

**B**ased on preliminary figures of national accounts, value-added of the construction sector (at constant 1383 prices) fell by 3.1 percent to Rls. 139.1 trillion. Gross fixed capital formation in this sector decreased by 1.1 percent in 1392, at constant 1383 prices.

Sharp increases in housing prices in 1391 and decline in households' purchasing power led to weaknesses in housing market in 1392. This led to lower private sector investment in construction activities. Therefore, in 1392, the number of construction permits issued by municipalities in all urban areas decreased by 7.6 percent.

The private sector started construction of 195.1 thousand new buildings, with a floor space of 108.1 million square meters in 1392. Moreover, 218.5 thousand buildings, with a total floor space of 120.0 million square meters, were completed by the

private sector in this year. On this basis, total floor space of housing starts decreased by 7.6 percent while that of completed buildings increased by 13.1 percent.

Land price index in urban areas registered 61.5 percent growth in 1392. Furthermore, construction services price index and the Producer Price Index for construction materials (base year: 1390) grew by 36.5 and 26.9 percent, respectively.

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

In 1392, private sector investment in the buildings of urban areas rose 23.1 percent (at current prices) to reach Rls. 754.2 trillion. Private sector investment in new buildings in Tehran grew by 8.5 percent to Rls. 183.0 trillion. Private sector investment in "other large cities" and "other urban areas" increased by 48.3 and 11.7 percent, respectively.

**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)
	1390	1391	1392	1391	1392	1391	1392	1392
Tehran	83,236	168,673	183,018	102.6	8.5	27.5	24.3	2.3
Other large cities	133,363	205,992	305,573	54.5	48.3	33.6	40.5	16.3
Other urban areas	179,222	237,859	265,592	32.7	11.7	38.8	35.2	4.5
<b>All urban areas</b>	<b>395,821</b>	<b>612,525</b>	<b>754,182</b>	<b>54.7</b>	<b>23.1</b>	<b>100.0</b>	<b>100.0</b>	<b>23.1</b>

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

## Chapter 5 CONSTRUCTION AND HOUSING

Private sector investment according to construction phases indicated a rise of investment in housing starts, semi-finished buildings, and completed buildings, at current prices in 1392. Investment in semi-finished buildings had the highest share of total investment by 53.8 percent. Moreover, investment in housing starts and completed buildings accounted for 24.1 and 22.1 percent of total investment, respectively.

### Government Investment

According to the Budget Law for 1392, a sum of Rls. 25.6 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 Rls. 12.1 trillion was paid for the implementation of the mentioned plans, indicating 44.6 percent increase compared with the year before. This figure equaled 47.3 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 "improvement of urban and rural structure" plans by 60.9 and 17.1 percent, respectively. Moreover, the highest percentage of budget performance was related to "urban and rural water" by 69.7 percent, followed by "housing" by 67.8 percent.

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

(billion rials)

				Percentage change		Share (percent)		Contribution to the growth of investment (percent)
	1390	1391	1392	1391	1392	1391	1392	1392
Housing starts	124,798	157,779	181,723	26.4	15.2	25.8	24.1	3.9
Semi-finished buildings	236,924	352,867	405,958	48.9	15.0	57.6	53.8	8.7
Completed buildings	34,099	101,879	166,501	198.8	63.4	16.6	22.1	10.6
<b>Total investment</b>	<b>395,821</b>	<b>612,525</b>	<b>754,182</b>	<b>54.7</b>	<b>23.1</b>	<b>100.0</b>	<b>100.0</b>	<b>23.1</b>

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

**Table 5.3. Credits for Acquisition of Non-financial–National Assets in Housing Sector in 1392**

(billion rials)

	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	12,077.6	99.9	25,522.6	47.3
Welfare and social security (plans for the provision of housing to the low-income, disabled, and needy groups)	9.5	0.1	28.2	33.6
<b>Total</b>	<b>12,087.1</b>	<b>100.0</b>	<b>25,550.9</b>	<b>47.3</b>

Source: Treasury General, Ministry of Economic Affairs and Finance.

