



RESIDENTIAL PROPERTY PRICE INDEX

2013 Q1

Larger decrease in residential property prices during the first quarter of 2013¹

- Residential property prices (houses and apartments) fell more substantially in the first quarter of 2013 than in the previous quarter.
- Larger decreases in residential property prices were recorded in the districts of Nicosia, Limassol and Larnaca compared with the previous quarter.
- Residential property prices in the districts of Paphos and Famagusta remained relatively stable (0,3% and 0,2%, respectively). These districts have registered the largest declines in prices since 2009.

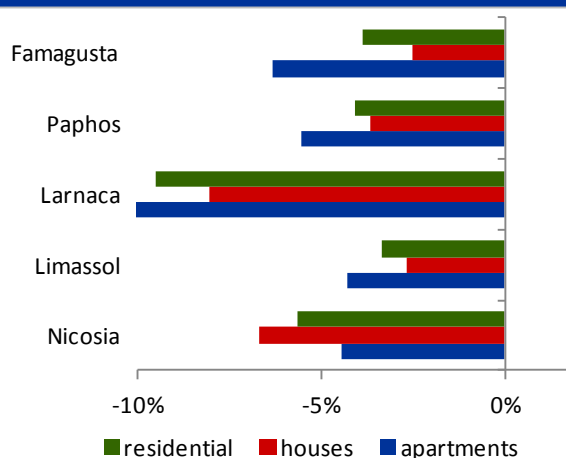
Overview	2012 Q2	2012 Q3	2012 Q4	2013 Q1
Quarterly index (2010 Q1=100)	90,4	89,5	88,6	87,2
Quarterly change	-1,9%	-1,1%	-0,9%	-1,6%
Annual change	-5,7%	-5,6%	-4,8%	-5,4%

Main results of the residential property price indices

In the first quarter of 2013, the residential property price index recorded a larger quarterly decline (1,6%) than in the previous quarter (0,9%). This higher rate of decline reflected the worsening economic conditions in Cyprus during the first

¹ The results of the CBC's residential property price indices were revised during the first quarter of 2013, owing to a change in the way the weights of the aggregated indices are calculated. More information is available in the "Notes" section, on page 5.

CHART 1 Annual percentage change by district and by type of property, 2013Q1



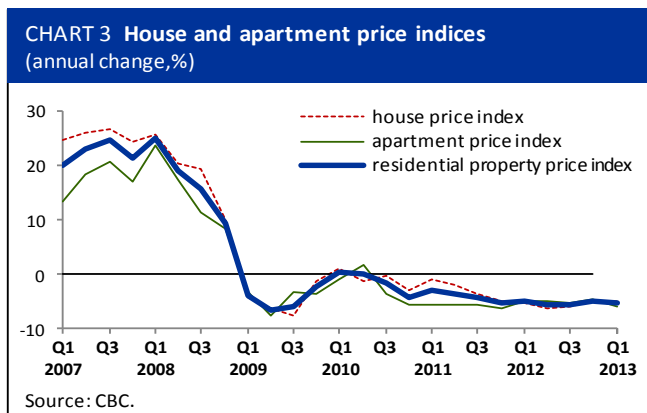
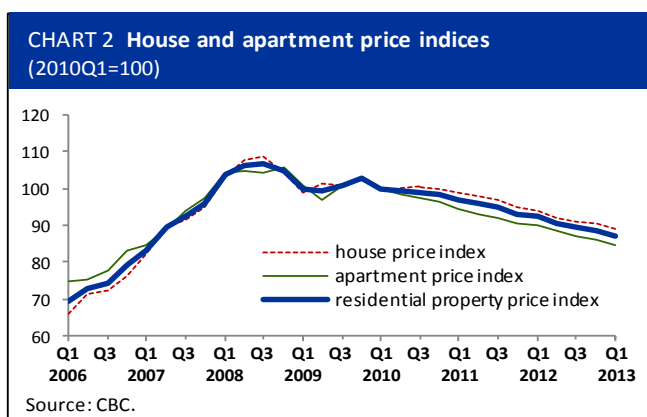
Source: CBC.

quarter of 2013, when GDP continued to shrink and unemployment rose to record levels. Furthermore, for the third consecutive quarter, apartment prices recorded a larger quarterly decline than house prices (1,8% and 1,4%, respectively) (Chart 2).

