



CENTRAL BANK OF CYPRUS

EUROSYSTEM

RESIDENTIAL PROPERTY PRICE INDEX (RPPI)

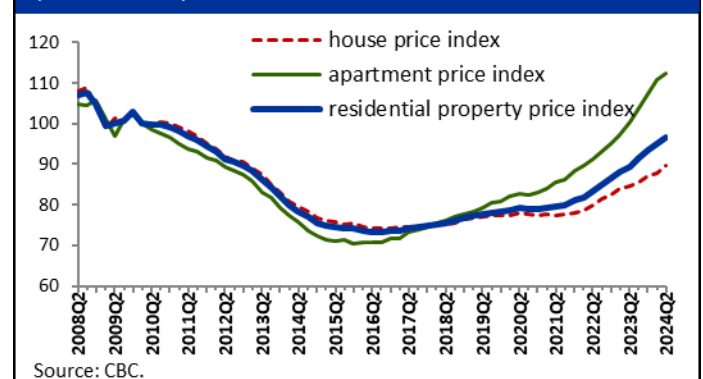
2024 Q2

Residential property prices continue to rise during 2024Q2.

- In 2024Q2, the Residential Property Price Index (RPPI) of the Central Bank of Cyprus (CBC)¹ (houses and apartments) continued to record increase, on an annual basis (Table 1). At the same time, the apartment price index continued to record greater increase than the house price index, even though a relative deceleration was recorded both on a quarterly and an annual basis (Table 1).
- According to data from the Department of Lands and Surveys (DLS), the total number of sales contracts, for all types of properties, recorded an annual decrease in 2024Q2. Sales contracts of local buyers recorded an annual increase, while those of foreign buyers recorded a decrease. The analysis of sales contracts by district reflects different trends across districts during 2024Q2, with decrease recorded in Limassol, Paphos and Famagusta and significant increase recorded in Nicosia and Larnaca.
- Regarding the supply of real estate properties, according to the statistics of authorised building permits, an influx of new properties is expected in the market, a development that may also be contributed to by the further decrease in the prices of construction materials.
- According to the real estate transactions data from the DLS “comparable sales” database, in the quarter under review, Limassol recorded the largest volume of property transactions while the largest number of apartment transactions was recorded in Nicosia.

Table 1 Overview	2023 Q3	2023 Q4	2024 Q1	2024 Q2
Residential property price index (2010 Q1=100)	91,4	93,5	95,0	96,6
Quarterly change	2,2%	2,3%	1,6%	1,6%
Annual Change	7,6%	8,3%	7,8%	8,0%
(a) Property price index Houses (2010Q1=100)	85,6	87,2	87,9	89,7
Quarterly change	1,4%	1,8%	0,8%	2,0%
Annual change	4,9%	5,7%	4,7%	6,2%
(b) Property price index Apartments (2010Q1=100)	103,9	107,2	110,8	112,3
Quarterly change	3,6%	3,2%	3,4%	1,4%
Annual change	11,5%	12,7%	13,9%	12,0%

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



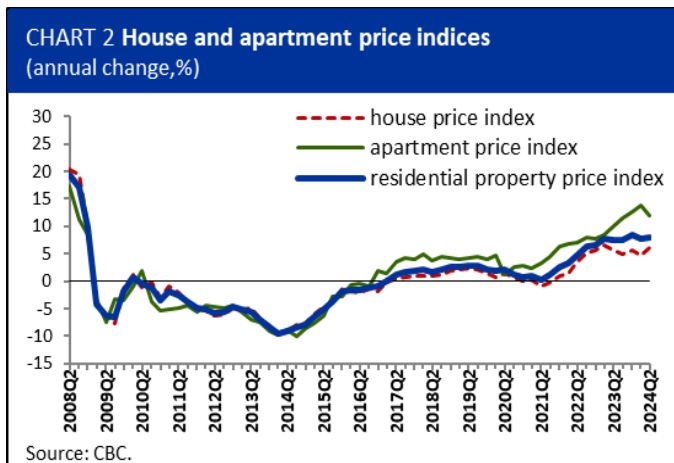
¹ The CBC RPPI is calculated by the Real Estate Unit of the Economic Analysis and Research Department on the basis of market valuations of real estate prices and a statistical methodology widely used in the international literature. It takes partial account of developments in previous quarters through 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 2024Q2, same as in 2024Q1. The increase in the RPPI in 2024Q2 is driven by a 2% increase in house prices, and by a 1,4% increase in apartment prices (Chart 1, Table 1, p.1).