## Banking Facilities

The outstanding facilities extended by banks and non-bank credit institutions to the non-public and public housing sectors indicated 18.8 and 72.2 percent growth and amounted to Rls. 1,277.6 trillion and Rls. 1.6 trillion, respectively, at end-1392. On the other hand, outstanding facilities extended by banks and non-bank credit institutions to the non-public and public construction sectors showed respectively 19.4 percent increase and 0.5 percent decrease to reach Rls. 37.7 trillion and Rls. 5.6 trillion.

In 1392, of total Rls. 2,362.2 trillion loans and facilities extended by banks and non-bank credit institutions to various economic sectors, a sum of Rls. 287.1 trillion was extended to the construction and housing sector, up by 8.7 percent compared with 1391.

In 1392, Bank Maskan (Housing Bank), as the sole specialized bank in the housing sector, accounted for 34.6 percent of change in outstanding facilities extended to the non-public housing sector. This bank extended 285.9 thousand loans and facilities, worth Rls. 84.8 trillion (excluding profit and revenue receivables), indicating 34.3 and 34.4 percent decrease, respectively, compared with the previous year. The mentioned facilities,

including profit and revenue receivables, amounted to Rls. 111.0 trillion, showing 32.0 percent decrease compared with the previous year. In 1392, average facilities extended by Bank Maskan for the purchase of housing units amounted to Rls. 182.1 million, showing 0.2 percent rise compared with the previous year. Moreover, the amount of facilities extended in the form of installment sale contracts (excluding profit receivables) decreased by 40.4 percent.

Furthermore, 45.0 thousand loans and facilities, valuing at Rls. 47.2 trillion, were extended in the form of civil partnership contracts. The value of facilities in the form of civil partnership contracts showed 44.4 percent decline compared with the previous year.

**Table 5.5. Facilities Extended by Bank Maskan<sup>1,2</sup>**

	1390▲ 1391▲ 1392			Percentage change	
	1390▲	1391▲	1392	1391	1392
Number (thousand)	650.8	435.0	285.9	-33.2	-34.3
Value (trillion rials)	214.6	163.1	111.0	-24.0	-32.0

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>**

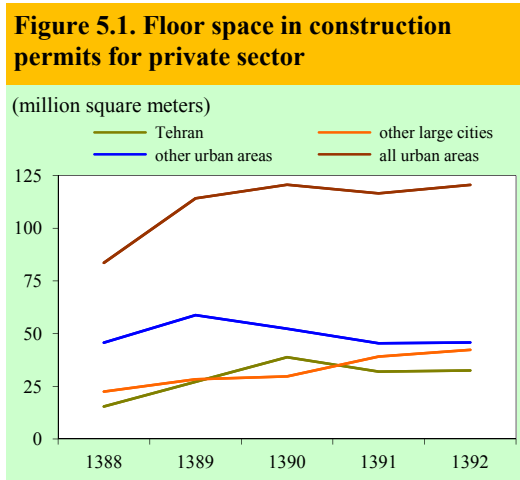
	Year-end		1392			
	1391	1392	Change in balance	Percentage change	Total change in balance	Relative share <sup>2</sup> (percent)
<b>Housing</b>	<b>1,076,109</b>	<b>1,279,205</b>	<b>203,096</b>	<b>18.9</b>	<b>914,545</b>	<b>22.2</b>
Non-public sector	1,075,163	1,277,575	202,413	18.8	756,074	26.8
Public sector	947	1,630	683	72.2	158,471	0.4
<b>Construction</b>	<b>37,270</b>	<b>43,375</b>	<b>6,105</b>	<b>16.4</b>	<b>914,545</b>	<b>0.7</b>
Non-public sector	31,601	37,731	6,131	19.4	756,074	0.8
Public sector	5,669	5,643	-26	-0.5	158,471	0.0

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

<sup>2</sup> It indicates shares of construction and housing sectors of change in total outstanding facilities extended to all economic sectors.

### Construction Permits

In 1392, construction permits issued by municipalities showed 7.6 percent decrease in number to reach 172.6 thousand. On the other hand, total floor space stipulated in construction permits increased by 3.4 percent to 120.6 million square meters. Number of construction permits in Tehran, other large cities, and small and medium-size cities decreased by 17.6, 5.7, and 6.1 percent while total floor space of buildings in these areas registered 1.5, 8.1, and 0.8 percent growth, respectively.



