



## CENTRAL BANK OF CYPRUS

EUROSYSTEM

# RESIDENTIAL PROPERTY PRICE INDEX

## 2014 Q2

### The rate of decrease of residential property prices decelerated during the second quarter of 2014

- The residential property price index (houses and apartments) recorded a quarterly decrease of 2,0% during the second quarter of 2014, the smallest decline since March 2013 events.
- House prices recorded a lower rate of decline for all districts compared to the previous quarter. The same trend was observed for apartment prices, with the exemption of Famagusta and Paphos.
- Despite the negative trend of the residential property prices, other leading indicators, such as sales contracts, exhibit positive signs of future improvements in the real estate sector.

Overview	2013 Q3	2013 Q4	2014 Q1	2014 Q2
Quarterly index (2010 Q1=100)	83,0	80,9	78,8	77,2
Quarterly change	-2,3%	-2,6%	-2,7%	-2,0%
Annual change	-7,2%	-8,7%	-9,7%	-9,1%

### Main results of the residential property price indices

In the second quarter of 2014, the residential property price index recorded the smallest quarterly decline (2,0%) of the last five quarters. Apartment and house prices declined by 2,1% and 1,8%, compared with 2,6% and 2,7%, respectively, in the previous quarter (**Chart 1**).

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

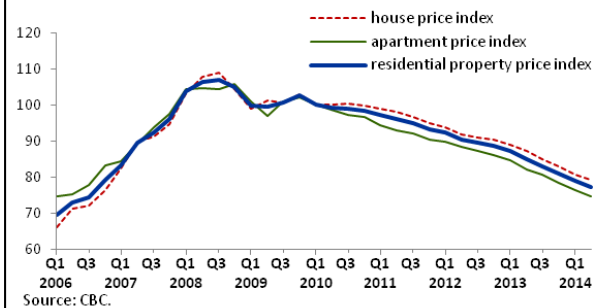
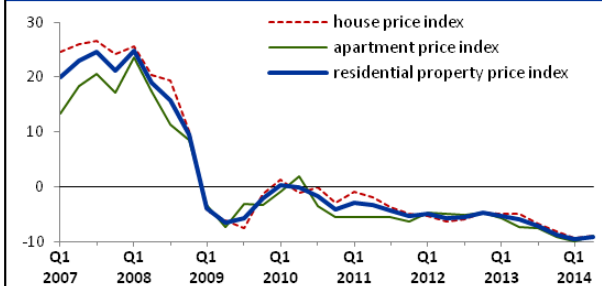


CHART 2 House and apartment price indices (annual change, %)

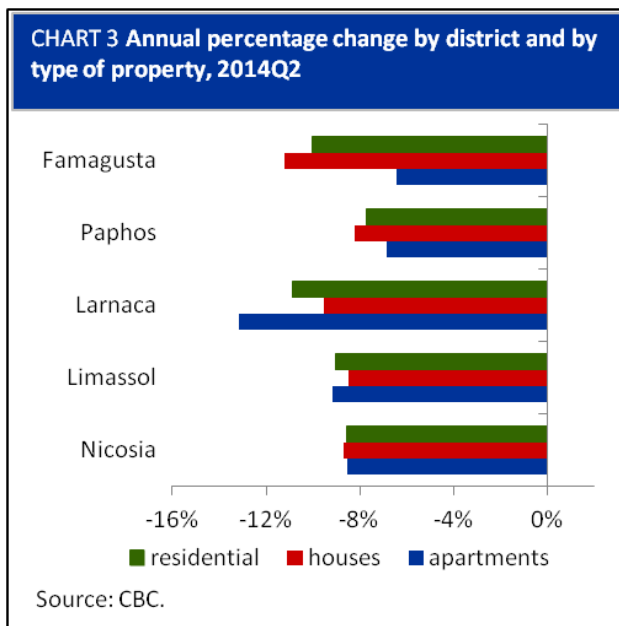


On a regional level, the largest quarterly decline in apartment prices was recorded in Famagusta (4,5%), while Nicosia had the smallest decline (1,4%). In the districts of Limassol and Larnaca, apartment prices declined by 2,1% and 3,0%, respectively. In the district of Paphos apartment prices declined by 2,8%. As regards house prices, the largest quarterly decline was recorded in Nicosia (2,1%), while the smallest decrease was observed in Paphos (0,1%). In the districts of Limassol, Larnaca and Famagusta, house prices declined by 1,8%, 1,9% and 1,3%, respectively, compared with the previous quarter.

