

The major indicators of the construction and housing sector such as the number of construction permits issued by municipalities in all urban areas and the private sector investment in housing starts in urban areas (at current prices) experienced positive growth in 2018/19. The value-added figure of construction by private sector rose by 1.4 percent to Rls. 230.0 trillion in 2018/19, at constant 2011/12 prices while the value-added figure of the construction sector (by both private and public sectors) fell by 5.5 percent to Rls. 290.2 trillion. This was mainly due to a sharp decline in the value-added figure of government buildings by 24.9 percent. Gross fixed capital formation in the construction sector amounted to Rls. 737.6 trillion, down by 9.4 percent compared with the year before.

The private sector started the construction of 137.0 thousand new buildings with a total floor space of 76.9 million square meters

and completed 135.7 thousand buildings with a total floor space of 76.0 million square meters in 2018/19. Total floor space of housing starts and the buildings completed in all urban areas hiked by respectively 7.4 and 6.1 percent compared with 2017/18. Meanwhile, land price index, construction services price index, and the PPI for construction materials rose by respectively 53.7, 22.2 and 55.7 percent (base year 2016/17).

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

In 2018/19, private sector investment in new buildings in urban areas rose by 45.8 percent to reach Rls. 1,075.9 trillion at current prices. Private sector investment in new buildings in Tehran surged by 29.0 percent to Rls. 236.5 trillion. In other large cities and other urban areas, this variable rose by 55.3 and 47.6 percent, respectively.

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

	(trillion rials)							
	2016/17	2017/18	2018/19	Percentage change		Share (percent)		Contribution to investment growth
				2017/18	2018/19	2017/18	2018/19	(percent)
Tehran	135.7	183.3	236.5	35.1	29.0	24.8	22.0	7.2
Other large cities	241.3	266.1	413.4	10.3	55.3	36.1	38.4	19.9
Other urban areas	264.8	288.7	426.0	9.0	47.6	39.1	39.6	18.6
<b>All urban areas</b>	<b>641.8</b>	<b>738.1</b>	<b>1,075.9</b>	<b>15.0</b>	<b>45.8</b>	<b>100.0</b>	<b>100.0</b>	<b>45.8</b>

<sup>1</sup>Excludes land price.

## Chapter 5 CONSTRUCTION AND HOUSING

Private sector investment in housing starts, semi-finished buildings, and the buildings completed indicated positive growth at current prices in 2018/19. Investment in semi-finished buildings had the highest share of total investment by 57.1 percent, with the investment in housing starts and the buildings completed accounting for 23.4 and 19.4 percent of total investment, respectively.

### Government Investment

According to data received from the Treasury General, a sum of Rls. 112.3 trillion was approved for the implementation of acquisition of non-financial assets' projects

in the housing sector and urban and rural development in 2018/19. A sum of Rls. 69.6 trillion was paid on the implementation of the mentioned plans, constituting 62.0 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 32.6 percent, followed by urban and rural transportation by 20.2 percent. Moreover, the highest percentage of budget performance belonged to Development of Iran Strong Motion Network plan by 100.0 percent, followed by Governance of the Technical and Economic System related to construction and housing sector by 97.8 percent.

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

	(trillion rials)							
				Percentage change		Share (percent)		Contribution to investment growth (percent)
	2016/17	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2018/19
Housing starts	167.0	181.1	252.1	8.5	39.2	24.5	23.4	9.6
Semi-finished buildings	389.7	425.7	614.8	9.2	44.4	57.7	57.1	25.6
Housing completions	85.1	131.4	208.9	54.3	59.0	17.8	19.4	10.5
<b>Total</b>	<b>641.8</b>	<b>738.1</b>	<b>1,075.9</b>	<b>15.0</b>	<b>45.8</b>	<b>100.0</b>	<b>100.0</b>	<b>45.8</b>

<sup>1</sup>Excludes land price.

