

**B**ased on preliminary figures of national accounts, value-added of the construction sector (at constant 1383 prices) fell by 0.4 percent to Rls. 138.5 trillion. On the other hand, gross fixed capital formation in this sector increased by 0.7 percent in 1393, at constant 1383 prices.

In 1393, private sector construction activities were sluggish. In this year, the number of construction permits issued by municipalities in urban areas declined by 32.1 percent compared with 1392.

The private sector started construction of 157.6 thousand new buildings, with a floor space of 94.0 million square meters in 1393. Moreover, 196.9 thousand buildings, with a total floor space of 108.1 million square meters, were completed by the private sector in this year. On this basis, total floor

space of housing starts and completed buildings decreased by 13.0 and 9.9 percent, respectively, compared with 1392.

Land price index in urban areas registered 10.3 percent growth in 1393. Furthermore, construction services price index and the Producer Price Index for construction materials (base year: 1390) grew by 19.9 and 4.1 percent, respectively.

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

In 1393, private sector investment in the buildings of urban areas rose 7.5 percent (at current prices) to reach Rls. 810.6 trillion. Private sector investment in new buildings in Tehran grew by 12.3 percent to Rls. 205.4 trillion. Private sector investment in "other large cities" and "other urban areas" increased by 10.0 and 1.3 percent, respectively.

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

	(trillion rials)								
				Percentage change		Share (percent)		Contribution to the growth of investment (percent)	
	1391	1392	1393	1392	1393	1392	1393	1393	
Tehran	168.7	183.0	205.4	8.5	12.3	24.3	25.3	3.0	
Other large cities	206.0	305.6	336.2	48.3	10.0	40.5	41.5	4.1	
Other urban areas	237.9	265.6	269.0	11.7	1.3	35.2	33.2	0.4	
<b>All urban areas</b>	<b>612.5</b>	<b>754.2</b>	<b>810.6</b>	<b>23.1</b>	<b>7.5</b>	<b>100.0</b>	<b>100.0</b>	<b>7.5</b>	

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

## Chapter 5 CONSTRUCTION AND HOUSING

Private sector investment according to construction phases indicated positive growth in housing starts, semi-finished buildings, and completed buildings, at current prices in 1393. Investment in semi-finished buildings had the highest share of total investment by 55.4 percent. Moreover, investment in housing starts and completed buildings accounted for 23.2 and 21.4 percent of total investment, respectively.

### Government Investment

According to the Budget Law for 1393, a sum of Rls. 17.4 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. 13.4 trillion was paid for the implementation of the mentioned plans, indicating 10.7 percent increase compared with the year before. This figure equaled 77.1 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 64.2 and 11.8 percent, respectively. Moreover, the highest percentage of budget performance was related to "urban and rural transportation" by 89.2 percent, followed by "reinforcement of buildings" by 86.0 percent.

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

	(trillion rials)								
				Percentage change		Share (percent)		Contribution to the growth of investment (percent)	
	1391	1392	1393	1392	1393	1392	1393	1393	
Housing starts	157.8	181.7	188.3	15.2	3.6	24.1	23.2	0.9	
Semi-finished buildings	352.9	406.0	448.7	15.0	10.5	53.8	55.4	5.7	
Completed buildings	101.9	166.5	173.6	63.4	4.2	22.1	21.4	0.9	
<b>Total investment</b>	<b>612.5</b>	<b>754.2</b>	<b>810.6</b>	<b>23.1</b>	<b>7.5</b>	<b>100.0</b>	<b>100.0</b>	<b>7.5</b>	

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

**Table 5.3. Credits for Acquisition of Non-financial–National Assets in Housing Sector in 1393**

	(billion rials)			
	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	13,372.0	99.9	17,333.5	77.1
Welfare and social security (plans for the provision of housing to the low-income, disabled, and needy groups)	13.6	0.1	20.0	67.9
<b>Total</b>	<b>13,385.6</b>	<b>100.0</b>	<b>17,353.5</b>	<b>77.1</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 16.6 and 3.3 percent growth and amounted to Rls. 1,489.3 trillion and Rls. 1.7 trillion, respectively, at end-1393. On the other hand, outstanding facilities extended by banks and non-bank credit institutions to the non-public and public construction sectors showed respectively 30.7 percent increase and 11.2 percent decrease to reach Rls. 49.3 trillion and Rls. 5.0 trillion.

