

## **Byblos Bank Real Estate Demand Index In Fourth Quarter Of 2017**

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

**Byblos Bank Headquarters, February 26, 2018:** Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the fourth quarter of 2017.

The results show that the Index posted a monthly average of 44.9 points in the fourth quarter of 2017, constituting a decline of 9.3% from 49.6 points in the third quarter of the year and a decrease of 3.3% from 46.5 points in the fourth quarter of 2016. The results constitute the 14<sup>th</sup> lowest level in 42 quarterly readings. Further, the Index's average monthly score in the fourth quarter of 2017 is 65.7% lower from the peak of 131 points registered in the second quarter of 2010, and remains 59.1% below the annual peak of 109.8 points posted in 2010. Also, it is 26.3% lower than the Index's monthly trend average score of 61 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: "Demand for housing in Lebanon is primarily correlated to political stability, consumer confidence and economic activity. As such, demand for residential real estate in Lebanon decelerated in the fourth quarter of 2017, as the resolution of the political crisis that was triggered by the resignation of Prime Minister Saad Hariri in November could not offset the impact of the Lebanese parliament's ratification in October 2017 of a series of tax increases on consumption, income and profits."

Mr. Ghobril considered that "the negative impact of the tax hikes on sentiment will weigh on the willingness of prospective buyers to acquire a residential unit, given that buying a house 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 Lebanese residents." As such, Mr. Ghobril cautioned that "Lebanese residents consider that the increase in taxes and fees will negatively affect their disposable income and purchasing power, and will impact their already-stretched budgets and increase real estate transaction costs, which, in turn, will hold back demand and delay the recovery in real estate activity."

The answers of respondents to the Index's survey questions in the fourth quarter show that demand continues to be soft, as only 5.1% of Lebanese residents had plans to either buy or build a residential property in the coming six months. In

comparison, 6.9% of residents in Lebanon, on average, had plans to buy or build a residential unit in the country between July 2007 and December 2017, with this share peaking at nearly 15% in the second quarter of 2010. 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, which, in turn, requires immediate measures and incentives."

Therefore, Mr. Ghobril reiterated the need to stimulate demand over the short term by reducing by 50% the registration fee of purchased residential units for a two-year period. 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 will increase public revenues. Third, this measure has an added urgency in light of the ongoing issues related to subsidized housing loans.

The results of the Index show that demand for housing was the highest in the North in the fourth quarter of 2017, as 9.8% of its residents had plans to build or buy a house in the coming six months, compared to 9.7% in the preceding quarter. Beirut followed with 4.6% of its residents planning to build or buy a residential unit in the coming six months relative to 5% in the third quarter of 2017; while 4.5% of residents in the South had plans to buy or build a house, up from 3.4% in the preceding quarter. In addition, 4.3% of residents in Mount Lebanon intend to buy or build a house, down from 5.7% in the preceding quarter, while 2.1% of residents in the Bekaa had plans to build or buy a residential unit, down from 2.8% in the preceding quarter. In parallel, real estate demand decreased among all income brackets in the fourth quarter of 2017.

In parallel, the full year results show that Byblos Bank Real Estate Demand Index averaged 47.6 in 2017, constituting an increase of 13.7% from a low base of 41.9 in 2016. However, the Index's average monthly score for the year was 56.7% below the annual peak of 109.8 points posted in 2010, and remained 22% lower than the Index's monthly trend average score of 61 points since the Index's inception in July 2007. The Index declined in three out of four quarters during the year. It reached its peak in June and its lowest point in March of 2017. Commenting on the full-year results, Mr. Ghobril noted, "the steep decline of the Byblos Bank Real Estate Demand Index in the third and fourth quarters of the year shows that the negative impact of the tax hikes on sentiment and, therefore, on housing demand, is a lot more significant than any potential positive impact of the much-hyped public-sector wage increase."



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 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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