



CENTRAL BANK OF CYPRUS

EUROSYSTEM

RESIDENTIAL PROPERTY PRICE INDEX (RPPI)

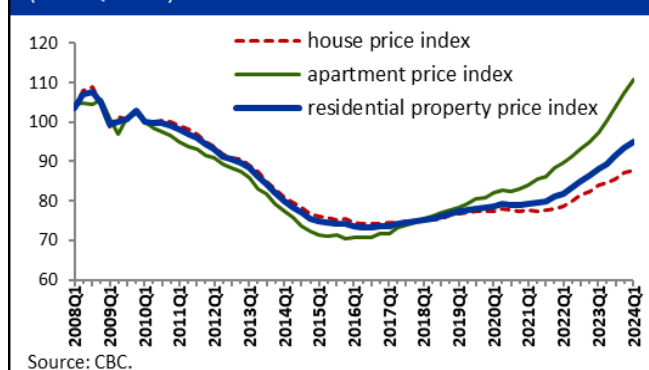
2024 Q1

Deceleration in the rate of increase in residential property prices in 2024Q1.

- In 2024Q1, the rate of increase of the Residential Property Price Index (RPPI) of the Central Bank of Cyprus (CBC)¹ (houses and apartments) decelerated, both on an annual and on a quarterly basis (Table 1). The deceleration stems from the house price index, while the apartment price index continued to record further increases.
- As regards demand for properties, according to data from the Department of Lands and Surveys (DLS), in 2024Q1 the total number of sales contracts deposited at DLS's district offices, which concern all types of properties, recorded a marginal increase on an annual basis. Sales contracts of local buyers recorded an increase on an annual basis, while those of foreign buyers decreased.
- The analysis of sales contracts by district reflects distinct trends across districts during 2024Q1. Sales contracts recorded a decrease in Limassol, Paphos and Famagusta, while in Nicosia they recorded a significant increase. In Larnaca a small increase was registered.
- From the supply side, according to market professionals, the residential property availability for rental and sale has increased, especially in Limassol. The aforementioned increased supply, in combination with the continued decrease in the construction cost on an annual basis, is expected to alleviate pressures for price increases.

Table 1 Overview	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Residential property price index (2010 Q1=100)	89,4	91,4	93,5	95,0
Quarterly change	1,5%	2,2%	2,3%	1,6%
Annual Change	7,4%	7,6%	8,3%	7,8%
(a) Property price index Houses (2010Q1=100)	84,5	85,6	87,2	87,9
Quarterly change	0,7%	1,4%	1,8%	0,8%
Annual change	5,6%	4,9%	5,7%	4,7%
(b) Property price index Apartments (2010Q1=100)	100,3	103,9	107,2	110,8
Quarterly change	3,1%	3,6%	3,2%	3,4%
Annual change	10,1%	11,5%	12,7%	13,9%

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



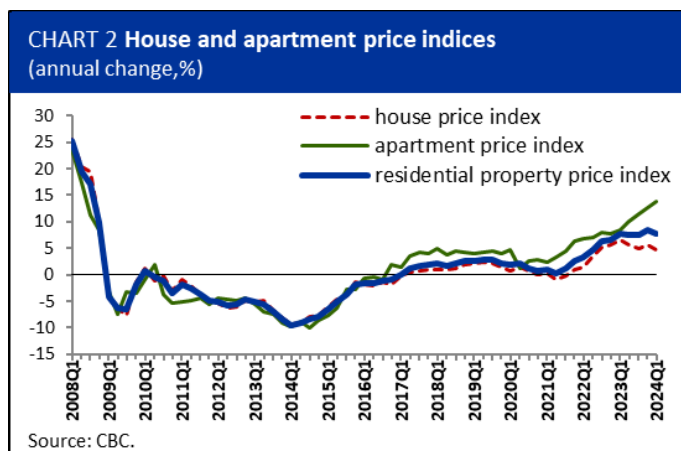
¹ The CBC RPPI is calculated on the basis of market valuations of real estate prices and a statistical methodology widely used in the international literature. It takes partial account of developments in previous quarters through smoothed regression coefficients (see relevant methodology: https://www.centralbank.cy/images/media/pdf/Methodology_EN_latest.pdf). Therefore, it is likely that there will be a short lag in fully capturing the pass-

through of developments in the Index's turning points, with respect to both time and the magnitude of the change in market course.