As regards developments by district, the largest quarterly fall in prices was recorded in the district of Larnaca (3,5%), while prices in the districts of Paphos and Famagusta remained relatively stable (0,3% and 0,2%, respectively). Specifically, during the first quarter of 2013, apartment prices in the district of Larnaca recorded a quarterly fall of 5,6%, which is the largest quarterly fall since the first quarter of 2011. House prices in Larnaca decreased by 1,9% compared with the preceding quarter. Apartment prices in Limassol remained relatively stable (-0,1%), while house prices recorded a quarterly decrease of 1,3% during the first quarter of 2013. In the district of Famagusta, apartment prices decreased by 1,2% on a quarterly basis, while house prices increased modestly by 1,0%. A similar trend was observed in

the district of Paphos, where apartment prices recorded a quarterly decrease of 1,0%, while house prices recorded a modest increase of 1,1%. Furthermore, house prices in Nicosia recorded a larger quarterly decrease of 2,5%, compared with the 1,5% decrease in apartment prices during the quarter under review.

On a year-on-year basis, the residential property price index for Cyprus declined by 5,4% during the first quarter of 2013, reflecting annual decreases of 5,0% and 5,8% in house and apartment prices, respectively (**Chart 3**).



The smallest annual decreases in both house and apartment prices were recorded in the district of Limassol. Specifically, house and apartment prices in Limassol in the first quarter of 2013 were by 2,7% and 4,3%, respectively, lower than one year ago. The largest annual decreases were recorded in the district of Larnaca, where house and apartment prices fell by 8,0% and 12,2%, respectively (**Chart 1**). In the districts of Paphos and Famagusta, apartment prices recorded annual decreases of 5,6% and 6,3%, respectively, while house prices recorded annual decreases of 3,7% and 2,5%, respectively.

Overall, apartment and house price indices recorded annual decreases in all districts during the first quarter of 2013, although a slowdown was observed in some districts. Specifically, the rate of annual decreases in house prices in the districts of Paphos and Famagusta declined over the last three consecutive quarters. However, house price decreases in Nicosia showed signs of acceleration over the same period, while the annual rate of change in apartment prices remained in negative territory. It is worth mentioning that, until recently, the district of Nicosia exhibited the smallest declines.

Other real estate sector indicators

According to data from the Department of Lands and Surveys, the total number of sales contracts during the first quarter of 2013 continued the trend of the preceding quarter. Specifically, annual decreases were recorded in all districts, with the exception of Paphos (**Chart 4**), which recorded an increase of 9,3% in the number of sales to Cypriot buyers. Overall, sales to Cypriot buyers for the whole of Cyprus recorded an annual decrease of 49,2%. Sales to foreign buyers also recorded an annual decrease in all districts, with the exception of Paphos, where sales remained at the same level as in the corresponding quarter of last year.

The low levels of demand for immovable property can be attributed mainly to the gloomy economic environment that currently prevails in Cyprus and to the difficulty in accessing housing loans. According to the CBC Bank Lending Survey, during the first quarter of 2013 the lending criteria for housing loans to households became stricter compared with the criteria of the preceding quarter. This, inevitably, had a negative effect on household's access to housing loans, leading to constrained demand for residential properties. At the same time, interest rates for housing loans remained at relatively high levels, although they recorded a marginal quarterly decline (from an average of 5,29% in the fourth quarter of 2012 to an average of 5,22% in the first quarter of 2013) (**Chart 5**). Furthermore, the building sentiment indicator for Cyprus, published in the Joint Harmonised European Union Business and Consumer Surveys (BCS), became more negative during the quarter under review compared with the last quarter of 2012, averaging -61,4 and -58,4, respectively.

As regards the prospects for the construction sector, data from the Statistical Service of Cyprus (Cystat) and the Department of Lands and Surveys show that low construction activity will continue in the short term. Specifically, local sales of cement, which is a leading indicator of construction activity, decreased on an annual basis by 6,2% in the first quarter of 2013, which was far smaller than the corresponding decrease recorded in the previous quarter (30%). In addition, the number of building permits issued for residential buildings, which is also a leading indicator of construction activity, recorded an annual decrease of 19% during the quarter under review. Furthermore, according to the BCS, during the first quarter of 2013 the index of intention to build or purchase a home in the next 12 months remained at very negative levels (-90,9), similar to the levels of the previous quarter (-89,6). The index of employment expectations in the construction sector in the next three months turned more negative during the first quarter of 2013 (-35,2 on average) compared with the preceding quarter (-34,4 on average). However, the index of price expectations in the next three months became less negative during the quarter under review (-35,3 on average) compared with the fourth quarter of 2012 (-41,1 on average).

