

Based on preliminary data on national accounts, the value-added growth of the construction sector fell by 17.0 percent to Rls. 349.0 trillion (at constant 1390 prices). This negative trend was mainly due to the recessionary conditions affecting the construction activities of the private sector. Gross fixed capital formation in this sector decreased by 10.7 percent in 1394 at constant 1390 prices. Furthermore, 13.4 percent decrease in the number of construction permits issued for urban areas and 13.5 percent decline in private sector investment in construction in urban areas are also indicative of the continuation of slowdown in this sector.

The private sector started construction of 107.9 thousand new buildings, with a floor space of 69.0 million square meters in 1394. Moreover, 144.4 thousand buildings, with a total floor space of 88.2 million square meters, were completed by the private sector in this year. Total floor space of housing starts and

completed buildings fell by 26.6 and 18.4 percent, respectively, compared with 1393.

In 1394, land price index in urban areas and construction services price index registered 3.7 and 12.9 percent growth, respectively (base year: 1390). However, Producer Price Index for construction materials decreased by 6.2 percent compared with the year before, mainly attributable to the decline in the global price of metals used in the construction sector.

Private Sector Investment in New Buildings in Urban Areas

In 1394, private sector investment in the buildings of urban areas fell by 13.5 percent (at current prices) to reach Rls. 701.5 trillion. Private sector investment in new buildings in Tehran declined by 12.9 percent to reach Rls. 178.9 trillion. In other large cities and other urban areas, this variable decreased by 16.5 and 10.0 percent, respectively.

Table 5.1. Private Sector Investment in New Buildings in Urban Areas¹
 (at current prices)

	(trillion rials)								
				Percentage change		Share (percent)		Contribution to the growth of investment (percent)	
	1392	1393	1394	1393	1394	1393	1394	1394	
Tehran	183.0	205.4	178.9	12.3	-12.9	25.3	25.5	-3.3	
Other large cities	305.6	336.2	280.6	10.0	-16.5	41.5	40.0	-6.9	
Other urban areas	265.6	269.0	242.0	1.3	-10.0	33.2	34.5	-3.3	
All urban areas	754.2	810.6	701.5	7.5	-13.5	100.0	100.0	-13.5	

¹Excludes the cost of land.

Chapter 5 CONSTRUCTION AND HOUSING

In 1394, private sector investment according to construction phases indicated negative growth in housing starts, semi-finished buildings, and completed buildings at current prices. Investment in semi-finished buildings had the highest share of total investment by 56.2 percent. Moreover, investment in housing starts and completed buildings accounted for 22.1 and 21.6 percent of total investment, respectively.

Government Investment

According to the Budget Law for 1394, a sum of Rls. 26.6 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 and needy groups. In this year, a sum of Rls. 8.0 trillion was paid for the implementation of the mentioned plans, down by 40.3 percent compared with the year before. This figure equaled 30.0 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 "urban and rural water" plans by 47.6 and 25.9 percent, respectively. Moreover, the highest percentage of budget performance was related to "urban and rural water" by 46.1 percent, followed by "urban and rural transportation" by 32.2 percent.

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

(trillion rials)

				Percentage change		Share (percent)		Contribution to the growth of investment (percent)
	1392	1393	1394	1393	1394	1393	1394	1394
Housing starts	181.7	188.3	155.1	3.6	-17.6	23.2	22.1	-4.1
Semi-finished buildings	406.0	448.7	394.5	10.5	-12.1	55.4	56.2	-6.7
Completed buildings	166.5	173.6	151.9	4.2	-12.5	21.4	21.6	-2.7
Total investment	754.2	810.6	701.5	7.5	-13.5	100.0	100.0	-13.5

¹Excludes the cost of land.

Table 5.3. Credits for Acquisition of Non-financial–National Assets in Housing Sector in 1394

(billion rials)

	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	7,953.4	99.6	26,367.1	30.2
Welfare and social security (Affordable Housing Plan for the provision of housing to the low-income and needy groups)	35.0	0.4	223.4	15.7
Total	7,988.4	100.0	26,590.5	30.0

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

Banking Facilities

The outstanding facilities extended by banks and credit institutions to the non-public and public housing sectors indicated 8.6 percent growth and 1.3 percent decline, respectively. This variable amounted to Rls. 1,617.0 trillion for the non-public and Rls. 1.7 trillion for the public sector at end-1394. The outstanding facilities extended by banks and non-bank credit institutions to the non-public and public construction sectors showed respectively 21.4 percent increase and 24.8 percent decrease to reach Rls. 59.9 trillion and Rls. 3.8 trillion.

