

Housing Finance in Iran:

By Focus on
Financing through
Capital Market

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Housing Finance Facts:

- It shapes around 5.5% of Iran's Real GDP;
- It involves 11.8% of banking loans;
- main trend of financing the sector is through banks;
- Housing Bank (Maskan Bank) is a specialized bank in the field;

Housing Finance: Available Instruments

- Bank loan;
- Secondary market for Housing Loan Preemptive Rights;
- Listing of Real Estate Holding Companies;
- Issuance of Sukuk;
- Construction Fund;

Maskan Bank

- As a state owned bank is specialized in the field and provide loans in lower rate based on the period and amount of money deposited
- Has provided 55% of housing loans in last year;
- Provides 2 kinds of loans: 1- deposit based loans; 2- housing loans preemptive rights;
- Owns the first investment bank that provides housing related services such as: underwriting of MBSs, Sukuk Issuance and aims to work on REITs.

Secondary market for Housing Loan Preemptive Rights

- their secondary market is Iran Farabourse;
- Depositors are authorized to apply or sell their rights in IR. Farabourse;
- The transparency in the securities market, their fluent tradability, and their fair valuation declined their price sharply.

Listing of Real Estate Holding Companies

- Share less than 2 percent of total market cap;
- market capitalization is around 1.08 billion US\$;
- Around 30 listed companies in the market that are specialized in construction.

Issuance of Sukuk

- So far, Ijarah, Musharakah and waqf Sukuks are applied in housing finance (Waqf Sukuk was issued for a hospital financing) ;
- Since 2010, around 189 million USD Ijarah Sukuk and 156 million USD Musharaka Sukuk are issued in capital market to finance the sector (totally 345 million USD).

Construction Fund

- When housing market faces surplus of demand, the construction fund is used and when the market faces surplus of supply, REITs are used;
- Introduced in 2007 and the first one launched in 2014;
- The market capitalization of the fund is around 11 million USD.

Construction Fund Operation in concise

- Pool the investors' money
- Put them into a construction project
- Sell the completed construction
- Distribute the returns among the fund unit owners

Initial public offering



Fund manager



Investors



Underwriter

Fund operation



Fund manager



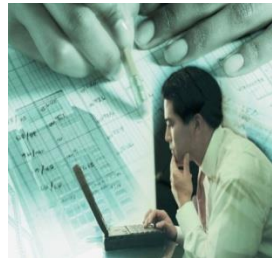
Supervisor



Constructor



Website



Trustee

Housing Finance: Potential Instruments

Real Estate Investment Trusts (REIT)

- Its establishment is stressed in the executive bylaw of the Article 14 of Organizing and Supporting Construction and Supply of Housing Law which is enacted by the parliament and its Bylaw is ratified by the Ministry of Finance and Economic Affairs.

Mortgage Backed Securities

- Although its infrastructure was provided in 2007, its concurrence with 2007-2009 financial crises, conservatised authorities to initiate it.
- However, the Central Bank and SEO, in a close cooperation, has provided its infrastructure and its bylaw is ratified; the instrument is ready to be launched.

Housing Finance: Possible Instruments

Depository Receipts

- Issuance of DRs of housing sector companies in a network of cooperation among COMCEC volunteer members.