**Table 5.3. Credits Paid on Acquisition of Non-financial Assets in Housing Sector, Urban and Rural Development**

	(billion rials)							
	Year			Percentage change		2018/19		
	2016/17	2017/18	2018/19	2017/18	2018/19	Approved	Performance (percent)	
Housing sector	1,800.7	2,078.0	1,128.0	15.4	-45.7	1,153.0	97.8	
Urban and rural services and development	24,551.4	29,387.4	31,380.9	19.7	6.8	53,445.3	58.7	
Water and sewage	16,941.2	30,084.9	36,583.4	77.6	21.6	57,105.5	64.1	
Research and development in housing sector, urban and rural development	132.4	119.0	494.6	-10.1	315.5	622.0	79.5	
<b>Total</b>	<b>43,425.7</b>	<b>61,669.4</b>	<b>69,587.0</b>	<b>42.0</b>	<b>12.8</b>	<b>112,325.9</b>	<b>62.0</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 8.1 and 42.5 percent growth to reach Rls. 1,915.5 trillion and Rls. 5.3 trillion, respectively. The outstanding facilities extended by banks and non-bank credit institutions to the non-public and public sectors active in construction showed respectively 32.7 percent rise and 23.8 percent fall to reach Rls. 776.1 trillion and Rls. 3.4 trillion, respectively. Of total Rls. 7,737.3 trillion loans and facilities extended by banks and non-bank credit institutions to various economic sectors in 2018/19, a sum of Rls. 1,037.3 trillion was extended to the construction and housing sector, indicating 100.5 percent increase compared with the year before.

In 2018/19, Bank Maskan as the sole specialized bank in the housing sector extended Rls. 197.7 trillion worth of loans and facilities (excluding future profits and revenues) to 519.4 thousand projects, indicating respectively 13.3 and 23.7 percent increase compared with 2017/18. The average facilities extended by the bank for the purchase of housing units amounted to Rls. 497.2 million, down by 2.9 percent. The amount of facilities extended by Bank Maskan in the form of installment sale contracts for housing purchase (excluding future profits) increased by 20.7 percent to Rls. 113.8 trillion. Furthermore, a total of 29.4 thousand loans and facilities valuing at Rls. 31.1 trillion were extended in the form of partnership contracts, the value of which indicated 33.1 percent decrease compared with 2017/18.

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

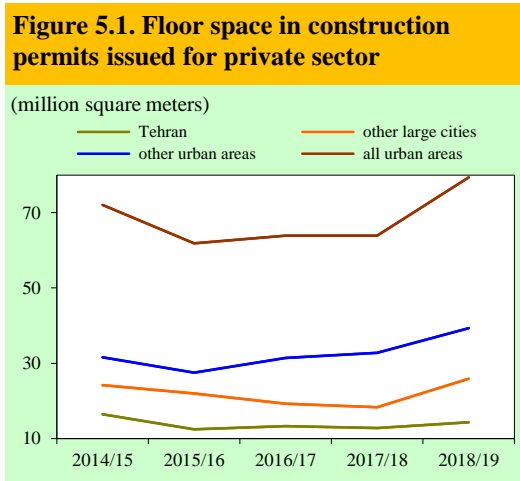
	Year-end		2018/19		
	2017/18	2018/19	Change in balance	Percentage change	Relative share <sup>2</sup> (percent)
<b>Housing</b>	<b>1,775.9</b>	<b>1,920.8</b>	<b>144.9</b>	<b>8.2</b>	<b>7.2</b>
Non-public sector	1,772.2	1,915.5	143.3	8.1	8.8
Public sector	3.7	5.3	1.6	42.5	0.4
<b>Construction</b>	<b>589.3</b>	<b>779.5</b>	<b>190.3</b>	<b>32.3</b>	<b>9.4</b>
Non-public sector	584.8	776.1	191.3	32.7	11.8
Public sector	4.5	3.4	-1.1	-23.8	-0.3

<sup>1</sup>The net outstanding is calculated upon the deduction of the exchange rate differential, future profit and commission, receipts from Mudarabah, the banks' contributions to legal partnership accounts, and overdue profit and commission headings from the outstanding debts of customers and extended facilities. 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 2018/19, construction permits issued by municipalities in urban areas indicated 20.8 percent increase in number and reached 143.3 thousand. Total floor space stipulated in construction permits was 79.4 million square meters, up by 24.3 percent compared with 2017/18. The number of construction permits issued for Tehran, other large cities, and other urban areas increased by 6.7, 23.1 and 21.8 percent, respectively. The total floor space of buildings in the mentioned areas as stipulated in construction permits increased by 11.5, 41.4 and 19.9 percent, respectively.



