

In 2021/22, the major indices of the construction and housing sector indicated a decrease in investment in new buildings in urban areas when measured at constant 2016/17 prices. This contrasts with a rise in investment in new buildings in urban areas at current prices compared to 2020/21. In addition, both the number and the total floor space stipulated in construction permits issued by municipalities in all urban areas declined compared with 2020/21. The value added of construction by the private sector fell by 11.2 percent to Rls. 491.9 trillion at constant 2016/17 prices, while that of construction by the public sector increased by 12.9 percent at constant 2016/17 prices. Overall, the value added of the construction sector (both private and public buildings) decreased by 6.9 percent to Rls. 625.6 trillion, at constant prices. Gross fixed capital formation in the construction sector amounted to Rls. 1,498.9 trillion at constant 2016/17 prices, down by 7.1 percent compared with 2020/21.

The private sector started the construction of 141.2 thousand new buildings with a total floor space of 83.7 million square meters

and completed 133.6 thousand buildings with a total floor space of 73.0 million square meters in 2021/22. The total floor space of housing starts and housing completions in all urban areas showed decreases of 18.9 and 7.6 percent, respectively. Meanwhile, land price index in urban areas (base year 2016/17), CPI for construction services (base year 2021/22), and PPI for construction materials (base year 2016/17) experienced the growth rates of 43.0, 64.2 and 56.2 percent in 2021/22, respectively.

6.1. Private-sector Investment in Construction in Urban Areas

In 2021/22, the private-sector investment in construction in urban areas indicated an increase of 40.6 percent compared with 2020/21, amounting to Rls. 4,600.5 trillion at current prices. The private-sector investment in construction in Tehran experienced a rise of 1.7 percent compared with the year before, to reach Rls. 786.7 trillion. Similarly, in other large cities, this variable increased by 52.5 percent and in other urban areas, it experienced a growth rate of 52.8 percent compared with the year before.

Table 6.1. Private-sector Investment in Construction in Urban Areas (at current prices)

	(trillion rials)							
				Percentage change		Share (percent)		Contribution to investment growth (percent)
	2019/20	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2021/22
Tehran	345.9	773.6	786.7	123.6	1.7	23.6	17.1	0.4
Large cities	631.3	1,168.1	1,781.7	85.0	52.5	35.7	38.7	18.8
Other urban areas	624.8	1,329.9	2,032.1	112.8	52.8	40.6	44.2	21.5
Total	1,601.9	3,271.5	4,600.5	104.2	40.6	100.0	100.0	40.6

¹ Excludes land price.

The private-sector investment in housing starts, unfinished buildings, and housing completions increased at current prices in 2021/22. Investment in unfinished buildings had the highest share in total investment by 62.7 percent, with the investment in housing starts and housing completions accounting for 21.7 and 15.7 percent of total, respectively.

6.2. Government Investment

According to data received from the Treasury General, a sum of Rls. 246.2 trillion was approved for the implementation

of projects related to the acquisition of non-financial assets in the housing sector and for urban and rural development purposes in 2021/22. The sum actually paid on the implementation of the mentioned projects was Rls. 172.8 trillion, constituting 70.2 percent of the amount approved in the budget. The greatest portion of credits was paid to "urban and rural development" project by 35.4 percent. Moreover, the highest percentages of budget performance belonged to "development of Iran Strong Motion Network" and "urban and rural development", with 100.0 and 96.7 percent, respectively.

Table 6.2. Private-sector Investment in Construction in Urban Areas by Construction Phase¹ (at current prices)

	(trillion rials)							
				Percentage change		Share (percent)		Contribution to investment growth (percent)
	2019/20	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2021/22
Housing starts	367.2	846.8	997.8	130.6	17.8	25.9	21.7	4.6
Unfinished buildings	968.4	1,864.8	2,882.3	92.6	54.6	57.0	62.7	31.1
Housing completions	266.3	560.0	720.4	110.2	28.7	17.1	15.7	4.9
Total	1,601.9	3,271.5	4,600.5	104.2	40.6	100.0	100.0	40.6

¹ Excludes land price.