1. Changes in the residential property price index (RPPI)

The **RPPI** (houses and apartments) recorded a quarterly increase of 1,6% in 2024Q1, compared with an increase of 2,3% in 2023Q4. The increase in the RPPI in 2024Q1 is driven by a 0,8% increase in house prices, and by a 3,4% increase in apartment prices (**Chart 1, Table 1, p.1**).

On an annual basis, the RPPI recorded an increase of 7,8% in 2024Q1 compared with an increase of 8,3% in 2023Q4. In the quarter under review, apartment prices recorded an annual increase of 13,9%, and house prices increased by 4,7% (**Chart 2, Table 1, p.1**).



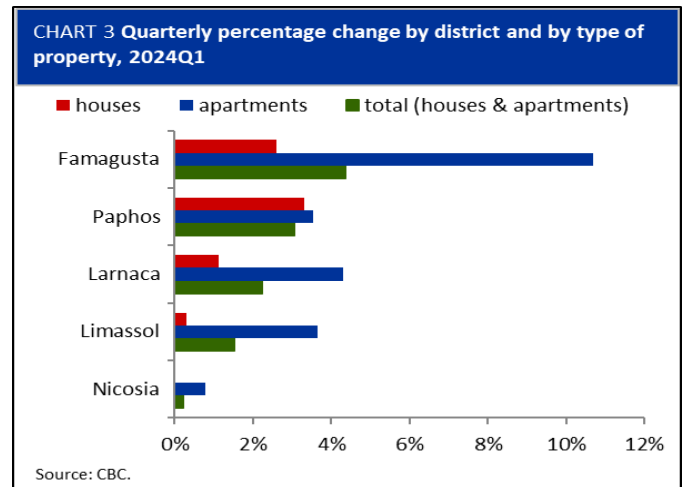
According to various indications in the real estate sector, the market appears to decelerate. This is mainly due to the normalisation in property demand (marginal increase in the number of sales contracts), combined with the supply increase (increase in the residential properties availability for rental and sale), increase in housing loan mortgage rates and the relatively small decreases in the construction materials cost (even though they remain at high levels).

Furthermore, the developments in the real estate market seem to vary across districts. In Limassol, the increased supply appears to meet the demand, whereas in Larnaca and Paphos, the supply remains

while demand continues to trend upwards. In Nicosia, increased supply of residential properties seems to be recorded, while in Famagusta the supply is still restrained, even though new modern residential units are entering the market.

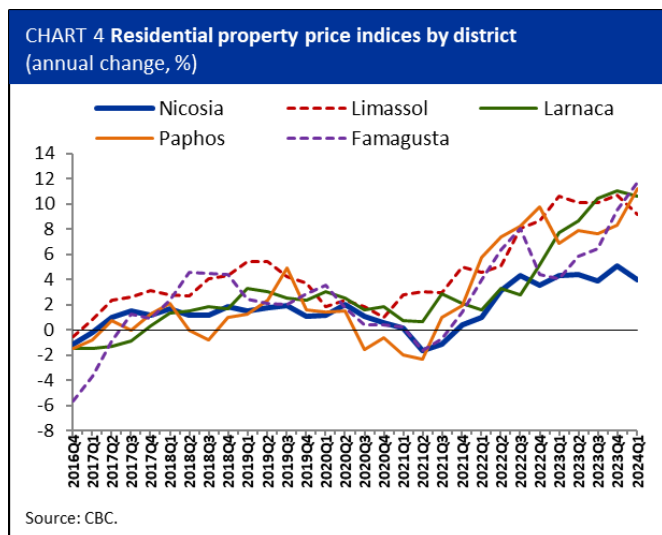
2. Price changes by district

In 2024Q1, **residential property prices** recorded accelerated increases in Paphos and Famagusta (3,1% and 4,4% respectively) on a quarterly basis, while decelerated increases were recorded in Nicosia, Limassol and Larnaca (0,2%, 1,5% and 2,2% respectively) (**Chart 3, Table 8, p. 8**).



