

**R**elative improvement in construction trends, owing to the willingness of the private sector to engage in construction activities, especially Mehr Housing Program, continued in 1391. Private sector investment in the buildings of urban areas grew by 54.7 percent (at current prices). However, reduction in the amount of credits paid by the government to the construction sector for the acquisition of non-financial assets and development projects, as well as the remarkable increase in the price indices, led to a fall in the value-added of this sector.

Based on preliminary figures of national accounts, value-added of the construction sector (at constant 1383 prices) fell by 3.6 percent to Rls. 143.5 trillion. Gross fixed capital formation in this sector decreased by 13.8 percent in 1391, at constant 1383 prices.

The private sector started the construction of 225.8 thousand new buildings, with a floor space of 117.0 million square meters in 1391. Moreover, 206.3 thousand buildings, with a total floor space of 106.1 million square meters, were completed by the private sector in this year. On this basis, total floor space of housing starts decreased by 2.5 percent while that of completed buildings increased by 102.8 percent.

Land price index in urban areas registered 56.8 percent growth in 1391. Furthermore, construction services price index and the Producer Price Index for construction materials (base year: 1390) grew by respectively 33.9 and 47.5 percent.

#### **Private Sector Investment in New Buildings in Urban Areas**

In 1391, private sector investment in the buildings of urban areas rose 54.7 percent (at current prices) to reach Rls. 612.5 trillion. Private sector investment in new buildings in Tehran grew by 102.6 percent to Rls. 168.7 trillion. Therefore, the share of Tehran in private sector investment in new buildings of urban areas increased by 6.5 percentage points compared with the previous year and reached 27.5 percent. Private sector investment in "other large cities" and "other urban areas" increased by 54.5 and 32.7 percent, respectively.

Private sector investment according to construction phases indicated a rise of investment in new buildings, semi-finished buildings, and completed buildings, at current prices in 1391. Investment in semi-finished buildings enjoyed the highest share of total investment by 57.6 percent. Moreover, investment in new buildings and completed buildings accounted for 25.8 and 16.6 percent of total investment, respectively.

**Government Investment**

According to the Budget Law for 1391, a sum of RIs. 19.9 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 low-income, disabled, and needy groups. In this year, a sum of RIs. 8.4 trillion was paid for the implementation of the mentioned plans, indicating 29.1 percent decrease compared with the year before. This figure

equaled 42.0 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 71.4 and 10.9 percent, respectively. Moreover, the highest percentage of budget performance was related to "sewage system" by 119.9 percent, followed by "urban and rural transportation" by 49.5 percent.

**Table 5.1. Private Sector Investment in New Buildings in Urban Areas<sup>1</sup>**  
(at current prices)

	(billion rials)									
					Percentage change		Share (percent)		Contribution to the growth of investment (percent)	
	1389	1390 (base year:1383)	1390 (base year:1390) <sup>2</sup>	1391□	1390	1391	1390	1391	1391	
Tehran	60,085	79,888	83,236	168,673	33.0	102.6	21.0	27.5	21.6	
Other large cities	85,259	111,547	133,363	205,992	30.8	54.5	33.7	33.6	18.3	
Other urban areas	182,347	211,932	179,222	237,859	16.2	32.7	45.3	38.8	14.8	
<b>All urban areas</b>	<b>327,690</b>	<b>403,367</b>	<b>395,821</b>	<b>612,525</b>	<b>23.1</b>	<b>54.7</b>	<b>100.0</b>	<b>100.0</b>	<b>54.7</b>	

<sup>1</sup> Excludes the cost of land.

<sup>2</sup> Since 1390, data related to private sector investment in new buildings in urban areas have been calculated on the basis of the new base year (1390). Due to statistical revisions, new data are not comparable with those calculated based on 1383. Moreover, since 1391, percentage changes (1391 compared with 1390) have been calculated based on the new base year (1390).

**Box 5.1. Revision in Statistical Survey Framework of Private Sector Construction Activities**

The Economic Statistics Department of the Central Bank conducts statistical framework revisions every 5 or 7 years. Occasionally, new urban areas are added to statistical survey samples. Therefore, the statistical framework for the year 1383

has been revised and the year 1390 has been replaced as the base year. As a result, data for the year 1391, as well as the revised 1390 figures, are based on the new base year (1390) and not comparable with previous years.

## Banking Facilities

The outstanding facilities extended by banks and non-bank credit institutions to the non-public and public housing sectors indicated respectively 21.2 and 35.1 percent growth and amounted to Rls. 1,075.2 trillion and Rls. 0.9 trillion, respectively, at end-1391. On the other hand, outstanding facilities extended by banks and non-bank credit institutions to the non-public and public construction sectors showed respectively 32.0 and 18.7 percent decrease and reached Rls. 31.6 trillion and Rls. 5.7 trillion, respectively.