**Table 5.6. Facilities Extended by Bank Maskan based on Contracts<sup>1</sup>** (billion rials)

				Percentage change		Share (percent)	
	1390	1391	1392	1391	1392	1391	1392
Civil partnership- housing construction <sup>2</sup>	118,395	84,952	47,236	-28.2	-44.4	65.7	55.7
Installment sale- housing purchase	40,365	30,859	18,397	-23.6	-40.4	23.9	21.7
Other purchases	1,122	1,751	1,400	56.1	-20.1	1.4	1.7
Hire purchase	253	139	185	-45.0	33.0	0.1	0.2
Ju'alah	4,077	6,802	13,858	66.8	103.7	5.3	16.3
Gharz-al-hasaneh (marriage, housing deposit, and housing completion)	2,102	592	21	-71.8	-96.4	0.5	*
Gharz-al-hasaneh (other)	2,885	3,956	3,391	37.1	-14.3	3.1	4.0
Loans and facilities in foreign exchange (rial equivalent)	2,848	0	0	-100.0	0	0.0	0.0
Debt purchase (rial equivalent)	119	0	0	-100.0	0	0.0	0.0
Others	639	245	280	-61.6	14.1	0.2	0.3
<b>Total</b>	<b>172,805</b>	<b>129,296</b>	<b>84,768</b>	<b>-25.2</b>	<b>-34.4</b>	<b>100.0</b>	<b>100.0</b>
<b>Installment sale-share of Bank Maskan from civil partnership contracts<sup>3</sup></b>	<b>33,417</b>	<b>80,073</b>	<b>87,467</b>	<b>139.6</b>	<b>9.2</b>	<b>-</b>	<b>-</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.

<sup>3</sup> Based on Bank Maskan's new Guideline, facilities extended under installment sale contracts (share of Bank Maskan out of conversion of civil partnership contracts to installment sale contracts) have been excluded from the sum total of extended facilities.

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

				Percentage change	
	1390	1391	1392	1391	1392
Number of permits (thousand)	191.4	186.8	172.6	-2.4	-7.6
Total floor space (million square meters)	120.7	116.6	120.6	-3.5	3.4
Average floor space (square meters)	631	624	698	-1.1	11.9

### Housing Starts by Private Sector in Urban Areas

Private sector started the construction of 195.1 thousand buildings, with a total floor space of 108.1 million square meters and an investment of Rls. 181.7 trillion (at current prices), in urban areas, in 1392. The number and total floor space of housing starts fell by 13.6 and 7.6 percent, respectively. Number and total floor space of housing starts in Tehran decreased by 35.0 and 24.0 percent, respectively. The average floor space of housing starts in Tehran, however, went up by 17.0 percent. The average cost for construction of new buildings (excluding the cost of land) was estimated at Rls. 6,695 thousand per square meter, in 1392, showing 38.8 percent growth compared with the year before. In Tehran, average construction costs reached Rls. 8,602 thousand, showing 38.5 percent increase compared with 1391.

### Buildings Completed by Private Sector in Urban Areas

In 1392, private sector investment in completed buildings amounted to Rls. 166.5 trillion, accounting for 22.1 percent of total investment in this sector. In this year, 218.5 thousand buildings, with a total floor space of 120.0 million square meters, were completed by the private sector. Of total completed buildings, 87.4 percent were residential, 8.0 percent residential with a commercial purpose, and the remaining non-residential buildings.

In 1392, number and floor space of buildings completed by the private sector in all urban areas indicated 5.9 and 13.1 percent increase, respectively. Share of Tehran in total floor space of completed buildings was 22.6 percent, that of "other large cities" 33.7 percent, and "other urban areas" 43.7 percent.

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

	1390	1391	1392	Percentage change	
				1391	1392
Number (thousand)	216.7	225.8	195.1	4.2	-13.6
Estimated floor space (million square meters)	120.0	117.0	108.1	-2.5	-7.6
Average floor space (square meters)	554	518	554	-6.4	6.9
Average cost per square meter (thousand rials)	3,502	4,822	6,695	37.7	38.8

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

	1390	1391	1392	Percentage change	
				1391	1392
Number (thousand)	97.7	206.3	218.5	111.2	5.9
Total floor space (million square meters)	52.3	106.1	120.0	102.8	13.1
Average floor space (square meters)	535	514	549	-4.0	6.8
Average cost per square meter (thousand rials)	3,369	3,929	5,195	16.6	32.2

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

A total of 834.1 thousand residential units, with a total floor space of 111.5 million square meters, were completed by private sector and put into operation in 1392. The average floor space of these units increased by 2.4 percent, compared with the previous year, to 134 square meters.