Table 6.3. Credits Paid on Acquisition of Non-financial Assets in Housing Sector, Urban and Rural Development

Sector, Urban and Rural Development	(trillion rials)						
	Performance			Percentage change		2021/22	
	2019/20	2020/21	2021/22	2020/21	2021/22	Approved	Performance (percent) ¹
Housing sector	2.0	1.7	7.0	-17.6	316.5	12.9	54.3
Services rendered to urban and rural dwellers and nomads	14.9	62.1	119.6	317.5	92.5	141.6	84.5
Water and sewage	1.2	43.3	45.2	#	4.4	90.8	49.8
Research and development in housing sector, urban and rural development	0.5	0.7	1.0	45.1	38.6	1.0	100.0
Total	18.6	107.8	172.8	480.8	60.3	246.2	70.2

Source: Ministry of Economic Affairs and Finance, Treasury General

¹ The percentage of performance is calculated through dividing the "performance" by the "approved" figures, multiplying the result by 100.

6.3. Banking Facilities

Outstanding facilities (net) extended by banks and non-bank credit institutions to the non-public sector active in the fields of *housing* and *construction* experienced positive and negative growth rates, respectively. Outstanding facilities (net) extended by banks and non-bank credit institutions to the non-public and public sectors active in the field of *housing* rose by 16.9 and 23.4 percent to Rls. 2,978.6 trillion and Rls. 6.4 trillion, respectively. The outstanding facilities (net) extended by banks and non-bank credit institutions to the non-public sector active in *construction* decreased by 2.9 percent to Rls. 1,114.9 trillion, while the outstanding facilities (net) extended to the public sector active in *construction* increased by 31.8 percent to and Rls. 18.9 trillion. Meanwhile, out of the total value of facilities extended by banks and non-bank credit institutions to various economic sectors at Rls. 26,536.8 trillion, a sum of Rls. 1,253.1 trillion was extended to the construction and housing sector in 2021/22, indicating an increase of 11.3 percent compared with the year before.

In 2021/22, Bank Maskan (the Housing Bank of Iran), as the sole specialized bank in the housing sector, extended Rls. 756.8 trillion worth of facilities (excluding future profits and revenues) to 635.7 thousand projects, indicating an increase of 107.8 percent in the value as against a decrease of 61.2 percent in the number of facilities. The mentioned facilities (including future profits and revenues) totaled Rls. 1,066.9 trillion, indicating an increase of 88.8 percent compared with the year before. The average facilities extended by Bank Maskan for the purchase of housing units totaled Rls. 1,160.9 million, rising by 21.0 percent compared with 2020/21. The value of facilities extended by Bank Maskan in the form of installment sale contracts for housing purchase (excluding future profits and revenues) increased by 57.2 percent to Rls. 151.1 trillion. Furthermore, 25.8 thousand partnership contracts were concluded for the extension of facilities, with a value of Rls. 262.2 trillion. Of note, the value of partnership facilities indicated an increase of 255.4 percent compared with 2020/21.

Table 6.4. Outstanding Facilities (Net)¹ Extended by Banks and Non-bank Credit Institutions to Housing and Construction Sectors

(trillion rials)

	March			March 2022		
	2020	2021	2022	Change in outstanding	Percentage change	Relative share ² (percent)
Housing	2,151.4	2,553.9	2,985.1	431.1	16.9	3.9
Non-public sector	2,144.9	2,548.7	2,978.6	429.9	16.9	4.0
Public sector	6.5	5.2	6.4	1.2	23.4	0.3
Construction	934.0	1,162.4	1,133.8	-28.6	-2.5	-0.3
Non-public sector	930.2	1,148.1	1,114.9	-33.2	-2.9	-0.3
Public sector	3.8	14.3	18.9	4.5	31.8	1.0

¹ Outstanding facilities (net) are calculated upon the deduction of the outstanding debt of customers and extended facilities under the exchange rate differential, future profits, future profits and commissions, receipts from Mudarabah, partnership contracts (with the bank as partner), and outstanding profits and commissions headings. Outstanding facilities include legal partnership and direct investment contracts.