Regarding the annual changes in the price indices of individual districts, RPPI recorded accelerated increases in Paphos and Famagusta (11,2% and 11,8% respectively), while deceleration in increases recorded in Nicosia, Limassol and Larnaca (4%, 9,2% and 10,7% respectively) (**Chart 4 p.3, Table 7, p.8**).

On a quarterly basis, **house prices** per district recorded acceleration in Paphos and Famagusta (3,3% and 2,6% respectively), while deceleration was recorded in Limassol, Larnaca and Nicosia (0,3%, 1,1% and 0% respectively). On an annual basis, acceleration in house prices was recorded only in Paphos (7,1% increase) while the rest of the districts recorded deceleration (increase in Nicosia, Limassol, Larnaca and Famagusta by 3,6%, 3,9% 6,6% and 10,6% respectively).



On a quarterly basis, **apartment prices** recorded decelerated increases in all districts except Famagusta where an acceleration in increase was recorded. Specifically, apartment prices increased in Nicosia by 0,8%, in Limassol by 3,7%, in Larnaca by 4,3%, in Paphos by 3,5% and in Famagusta by 10,7%. On an annual basis, apartment prices recorded accelerated increases in Limassol, Larnaca and Famagusta (by 16,5%, 18,1% and 16,5% respectively). Apartment prices in Nicosia and Paphos recorded deceleration in increases (by 5,1% and 21,4% respectively).

3. Other market indicators

Various real estate indicators reflect contained demand dynamics in 2024Q1. Combined with a gradual increase in supply, higher loan interest rates and consequently lower demand for housing loans, and relatively small decreases in the construction cost, these indicators suggest a decelerating trend in the real estate market.

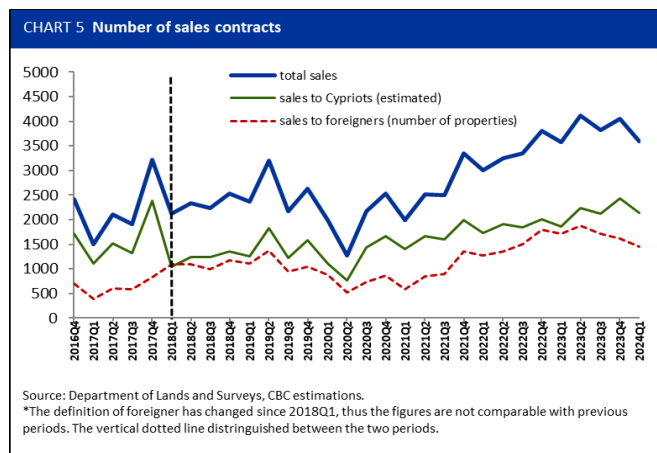
According to data published by the DLS, **sales contracts**, which concern all types of properties, showed a significant deceleration, recording a marginal increase of 0,6% on an annual basis in 2024Q1 (3.597 compared with 3.574 in 2023Q1) reflecting the relevant stabilisation on total demand for real estate (**Chart 5, Table 2**).

Table 2 Number of Sales contracts per district*, 2024Q1.

	Locals	Foreigners		Total
		EU	Non-EU	
Nicosia	672 83%	70 9%	71 9%	813
Limassol	710 63%	108 10%	305 27%	1.123
Larnaca	394 54%	79 11%	250 35%	723
Paphos	288 37%	126 16%	360 47%	774
Famagusta	82 50%	35 21%	47 29%	164

*The percentages (%) concern the share of local and foreign buyers per district.

