

## **Byblos Bank Real Estate Demand Index in second quarter of 2017**

- Index improves in second quarter of 2017 from low base
- Increase in taxes or transactions fees would delay recovery in demand

**Byblos Bank Headquarters, August 9, 2017:** Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the second quarter of 2017.

The results show that the Index posted a monthly average of 52.3 points in the second quarter of 2017, constituting an increase of 20.2% from 43.5 points in the first quarter of the year and a rise of 34.3% from 38.9 points in the second quarter of 2016. Further, the results for the second quarter of 2017 constitute the 17<sup>th</sup> highest level in 40 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: "Accommodative policies of low interest rates on mortgages in Lebanon, the renewal of the term of Banque du Liban's Governor Riad Salamé that increased confidence in the stability of the currency, and relative political stability, are all factors that may have supported the near-term plans of potential buyers".

However, Mr. Ghobril cautioned that "it is too early to see a trend in the rise of the Index's value, given that the increase is from a very low base". In fact, the Index's average monthly score in the second quarter of 2017 is still 60.1% lower from the peak of 131 points registered in the second quarter of 2010, and remains 52.4% below the annual peak of 109.8 points posted in 2010. Also, it is 15.2% lower than the Index's monthly trend average score of 61.7 points since the Index's inception in July 2007.

In addition, Mr. Ghobril pointed out that "the Index's results reflect the intentions of Lebanese to buy or build a house, but these intentions need a conducive environment to translate into actual sales". He added that "demand for housing in Lebanon is primarily correlated to political stability, consumer confidence and economic activity, which continue to be at low levels and constitute a drag on demand".

In fact, 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 a low of 3.4% in March 2017 during the first six months of the year, before improving to 7% in June. He noted that "the fluctuations in the residents' intentions to buy

or build a house shows that demand for residential real estate has yet to stabilize.”

In parallel, 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 that imposing new taxes and fees on the sector or increasing current ones could delay a recovery in real estate activity and hold back demand. 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 Index show that demand for housing was the highest in Mount Lebanon in the second quarter of 2017, as 7.5% of its residents had plans to build or buy a house in the coming six months, compared to 5.8% in the preceding quarter. The North followed with 7.4% of its residents planning to build or buy a residential unit in the coming six months relative to 5.3% in the first quarter of 2017; while 6.4% of residents in Beirut had plans to buy an apartment, up from 4.4% in the preceding quarter. In addition, 3.2% of residents in the Bekaa intend to buy or build a house, down from 4.3% in the preceding quarter, while 2.4% of residents in the South had plans to build or buy a residential unit, down from 3.3% in the preceding quarter. In parallel, real estate demand increased across all income brackets in the second quarter of the 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, 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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