

## **Byblos Bank Real Estate Demand Index In Third Quarter of 2017**

- Index retreats in third quarter of 2017
- Increase in demand requires immediate measures and incentives

**Byblos Bank Headquarters, October 30, 2017:** Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the third quarter of 2017.

The results show that the Index posted a monthly average of 49.6 points in the third quarter of 2017, constituting a decrease of 5.2% from 52.3 points in the second quarter of the year and a rise of 25.4% from a low base of 39.5 points in the third quarter of 2016. Further, the results for the third quarter of 2017 constitute the 21<sup>st</sup> highest level in 41 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: "demand for residential real estate in Lebanon decelerated in the third quarter of 2017 following a 20% surge in the second quarter of the year, as the Parliament's ratification in July of a series of taxes and fees, which covered the real estate sector, derailed the brief momentum of the preceding quarter." The Index decelerated by 13.4% July and by an additional 11.7% in August, before slightly improving by 3.8% in September, with the outcome in September representing a retreat of 26% from the Index's recent peak of 65.9 points reached in December 2016.

In addition, Mr. Ghobril pointed out that "the Index's results reflect the intentions of the Lebanese to buy or build a house, but these intentions need a conducive environment to translate into actual sales". In fact, the answers of respondents to the Index's survey questions in the third quarter show that demand continues to be soft, as only 5.6% of Lebanese residents had plans to either buy or build a residential property in the coming six months. In comparison, 7% of residents in Lebanon, on average, had plans to buy or build a residential unit in the country between July 2007 and September 2017, with this share peaking at nearly 15% in the second quarter of 2010.

He added that "neither the local macroeconomic dynamics nor the environment backdrop have been supportive of housing demand. But instead of providing incentives to potential buyers, authorities increased various taxes and fees on a sluggish real estate sector."

As such, he 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 register their transactions, which would increase public revenues. Third, this incentive will complement the accommodative policies of low interest rates on mortgages.

The results of the Index show that demand for housing was the highest in the North in the third quarter of 2017, as 9.7% of its residents had plans to build or buy a house in the coming six months, compared to 7.4% in the preceding quarter. Mount Lebanon followed with 5.7% of its residents planning to build or buy a residential unit in the coming six months relative to 7.5% in the second quarter of 2017; while 5% of residents in Beirut had plans to buy an apartment, down from 6.4% in the preceding quarter. In addition, 3.4% of residents in the South intend to buy or build a house, up from 2.4% in the preceding quarter, while 2.8% of residents in the Bekaa had plans to build or buy a residential unit, down from 3.2% in the preceding quarter. In parallel, real estate demand decreased in three out of four income brackets in the third quarter of the year, while demand by those who earn between USD 1,500 and USD 2,499 increased by 3% quarter on quarter.

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.



For further information, please contact:

**Nassib Ghobril**

Chief Economist

Head of Group Economic Research & Analysis Department

Byblos Bank, Beirut, Lebanon

Phone: (961) 1 338 100 ext. 0205

Fax: (961) 1 217 774

E-mail: [nghobril@byblosbank.com.lb](mailto:nghobril@byblosbank.com.lb)