



CENTRAL BANK OF CYPRUS

EUROSYSTEM

RESIDENTIAL PROPERTY PRICE INDEX

2013 Q4

Residential property prices continued to decline during the fourth quarter of 2013

- The residential property price index (houses and apartments) recorded a quarter-on-quarter decrease of 2,6% and a year-on-year fall of 8,7%.
- The largest quarterly decrease in house prices was recorded in the district of Famagusta (3,6%) and the largest decrease in apartment prices was recorded in Paphos (4,9%).
- Apartment prices in the districts of Nicosia and Limassol recorded a quarterly decline of 2,3%, while apartment prices in Larnaca declined by 3,9%.

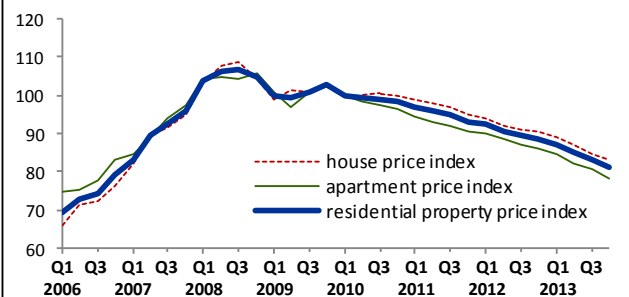
Overview	2013 Q1	2013 Q2	2013 Q3	2013 Q4
Quarterly index (2010 Q1=100)	87,2	85,0	83,0	80,9
Quarterly change	-1,6%	-2,6%	-2,3%	-2,6%
Annual change	-5,4%	-6,1%	-7,2%	-8,7%

Main results of the residential property price indices

In the fourth quarter of 2013, the residential property price index recorded a quarterly decline of 2,6%, similar to the previous quarter (2,3%). Apartment and house prices declined by 3,0% and 2,2%, respectively. In contrast to the previous quarter, apartment prices decreased more than house prices during the fourth quarter. This is in-line with the trend observed over the last years.

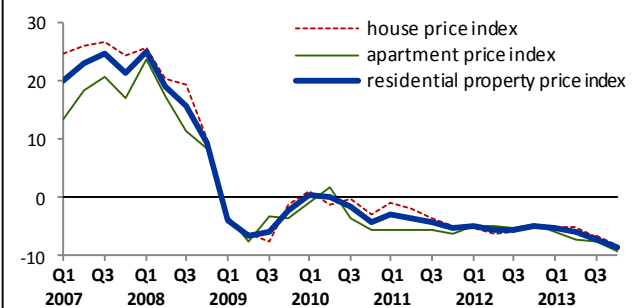
On a regional level, the largest quarterly decline in apartment prices was recorded in Paphos (4,9%),

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



Source: CBC.

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



Source: CBC.

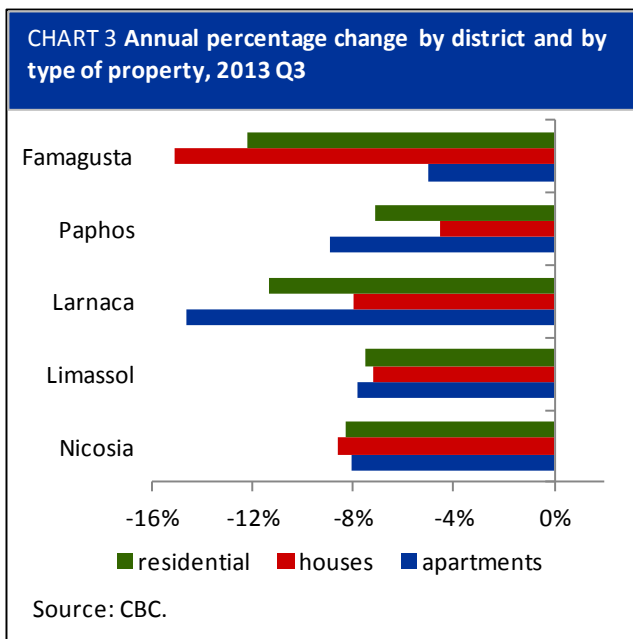
while Limassol and Nicosia had the smallest declines (2,3%). The largest quarterly decline in house prices was recorded in Famagusta (3,6%), while the smallest decrease was seen in Paphos (1,5%). In the districts of Nicosia, Limassol and Larnaca, house prices declined by 2,2%, 2,2% and 1,8%, respectively, compared with the third quarter. Apartment prices in the district of Larnaca fell by 3,9%, while in Famagusta they increased by 2,4%. This rise in apartment prices in Famagusta could be attributed to a base effect, since during the previous quarter

apartment prices in Famagusta had reached their lowest level over the last four-year period.

On a year-on-year basis, the residential property price index fell by 8,7% (after a 7,2% decline in the third quarter). This reflects year-on-year decreases of 8,2% and 9,1% in house and apartment prices, respectively (Chart 2).

During the fourth quarter, the largest annual decreases were recorded in house prices in the district of Famagusta (15,1%) and in apartment prices in the district of Larnaca (14,7%). The smallest annual decreases were seen in the district of Paphos (4,6%) for houses and in the district of Famagusta (5,0%) for apartments (Chart 3). Apartment prices in the districts of Nicosia, Limassol and Paphos fell by 8,6%, 7,2% and 8,0%, respectively.