² Indicates the shares of construction and housing sectors in change in total outstanding facilities extended to all economic sectors.

Table 6.5. Facilities Extended by Bank Maskan¹

(billion rials)

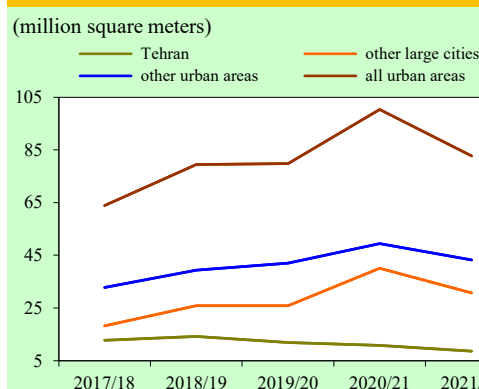
	2019/20	2020/21	2021/22	Percentage change		Share (percent)	
				2020/21	2021/22	2020/21	2021/22
Partnership ²	49,079	73,777	262,237	50.3	255.4	20.3	34.7
Installment sale-housing purchase	96,746	96,151	151,138	-0.6	57.2	26.4	20.0
Installment sale ³	55,303	61,532	57,073	11.3	-7.2	16.9	7.5
Murabaha	34,549	52,515	171,651	52.0	226.9	14.4	22.7
Hire purchase	5	102	13	#	-87.3	*	*
Ju'alah	46,342	41,703	67,062	-10.0	60.8	11.5	8.9
Gharz-al-hasaneh (marriage, security deposit, and housing completion)	15,624	22,035	33,550	41.0	52.3	6.1	4.4
Gharz-al-hasaneh (other)	2,488	15,130	10,321	#	-31.8	4.2	1.4
Debt purchase (rial equivalent)	0	15	439	0	#	*	*
Other	518	1,164	3,309	124.5	184.4	0.3	0.4
Total	300,655	364,122	756,793	21.1	107.8	100.0	100.0

Source: Bank Maskan

¹ Excludes future profits and revenues.² Figures refer to concluded contracts, part of which was disbursed and the remaining part was the commitment of the bank. Cash disbursements on partnership contracts totaled Rls. 149,480 billion in 2021/22.³ Based on the new Guideline by Housing Bank, facilities extended under installment sale contracts (share of Bank Maskan out of conversion of partnership contracts to installment sale contracts) have been included in the sum total.

6.4. Construction Permits

The number of construction permits issued by municipalities in urban areas decreased by 25.8 percent to 121.2 thousand in 2021/22. Total floor space stipulated in construction permits was 82.8 million square meters, indicating a reduction of 17.7 percent compared with the year before. The number of construction permits issued for Tehran, other large cities, and other urban areas declined by 19.4, 27.9 and 25.5 percent, respectively. Meanwhile, the total floor space of buildings in Tehran, other large cities, and other urban areas decreased by 19.1, 23.4 and 12.7 percent, respectively.

Figure 6.1. Floor Space in Construction Permits Issued for Private Sector**Table 6.6. Construction Permits Issued by Municipalities in Urban Areas**

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
Number of permits (thousand)	146.0	163.4	121.2	11.9	-25.8
Total floor space (million square meters)	79.8	100.4	82.8	25.8	-17.7
Average floor space (square meters)	547	614	682	12.4	11.0

6.5. Housing Starts in Urban Areas

The private sector started the construction of 141.2 thousand buildings, with a total floor space of 83.7 million square meters and an investment of Rls. 997.8 trillion (at current prices) in urban areas in 2021/22. The number and total floor space of housing starts in all urban areas fell by 17.2 and 18.9 percent, respectively. The number and the total floor space of housing starts in Tehran fell by respectively 44.7 and 33.5 percent. In other large cities, these variables decreased by 20.7 and 13.9 percent, respectively. The average cost for the construction of new buildings was estimated at Rls. 57.7 million per square meter (excluding land price), up by 56.3 percent compared with 2020/21. In Tehran, the average construction cost amounted to Rls. 78.7 million, showing an increase of 68.6 percent compared with 2020/21.

