

Byblos Bank Real Estate Demand Index in Third Quarter of 2020

- Index drops to new record low
- Housing demand declines sharply despite migration of some deposits to real estate

Byblos Bank Headquarters, December 18, 2020: Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the third quarter of 2020.

The results show that the Index posted a monthly average of 5.6 points in the third quarter of the year, constituting a decrease of 41% from 9.6 points in the second quarter of 2020 and a decline of 86.5% from 41.8 points in the third quarter of 2019.

The Index's average monthly score in the third quarter of 2020 was 96% lower than the quarterly peak of 131 points registered in the second quarter of 2010, and came 95% below the annual peak of 109.8 points posted in 2010. Also, it was 90% lower than the Index's monthly trend average score of 56 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 Index dropped to a record low in the third quarter of 2020 despite the increase in the number and amount of real estate transactions during the covered period, as the surge in deals has been driven by the migration of some deposits out of the banking sector towards real estate since November 2019. But this trend has originated mainly from a relatively limited number of buyers, amid the rapid rise in real estate prices and the complicated modalities of payments that sellers are requesting, which explains in large part the drop of the Index."

Mr. Ghobril added that "the ongoing decline of the Index since the start of the year is due to the accumulating socioeconomic challenges in the country, the absence of measures to stimulate demand for real estate, and the uncertain economic outlook, which shifted the attention of citizens away from major investment decisions, such as acquiring or building a residential unit, and led the Index to fall to a record low in the second quarter of the year. However, the August 4 explosion at the Port of Beirut severely affected demand for real estate in the third quarter and caused the Index to drop to a new all-time low in the covered period, as citizens were forced to address more urgent and basic needs."

The detailed monthly results of the Index's survey questions in the third quarter of 2020 show that 0.6% of Lebanese residents had plans to either buy or build a residential property in the coming six months, down from 1.1% in the second



quarter of 2020 and compared to 4.7% in the third 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 Beirut in the third quarter of 2020, as 0.8% of its residents had plans to build or buy a house in the coming six months relative to 2% of residents in the third quarter of 2019. The South followed with 0.77% of its residents planning to build or buy a residential unit in the coming six months compared to 13.7% in the third quarter of 2019; while 0.7% of residents in the Mount Lebanon region had plans to buy or build a house, down from 1.7% in the third quarter last year. In addition, 0.6% of Bekaa residents intend to buy or build a house, compared to 5% in the same quarter of 2019, while 0.4% of residents in the North region had plans to build or buy a residential unit, down from 5.3% in the third quarter of last year. In parallel, real estate demand decreased across all income brackets in the third quarter of 2020 from the same quarter last year.

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. 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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