

The relatively stagnant condition prevailing in housing sector, which had begun in 1382, continued and ran into 1385, mostly in Tehran and other large, medium-sized and small cities. This trend, however, changed in the second half of 1385 and construction activities started to improve relatively, especially in Tehran. The positive growth in the number of construction permits is a leading indicator that signifies improvement in construction activities and a benign outlook for investment in this sector.

Based on preliminary estimates on national accounts, the value-added of the construction sector grew by 3.7 percent to Rls. 19,420 billion, at constant 1376 prices. Gross fixed capital formation in the construction sector grew by 3.9 percent in the review year. Private sector completed 165.6 thousand buildings with a total floor space of 61.6 million square meters. This shows 1.8 and 5.2 percent decline in number

and floor space, respectively, compared with 1384. Moreover, 182.4 thousand new buildings, with a total floor space of 66.2 million square meters, were constructed in urban areas.

The price indices of factors affecting building activities increased in 1385. Land price index went up by 12.8 percent (base year: 1383) in urban areas. Meanwhile, price index of construction services and wholesale price index of construction materials showed 18.6 and 19.9 percent growth, respectively, and the rental housing index rose by 13.7 percent.

Private Sector Investment in New Buildings in Urban Areas

Private sector investment in small and medium-sized cities grew moderately and in Tehran, it enjoyed a relatively high growth. Private sector investment in Tehran for the construction of new buildings reached 23.1 percent in 1385, showing 2.5 percentage

PRIVATE SECTOR INVESTMENT IN NEW BUILDINGS IN URBAN AREAS ⁽¹⁾⁽²⁾
(at current prices) (billion rials)

	1383	1384	1385	Percentage change O		Share (percent)		Contribution to the growth of investment (percent)
				1384	1385	1384	1385	1385
Tehran	18,096.9	21,218.9	26,199.6	17.3	23.5	20.6	23.1	4.8
Other large cities	28,833.7	31,632.1	35,458.7	9.7	12.1	30.6	31.2	3.7
Other urban areas	44,321.7	50,319.9	51,911.2	13.5	3.2	48.8	45.7	1.6
All urban areas	91,252.3	103,170.9	113,569.5	13.1	10.1 ⁽³⁾	100.0	100.0	10.1

(1) Excludes the cost of land.

(2) The new base year (1383) has been used since the beginning of 1383.

(3) Discrepancy between this figure and the one mentioned in Chapter one is because 9.6 percent is preliminary.

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points increase. Growth of investment in large cities was 12.1 percent and the share of these regions, in terms of investment, in new buildings of urban areas was 31.2 percent.

Private sector investment according to construction phases at current prices indicates growth in the construction of building starts

and completion of semi-finished buildings and reduction in completed buildings. The upward trend of number and floor space of building starts and rise in the number of construction permits issued by municipalities reversed the housing bust of the previous years into a boom.

PRIVATE SECTOR INVESTMENT IN NEW BUILDINGS IN URBAN AREAS BY CONSTRUCTION PHASES ⁽¹⁾⁽²⁾ (at current prices)

									(billion rials)
				Percentage change O		Share (percent)		Contribution to the growth of investment (percent)	
	1383	1384	1385	1384	1385	1384	1385	1385	
Building starts	27,234.2	26,058.2	31,818.3	-4.3	22.1	25.3	28.0	5.6	
Semi-finished buildings	53,160.5	55,558.3	60,720.7	4.5	9.3	53.9	53.5	5.0	
Completed buildings	10,857.6	21,554.4	21,030.5	98.5	-2.4	20.9	18.5	-0.5	
Total investment	91,252.3	103,170.9	113,569.5	13.1	10.1	100.0	100.0	10.1	

(1) Excludes the cost of land.

(2) The new base year (1383) has been used since the beginning of 1383.

Government Investment

Data released by the Treasury General of the Ministry of Economic Affairs and Finance for 1385 reveal that the government spent a sum of Rls. 15,414.6 billion for the implementation of acquisition of non-financial – national assets projects in the housing sector, urban and rural development,

and Affordable Housing Plan for the disabled and low-income groups. This amount was 228.7 percent of the approved budget in this sector. In the housing sector and urban and rural development, the great portion of credits (71.3 percent) was paid to the urban and rural transportation plan.

GOVERNMENT ACQUISITION OF NON-FINANCIAL – NATIONAL ASSETS IN HOUSING SECTOR, AND AFFORDABLE HOUSING PLAN FOR LOW-INCOME GROUPS ⁽¹⁾

	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	15,373.1	99.7	6,713.1	229.0
Affordable Housing Plan for the disabled and low-income groups (in the framework of Welfare and Social Security System)	41.5	0.3	27.1	152.8
Total	15,414.6	100.0	6,740.2	228.7

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 4th FYDP, therefore data for the budget performance are not comparable with previous periods.

Banking Facilities

In 1385, outstanding facilities extended by banks and non-bank credit institutions to public and non-public housing sectors grew by 19.8 and 45.7 percent to Rls. 0.8 and 230.7 trillion, respectively. Meanwhile, outstanding

facilities extended by banks and non-bank credit institutions to public and non-public construction sectors amounted to Rls. 11.8 and 8.6 trillion, down by 9.6 and 17.8 percent, respectively.