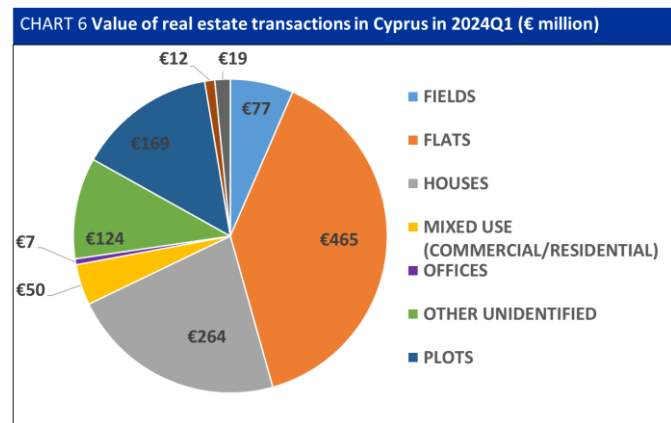
The aforementioned deceleration is not yet reflected in RPPI, which, due to the fact that it is calculated on the basis of market valuations, incorporates the developments on the real transactions with a relative time lag. The marginal increase in the sales contracts stems from local buyers, who continue to account for the market's largest share. In particular, in the quarter under review, the number of properties sold to local buyers registered an increase of 14,9% on an annual basis (2.146 compared with 1.868 in 2023Q1, **Chart 5**), while the number of properties sold to foreign buyers decreased by 14,9% on an annual basis (1.451 compared with 1.706 in 2023Q1, **Chart 5**).



As far as the number of sales contracts per district is concerned, the greater volume is traced in Limassol (1.123), followed by Nicosia (813), Paphos (774) and Larnaca (723), while Famagusta (164) records the lowest number of transactions (**Table 2**). Regarding the percentage of local buyers, in four districts it is over 50%

(Nicosia, Limassol, Larnaca, Famagusta), while in Paphos the buyers are mainly foreigners (63%).

Further analysis of the demand for residential properties is available in the data of “comparable sales²” sent to CBC by DLS. During 2024Q1, 61% of the total value of transactions concerns residential properties (39% apartments and 22% houses) (Chart 6). Land transactions (fields and plots) are the second largest category of transactions with a share of 21% of the total value of transactions of properties in Cyprus (Chart 6).



Regarding the transactions of properties by district (Table 3), during 2024Q1, the largest total value is traced in Limassol (€532,7m), where the value of transactions was more than double relative to the value of transactions in Nicosia, in second place (€225m). Third in the value of transactions is Paphos (€216,5m), Larnaca is fourth (€171m) and Famagusta is last with a relatively small value of transactions (€41,9m). Regarding the types of properties sold by district, it is worth noting that, the greater value is concentrated in apartments in all districts, except Paphos, where the total value of houses transacted was higher than the rest of the types of properties, which may reflect the lower availability in apartments at the aforementioned district. Despite the fact that the total number of apartment transactions in Limassol is 26% of the total number of transactions in Cyprus (Table 4), the value of apartments transacted in Limassol corresponds to a percentage greater than 50% of the total value of apartments in Cyprus, due to the large number of luxury apartment transactions in the district. For the same reason, the total value of house

transactions in Paphos was higher than the corresponding value in Nicosia, despite a higher volume of transactions in Nicosia.

Table 3 Value of property transactions by district and type, 2024Q1 (€ m)

	NICOSIA	LIMASSOL	LARNACA	PAPHOS	FAMAGUSTA	TOTAL
FIELDS	13,7	15,8	15,4	21,8	10,6	77,3
PLOTS	27,7	95,9	28,4	16,3	1,2	169,5
FLATS	99,4	243,5	62,5	46,8	12,3	464,6
HOUSES	50,4	91,8	36,8	72,4	12,5	263,9
Mixed use (Commercial/Residential)	7,0	38,3	2,4	2,3		49,9
OFFICES	3,8	1,6	1,1	0,8		7,2
SHOPS	5,5	3,2	1,4	1,6	0,6	12,3
WAREHOUSES	1,7	5,8	5,8	5,6		18,8
Other unidentified	15,8	36,9	17,4	48,9	4,7	123,8
Grand Total	225,0	532,7	171,0	216,5	41,9	1187,2

Table 4 Number of property transactions by district and type, 2024Q1

	NICOSIA	LIMASSOL	LARNACA	PAPHOS	FAMAGUSTA	TOTAL
FIELDS	251	119	117	82	84	653
PLOTS	163	158	158	71	12	562
FLATS	583	425	351	209	72	1.640
HOUSES	222	224	154	174	39	813
Mixed use (Commercial/Residential)	11	16	5	4		36
OFFICES	16	4	8	3		31
SHOPS	30	16	18	9	3	76
WAREHOUSES	9	24	42	28		103
Other unidentified	140	312	117	241	25	835
Grand Total	1.425	1.298	970	821	235	4.749

