

The major indicators of the construction and housing sector, including the private-sector investment in housing starts (at current prices) and the number of construction permits issued by municipalities in all urban areas experienced positive growth in 2019/20. The value added of construction by private sector increased by 5.8 percent to Rls. 490.7 trillion at constant 2016/17 prices, while the total value added of the construction sector (both private and public buildings) decreased by 0.6 percent to Rls. 627.0 trillion. This was mainly due to a sharp decline in the value added of government buildings by 18.3 percent. Gross fixed capital formation in the construction sector amounted to Rls. 1,555.2 trillion at constant 2016/17 prices, down by 2.1 percent compared with 2018/19.

The private sector started the construction of 144.4 thousand new buildings with a total floor space of 81.4 million square meters

and completed 114.0 thousand buildings with a total floor space of 65.6 million square meters in 2019/20. Total floor space of housing starts in all urban areas rose by 5.9 percent, while that of housing completions decreased by 13.7 percent. Meanwhile, land price index in urban areas, CPI for construction services, and PPI for construction materials increased by respectively 59.0, 38.6 and 41.2 percent in 2019/20 (base year 2016/17).

5.1. Private-sector Investment in Construction in Urban Areas

In 2019/20, the private-sector investment in construction in urban areas increased by 48.9 percent to reach Rls. 1,601.9 trillion at current prices. Private sector investment in construction in Tehran surged by 46.2 percent to Rls. 345.9 trillion. In other large cities, this variable rose by 52.7 percent and in other urban areas, it increased by 46.7 percent compared with the year before.

Table 5.1. Private-sector Investment in Construction in Urban Areas ¹
(at current prices)

	(trillion rials)								
				Percentage change		Share (percent)		Contribution to investment growth (percent)	
	2017/18	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2019/20	
Tehran	183.3	236.5	345.9	29.0	46.2	22.0	21.6	10.2	
Other large cities	266.1	413.4	631.3	55.3	52.7	38.4	39.4	20.3	
Other urban areas	288.7	426.0	624.8	47.6	46.7	39.6	39.0	18.5	
All urban areas	738.1	1,075.9	1,601.9	45.8	48.9	100.0	100.0	48.9	

¹ Excludes land price.

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Private-sector investment in housing starts, semi-finished buildings, and housing completions increased at current prices in 2019/20. Investment in semi-finished buildings had the highest share of total investment by 60.4 percent, with the investment in housing starts and housing completions accounting for 22.9 and 16.6 percent of total, respectively.

5.2. Government Investment

According to data received from the Treasury General, a sum of Rls. 45.3 trillion was approved for the implementation of

projects related to the acquisition of non-financial assets in the housing sector and for urban and rural development purposes in 2019/20. The sum actually paid on the implementation of the mentioned projects was Rls. 18.6 trillion, constituting 41.0 percent of the amount approved in the budget. The greatest portion of credits was paid to "improvement of urban and rural structure" project by 77.6 percent. Moreover, the highest percentage of budget performance belonged to "development of sewage equipment and wastewater treatment" by 71.6 percent, followed by "development of Iran Strong Motion Network" by 70.2 percent.

Table 5.2. Private-sector Investment in Construction in Urban Areas by Construction Phase¹ (at current prices)

				Percentage change		Share (percent)		Contribution to investment growth (percent)
	2017/18	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2019/20
	(trillion rials)							
Housing starts	181.1	252.1	367.2	39.2	45.7	23.4	22.9	10.7
Semi-finished buildings	425.7	614.8	968.4	44.4	57.5	57.1	60.4	32.9
Housing completions	131.4	208.9	266.3	59.0	27.5	19.4	16.6	5.3
Total	738.1	1,075.9	1,601.9	45.8	48.9	100.0	100.0	48.9

¹ Excludes land price.

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

	Performance			Percentage change		2019/20	
	2017/18	2018/19	2019/20	2018/19	2019/20	Approved	Performance (percent) ¹
Housing sector	2.1	1.1	2.0	-45.7	80.9	3.0	66.9
Services rendered to urban and rural dwellers and nomads	29.4	31.4	14.9	6.8	-52.6	34.5	43.1
Water and sewage	30.1	36.6	1.2	21.6	-96.8	7.0	16.7
Research and development in housing sector, urban and rural development	0.1	0.5	0.5	315.5	-4.0	0.7	63.6
Total	61.7	69.6	18.6	12.8	-73.3	45.3	41.0

Source: Ministry of Economic Affairs and Finance, Treasury General

¹ The percentage of performance is calculated through dividing the "performance" by the "approved" figures, multiplying the result by 100.

