

**F**avorable conditions in housing and construction sectors, started since mid-1385, ran into the first half of 1387. In the second half, however, construction activities in building starts, affected by prevailing recession in housing market, declined. Nevertheless, the total floor space of completed buildings and building starts in urban areas showed 19.8 and 5.1 percent growth, respectively.

Based on preliminary estimates of national accounts, the value-added of the construction sector increased by 17.3 percent to Rls. 27,268 billion, at constant 1376 prices. Gross fixed capital formation in the construction sector grew by 17.5 percent in the review year. Private sector completed 228.1 thousand buildings with a total floor space of 82.0 million square meters, up by 14.5 and 19.8 percent in terms of number and floor space, respectively. Meanwhile, 245.8 thousand new buildings, with a total floor space of 112.2 million square meters, were constructed in urban areas.

The price indices of factors affecting building activities increased in 1387. Land price index in urban areas increased by 42.4 percent (base year=1383) and price index of construction services showed 34.7 percent growth compared with the previous year.

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

In 1387, private sector investment in all urban areas experienced a remarkable growth. Private sector investment in new buildings in Tehran grew by 70 percent (at current prices). Moreover, the share of Tehran in private sector investment in new buildings in urban areas went up by 2.2 percentage points compared with the previous year to reach 21.8 percent. Growth in private sector investment in new buildings of small and medium-sized cities stood at 50.6 percent. The share of these regions in private sector investment decreased by 0.8 percentage point to 50.9 percent.

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

(billion rials)

	1385	1386	1387	Percentage change		Share (percent)		Contribution to the growth of investment (percent)
				1386	1387	1386	1387	1387
Tehran	26,199.6	40,176.4	68,299.8	53.3	70.0	19.6	21.8	13.7
Other large cities	35,458.7	58,794.9	85,856.9	65.8	46.0	28.7	27.4	13.2
Other urban areas	51,911.2	105,930.3	159,571.9	104.1	50.6	51.7	50.9	26.2
<b>All urban areas</b>	<b>113,569.5</b>	<b>204,901.6</b>	<b>313,728.6</b>	<b>80.4</b>	<b>53.1</b>	<b>100.0</b>	<b>100.0</b>	<b>53.1</b>

<sup>1</sup> Excludes the cost of land.

## Chapter 5 CONSTRUCTION AND HOUSING

Private sector investment according to construction phases at current prices indicates growth in the construction of buildings and completion of semi-finished buildings. Moreover, private sector investment in completed buildings increased in 1387. Although real estate investment in nominal terms enjoyed a high rate of growth by 53.1 percent in the first half of 1387, investment growth in the second half of the review year stood at 30.0 percent.

### Government Investment

According to the Budget Law for 1387, a sum of Rls. 19,164.5 billion (85.8 percent higher than the respective figure for the previous year) was approved for the implementation of acquisition of non-financial assets projects in the housing sector, urban and rural development, and Affordable Housing Plan for the disabled and low-income groups. In this year, Rls. 12,752.1 billion was paid for

the implementation of the mentioned plans, down by 11.8 percent compared with the year before. This was 66.5 percent of the approved budget in this sector. In the housing sector and urban and rural development, a great portion of credits was paid to "urban and rural transportation" plan (59.6 percent) and "sewage system" plan (23.8 percent).

### Banking Facilities

In 1387, the outstanding facilities extended by banks and credit institutions to non-public and public housing sectors grew by 17.3 and 2.0 percent to Rls. 334.3 trillion and Rls. 1.3 trillion, respectively. Meanwhile, outstanding facilities extended by banks and credit institutions to non-public and public construction sectors amounted to Rls. 14.8 trillion and Rls. 8.8 trillion, indicating 19.8 percent rise and 9.9 percent fall compared with end-1386, respectively.

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

							(billion rials)	
				Percentage change		Share (percent)		Contribution to the growth of investment (percent)
	1385	1386	1387	1386	1387	1386	1387	
Building starts	31,818.3	65,638.7	90,052.0	106.3	37.2	32.0	28.7	11.9
Semi-finished buildings	60,720.7	102,267.0	169,194.9	68.4	65.4	49.9	53.9	32.7
Completed buildings	21,030.5	36,995.9	54,481.7	75.9	47.3	18.1	17.4	8.5
<b>Total investment</b>	<b>113,569.5</b>	<b>204,901.6</b>	<b>313,728.6</b>	<b>80.4</b>	<b>53.1</b>	<b>100.0</b>	<b>100.0</b>	<b>53.1</b>

<sup>1</sup> Excludes the cost of land.

