,0	74,3	80,9
2014 Q1	76,2	80,7	82,9	80,6	72,1	75,2	72,2	78,8
Q2	74,6	79,3	81,5	78,8	70,6	74,2	70,4	77,2
Q3	72,6	78,1	79,8	78,2	69,0	73,7	68,3	75,7

Source: CBC.

**TABLE 2 Apartment and house price indices by district**  
(quarterly data, 2010 Q1 = 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
2011 Q1	99,5	93,3	91,3	87,6	86,5	99,7	97,1	99,4	102,4	97,9
Q2	99,4	91,9	89,8	84,0	83,4	99,2	95,6	97,3	99,5	101,1
Q3	99,1	91,8	88,0	80,3	80,7	98,2	94,5	96,1	98,6	96,9
Q4	97,9	90,2	85,8	78,8	81,8	97,0	93,2	94,5	95,9	92,7
2012 Q1	96,4	90,5	85,4	78,7	79,5	96,5	92,5	91,9	92,5	92,3
Q2	95,3	88,6	83,0	78,2	76,6	94,7	91,1	88,7	92,1	88,2
Q3	95,4	87,3	81,1	75,5	75,8	92,9	91,0	88,0	90,1	89,1
Q4	93,5	86,7	79,4	75,1	75,4	92,4	91,3	86,1	88,2	89,1
2013 Q1	92,1	86,6	75,0	74,3	74,5	90,0	90,0	84,5	89,1	90,0
Q2	90,1	83,0	73,3	72,2	71,2	88,3	88,8	83,8	88,1	81,5
Q3	88,0	81,8	70,5	71,9	69,9	86,3	86,6	80,7	85,4	78,4
Q4	86,0	80,0	67,7	68,4	71,6	84,4	84,7	79,3	84,1	75,6
2014 Q1	83,5	76,9	65,6	69,2	69,7	82,4	82,8	77,3	81,0	73,3
Q2	82,4	75,3	63,6	67,3	66,6	80,7	81,3	75,8	80,9	72,3
Q3	80,6	74,0	62,8	66,4	62,4	79,2	81,2	73,4	80,7	71,7

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 are collected by the CBC from the member banks of the Association of Cyprus Banks (Bank of Cyprus, Hellenic Bank, Alpha Bank, Emporiki Bank, National Bank of Greece, Piraeus Bank, USB Bank, Cyprus Development Bank, Société Générale and Eurobank) and the Cooperative Central Bank in standardised form, through an online data submission platform.

The partnered credit institutions receive the relevant information from more than 90 independent property surveyor offices in relation to mortgage lending. 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). Since the first quarter of 2013, the weighting method has changed and the index is calculated by using the number of observations (valuations) of the last four quarters, in order to provide a more representative allocation between houses and apartments in the Cypriot housing market. Until the fourth quarter of 2012, the two indices were weighted using the quarterly number of observations. In the same manner, the aggregate house and apartment indices are the weighted sum of the house and apartment price indices by district, weighted by the number of observations of the last four quarters. As a result, the CBC residential property price indices for the period 2010 Q1 onwards have been revised.

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 [http://www.centralbank.gov.cy/media//pdf/Methodology\\_EN\\_.pdf](http://www.centralbank.gov.cy/media//pdf/Methodology_EN_.pdf)

The current report is available at [http://www.centralbank.gov.cy/ngcontent.cfm?a\\_id=11836&lang=en](http://www.centralbank.gov.cy/ngcontent.cfm?a_id=11836&lang=en)