On an annual basis, the RPPI recorded an increase of 8% in 2024Q2 compared with an increase of 7,8% in 2024Q1. In the quarter under review, apartment prices recorded an annual increase of 12%, and house prices increased by 6,2% (Chart 2, Table 1, p.1).

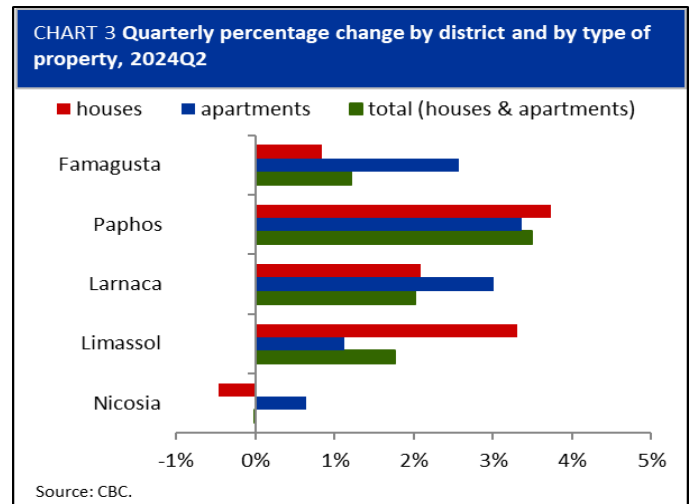


According to various indications in the real estate sector, the market appears to be experiencing a slowdown in its growth trajectory. The indications are primarily shaped by the decrease in the number of sale contracts, and specifically a reduction in the value and number of residential transactions, combined with an increase in supply (increase in the availability of residential properties for rent and sale). A limiting factor for the expansion of activity in the real estate sector appears to be the relatively high housing loan interest rates, as well as the relatively small reductions in the cost of construction materials (although they remain at high levels).

The developments in the real estate market seem to vary across districts. In Limassol and Nicosia, supply increases to meet the demand, whereas in Larnaca and Paphos, the supply remains restrained while demand continues to trend upwards. In Famagusta the supply is still relatively restrained, with the prices to trend upwards due to, among others, new modern residential units entering the market.

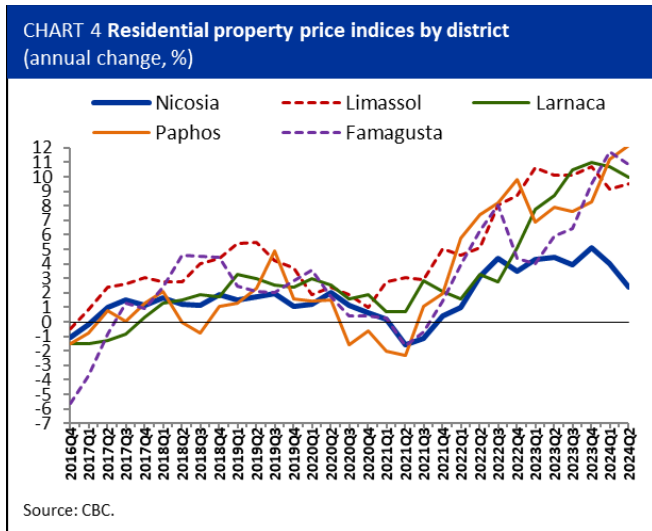
2. Price changes by district

In 2024Q2, residential property prices recorded accelerated increases in Limassol and Paphos (1,8% and 3,5%, respectively) on a quarterly basis, decelerated increases in Larnaca and Famagusta (2% and 1,2%, respectively), while in Nicosia the growth rate remained stable (Chart 3, Table 8, p. 8).



Regarding the annual changes in the price indices of individual districts, RPPI recorded accelerated increases in Limassol and Paphos (9,5% and 12,1%, respectively), while a slowdown in increases was recorded in Nicosia, Larnaca and Famagusta (2,4%, 9,9% and 10,9% respectively) (Chart 4, p.3, Table 7, p.8).

On a quarterly basis, house prices by district recorded acceleration in Limassol, Larnaca and Paphos (3,3%, 2,1% and 3,7%, respectively), while deceleration was recorded in Nicosia and Famagusta (-0,5% and 0,8%, respectively). On an annual basis, acceleration in house prices was recorded in Limassol, Larnaca and Paphos (7,7%, 7% and 10,1% respectively) while a deceleration was observed in Nicosia and Famagusta by 1,3% and 9,4% respectively.