In 1391, of total Rls. 1,955.9 trillion loans and facilities extended by banks and non-bank credit institutions to various economic

sectors, a sum of Rls. 264.1 trillion was extended to the construction and housing sector, down by 22.6 percent compared with 1390. Therefore, the share of this sector in total facilities was 13.5 percent.

In 1391, Bank Maskan (Housing Bank), as the sole specialized bank in the housing sector, accounted for 50.8 percent of change in outstanding facilities extended to the housing sector. This bank extended 848.1 thousand loans and facilities, worth Rls. 209.4 trillion (excluding profit and revenue receivables), indicating 5.1 percent decrease and 1.5 percent increase, respectively, compared with the previous year. The mentioned

**Table 5.2. Private Sector Investment in New Buildings in Urban Areas based on Construction Phases<sup>1</sup> (at current prices)**

	(billion rials)									
	1390		1390		Percentage change		Share (percent)		Contribution to the growth of investment (percent)	
	1389	(base year:1383)	(base year:1390) <sup>2</sup>	1391□	1390	1391	1390	1391	1391	
Building starts	90,093	106,047	124,798	157,779	17.7	26.4	31.5	25.8	8.3	
Semi-finished buildings	187,927	243,962	236,924	352,867	29.8	48.9	59.9	57.6	29.3	
Completed buildings	49,670	53,358	34,099	101,879	7.4	198.8	8.6	16.6	17.1	
<b>Total investment</b>	<b>327,690</b>	<b>403,367</b>	<b>395,821</b>	<b>612,525</b>	<b>23.1</b>	<b>54.7</b>	<b>100.0</b>	<b>100.0</b>	<b>54.7</b>	

<sup>1</sup> Excludes the cost of land.

<sup>2</sup> Since 1390, data related to private sector investment in new buildings in urban areas have been calculated on the basis of the new base year (1390). Due to statistical revisions, new data are not comparable with those calculated based on 1383. Moreover, since 1391, percentage changes (1391 compared with 1390) have been calculated based on the new base year (1390).

**Table 5.3. Credits for Acquisition of Non-financial–National Assets in Housing Sector in 1391**

	(billion rials)			
	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	8,355.0	99.98	19,866.4	42.1
Welfare and social security (plans for the provision of housing to the low-income, disabled, and needy groups)	1.8	0.02	25.0	7.3
<b>Total</b>	<b>8,356.8</b>	<b>100.0</b>	<b>19,891.4</b>	<b>42.0</b>

Source: Treasury General, Ministry of Economic Affairs and Finance

## Chapter 5 CONSTRUCTION AND HOUSING

facilities, including profit and revenue receivables amounted to Rls. 312.4 trillion, showing 13.6 percent increase, compared with the previous year. In 1391, average facilities extended by Bank Maskan for the purchase of housing units amounted to Rls. 186.1 million, showing 9.7 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 50.4 percent. Furthermore, 118.0 thousand loans and facilities, valuing at Rls. 85.0 trillion, were extended in the form of civil partnership contracts. The value of facilities in the form of civil partnership contracts showed 28.2 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-1391, Bank Maskan paid facilities worth Rls. 7.3 trillion to "land preparation" and Rls. 306.5 trillion to "land allocation on a 99-year lease".

**Table 5.6. Facilities Extended by Bank Maskan<sup>1,2</sup>**

	1389	1390	1391	Percentage change	
				1390	1391
Number (thousand)	909.5	893.4	848.1	-1.8	-5.1
Value (trillion rials)	325.5	274.9	312.4	-15.5	13.6

Source: Bank Maskan

<sup>1</sup> Includes profit and revenue receivables.

<sup>2</sup> Includes obligations arising from concluded contracts.

**Table 5.4. Outstanding Facilities Extended by Banks and Non-bank Credit Institutions to Housing and Construction Sectors<sup>1</sup>**

(billion rials)

	Year-end		Change in balance	Percentage change	1391	
	1390	1391			Total change in balance	Relative share <sup>2</sup> (percent)
<b>Housing</b>	<b>888,027</b>	<b>1,076,109</b>	<b>188,082</b>	<b>21.2</b>	<b>617,678</b>	<b>30.4</b>
Non-public sector	887,327	1,075,163	187,835	21.2	509,583	36.9
Public sector	700	947	246	35.1	108,095	0.2
<b>Construction</b>	<b>53,438</b>	<b>37,270</b>	<b>-16,169</b>	<b>-30.3</b>	<b>617,678</b>	<b>-2.6</b>
Non-public sector	46,467	31,601	-14,866	-32.0	509,583	-2.9
Public sector	6,971	5,669	-1,302	-18.7	108,095	-1.2

<sup>1</sup> Excludes profit and revenue receivables.