In 1393, of total Rls. 3,414.2 trillion loans and facilities extended by banks and non-bank credit institutions to various economic sectors, a sum of Rls. 404.5 trillion was extended to the construction and housing sector, up by 40.9 percent compared with 1392.

In 1393, Bank Maskan (Housing Bank), as the sole specialized bank in the housing sector, extended 336.1 thousand loans and facilities, worth Rls. 86.0 trillion (excluding profit and revenue receivables), indicating 17.5 and 1.4 percent increase, respectively, compared with the previous year. The mentioned facilities, including profit and revenue

receivables, amounted to Rls. 128.4 trillion, showing 15.8 percent increase compared with the previous year. In 1393, average facilities extended by Bank Maskan for the purchase of housing units amounted to Rls. 266.8 million, showing 46.5 percent rise compared with the previous year. Moreover, the amount of facilities extended in the form of installment sale contracts (excluding profit receivables) increased by 84.3 percent.

Furthermore, 20.3 thousand loans and facilities, valuing at Rls. 32.9 trillion, were extended in the form of civil partnership contracts. The value of facilities in the form of civil partnership contracts showed 30.4 percent decline compared with the previous year.

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

	1391	1392	1393	Percentage change	
				1392	1393
Number (thousand)	435.0	285.9	336.1	-34.3	17.5
Value (trillion rials)	163.1	111.0	128.4	-32.0	15.8

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>**

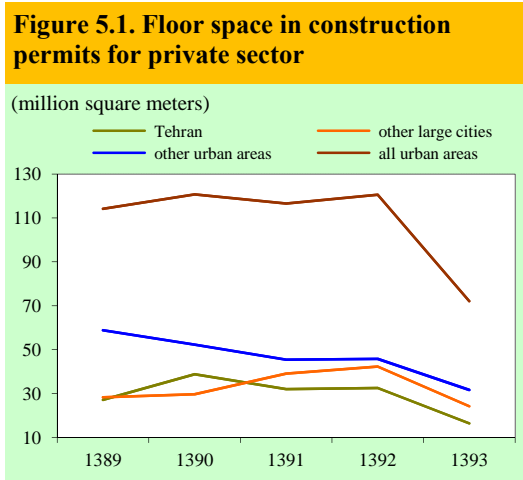
	Year-end		1393			
	1392	1393	Change in balance	Percentage change	Total change in balance	Relative share <sup>2</sup>
						(percent)
<b>Housing</b>	<b>1,279.2</b>	<b>1,491.0</b>	<b>211.8</b>	<b>16.6</b>	<b>1,084.4</b>	<b>19.5</b>
Non-public sector	1,277.6	1,489.3	211.7	16.6	775.1	27.3
Public sector	1.6	1.7	0.1	3.3	309.3	*
<b>Construction</b>	<b>43.4</b>	<b>54.3</b>	<b>10.9</b>	<b>25.2</b>	<b>1,084.4</b>	<b>1.0</b>
Non-public sector	37.7	49.3	11.6	30.7	775.1	1.5
Public sector	5.6	5.0	-0.6	-11.2	309.3	-0.2

<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 1393, construction permits issued by municipalities showed 32.1 percent decrease in number to reach 117.2 thousand. Moreover, total floor space stipulated in construction permits fell by 40.2 percent to 72.1 million square meters. Number of construction permits in Tehran, other large cities, and small and medium-size cities decreased by 52.0, 36.1, and 26.2 percent and total floor space of buildings in these areas also recorded 49.7, 42.8, and 31.0 percent decline, respectively.



