

The improvements of construction and housing sector such as positive growth in the number of construction permits issued by municipalities (as an indicator of private sector's interest in construction activities) and rise in private sector investment in housing starts in urban areas raised the value-added growth figure of the construction sector by 1.2 percent to Rls. 307.1 trillion in 2017/18, at constant 2011/12 prices. This sector had indicated 13.1 percent negative growth in 2016/17, mainly due to the recessionary conditions affecting the private sector's construction activities. Gross fixed capital formation in the construction sector had a slight rise of 0.9 percent in 2017/18, at constant 2011/12 prices.

The private sector started the construction of 126.8 thousand new buildings with a total floor space of 71.6 million square meters and

completed 115.5 thousand buildings with a total floor space of 71.6 million square meters in 2017/18. Total floor space of housing starts and completed buildings hiked by respectively 4.1 and 31.9 percent compared with 2016/17. Meanwhile, land price index in urban areas, construction services price index, and the PPI for construction materials rose by respectively 6.8, 7.8, and 14.1 percent in 2017/18 (base year: 2016/17).

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

In 2017/18, private sector investment in the buildings of urban areas increased by 15.0 percent (at current prices) to reach Rls. 738.1 trillion. Private sector investment in new buildings in Tehran surged by 35.1 percent to Rls. 183.3 trillion. In other large cities and other urban areas, this variable rose by 10.3 and 9.0 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 investment growth
	2015/16	2016/17 <sup>2</sup>	2016/17 <sup>3</sup>	2017/18	2016/17	2017/18	2016/17	2017/18	2017/18
Tehran	178.9	133.2	135.7	183.3	-25.6	35.1	22.1	24.8	7.4
Other large cities	280.6	247.3	241.3	266.1	-11.9	10.3	41.1	36.1	3.9
Other urban areas	242.0	221.8	264.8	288.7	-8.3	9.0	36.8	39.1	3.7
<b>All urban areas</b>	<b>701.5</b>	<b>602.2</b>	<b>641.8</b>	<b>738.1</b>	<b>-14.1</b>	<b>15.0</b>	<b>100.0</b>	<b>100.0</b>	<b>15.0</b>

<sup>1</sup> Excludes land price. <sup>2</sup> Base year: 2011/12. <sup>3</sup> In this column, unlike the previous one, data are calculated based on the new base year (2016/17). Due to statistical revisions, new data may not be compared with data calculated based on 2011/12 base year. Percentage change for 2017/18 compared with 2016/17 is based on 2016/17 base year.

## Chapter 5 CONSTRUCTION AND HOUSING

Private sector investment in housing starts, semi-finished buildings, and completed buildings indicated positive growth at current prices, in 2017/18. Investment in semi-finished buildings had the highest share of total investment by 57.7 percent, with the investment in housing starts and completed buildings accounting for 24.5 and 17.8 percent of total investment, respectively.

### Government Investment

According to data received from the Treasury General, a sum of Rls. 125.4 trillion was approved for the implementation of

acquisition of non-financial assets' projects in the housing sector and urban and rural development in 2017/18. A sum of Rls. 61.7 trillion was paid for the implementation of the mentioned plans in this year, constituting 49.2 percent of the value approved in the budget for this sector. The greatest portion of credits was paid to urban and rural water services plan by 30.5 percent, followed by urban and rural transportation plan by 23.5 percent. Moreover, the highest percentage of budget performance belonged to development of Iran Strong Motion Network plan by 100.0 percent, followed by repair and equipment by 92.2 percent.