On a quarterly basis, **apartment prices** recorded decelerated increase in all districts. Specifically, apartment prices increased in Nicosia by 0,6%, in Limassol by 1,1%, in Larnaca by 3%, in Paphos by 3,4% and in Famagusta by 2,6%. On an annual basis, apartment prices recorded accelerated increases in all districts. Specifically, apartment prices increased in Nicosia by 4,3%, in Limassol by 13,3%, in Larnaca by 16,8%, in Paphos by 17,7% and in Famagusta by 16,5%.

3. Other market indicators

Various real estate indicators reflect decreased demand dynamics in 2024Q2. In particular, the gradual increase in supply, the relatively higher loan interest rates and stable demand for housing loans, as well as the relatively small decreases in the construction cost, are significant indicators of normalisation of the real estate market.

According to data published by the DLS, **sales contracts**, which concern all types of properties, showed a decrease of 3,9% on an annual basis in 2024Q2 (3.956 compared with 4.115 in 2023Q2) reflecting the relevant stabilisation on total demand for real estate (**Chart 5, Table 2**).

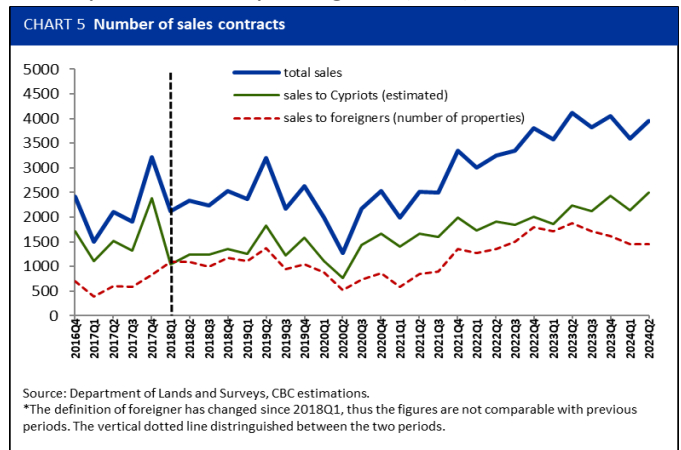
Table 2 Number of Sales contracts per district*, 2024Q2.

	Locals	Foreigners		Total
		EU	Non-EU	
Nicosia	812 85%	64 7%	73 8%	949
Limassol	865 68%	100 8%	313 24%	1278
Larnaca	464 55%	106 12%	283 33%	853
Paphos	269 38%	143 20%	300 42%	712
Famagusta	88 54%	35 21%	41 25%	164
Total	2498	448	1010	3956

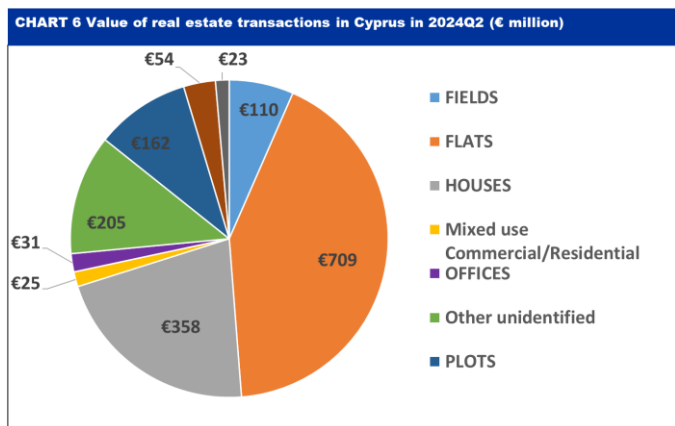
*The percentages (%) concern the share of local and foreign buyers per district.

The aforementioned deceleration is not yet reflected in RPPI, which, since it is calculated on the basis of market valuations, it incorporates the developments on the real transactions with a relative time lag. The decrease in the sales contracts stems from foreign buyers. In particular, in the quarter under review, the number of properties sold to foreign buyers registered a decrease of 22,1% on an annual basis (1.458 compared with 1.871 in 2023Q2, **Chart 5**), while the number of properties sold to local buyers increased by 11,3% on an annual basis (2.498 compared with 2.244 in 2023Q2, **Chart 5**).

As far as the number of sales contracts by district is concerned, the greatest volume is traced in Limassol (1.278), followed by Nicosia (949), Larnaca (853) and Paphos (712), 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 (62%).



