

**C**onstruction activities exhibited a growth of less than GDP growth in 1384, triggered by housing bust and recession of the previous year. Gross fixed capital formation in construction sector grew by 4.7 percent in this year. Private sector investment in new buildings in urban areas (at current prices) reached Rls. 103.2 trillion, up by 13.1 percent. This was basically attributable to the rise in construction costs.

Private sector completed 168.6 thousand buildings with a total floor space of 64.9 million square meters. This shows 65.4 and 58.2 percent rise in number and total floor space compared with the previous year. Moreover, 176.2 thousand new buildings, with a total floor space of 62.9 million square meters, were constructed in urban areas, showing 10.3 and 15.8 percent decrease in terms of number and floor space, respectively. The number of residential buildings completed by the private sector in urban areas reached 479.2 thousand, up by 52.4 percent. Construction permits issued by municipalities, as a leading indicator reflecting future trends of housing sector, indicated uncertainty in housing market which made it difficult for investors to be optimistic about the outlook. These permits indicated that the number and total floor space of buildings fell by 4.5 and 5.8 percent in 1384, compared with the previous year.

The price indices of factors affecting building activities went up in 1384. In this regard, land price index in urban areas (1383 as base year) rose by 11.5 percent compared with the previous year. Similarly, price index of construction services and wholesale price index of construction materials grew by 18 and 6.2 percent, respectively. Growth of the mentioned indices, coupled with the relative stagnation prevailing in the housing market, raised the rental housing index by 14.4 percent.

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

Private sector investment in large cities grew moderately and in Tehran, it enjoyed a relatively high growth. Growth of investment in large cities was 9.7 percent and the share of these regions, in terms of investment, in new buildings of urban areas was 30.7 percent. Investment in small and medium-sized cities, compared with 40.5 percent rise of the previous year, recorded a mere 13.5 percent increase. Private sector investment in Tehran for the construction of new buildings in urban areas, with 0.8 percentage point increase, amounted to 20.6 percent in the review year.

**PRIVATE SECTOR INVESTMENT IN NEW BUILDINGS IN URBAN AREAS (1)**  
(at current prices)

					Percentage change ○		Share (percent)		Contribution to the growth of investment (percent)
	1382	1383	1383 (2)	1384	1383	1384	1383	1384	1384
	(billion rials)								
Tehran	14,576.6	15,628.7	18,096.9	21,218.9	7.2	17.3	19.8	20.6	3.4
Other large cities	24,920.2	29,987.0	28,833.7	31,632.1	20.3	9.7	31.6	30.6	3.1
Other urban areas	20,267.6	28,483.7	44,321.7	50,319.9	40.5	13.5	48.6	48.8	6.6
<b>All urban areas</b>	<b>59,764.4</b>	<b>74,099.4</b>	<b>91,252.3</b>	<b>103,170.9</b>	<b>24.0</b>	<b>13.1</b>	<b>100.0</b>	<b>100.0</b>	<b>13.1</b>

(1) Excludes the cost of land.

(2) The new base year (1383) has been used since the beginning of 1384. Due to revisions in the statistical framework in 1384, figures are not comparable with the previous years.

**Revision in the Statistical Framework of Private Sector Activities**

With the development of urban areas, the Statistics Department of the CBI revises the statistical frameworks (change in clusters) every 5 to 7 years, adding data for new urban areas. Accordingly, the statistical framework for 1376 was revised and 1383 was regarded as the base year. Therefore, data for 1384 and the new survey for 1383 are not comparable with previous periods.

Private sector investment according to construction phases at current prices indicates growth in the construction of semi-finished and completed buildings and reduction in building starts. The downward trend of number and floor space of building starts indicates the recessionary trend of construction activities by the private sector.