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

(billion rials)

	2016/17	2017/18	2018/19	Percentage change		Share (percent)	
				2017/18	2018/19	2017/18	2018/19
Partnership-housing construction <sup>2</sup>	71,890	46,451	31,069	-35.4	-33.1	26.6	15.7
Installment sale-housing purchase	60,137	94,343	113,836	56.9	20.7	54.1	57.6
Installment sale-other purchases	6,132	5,345	1,306	-12.8	-75.6	3.1	0.7
Murabaha	4,050	7,810	13,233	92.8	69.5	4.5	6.7
Hire purchase	9	67	5.3	▣	-92.2	*	*
Ju'alah	9,502	14,337	28,337	50.9	97.7	8.2	14.3
Gharz-al-hasaneh (marriage, housing deposit, and housing completion)	5,489	5,114	6,448	-6.8	26.1	2.9	3.3
Gharz-al-hasaneh (other)	1,975	601	3,042	-69.6	406.1	0.3	1.5
Debt purchase (rial equivalent)	60	1	0	-97.7	-100.0	*	0.0
Others	1,004	456	423	-54.6	-7.2	0.3	0.2
<b>Total</b>	<b>160,248</b>	<b>174,524</b>	<b>197,701</b>	<b>8.9</b>	<b>13.3</b>	<b>100.0</b>	<b>100.0</b>
Installment sale-share of Bank Maskan from partnership contracts <sup>3</sup>	62,204	55,017	58,873	-11.6	7.0	—	—

Source: Bank Maskan.

<sup>1</sup> Excludes future profits and revenues.

<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 partnership contracts totaled RIs. 40,489 billion in 2018/19.

<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 partnership contracts to installment sale contracts) have been excluded from the sum total.

**Table 5.6. Construction Permits Issued by Municipalities in Urban Areas**

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
Number of permits (thousand)	113.8	118.6	143.3	4.3	20.8
Total floor space (million square meters)	63.9	63.9	79.4	*	24.3
Average floor space (square meters)	562	538	554	-4.1	3.0

### Housing Starts in Urban Areas

The private sector started the construction of 137.0 thousand buildings with a total floor space of 76.9 million square meters and an investment of Rls. 252.1 trillion (at current prices) in urban areas in 2018/19. The number and total floor space in housing starts in all urban areas rose by 8.1 and 7.4 percent, respectively. The number of housing starts in Tehran increased by 14.5 while the total floor space decreased by 5.9 percent. In other large cities, these variables increased by 15.6 and 20.7 percent, respectively. The average cost for the construction of new buildings was estimated at Rls. 14,313 thousand per square meter (excluding land price), up by 50.3 percent compared with 2017/18. In Tehran, the average construction cost reached Rls. 18,007 thousand, showing 44.5 percent increase compared with 2017/18.

### The Buildings Completed in Urban Areas

A total of 135.7 thousand buildings, with a total floor space of 76.0 million square meters, were completed by the private sector

in 2018/19, up by respectively 17.5 and 6.1 percent compared with 2017/18. Of total buildings completed, 83.9 percent were residential, 9.7 percent were residential with a commercial purpose, and the remaining 6.4 percent were non-residential. Private sector investment in completed buildings totaled Rls. 208.9 trillion, accounting for 19.4 percent of total private sector investment.

In 2018/19, the share of Tehran in total floor space of completed buildings was 13.7 percent, that of other large cities was 33.5 percent, and that of other urban areas was 52.8 percent. The average floor space of completed buildings fell by 9.7 percent to reach 560 square meters. In Tehran, the average floor space of completed buildings decreased by 1.5 percent to 1,401 square meters. The average cost of buildings completed per square meter in all urban areas, excluding land price, rose 13.9 percent to Rls. 9,954 thousand. In Tehran, other large cities, and other urban areas, the average construction cost registered 20.6, 17.6 and 16.3 percent growth, respectively.

**Table 5.7. Housing Starts in Urban Areas**

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
Number (thousand)	123.1	126.8	137.0	3.0	8.1
Total floor space (million square meters)	68.8	71.6	76.9	4.1	7.4
Average floor space (square meters)	559	565	561	1.1	-0.7
Average cost per square meter (thousand rials)	8,580	9,526	14,313	11.0	50.3

**Table 5.8. The Buildings Completed in Urban Areas**

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
Number (thousand)	77.6	115.5	135.7	48.8	17.5
Total floor space (million square meters)	54.3	71.6	76.0	31.9	6.1
Average floor space (square meters)	699	620	560	-11.3	-9.7
Average cost per square meter (thousand rials)	7,961	8,737	9,954	9.7	13.9

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

A total of 427.5 thousand residential units, with a total floor space of 66.5 million square meters, were completed by the private sector in 2018/19, up by respectively 6.3 and 6.4 percent. The average floor space of these units reached 156 square meters, remaining unchanged compared with 2017/18.

