

Growth in construction and housing sector in 1389, mainly attributable to the engagement of the private sector in construction activities and the implementation of Mehr Housing Program, faced a downward trend in 1390. Construction permits issued in urban areas indicated 5.7 percent increase in terms of both number and total floor space in this year. The mentioned indices grew by respectively 29.8 and 36.6 percent in 1389.

Based on preliminary figures of national accounts, value-added of the construction sector (at constant 1383 prices) rose 2.5 percent to Rls. 148,871 billion. Gross fixed capital formation in this sector increased by 1.0 percent in 1390, at constant 1383 prices.

The private sector started the construction of 197.3 thousand new buildings, with a floor space of 108.0 million square meters in 1390. Moreover, 170.4 thousand buildings, with a total floor space of 82.0 million square

meters, were completed by the private sector in this year. On this basis, total floor space of housing starts decreased by 5.6 percent while that of completed buildings increased by 1.9 percent.

Land price index in urban areas registered 17.5 percent growth in 1390. Furthermore, the Producer Price Index (PPI) for construction materials grew by 23.2 percent at constant 1383 prices.

Private Sector Investment in New Buildings in Urban Areas

In 1390, private sector investment in the buildings of urban areas rose 23.1 percent (at current prices) to reach Rls. 403.4 trillion. Private sector investment in new buildings in Tehran grew by 33.0 percent to Rls. 79.9 trillion. Therefore, the share of Tehran in private sector investment in new buildings of urban areas increased by 1.5 percentage points

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)
	1388	1389	1390	1389	1390	1389	1390	1390
Tehran	59,881	60,085	79,888	0.3	33.0	18.3	19.8	6.0
Other large cities	83,057	85,259	111,547	2.7	30.8	26.0	27.7	8.0
Other urban areas	160,385	182,347	211,932	13.7	16.2	55.6	52.5	9.0
All urban areas	303,322	327,690	403,367	8.0	23.1	100.0	100.0	23.1

¹Excludes the cost of land.

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compared with the previous year and reached 19.8 percent. Private sector investment in "other large cities" and "other urban areas" increased by 30.8 and 16.2 percent, respectively.

Private sector investment according to construction phases indicates a rise of investment in new buildings, semi-finished buildings, and completed buildings, at current prices. Investment in semi-finished buildings experienced the highest growth by 29.8 percent. Moreover, investment in new buildings and completed buildings advanced 17.7 and 7.4 percent, respectively.

Government Investment

According to the Budget Law for 1390, a sum of Rls. 14.9 trillion was approved for the implementation of acquisition of non-financial–national assets projects in the housing sector, urban and rural development, and housing provision plans for the disabled and low-income groups. In this year, a sum of

Rls. 11.8 trillion was paid for the implementation of the mentioned plans, indicating 18.2 percent increase compared with the year before. This figure equaled 78.9 percent of the value 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 62.9 and 17.6 percent, respectively. Moreover, the highest percentage of budget performance was related to "buildings and equipment" by 99.2 percent, followed by "housing provision for the disabled and the needy" by 98.0 percent.

Banking Facilities

In 1390, the outstanding facilities extended by banks and non-bank credit institutions to the non-public housing sector indicated 39.2 percent growth and amounted to Rls. 887.3 trillion, while the amount of

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

				Percentage change		Share (percent)		Contribution to the growth of investment (percent)
	1388	1389	1390	1389	1390	1389	1390	1390
	Building starts	77,816	90,093	106,047	15.8	17.7	27.5	26.3
Semi-finished buildings	164,472	187,927	243,963	14.3	29.8	57.3	60.5	17.1
Completed buildings	61,035	49,670	53,358	-18.6	7.4	15.2	13.2	1.1
Total investment	303,322	327,690	403,367	8.0	23.1	100.0	100.0	23.1

¹ Excludes the cost of land.