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

					Percentage change		Share (percent)		Contribution to investment growth (percent)
	2015/16	2016/17 <sup>2</sup>	2016/17 <sup>3</sup>	2017/18	2016/17	2017/18	2016/17	2017/18	2017/18
	(trillion rials)								
Housing starts	155.1	141.0	167.0	181.1	-9.1	8.5	23.4	24.5	2.2
Semi-finished buildings	394.5	363.4	389.7	425.7	-7.9	9.2	60.3	57.7	5.6
Completed buildings	151.9	97.8	85.1	131.4	-35.6	54.3	16.2	17.8	7.2
<b>Total</b>	<b>701.5</b>	<b>602.2</b>	<b>641.8</b>	<b>738.1</b>	<b>-14.1</b>	<b>15.0</b>	<b>100.0</b>	<b>100.0</b>	<b>15.0</b>

<sup>1</sup> Excludes land price. <sup>2</sup> Base year: 2011/12. <sup>3</sup> In this column, unlike the previous one, data are calculated based on the new base year (2016/17). Due to statistical revisions, new data may not be compared with data calculated based on 2011/12 base year. Percentage change for 2017/18 compared with 2016/17 is based on 2016/17 base year.

**Table 5.3. Credits for Acquisition of Non-financial Assets in Housing Sector, Urban and Rural Development in 2017/18**

	Performance	Share (percent)	Approved	Performance (percent)
Housing sector	2,078.0	3.4	2,991.7	69.5
Urban and rural services and development	29,387.4	47.7	58,885.3	49.9
Water and sewage	30,084.9	48.8	63,442.2	47.4
Research and development in housing sector, urban and rural development	119.0	0.2	127.2	93.6
<b>Total</b>	<b>61,669.4</b>	<b>100.0</b>	<b>125,446.3</b>	<b>49.2</b>

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

## Banking Facilities

The outstanding facilities extended by banks and credit institutions to the housing sector (non-public and public) indicated respectively 6.7 percent growth and 45.9 percent reduction to reach Rls. 1,772.2 trillion and Rls. 3.7 trillion. The outstanding facilities extended by banks and non-bank credit institutions to the non-public and public sectors active in construction showed respectively 299.1 percent rise and 1.2 percent fall to reach Rls. 584.8 trillion and Rls. 4.5 trillion, respectively. Of total Rls. 6,139.1 trillion of loans and facilities extended by banks and non-bank credit institutions to various economic sectors in 2017/18, a sum of Rls. 517.4 trillion was extended to the construction and housing sector, indicating 3.2 percent increase compared with the year before.

In 2017/18, Bank Maskan, as the sole specialized bank in the housing sector,

extended Rls. 174.5 trillion worth of loans and facilities (excluding profit and revenue receivables) to 420.0 thousand projects, indicating respectively 8.9 and 9.0 percent increase compared with the year before. The mentioned facilities, including profit and revenue receivables, reached Rls. 280.8 trillion, showing 18.7 percent rise compared with the previous year. In 2017/18, the average facilities extended by the bank for the purchase of housing units amounted to Rls. 511.8 million, showing 14.3 percent growth compared with the previous year. The amount of facilities extended in the form of installment sale contracts for housing purchase increased by 56.9 percent compared with 2016/17 to reach Rls. 94.3 trillion (excluding profit receivables). Furthermore, a total of 41.4 thousand loans and facilities valuing at Rls. 46.5 trillion were extended in the form of civil partnership contracts, the value of which indicated 35.4 percent decrease compared with 2016/17.

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

(trillion rials)

	Year-end		2017/18		
	2016/17	2017/18	Change in balance	Percentage change	Relative share <sup>2</sup> (percent)
<b>Housing</b>	<b>1,668.1</b>	<b>1,775.9</b>	<b>107.7</b>	<b>6.5</b>	<b>6.2</b>
Non-public sector	1,661.3	1,772.2	110.9	6.7	8.1
Public sector	6.9	3.7	-3.1	-45.9	-0.9
<b>Construction</b>	<b>151.1</b>	<b>589.3</b>	<b>438.2</b>	<b>290.0</b>	<b>25.2</b>
Non-public sector	146.5	584.8	438.2	299.1	31.9
Public sector	4.5	4.5	-0.1	-1.2	-0.01

<sup>1</sup> Net outstanding facilities are calculated after deduction of outstanding debts of customers and extended facilities related to the exchange rate differential, profit receivables, profit and commission receivables, receipts from Mudarabah, civil partnership (bank's share), outstanding profit, and outstanding commission. Moreover, net outstanding facilities include legal partnership and direct investment contracts.