6.6. Housing Completions in Urban Areas

A total of 133.6 thousand buildings, with a total floor space of 73.0 million square meters, were completed by the private sector

in 2021/22, down by respectively 4.0 and 7.6 percent. Of total buildings completed, 82.3 percent were residential, 8.8 percent were both residential and non-residential, and the remaining 8.9 percent were non-residential. The private-sector investment in housing completions amounted to Rls. 720.4 trillion, accounting for 15.7 percent of total private-sector investment.

In 2021/22, the share of Tehran in total floor space of completed buildings was 14.2 percent, that of other large cities was 35.1 percent, and that of other urban areas was 50.8 percent. The average floor space of completed buildings fell by 3.7 percent to reach 546 square meters. In Tehran, the average floor space of completed buildings decreased by 8.3 percent to 1,262 square meters. The average construction cost of housing completions per square meter in all urban areas, excluding land price, rose 53.4 percent to Rls. 33.2 million. In Tehran, other large cities, and other urban areas, the average construction cost registered growth rates of respectively 46.9, 59.5 and 62.6 percent compared with 2020/21.

Table 6.7. Housing Starts in Urban Areas

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
Number (thousand)	144.4	170.6	141.2	18.1	-17.2
Total floor space (million square meters)	81.4	103.3	83.7	26.9	-18.9
Average floor space (square meters)	564	605	593	7.3	-2.0
Average construction cost per square meter ¹ (million rials)	20.4	36.9	57.7	81.0	56.3

¹ Excludes land price.

Table 6.8. Housing Completions in Urban Areas

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
Number (thousand)	114.0	139.1	133.6	22.1	-4.0
Total floor space (million square meters)	65.6	79.0	73.0	20.4	-7.6
Average floor space (square meters)	575	567	546	-1.4	-3.7
Average construction cost per square meter ¹ (million rials)	14.5	21.6	33.2	49.4	53.4

¹ Excludes land price.

6.7. Residential Units Completed by Private Sector in Urban Areas

A total of 395.7 thousand residential units, with a total floor space of 63.5 million square meters, were completed by the private sector in 2021/22, down by respectively 10.1 and 11.4 percent. The average floor space of these units reached 160 square meters, down by 1.8 percent compared with 2020/21.

6.8. Land Developments

6.8.1. Land Price Index in Urban Areas

In 2021/22, land price index in all urban areas increased by 43.0 percent. This index showed a rise of 50.5 percent in Tehran.

6.8.2. Mehr Housing Project

In implementation of Note 6 to the Budget Law for 2007/08, the government took measures to implement the Mehr Housing Project aimed at housing provision for the low-income groups. Ratification of the Law on Organization and Support for House Construction in the year 2007/08 facilitated

the implementation of Mehr Housing Project in the following years. Bank Maskan, the agent bank in terms of the extending of facilities, allocated a sum of Rls. 524.9 trillion by March 2022 to the construction of 2.4 million residential units through "land preparation", "land allocation on a 99-year lease", "building construction in abandoned and decaying locations of urban areas", and "renovation and refurbishment of rural housing" projects. "Land allocation on a 99-year lease" project enjoyed the highest share of the value of facilities by 87.2 percent. In addition, 2,046.5 thousand residential units were completed and ready to be put up for sale through installment payments.