5.3. Banking Facilities

Outstanding facilities (net) extended by banks and non-bank credit institutions to the non-public and public sectors active in the housing field indicated growth rates of respectively 12.0 and 22.4 percent to amount to Rls. 2,144.9 trillion and Rls. 6.5 trillion, respectively, in March 2020. Outstanding facilities (net) extended by banks and non-bank credit institutions to the non-public and public sectors active in the field of construction showed rises of respectively 19.9 and 9.9 percent to reach Rls. 930.2 trillion and Rls. 3.8 trillion, respectively. Meanwhile, out of the total value of facilities extended by banks and non-bank credit institutions to various economic sectors at Rls. 9,749.9 trillion, a sum of Rls. 687.0 trillion was extended to the construction and housing sector in 2019/20. This indicated a decrease of 33.8 percent compared with the year before.

In 2019/20, Bank Maskan (the Housing Bank of Iran), as the sole specialized bank in

the housing sector extended Rls. 301.4 trillion worth of facilities (excluding future profits and revenues) to 636.7 thousand projects, indicating an increase of 17.5 percent as against a decrease of 4.0 percent, respectively, compared with the year before. The mentioned facilities (including future profits and revenues) amounted to Rls. 469.1 trillion, indicating an increase of 8.6 percent compared with the year before. The average facilities extended by Bank Maskan for the purchase of housing units amounted to Rls. 619.1 million, rising by 24.5 percent compared with 2018/19. The amount of facilities extended by Bank Maskan in the form of installment sale contracts for housing purchase (excluding future profits and revenues) decreased by 15.4 percent to Rls. 97.5 trillion. Furthermore, 40.1 thousand partnership contracts were concluded for the extension of facilities worth Rls. 49.1 trillion, the value of which indicated an increase of 58.0 percent compared with the year before.

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

	March			March 2020		
	2018	2019	2020	Change in outstanding	Percentage change	Relative share ² (percent)
Housing	1,775.9	1,920.8	2,151.4	230.6	12.0	7.4
Non-public sector	1,772.2	1,915.5	2,144.9	229.5	12.0	8.7
Public sector	3.7	5.3	6.5	1.2	22.4	0.2
Construction	589.3	779.5	934.0	154.4	19.8	4.9
Non-public sector	584.8	776.1	930.2	154.1	19.9	5.9
Public sector	4.5	3.4	3.8	0.3	9.9	0.1

¹ Outstanding facilities (net) are calculated upon the deduction of the outstanding debt of customers and extended facilities under the exchange rate differential, future profits, future profits and commissions, receipts from Mudarabah, partnership contracts (with the bank as partner), and outstanding profits and commissions headings. Outstanding facilities include legal partnership and direct investment contracts.

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

Table 5.5. Facilities Extended by Bank Maskan¹ (billion rials)

	2017/18	2018/19	2019/20	Percentage change		Share (percent)	
				2018/19	2019/20	2018/19	2019/20
Partnership ²	46,451	31,069	49,079	-33.1	58.0	12.1	16.3
Installment sale-housing purchase	99,687	115,143	97,460	15.5	-15.4	44.9	32.3
Installment sale ³	55,017	58,873	55,303	7.0	-6.1	22.9	18.4
Murabaha	7,810	13,233	34,549	69.5	161.1	5.2	11.5
Hire purchase	67	5	5	-92.2	-3.4	0.0	0.0
Ju'alah	14,337	28,337	46,342	97.7	63.5	11.0	15.4
Gharz-al-hasaneh (marriage, security deposit, and housing completion)	5,114	6,448	15,624	26.1	142.3	2.5	5.2
Gharz-al-hasaneh (other)	601	3,042	2,488	406.1	-18.2	1.2	0.8
Debt purchase (rial equivalent)	1	0	0	-100.0	0	0.0	0.0
Other	456	423	518	-7.2	22.5	0.2	0.2
Total	229,541	256,575	301,369	11.8	17.5	100.0	100.0

Source: Bank Maskan

¹ Excludes future profits and revenues.

² Figures refer to concluded contracts, part of which was disbursed and the remaining part was the commitment of the bank. Disbursements on partnership contracts totaled Rls. 44,118 billion in 2019/20.

³ 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 included in the sum total.

5.4. Construction Permits

In 2019/20, construction permits issued by municipalities in urban areas indicated an increase of 1.9 percent in number and reached 146.0 thousand. Total floor space stipulated in construction permits was 79.8 million square meters, indicating a slight increase of 0.5 percent compared with the year before. The number of construction permits issued for Tehran declined by 14.6 percent, while the number of construction permits issued for other large cities and other urban areas increased by 6.7 and 2.3 percent, respectively. The total floor space of buildings in Tehran decreased by 16.4 percent, while the total floor space of buildings in other large cities and other

urban areas increased by respectively 0.1 and 6.9 percent compared with 2018/19.