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

Construction Permits

In 2017/18, construction permits issued by municipalities in urban areas indicated 4.3 percent increase in number and reached 118.6 thousand. Total floor space stipulated in construction permits was 63.9 million square meters, the same as in the year before. The number of construction permits issued in Tehran and other urban areas increased by 19.2 and 5.9 percent while in other large cities, it decreased by 5.9 percent. The total floor space of buildings stipulated in construction permits decreased by 3.8 and 4.5 percent for Tehran and other large cities while for other urban areas, it rose by 4.3 percent.

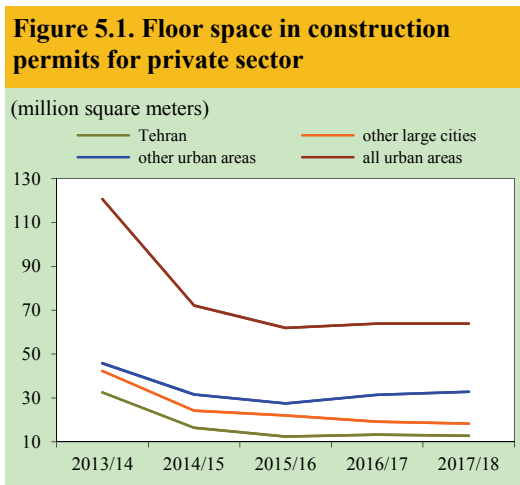


Table 5.5. Facilities Extended by Bank Maskan<sup>1</sup>

(billion rials)

	2015/16	2016/17	2017/18	Percentage change		Share (percent)	
				2016/17	2017/18	2016/17	2017/18
Civil partnership-housing construction <sup>2</sup>	50,283	71,890	46,451	43.0	-35.4	44.9	26.6
Installment sale-housing purchase	34,917	60,137	94,343	72.2	56.9	37.5	54.1
Installment sale-other purchases	2,514	6,132	5,345	143.9	-12.8	3.8	3.1
Murabaha	55	4,050	7,810	⊠	92.8	2.5	4.5
Hire purchase	75	9	67	-88.6	⊠	*	*
Ju'alah	11,434	9,502	14,337	-16.9	50.9	5.9	8.2
Gharz-al-hasaneh (marriage, housing deposit, and housing completion)	235	5,489	5,114	⊠	-6.8	3.4	2.9
Gharz-al-hasaneh (other)	5,562	1,975	601	-64.5	-69.6	1.2	0.3
Debt purchase (rial equivalent)	0	60	1	⊠	-97.7	*	*
Others	549	1,004	456	82.8	-54.6	0.6	0.3
<b>Total</b>	<b>105,625</b>	<b>160,248</b>	<b>174,524</b>	<b>51.7</b>	<b>8.9</b>	<b>100.0</b>	<b>100.0</b>
Installment sale-share of Bank Maskan from civil partnership contracts <sup>3</sup>	85,944	62,204	55,017	-27.6	-11.6	—	—

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. Cash payments for civil partnership contracts totaled Rls. 57,941 billion in 2017/18.

<sup>3</sup> 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

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Number of permits (thousand)	101.5	113.8	118.6	12.1	4.3
Total floor space (million square meters)	61.9	63.9	63.9	3.1	*
Average floor space (square meters)	610	562	538	-8.0	-4.1

### Housing Starts by Private Sector in Urban Areas

Private sector started the construction of 126.8 thousand buildings with a total floor space of 71.6 million square meters and an investment of Rls. 181.1 trillion (at current prices) in urban areas in 2017/18. The number and total floor space in housing starts in all urban areas rose by 3.0 and 4.1 percent, respectively. The number and total floor space of housing starts in Tehran increased by 2.7 and 10.7 percent. In other large cities, these variables increased by 9.1 and 10.5 percent. The average cost for the construction of new buildings (excluding the land price) was estimated at Rls. 9,526 thousand per square meter in 2017/18, up by 11.0 percent compared with 2016/17. In Tehran, the average construction cost reached Rls. 12,461 thousand, showing 16.3 percent increase compared with 2016/17.