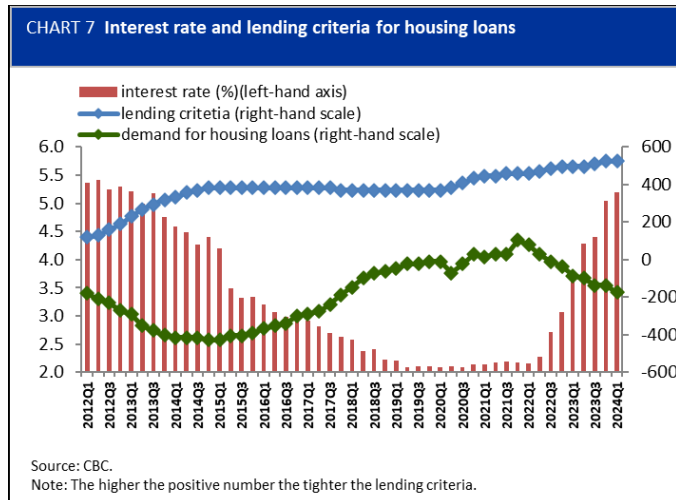
The increase in the housing-loans mortgage rates, due to ECB's tightening monetary policy, has increased the borrowing cost for both existing and potentially new customers of domestic financial institutions. This development has brought a decrease in the demand for new housing loans. According to CBC's latest *Monetary and Financial Statistics publication*³, new housing loans in 2024Q1 significantly decreased by 11,76% on a quarterly basis compared to 2023Q4 (€237,9 million compared with €269,6 in 2023Q4). In addition, according to the same source, the mortgage-loan rate⁴ averaged at 5,04% during the six-months period of October 2023 – March 2024, compared with 4,34% in the six-months period of April 2023 – September 2023. Furthermore, according to CBC's *Bank Lending Survey*⁵, lending criteria has been stabilised compared with the previous quarter, while the same survey confirms that the demand for loans decreased in 2024Q1 (Chart 7, p.5).

² The current analysis is based on data of comparable sales of DLS, which include sales and contracts of sales. The presented data of comparable sales do not include transactions related to Debt for Asset Swaps or transactions for which not enough information is recorded in the submissions by DLS.

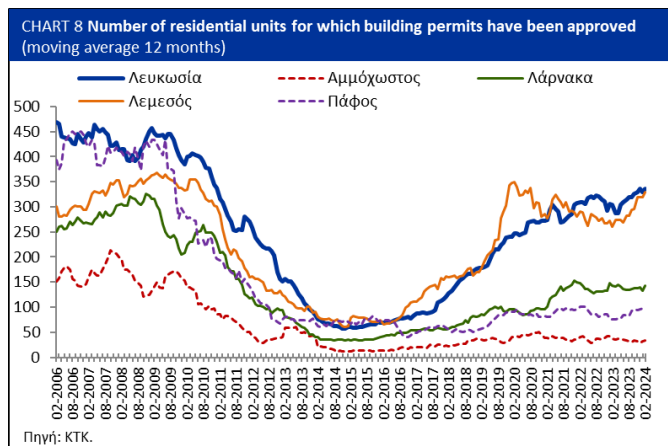
³ <https://www.centralbank.cy/el/publications/monetary-and-financial-statistics>

⁴ Floating rate and up to one year fixed.