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	
	1384	1385	1384	1385	1384	1385	1384	1385
Construction	23,521.8	20,407.8	6.6	-13.2	1,457.2	-3,114.0	0.7	-1.0
Non-public sector	10,408.8	8,559.1	25.0	-17.8	2,079.6	-1,849.7	1.0	-6.0
Public sector	13,113.0	11,848.7	-4.5	-9.6	-622.4	-1,264.3	-5.8	-44.5
Housing	159,037.6	231,544.0	39.8	45.6	45,249.9	72,506.4	21.0	23.9
Non-public sector	158,348.8	230,718.6	40.2	45.7	45,413.5	72,369.8	22.1	24.0
Public sector	688.8	825.4	-19.2	19.8	-163.6	136.6	-1.5	4.8

(1) Excludes profit and revenue receivables.

Current and non-current outstanding facilities extended by banks and non-bank credit institutions (overdue and non-performing claims) indicate that the relative shares of overdue and non-performing claims of the non-public construction and housing sectors in total outstanding facilities are 1.6 and 8.8 percent, respectively. This low share is mainly due to the continued growth in the nominal value of asset in the housing sector which is held as mortgage with the bank.

In the review year, Bank Maskan (Housing Bank), as the sole specialized bank in this sector, accounted for 50.9 percent of

change in outstanding facilities extended to the housing sector. This bank extended 432.4 thousand items of facility valuing at Rls. 47.1 trillion (excluding profit and revenue receivables), showing 44.4 and 74.2 percent growth, respectively. These facilities, including profit and revenue receivables, amounted to Rls. 73.1 trillion, indicating 68.4 percent growth 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 contributed to the surge in the amount of extended facilities.

FACILITIES EXTENDED BY BANK MASKAN ⁽¹⁾

	1383	1384	1385	Percentage change	
				1384	1385
Number (thousand)	208.8	299.4	432.4	43.4	44.4
Amount (billion rials)	17,584.3	43,446.8	73,143.5	147.1	68.4

Source: Bank Maskan

(1) Includes profit and revenue receivables.

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Distribution of facilities extended by Bank Maskan according to contracts shows respectively 80 and 90.8 percent increase in number and amount of facilities extended in the form of installment sale (including profit receivables). For the purchase of housing units, the number and amount of these

facilities rose by 102.9 and 96.4 percent, respectively. Moreover, 26.6 thousand items of facility worth Rls. 8,824 billion were extended, in the form of civil partnership, for the construction of 99.3 thousand residential units. This shows 10.8 percent rise compared with the previous year.

FACILITIES EXTENDED BY BANK MASKAN ACCORDING TO ISLAMIC CONTRACTS ⁽¹⁾

(billion rials)

	1383	1384	1385	Percentage change		Share (percent)	
				1384	1385	1384	1385
Civil partnership	4,100.0	7,964.3	8,824.0	94.3	10.8	29.4	18.7
Installment sale	5,727.1	16,128.0	35,568.3	181.6	120.5	59.6	75.5
Joaleh	479.0	997.5	720.8	108.2	-27.7	3.7	1.5
Gharz-al-hasanah	295.0	635.7	867.5	115.5	36.5	2.4	1.9
Other	664.2	1,314.7	1,129.7	97.9	-14.1	4.9	2.4
Total	11,265.3	27,040.2	47,110.2	140.0	74.2	100.0	100.0

Source: Bank Maskan

(1) Excludes profit and revenue receivables.

Balance of Bank Maskan deposits at end-1385 indicates that deposits in the Housing Savings Fund by 41.4 percent and long-term deposits by 28.9 percent had the highest shares of bank deposits. Therefore, balance of housing investment deposit account amounted to Rls. 40,044.2 billion at end-1385, up by 63.4 percent compared with end-1384.

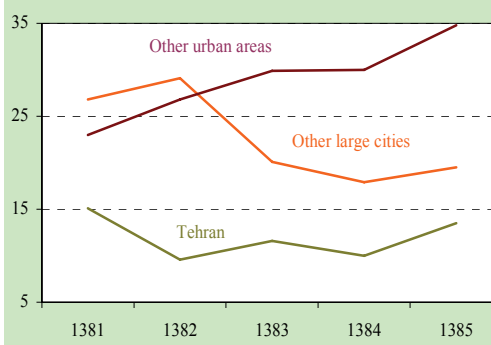
Construction permits

Construction permits issued by municipalities indicate 17 and 17.1 percent growth in number and total floor space, respectively. In Tehran, the number and total floor space of buildings increased by respectively 35.7 and 35.2 percent. Total floor space of buildings in large cities, as stipulated in construction permits, increased by 8.8 percent

to 19.5 million square meters. Meanwhile, average floor space amounted to 447 square meters, virtually unchanged compared with the year before.