Figure 5.1. Floor Space in Construction Permits Issued for Private Sector

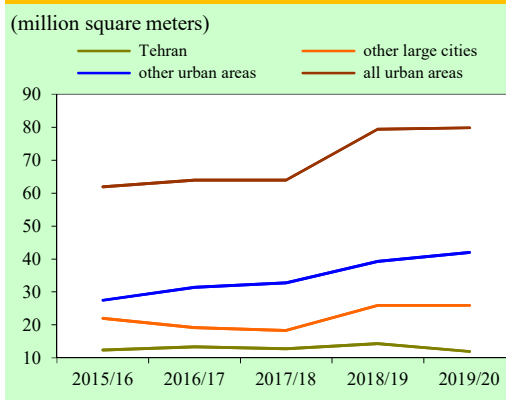


Table 5.6. Construction Permits Issued by Municipalities in Urban Areas

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Number of permits (thousand)	118.6	143.3	146.0	20.8	1.9
Total floor space (million square meters)	63.9	79.4	79.8	24.3	0.5
Average floor space (square meters)	538	554	547	3.0	-1.4

5.5. Housing Starts in Urban Areas

The private sector started the construction of 144.4 thousand buildings with a total floor space of 81.4 million square meters and an investment of Rls. 367.2 trillion (at current prices) in urban areas in 2019/20. The number and total floor space of housing starts in all urban areas rose by 5.4 and 5.9 percent, respectively. The number and the total floor space of housing starts in Tehran decreased by 0.6 and 7.3 percent, respectively. In other large cities, these variables increased by 0.1 and 0.4 percent, respectively. The average cost for the construction of new buildings was estimated at Rls. 20,388 thousand per square meter (excluding land price), up by 42.4 percent compared with 2018/19. In Tehran, the average construction cost reached Rls. 26,635 thousand, showing an increase of 47.9 percent compared with 2018/19.

5.6. Housing Completions in Urban Areas

A total of 114.0 thousand buildings, with a total floor space of 65.6 million square meters, were completed by the private sector

in 2019/20, down by respectively 16.0 and 13.7 percent. Of total buildings completed, 77.2 percent were residential, 12.7 percent were residential with a commercial purpose, and the remaining 10.1 percent were non-residential. The private-sector investment in housing completions totaled Rls. 266.3 trillion, accounting for 16.6 percent of total private-sector investment.

In 2019/20, the share of Tehran in total floor space of completed buildings was 15.7 percent, that of other large cities was 37.5 percent, and that of other urban areas was 46.8 percent. The average floor space of completed buildings rose by 2.7 percent to reach 575 square meters. In Tehran, the average floor space of completed buildings decreased by 6.2 percent to 1,314 square meters. The average cost of housing completions per square meter in all urban areas, excluding land price, rose 45.4 percent to Rls. 14,475 thousand. In Tehran, other large cities, and other urban areas, the average construction cost registered growth rates of respectively 53.5, 44.0 and 36.9 percent compared with 2018/19.

Table 5.7. Housing Starts in Urban Areas

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Number (thousand)	126.8	137.0	144.4	8.1	5.4
Total floor space (million square meters)	71.6	76.9	81.4	7.4	5.9
Average floor space (square meters)	565	561	564	-0.7	0.5
Average construction cost per square meter ¹ (thousand rials)	9,526	14,313	20,388	50.3	42.4

¹ Excludes land price.

Table 5.8. Housing Completions in Urban Areas

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Number (thousand)	115.5	135.7	114.0	17.5	-16.0
Total floor space (million square meters)	71.6	76.0	65.6	6.1	-13.7
Average floor space (square meters)	620	560	575	-9.7	2.7
Average construction cost per square meter ¹ (thousand rials)	8,737	9,954	14,475	13.9	45.4

¹ Excludes land price.

5.7. Residential Units Completed by Private Sector in Urban Areas

A total of 360.7 thousand residential units, with a total floor space of 58.0 million square meters, were completed by the private sector in 2019/20, down by respectively 15.6 and 12.7 percent. The average floor space of these units reached 161 square meters, up by 3.2 percent compared with 2018/19.

5.8. Land Developments

5.8.1. Land Price Index in Urban Areas

In 2019/20, land price index in all urban areas increased by 59.0 percent. This index showed a rise of 52.3 percent in Tehran.