<sup>2</sup> Share in total change in outstanding facilities extended to all economic sectors

**Table 5.5. Facilities Extended by Bank Maskan based on Contracts<sup>1</sup>**

(billion rials)

	1389	1390	1391	Percentage change		Share (percent)	
				1390	1391	1390	1391
Civil partnership <sup>2</sup>	217,126	118,395	84,952	-45.5	-28.2	57.4	40.6
Installment sale	52,181	74,904	112,683	43.5	50.4	36.3	53.8
Hire purchase	549	253	139	-53.9	-45.0	0.1	0.1
Ju'alah	4,865	4,077	6,802	-16.2	66.8	2.0	3.2
Gharz-al-hasanah	3,662	4,986	4,548	36.2	-8.8	2.4	2.2
Loans and facilities in foreign exchange (rial equivalent)	8,244	2,848	..	-65.5	0	1.4	..
Debt purchase (rial equivalent)	..	119	..	0	0	0.1	..
Others	1,095	639	245	-41.7	-61.6	0.3	0.1
<b>Total</b>	<b>287,721</b>	<b>206,222</b>	<b>209,369</b>	<b>-28.3</b>	<b>1.5</b>	<b>100.0</b>	<b>100.0</b>

Source: Bank Maskan

<sup>1</sup> Excludes profit and revenue receivables.

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

## Construction Permits

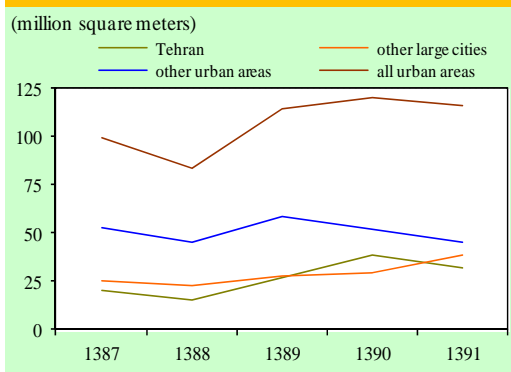
In 1391, construction permits issued by municipalities showed respectively 2.4 and 3.5 percent decrease in number and total floor space and reached 186.8 thousand and 116.6 million square meters, respectively. In other large cities, total number and floor space of buildings increased by 19.8 and 31.9 percent, respectively. Construction permits issued by municipalities in Tehran showed 22.8 and 17.5 percent decrease in 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 the review year, private sector started the construction of 225.8 thousand buildings, with a total floor space of 117.0 million square meters and an investment of Rls. 157.8 trillion (at current prices), in urban areas. The number of housing starts rose by 4.2 percent while their floor space fell by 2.5 percent. Number and total floor space of housing starts in Tehran increased by 27.7

and 29.5 percent, respectively. Moreover, the average floor space of housing starts in Tehran went up by 1.4 percent. The average cost for construction of new buildings (excluding the cost of land) was estimated at Rls. 4,822 thousand per square meter, in 1391, indicating 37.7 percent growth compared with the year before. In Tehran, average construction costs grew by 35.0 percent to Rls. 6,212 thousand.

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



**Table 5.7. Construction Permits Issued by Municipalities in Urban Areas**

	1389	1390	1391	Percentage change	
				1390	1391
Number of permits (thousand)	181.0	191.4	186.8	5.7	-2.4
Total floor space (million square meters)	114.2	120.7	116.6	5.7	-3.5
Average floor space (square meters)	631	631	624	0.0	-1.1

**Table 5.8. Housing Starts by Private Sector in Urban Areas**

	1389	1390 (base year: 1383)	1390 (base year: 1390) <sup>1</sup>	1391	Percentage change	
					1390	1391
Number (thousand)	211.4	197.3	216.7	225.8	-6.7	4.2
Estimated floor space (million square meters)	114.4	108.0	120.0	117.0	-5.6	-2.5
Average floor space (square meters)	541	547	554	518	1.2	-6.4
Average cost per square meter (thousand rials)	3,094	3,492	3,502	4,822	12.9	37.7

<sup>1</sup> Since 1390, data related to private sector investment in new buildings in urban areas have been calculated on the basis of the new base year (1390).