### Government Acquisition of Non-financial–National Assets in Housing Sector in 1387

	(billion rials)			
	Performance	Share (percent)	Approved	Performance (percent)
Housing sector and urban and rural development	12,731.9	99.8	19,134.9	66.5
Affordable Housing Plan for the disabled and low-income groups (in the framework of Welfare and Social Security System)	20.2	0.2	29.6	68.4
<b>Total</b>	<b>12,752.1</b>	<b>100.0</b>	<b>19,164.5</b>	<b>66.5</b>

Source: Treasury General, Ministry of Economic Affairs and Finance

**Outstanding Facilities Extended by Banks and Credit Institutions  
to Housing and Construction Sectors<sup>1</sup>** (billion rials)

	Year-end		1387			
	1386	1387	Percentage change	Change in outstanding	Total change in outstanding	Relative share <sup>2</sup>
<b>Housing</b>	<b>286,154.0</b>	<b>335,583.6</b>	<b>17.3</b>	<b>49,429.6</b>	<b>142,410.8</b>	<b>34.7</b>
Non-public sector	284,884.9	334,289.5	17.3	49,404.6	137,269.9	36.0
Public sector	1,269.1	1,294.1	2.0	25.0	5,140.9	0.5
<b>Construction</b>	<b>22,120.6</b>	<b>23,595.4</b>	<b>6.7</b>	<b>1,474.8</b>	<b>142,410.8</b>	<b>1.0</b>
Non-public sector	12,351.1	14,794.7	19.8	2,443.6	137,269.9	1.8
Public sector	9,769.5	8,800.7	-9.9	-968.8	5,140.9	-18.8

<sup>1</sup> Excludes profit and revenue receivables.

<sup>2</sup> Share in total change in outstanding facilities extended to economic sectors

In 1387, Bank Maskan, as the sole specialized bank in the housing sector, accounted for 53.9 percent of change in outstanding facilities extended to the housing sector. This bank extended 334.1 thousand loans and facilities, valuing at Rls. 43.3 trillion (excluding profit and revenue receivables), down by 15.0 and 1.6 percent compared with the previous year, respectively. These facilities, including profit and revenue receivables, declined by 5.1 percent to Rls. 65.9 trillion compared with the previous year. Low coverage of loan for the purchase of housing units compared with the value of housing led to a decline in applicants' willingness for housing loan, particularly in metropolitan cities. In this year, average facilities extended by this bank for the purchase of housing units amounted to Rls. 148.6 million, down by 7.3 percent compared with the previous year.

Distribution of facilities extended by Bank Maskan according to contracts shows that the amount of facilities extended in the form of installment sale (excluding profit receivables) declined by 21.5 percent and the amount requested for the purchase of housing units fell by 22.2 percent. Moreover, 60.3 thousand loans and facilities, worth Rls. 14.4 trillion, were extended in the form

of civil partnership for the construction of 107.6 thousand residential units, showing 138.7 percent rise compared with the previous year. This remarkable rise was attributable to the active participation of Bank Maskan in the construction of residential buildings. On land preparation and Mehr Housing Program, Bank Maskan paid respectively Rls. 313.8 billion and Rls. 222.2 billion loan in 1387.

**Facilities Extended by Bank Maskan<sup>1</sup>**

	1385	1386	1387	Percentage change	
				1386	1387
Number (thousand)	432.4	393.3	334.1	-9.1	-15.0
Amount (trillion rials)	73.1	69.4	65.9	-5.1	-5.1

Source: Bank Maskan

<sup>1</sup> Includes profit and revenue receivables.

Balance of Bank Maskan deposits at end-1387 reveals that the highest shares of bank deposits are related to the deposits in the Housing Savings Fund (31.0 percent) and long-term investment deposits (30.3 percent). Therefore, the balance of deposits in the Housing Savings Fund amounted to Rls. 33.2 trillion, indicating a fall of 20.6 percent compared with the year before.

**Facilities Extended by Bank Maskan according to Contracts<sup>1</sup>**

(billion rials)

	1385	1386	1387	Percentage change		Share (percent)	
				1386	1387	1386	1387
Civil partnership <sup>2</sup>	8,824.0	6,052.1	14,446.3	-31.4	138.7	13.7	33.3
Installment sale	35,568.3	34,577.1	27,159.7	-2.8	-21.5	78.5	62.7
Joaleh	720.8	460.7	394.4	-36.1	-14.4	1.0	0.9
Gharz-al-hasaneh	867.5	1,598.8	1,160.5	84.3	-27.4	3.6	2.7
Other	1,129.7	1,336.7	164.4	18.3	-87.7	3.0	0.4
<b>Total</b>	<b>47,110.2</b>	<b>44,025.4</b>	<b>43,325.3</b>	<b>-6.5</b>	<b>-1.6</b>	<b>100.0</b>	<b>100.0</b>

Source: Bank Maskan <sup>1</sup> Excludes profit and revenue receivables.