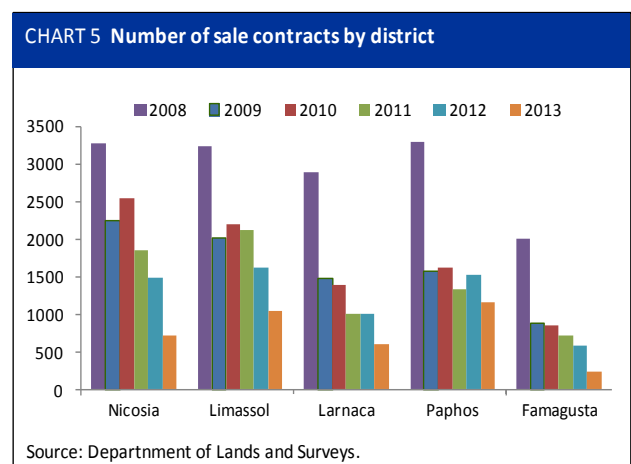
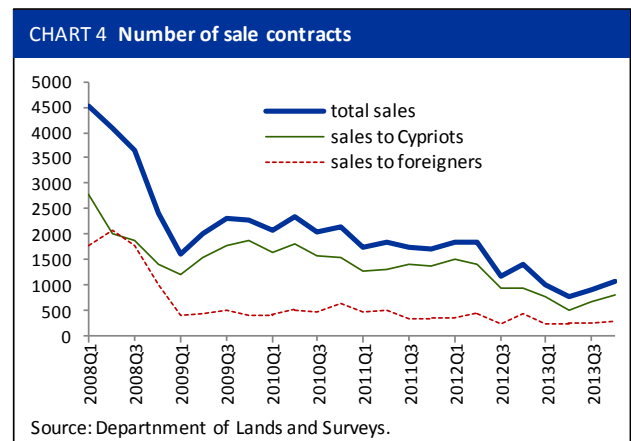
In summary, negative quarterly rates of change of residential property prices were recorded in the fourth quarter of 2013, except for apartments in the district of Famagusta. Similarly, annual rates of change were negative in all districts.



Other indicators

According to data published by the Department of Lands and Surveys, the total number of sale contracts (Cypriot and foreign buyers) in the fourth quarter of 2013 recorded annual decreases in all districts, demonstrating the persistent low demand for property. It is interesting to observe changes in

the number of sale contracts since 2008. The number of sale contracts with Cypriot buyers fell from about 2.000 per quarter in 2008 to about 1.500 in the period 2009-2012, and declined further in 2013 to about 750 (Chart 4). As regards foreign buyers, the respective number fell from about 1.650 per quarter in 2008 to about 450 in the period 2009-2012, and declined further in 2013 to about 250. A similar trend was observed at a regional level, where the total number of sale contracts in 2013 was lower than the average number of sale contracts in the period 2009-2012 (Chart 5). Paphos is the only district where the number of sale contracts in 2013 was close to its 2009-2012 average. Limassol and Paphos had the highest number of sale contracts in 2013.



Households continued to face strict lending criteria during the fourth quarter of 2013, according to CBC Bank Lending Survey data (Chart 6). On a positive note, interest rates on housing loans (floating rate and up to one year fixed) fell from an average of 5,2% in the third quarter to 4,8% in the fourth quarter.

As regards the construction sector, activity remained low in the fourth quarter of 2013. According to data from the Statistical Service of Cyprus (Cystat), local sales of cement fell at a year-on-year rate of 29,4% compared with the fourth quarter of 2012. In addition, the building sentiment indicator for Cyprus, as published in the Joint Harmonised European Union Business and Consumer Surveys (BCS), remained at very negative levels (averaging -54,9), albeit less negative than in the previous quarter (averaging -62,1).

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 16,2% during the fourth quarter of 2013. According to BCS, during the fourth quarter of 2013 the index of intention to build or purchase a home in the next 12 months remained at very negative levels (-89,4 compared with -88,6 in the previous quarter). The index of property price expectations in the construction sector in the next three months was less negative during the fourth quarter of 2013 (averaging -36,2) than in the preceding quarter (averaging -40,8). A slight improvement was seen in the index of employment expectations in the construction sector, averaging -22,0 compared with -34,6 in the third quarter.

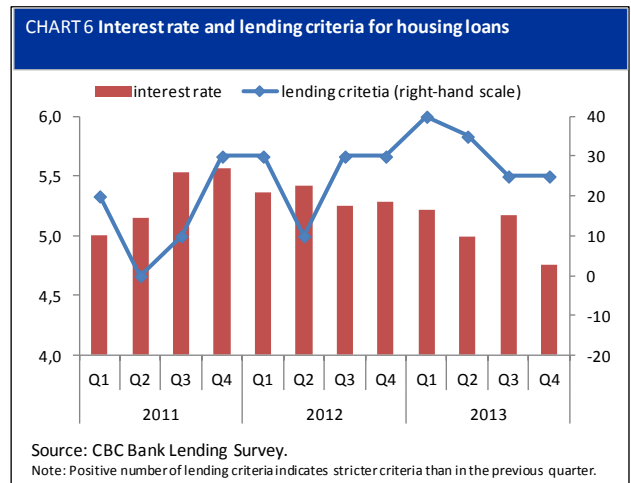


TABLE 1 Residential property price indices by type and by district
(quarterly data, 2010 Q1 = 100)

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

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

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, 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 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

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