

Following the recessionary condition prevailing in the housing market, started from the 2nd quarter of 1387, quarterly data on the number of construction permits issued by municipalities indicated a downward trend for the first three quarters of 1388. This trend was reversed for the fourth quarter and the issuance of construction permits, as a leading indicator of the housing sector, experienced a favorable growth till end-1389. Therefore, construction permits issued in urban areas indicated 29.8 and 36.6 percent increase in terms of number and total floor space, respectively, in 1389.

Based on preliminary figures of national accounts, value-added of the construction sector (at constant 1376 prices) rose by 7.3 percent to Rls. 27,802 billion. Gross fixed capital formation in this sector increased by 7.8 percent in 1389, at constant 1376 prices.

In this year, private sector completed 202.5 thousand buildings with a total floor space of 80.4 million square meters. Moreover, 211.4

thousand new buildings, with a total floor space of 114.4 million square meters, were constructed in urban areas, indicating 4.3 percent reduction and 13.9 percent rise in terms of number and floor space, respectively.

The price indices of factors affecting building activities increased in 1389. Land price index in urban areas and PPI of construction materials (base year=1383) showed 0.2 and 8.8 percent increase respectively, compared with the previous year.

Private Sector Investment in New Buildings in Urban Areas

In 1389, private sector investment in all urban areas rose by 8.0 percent (at current prices) to Rls. 327.7 trillion. Private sector investment in new buildings of small and medium-sized cities increased by 13.7 percent to Rls. 182.3 trillion. The share of these regions in private sector investment rose by 2.7 percentage points to 55.6 percent. Private sector investment in new buildings in Tehran

Table 5.1. Private Sector Investment in New Buildings in Urban Areas¹
(at current prices)

	(billion rials)								
				Percentage change		Share (percent)		Contribution to the growth of investment (percent)	
	1387	1388	1389	1388	1389	1388	1389	1389	
Tehran	68,299.8	59,880.7	60,084.6	-12.3	0.3	19.7	18.3	0.1	
Other large cities	85,856.9	83,057.0	85,258.7	-3.3	2.7	27.4	26.0	0.7	
Other urban areas	159,571.9	160,384.6	182,346.6	0.5	13.7	52.9	55.6	7.2	
All urban areas	313,728.6	303,322.3	327,689.8	-3.3	8.0	100.0	100.0	8.0	

¹ Excludes the cost of land.

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had a growth of merely 0.3 percent. Therefore, the share of Tehran in private sector investment in new buildings in urban areas decreased by 1.4 percentage points compared with the previous year and stood at 18.3 percent.

Private sector investment according to construction phases at current prices indicates a rise of investment in the construction of buildings and completion of semi-finished buildings. This led to an increase of 8.0 percent in total investment compared with the year before. However, private sector investment in completed buildings fell by 18.6 percent at current prices, as against 12.0 percent rise in 1388.

Government Investment

According to the Budget Law for 1389, a sum of Rls. 16.1 trillion was approved for the implementation of acquisition of non-financial-national assets projects in the housing sector, urban and rural development,

and Affordable Housing Plan for the disabled and low-income groups. In this year, Rls. 10 trillion was paid for the implementation of the mentioned plans, indicating 17.8 percent decline compared with the year before. This equaled 62 percent of the figure approved in the budget for this sector. In the housing sector and urban and rural development, the greatest portion of credits was paid to "urban and rural transportation" and "sewage system" plans by 68.2 and 14.6 percent, respectively. Meanwhile, the highest percentage of budget performance was related to "study and formulation of rules and regulations" by 282.8 percent, followed by "housing" by 85.5 percent.

Banking Facilities

In 1389, the outstanding facilities extended by banks and credit institutions to the non-public housing sector indicated 58.4 percent growth and amounted to Rls. 637.7 trillion, while the amount of facilities extended

Table 5.2. Private Sector Investment in New Buildings in Urban Areas by Construction Phases¹ (at current prices)

				Percentage change		Share (percent)		Contribution to the growth of investment (percent)
	1387	1388	1389	1388	1389	1388	1389	1389
	Building starts	90,052.0	77,816.0	90,093.0	-13.6	15.8	25.7	27.5
Semi-finished buildings	169,194.9	164,471.5	187,927.0	-2.8	14.3	54.2	57.3	7.7
Completed buildings	54,481.7	61,034.8	49,669.8	12.0	-18.6	20.1	15.2	-3.7
Total investment	313,728.6	303,322.3	327,689.8	-3.3	8.0	100.0	100.0	8.0

¹ Excludes the cost of land.