### Buildings Completed by Private Sector in Urban Areas

A total of 115.5 thousand buildings, with a total floor space of 71.6 million square meters, were completed by the private sector

in 2017/18, up by respectively 48.8 and 31.9 percent compared with 2016/17. Of total completed buildings, 82.3 percent were residential, 10.4 percent were residential with a commercial purpose, and the remaining 7.3 percent were non-residential. Private sector investment in completed buildings totaled Rls. 131.4 trillion, accounting for 17.8 percent of total private sector investment in this sector.

In 2017/18, the share of Tehran in total floor space of completed buildings was 20.0 percent, that of other large cities 37.2 percent, and other urban areas 42.8 percent. The average floor space of completed buildings fell by 11.3 percent in 2017/18 to reach 620 square meters. In Tehran, the average floor space of completed buildings increased by 8.1 percent to 1,422 square meters. The average cost of completed buildings per square meter in all urban areas, excluding the land price, rose 9.7 percent to Rls. 8,737 thousand. In Tehran, other large cities, and other urban areas, the average construction cost registered 9.2, 7.0, and 9.7 percent growth, respectively.

**Table 5.7. Housing Starts by Private Sector in Urban Areas**

	2015/16	2016/17	2016/17 <sup>1</sup>	2017/18	Percentage change	
					2016/17	2017/18
Number (thousand)	107.9	94.2	123.1	126.8	-12.7	3.0
Total floor space (million square meters)	69.0	58.3	68.8	71.6	-15.5	4.1
Average floor space (square meters)	640	619	559	565	-3.3	1.1
Average cost per square meter (thousand rials)	8,983	8,735	8,580	9,526	-2.8	11.0

<sup>1</sup> In this column, data are calculated based on 2016/17 base year while in the previous column, they are based on 2011/12.

**Table 5.8. Buildings Completed by Private Sector in Urban Areas**

	2015/16	2016/17	2016/17 <sup>1</sup>	2017/18	Percentage change	
					2016/17	2017/18
Number (thousand)	144.4	98.0	77.6	115.5	-32.1	48.8
Total floor space (million square meters)	88.2	63.2	54.3	71.6	-28.4	31.9
Average floor space (square meters)	611	645	699	620	5.5	-11.3
Average cost per square meter (thousand rials)	7,149	7,879	7,961	8,737	10.2	9.7

<sup>1</sup> In this column, data are calculated based on 2016/17 base year while in the previous column, they are based on 2011/12.

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

A total of 402.0 thousand residential units, with a total floor space of 62.5 million square meters, were completed by the private sector in 2017/18, up by respectively 23.0 and 34.9 percent. The average floor space of these units increased by 9.9 percent compared with 2016/17, to reach 156 square meters.

### Land Price Index

In 2017/18, land price index in all urban areas increased by 6.8 percent compared with the previous year (2016/17=100). This index showed a rise of 7.4 percent in Tehran.

### Mehr Housing Program

In implementation of Note 6 to the Budget Law for 2007/08, the government took measures to implement the Mehr Housing Program aimed at housing provision for the low-income groups. Ratification of the Law

on Organization and Support for House Construction in 2007/08 facilitated the implementation of Mehr Housing Program in the following years. Reviewing the performance of Bank Maskan, as the agent bank, in terms of the extending of facilities by March 2018 revealed that a sum of Rls. 497.1 trillion was allocated for the construction of 2.4 million residential units through land preparation, land allocation on a 99-year lease, housing construction in the old urban texture, and renovation and refurbishment of rural housing. "Land allocation on a 99-year lease" project enjoyed the highest share of the value of facilities by 86.6 percent.

### Housing Rental Index in Urban Areas

In 2017/18, housing rental index surged by 8.3 percent in all urban areas (2016/17=100). This index grew by 9.2 percent in Tehran and 8.2 percent in other large cities.

**Table 5.9. Residential Units Completed by Private Sector in Urban Areas**

	2015/16	2016/17	2016/17 <sup>1</sup>	2017/18	Percentage change	
					2016/17	2017/18
Number (thousand)	547.7	381.5	326.9	402.0	-30.3	23.0
Total floor space (million square meters)	78.8	56.3	46.4	62.5	-28.5	34.9
Average floor space (square meters) <sup>2</sup>	144	148	142	156	2.8	9.9

<sup>1</sup> In this column, data are calculated based on 2016/17 base year while in the previous column, they are based on 2011/12.