Further analysis of the demand for residential properties is available in the data of “comparable sales²” sent to CBC by DLS. During 2024Q2, 64% of the total value of transactions concerns residential properties (42% apartments and 22% houses) (Chart 6). Land transactions (fields and plots) are the second largest category of transactions with a share of 16% of the total value of transactions of properties in Cyprus (Chart 6).

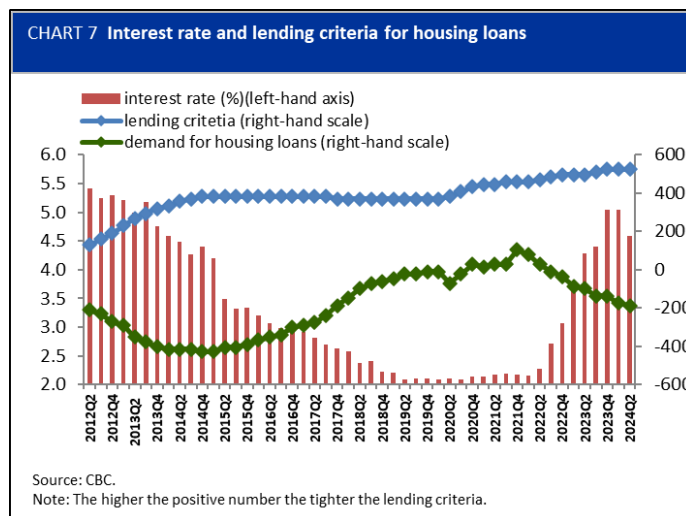


Regarding the transactions of properties by district (Table 3), during 2024Q2, the highest total value is traced in Limassol (€847,1m), where the value of transactions was more than double relative to the value of transactions of the second-ranking Nicosia (€310,5m). Third in the value of transactions is Paphos (€229,5m) followed by Larnaca (€228,3m) and lastly Famagusta with a relatively low transaction value (€63,4m). Despite the fact that the total number of apartment transactions in Limassol accounts for 28% of the total number of transactions in Cyprus (Table 4), the value of apartment transactions in Limassol corresponds to 60% 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 the higher volume of transactions in Nicosia.

	NICOSIA	LIMASSOL	LARNACA	PAPHOS	FAMAGUSTA	TOTAL
FIELDS	24.7	26.9	36.3	10.0	12.2	110.2
PLOTS	39.2	67.4	30.7	22.4	2.3	161.9
FLATS	123.3	425.0	98.0	51.3	11.0	708.5
HOUSES	55.8	152.2	39.3	82.0	29.1	358.5
WAREHOUSES and Mixed use Commercial/Residential	17.3	11.2	4.4	15.4	0.5	48.8
OFFICES	7.5	22.7	0.5	0.5		31.1
SHOPS	20.3	27.0	3.6	3.1	0.5	54.4
Other unidentified	22.4	114.6	15.4	44.8	7.9	205.3
Grand Total	310.5	847.1	228.3	229.5	63.4	1678.7

	NICOSIA	LIMASSOL	LARNACA	PAPHOS	FAMAGUSTA	TOTAL
FIELDS	302	314	190	104	120	1,030
PLOTS	235	186	158	96	19	694
FLATS	663	587	534	217	75	2,076
HOUSES	227	302	174	188	103	994
WAREHOUSES and Mixed use Commercial/Residential	26	38	31	33	3	131
OFFICES	16	12	4	7		39
SHOPS	35	27	10	16	5	93
Other unidentified	174	417	155	248	31	1,025
Grand Total	1,678	1,883	1,256	909	356	6,082

The increase in the housing loans interest rate³, due to ECB’s tightening monetary policy, has increased the borrowing cost for both existing and potentially new customers of domestic financial institutions. According to CBC’s latest *Monetary and Financial Statistics publication*⁴, the volume of new housing loans recorded relative stabilisation. In addition, according to the same source, the mortgage-loan rate averaged at 4,58% in 2024Q2, compared with 5,05% in 2024Q1. Furthermore, according to CBC’s *Bank Lending Survey*⁵, lending criteria remain at the same strict levels compared with the previous quarter, while the same survey confirms that the demand for loans decreased in 2024Q2 (Chart 7).



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.