In 1394, of total Rls. 4,173.2 trillion loans and facilities extended by banks and non-bank credit institutions to various economic sectors, Rls. 431.1 trillion was extended to the construction and housing sector, indicating 6.6 percent increase compared with 1393.

In 1394, Bank Maskan (Housing Bank), as the sole specialized bank in the housing

sector, extended 290.2 thousand loans and facilities worth Rls. 105.6 trillion (excluding profit and revenue receivables), indicating respectively 13.6 percent decrease and 22.8 percent increase compared with the year before. The mentioned facilities, including profit and revenue receivables, reached Rls. 150.0 trillion, showing 16.8 percent rise compared with the previous year. In 1394, the average facilities extended by Bank Maskan for the purchase of housing units amounted to Rls. 284.1 million, showing 6.5 percent growth compared with the previous year. The amount of facilities extended in the form of installment sale contracts for housing purchase (excluding profit receivables) increased by 3.0 percent compared with 1393. Furthermore, a total of 20.4 thousand loans and facilities valuing at Rls. 50.3 trillion were extended in the form of civil partnership contracts, the value of which indicated 52.9 percent increase compared with the year before.

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

(trillion rials)

	Year-end		1394			
	1393	1394	Change in balance	Percentage change	Total change in balance	Relative share ² (percent)
Housing	1,491.0	1,618.7	127.7	8.6	1,598.4	8.0
Non-public sector	1,489.3	1,617.0	127.7	8.6	1,107.6	11.5
Public sector	1.7	1.7	*	-1.3	490.8	*
Construction	54.4	63.7	9.3	17.1	1,598.4	0.6
Non-public sector	49.4	59.9	10.5	21.4	1,107.6	1.0
Public sector	5.0	3.8	-1.2	-24.8	490.8	-0.3

¹Excludes profit and revenue receivables.

²Indicates the share of these sectors in the change of outstanding facilities extended to economic sectors.

Construction Permits

In 1394, construction permits issued by municipalities in urban areas indicated 13.4 percent decline in number and reached 101.5 thousand. Moreover, the total floor space stipulated in construction permits decreased by 14.1 percent to reach 61.9 million square meters. The number of construction permits in Tehran, other large cities, and other urban areas decreased by respectively 20.6, 10.7, and 13.6 percent. Meanwhile, the total floor space of buildings in these areas recorded 24.2, 8.9, and 12.9 percent decline, respectively.

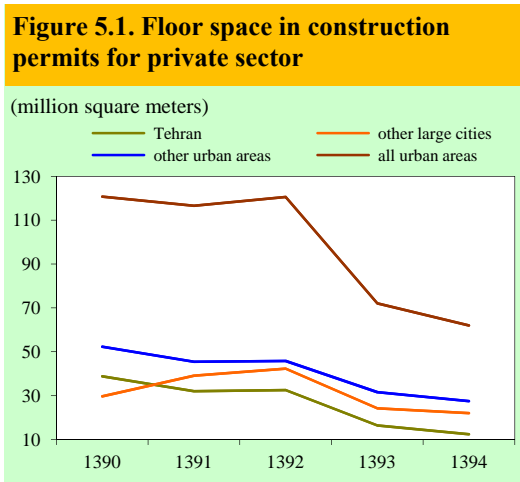


Table 5.5. Facilities Extended by Bank Maskan based on Contracts¹

(billion rials)