<sup>2</sup> Includes collectively owned areas such as parking lots, elevators, storerooms, etc.

**Table 5.10. Land Price Index by Urban Areas**

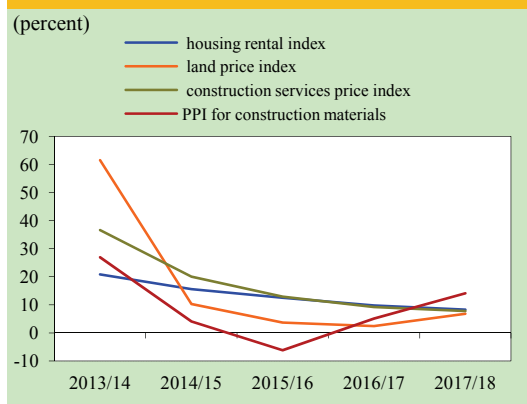
(2016/17=100)

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Tehran	98.4	100.0	107.4	1.6	7.4
Other large cities	97.8	100.0	106.0	2.2	6.0
Other urban areas	93.1	100.0	107.2	7.4	7.2
<b>All urban areas</b>	<b>97.7</b>	<b>100.0</b>	<b>106.8</b>	<b>2.4</b>	<b>6.8</b>

## Construction Indices

Construction services price index, an indicator of wage developments in the construction and housing sector, indicated 7.8 percent increase compared with the year before (2016/17=100). The highest growth rates in the subgroups of this index were related to "wage paid for painting" by 12.8 and "wage of skilled electrician" by 11.9 percent. The PPI for construction materials increased by 14.1 percent in 2017/18 compared with the year before (2016/17=100). Accordingly, the PPI for metallic and non-metallic construction materials recorded respectively 20.4 and 7.7 percent increase.

**Figure 5.2. Growth in housing sector indices (2016/17=100)**



**Table 5.11. Facilities Allocated by Bank Maskan to Mehr Housing Program as of Implementation in 2007/08 until March 2018**

	March 2018		Share (percent)	
	Number (thousand units)	Value (trillion rials)	Number	Value
Land preparation	747 <sup>1</sup>	7.4	31.7 <sup>1</sup>	1.5
Land allocation on a 99-year lease	1,844	430.6	78.2	86.6
Housing construction in the old urban texture	82	14.8	3.5	3.0
Renovation and refurbishment of rural housing	432	40.6	18.3	8.2
<b>Total</b>	<b>2,358</b>	<b>497.1<sup>2</sup></b>	<b>100.0</b>	<b>100.0<sup>2</sup></b>

Source: Bank Maskan. <sup>1</sup> A total of 747 thousand units with a share of 31.7 percent, which were included in the list of loan receivers at the land preparation phase, were also included under "land allocation on a 99-year lease". Therefore, these figures were excluded from the sum total to avoid double counting. <sup>2</sup> The Rls. 3.7 trillion difference between the sum total of components with the total and the 0.7 percent difference in the sum total of share value is due to the budgetary facilities allocated for a state of emergency.

**Table 5.12. Housing Rental Index in Urban Areas**

(2016/17=100)

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
Tehran	90.7	100.0	109.2	10.3	9.2
Other large cities <sup>1</sup>	91.0	100.0	108.2	9.9	8.2
Medium-sized cities	91.4	100.0	108.8	9.4	8.8
Small cities	90.7	100.0	109.5	10.3	9.5
<b>All urban areas</b>	<b>91.1</b>	<b>100.0</b>	<b>108.3</b>	<b>9.8</b>	<b>8.3</b>

<sup>1</sup> Includes Tehran.

**Table 5.13. Construction Indices**

(2016/17=100)

	2015/16	2016/17	2017/18	Percentage change	
				2016/17	2017/18
CPI for construction services	91.6	100.0	107.8	9.2	7.8
PPI for construction materials	95.1	100.0	114.1	5.1	14.1