<sup>2</sup> Figures refer to concluded contracts, which are either paid or scheduled to be paid by the bank.

**Deposit Resources of Bank Maskan according to Different Types of Deposits**

(billion rials)

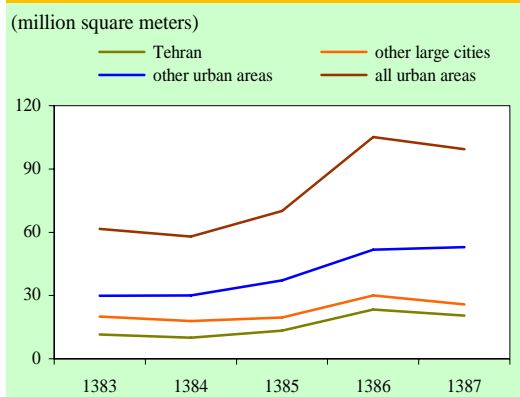
	Year-end			1387	
	1385	1386	1387	Change in outstanding	Percentage change
Gharz-al-hasaneh (current)	6,546.1	9,710.3	9,097.2	-613.1	-6.3
Share (percent)	6.8	8.9	8.5		
Gharz-al-hasaneh (savings)	2,356.1	3,371.1	4,131.3	760.2	22.6
Share (percent)	2.5	3.1	3.9		
Housing Savings Fund	43,426.3	41,859.6	33,226.0	-8,633.6	-20.6
Share (percent)	45.2	38.5	31.0		
Short-term investment	15,866.7	25,207.5	28,006.2	2,798.7	11.1
Share (percent)	16.5	23.2	26.1		
Long-term investment	27,805.7	28,403.2	32,445.3	4,042.1	14.2
Share (percent)	28.9	26.1	30.3		
Other	133.7	196.8	268.0	71.2	36.2
Share (percent)	0.1	0.2	0.3		
<b>Total</b>	<b>96,134.6</b>	<b>108,748.5</b>	<b>107,174.0</b>	<b>-1,574.5</b>	<b>-1.4</b>

Source: Bank Maskan

**Construction Permits**

In 1387, construction permits issued by municipalities showed 15.4 and 5.6 percent decrease in number and total floor space, respectively. Meanwhile, in Tehran, the number and total floor space of buildings fell by 17.4 and 12.3 percent, respectively. Total floor space of buildings in large cities, as stipulated in construction permits, decreased by 14.3 percent to 25.8 million square meters. Meanwhile, average floor space of buildings in urban areas reached 562 square meters, indicating 11.6 percent rise compared with the previous year.

**Figure 5.1. Estimated floor space in construction permits issued by municipalities**



**Construction Permits Issued by Municipalities in Urban Areas**

	1385	1386	1387	Percentage change	
				1386	1387
Number of permits (thousand)	172.6	209.0	176.7	21.0	-15.4
Total floor space (million square meters)	70.1	105.2	99.3	50.1	-5.6
Average floor space (square meters)	406	504	562	24.0	11.6

### Building Starts by Private Sector in Urban Areas

In the review year, private sector started the construction of 245.8 thousand buildings, with a total floor space of 112.2 million square meters and an investment of Rls. 90.1 trillion (at current prices), in urban areas. The number and total floor space of building starts fell by 6.7 percent and rose by 5.1 percent, respectively. Accordingly, number and total floor space of building starts in Tehran decreased by 1.8 percent and increased by 9.6 percent, respectively. Moreover, the average floor space of building starts in Tehran went up by 11.6 percent. In the review year, the average cost for construction of new buildings (excluding the cost of land) was estimated at Rls. 3,003 thousand per square meter, up by 33.6 percent compared with the year before. In Tehran, average construction costs went up by 30.6 percent to Rls. 3,705 thousand. Of total building starts, 87.1 percent were residential, 7.5 percent residential with commercial purpose, and the remaining non-residential.

### Buildings Completed by Private Sector in Urban Areas

In 1387, private sector investment in completed buildings by construction phases amounted to Rls. 54.5 trillion. This indicates 47.3 percent growth compared with the previous year. In the review year, 228.1 thousand buildings, with a total floor space of 82.0 million square meters, were completed by private sector. This shows 14.5 and 19.8 percent increase in terms of number and floor space, respectively.