Table 5.3. Credits for Acquisition of Non-financial-National Assets in Housing Sector in 1389

	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	9,963.8	99.8	16,082.2	62.0
Affordable Housing Plan for the disabled and low-income groups (in the framework of Welfare and Social Security System)	16.4	0.2	23.6	69.3
Total	9,980.2	100.0	16,105.8	62.0

Source: Treasury General, Ministry of Economic Affairs and Finance

Table 5.4. Outstanding Facilities Extended by Banks and Credit Institutions to Housing and Construction Sectors¹

(billion rials)

	Year-end		Percentage change	1389		
	1388	1389		Change in outstanding	Total change in outstanding	Relative share ²
Housing	404,287.4	638,675.3	58.0	234,387.9	734,366.7	31.9
Non-public sector	402,648.7	637,665.9	58.4	235,017.2	666,958.5	35.2
Public sector	1,638.7	1,009.4	-38.4	-629.3	67,408.2	-0.9
Construction	29,367.1	46,489.0	58.3	17,121.9	734,366.7	2.3
Non-public sector	21,216.9	36,386.0	71.5	15,169.1	666,958.5	2.3
Public sector	8,150.2	10,103.0	24.0	1,952.8	67,408.2	2.9

¹ Excludes profit and revenue receivables.² Share in total change in outstanding facilities extended to economic sectors

to the public housing sector fell by 38.4 percent to Rls. 1.0 trillion. Meanwhile, outstanding facilities extended by banks and credit institutions to non-public and public construction sectors amounted to Rls. 36.4 trillion and Rls. 10.1 trillion, indicating 71.5 and 24.0 percent rise compared with end-1388, respectively.

In 1389, Bank Maskan (Housing Bank), as the sole specialized bank in the housing sector, accounted for 68.0 percent of change in outstanding facilities extended to the housing sector. This bank extended 909.5 thousand loans and facilities, worth Rls. 287.7 trillion (excluding profit and revenue receivables), indicating 90.4 and 252.7 percent increase compared with the previous year, respectively. The mentioned facilities, including profit and revenue receivables, grew by 201.7 percent to Rls. 325.5 trillion compared with the previous year. In this year, average facilities extended by this bank for the purchase of housing units amounted to Rls. 165.8 million, showing 3.1 percent rise compared with the previous year.

Distribution of facilities extended by Bank Maskan according to contracts shows that the

amount of facilities extended in the form of installment sale (excluding profit receivables) went up by 50.3 percent. Moreover, 340.7 thousand loans and facilities, valuing at Rls. 217.1 trillion, were extended in the form of partnership (including commitments arising from new concluded contracts), showing 403.1 percent increase compared with the previous year. This remarkable rise was attributable to the extension of scheduled facilities, especially in the form of Mehr Housing Program. It is of special note that, as of the implementation of Mehr Housing Program till end-1389, Bank Maskan extended a total of Rls. 130.7 trillion¹.

Table 5.5. Facilities Extended by Bank Maskan^{1,2}

				Percentage change	
	1387	1388	1389	1388	1389
Number (thousand)	334.1	477.6	909.5	43.0	90.4
Value (trillion rials)	65.9	107.9	325.5	63.7	201.7

Source: Bank Maskan

¹ Includes profit and revenue receivables.² Includes commitments arising from concluded contracts.

¹ Includes the performance of Mehr Housing Program in "land preparation", "land allocation on a 99-year lease", "renovation and refurbishment of rural housing" and "construction of housing in old urban texture".