⁵ <https://www.centralbank.cy/el/publications/surveys/bank-lending-survey>



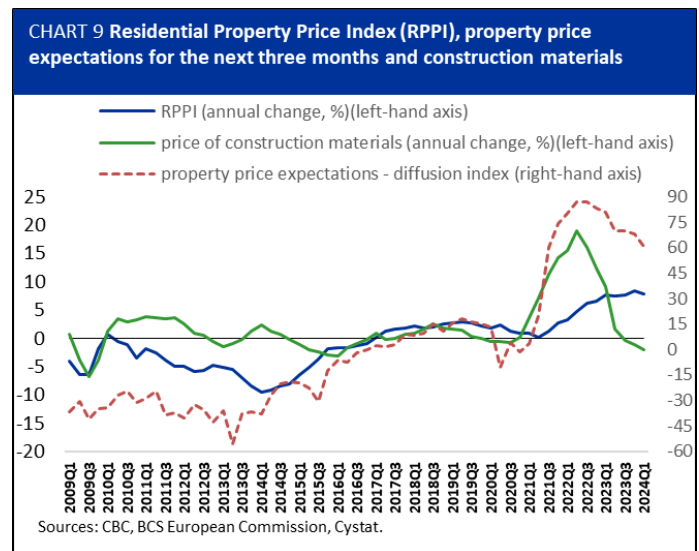
Regarding the supply of residential properties, according to the latest available data published by the Statistical Service of Cyprus (CYSTAT), **the number of residential units for which building permits have been approved**, which is a leading indicator of construction activity, recorded an increase of 13,4% in January – February 2024 (from 1.546 units in January – February 2023 to 1.753 units in January – February 2024). This was due to the fact that there was a significant increase in the permits for buildings with multiple units, i.e. blocks of apartments, as a result of the already existing increased demand for apartments.



Thus, it is expected that there will be a gradual increase in the supply of residential units in the medium-term. By district, the number of residential units for which building permits have been approved (**Chart 8**) records increase during the last months in Nicosia, Limassol and Paphos, which confirms the estimates of market participants that, in the aforementioned districts, the stock of residential properties will increase and relieve upward price pressures.

According to data from the *Business and Consumer Surveys (BCS)* of the European Commission, the **index of construction activity** for the previous 3 months recorded an increase in 2024Q1 (5,7%) compared with 2023Q4 (3,1%).

The **price index of construction materials**, published by CYSTAT, recorded an annual decrease of -2,1% in 2024Q1. On an annual basis, since 2023Q3, decreases in the price index of construction materials were recorded (**Chart 9**). The trend of the aforementioned index points towards further decreases in the prices of the construction materials from previously high levels recorded over the last years, which were triggered by geopolitical developments and supply chain disruptions.



According to the BCS of the European Commission, in 2024Q1, **property price expectations** over the next three months were on a downward trend over the last quarters, suggesting a smaller consensus among survey participants regarding increases in property prices in the next three months (**Chart 9**). Specifically, property price expectations for the next three months averaged at 60,6 in 2024Q1, recording for a seventh consecutive quarter, a decrease compared with the historically high levels attained in 2022Q2. It appears that the majority of the survey participants expect that the property prices will continue to increase, as opposed to the remaining participants that expect either a stabilisation or a decrease, even though the percentage of the former has been reduced compared with previous quarters.

4. Conclusion

In 2024Q1, deceleration in the growth rates in the residential property prices is recorded. The decreased demand for properties from foreign buyers and the high interest rates for housing loans which suppress the demand from local buyers, decompress the upward trends recorded in the property prices over the last quarters. Furthermore, the decreases in the prices of construction materials in combination with the increased construction activity and the provision of more residential units in the market are contributing in the demand normalisation and also they restrain the upward pressures in the property prices. Thus, RPPI is expected to record more restrained increases in the short term.

TABLE 5 Residential property price indices by type and by district

Year*	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	-	98,2	100,1	99,9	99,0	99,5	100,3	99,5	99,6
2011	-	93,3	97,2	98,6	94,4	94,9	95,4	94,4	96,3
2012	-	89,0	91,8	94,4	90,8	87,3	87,5	87,9	91,2
2013	-	82,5	86,1	87,8	86,5	79,5	83,3	80,0	85,2
2014	-	74,7	78,8	80,3	79,5	72,1	77,4	71,1	77,8
2015	-	71,0	75,6	76,0	76,4	68,7	75,3	70,1	74,4
2016	-	71,0	74,3	74,2	75,7	67,9	75,1	67,6	73,4
2017	-	73,4	74,6	74,9	77,4	67,4	75,3	67,2	74,3
2018	-	76,6	75,6	76,0	80,1	68,5	75,7	69,9	75,8
2019	-	78,8	77,1	77,2	83,8	70,4	77,6	71,5	77,8
2020	-	82,6	77,6	78,1	85,3	72,0	77,8	72,6	79,0
2021	-	85,9	77,6	77,7	88,2	73,1	77,5	72,5	80,0
2022	-	92,3	80,7	80,0	94,1	75,5	83,5	76,6	84,1
2023	-	102,2	85,3	83,6	103,9	82,6	89,9	81,5	90,6
2024	Q1	110,8	87,9	85,3	109,7	87,8	96,2	88,0	95,0