In summary, during the first quarter of 2013, residential property prices continued on a negative trend. Furthermore, the uncertainty in the market, which continued after the decisions taken on 15 March by the Eurogroup regarding the Cyprus economy, combined with tight liquidity in the banking sector, are also expected to affect the course of prices in the next quarter.

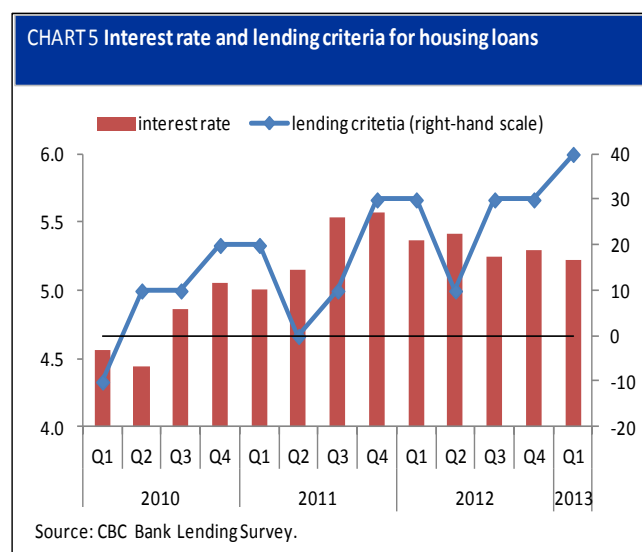
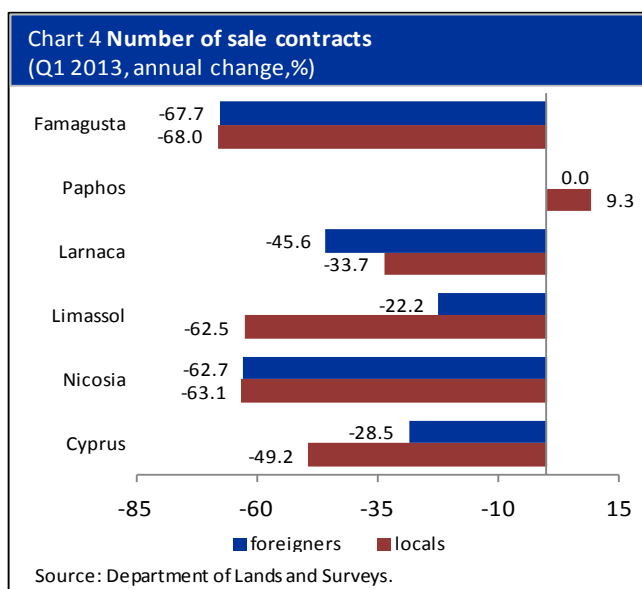


TABLE 1 Residential property price indices by type and by district
(quarterly data, 2010 Q1 = 100)

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	
2009 Q1	100,9	98,8	99,7	95,6	99,4	103,7	108,3	99,7
Q2	96,8	101,2	100,8	93,7	99,3	104,1	106,0	99,4
Q3	101,0	100,6	101,1	96,7	103,4	102,6	101,1	100,8
Q4	102,1	103,0	100,2	101,5	103,0	101,6	102,3	102,7
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

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
2010 Q1	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Q2	98,8	99,2	97,9	97,5	100,4	99,6	99,7	100,8	101,7	97,7
Q3	99,1	96,0	95,9	97,1	95,5	100,6	99,2	100,8	102,1	101,7
Q4	99,4	95,8	94,7	93,3	92,6	100,2	98,5	99,9	101,9	101,1
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

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 Statistics Department at the Central Bank of Cyprus (CBC).

Data from 2006 to 2009 were collected retrospectively from a number of credit institutions. The data for the period after 2009 are collected by the CBC from the member banks of the Association of Cyprus Banks (Bank of Cyprus, Cyprus Popular Bank, 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 a standardised form, through an online data submission platform.

The partnered credit institutions receive the relevant information from more than 95 independent property surveyor offices 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 indices by type (house and apartment price indices). Until the fourth quarter of 2012, the two indices were weighted using the quarterly number of observations (valuations). Since the first quarter of 2013, the weighting method has changed and the index is calculated by using the number of observations of the last four quarters. 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.

In constructing the indices, the hedonic methodology is employed. Further details about the methodology and other relevant information are available on the CBC's website, at www.centralbank.gov.cy.

The current report is available at http://www.centralbank.gov.cy/ngcontent.cfm?a_id=11836&lang=en