

Byblos Bank Real Estate Demand Index in Second Quarter of 2020

- Index drops to lowest level on record
- Demand drops sharply despite migration of some deposits towards real estate

Byblos Bank Headquarters, October 19, 2020: Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the second quarter of 2020.

The results show that the Index posted a monthly average of 9.6 points in the second quarter of 2020, constituting a decrease of 65% from 27.3 points in the first quarter of 2020 and a decline of 79.4% from 46.5 points in the second quarter of 2019. The second-quarter results constitute their lowest level on record.

Further, the Index dropped by 91.7% year-on-year to a record low of 3.7 points in April 2020, while it dropped by 76.1% annually to 12.5 in May and by 70.6% to 12.6 in June 2020.

Further, the Index's average monthly score in the second quarter of 2020 was 92.7% lower than the quarterly peak of 131 points registered in the second quarter of 2010, and came 91.3% below the annual peak of 109.8 points posted in 2010. Also, it was 83% lower than the Index's monthly trend average score of 56.8 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: "The demand for residential real estate dropped sharply during the second quarter of 2020 despite the migration of some deposits out of the banking sector towards real estate since last November, which suggests that the stock of residential units remains significantly higher than the actual demand, and that the purchasing trend is originating mainly from a relatively limited number of buyers."

Mr. Ghobril attributed the steep drop of the Index to three converging factors. He said: "First, the ongoing deterioration of socioeconomic conditions as a result of the government's limited action to tackle the prevailing economic crisis, as well as to the lockdown measures and the shutdown of the economy amid the outbreak of coronavirus in the country, shifted the attention of citizens away from major investment decisions, such as acquiring or building a residential unit. Second, the inflationary pressures from the weakening of the Lebanese pound's exchange rate in the parallel market eroded the purchasing power of citizens and made potential real estate buyers reluctant at best and unable at worst to acquire or build a residential unit, as they have been forced to address more urgent and basic needs, even though Lebanese citizens consider real estate historically to be a hedge against inflation. Third, the government's limited efforts to



develop a comprehensive housing policy, along with measures to stimulate demand for real estate, have deterred demand."

The answers of respondents to the Index's survey questions in the second quarter of 2020 show that 1.1% of Lebanese residents had plans to either buy or build a residential property in the coming six months, down from 3.1% in the first quarter of 2020 and compared to 5.3% in the second quarter of 2019. In comparison, 6.4% of residents in Lebanon, on average, had plans to buy or build a residential unit in the country between July 2007 and June 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 Bekaa in the second quarter of 2020, as 1.3% of its residents had plans to build or buy a house in the coming six months, down from 6.9% in the same quarter of 2019. The Mount Lebanon region followed with 1.23% of its residents planning to build or buy a residential unit in the coming six months, relative to 3.3% in the second quarter of 2019; while 1.17% of residents in the South had plans to buy or build a house, down from 11% in the second quarter last year. In addition, 1% of Beirut residents intend to buy or build a house, compared to 3.2% in the same quarter of 2019, while 0.7% of residents in the North region had plans to build or buy a residential unit, down from 5% in the second quarter of last year. In parallel, real estate demand decreased across all income brackets in the second quarter of 2020 from the same quarter last year, while it increased by 15.6% quarter-on-quarter by residents who earn a monthly income of more than \$2,500.

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 April and May 2020 surveys were 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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