



## RESIDENTIAL PROPERTY PRICE INDEX

2011Q1

### Fall of 2,2% in residential property prices

- All the district residential property price indices (RPPIs), with the exception of the Nicosia RPPI, recorded a decrease.
- On an annual basis, the largest reductions for both apartment and house properties were recorded in Paphos.

Headlines	2010Q4	2011Q1
Quarterly Index (2010Q1 = 100)	97,2	95,0
Quarterly Change	-1,7%	-2,2%
Annual Change	-6,2%	-5,0%

### Residential property price indices results

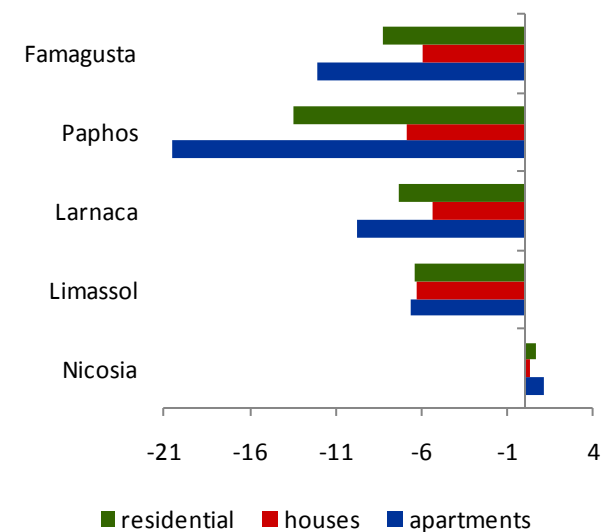
Residential property prices (apartment and house prices) continued on a downward trend during the first quarter of 2011, recording a 2,2% decrease on a quarter-on-quarter basis.

For the same period, all district RPPIs recorded a decrease with the exception of the Nicosia RPPI, which remained stable.

The annual rate of decline in residential property prices during the first quarter of 2011 was 5%, while the respective annual reductions in house and apartment prices were 6,5% and 3,9%, respectively.

The district RPPIs, with the exception of the Nicosia RPPI, also recorded annual reductions the largest one being 6,9% for Paphos. The annual increase in the Nicosia RPPI was 0,3% and the reductions in the RPPIs of the other districts were: 6,3% for Limassol, 5,9% for Famagusta and 5,4% for Larnaca (Figure 1). The fluctuations recorded in the prices of apartments were larger than those of houses. Apartments in Nicosia recorded an annual increase of 1,2% while the

CHART 1 Annual percentage change by district and by type of property, 2011Q1



Source: CBC.

largest reductions of 20,5% and 12,1% were recorded in the districts of Paphos and Famagusta, respectively. In Limassol the annual decrease was 6,6% and in Larnaca it was 9,8% (Chart 1).

### Major developments in the property market

Data published by the Statistical Service of Cyprus for the construction industry indicate that activity in the sector continued to record a negative trend in the first quarter of 2011, signifying that the sector is still in recession. Specifically, on an annual basis, for the first quarter of 2011 domestic cement sales registered a decrease of 4%, the production index in construction recorded a 9,1% decline and the price index of construction materials increased by 4%. The increase

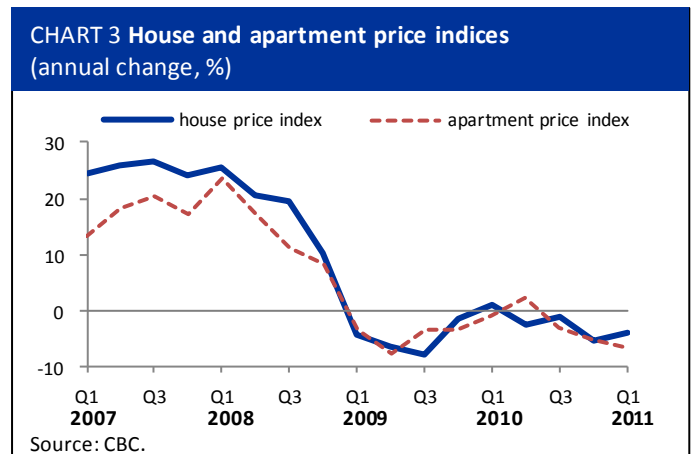
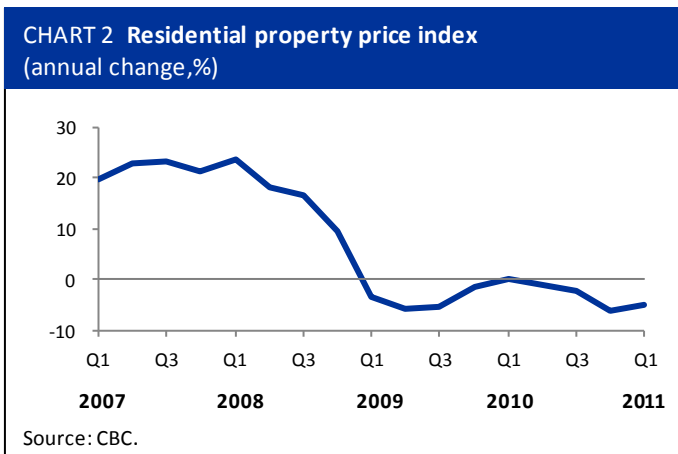
in construction costs coupled with the fall in housing prices indicates that the profit margins of real estate companies continue to shrink.

