

Byblos Bank Real Estate Demand Index In Second Quarter Of 2019

- Index declines 17% in second quarter amid lack of supporting measures
- Pick-up in demand for housing contingent on tangible and immediate measures

Byblos Bank Headquarters, August 7, 2019: Byblos Bank issued today the results of the Byblos Bank Real Estate Demand Index for the second quarter of 2019.

The results show that the Index posted a monthly average of 46.5 points in the second quarter of 2019, constituting a decrease of 17% from 56.1 points in the first quarter of the year, and an increase of 6.4% from 43.7 in the second quarter of 2018.

Further, the Index's average monthly score in the second quarter of 2019 came 64.5% lower than the peak of 131 points registered in the second quarter of 2010, and remained 57.6% below the annual peak of 109.8 points posted in 2010. Also, it was 21.4% lower than the Index's monthly trend average score of 59.2 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: "real estate demand regressed in the second quarter of the year, given the vague measures in the 2019 budget and the inconsistent statements by opportunistic politicians about mortgage subsidies, which led potential buyers to remain hesitant and follow a wait-and-see approach."

He added: "Banque du Liban's economic stimulus package for 2019 filled part of the demand by subsidizing LBP 374 billion, or USD 248 million, in housing loans that were rapidly utilized." But he also noted that "it is the responsibility of the executive branch to provide interest subsidies on housing loans for limited-income citizens, as the banking sector has been filling this gap since 2009."

Mr. Ghobril pointed out: "skeptical citizens are still waiting for the government to take the lead in developing a clear and comprehensive housing policy that would revive demand for all segments of the residential market in Lebanon and allow citizens to have access to affordable housing."

The answers of respondents to the Index's survey questions in the second quarter of 2019 show that 5.3% of Lebanese residents had plans to either buy or build a residential property in the coming six months, down from 6.3% in the first quarter of 2019 and compared to 4.9% in the second quarter of 2018. In comparison, 6.7% of residents in Lebanon, on average, had plans to buy or build a residential unit in



the country between July 2007 and June 2019, with this share peaking at nearly 15% in the second quarter of 2010.

Mr. Ghobril indicated that "the housing market requires concrete measures to stimulate demand, as any delay or uncertainty in implementing such measures will continue to dent the expectations of potential buyers and, in turn, further reduce demand for housing." He pointed out that "the government's recent decision to reduce registration fees on purchased but unregistered residential units aims to generate revenues to the Treasury; yet the government needs to reduce registration fees on future purchases as well in order to translate potential housing demand into actual sales and transactions. Further, authorities should develop the rent-to-own, or leasing, option for low-income persons, which is a more viable long-term solution than subsidizing mortgages. In addition, stakeholders in the sector need to start promoting rent as a viable housing choice, as is the case in most other countries."

The results of the Index show that demand for housing was the highest in the South in the second quarter of 2019, as 11% of its residents had plans to build or buy a house in the coming six months, nearly unchanged from the first quarter of the year. The Bekaa followed with 6.9% of its residents planning to build or buy a residential unit in the coming six months, down from 8.5% in the preceding quarter; while 5% of residents in the North had plans to buy or build a house, relative to 5.7% in the previous quarter. In addition, 3.3% of residents in Mount Lebanon intend to buy or build a house, down from 4.9% in the preceding quarter, while 3.2% of residents in Beirut had plans to build or buy a residential unit, compared to 3.8% in the first quarter of 2019. In parallel, real estate demand decreased 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 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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