

Byblos Bank Real Estate Demand Index in Second Quarter Of 2018

- Index improves in second quarter of 2018 on expectations of renewed subsidies for housing loans

Byblos Bank Headquarters, August 16, 2018: Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the second quarter of 2018.

The results show that the Index posted a monthly average of 43.7 points in the second quarter of 2018, constituting an increase of 31.8% from 33.2 points in the first quarter of 2018 and a decrease of 16.3% from 52.3 points in the second quarter of 2017. The second-quarter results constitute their 14th lowest level in 44 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: "the increase of the Index in the second quarter of the year was mainly due to the announcement in April by the ministries of Finance and Social Affairs that the government intends to allocate LBP 1,000 billion to subsidize interest rates on housing loans, which raised expectations that affordable mortgages for limited-income citizens will resume after their suspension at the beginning of the year." He added "another important, but understated, factor that contributed to the improvement of the Index is the fact that Banque du Liban and commercial banks processed pre-approved applications for subsidized housing loans that were pending during the first quarter of the year, which allayed the concerns of applicants at the time."

However, Mr. Ghobril cautioned that "the increase of the Index in the second quarter should not be viewed as a change in the dynamics of the housing market, as the improvement comes from a very low base following the first-quarter results that constituted the Index's third lowest level in 44 quarterly readings." Further, the Index's average monthly score in the second quarter of 2018 came 67% lower from the peak of 131 points registered in the second quarter of 2010, and remained 60% below the annual peak of 109.8 points posted in 2010. Also, it was 27% lower than the Index's monthly trend average score of 60 points since the Index's inception in July 2007.

The answers of respondents to the Index's survey questions in the second quarter of 2018 show that 4.9% of Lebanese residents had plans to either buy or build a residential property in the coming six months compared to 3.8% in the first quarter of the year and to 5.9% in the second quarter of 2017. In comparison, 6.8% of residents in Lebanon, on average, had plans to buy or build a residential unit in

the country between July 2007 and June 2018, with this share peaking at nearly 15% in the second quarter of 2010.

Mr. Ghobril considered that "Lebanese citizens need to see the authorities' intentions to restore subsidies on mortgages translated into concrete measures, as any delay or uncertainty about this issue may dent the expectations of households and, in turn, further reduce demand for housing." He pointed out that "the ongoing suspension of the subsidy program will continue to 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." He noted that "it remains the responsibility of the executive branch to not only cover interest subsidies on housing loans for limited-income citizens, but also to take the lead in developing a comprehensive housing policy that stimulates demand for all segments of the residential housing market in Lebanon."

The results of the Index show that demand for housing was the highest in the South in the second quarter of 2018, as 7.8% of its residents had plans to build or buy a house in the coming six months, compared to 3.4% in the first quarter of 2018. The Bekaa followed with 6% of its residents planning to build or buy a residential unit in the coming six months, up from 1.7% in the preceding quarter; while 4.6% of residents in Mount Lebanon had plans to buy or build a house, relative to 3.2% in the previous quarter. In addition, 4% of residents in the North intend to buy or build a house, down from 6% in the preceding quarter, while 3% of residents in Beirut had plans to build or buy a residential unit, down from 4.6% in the first quarter of 2018. In parallel, real estate demand increased among all income brackets in the second quarter of 2018.

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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