



## HOUSING IN IRAN

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**HOUSING IN IRAN.** This entry examines the following main topics: (1) the growth of housing units during 1966-96; (2) the policies adopted in various development plans towards housing and the results obtained; (3) main characteristics of housing in Iran; and (4) investment in, and economics of, housing.

*The growth of housing units, 1966-96.* Little information about housing can be obtained from the national census of 1956, which was exclusively confined to population; no questions were asked about housing. The number of housing units, albeit erroneously, was assumed to equal the number of households. Later censuses, which combined census of population and housing, showed the number of housing units as always less than the number of households (see [Table 1](#)).

Subsequently, the number of households per housing units fell from 1.29 (1.51 in urban areas and 1.18 in rural areas) in 1966 to 1.14 (1.15 in urban areas and 1.13 in rural areas) in 1996. That is to say, between 1966 and 1996 there was an annual increase of 3.44 percent in housing units, whereas the annual increase in the number of households was 3.02 percent. [Table 2](#) shows the annual increase in the number of housing units and private households between the years 1966 and 1996. In all three decades the growth rate of housing exceeded the growth rate of households and population.

*Housing policy and its results in various development plans.* The history of development planning in Iran extends more than half a century (see



BARNĀMA-RIZI), and within this period eight development plans have been implemented, five of them before and three of them after the 1979 Revolution. In the first two development plans (1949-62), which extended over seven years, housing was part of urban planning and no separate allocation was made for it. As of the third (five-year) development plan (1963-67), housing was treated in a specific chapter, distinct from urban planning, where private sector investment overshadowed public sector (Sāzmān-e barnāma, 1961).

In March 1963 the Parliament authorized the establishment of the Ministry of Development and Housing (*Wezārat-e ābādāni wa maskan*), charged with the centralization and coordination of housing development plans, as well as urban and rural housing construction projects. In 1966, the High Council of Urban Planning (*Šūrā-ye ‘āli-e šahrsāzi*) was created in order to formulate overall urban planning policies, approve urban planning projects, provide comprehensive master plans for major urban centers, and supervise housing rules and regulations. During the third plan 96 percent of the production and supply of housing was undertaken by the private sector, and some 260,000 housing units were constructed by the private sector in the urban areas (Amakči, p. 19). The government’s share never exceeded 10,000 units; it concentrated its efforts in creation of new organizations and preparation of rules and legislation to further the cause of housing.

In the fourth development plan (1968-72), which by and large was a continuation of the third plan, the private sector was given a more prominent role; it aimed at the construction of 275,000 housing units (250, 000 in urban areas and 25,000 in rural areas). The actual construction of 293,000 housing units went beyond the original objectives. The share of the private sector in the supply of housing exceeded the planned 91 percent, and the government spent 20.7 billion rials, which amounted to three times the allocation provided by the plan for the construction of 37,000 housing units. The fourth plan’s aim was to focus on the type of housing required, style of architecture, construction material, and renovation of old quarters in the framework of general planning and encouragement of construction of apartment buildings and housing complexes. In this period, the construction boom led to considerable rise in the price of land, which accounted for 30 to 50 percent of the cost of housing in Tehran and major cities (Madani, p. 394). In 1972, new legislation provided for the setting up the High Council of Urban Planning and Architecture (*Šūrā-ye ‘āli-e šahrsāzi was me’māri*), which with extended powers replaced the High Council of Urban Planning.



The fifth development plan's objective was to provide at least one housing unit for every household; and it proposed allocation of state-owned land for housing projects, imposing levies on idle urban land and creating incentives for industrialization of construction activity (Ahari, p. 112). Despite the fact that the rate of growth of housing exceeded that of population, the objective of at least one housing unit for every household was not realized and has not been achieved even yet. During the implementation of this plan the name of the Ministry of Development and Housing was changed to the Ministry of Housing and Urban Development; and it was charged with the preparation of a master regional plan, detailed and comprehensive urban plans, and rural pilot plans, as well as with providing housing and developing and raising housing standards (*Majmu'a-ye qawānin-e maskan*, p. 79).

The fifth development plan was revised upwards with the increase in oil revenues in the early 1970s, and the housing allocation was raised more than twofold. Its new aim was to provide 810,000 housing units in urban areas and 240,000 housing units in rural areas. In this plan the share of the private sector was less important than in the fourth plan; it was supposed to provide 68 percent of urban housing units and 84 percent of rural housing units, but the plan's goals were not achieved, and only 41 percent of the public sector's objectives and 90 percent of the private sector's objectives were realized (Arjomandniā, p. 22).

