

SESSION One

FACILITATED BY:

UN HABITAT
FOR A BETTER URBAN FUTURE

برنامه اسکان بشر ملل متحد در ایران



Government of Republic of Korea
Embassy of Republic of Korea in Tehran
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Ministry of Roads & Urban Development
Islamic Republic of Iran

The Role of Housing and Construction in Iran Economy

- *Former relation with 78 economic sections and latter relation with 56 economic sections (issuance coefficient of 1.2)*
- *Housing and Construction consist 12 percent of direct employment of the country, the number of employed in this section is more than 3 million .*

- *Housing and Construction share in fixed capital formation is about 30 percent .*
- *Housing and Construction share in banking facilities is about 25 percent .*
- *Housing and Construction share in liquidity flow of country is between 20 to 30 percent .*

- *Housing and Construction share in family budget is about 33 percent .*
- *Government share in total investment in Housing and Construction sector is about 3 percent .*

The features of house financing regime in Iran

- *Low ratio of housing section credits balance to GDP*
- *Very low LTV (loan to value)*
- *Sources of housing section financing includes : government budget , banking facilities , personal savings and unofficial markets .*

- *Increasing the cap of facilities , results in facing difficulty in repayment for low income people .*
- *Purchasing power mostly depends on previous savings rather than future incomes .*
- *Financing is carried out based on short – term money market .*

- *Long term financing for purchasing house is carried out by the Bank Maskan through opening accrual and planning accounts exclusively .*
- *The maximum period for repayment is 12 years which is applied by Bank Maskan .*

Essential steps of 11th Government in housing and construction sector

- *Granting facilities in housing and construction sector by the banking system for IRR. 1,238 thousand billion (equivalent to USD 38 billion)between August 2013 up to August 2016 .*
- *Increasing the cap of individual facilities for Mehr Housing Scheme to IRR. 300 million (equivalent to USD 9,357) and its liabilities to IRR. 555 thousand billion (equivalent to USD 17 billion) from received installments.*

- *Installment sale of 1,700,000 out of 2,370,000 residential units of Mehr Housing Scheme , one million of which have been granted in 11th government .*
- *Increasing the cap of facilities for purchasing house from IRR. 200 million (equivalent to USD 6,238) up to IRR. 800 million (equivalent to USD 24,952) individually, and IRR. 1,600 million (equivalent to USD 49,904) for the first – buyer couples through promotion of families purchasing power and consequently increasing the LTV ratio from 18 percent to 51 percent in Tehran ((calculation for buying a 75 square meter residential unit by the couples for IRR. 41.8 million (equivalent to USD 1,303) in August 2016 .))*

- *Decreasing the interest rate of Housing Saving accounts facilities to less than 10 percent (for the first time after 25 years) in order to make the facilities affordable for families .*
- *Increasing the cap of facilities for housing construction to IRR. 1,500 million (equivalent to USD 46,785) for each unit in order to supply stimulation through increasing the financial ability of constructors and active people in housing and construction sector .*

- *Incorporating specialized institution in housing and construction area (e.g specialized housing financing and property and construction funds) and preparing the feasibility for establishment of regional savings and facilities institution .*
- *Launching secondary mortgage market with issuance of MBS for the first time in Iran .*

- *Launching guaranteed plan of housing installment transactions and introduction of escrow account in order to promote the advance purchase market and simultaneous strengthening of housing demand and supply for the first time in Iran .*
- *Promoting financial ability of Bank Maskan as the only specialized bank in housing and construction sector through capital increase inserted in budget and its amendment .*

- *Increasing the volume of housing transactions in Tehran to 83.2 thousand transactions for 14.7 percent from 20 march 2016 up to 21 September 2016 comparing the same period of time in the previous year .*
- *Increasing the volume of facilities for house construction for 108 percent and increasing the granted facilities for house purchasing for 70 percent by Bank Maskan from 20 march 2016 up to 22 october 2016 comparing the same period of time in the previous year .*

THANK YOU FOR YOUR ATTENTION

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