**PRIVATE SECTOR INVESTMENT IN NEW BUILDINGS IN URBAN AREAS (1)**  
**BY CONSTRUCTION PHASES (at current prices)**

					Percentage change ○		Share (percent)		Contribution to the growth of investment (percent)
	1382	1383	1383 (2)	1384	1383	1384	1383	1384	1384
	(billion rials)								
Building starts	16,057.9	20,214.8	27,234.2	26,058.2	25.9	-4.3	29.8	25.3	-1.3
Semi-finished buildings	31,373.0	39,374.2	53,160.5	55,558.3	25.5	4.5	58.3	53.9	2.7
Completed buildings	12,333.5	14,510.5	10,857.6	21,554.4	17.7	98.5	11.9	20.9	11.6
<b>Total investment</b>	<b>59,764.4</b>	<b>74,099.4</b>	<b>91,252.3</b>	<b>103,170.9</b>	<b>24.0</b>	<b>13.1</b>	<b>100.0</b>	<b>100.0</b>	<b>13.1</b>

(1) Excludes the cost of land.

(2) The new base year (1383) has been used since the beginning of 1384. Due to revisions in the statistical framework in 1384, figures are not comparable with the previous years.

**Government Investment**

Data released by the Treasury General of the Ministry of Economic Affairs and Finance for 1384 indicates that the government spent Rls. 16,133.6 billion for the implementation of acquisition of non-financial – national assets projects in the housing sector, urban and rural development and the Affordable Housing Plan for the low-income groups. This amount equaled 149.3 percent of the budget approved to be spent in this sector.

**GOVERNMENT ACQUISITION OF NON-FINANCIAL – NATIONAL ASSETS  
(DEVELOPMENT EXPENDITURES) IN HOUSING SECTOR, URBAN AND  
RURAL DEVELOPMENT, AND AFFORDABLE HOUSING PLAN  
FOR LOW-INCOME GROUPS IN 1384 (1)**

(billion rials)

	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	16,098.8	99.8	10,768.0	149.5
Affordable Housing Plan for low-income groups (in the framework of Welfare and Social Security System)	34.8	0.2	35.0	99.5
<b>Total</b>	<b>16,133.6</b>	<b>100.0</b>	<b>10,803.0</b>	<b>149.3</b>

Source: Treasury General - Ministry of Economic Affairs and Finance

(1) Chapters of the Budget Law for 1384, especially in construction and housing sector, were changed in the first year of the 4<sup>th</sup> FYDP, therefore data for the budget performance are not comparable with previous periods.

### Banking Facilities

Outstanding facilities extended by banks and non-bank credit institutions to "housing" and "construction" sectors, especially non-public housing and construction sectors, amounted to Rls. 158.3 and 10.4 trillion, up by 40.2 and 25.0 percent, respectively. Moreover, private banks and non-bank credit institutions, accounting for 23 percent of change in outstanding facilities extended to non-public housing sector, enjoyed the highest growth of 87.3 percent in outstanding facilities. The significant growth of banking facilities extended to non-public housing sector affected private sector investment in construction of semi-finished and completed buildings.

**OUTSTANDING FACILITIES EXTENDED BY BANKS AND NON-BANK CREDIT  
INSTITUTIONS TO CONSTRUCTION AND HOUSING SECTORS (1)**

(billion rials)

	Year-end		Percentage change		Change in outstanding		Share of total change in outstanding	
	1383 ▲	1384	1383	1384	1383 ▲	1384	1383	1384
<b>Construction</b>	<b>22,064.6</b>	<b>23,521.8</b>	<b>18.3</b>	<b>6.6</b>	<b>3,418.1</b>	<b>1,457.2</b>	<b>2.2</b>	<b>0.7</b>
Non-public sector	8,329.2	10,408.8	38.2	25.0	2,300.3	2,079.6	1.6	1.0
Public sector	13,735.4	13,113.0	8.9	-4.5	1,117.8	-622.4	8.8	-6.1
<b>Housing</b>	<b>113,787.7</b>	<b>159,037.6</b>	<b>27.2</b>	<b>39.8</b>	<b>24,365.4</b>	<b>45,249.9</b>	<b>15.6</b>	<b>21.0</b>
Non-public sector	112,935.3	158,348.8	27.4	40.2	24,322.3	45,413.5	17.0	22.1
Public sector	852.4	688.8	5.3	-19.2	43.1	-163.6	0.3	-1.6

(1) Excludes profit and revenue receivables.