Table 5.3. Credits for Acquisition of Non-financial–National Assets in Housing Sector in 1390

	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	11,776.7	99.9	14,921.4	78.9
Welfare and social security (plans for the provision of housing to the low-income, disabled, and needy groups)	15.3	0.1	20.8	73.2
Total	11,792.0	100.0	14,942.2	78.9

Source: Treasury General, Ministry of Economic Affairs and Finance

facilities extended to the public housing sector fell 30.6 percent to Rls. 0.7 trillion. Outstanding facilities extended by banks and non-bank credit institutions to the non-public construction sector indicated 27.7 percent increase and reached Rls. 46.5 trillion while facilities extended to the public construction sector decreased by 31.0 percent to Rls. 7.0 trillion.

In 1390, Bank Maskan (Housing Bank), as the sole specialized bank in the housing sector, accounted for 69.6 percent of change in outstanding facilities extended to the housing sector. This bank extended 893.4 thousand loans and facilities, worth Rls. 206.2 trillion (excluding profit and revenue receivables), indicating 1.8 and 28.3 percent decrease, respectively, compared with the previous year. The mentioned facilities, including profit and revenue receivables, fell 15.5 percent to Rls. 274.9 trillion, compared with the previous year. In 1390, average facilities extended by Bank Maskan for the purchase of housing units amounted to Rls. 169.6 million, showing 2.3 percent rise compared with the previous year.

Distribution of facilities extended by Bank Maskan, based on Islamic contracts, shows

that the amount of facilities extended in the form of installment sale contracts (excluding profit receivables) went up by 43.5 percent. Furthermore, 233.8 thousand loans and facilities, valuing at Rls. 118.4 trillion, were extended in the form of partnership contracts. The value of facilities in the form of partnership contracts showed 45.5 percent decline compared with the previous year, mainly attributable to the reduction in the number of housing units built within the framework of Mehr Housing Program. It is of special note that, as of the implementation of Mehr Housing Program until end-1390, Bank Maskan paid facilities worth Rls. 6.6 trillion to "land preparation" and Rls. 219.4 trillion to "home construction".

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

	1388	1389	1390	Percentage change	
				1389	1390
Number (thousand)	477.6	909.5	893.4	90.4	-1.8
Value (trillion rials)	107.9	325.5	274.9	201.7	-15.5

Source: Bank Maskan

¹ Includes profit and revenue receivables.

² Includes obligations arising from concluded contracts.

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

(billion rials)

	Year-end		1390			
	1389	1390	Change in balance	Percentage change	Total change in balance	Relative share ²
Housing	638,675	888,027	249,352	39.0	778,483	32.0
Non-public sector	637,666	887,327	249,661	39.2	683,325	36.5
Public sector	1,009	700	-309	-30.6	95,158	-0.3
Construction	46,489	53,438	6,949	14.9	778,483	0.9
Non-public sector	36,386	46,467	10,081	27.7	683,325	1.5
Public sector	10,103	6,971	-3,132	-31.0	95,158	-3.3

¹ Excludes profit and revenue receivables.

² Share in total change in outstanding facilities extended to all economic sectors

Construction Permits

In 1390, construction permits issued by municipalities showed 5.7 percent increase in number and total floor space and reached 191.4 thousand and 120.7 million square meters, respectively. Construction permits issued by municipalities in Tehran showed 68.0 percent growth in number and 43.1 percent increase in floor space. In small and medium-sized cities, however, construction permits issued by municipalities indicated 4.5 and 11.1 percent decrease in terms of number and floor space, respectively. This was attributable to the decline in the number of issued permits related to Mehr Housing Program.

Housing Starts by Private Sector in Urban Areas

In 1390, private sector started the construction of 197.3 thousand buildings, with a total floor space of 108.0 million square meters and an investment of Rls. 106.0 trillion (at current prices), in urban areas. The number and total floor space of housing starts fell 6.7 and 5.6 percent, respectively. Number

and total floor space of housing starts in Tehran, however, increased by 15.4 and 26.2 percent, respectively. Moreover, the average floor space of housing starts in Tehran went up by 9.3 percent. The average cost for construction of new buildings (excluding the cost of land) was estimated at Rls. 3,492 thousand per square meter, in 1390, indicating 12.9 percent growth compared with the year before. In Tehran, average construction costs rose 15.0 percent to Rls. 4,382 thousand.