	1392	1393	1394	Percentage change		Share (percent)	
				1393	1394	1393	1394
Civil partnership- housing construction ²	47,236	32,878	50,283	-30.4	52.9	38.2	47.6
Installment sale-housing purchase	18,397	33,908	34,917	84.3	3.0	39.4	33.1
Installment sale-other purchases	1,400	180	2,514	-87.2	⊠	0.2	2.4
Murabaha	0	309	55	θ	-82.3	0.4	0.1
Hire purchase	185	71	75	-61.5	5.3	0.1	0.1
Ju'alah	13,858	12,308	11,434	-11.2	-7.1	14.3	10.8
Gharz-al-hasaneh (marriage, housing deposit, and housing completion)	21	1,505	235	⊠	-84.4	1.7	0.2
Gharz-al-hasaneh (other)	3,391	4,514	5,562	33.1	23.2	5.2	5.3
Debt purchase (rial equivalent)	0	106	0	θ	-100.0	0.1	0.0
Others	280	216	549	-22.9	154.5	0.3	0.5
Total	84,768	85,996	105,625	1.4	22.8	100.0	100.0
Installment sale-share of Bank Maskan from civil partnership contracts³	87,467	112,364	85,944	28.5	-23.5	-	-

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.

³ Based on the new Guideline by Housing Bank, 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 5.6. Construction Permits Issued by Municipalities in Urban Areas

	1392	1393	1394	Percentage change	
				1393	1394
Number of permits (thousand)	172.6	117.2	101.5	-32.1	-13.4
Total floor space (million square meters)	120.6	72.1	61.9	-40.2	-14.1
Average floor space (square meters)	698	615	610	-11.9	-0.8

Housing Starts by Private Sector in Urban Areas

Private sector started the construction of 107.9 thousand buildings with a total floor space of 69.0 million square meters and an investment of Rls. 155.1 trillion (at current prices) in urban areas in 1394. The number and total floor space in housing starts fell by 31.5 and 26.6 percent, respectively. The number and total floor space of buildings in other large cities showed higher decreases by 36.3 and 32.9 percent. In Tehran, the number and total floor space of housing starts decreased by 40.1 and 19.2 percent. The average cost for the construction of new buildings (excluding the cost of land) was estimated at Rls. 8,983 thousand per square meter in 1394, up by 12.9 percent compared with 1393. In Tehran, the average construction cost reached Rls. 11,174 thousand, up by 3.0 percent compared with 1393.

Buildings Completed by Private Sector in Urban Areas

In 1394, private sector investment in completed buildings amounted to Rls. 151.9 trillion, accounting for 21.6 percent of total

private sector investment in this sector. In this year, 144.4 thousand buildings, with a total floor space of 88.2 million square meters, were completed by the private sector, down by 26.7 and 18.4 percent, respectively, compared with 1393. Of total completed buildings, 82.9 percent were residential, 10.5 percent residential with a commercial purpose, and the remaining non-residential buildings.

In 1394, the share of Tehran in total floor space of completed buildings was 16.2 percent, that of other large cities 41.3 percent, and other urban areas 42.5 percent. The average floor space of completed buildings increased by 11.3 percent in 1394 compared with the year before. In Tehran, the average floor space of completed buildings increased by 8.5 percent to 1,194 square meters. The average cost of completed buildings per square meter in all urban areas, excluding the cost of land, rose 14.6 percent to Rls. 7,149 thousand. In Tehran, other large cities, and other urban areas, the average construction cost registered 15.8, 15.0, and 16.4 percent growth, respectively.

Table 5.7. Housing Starts by Private Sector in Urban Areas

	1392	1393	1394	Percentage change	
				1393	1394
Number (thousand)	195.1	157.6	107.9	-19.2	-31.5
Estimated floor space (million square meters)	108.1	94.0	69.0	-13.0	-26.6
Average floor space (square meters)	554	596	640	7.7	7.3
Average cost per square meter (thousand rials)	6,695	7,959	8,983	18.9	12.9

Table 5.8. Buildings Completed by Private Sector in Urban Areas

	1392	1393	1394	Percentage change	
				1393	1394
Number (thousand)	218.5	196.9	144.4	-9.9	-26.7
Total floor space (million square meters)	120.0	108.1	88.2	-9.9	-18.4
Average floor space (square meters)	549	549	611	-0.02	11.3
Average cost per square meter (thousand rials)	5,195	6,239	7,149	20.1	14.6

Residential Units Completed by Private Sector in Urban Areas

A total of 547.7 thousand residential units, with a total floor space of 78.8 million square meters, were completed by the private sector in 1394, down by 23.8 and 19.6 percent, respectively. The average floor space of these units increased by 5.5 percent compared with 1393, to 144 square meters.