### Buildings Completed by Private Sector in Urban Areas

In 1391, private sector investment in completed buildings amounted to Rls. 101.9 trillion, accounting for 16.6 percent of total investment in this sector. In this year, 206.3 thousand buildings, with a total floor space of 106.1 million square meters, were completed by the private sector. Of total completed buildings, 89.2 percent were residential, 6.3 percent residential with a commercial purpose, and the remaining non-residential buildings.

In this year, the number and total floor space of buildings completed by the private sector in Tehran indicated 52.2 and 59.5 percent increase, respectively. Share of Tehran

in total floor space of completed buildings was 17.9 percent, that of "other large cities" was 32.3 percent, and "other urban areas" 49.8 percent.

### Residential Units Completed by Private Sector in Urban Areas

A total of 753.8 thousand residential units, with a total floor space of 98.4 million square meters, were completed by private sector and put into operation in 1391. The average floor space of these units increased by 3.6 percent, compared with the previous year, to 130 square meters.

**Table 5.9. Buildings Completed by Private Sector in Urban Areas**

	1389	1390 (base year: 1383)	1390 (base year: 1390) <sup>1</sup>	1391	Percentage change	
					1390	1391
Number (thousand)	202.5	170.4	97.7	206.3	-15.8	111.2
Total floor space (million square meters)	80.4	82.0	52.3	106.1	1.9	102.8
Average floor space (square meters)	397	481	535	514	21.1	-4.0
Average cost per square meter (thousand rials)	2,948	3,209	3,369	3,929	8.9	16.6

<sup>1</sup> Since 1390, data related to private sector investment in new buildings in urban areas have been calculated on the basis of the new base year (1390).

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

	1389	1390 (base year: 1383)	1390 (base year: 1390) <sup>1</sup>	1391	Percentage change	
					1390	1391
Number (thousand)	550.8	564.8	368.4	753.8	2.5	104.6
Total floor space (million square meters)	71.1	74.0	46.4	98.4	4.1	111.9
Average floor space (square meters)	129	131	126	130	1.6	3.6

<sup>1</sup> Since 1390, data related to private sector investment in new buildings in urban areas have been calculated on the basis of the new base year (1390).

### Land Price Index

In 1391, land price index in all urban areas increased by 56.8 percent compared with the previous year. This index showed a rise of 61.7 percent in Tehran.

**Table 5.11. Land Price Index by Urban Areas** (1390=100)

	1389	1390	1391	Percentage change	
				1390	1391
Tehran	80.4	100.0	161.7	24.4	61.7
Other large cities	88.7	100.0	153.8	12.8	53.8
Other urban areas	89.9	100.0	132.9	11.2	32.9
<b>All urban areas</b>	<b>85.1</b>	<b>100.0</b>	<b>156.8</b>	<b>17.5</b>	<b>56.8</b>

### 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, 1,964.4 thousand construction permits were issued and 1,825.9 thousand construction contracts were concluded, as of the implementation (Khordad 1386) until end-1391. Moreover, 1,865.6 thousand buildings were at the foundation phase and 1,073.8 thousand buildings were at the finishing touches phase. Of total construction permits issued as of the implementation date until 1391 year-end, 917.8 thousand belonged to landowners.

### Construction Indices

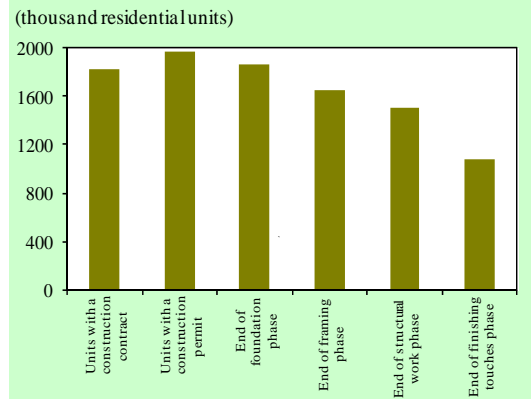
Construction services price index, a leading indicator of the labor market, indicated 33.9 percent increase compared with the year before. The highest growth rates in the sub-groups of this index were related to "daily wage of unskilled construction worker" and "wage paid for asphaltting" by 44.0 and 41.4 percent, respectively. In this year, the PPI

for construction materials rose 47.5 percent. Accordingly, the PPI for metallic and non-metallic construction materials recorded 64.4 and 23.8 percent increase, respectively.

**Table 5.12. Construction Indices** (1390=100)

	1389	1390	1391	Percentage change	
				1390	1391
Construction services price index	85.4	100.0	133.9	17.1	33.9
PPI for construction materials	81.2	100.0	147.5	23.2	47.5

**Figure 5.2. Performance of Mehr Housing Program as of implementation until end-1391**



**Figure 5.3. Growth in housing sector indices (1390=100)**