### Land Price Index in Urban Areas

In 2018/19, land price index in all urban areas increased by 53.7 percent. This index showed a rise of 63.0 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. Bank Maskan, the agent bank in terms of the extending of facilities, extended a sum of Rls. 503.6 trillion by March 2019, to 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 86.8 percent. In addition, 1,878.9 thousand residential units were completed and ready to be put up for sale through installment payments.

### Housing Rental Index in Urban Areas

Housing rental index surged in all urban areas, Tehran, and small cities by respectively 13.4, 15.8 and 14.5 percent in 2018/19.

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

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
Number (thousand)	326.9	402.0	427.5	23.0	6.3
Total floor space (million square meters)	46.4	62.5	66.5	34.9	6.4
Average floor space (square meters) <sup>1</sup>	142	156	156	9.9	0.0

<sup>1</sup> Includes collectively owned areas such as parking lots, elevators, storerooms, etc.

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

(2016/17=100)

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
Tehran	100.0	107.4	175.1	7.4	63.0
Other large cities	100.0	106.0	156.0	6.0	47.2
Other urban areas	100.0	107.2	147.2	7.2	37.3
<b>All urban areas</b>	<b>100.0</b>	<b>106.8</b>	<b>164.1</b>	<b>6.8</b>	<b>53.7</b>

**Table 5.11. Facilities Allocated by Bank Maskan to Mehr Housing Program as of Implementation in 2007/08 until March 2019**

	By March 2019		Share (percent)	
	Number (thousand units)	Value (trillion rials)	Number	Value
Land preparation	747 <sup>1</sup>	7.5	—	1.5
Land allocation on a 99-year lease	1,841	437.1	78.2	86.8
Housing construction in the old urban texture	82	14.8	3.5	2.9
Renovation and refurbishment of rural housing	432	40.6	18.4	8.1
<b>Total</b>	<b>2,356</b>	<b>503.6 <sup>2</sup></b>	<b>100.0</b>	<b>100.0 <sup>2</sup></b>

Source: Bank Maskan. <sup>1</sup> As these 747 thousand units included in the list of loan receivers at the "land preparation" phase were also included under "land allocation on a 99-year lease", they 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 are due to the budgetary facilities allocated for the state of emergency.

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

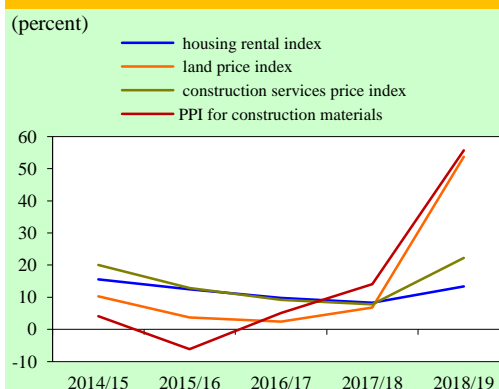
(2016/17=100)

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
Tehran	100.0	109.2	126.4	9.2	15.8
Other large cities <sup>1</sup>	100.0	108.2	123.0	8.2	13.7
Medium-sized cities	100.0	108.8	121.5	8.8	11.7
Small cities	100.0	109.5	125.4	9.5	14.5
<b>All urban areas</b>	<b>100.0</b>	<b>108.3</b>	<b>122.8</b>	<b>8.3</b>	<b>13.4</b>

<sup>1</sup> Includes Tehran.

## Construction Price Indices

Construction services price index, also an indicator of wage developments, indicated 22.2 percent increase in 2018/19 (base year 2016/17). The highest growth rates in the subgroups of this index were related to "wage of skilled electrician" by 42.0 percent and "wage paid for asphalting" by 35.5 percent. The PPI for construction materials increased by 55.7 percent compared with 2017/18 (base year 2016/17), with the PPI for metallic construction materials recording 70.4 percent rise and non-metallic construction materials registering 39.3 percent increase.

**Figure 5.2. Growth in indices of construction and housing sector (2016/17=100)****Table 5.13. Construction Price Indices**

(2016/17=100)

	2016/17	2017/18	2018/19	Percentage change	
				2017/18	2018/19
CPI for construction services	100.0	107.8	131.7	7.8	22.2
PPI for construction materials	100.0	114.1	177.7	14.1	55.7