In the review year, Bank Maskan (Housing Bank), as the sole specialized bank in this sector, accounted for 48.4 percent of change in outstanding facilities extended to the non-public housing sector. This bank extended 299.4 thousand items of facility to the non-public housing sector, worth Rls. 27 trillion (excluding profit and revenue receivables), showing 43.4 and 140.0 percent growth in number and value, respectively. The mentioned facilities, including profit and revenue receivables, amounted to Rls. 43.4 trillion, up by 147.1 percent compared with the

previous year. Increase in the ceiling of facilities extended for the purchase of housing units with or without depositing and improvements in the housing market were the driving forces for the surge in the amount of facilities extended in this year.

**FACILITIES EXTENDED BY BANK MASKAN (1)**

	1382	1383	1384	Percentage change	
				1383	1384
Number (thousand)	334.8	208.8	299.4	-37.6	43.4
Amount (billion rials)	14,488.6	17,584.3	43,446.8	21.4	147.1

Source: Bank Maskan

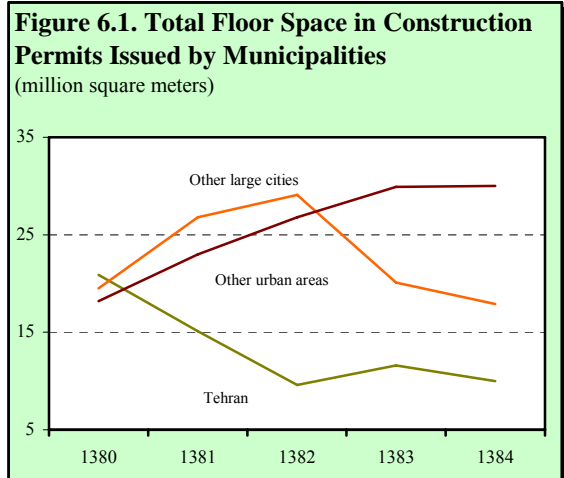
(1) Includes profit and revenue receivables.

Distribution of facilities extended by Bank Maskan according to contracts indicates that the number and amount of facilities extended in the form of installment sale (including profit receivables) rose by 51 and 172 percent, respectively. Facilities extended for the purchase of housing units indicated huge rise of 74 percent in number and 216.5 percent in amount compared with the previous year.

Reviewing the balance of Bank Maskan deposits indicates that deposits in the housing savings fund by 40.3 percent and long-term deposits by 36.4 percent enjoyed the highest shares of bank deposits at year-end 1384.

**Building Starts by Private Sector in Urban Areas**

Private sector invested Rls. 26.1 trillion (at current prices) in the construction of 176.2 thousand new buildings in urban areas with a total floor space of 62.9 million square meters. In all urban areas, the number and total floor space of building starts fell by 10.3 and 15.8 percent, respectively. In large cities, these buildings faced 21.1 and 22.4 percent reduction in number and total floor space. Average floor space of building starts in all urban areas indicated 6.1 percent reduction compared with the previous year. The average cost for construction of new buildings was estimated at Rls. 1,412 thousand per square meter, showing 17.4 percent growth. Construction cost in Tehran, with 21.9 percent growth, amounted to Rls. 1,887 thousand. Of total building starts, 86.4 percent were residential, 8.1 percent commercial and the remainder non-residential.