### Buildings Completed by Private Sector in Urban Areas

	1385	1386	1387	Percentage change	
				1386	1387
Number (thousand)	165.6	199.1	228.1	20.2	14.5
Total floor space (million square meters)	61.6	68.5	82.0	11.3	19.8
Average floor space (square meters)	372	344	360	-7.5	4.6
Average cost per square meter (thousand rials)	1,477	1,879	2,397	27.2	27.6

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

In the review year, 601.3 thousand residential units, with a total floor space of 73.4 million square meters, were completed by private sector and put into operation. The average floor space of these units declined by 1.6 percent, compared with the previous year, to 122 square meters.

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

	1385	1386	1387	Percentage change	
				1386	1387
Number (thousand)	448.2	491.4	601.3	9.6	22.4
Total floor space (million square meters)	55.6	60.9	73.4	9.5	20.4
Average floor space (square meters)	124	124	122	0.0	-1.6

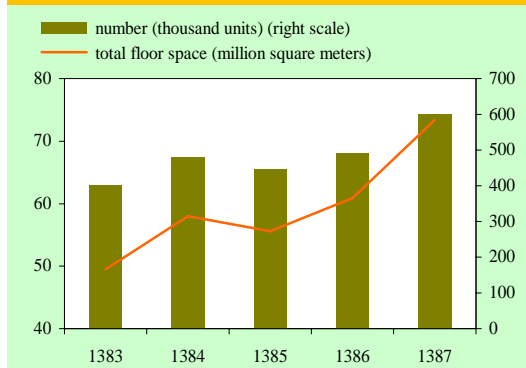
### Land Price Index

In 1387, land price index in urban areas grew by 42.4 percent compared with the previous year. Meanwhile, this index went up by 64.5 percent in the first half of the review year compared with the same period

### Building Starts by Private Sector in Urban Areas

	1385	1386	1387	Percentage change	
				1386	1387
Number (thousand)	182.4	263.5	245.8	44.5	-6.7
Estimated total floor space (million square meters)	66.2	106.7	112.2	61.1	5.1
Average floor space (square meters)	363	405	457	11.6	12.7
Average cost per square meter (thousand rials)	1,667	2,248	3,003	34.9	33.6

**Figure 5.2. Number and total floor space of residential units constructed by private sector in urban areas**



previous year. The rise in land price in urban areas was due to the surge in housing prices in 1385 and 1386. This index went up by 46.4 percent in Tehran.

### Land Price Index by Urban Areas

(1383=100)

	Percentage change				
	1385	1386	1387	1386	1387
Tehran	127.6	200.7	293.9	57.3	46.4
Other large cities	120.9	184.4	255.6	52.5	38.6
Other urban areas	129.2	190.9	268.3	47.8	40.5
<b>All urban areas</b>	<b>125.8</b>	<b>192.8</b>	<b>274.5</b>	<b>53.3</b>	<b>42.4</b>

### Mehr Housing Program

In implementation of Note 6 to the Budget Law for 1386, the government took measures to implement the Mehr Housing Program, aimed at housing provision for the low-income groups in 1386. Through this program, 265.8 thousand construction permits were issued as of the implementation date (Khordad 1386)

### Performance of Mehr Housing Program as of the Implementation Date till end-1387

(residential units)

Land allocation <sup>1</sup>	Construction permit <sup>1</sup>	Foundation	Framing	Structural work	
				(insulation and drywall)	Finishing touches
1,298,080	265,786	66,634	13,250	1,895	323

Source: Ministry of Housing and Urban Development <sup>1</sup>The counting units for the two titles of "land allocation" and "construction permit" indicate the expected number of completed housing units and for other titles is simply the program's operational performance.

till end-1387 and 66.6 thousand residential units are in the foundation and subsequent phases.

### Construction Indices

Construction services price index, a leading indicator of labor market, indicated 34.7 percent increase compared with the year before. This was attributable to a boost in construction activities and increasing demand for construction services. In this year, PPI of construction materials advanced 29.8 percent. Accordingly, metallic construction materials recorded 22.3 percent and nonmetallic construction materials 48.7 percent rise, respectively.

### Construction Indices (1383=100)

				Percentage change	
	1385	1386	1387	1386	1387
Construction services price index	140.1	182.9	246.3	30.5	34.7
Producer price index of construction materials <sup>1</sup>	134.0	157.7	204.7	17.7	29.8

<sup>1</sup> Since WPI of construction materials has not been issued as of the beginning of 1387, PPI of construction materials is used.

**Figure 5.3. Growth in housing sector indices**