The number of unemployed in the construction sector rose by 18,5% in the first quarter of 2011 compared with the first quarter of 2010. Additionally, building permits for residential properties signalled a decrease of 38,3%, suggesting an even greater slowdown in construction activity.

Sales contracts decreased by 15,3% in the first quarter of 2011 compared with the corresponding quarter of 2010. The largest annual declines in the number of sales contracts submitted to the Land and Registry Department for the first quarter of 2011 were recorded in Larnaca (35,8%) and Famagusta (35,3%) (data collected from the Department of Lands and Surveys).

Low construction activity suggests that the recorded sales of residential properties relate largely to existing stock rather than newly constructed properties.

Finally, according to the Business and Consumer Survey of the European Commission, price expectations for the next three months remained low for the first quarter of 2011 (-25,2) and signify only slight improvements over the fourth quarter of 2010 (-28,8).



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

Quarter	Residences by type		Residences by district					RPPI
	Apartments	Houses	N/sia	L/sol	L/ca	Paphos	F/sta	
2006 Q1	74,6	66,0	71,7	64,7	66,2	84,3	60,3	69,8
Q2	75,3	71,2	73,1	67,3	70,4	86,2	67,6	73,2
Q3	77,9	72,1	74,5	71,2	66,5	85,9	71,7	74,8
Q4	83,3	76,3	79,5	72,8	81,7	86,1	73,8	79,3
2007 Q1	84,5	82,2	82,8	75,8	82,3	88,6	82,9	83,6
Q2	89,1	89,6	90,1	82,2	87,9	90,8	89,2	90,0
Q3	93,8	91,3	91,2	88,0	93,2	93,1	90,6	92,2
Q4	97,5	94,7	91,0	91,1	99,3	98,5	98,7	96,1
2008 Q1	104,4	103,2	103,0	99,7	103,6	99,7	102,9	103,5
Q2	104,6	107,9	104,3	103,5	104,9	99,9	100,6	106,3
Q3	104,4	108,9	106,9	103,2	104,3	102,5	113,4	107,3
Q4	105,8	104,3	104,4	106,6	100,0	102,4	108,9	105,1
2009 Q1	100,9	98,8	99,7	95,6	99,4	103,7	108,3	100,0
Q2	96,8	101,2	100,8	93,7	99,3	104,1	106,0	100,1
Q3	101,0	100,6	101,1	96,7	103,4	102,6	101,1	101,3
Q4	102,1	103,0	100,2	101,5	103,0	101,6	102,3	103,6
2010 Q1	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Q2	99,2	98,8	100,1	96,7	99,5	96,8	95,9	99,0
Q3	97,9	99,5	100,7	96,0	95,9	94,2	95,1	98,8
Q4	96,9	97,4	101,1	96,5	95,8	90,3	94,9	97,2
2011 Q1	93,5	96,1	100,7	93,6	92,7	86,6	91,7	95,0

Source: CBC.

**TABLE 2 Residential property price indices by type and by district**  
(quarterly data, 2010Q1 = 100)

Quarter	Apartments					Houses				
	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	100,0	96,8	100,0	95,0	94,5	100,3	96,7	99,1	98,2	97,0
Q3	100,9	93,1	98,3	91,6	95,9	100,6	97,6	94,0	96,2	93,9
Q4	102,4	97,6	97,2	84,5	94,2	100,2	96,0	94,8	94,1	95,4
2011 Q1	101,2	93,4	90,2	79,5	87,9	100,3	93,7	94,6	93,1	94,1

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 Economic Research Department at the Central Bank of Cyprus (CBC).

Data from 2006 to 2009 were collected retrospectively from a number of monetary financial institutions. The data for the period after 2009 are collected by the CBC from the member banks of the Banks Association of Cyprus (BOC, Marfin Popular Bank, Hellenic Bank, Alpha Bank, Emporiki Bank, National Bank of Greece, Piraeus Bank, USB Bank, Cyprus Development Bank, Societe Generale and Eurobank) and the Cooperative Central Bank in a standardised form, through an online data submission platform.

The partnered banks receive the relevant information from independent property surveyors 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 by type sub-indices (house and apartment price indices), using the quarterly number of observations as weights.

The RPPI was calculated by merging the two house and apartment price indices and then rebasing the merged index so that 2010Q1 = 100. Thus, the calculated RPPI may differ marginally from the simple weighted average of the two sub-indices.

In constructing the indices the hedonic methodology was employed. Further details about the methodology and other relevant information are available on the CBC website, [www.centralbank.gov.cy](http://www.centralbank.gov.cy).

The current report is available at: [http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=8054&lang=gr](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=8054&lang=gr)