**BUILDING STARTS BY PRIVATE SECTOR IN URBAN AREAS**

	1382	1383	1383 (1)	1384	Percentage change ○	
					1383	1384
Number (thousand)	156.1	139.5	196.4	176.2	-10.6	-10.3
Estimated total floor space (million square meters)	58.5	56.2	74.7	62.9	-4.0	-15.8
Average floor space (square meters)	375.0	403.0	380.0	357.0	7.5	-6.1
Average cost per square meter (thousand rials)	960.0	1,205.0	1,203.0	1,412.0	25.5	17.4

(1) As of 1384, the year 1383 is considered as base year.

### Buildings Completed by Private Sector in Urban Areas

Investment by private sector in the completion of buildings amounted to RIs. 21.5 trillion. This was 20.9 percent of total private sector investment in new building in urban areas. Meanwhile, 168.6 thousand buildings, with a total floor space of 64.9 million square meters, were completed by the private sector, showing 65.4 and 58.2 percent growth, respectively, compared with the previous year.

#### BUILDINGS COMPLETED BY PRIVATE SECTOR IN URBAN AREAS

	1382	1383	1383 (1)	1384	Percentage change O	
					1383	1384
Number (thousand)	188.6	146.9	101.9	168.6	-22.1	65.4
Total floor space (million square meters)	59.8	55.6	41.1	64.9	-7.1	58.2
Average floor space (square meters)	317.0	378.0	403.0	385.0	19.3	-4.5
Average cost per square meter (thousand rials)	797.0	1,004.0	1,125.0	1,317.0	26.0	17.1

(1) As of 1384, the year 1383 is considered as base year.

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

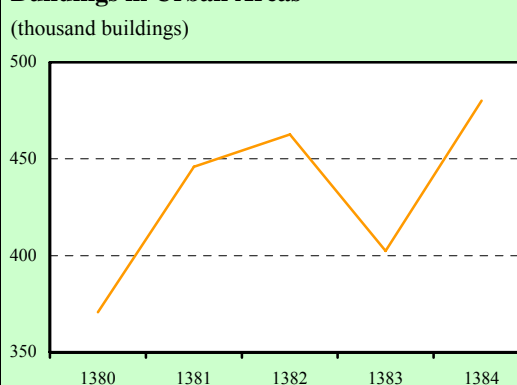
The total number of residential buildings completed by private sector in urban areas amounted to 479.2 thousand, with a total floor space of 58 million square meters. The average floor space of these buildings stood at 121 square meters, up by 4.3 percent compared with the previous year.

#### RESIDENTIAL BUILDINGS COMPLETED BY PRIVATE SECTOR IN URBAN AREAS

	1382	1383	1383 (1)	1384	Percentage change O	
					1383	1384
Number (thousand)	462.7	402.5	314.4	479.2	-13.0	52.4
Total floor space (million square meters)	55.1	49.5	36.5	58.0	-10.2	58.9
Average floor space (square meter)	119.0	123.0	116.0	121.0	3.4	4.3

(1) As of 1384, the year 1383 is considered as base year.

**Figure 6.2. Number of Completed Residential Buildings in Urban Areas**



Land price index in urban areas posted an increase of 11.5 percent compared with the previous year, lower than the inflation rate of 12.1 percent. This index in small and medium-sized cities was higher than the inflation rate.

#### LAND PRICE INDEX BY URBAN AREAS

(1383=100)

	1382	1383	1384	Percentage change	
				1383	1384
Tehran	89.7	100.0	109.1	10.5	9.1
Other large cities	79.8	100.0	111.3	25.3	11.3
Other urban areas	71.8	100.0	115.1	39.3	15.1
<b>All urban areas</b>	<b>82.0</b>	<b>100.0</b>	<b>111.1</b>	<b>22.0</b>	<b>11.5</b>

### Construction Indices

Construction services index, a leading indicator of labor market, grew by 18 percent in 1384, still above the inflation rate.

CONSTRUCTION INDICES					
(1376=100)					
	1382	1383	1384	Percentage change	
				1383	1384
Construction services index	227.2	285.8	337.2	25.8	18.0
Wholesale price index of construction materials	216.9	268.8	285.4	23.9	6.2

