

The major indicators of the construction and housing sector, including the private-sector investment in housing starts (at both current and constant 2016/17 prices) and the number of construction permits issued by municipalities in all urban areas, experienced positive growth in 2020/21. The value added of construction by private sector rose by 12.9 percent to Rls. 553.8 trillion at constant 2016/17 prices, while that of construction by public sector decreased by 13.1 percent at constant 2016/17 prices. Overall, the value added of the construction sector (both private and public buildings) increased by 7.2 percent to Rls. 672.2 trillion. Gross fixed capital formation in the construction sector amounted to Rls. 1,613.6 trillion at constant 2016/17 prices, up by 3.8 percent compared with 2019/20.

The private sector started the construction of 170.6 thousand new buildings with a total floor space of 103.3 million square

meters and completed 139.1 thousand buildings with a total floor space of 79.0 million square meters in 2020/21. The floor space of housing starts and housing completions in all urban areas rose by 26.9 and 20.4 percent, respectively. Meanwhile, land price index in urban areas, CPI for construction services, and PPI for construction materials increased by respectively 110.2, 51.4 and 82.2 percent in 2020/21 (base year 2016/17).

6.1. Private-sector Investment in Construction in Urban Areas

In 2020/21, the private-sector investment in construction in urban areas increased by 104.2 percent to reach Rls. 3,271.5 trillion at current prices. The private-sector investment in construction in Tehran totaled Rls. 773.6 trillion, indicating a rise of 123.6 percent compared with 2019/20. In other large cities, this variable increased by 85.0 percent and in other urban areas, it rose by 112.8 percent compared with the year before.

Table 6.1. Private-sector Investment in Construction in Urban Areas (at current prices)

(trillion rials)

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | | Share (percent) | | Contribution to investment growth (percent) |
|------------------------|----------------|----------------|----------------|-------------------|--------------|-----------------|--------------|---|
| | | | | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2020/21 |
| Tehran | 236.5 | 345.9 | 773.6 | 46.2 | 123.6 | 21.6 | 23.6 | 26.7 |
| Other large cities | 413.4 | 631.3 | 1,168.1 | 52.7 | 85.0 | 39.4 | 35.7 | 33.5 |
| Other urban areas | 426.0 | 624.8 | 1,329.9 | 46.7 | 112.8 | 39.0 | 40.6 | 44.0 |
| All urban areas | 1,075.9 | 1,601.9 | 3,271.5 | 48.9 | 104.2 | 100.0 | 100.0 | 104.2 |

¹ Excludes land price.

The private-sector investment in housing starts, unfinished buildings, and housing completions increased at current prices in 2020/21. Investment in unfinished buildings had the highest share in total investment by 57.0 percent, with the investment in housing starts and housing completions accounting for 25.9 and 17.1 percent of total, respectively.

6.2. Government Investment

According to data received from the Treasury General, a sum of Rls. 159.3 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 2020/21. The sum actually paid on the implementation of the mentioned projects was Rls. 107.8 trillion, constituting 67.7 percent of the amount approved in the budget. The greatest portion of credits was paid to "improvement of urban and rural structure" project by 26.8 percent. Moreover, the highest percentage of budget performance belonged to "governance of the technical and economic system of the housing sector" and "settlement of nomads", each by 100.0 percent.

Table 6.2. Private-sector Investment in Construction in Urban Areas by Construction Phase¹ (at current prices)

| | (trillion rials) | | | | | | | |
|------------------------|------------------|----------------|----------------|-------------------|--------------|-----------------|--------------|---|
| | | | | Percentage change | | Share (percent) | | Contribution to investment growth (percent) |
| | 2018/19 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2020/21 |
| Housing starts | 252.1 | 367.2 | 846.8 | 45.7 | 130.6 | 22.9 | 25.9 | 29.9 |
| Unfinished buildings | 614.8 | 968.4 | 1,864.8 | 57.5 | 92.6 | 60.4 | 57.0 | 56.0 |
| Housing completions | 208.9 | 266.3 | 560.0 | 27.5 | 110.2 | 16.6 | 17.1 | 18.3 |
| All urban areas | 1,075.9 | 1,601.9 | 3,271.5 | 48.9 | 104.2 | 100.0 | 100.0 | 104.2 |

¹ Excludes land price.

