



# CENTRAL BANK OF CYPRUS

EUROSYSTEM

## RESIDENTIAL PROPERTY PRICE INDEX

2014 Q1

### Residential property prices continued to decline during the first quarter of 2014

- The residential property price index (houses and apartments) recorded a quarterly decrease of 2,7%, compared with 2,6% in the previous quarter.
- On an annual basis, the residential property price index recorded a decrease of 9,7%
- The highest quarterly declines were recorded in apartment prices in the district of Limassol (3,7%) and in house prices in the district of Paphos (3,6%). Apartment prices in Paphos recorded an increase of 1,2%.

Overview	2013 Q2	2013 Q3	2013 Q4	2014 Q1
Quarterly index (2010 Q1=100)	85,0	83,0	80,9	78,8
Quarterly change	-2,6%	-2,3%	-2,6%	-2,7%
Annual change	-6,1%	-7,2%	-8,7%	-9,7%

#### Main results of the residential property price indices

In the first quarter of 2014, the residential property price index recorded a quarterly decline of 2,7%, similar to the previous quarter (2,6%). Apartment and house prices declined equally by 2,7%, compared with 3,0% and 2,2%, respectively, in the previous quarter (**Chart 1**).

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

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

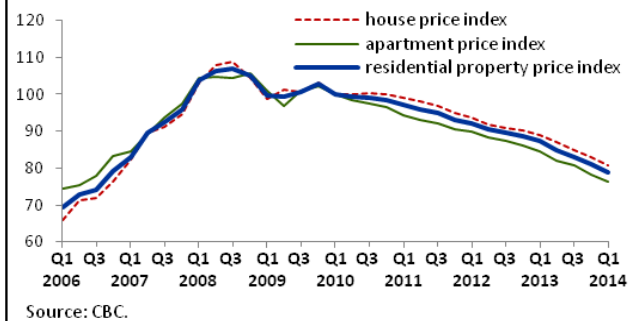
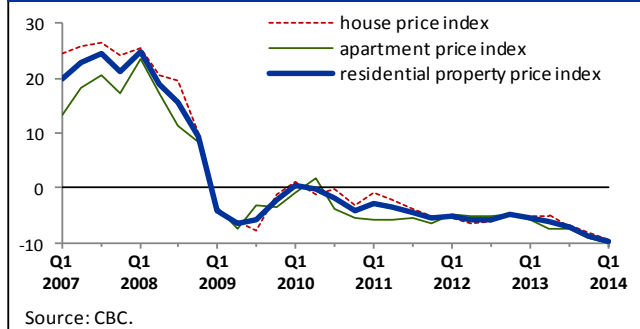


CHART 2 House and apartment price indices (annual change,%)



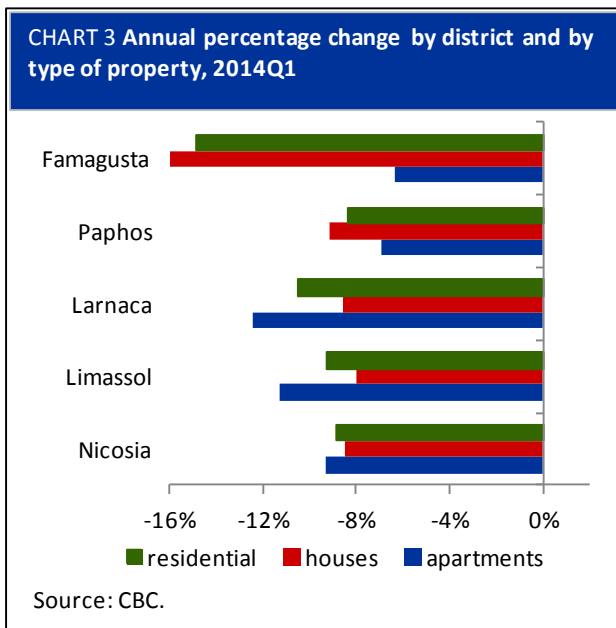
declined by 2,8% and 3,4%, respectively, while Paphos recorded an increase of 1,2%. This is the first positive quarterly change in apartment prices in Paphos since 2010. As regards house prices, the largest quarterly decline was recorded in Paphos (3,7%), while the smallest decrease was observed in Limassol (2,2%). In the districts of Nicosia, Larnaca and Famagusta, house prices declined by 2,5%, 2,5% and 3,1%, respectively, compared with the previous quarter.

On a year-on-year basis, the residential property price index fell by 9,7% in the first quarter of the year compared with an 8,7% decline in the previous

quarter. This reflects cumulative declines of the four quarters after the March 2013 incidents. House prices declined by 9,4% and apartment prices by 10,0% on a year-on-year basis (Chart 2).

