

Byblos Bank Real Estate Demand Index: Demand for Housing down 13% in First Quarter of 2016

Byblos Bank Headquarters, June 7, 2016: Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the first quarter of 2016.

The results show that the Byblos Bank Real Estate Demand Index posted a monthly average of 42.5 points in the first quarter of 2016, representing a decrease of 12.5% from 48.5 points in the fourth quarter of 2015. The results constitute the ninth steepest quarter-on-quarter decline on record and the ninth lowest level in 35 quarterly readings. Further, the average monthly score of the first quarter of 2016 represents a decline of 67.6% from the peak of 131 points registered in the second quarter of 2010, and is 33.8% lower than the index's monthly trend average score of 64.2 points since the Index's inception in July 2007.

The decline in housing demand in the first quarter of 2016 was reflected in the answers of consumers to the Index's survey questions, as 4.8% of Lebanese residents had plans to either buy or build a home in the coming six months, the ninth lowest quarterly percentage on record. 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 March 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 Economic Research & Analysis Department at the Byblos Bank Group, said "the results of the first quarter show 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."

Further, Mr. Ghobril pointed out that "buying a house constitutes one of the most important investment decisions for the Lebanese, and the value of a house is usually the single most important non-financial asset for resident Lebanese. As such, Lebanese households are postponing decisions to make this kind of investment in the prevailing circumstances."

In this regard, Mr. Ghobril considered that "market dynamics have gradually shifted from a sellers' market prior to the fourth quarter of 2010 to a buyers' market since then, and this trend has solidified since 2014 and is reflected by the Index's first quarter results." He further noted "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.”

The results of the Byblos Bank Real Estate Demand Index show that demand for housing was the highest in Beirut in the first quarter of 2016, followed by demand in the North, Mount Lebanon, the South and the Bekaa. Also, demand for real estate fell by 41.2% in the Bekaa in the first quarter due to its residents' reduced appetite for building houses, and by 29.8% in the North due the drop in its residents' plans to purchase or build a house. Further, demand for real estate in Mount Lebanon regressed by 2% in the covered quarter, while it rose by 6% in Beirut and by 6.2% in the South due to higher appetite for purchasing a house in both districts. In addition, real estate demand from people in three out of four income brackets regressed in the first quarter of 2016, while demand from households with an income of USD 2,500 or more per month grew in the covered quarter.

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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