With the advent of the Islamic Revolution development planning was disrupted. The first development plan was prepared in 1982 but was not approved until 1988, after a number of changes were made in it. Although this plan stipulated construction of 10 million housing units and overcoming the housing shortage within 20 years, before its approval a number of decisions had been made which radically changed the course of housing policy and production, especially in urban areas. In 1979, the Urban Wastelands Act (*Qānun-e arāzi-e mawāt-e šahri*) authorized the government to take over all such lands, and in 1981 the government temporarily took possession of all undeveloped urban lands for a period of five years. Only a maximum of 1,000 sq meters was, under certain conditions, put at the disposal of its owner for construction of housing units. Later, in 1982, the Urban Land Organization (*Sāzman-e arāzi-e šahri*) was created in the Ministry Housing and Urban Development to implement the Urban Wastelands Act. In 1987 all urban wastelands were taken over by the government, and all urban undeveloped lands without specific owners were put at the disposal of the supreme guide



(*wali-e faqih*). Moreover, the owners of urban wastelands were required to sell to the government and the municipalities, at the price to be determined by the government, all the land the latter might need. These measures led to a fall in the price of land but also encouraged illicit land transactions and even occupation of urban land for construction. Between 1983 and 1990 more than 12,271 hectares of urban land were sold by the Urban Land Organization, which largely contributed to the horizontal expansion of most of the cities and construction of substandard housing units. According to the census of 1986 some 1.76 million housing units (more than 21.3 percent of the total stock of housing units in the country) were built in the years 1980-83, compared to the construction of 177,000 units per annum during 1987-90, according to the Ministry of Housing and Urban Development reports (Markaz-e āmār-e Irān, p. 19).

With the approval of the first development plan after the Islamic Revolution, covering the period 1988-93, the government began a series of measure, which included granting easy loans, distribution of construction materials at government prices, extensive sale of land at low prices, and approval of the establishment of housing cooperatives. These measures lowered the price of housing and had a positive quantitative, as well as qualitative, effect; they also led to the horizontal expansion of the cities, increase in per capita housing and reduction in housing density as well as increase in the share of individual housing units (Arjomandniā, p. 23).

During the second development plan after the Islamic Revolution the government announced a new housing project, called “building small,” destined for the lower income groups, and subsidized its implementation. In this project, three housing patterns were distinguished: (1) subsidized housing type 1 (“social” housing), rental properties with less than 50 sq meters area; (2) subsidized housing type 2 (“protected” housing) with up to 74 sq meters area in Tehran and large cities and up to 100 sq meters area in other areas; (3) unrestricted (“free”) housing with no area size limits and no subsidies (Arjomandniā, p. 23).

The government’s aim in adopting this policy, called PAK (from *pasandāz* [saving], *anbuhsāzi* [collective housing], and *kučaksāzi* [building small]), was to optimize housing. For this purpose, some 2.69 million housing units were to be constructed (62 percent in the urban areas and 38 percent in the rural areas) in the years 1995-97. It was announced that 16.1 percent of the housing units constructed by the private sector in 1996 would be social housing;



actually it was 8 percent. By the same token, the share of free housing in 1999 was estimated at 52.4 percent; it turned out to be 70.1 percent. Table 3 shows the aims of the plan compared to the actual for the three housing patterns in 1995, 1996, and 1997.

Although the aims of the plan were not realized, the gradual rise in the percentage of small units and the relative decline of free units in the course of three years are indications of the relative success of the policy of changing the pattern of housing.

The third economic and social development plan covered the years 2000-2004 and is still in the process of implementation. The guiding principles of this plan were: reduction of government intervention, strengthening of housing institutions, elimination of monopoly, regulation of markets, creation of investment security, and raising of ecological standards and protection of wildlife (Amakči, p. 79).

This plan's goal was to construct 3.114 million housing units (2.16 million in the cities and 954,000 in the rural areas), beginning with 510,000 units in 2000 and growing around 10 percent per annum to reach 747,000 units in 2004. The average area envisaged was, in line with the policy of encouraging small housing units and dense construction, 105 sq meters in the city and 76 sq meters in rural areas. Other measures were envisaged for regulating the real estate market, improving the structure of this sector, mobilizing of funds, improving urban land market, drawing tax schedules to be levied on unutilized urban land and, finally, drawing comprehensive rules and standards for construction (Daftar-e barnāmarizi-e maskan, pp. 7-12).

*Main characteristics of housing in Iran.* The physical and economic criteria listed below show how the relationship between households and the housing stock has changed.

(1) The number of rooms per housing unit. Given the very slow pace of change in the size of household in Iran, which between 1956 and 1996 fluctuated between 5.3 and 4.9 members, the distribution of housing units according to the number of rooms, and its variation in the course of time, may be considered as the main index for the quality of housing. Table 4 shows the distribution of 100 housing units according to the number of rooms in the census years in rural and urban areas (Zanjāni, 1992, p. 161, and 1996 census).