### Land Price Index

In 1392, land price index in all urban areas increased by 61.5 percent compared with the previous year. This index showed a rise of 59.2 percent in Tehran.

**Table 5.10. Land Price Index by Urban Areas** (1390=100)

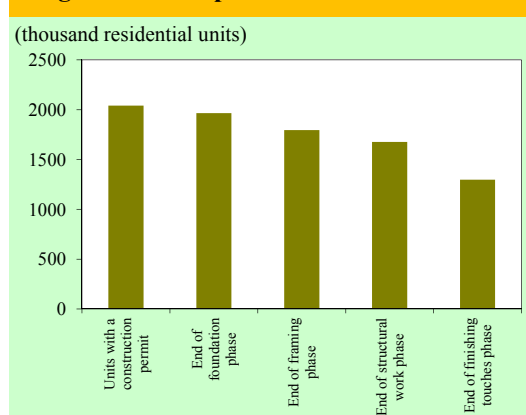
	1390	1391	1392	Percentage change	
				1391	1392
Tehran	100.0	161.7	257.4	61.7	59.2
Other large cities	100.0	153.8	256.4	53.8	66.7
Other urban areas	100.0	132.9	210.8	32.9	58.6
<b>All urban areas</b>	<b>100.0</b>	<b>156.8</b>	<b>253.2</b>	<b>56.8</b>	<b>61.5</b>

### 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. Ratification of the Law on Organization and Support for Home Construction in 1387 paved the way for the continuation of implementation of Mehr Housing Program in the following years. Through this Program, 2,041.4 thousand construction permits were issued, as of the implementation (Khordad 1386) until end-1392. Moreover, 1,964.8 thousand buildings were at the foundation phase and 1,296.5 thousand buildings were at the finishing touches phase. Of total construction permits issued as of the implementation date until 1392 year-end, 910.3 thousand belonged to landowners.

**Figure 5.2. Performance of Mehr Housing Program as of implementation until end-1392**

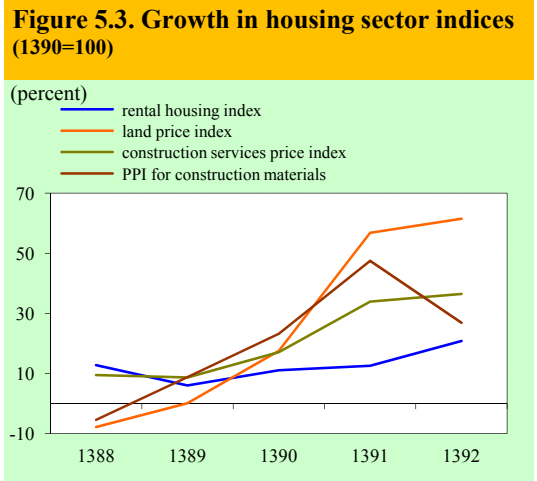


**Table 5.11. Residential Units Completed by Private Sector in Urban Areas**

	1390	1391	1392	Percentage change	
				1391	1392
Number (thousand)	368.4	753.8	834.1	104.6	10.6
Total floor space (million square meters)	46.4	98.4	111.5	111.9	13.3
Average floor space (square meters)	126	130	134	3.6	2.4

### Construction Indices

Construction services price index, an indicator of labor market and wage developments in construction and housing sector, indicated 36.5 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 "wage of skilled electrician" by 45.7 and 43.9 percent, respectively. In this year, the PPI for construction materials rose 26.9 percent (1390=100). Accordingly, the PPI for metallic and non-metallic construction materials recorded 25.3 and 29.9 percent increase, respectively.



**Table 5.12. Construction Indices**

(1390=100)

	1390	1391	1392	Percentage change	
				1391	1392
Construction services price index	100.0	133.9	182.8	33.9	36.5
PPI for construction materials	100.0	147.5	187.2	47.5	26.9