Source: CBC.

*The annual index is calculated as the average of the four quarters of each year.

TABLE 6 Apartment and house price indices by district
(annual and quarterly, 2010Q1 = 100)

Year*	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	-	99,3	97,8	97,1	97,0	97,1	100,1	99,4	100,4	101,4	100,1
2011	-	99,0	91,8	88,7	82,7	83,1	98,5	95,1	96,8	99,1	97,2
2012	-	95,2	88,3	82,2	76,9	76,8	94,1	91,5	88,7	90,7	89,7
2013	-	89,0	82,8	71,7	71,7	71,8	87,3	87,5	82,1	86,7	81,4
2014	-	81,5	74,9	63,8	67,2	64,1	79,8	81,1	74,7	80,7	72,3
2015	-	76,6	74,0	61,0	64,2	60,3	75,8	77,2	71,9	79,3	71,8
2016	-	75,0	74,6	61,3	66,0	57,8	73,9	76,1	70,8	78,9	69,4
2017	-	77,0	78,6	61,8	64,2	57,4	73,9	76,9	69,5	80,2	69,4
2018	-	78,9	84,6	63,5	67,6	59,5	74,6	78,4	70,1	79,8	72,4
2019	-	80,3	90,8	69,0	69,5	61,7	75,9	81,3	70,9	81,3	73,8
2020	-	82,2	96,3	71,9	70,0	62,0	76,4	81,5	72,0	80,9	75,7
2021	-	84,0	100,2	75,7	71,7	65,2	74,9	83,6	72,4	79,7	74,5
2022	-	87,6	108,2	80,3	79,0	71,0	76,6	87,7	73,9	85,3	77,8
2023	-	91,8	122,9	91,6	92,4	72,7	80,0	93,7	79,0	88,7	84,2
2024	Q1	94,4	134,9	101,9	102,9	82,9	81,4	96,3	81,9	93,5	89,5

Source: CBC.

*The annual index is calculated as the average of the four quarters of each year.

Table 7 Residential property price indices by type and by district
(year on year change, %)

Year*	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	-	-2,0	-0,8	-0,6	2,1	-1,8	-2,6	-4,7	-1,1
2011	-	-5,0	-2,9	-1,3	-4,6	-4,6	-4,9	-5,1	-3,3
2012	-	-4,6	-5,6	-4,3	-3,8	-8,1	-8,2	-6,9	-5,3
2013	-	-7,3	-6,2	-7,0	-4,8	-8,9	-4,8	-8,9	-6,5
2014	-	-9,4	-8,5	-8,5	-8,0	-9,3	-7,0	-11,2	-8,8
2015	-	-4,9	-4,0	-5,3	-4,0	-4,6	-2,7	-1,4	-4,3
2016	-	-0,1	-1,8	-2,4	-0,9	-1,2	-0,4	-3,6	-1,4
2017	-	3,3	0,5	0,9	2,2	-0,8	0,3	-0,6	1,2
2018	-	4,4	1,2	1,5	3,5	1,6	0,6	4,0	2,1
2019	-	4,2	2,0	1,6	4,7	2,8	2,5	2,3	2,6
2020	-	3,5	0,7	1,2	1,8	2,2	0,2	1,5	1,5
2021	-	4,1	0,0	-0,5	3,4	1,6	-0,4	-0,2	1,2
2022	-	7,4	3,9	3,0	6,6	3,2	7,8	5,7	5,2
2023	-	10,6	5,7	4,4	10,4	9,5	7,7	6,5	7,7
2024	Q1	13,9	4,7	4,0	9,2	10,7	11,2	11,8	7,8

Source: CBC

*The annual figures are calculated as the annual change of the average of the four quarters of each year.