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

During the second quarter of 2014, the largest annual decreases in house prices were recorded in the district of Famagusta (11,2%) and in apartment prices in the district of Larnaca (13,1%). The smallest annual decreases for apartment prices were recorded in the district of Famagusta (6,4%) and for house prices in the district of Paphos (8,2%) (Chart 3). Apartment prices in the districts of Nicosia, Limassol and Paphos fell by 8,5%, 9,2% and 6,9%, respectively. House prices in the districts of Nicosia, Limassol and Larnaca fell by 8,7%, 8,5% and 9,5%, respectively.

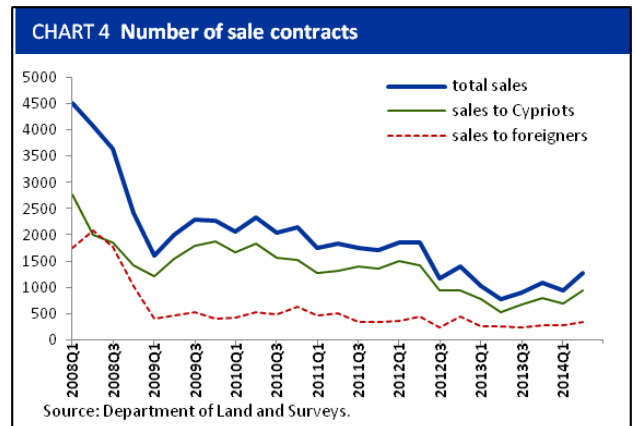
It is worth noting that during the second quarter of 2014 the rate of decrease decelerated for house prices in all districts and for apartment prices in all districts apart from Famagusta and Paphos.



**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) in Cyprus, recorded an annual increase of 65,1% for the second quarter of 2014 compared to the second quarter of 2013. An increase of 80,6% was recorded in the number of sales to Cypriot buyers, while sales to foreign buyers recorded an increase of 33,2%

(Chart 4). All districts recorded annual increases, with Nicosia having the highest increase of 130% compared to the second quarter of 2013. In the district of Famagusta, although the total number of sale contracts recorded an annual increase of 64,5% compared to the respective quarter of 2013, the number of sales to foreigners recorded a decrease of 31%.



According to CBC data, the total amount of outstanding housing loans in June 2014 (€13.761m) was lower compared to the respective month of both 2013(€14.180m) and 2012(€15.142m). This trend of deleveraging, accompanied with the very limited number of newly approved housing loans, justifies the continued decline in residential property prices. The same trend was recorded in the subcategories of outstanding housing loans to residence and non-residence of Cyprus. The total amount of outstanding housing loans to residents of Cyprus decreased from €12.016m in June 2013 to €11.631m in June 2014. For non-residents of Cyprus, the total amount of outstanding housing loans decreased from €2.163m to €2.129m from June 2013 to June 2014, respectively.

As regards the construction sector, local sales of cement recorded a smaller decline compared to the previous quarter, according to the Statistical Service of Cyprus (Cystat). Specifically, while the average quarterly decline in 2013 was 31% and the quarterly decline recorded in the first quarter of 2014 was 20,7%, the second quarter of 2014 recorded a significantly lower decline of 6,1%. However, the building sentiment indicator for Cyprus, as published in the Joint Harmonised European Union Business

and Consumer Surveys (BCS)<sup>1</sup>, remained at similarly negative levels during the quarter under review, averaging -49,0 compared to an average of -48,8 in the previous quarter.

Although prospects in the construction sector are still negative, there is a glimpse of recovery according to data from the BCS. During the second quarter of 2014, the index of intention to build or purchase a home in the next 12 months recorded an average of -90,2 compared to an average of -92,2 in the previous quarter. The index of property price expectations in the construction sector recorded on average a significantly smaller negative number (-28,6) compared to the previous quarter (-37,6). The index of employment expectations in the construction sector also recorded significantly less negative levels (an average -11,2 compared to -19,1 of the previous quarter).

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<sup>1</sup> The reported indices of the European Commission are revised regularly. As a result, there might be a marginal change in the presented 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	
2010 Q1	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Q2	98,6	100,0	99,2	99,5	99,3	99,6	98,5	99,4
Q3	97,3	100,4	99,9	98,0	98,3	99,7	99,1	99,1
Q4	96,5	99,9	99,9	97,5	97,4	97,8	97,8	98,5
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

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

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)