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

(billion rials)

	1391	1392	1393	Percentage change		Share (percent)	
				1392	1393	1392	1393
Civil partnership- housing construction <sup>2</sup>	84,952	47,236	32,878	-44.4	-30.4	55.7	38.2
Installment sale-housing purchase	30,859	18,397	33,908	-40.4	84.3	21.7	39.4
Installment sale-other purchases	1,751	1,400	180	-20.1	-87.2	1.7	0.2
Murabaha	0	0	309	0	0	0.0	0.4
Hire purchase	139	185	71	33.0	-61.5	0.2	0.1
Ju'alah	6,802	13,858	12,308	103.7	-11.2	16.3	14.3
Gharz-al-hasaneh (marriage, housing deposit, and housing completion)	592	21	1,505	-96.4	0	*	1.7
Gharz-al-hasaneh (other)	3,956	3,391	4,514	-14.3	33.1	4.0	5.2
Debt purchase (rial equivalent)	0	0	106	0	0	0.0	0.1
Others	245	280	216	14.1	-22.9	0.3	0.3
<b>Total</b>	<b>129,296</b>	<b>84,768</b>	<b>85,996</b>	<b>-34.4</b>	<b>1.4</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>80,073</b>	<b>87,467</b>	<b>112,364</b>	<b>9.2</b>	<b>28.5</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**

	1391	1392	1393	Percentage change	
				1392	1393
Number of permits (thousand)	186.8	172.6	117.2	-7.6	-32.1
Total floor space (million square meters)	116.6	120.6	72.1	3.4	-40.2
Average floor space (square meters)	624	698	615	11.9	-11.9

### Housing Starts by Private Sector in Urban Areas

Private sector started the construction of 157.6 thousand buildings, with a total floor space of 94.0 million square meters and an investment of Rls. 188.3 trillion (at current prices), in urban areas, in 1393. The number and total floor space in housing starts fell by 19.2 and 13.0 percent, respectively. Number and total floor space of buildings in other large cities decreased by 22.8 and 16.3 percent. In Tehran, number and total floor space of housing starts decreased by 20.3 and 5.2 percent. The average cost for construction of new buildings (excluding the cost of land) was estimated at Rls. 7,959 thousand per square meter in 1393, showing 18.9 percent growth compared with the year before. In Tehran, average construction costs reached Rls. 10,845 thousand, showing 26.1 percent increase compared with 1392.

### Buildings Completed by Private Sector in Urban Areas

In 1393, private sector investment in completed buildings amounted to Rls. 173.6 trillion, accounting for 21.4 percent of total

investment in this sector. In this year, 196.9 thousand buildings, with a total floor space of 108.1 million square meters, were completed by the private sector. Of total completed buildings, 88.0 percent were residential, 7.1 percent residential with a commercial purpose, and the remaining non-residential buildings.

In 1393, number and floor space of buildings completed by the private sector in all urban areas indicated 9.9 percent decrease. Share of Tehran in total floor space of completed buildings was 18.6 percent, that of "other large cities" 39.8 percent, and "other urban areas" 41.6 percent. In 1393, average floor space of completed buildings did not change significantly compared with the year before. However, in Tehran, the average floor space of completed buildings increased by 15.7 percent to 1,101 square meters. Average cost of completed buildings per square meter in all urban areas, excluding the cost of land, rose 20.1 percent. In Tehran, other large cities, and other urban areas, the average construction cost registered 21.6, 25.4, and 16.7 percent growth, respectively.

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

	1391	1392	1393	Percentage change	
				1392	1393
Number (thousand)	225.8	195.1	157.6	-13.6	-19.2
Estimated floor space (million square meters)	117.0	108.1	94.0	-7.6	-13.0
Average floor space (square meters)	518	554	596	6.9	7.7
Average cost per square meter (thousand rials)	4,822	6,695	7,959	38.8	18.9

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

	1391	1392	1393	Percentage change	
				1392	1393
Number (thousand)	206.3	218.5	196.9	5.9	-9.9
Total floor space (million square meters)	106.1	120.0	108.1	13.1	-9.9
Average floor space (square meters)	514	549	549	6.8	*
Average cost per square meter (thousand rials)	3,929	5,195	6,239	32.2	20.1

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

A total of 718.6 thousand residential units, with a total floor space of 98.0 million square meters, were completed by private sector and put into operation in 1393. The average floor space of these units increased by 2.1 percent, compared with the previous year, to 136 square meters.

### Land Price Index

In 1393, land price index in all urban areas increased by 10.3 percent compared with the previous year. This index showed a rise of 7.3 percent in Tehran.