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

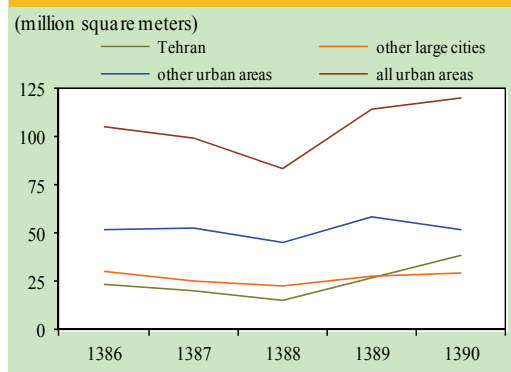


Table 5.6. Facilities Extended by Bank Maskan Based on Contracts¹

(billion rials)

	1388	1389	1390	Percentage change		Share (percent)	
				1389	1390	1389	1390
Partnership ²	43,154.7	217,125.5	118,395.3	403.1	-45.5	75.5	57.4
Installment sale	34,717.6	52,180.7	74,904.0	50.3	43.5	18.1	36.3
Hire purchase	96.0	548.9	253.0	471.5	-53.9	0.2	0.1
Ju'alah	973.4	4,865.4	4,077.0	399.9	-16.2	1.7	2.0
Gharz-al-hasaneh	2,364.2	3,662.0	4,986.4	54.9	36.2	1.3	2.4
Loans and facilities in foreign exchange (rial equivalent)	..	8,243.8	2,848.2	0	-65.5	2.9	1.4
Debt purchase (rial equivalent)	119.0	0	0	..	0.1
Others	275.1	1,095.1	638.8	298.0	-41.7	0.4	0.3
Total	81,581.1	287,721.4	206,221.8	252.7	-28.3	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.

Buildings Completed by Private Sector in Urban Areas

In 1390, private sector investment in completed buildings amounted to Rls. 53.4 trillion, up by 7.4 percent compared with the previous year. In this year, 170.4 thousand buildings, with a total floor space of 82.0 million square meters, were completed by the private sector. This shows 15.8 percent decrease in terms of number and 1.9 percent increase in terms of floor space. Of total completed buildings, 85.4 percent were residential, 8.7 percent residential with a commercial purpose, and the remaining non-residential buildings.

In this year, the number of buildings completed by the private sector in Tehran indicated 5.7 percent increase while their total floor space showed 3.6 percent decrease. Share of Tehran in total floor space of completed buildings was 15.8 percent, share of "other large cities" was 28.6 percent, and share of "other urban areas" was 55.7 percent.

Table 5.9. Buildings Completed by Private Sector in Urban Areas

	1388	1389	1390	Percentage change	
				1389	1390
Number (thousand)	222.7	202.5	170.4	-9.1	-15.8
Total floor space (million square meters)	93.1	80.4	82.0	-13.6	1.9
Average floor space (square meters)	418	397	481	-4.9	21.1
Average cost per square meter (thousand rials)	2,811	2,948	3,209	4.9	8.9

Residential Units Completed by Private Sector in Urban Areas

In this year, 564.8 thousand residential units, with a total floor space of 74.0 million square meters, were completed by private sector and put into operation. The average floor space of these units increased by 1.6 percent, compared with the previous year, to 131 square meters.