Figure 5.1. Total floor space in construction permits issued by municipalities

(million square meters)



CONSTRUCTION PERMITS ISSUED BY MUNICIPALITIES IN URBAN AREAS

	1383	1384	1385	Percentage change ○	
				1384	1385
Number of permits (thousand)	136.0	129.7	151.8	-4.6	17.0
Total floor space (million square meters)	61.6	58.0	67.8	-5.9	17.1
Average floor space (square meters)	453.0	447.0	447.0	-1.3	0

Building Starts by Private Sector in Urban Areas

In the review year, private sector invested Rls. 31.8 trillion (at current prices) in the construction of 182.4 thousand new buildings in urban areas with a total floor space of 66.2 million square meters. The number and total floor space of building starts rose by 3.5 and 5.4 percent, respectively, in urban areas. The corresponding figures for Tehran were 31 and 14.3 percent. However, average floor space of building

starts in Tehran declined by 12.8 percent. The average cost for construction of new buildings was estimated at Rls. 1,667 thousand per square meter, up by 18.1 percent. In Tehran, average construction costs increased by 10.6 percent to Rls. 2,088 thousand. Of total building starts, 87.1 percent were residential, 6.6 percent commercial, and the remaining non-residential.

BUILDING STARTS BY PRIVATE SECTOR IN URBAN AREAS ⁽¹⁾

	1383	1384	1385	Percentage change ○	
				1384	1385
Number (thousand)	196.4	176.2	182.4	-10.3	3.5
Estimated total floor space (million square meters)	74.7	62.9	66.2	-15.8	5.4
Average floor space (square meters)	380.0	357.0	363.0	-6.1	1.7
Average cost per square meter (thousand rials)	1,203.0	1,412.0	1,667.0	17.4	18.1

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

Buildings Completed by Private Sector in Urban Areas

In 1385, private sector investment in the completion of buildings amounted to Rls. 21 trillion. This was 18.5 percent of total private sector investment in new buildings in urban areas. Meanwhile, 165.6 thousand buildings, with a total floor space of 61.6 million square meters, were completed by private sector, indicating 1.8 and 5.2 percent decrease, respectively, compared with the previous year.

BUILDINGS COMPLETED BY PRIVATE SECTOR IN URBAN AREAS ⁽¹⁾

	1383	1384	1385	Percentage change ○	
				1384	1385
Number (thousand)	101.9	168.6	165.6	65.4	-1.8
Total floor space (million square meters)	41.1	64.9	61.6	58.2	-5.2
Average floor space (square meters)	403.0	385.0	372.0	-4.5	-3.4
Average cost per square meter (thousand rials)	1,125.0	1,317.0	1,477.0	17.1	12.1

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

Residential Buildings Completed by Private Sector in Urban Areas

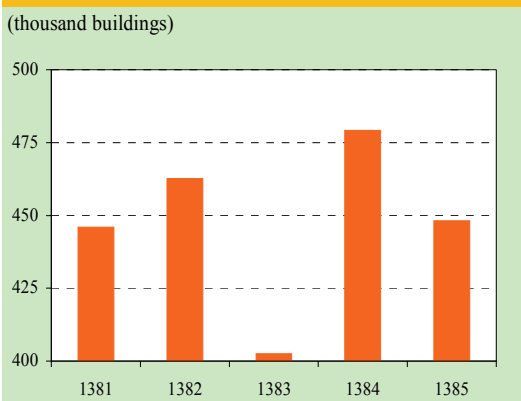
In the review year, 448.2 thousand residential buildings, with a total floor space of 55.6 million square meters, were completed by private sector. The average floor space of these buildings reached 124 square meters, up by 2.5 percent.

RESIDENTIAL BUILDINGS COMPLETED BY PRIVATE SECTOR IN URBAN AREAS ⁽¹⁾

	1383	1384	1385	Percentage change ○	
				1384	1385
Number (thousand)	314.4	479.2	448.2	52.4	-6.5
Total floor space (million square meters)	36.5	58.0	55.6	58.9	-4.1
Average floor space (square meters)	116.0	121.0	124.0	4.3	2.5

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

Figure 5.2. Number of completed residential buildings in urban areas



Land price index in urban areas advanced by 12.8 percent compared with the previous year, higher than the inflation rate in small and medium-sized cities.

LAND PRICE INDEX BY URBAN AREAS
(1383=100)

			Percentage change	
	1384	1385	1384	1385
Tehran	109.1	127.6	9.1	17.0
Other large cities	111.3	120.9	11.3	8.6
Other urban areas	115.1	129.2	15.1	12.3
All urban areas	111.5	125.8	11.5	12.8

Construction Indices

Construction services price index, a leading indicator of labor market, increased by 18.6 percent, higher than the inflation rate as in previous years. In this year, WPI of construction materials (metallic and non-metallic) rose by 19.9 percent, well above the 6.2 percent growth of the previous year.

CONSTRUCTION INDICES

			Percentage change		
	1383	1384	1385	1384	1385
Construction services price index (1383=100)	100.0	118.1	140.1	18.1	18.6
Wholesale price index of construction materials (1376=100)	268.8	285.4	342.3	6.2	19.9

Figure 5.3. Growth in housing sector indices