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

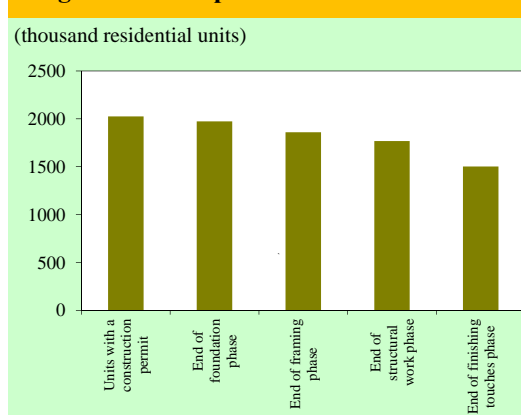
	1391	1392	1393	Percentage change	
				1392	1393
Tehran	161.7	257.4	276.2	59.2	7.3
Other large cities	153.8	256.4	287.4	66.7	12.1
Other urban areas	132.9	210.8	273.0	58.6	29.5
<b>All urban areas</b>	<b>156.8</b>	<b>253.2</b>	<b>279.4</b>	<b>61.5</b>	<b>10.3</b>

### 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, 2,025.0 thousand construction permits were issued, as of the implementation date (Khordad 1386) until end-1393. Moreover, 1,973.3 thousand buildings were at the foundation phase and 1,501.9 thousand buildings reached the finishing touches phase. Of total construction permits issued as of the implementation date until 1393 year-end, 746.7 thousand belonged to landowners.

**Figure 5.2. Performance of Mehr Housing Program as of implementation until end-1393**



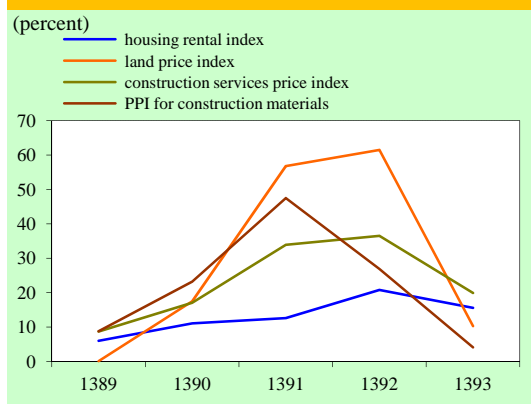
**Table 5.11. Residential Units Completed by Private Sector in Urban Areas**

	1391	1392	1393	Percentage change	
				1392	1393
Number (thousand)	753.8	834.1	718.6	10.6	-13.8
Total floor space (million square meters)	98.4	111.5	98.0	13.3	-12.0
Average floor space (square meters)	130	134	136	2.4	2.1

### Housing Rental Index in Urban Areas

In 1393, housing rental index surged by 15.6 percent in all urban areas. The growth of this index for Tehran was 14.1 percent and for small cities, 19.5 percent.

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



### Construction Indices

Construction services price index, an indicator of labor market and wage developments in construction and housing sector, indicated 19.9 percent increase compared with the year before. The highest growth rates in the subgroups of this index were related to "wage paid for well-digging" and "wage paid for tile installation" by 24.9 and 22.4 percent, respectively. In this year, the PPI for construction materials rose 4.1 percent (1390=100). Accordingly, the PPI for metallic and non-metallic construction materials recorded 0.4 percent decrease and 12.2 percent increase, respectively.

**Table 5.13. Construction Indices (1390=100)**

	1391	1392	1393	Percentage change	
				1392	1393
Construction services price index	133.9	182.8	219.2	36.5	19.9
PPI for construction materials	147.5	187.2	194.9	26.9	4.1

**Table 5.12. Housing Rental Index**

(1390=100)

	1391	1392	1393	Percentage change	
				1392	1393
Tehran	110.6	134.7	153.7	21.8	14.1
Other large cities <sup>1</sup>	112.1	135.7	156.9	21.0	15.6
Medium-size cities	113.2	135.2	154.6	19.4	14.3
Small cities	114.7	140.4	167.8	22.4	19.5
<b>All urban areas</b>	<b>112.6</b>	<b>136.0</b>	<b>157.2</b>	<b>20.8</b>	<b>15.6</b>

<sup>1</sup> Includes Tehran.