Table 6.3. Credits Paid on Acquisition of Non-financial Assets in Housing Sector, Urban and Rural Development

| Sector, Urban and Rural Development | (trillion rials) | | | | | | |
|---|------------------|---------|---------|-------------------|---------|----------|------------------------------------|
| | Performance | | | Percentage change | | 2020/21 | |
| | 2018/19 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | Approved | Performance (percent) ¹ |
| Housing sector | 1.1 | 2.0 | 1.7 | 80.9 | -17.6 | 1.7 | 100.0 |
| Services rendered to urban and rural dwellers and nomads | 31.4 | 14.9 | 62.1 | -52.6 | 317.5 | 83.4 | 74.5 |
| Water and sewage | 36.6 | 1.2 | 43.3 | -96.8 | # | 73.4 | 59.0 |
| Research and development in housing sector, urban and rural development | 0.5 | 0.5 | 0.7 | -4.0 | 45.1 | 0.7 | 96.7 |
| Total | 69.6 | 18.6 | 107.8 | -73.3 | 480.8 | 159.3 | 67.7 |

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.

6.3. Banking Facilities

Outstanding facilities (net) extended by banks and non-bank credit institutions to the non-public sector active in the field of *housing* rose by 18.8 percent to Rls. 2,548.7 trillion, while those extended to the public sector experienced a fall of 19.5 percent to amount to Rls. 5.2 trillion in March 2021 compared with 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* rose by 23.4 and 280.3 percent to reach Rls. 1,148.1 trillion and Rls. 14.3 trillion, respectively. Meanwhile, out of the total value of facilities extended by banks and non-bank credit institutions to various economic sectors at Rls. 19,267.2 trillion, a sum of Rls. 1,125.6 trillion was extended to the construction and housing sector in 2020/21, up by 63.8 percent.

In 2020/21, Bank Maskan (the Housing Bank of Iran), as the sole specialized bank in

the housing sector extended Rls. 364.1 trillion worth of facilities (excluding future profits and revenues) to 1,639.9 thousand projects, indicating an increase of 21.1 and 157.5 percent, respectively, compared with the year before. The mentioned facilities (including future profits and revenues) amounted to Rls. 565.0 trillion, indicating an increase of 20.5 percent compared with the year before. The average facilities extended by Bank Maskan for the purchase of housing units amounted to Rls. 959.6 million, rising by 55.0 percent compared with the previous year. The value of facilities extended by Bank Maskan in the form of installment sale contracts for housing purchase (excluding future profits) decreased by 0.6 percent to Rls. 96.2 trillion. Furthermore, 31.7 thousand partnership contracts were concluded for the extension of facilities worth Rls. 73.8 trillion, the value of which indicated an increase of 50.3 percent compared with the year before.

Table 6.4. Outstanding Facilities (Net)¹ Extended by Banks and Non-bank Credit Institutions to Housing and Construction Sectors

(trillion rials)

| | March | | | March 2021 | | |
|---------------------|----------------|----------------|----------------|-----------------------|-------------------|---------------------------------------|
| | 2019 | 2020 | 2021 | Change in outstanding | Percentage change | Relative share ² (percent) |
| Housing | 1,920.8 | 2,151.4 | 2,553.9 | 402.5 | 18.7 | 5.5 |
| Non-public sector | 1,915.5 | 2,144.9 | 2,548.7 | 403.8 | 18.8 | 5.8 |
| Public sector | 5.3 | 6.5 | 5.2 | -1.3 | -19.5 | -0.3 |
| Construction | 779.5 | 934.0 | 1,162.4 | 228.4 | 24.5 | 3.1 |
| Non-public sector | 776.1 | 930.2 | 1,148.1 | 217.9 | 23.4 | 3.1 |
| Public sector | 3.4 | 3.8 | 14.3 | 10.6 | 280.3 | 2.5 |

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 6.5. Facilities Extended by Bank Maskan¹

