

## **Byblos Bank Real Estate Demand Index In First Quarter Of 2017**

- Demand for housing decreases in first quarter of 2017
- Political breakthrough, in the absence of concrete policy measures, insufficient to generate sustained demand
- Additional taxes and fees would hurt the sector; cutting registration fees would stimulate housing demand, Ghobril says

**Byblos Bank Headquarters, May 22, 2017:** Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the first quarter of 2017.

The results show that the Index posted a monthly average of 43.5 points in the first quarter of 2017, constituting a decline of 6.3% from 46.5 points in the fourth quarter of 2016 and an increase of 2.4% from 42.5 points in the first quarter of 2016. Further, the results for the first quarter of 2017 constitute the 12<sup>th</sup> lowest level in 39 quarterly readings.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at the Byblos Bank Group, said "demand for residential real estate in Lebanon decelerated in the first quarter of 2017 following a 17.5% surge in the fourth quarter of 2016, as the government's focus on increasing taxes on consumption, income and profits in the first three months of the year, as well as the endless political bickering over a new parliamentary election law, halted the momentum in consumer confidence that started in the fourth quarter of 2016. In turn, these developments impacted the residential real estate sector, given that demand for housing in Lebanon is primarily correlated to consumer confidence, political stability and economic activity."

As a result, the Index decelerated in each of the first three months of the year, with the March outcome representing a retreat of 54% from the Index's recent peak of 65.9% reached in December 2016. Further, the Index's average monthly score in the first quarter of 2017 is 66.8% lower from the peak of 131 points registered in the second quarter of 2010, and remains 60.4% below the annual peak of 109.8 points posted in 2010. Also, it is 29.7% lower than the Index's monthly trend average score of 61.9 points since the Index's inception in July 2007.

Mr. Ghobril indicated that "the end of the political stalemate in the fourth quarter of 2016 had a limited impact on the housing market because it was not accompanied by additional measures to stimulate demand." In fact, the answers of respondents to the Index's survey questions in the first quarter show that only 4.9% of Lebanese residents had plans to either buy or build a residential property in the coming six months. The share of residents who had plans to buy or build a residential property in Lebanon gradually decreased from 7.5% in December 2016 to 6.4% in January, 5% in February and 3.4% in March 2017. 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 March 2017, with this share peaking at nearly 15% in the second quarter of 2010.

Mr. Ghobril 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, he cautioned from imposing new taxes and fees on the sector or increasing existing ones. 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 transactions, 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 5.8% of its residents had plans to build or buy a house in the coming six months, compared to 5.7% in the preceding quarter. The North followed with 5.3% of its residents planning to build or buy a residential unit in the coming six months relative to 5.6% in the fourth quarter of 2016; while 4.4% of residents in Beirut had plans to buy an apartment, down from 4.8% in the preceding quarter. In addition, 4.3% of residents in the Bekaa intend to buy or build a house, down from 4.8% in the preceding quarter, while 3.3% of residents in the South had plans to build or buy a residential unit, down from 4.6% in the preceding quarter. In parallel, real estate demand decrease across all income brackets in the first quarter of the year, with residents earning between USD 1,500 and USD 2,499 posting the steepest quarter-on-quarter decline of 16.6%.

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, who reflect the demographic, regional, religious, professional and income distribution of Lebanon. The surveyed persons 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 and 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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