The table shows that the number of one-room housing units fell 80 percent while the number of three-room and plus housing units rose by 67 percent. This improvement has taken place in the urban areas as well as the rural areas.

(2) The number of rooms at the disposal of each household. What is even more important than the decline in the share of one-room housing units and the increase in the number of three-room and plus housing units is the availability of the number of rooms to each household (Table 5). Since households have a traditional structure in Iran and are relatively large, increase in the number of rooms at their disposal signifies an improvement (Zan-jāni, 1992, p. 162, and 1996 census).

(3) Construction material used in the housing units. Housing units are divided into three categories according to the type of material used in their construction: durable (brick and steel, stone and steel and concrete), non-durable (mud brick and wood, mud bricks with clay and straw plaster, straw huts), and semi-durable (brick and wood, stone and wood, concrete blocks, and the like). Table 6 shows the situation of housing units according to their material in various censuses.

These figures show that the number of non-durable housing units in the country fell to one-fourth and the number of durable housing units increased by more than five times; the ratio of these housing units in the rural areas has increased from 1.1 percent to 28.3 percent, i.e., nearly 26 times.

(4) Type of occupation. To own a house is considered an important status symbol in Iran as elsewhere. The popular proverb *čahār divāri, ektiāri* (“four walls, own discretion”; one is master in one’s own house) fully reflects this state of affairs. There are several possibilities for occupation of a housing unit in Iran: ownership of site and building, ownership of building, leasehold, mortgage, against services, endowment, free, and so on; but for most intents and purposes it would suffice to consider the most important two, namely, ownership and leasehold, as in Table 7.

Several interesting remarks could be made about these figures. In the country as a whole, ownership increased rapidly up to 1976; then the curve flattened before falling rather sharply in the 1986-96 decade. This was mainly due to what was happening in the rural areas; in the urban areas the rise in ownership continued up to the census year 1986. On the other side of the coin,



leaseholds have risen beyond their 1966 level in the rural areas, whereas in the urban areas they have declined continuously. Undoubtedly, the fall in the purchasing power of the households largely accounts for this phenomenon.

(5) Household facilities. The ratio of households having facilities and amenities at their disposal has continuously risen, and the only remarkable fluctuations occurred between 1986 and 1996, as shown in [Table 8](#).

*Investment in, and economics of, housing.* The main points about investment in housing to be taken into consideration are its share in the gross domestic product, (GDP), housing's added value in the gross domestic product, and the shares of the private and public sector in investment in housing. These figures are available for a period of 24 years from 1975 to 1999, and the highlights are presented in [Table 9](#).

The table shows that at current prices investment in housing has increased more than 75 times in the 24 years 1975-99. The average share of investment in housing in the GDP in this period has been 5.7 percent, with the highest point of 8.2 percent in 1976 and the lowest point of 3.9 percent in 1989. The share of the added value of housing in the GDP has been lower than the share of investment in housing in the GDP, with an average of 5.6 percent (maximum of 8.4 percent in 1978 and minimum of 3.6 in 1990). The average share of the private sector in investment in housing has been 92.5 percent (with the maximum of 98.7 in 1989 and the minimum of 78.6 in 1975), thus accounting for the bulk of investment in this sector. Despite considerable fluctuations in its share of the GDP, accumulation of investment in housing is one of the characteristics of the structure of the Iranian economy. In the thirty-year period 1971-2000, on average 33 percent of the total investment was in housing (Yazdāni, 2002, p. 8).

As for the economics of housing, we are going to deal with the household's potential for acquiring a house in the past 15 years. It may be noted that the ratio of the price of housing to household income in urban areas fell from 11 percent in 1986 to 9.7 percent in 1991 and 7.3 percent in 2000; nevertheless in fact the households' acquisition of housing has diminished. The decline in ownership in recent years reflects this situation. Also, the ratio of rents to household incomes has gone from 32.3 percent in 1986 to 31.4 percent in 2000; but, despite this slight decline, the situation has worsened for the lower income groups, as rents have increased much faster than incomes in that category.



Table 10 shows the share taken by rent (excluding charges for water, electricity, and gas) in household expenditures for various tranches of income; the same table shows the household's potential affordable space (Yazdāni, 2002, p. 94). It is also interesting to compare price changes between consumer goods and housing, as shown in Table 11.

Thus in the span of merely five years from 1995 to 2000 the housing price index rose threefold; within the ten-year period 1990-2000 it rose 818 percent. In 2000, housing prices rose twice as fast as general inflation.

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