(billion rials)

| | 2018/19▲ | 2019/20▲ | 2020/21□ | Percentage change | | Share (percent) | |
|---|----------------|----------------|----------------|-------------------|-------------|-----------------|--------------|
| | | | | 2019/20 | 2020/21 | 2019/20 | 2020/21 |
| Partnership ² | 31,069 | 49,079 | 73,777 | 58.0 | 50.3 | 16.3 | 20.3 |
| Installment sale-housing purchase | 113,836 | 96,746 | 96,151 | -15.0 | -0.6 | 32.3 | 26.4 |
| Installment sale ³ | 58,873 | 55,303 | 61,532 | -6.1 | 11.3 | 18.4 | 16.9 |
| Murabaha | 13,233 | 34,549 | 52,515 | 161.1 | 52.0 | 11.5 | 14.4 |
| Hire purchase | 5 | 5 | 102 | -3.4 | # | * | * |
| Ju'alah | 28,337 | 46,342 | 41,703 | 63.5 | -10.0 | 15.4 | 11.5 |
| Gharz-al-hasaneh (marriage, security deposit, and housing completion) | 6,448 | 15,624 | 22,035 | 142.3 | 41.0 | 5.2 | 6.1 |
| Gharz-al-hasaneh (other) | 3,042 | 2,488 | 15,130 | -18.2 | # | 0.8 | 4.2 |
| Debt purchase (rial equivalent) | 0 | 0 | 15 | 0 | 0 | 0.0 | * |
| Other | 423 | 518 | 1,164 | 22.5 | 124.5 | 0.2 | 0.3 |
| Total | 255,268 | 300,655 | 364,122 | 17.8 | 21.1 | 100.0 | 100.0 |

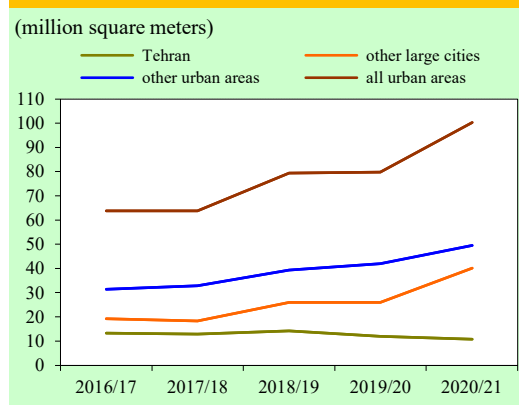
Source: Bank Maskan

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. 62,616 billion in 2020/21.³ 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.

6.4. Construction Permits

The number of construction permits issued by municipalities in urban areas increased by 11.9 percent to 163.4 thousand in 2020/21. Total floor space stipulated in construction permits was 100.4 million square meters, up by 25.8 percent compared with 2019/20. The number of construction permits issued for Tehran declined by 23.0 percent, while the number of construction permits issued for other large cities and other urban areas rose by 32.7 and 8.7 percent, respectively. The total floor space of buildings in Tehran as stipulated in construction permits decreased by 9.9 percent. In other large cities and other urban

areas, however, the total floor space rose by respectively 54.8 and 18.0 percent.

Figure 6.1. Floor Space in Construction Permits Issued for Private Sector**Table 6.6. Construction Permits Issued by Municipalities in Urban Areas**

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | |
|---|---------|---------|---------|-------------------|---------|
| | | | | 2019/20 | 2020/21 |
| Number of permits (thousand) | 143.3 | 146.0 | 163.4 | 1.9 | 11.9 |
| Total floor space (million square meters) | 79.4 | 79.8 | 100.4 | 0.5 | 25.8 |
| Average floor space (square meters) | 554 | 547 | 614 | -1.4 | 12.4 |

6.5. Housing Starts in Urban Areas

The private sector started the construction of 170.6 thousand buildings with a total floor space of 103.3 million square meters and an investment of Rls. 846.8 trillion (at current prices) in urban areas in 2020/21. The number and total floor space of housing starts in all urban areas rose by 18.1 and 26.9 percent, respectively. The number of housing starts in Tehran fell by 6.2 percent, while the total floor space in Tehran rose by 13.5 percent. In other large cities, these variables increased by 14.2 and 27.0 percent, respectively. The average cost for the construction of new buildings was estimated at Rls. 36,893 thousand per square meter (excluding land price), up by 81.0 percent compared with 2019/20. In Tehran, the average construction cost amounted to Rls. 46,704 thousand, showing an increase of 75.3 percent compared with 2019/20.