Table 5.6. Facilities Extended by Bank Maskan according to Contracts¹ (billion rials)

	1387	1388	1389	Percentage change		Share (percent)	
				1388	1389	1388	1389
Partnership ²	14,446.3	43,154.7	217,125.5	198.7	403.1	52.9	75.5
Installment sale	27,159.7	34,717.6	52,180.7	27.8	50.3	42.6	18.1
Hire purchase	..	96.0	548.9	0	471.5	0.1	0.2
Joaleh	394.4	973.4	4,865.4	146.8	399.9	1.2	1.7
Gharz-al-hasaneh	1,160.5	2,364.2	3,662.0	103.7	54.9	2.9	1.3
Debt purchase	8,243.8	0	0	0	2.9
Others	164.4	275.1	1,095.1	67.3	298.0	0.3	0.4
Total	43,325.3	81,581.1	287,721.4	88.3	252.7	100.0	100.0

Source: Bank Maskan

¹ Excludes profit and revenue receivables.

² Figures refer to concluded contracts, part of which was disbursed and the remaining part was the commitment of the bank.

Construction Permits

In 1389, construction permits issued by municipalities showed respectively 29.8 and 36.6 percent increase in number and total floor space and reached 181 thousand and 114.2 million square meters, respectively. Construction permits issued by municipalities in Tehran indicated 65.2 and 76.1 percent increase in terms of number and floor space, respectively. Rise in the number of construction permits in all urban areas, as a leading indicator of housing construction, points to the higher tendency on the part of the private sector to engage in construction activities. Average floor space of buildings in urban areas increased by 5.2 percent to 631 square meters.

Building Starts by Private Sector in Urban Areas

In 1389, private sector started the construction of 211.4 thousand buildings, with a total floor space of 114.4 million square

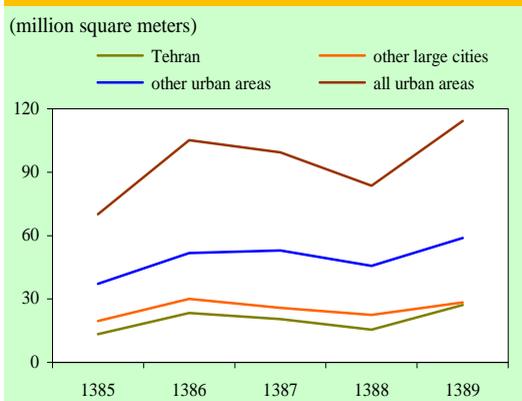
meters and an investment of Rls. 90.1 trillion (at current prices), in urban areas. The number and total floor space of building starts fell by 4.3 percent and rose by 13.9 percent, respectively. Number and total floor space of building starts in Tehran increased by 45.3 and 23.5 percent, respectively. Moreover, the average floor space of building starts in Tehran decreased by 15.0 percent. In this year, the average cost for construction of new buildings (excluding the cost of land) was estimated at Rls. 3,094 thousand per square meter, indicating 2.8 percent growth compared with the year before. In Tehran, average construction costs declined by 10.2 percent to Rls. 3,810 thousand. Of total building starts, 90 percent were residential, 4.8 percent residential with a commercial purpose and the remaining non-residential. The average cost of construction for residential buildings was Rls. 3,055.4 thousand per square meter, and for non-residential buildings, Rls. 3,486.7 thousand per square meter.

Table 5.7. Construction Permits Issued by Municipalities in Urban Areas

	1387	1388	1389	Percentage change	
				1388	1389
Number of permits (thousand)	176.7	139.5	181.0	-21.1	29.8
Total floor space (million square meters)	99.3	83.6	114.2	-15.8	36.6
Average floor space (square meters)	562	599	631	6.6	5.2

Table 5.8. Building Starts by Private Sector in Urban Areas

	1387	1388	1389	Percentage change	
				1388	1389
Number (thousand)	245.8	220.7	211.4	-10.2	-4.3
Estimated total floor space (million square meters)	112.2	100.4	114.4	-10.5	13.9
Average floor space (square meters)	457	455	541	-0.4	19.0
Average cost per square meter (thousand rials)	3,003	3,010	3,094	0.2	2.8

Figure 5.1. Estimated floor space in construction permits issued by municipalities

Buildings Completed by Private Sector in Urban Areas

In 1389, private sector investment in completed buildings by construction phases amounted to Rls. 49.7 trillion, down by 18.6 percent compared with the previous year. In this year, 202.5 thousand buildings, with

a total floor space of 80.5 million square meters, were completed by private sector. This shows 9.1 and 13.6 percent fall in terms of number and floor space, respectively. Of total completed buildings, 85.4 percent were residential, 8.5 percent residential with a commercial purpose, and the remaining non-residential.