Land Price Index

In 1394, land price index in all urban areas increased by 3.7 percent compared with the previous year. This index showed a rise of 1.4 percent in Tehran.

Table 5.9. Land Price Index by Urban Areas (1390=100)

	1392	1393	1394	Percentage change	
				1393	1394
Tehran	257.4	276.2	280.1	7.3	1.4
Other large cities	256.4	287.4	301.6	12.1	4.9
Other urban areas	210.8	273.0	315.8	29.5	15.7
All urban areas	253.2	279.4	289.8	10.3	3.7

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 facilitated the implementation of Mehr Housing Program in the following years. Through this Program, 1,998.5 thousand construction permits were issued as of the implementation date of this program (Khordad 1386) until the end of 1394. It is important to note that 1,965.1 thousand buildings reached the end of the foundation phase by the end of the year. Meanwhile, 1,628.0 thousand buildings reached the finishing touches phase by 1394 year-end, 789.2 thousand of which belonged to landowners.

Figure 5.2. Performance of Mehr Housing Program as of implementation until end-1394

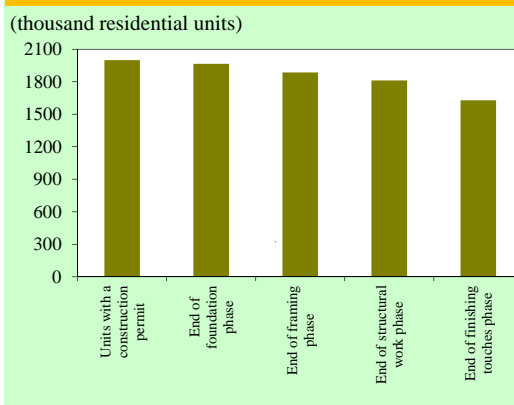


Table 5.10. Residential Units Completed by Private Sector in Urban Areas

	1392	1393	1394	Percentage change	
				1393	1394
Number (thousand)	834.1	718.6	547.7	-13.8	-23.8
Total floor space (million square meters)	111.5	98.0	78.8	-12.0	-19.6
Average floor space (square meters)	134	136	144	2.1	5.5

Housing Rental Index in Urban Areas

In 1394, housing rental index surged by 12.5 percent in all urban areas. The growth of this index for Tehran was 11.0 percent and for small cities, 14.0 percent.

Construction Indices

Construction services price index, an indicator of wage developments in the construction and housing sector, indicated 12.9 percent increase compared with the year before. The highest growth rates in the subgroups of this index were related to "wage of skilled plumber" by 16.6 and "wage of skilled electrician" by 16.0 percent. The PPI for construction materials decreased by 6.2 percent in 1394 compared with the year before (1390=100). Accordingly, the PPI for metallic and non-metallic construction materials recorded 11.4 percent fall and 2.2 percent rise, respectively.

Table 5.12. Construction Indices (1390=100)

	1392	1393	1394	Percentage change	
				1393	1394
Construction services price index	182.8	219.2	247.5	19.9	12.9
PPI for construction materials	187.2	194.9	182.9	4.1	-6.2

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

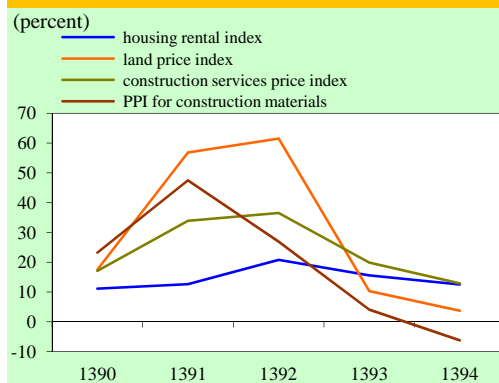


Table 5.11. Housing Rental Index

(1390=100)

	1392	1393	1394	Percentage change	
				1393	1394
Tehran	134.7	153.7	170.6	14.1	11.0
Other large cities ¹	135.7	156.9	176.6	15.6	12.6
Medium-sized cities	135.2	154.6	172.4	14.3	11.5
Small cities	140.4	167.8	191.3	19.5	14.0
All urban areas	136.0	157.2	176.8	15.6	12.5

¹ Includes Tehran.