6.6. Housing Completions in Urban Areas

A total of 139.1 thousand buildings, with a total floor space of 79.0 million square meters, were completed by the private sector

in 2020/21, up by respectively 22.1 and 20.4 percent. Of total buildings completed, 81.3 percent were residential, 9.8 percent were residential with a commercial purpose, and the remaining 8.9 percent were non-residential. The private-sector investment in housing completions amounted to Rls. 560.0 trillion, accounting for 17.1 percent of total private-sector investment.

In 2020/21, the share of Tehran in total floor space of completed buildings was 17.8 percent, that of other large cities was 36.6 percent, and that of other urban areas was 45.5 percent. The average floor space of completed buildings fell by 1.4 percent to reach 567 square meters. In Tehran, the average floor space of completed buildings increased by 4.7 percent to 1,376 square meters. The average construction cost of housing completions per square meter in all urban areas, excluding land price, rose 49.4 percent to Rls. 21,624 thousand. In Tehran, other large cities, and other urban areas, the average construction cost registered growth rates of respectively 62.2, 41.0 and 45.5 percent compared with 2019/20.

Table 6.7. Housing Starts in Urban Areas

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | |
|--|---------|---------|---------|-------------------|---------|
| | | | | 2019/20 | 2020/21 |
| Number (thousand) | 137.0 | 144.4 | 170.6 | 5.4 | 18.1 |
| Total floor space (million square meters) | 76.9 | 81.4 | 103.3 | 5.9 | 26.9 |
| Average floor space (square meters) | 561 | 564 | 605 | 0.5 | 7.3 |
| Average construction cost per square meter ¹ (thousand rials) | 14,313 | 20,388 | 36,893 | 42.4 | 81.0 |

¹ Excludes land price.

Table 6.8. Housing Completions in Urban Areas

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | |
|--|---------|---------|---------|-------------------|---------|
| | | | | 2019/20 | 2020/21 |
| Number (thousand) | 135.7 | 114.0 | 139.1 | -16.0 | 22.1 |
| Total floor space (million square meters) | 76.0 | 65.6 | 79.0 | -13.7 | 20.4 |
| Average floor space (square meters) | 560 | 575 | 567 | 2.7 | -1.4 |
| Average construction cost per square meter ¹ (thousand rials) | 9,954 | 14,475 | 21,624 | 45.4 | 49.4 |

¹ Excludes land price.

6.7. Residential Units Completed by Private Sector in Urban Areas

A total of 440.3 thousand residential units, with a total floor space of 71.6 million square meters, were completed by the private sector in 2020/21, up by respectively 22.0 and 23.4 percent. The average floor space of these units reached 163 square meters, up by 1.2 percent compared with 2019/20.

6.8. Land Developments

6.8.1. Land Price Index in Urban Areas

In 2020/21, land price index in all urban areas increased by 110.2 percent. This index showed a rise of 97.9 percent in Tehran.

6.8.2. 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, as the agent bank in terms of the extending of facilities, allocated a sum of Rls. 521.1 trillion by March 2021 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 87.2 percent. In addition, 2,003.5 thousand residential units were completed and ready to be put up for sale through installment payments.

6.9. Housing Rental Index in Urban Areas

Housing rental index surged by 31.8 percent in "all urban areas" in 2020/21. The housing rental index in "small cities" experienced the highest growth rate by 36.9 percent in the year under review.