6.9. Housing Rental Index in Urban Areas

Housing rental index surged by 46.7 percent in "all urban areas" in 2021/22 (base year 2021/22). The housing rental index in "small cities" experienced the highest growth rate by 53.5 percent.

Table 6.9. Residential Units Completed by Private Sector in Urban Areas

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
Number (thousand)	360.7	440.3	395.7	22.0	-10.1
Total floor space (million square meters)	58.0	71.6	63.5	23.4	-11.4
Average floor space (square meters) ¹	161	163	160	1.2	-1.8

¹ Includes collectively owned areas such as parking lots, elevators, storerooms, etc.

Table 6.10. Land Price Index in Urban Areas

(base year 2016/17)

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
Tehran	266.7	527.9	794.6	97.9	50.5
Other large cities	259.0	569.7	761.6	120.0	33.7
Other urban areas	247.0	569.7	850.0	130.6	49.2
All urban areas	260.9	548.3	784.1	110.2	43.0

Table 6.11. Facilities Allocated by Bank Maskan to Mehr Housing Project as of Implementation in 2007/08 until March 2022

	By March 2022		Share (percent)	
	Number (thousand units)	Value (trillion rials)	Number	Value
Land preparation	741 ¹	7.4	N/A	1.4
Land allocation on a 99-year lease	1,850	457.7	78.1	87.2
Building construction in abandoned and decaying locations of urban areas	82	14.8	3.5	2.8
Renovation and refurbishment of rural housing	435	41.2	18.4	7.9
Total	2,367	524.9²	100.0	100.0²

Source: Bank Maskan. ¹ As these 741 thousand units included in the list of facility receivers at the "land preparation" phase were also included under "land allocation on a 99-year lease", they were excluded from the total to avoid double counting. ² The difference between the sum total of components with the total given here by Rls. 3.8 trillion and that in the sum total of the share value with the total given here by 0.7 percent are due to the budgetary facilities allocated for the state of emergency.

Table 6.12. Housing Rental Index in Urban Areas

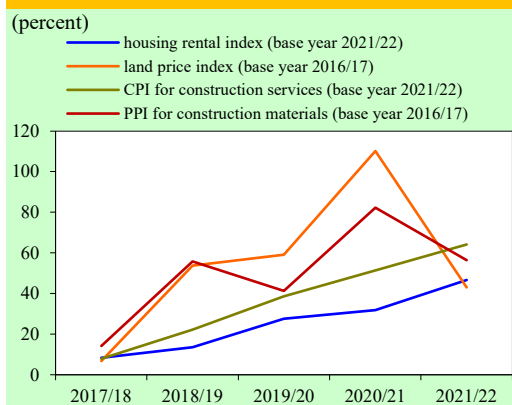
(base year 2021/22)

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
Tehran	54.3	69.9	100.0	28.7	43.1
Other large cities ¹	52.2	68.6	100.0	31.4	45.8
Medium-sized cities	51.1	67.2	100.0	31.5	48.9
Small cities	47.6	65.2	100.0	36.8	53.5
All urban areas	51.7	68.2	100.0	31.8	46.7

¹ Includes Tehran.

6.10. Construction Price Indices

Construction services price index, also an indicator of wage developments, indicated a rise of 64.2 percent in 2021/22 (base year 2021/22). The highest growth rates in the subgroups of this index were related to "wage paid for plasterwork" by 73.7 percent and "wage paid for cementing" by 68.9 percent. The PPI for construction materials rose by 56.4 percent (base year 2016/17), with the PPI for metallic construction materials recording an increase of 45.5 percent and that for non-metallic construction materials registering a rise of 77.2 percent.

Figure 6.2. Growth in Indices of Construction and Housing Sector**Table 6.13. Construction Price Indices**

	2019/20	2020/21	2021/22	Percentage change	
				2020/21	2021/22
CPI for construction services (2021/22=100)	40.2	60.9	100.0	51.4	64.2
PPI for construction materials (2016/17=100)	251.0	457.5	715.5	82.2	56.4