

### **Byblos Bank Real Estate Demand Index:**

- **Demand for housing down 8.3% in second quarter of 2016**
- **Reduction of registration fees would stimulate demand in prevailing circumstances, Ghobril suggests**

**Byblos Bank Headquarters, September 06, 2016:** Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the second quarter of 2016.

The results show that the Byblos Bank Real Estate Demand Index posted a monthly average of 38.9 points in the second quarter of 2016, representing a decrease of 8.3% from 42.5 points in the first quarter of 2016. The results constitute the seventh lowest level in 36 quarterly readings. Further, the average monthly score of the second quarter of 2016 represents a decline of 70.3% from the peak of 131 points registered in the second quarter of 2010, and a drop of 64.5% from the annual peak of 109.8 posted in 2010. Also, it is 38.6% lower than the Index's monthly trend average score of 63.5 points since the Index's inception in July 2007.

The decline in housing demand in the second quarter of 2016 was reflected in the answers of consumers to the Index's survey questions, as 4.4% of Lebanese residents had plans to either buy or build a home in the coming six months. In comparison, 7.2% of residents in Lebanon, on average, had plans to buy or build a house in the country between July 2007 and June 2016, with this share peaking at 14.8% in the second quarter of 2010.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research & Analysis Department at the Byblos Bank Group, said "the results of the second quarter of 2016 confirm the trend of very low demand for residential real estate in Lebanon, as the same factors that caused the original decline in demand persisted, with no signs of a reversal in the near term." He noted that "real estate demand in Lebanon continues to be significantly affected by the high level of political uncertainties, the slow economic growth environment and the low level of consumer confidence." He added that "the still-elevated asking prices, especially when compared to the per capita income of resident Lebanese, as well as job insecurity and declining work opportunities, are keeping local demand for residential real estate at low levels."

Mr. Ghobril considered that "the current stagnation in the residential real estate market is unlikely to be reversed without a positive political shock of the magnitude of the Doha Accord", adding that "such a shock would reduce political uncertainties, improve household confidence, restore economic growth, generate job opportunities and, therefore, help increase demand for housing."



But until such a positive political shock takes place, and given the market's deep stagnation since the beginning of 2014, he suggested that authorities can help stimulate demand through practical measures. He stated "one measure consists of reducing by 50% the registration fee of purchased residential units for a limited period of time that can be up to two years. First, it would provide an incentive to prospective or hesitant buyers to save a considerable amount of money, given the very high registration fee that is equivalent to 6% of the price of the purchased property. Second, it would encourage thousands of persons who already bought residences in the past to register officially their transaction, which would increase public revenues." He added that "this incentive could be modified after the two-year period by providing prospective buyers the option of paying the registration fee in installments, which would alleviate the burden on households of paying the fee as a lump sum."

The results of the Byblos Bank Real Estate Demand Index show that demand for housing was the highest in Mount Lebanon in the second quarter of 2016, followed by demand in Beirut, the North, the Bekaa and the South. Further, demand for real estate fell by 32% in Beirut in the second quarter and by 10.3% in the South due to the reduced appetite for buying houses in the two districts. Demand also dropped by 22.8% in the North due the decrease in plans to purchase or build a house in this region. In contrast, demand for real estate in Mount Lebanon grew by 13.1% in the covered quarter due to higher appetite for buying a house in the region, while it increased by 5.8% in the Bekaa, driven by its residents' plans to build a house. In parallel, real estate demand from people across all income brackets regressed in the second quarter of 2016.

The Byblos Bank Real Estate Demand Index is a measure of local demand for residential units and houses in Lebanon. The Index is compiled, implemented and analyzed in line with international best practices and according to criteria from leading indices worldwide. The Index is based on a face-to-face monthly survey of a nationally representative sample of 1,200 males and females living throughout Lebanon, whereby residents are asked about their plans to buy or build a house in the coming six months. The data segregates the Index based on age, gender, income, profession, administrative district, and religious affiliation. The Byblos Bank Economic Research & Analysis Department has been calculating the Index on a monthly basis since July 2007, with November 2009 as its base month. The survey has a margin of error of  $\pm 2.83\%$ , a confidence level of 95% and a response distribution of 50%. The monthly field survey is conducted by Statistics Lebanon Ltd, a market research and opinion-polling firm.

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