5.8.2. Mehr Housing Project

In implementation of Note 6 to the Budget Law for 2007/08, the government took measures to implement the Mehr Housing Project 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 Project in the following years. Bank Maskan, the agent bank in terms of the extending of facilities, allocated a sum of Rls. 513.8 trillion by March 2020 to the construction of 2.4 million residential units through "land preparation", "land allocation on a 99-year lease", "building construction in abandoned and decaying locations of urban areas", and "renovation and refurbishment of rural housing" projects. "Land allocation on a 99-year lease" project enjoyed the highest share of the value of facilities by 87.0 percent. In addition, 1,939.8 thousand residential units were completed and ready to be put up for sale through installment payments.

5.9. Housing Rental Index in Urban Areas

Housing rental index surged in 2019/20. Growth rates of the housing rental index in "all urban areas", "Tehran", and "small cities" were 27.5, 28.1 and 28.2 percent, respectively.

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

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Number (thousand)	402.0	427.5	360.7	6.3	-15.6
Total floor space (million square meters)	62.5	66.5	58.0	6.4	-12.7
Average floor space (square meters) ¹	156	156	161	0.0	3.2

¹ Includes collectively owned areas such as parking lots, elevators, storerooms, etc.

Table 5.10. Land Price Index in Urban Areas

(base year 2016/17)

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Tehran	107.4	175.1	266.7	63.0	52.3
Other large cities	106.0	156.0	259.0	47.2	66.0
Other urban areas	107.2	147.2	247.0	37.3	67.8
All urban areas	106.8	164.1	260.9	53.7	59.0

Table 5.11. Facilities Allocated by Bank Maskan to Mehr Housing Project as of Implementation in 2007/08 until March 2020

	By March 2020		Share (percent)	
	Number (thousand units)	Value (trillion rials)	Number	Value
Land preparation	745 ¹	7.5	N/A	1.5
Land allocation on a 99-year lease	1,845	447.2	78.2	87.0
Building construction in abandoned and decaying locations of urban areas	82	14.8	3.5	2.9
Renovation and refurbishment of rural housing	432	40.6	18.3	7.9
Total	2,359	513.8²	100.0	100.0²

Source: Bank Maskan. ¹ As these 745 thousand units included in the list of facility receivers at the "land preparation" phase were also included under "land allocation on a 99-year lease", they were excluded from the total to avoid double counting. ² The difference between the sum total of components with the total given here by Rls. 3.7 trillion and that in the sum total of the share value with the total given here by 0.7 percent are due to the budgetary facilities allocated for the state of emergency.

Table 5.12. Housing Rental Index in Urban Areas

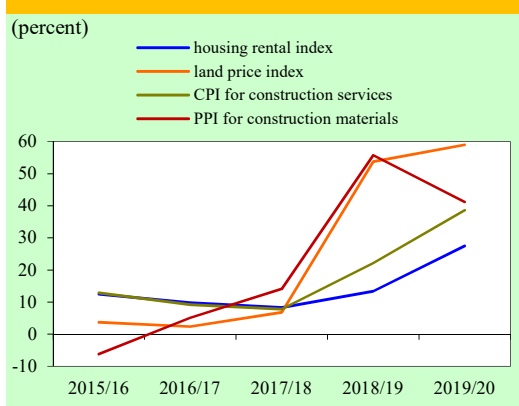
(base year 2016/17)

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
Tehran	109.2	126.4	161.9	15.8	28.1
Other large cities ¹	108.2	123.0	157.3	13.7	27.9
Medium-sized cities	108.8	121.5	151.1	11.7	24.4
Small cities	109.5	125.4	160.8	14.5	28.2
All urban areas	108.3	122.8	156.6	13.4	27.5

¹ Includes Tehran.

5.10. Construction Price Indices

Construction services price index, also an indicator of wage developments, indicated an increase by 38.6 percent in 2019/20 (base year 2016/17). The highest growth rates in the subgroups of this index were related to "wage paid to skilled electrician" by 49.7 percent and "wage paid for painting" by 43.0 percent. The PPI for construction materials increased by 41.2 percent, with the PPI for metallic construction materials recording an increase of 40.1 percent and that for non-metallic construction materials registering a rise of 42.8 percent.

Figure 5.2. Growth in Indices of Construction and Housing Sector (base year 2016/17)**Table 5.13. Construction Price Indices**

(base year 2016/17)

	2017/18	2018/19	2019/20	Percentage change	
				2018/19	2019/20
CPI for construction services	107.8	131.7	182.6	22.2	38.6
PPI for construction materials	114.1	177.7	251.0	55.7	41.2