Table 8 Apartment and house price indices by district
(quarter on quarter change, %)

Year	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
2021	Q1	0,5	1,1	1,9	2,2	3,0	-0,4	1,6	0,3	-1,5	-0,6
2021	Q2	0,5	1,2	0,6	0,9	1,1	-1,3	1,0	-0,1	-0,2	-2,7
2021	Q3	0,7	0,8	0,7	1,7	-0,2	-0,3	-0,3	2,1	1,5	0,7
2021	Q4	0,8	3,4	0,3	4,5	3,4	1,4	0,7	-0,5	-0,6	2,3
2022	Q1	1,3	1,4	0,8	2,7	3,9	0,1	0,6	-0,2	3,3	2,1
2022	Q2	1,6	0,8	3,5	1,0	2,5	1,2	2,3	1,1	1,9	-0,4
2022	Q3	1,1	3,2	2,6	3,3	2,6	1,3	2,8	0,6	2,6	2,3
2022	Q4	0,2	3,6	2,3	1,4	-3,7	0,3	1,2	1,7	2,2	0,1
2023	Q1	1,4	2,4	3,5	4,3	1,2	1,3	2,8	2,2	-1,1	2,9
2023	Q2	1,4	4,0	4,1	6,5	2,5	1,8	-0,4	1,7	0,9	1,9
2023	Q3	1,5	4,0	2,9	5,2	-1,7	0,3	1,4	2,5	1,1	4,3
2023	Q4	1,3	3,9	5,7	4,6	4,4	1,5	2,5	1,2	1,7	1,4
2024	Q1	0,8	3,7	4,3	3,5	10,7	0,0	0,3	1,1	3,3	2,6

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 have been collected by the CBC from the member banks of the Association of Cyprus Banks (Bank of Cyprus, Hellenic Bank, Alpha Bank, National Bank of Greece, Astro Bank, Cyprus Development Bank, Société Générale, Ancoria Bank and Eurobank) and the Cyprus Asset Management Company in standardised form, through an online data submission platform.

The partnered credit institutions receive the relevant information from property surveyors in relation to mortgage lending, loan restructures and property revaluations. The valuations come from more than 100 property survey offices all over Cyprus, contributing in the impartiality of the indices. 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).

Change in the weighting method to calculate the aggregate indices: In 2015Q1, the weighting method changed and the aggregate houses and flats indices are now calculated by using as weights the summation of the value of the properties in the sample of the last four quarters. In this way a more representative allocation between houses and apartments in the Cypriot housing market is provided. In previous reports, the indices used to be aggregated using the number of observations (valuations) of the last four quarters. Similarly, the aggregate RPPI is calculated using as weights for the residential property price indices by district the summation of the value of the observations of the last four quarters in each respective district. This change in the weighting method was suggested by the IMF as part of an evaluation exercise of the RPPI, in the context of the implementation of the Memorandum of Understanding. The evaluation was carried out in the context of the possible use of the indices for updating the property values of the General Valuation (1 January 2013) undertaken by the Department of Lands and Surveys.

As a result of the change in the weighting method, the RPPI for both the historical (2006-2009) and the new series (2010 onwards) has been revised. In the new series the aggregated flats and houses indices, and the residential property price indices by district have also been revised. It is worth noting that the change in the weighting method has not affected significantly either the level of the indices or their growth rates.

Furthermore, in 2019Q1 the indices have been revised from 2017Q1 onwards, due to the removal of certain observations from the sample. These observations have been examined and assessed to not reflect the open market value. In this way the consistency in the construction of the indices is ensured, according to the international standards. The aforementioned changes did not altered significantly the indices or particularly their growth rates.

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 https://www.centralbank.cy/images/media/pdf/Methodology_EN_latest.pdf

The current report is available at <https://www.centralbank.cy/en/publications/residential-property-price-indices>

For further information or/and clarifications please contact the Real Estate Unit of CBC at RealEstate@centralbank.cy.