

Byblos Bank Real Estate Demand Index in First Quarter of 2020

- Index drops to lowest level on record
- Deteriorating socioeconomic conditions, drop in confidence, and absence of a housing policy combined to affect housing demand

Byblos Bank Headquarters, June 1, 2020: Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the first quarter of 2020.

The results show that the Index posted a monthly average of 27.3 points in the first quarter of 2020, constituting a decrease of 16.5% from 32.7 points in the fourth quarter of 2019 and a decline of 51.3% from 56.1 points in the first quarter of 2019. This follows the Index's retreat by 22% in the fourth quarter and its decline by 10.2% in the third quarter of 2019. The Index reached 29.5 points in January 2020, down by 38.6% from the same month of 2019, while it dropped by 57.2% annually to 28.8 points in February and by 55.5% to 23.6 points in March 2020, its third lowest level on record.

Further, the Index's average monthly score in the first quarter of 2020 came 79.2% lower than the quarterly peak of 131 points registered in the second quarter of 2010, and was 75.2% below the annual peak of 109.8 points posted in 2010. Also, it was 52.7% lower than the Index's monthly trend average score of 57.7 points since the Index's inception in July 2007.

Commenting on the results, Mr. Nassib Ghobril, Chief Economist and Head of the Economic Research and Analysis Department at the Byblos Bank Group, said: "several factors led demand for residential real estate to fall to its lowest level since the Index's inception in July 2007. First, the deteriorating socioeconomic conditions, which led to the eruption of nationwide protests in October 2019, worsened in the fourth quarter of last year and into the first quarter of this year, shifting the attention of citizens away from major investment decisions. Second, the jump in consumer prices and in the cost of living resulted in the rapid deterioration in the purchasing power of citizens and a drop in household confidence, which made potential real estate buyers reluctant to build or acquire a residential unit, as they had to address more urgent and basic needs. Third, the continued absence of a comprehensive housing policy and of government measures, such as tax incentives, to support demand for any segment of the residential market in Lebanon have deterred demand. Fourth, the migration of some deposits out of the banking sector towards real estate in recent months targeted land and built property, but this did not have a significant impact on the residential market."

The answers of respondents to the Index's survey questions in the first quarter of 2020 show that 3.1% of Lebanese residents had plans to either buy or build a residential property in the coming six months, down from 3.7% in the fourth quarter of 2019 and compared to 6.3% in the first quarter of 2019. In comparison, 6.5% of residents in Lebanon, on average, had plans to buy or build a residential unit in the country between July 2007 and March 2020, with this share peaking at nearly 15% in the second quarter of 2010.

The results of the Index show that demand for housing was the highest in the South in the first quarter of 2020, as 4.3% of its residents had plans to build or buy a house in the coming six months, down from 10.9% in the same quarter of 2019. The Bekaa region followed with 3.7% of its residents planning to build or buy a residential unit in the coming six months, relative to 8.5% in the first quarter of 2019; while 3.4% of residents in Beirut had plans to buy or build a house, down from 3.8% in the first quarter last year. In addition, 2.9% of residents in the North region intend to buy or build a house, compared to 5.7% in the same quarter of 2019, while 2.4% of residents in Mount Lebanon had plans to build or buy a residential unit, down from 4.9% in the first quarter of last year. In parallel, real estate demand decreased across all income brackets from the first quarter of 2019.

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, but the March survey was conducted through computer-aided telephone interviews due to the coronavirus outbreak. The data segregates the Index based on age, gender, income, profession, geographic region and religious affiliation. The surveyed persons are asked about their plans to buy or build a house in the coming six months. 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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