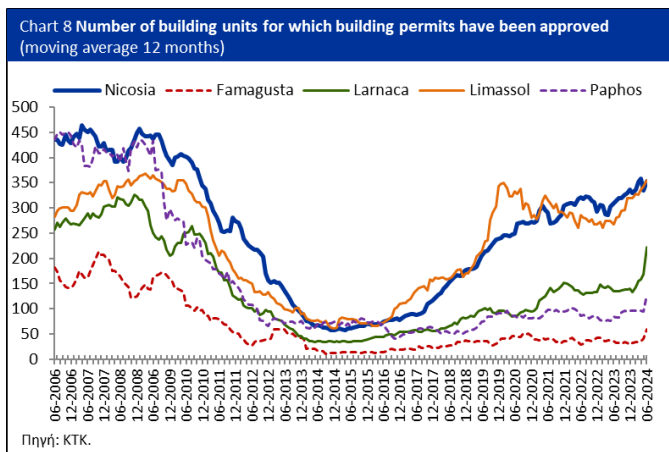
³ Floating rate and up to one year fixed.

⁴ <https://www.centralbank.cy/el/publications/monetary-and-financial-statistics>

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 a significant increase of 44,4% in the period January – June 2024 (from 5.276 units in January – June 2023 to 7.616 units in January – June 2024). This was mainly due to the fact that in June, a significant increase in building permits was recorded due to the upcoming transfer of the permits approval procedure to the District Local Government Organisations. Secondly, there was a significant increase in the permits for buildings with multiple units, i.e. blocks of apartments, because of the already existing increased demand for apartments.

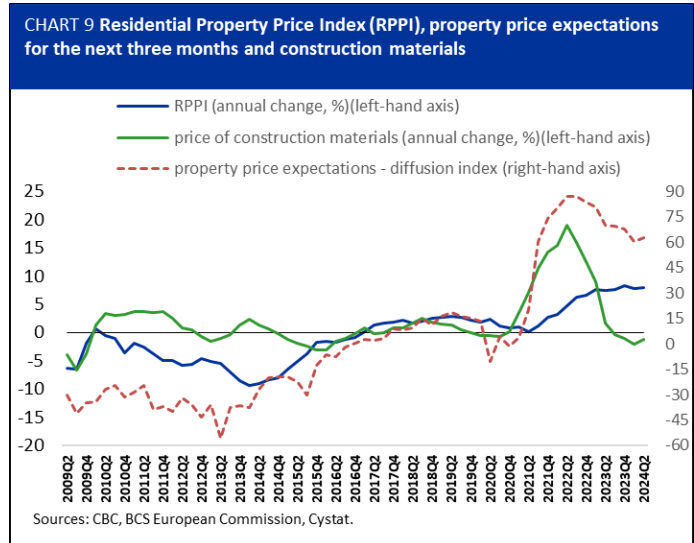
As a result, a gradual increase in the supply of residential units is expected in the medium term. The number of residential units by district for which building permits have been approved (**Chart 8**) has recorded an increase in recent months in Nicosia and Limassol. This confirms the estimates of market participants that, in the aforementioned districts, the stock of residential properties will increase, offsetting 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 2024Q2 (7,5%) compared with 2024Q1 (5,7%).

The **price index of construction materials**, published by CYSTAT, recorded an annual decrease of -1,2% in 2024Q2. On an annual basis, since 2023Q3, decreases in the price index of construction materials were recorded (**Chart 9**). The trend of the 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 2024Q2, **property price expectations** over the next three months were on a lower level compared with the respective quarter last year, 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 62,8 in 2024Q2, compared with 69,9 in 2023Q2. It appears that most 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, but the percentage of the former has been increased compared with the previous quarter.

4. Conclusion

In 2024Q2, residential property prices continued to record increases. However, other market indicators suggest that the market is entering a phase of slowing its upward trend. The reduced demand for properties from foreign buyers and the high interest rates for housing loans which suppress the demand from local buyers, are relieving the upward pressures that had been observed on property prices in previous quarters. Additionally, the decrease in construction material prices, combined with the increasing construction activity and the influx of more

residential units into the market, is contributing to a rise in supply and easing upward pressure on property prices. As a result, the RPPI is expected to record more moderate increases in the short-term future.

TABLE 5 Residential property price indices by type and by district

Year*	Quarter	Residences by type		Residences by district					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
	Q2	112,3	89,7	85,3	111,6	89,6	99,6	89,1	96,6

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	Apartments					Houses				
		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
2024	Q2	95,0	136,4	105,0	106,4	85,0	81,0	99,5	83,6	97,0	90,3

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
2024	Q2	12,0	6,2	2,4	9,5	9,9	12,1	10,9	8,0

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
2024	Q2	0,6	1,1	3,0	3,4	2,6	-0,5	3,3	2,1	3,7	0,8

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 alter 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.