Table 5.9. Buildings Completed by Private Sector in Urban Areas

	1387	1388	1389	Percentage change	
				1388	1389
Number (thousand)	228.1	222.7	202.5	-2.3	-9.1
Total floor space (million square meters)	82.0	93.1	80.5	13.5	-13.6
Average floor space (square meters)	360	418	397	16.2	-4.9
Average cost per square meter (thousand rials)	2,397	2,811	2,948	17.2	4.9

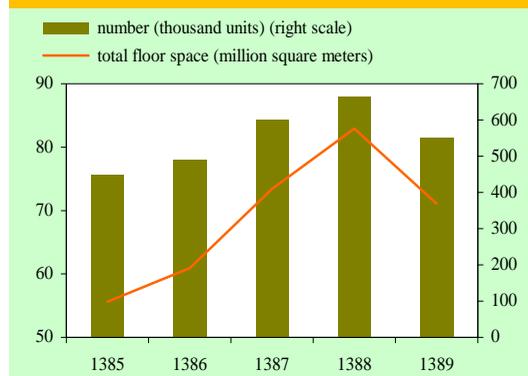
Residential Units Completed by Private Sector in Urban Areas

In the review year, 550.8 thousand residential units, with a total floor space of 71.0 million square meters, were completed by private sector and put into operation. The average floor space of these units increased by 3.2 percent, compared with the previous year, to 129 square meters.

Table 5.10. Residential Units Completed by Private Sector in Urban Areas

				Percentage change	
	1387	1388	1389	1388	1389
Number (thousand)	601.3	663.3	550.8	10.3	-17.0
Total floor space (million square meters)	73.4	82.9	71.0	13.0	-14.3
Average floor space (square meters)	122	125	129	2.5	3.2

Figure 5.2. Number and total floor space of residential units constructed by private sector in urban areas



Land Price Index

In 1389, land price index in all urban areas increased by 0.2 percent compared with the previous year. In small and medium-sized

cities, this index showed a rise of 1.1 percent while in Tehran, it decreased by 0.3 percent.

Table 5.11. Land Price Index by Urban Areas (1383=100)

				Percentage change	
	1387	1388	1389	1388	1389
Tehran	293.9	263.4	262.7	-10.4	-0.3
Other large cities	255.6	240.1	241.0	-6.1	0.4
Other urban areas	268.3	255.1	257.8	-4.9	1.1
All urban areas	274.5	253.2	253.6	-7.8	0.2

Mehr Housing Program

In implementation of Note 6 to the Budget Law for 1386, the government took measures to implement the Mehr Housing Program, aimed at housing provision for the low-income groups in 1386. Measures adopted by the Ministry of Housing and Urban Development progressed favorably during 1388, especially in the second half of the year. Through this program, 265.8 thousand construction permits were issued as of the implementation (Khordad 1386) till end-1387. Total residential units constructed through this program amounted to 514.6 thousand units as of the implementation date till 1388. By end-1389, total number of qualified applicants and land allocated to them were 911.0 thousand persons and 1,290.6 thousand residential units, respectively.

Construction Indices

Construction services price index, a leading indicator of labor market, indicated 8.6 percent increase compared with the year

before. The highest growth in the subgroups of this index is related to "wage of skilled plumber" and "wage paid for painting" by 15.7 and 12.5 percent, respectively. In this year, PPI of construction materials rose by 8.8 percent. Accordingly, PPI of metallic and non-metallic construction materials recorded 11.6 and 4.5 percent increase, respectively.

Table 5.12. Construction Indices (1383=100)

	1387	1388	1389	Percentage change	
				1388	1389
Construction services price index	246.3	269.8	293.1	9.5	8.6
Producer price index of construction materials	204.7	193.6	210.7	-5.4	8.8

Figure 5.3. Performance of Mehr Housing Program as of implementation till end-1389



Figure 5.4. Growth in housing sector indices