Table 6.9. Residential Units Completed by Private Sector in Urban Areas

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | |
|--|---------|---------|---------|-------------------|---------|
| | | | | 2019/20 | 2020/21 |
| Number (thousand) | 427.5 | 360.7 | 440.3 | -15.6 | 22.0 |
| Total floor space (million square meters) | 66.5 | 58.0 | 71.6 | -12.7 | 23.4 |
| Average floor space (square meters) ¹ | 156 | 161 | 163 | 3.2 | 1.2 |

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

Table 6.10. Land Price Index in Urban Areas

(base year 2016/17)

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | |
|------------------------|--------------|--------------|--------------|-------------------|--------------|
| | | | | 2019/20 | 2020/21 |
| Tehran | 175.1 | 266.7 | 527.9 | 52.3 | 97.9 |
| Other large cities | 156.0 | 259.0 | 569.7 | 66.0 | 120.0 |
| Other urban areas | 147.2 | 247.0 | 569.7 | 67.8 | 130.6 |
| All urban areas | 164.1 | 260.9 | 548.3 | 59.0 | 110.2 |

Table 6.11. Facilities Allocated by Bank Maskan to Mehr Housing Project as of Implementation in 2007/08 until March 2021

| | By March 2021□ | | Share (percent) | |
|--|----------------------------|---------------------------|-----------------|--------------------------|
| | Number (thousand units) | Value (trillion rials) | Number | Value |
| Land preparation | 742 ¹ | 7.4 | N/A | 1.4 |
| Land allocation on a 99-year lease | 1,847 | 454.3 | 78.2 | 87.2 |
| Building construction in abandoned and decaying locations of urban areas | 82 | 14.8 | 3.5 | 2.8 |
| Renovation and refurbishment of rural housing | 433 | 40.8 | 18.3 | 7.8 |
| Total | 2,362 | 521.1² | 100.0 | 100.0² |

Source: Bank Maskan. ¹ As these 742 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 A difference of Rls. 3.8 trillion between the sum total of the value of components with the total given here, and a difference of 0.8 percent in the sum total of the share value with the total given here are due to the budgetary facilities allocated for the state of emergency.

Table 6.12. Housing Rental Index in Urban Areas

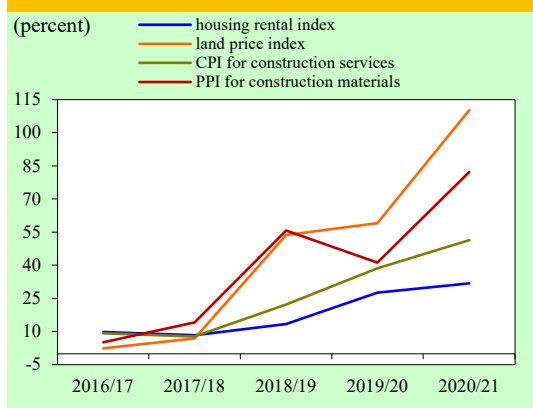
(base year 2016/17)

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | |
|---------------------------------|--------------|--------------|--------------|-------------------|-------------|
| | | | | 2019/20 | 2020/21 |
| Tehran | 126.4 | 161.9 | 208.4 | 28.1 | 28.7 |
| Other large cities ¹ | 123.0 | 157.3 | 206.8 | 27.9 | 31.5 |
| Medium-sized cities | 121.5 | 151.1 | 198.7 | 24.4 | 31.5 |
| Small cities | 125.4 | 160.8 | 220.1 | 28.2 | 36.9 |
| All urban areas | 122.8 | 156.6 | 206.4 | 27.5 | 31.8 |

¹ Includes Tehran.

6.10. Construction Price Indices

The CPI for construction services, also an indicator of wage developments, showed an increase of 51.4 percent in 2020/21 (base year 2016/17). The highest growth rates in the subgroups of this index were related to "wage paid to unskilled construction worker per day" by 70.4 percent and "wage paid for well-digging" by 61.8 percent. The PPI for construction materials increased by 82.2 percent, with the PPI for metallic construction materials recording an increase of 107.2 percent and that for non-metallic construction materials registering an increase of 48.3 percent.

Figure 6.2. Growth in Indices of Construction and Housing Sector (base year 2016/17)**Table 6.13. Construction Price Indices**

(base year 2016/17)

| | 2018/19 | 2019/20 | 2020/21 | Percentage change | |
|--------------------------------|---------|---------|---------|-------------------|---------|
| | | | | 2019/20 | 2020/21 |
| CPI for construction services | 131.7 | 182.6 | 276.4 | 38.6 | 51.4 |
| PPI for construction materials | 177.7 | 251.0 | 457.4 | 41.2 | 82.2 |