Table 5.7. Construction Permits Issued by Municipalities in Urban Areas

	1388	1389	1390	Percentage change	
				1389	1390
Number of permits (thousand)	139.5	181.0	191.4	29.8	5.7
Total floor space (million square meters)	83.6	114.2	120.7	36.6	5.7
Average floor space (square meters)	599	631	631	5.2	0.0

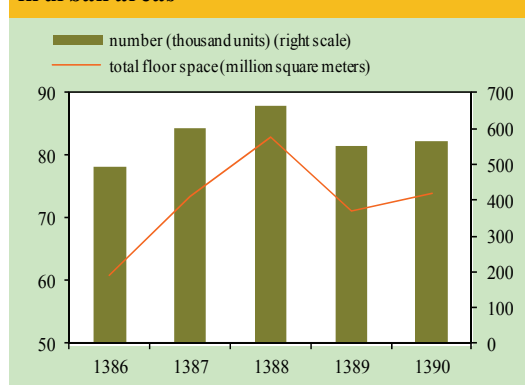
Table 5.8. Housing Starts by Private Sector in Urban Areas

	1388	1389	1390	Percentage change	
				1389	1390
Number (thousand)	220.7	211.4	197.3	-4.3	-6.7
Estimated floor space (million square meters)	100.4	114.4	108.0	13.9	-5.6
Average floor space (square meters)	455	541	547	19.0	1.2
Average cost per square meter (thousand rials)	3,010	3,094	3,492	2.8	12.9

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

	1388	1389	1390	Percentage change	
				1389	1390
Number (thousand)	663.3	550.8	564.8	-17.0	2.5
Total floor space (million square meters)	82.9	71.1	74.0	-14.3	4.1
Average floor space (square meters)	125	129	131	3.2	1.6

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



Land Price Index

In 1390, land price index in all urban areas increased by 17.5 percent compared with the previous year. This index showed a rise of 24.4 percent in Tehran.

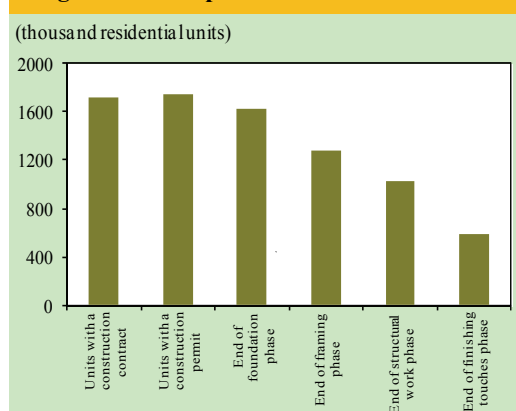
Table 5.11. Land Price Index by Urban Areas

	1388	1389	1390	Percentage change (1383=100)	
				1389	1390
Tehran	263.4	262.7	326.7	-0.3	24.4
Other large cities	240.1	241.0	271.9	0.4	12.8
Other urban areas	255.1	257.8	286.7	1.1	11.2
All urban areas	253.2	253.6	297.9	0.2	17.5

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. Through this Program, 1,741.6 thousand construction permits were issued and 1,717.6 thousand construction contracts were concluded, as of the implementation (Khordad 1386) until end-1390. Moreover, 1,623.9 thousand buildings were at the foundation phase and 583.7 thousand buildings were at the finishing touches phase. Of total construction permits issued as of the implementation date until 1390 year-end, 645.7 thousand belonged to landowners.

Figure 5.3. Performance of Mehr Housing Program as of implementation until end-1390



Construction Indices

Construction services price index, a leading indicator of the labor market, indicated 17.0 percent increase compared with the year before. The highest growth rates in the sub-groups of this index were related to "wage paid for asphaltting" and "daily wage of unskilled construction worker" by 23.4 and 21.5 percent, respectively. In this year, the PPI for construction materials rose 23.2

percent. Accordingly, the PPI for metallic and non-metallic construction materials recorded 21.0 and 26.7 percent increase, respectively.

Table 5.12. Construction Indices (1383=100)

	1388	1389	1390	Percentage change	
				1389	1390
Construction services price index	269.8	293.1	343.0	8.6	17.0
PPI for construction materials	193.6	210.7	259.5	8.8	23.2

Figure 5.4. Growth in housing sector indices (1383=100)

