

Byblos Bank Real Estate Demand Index:

- Demand for housing increases in fourth quarter of 2016, full-year results show continuing stagnation
- Political breakthrough insufficient to generate sustained demand
- Additional taxes and fees would hurt the sector, while reducing registration fees would stimulate housing demand, Ghobril suggests

Byblos Bank Headquarters, February 7, 2017: Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the fourth quarter of 2016.

The results show that the Byblos Bank Real Estate Demand Index posted a monthly average of 46.5 points in the fourth quarter of 2016, constituting an increase of 17.5% from 39.5 points in the third quarter of 2016 and a decline of 4.3% from 48.5 points in the fourth quarter of 2015.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at the Byblos Bank Group, said “the positive political developments that materialized during the fourth quarter of 2016 supported household sentiment and caused the Byblos Bank Real Estate Demand Index to improve from the preceding quarter.”

However, he cautioned that “it is too early to draw conclusions about a tangible improvement in housing demand, given that the Index increased from a very low base, while the results constitute the 13th lowest level in 38 quarterly readings.” In fact, the average monthly score of the fourth quarter of 2016 represents a decline of 64.5% from the peak of 131 points registered in the second quarter of 2010 and a drop of 57.7% from the annual peak of 109.8 points posted in 2010. Also, it is 25.5% lower than the Index's monthly trend average score of 62.4 points since the Index's inception in July 2007. In addition, the Index posted a monthly average of 41.9 points in 2016, nearly unchanged from 41.8 points in 2015.

Mr. Ghobril indicated that “the impact of the recent positive political developments on housing demand will remain limited if it is not accompanied by additional measures to stimulate demand.” In fact, the answers of respondents to the Index's survey questions in the fourth quarter show that only 5.3% of Lebanese residents had plans to either buy or build a residential property in the coming six months. In comparison, 7% of residents in Lebanon, on average, had plans to buy or build a residential property in the country between July 2007 and December 2016, with this share peaking at nearly 15% in the second quarter of 2010.

He noted that "buying a residential unit 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, Mr. Ghobril cautioned from additional taxes and fees on the sector. He also reiterated the need to stimulate demand over the short term by reducing by 50% the registration fee of purchased residential units for 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 officially register their transaction, which would increase public revenues.

The results of the Byblos Bank Real Estate Demand Index show that demand for housing was the highest in Mount Lebanon in the fourth quarter of 2016, as 5.7% of its residents had plans to build or buy a house in the coming six months, compared to 5.4% in the preceding quarter. The North followed with 5.6% of its residents planning to build or buy a house in the coming six months relative to 3.1% in the third quarter; while 4.8% of residents in the Bekaa had plans to build or buy a house, up from 4.5% in the preceding quarter. In addition, 4.8% of residents in Beirut intend to buy or build a house, down from 5% in the preceding quarter, while 4.6% of residents in the South had plans to build or buy a house, up from 3.5% in the preceding quarter. In parallel, real estate demand increased among residents earning less than USD 1,500 per month and those with an income of more than USD 2,500 in the fourth 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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