During the first quarter of 2014, the largest annual decreases in house prices were recorded in the district of Famagusta (18,5%) and in apartment prices in the district of Larnaca (12,4%). The smallest annual decreases for apartment prices were recorded in the district of Famagusta (6,4%) and for house prices in the district of Limassol (8,0%) (Chart 3). Apartment prices in the districts of Nicosia, Limassol and Paphos fell by 9,3%, 11,3% and 6,9%, respectively. House prices in the districts of Nicosia, Larnaca and Paphos fell by 8,5%, 8,6% and 9,1%, respectively.

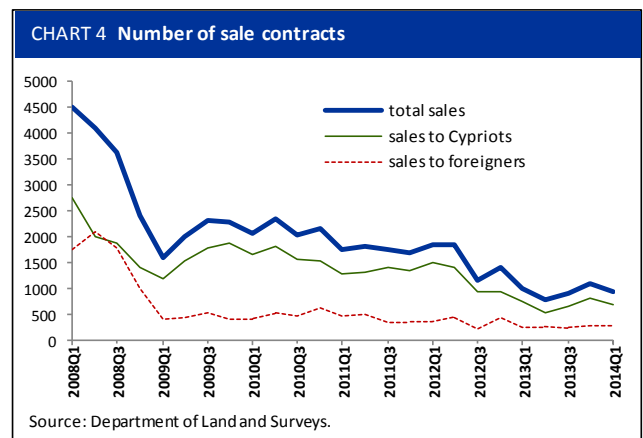
In summary, all indices recorded negative quarterly rates of change in the first quarter of 2014, apart from apartment prices in the district of Paphos. Similarly, annual rates of change were negative in all districts.



**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 a quarterly decrease of 6,4% for the first quarter of 2014. A decline of 10,8% was recorded in the number of sales to Cypriot buyers,

while sales to foreign buyers recorded an increase of 6,8% (Chart 4). The districts of Limassol, Larnaca and Famagusta recorded annual increases (19,0%, 10,2% and 20,0%), while Nicosia and Paphos recorded decreases of 2,2% and 33,6%, respectively. It is worth noting the difference in the dynamics of sale contracts between Cypriot and foreign buyers in the district of Famagusta. Compared with the first quarter of 2013, the number of sales to Cypriot buyers decreased from 40 to 17, while the number of properties purchased by foreigners increased from 10 to 43. Thus, foreigners purchased more properties in Famagusta compared to Cypriots during the quarter under review, in contrast to the rest of the districts where Cypriots purchased more properties.

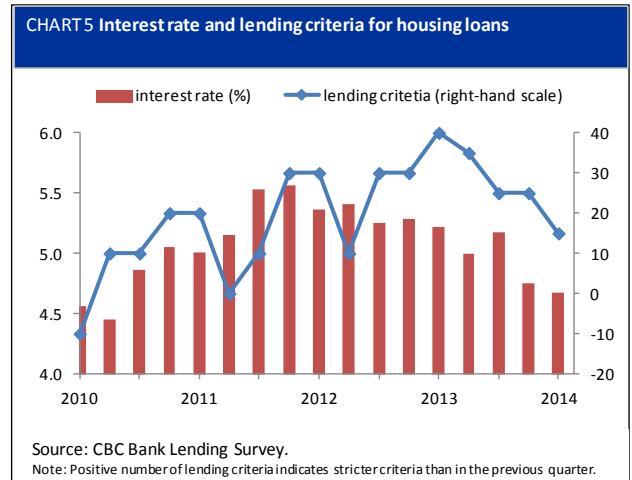


According to the CBC Bank Lending Survey data, households continued to face stricter lending criteria during the first quarter of 2014, though at a lower level than that of the previous quarter (Chart 5). The continuous decline of interest rates on housing loans (floating rate and up to one year fixed) from an average of 5,2% and 4,8% in the third and fourth quarter of 2013, respectively, to 4,7% in the first quarter of 2014, is encouraging.

As regards the construction sector, activity remained at low levels according to data from the Statistical Service of Cyprus (Cystat). Specifically, the sales of cement exhibited an annual decline of 20,7% in the first quarter of 2014. However, the annual rate of decline was smaller compared with previous quarters (29,4% and 34% in the fourth and third quarter of 2013, respectively). In addition, the building sentiment indicator for Cyprus, as published in the Joint Harmonised European Union Business and Consumer Surveys (BCS), remained at negative levels during the quarter under review (averaging -

53,7), albeit less negative than in the previous quarter (averaging -54,9).

Prospects of a rebound in the construction sector in the short term are still weak. According to data from Cystat, the number of building permits issued for residential buildings (which is a leading indicator of construction activity) recorded an annual decrease of 15,9% during the first quarter of 2014, improving slightly from the previous quarter (16,2%). According to the BCS, during the first quarter of 2014 the index of intention to build or purchase a home in the next 12 months continued its decreasing trend (-92,2 compared with -89,4 in the previous quarter). The index of property price expectations in the construction sector recorded an increased negative value compared with the previous quarter (averaging -37,6 compared to -36,2). A slight improvement was seen in the index of employment expectations in the construction sector, averaging -19,1 compared with -22,0 in the previous quarter.



**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

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

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)