

The Real Estate Sector in Jordan Reality and Prospects

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Abstract

The successive migrations of Jordan have had a clear impact on overall demographic, social and economic changes in general. And the real estate sector in particular. The population of Jordan according to the general census of population and housing was 979,900,000 in 2015 and those with Jordanian nationality 6613584 people, or less than 67.5% of those on Jordanian soil, the Dependency ratio was high 62% and the proportion of the urban population was 90.3% and the rural population was 9.7%. and the total number of households was 2032.8 thousand families, the number of Jordanian families within the 1372000 families and the families involved in the real estate product were 1239 thousand families.

As a result of this demographic growth Residential need rose before the Gulf war, which were within the 21000 unit to 33000 residential unit to 55000 units annually in 2011 after Syrian asylum. This resulted in a significant increase in property prices statistical data showed that real estate asset price index in Jordan rose from 81.3 points in 2007 to 121.2 points in 2016 and residential real estate prices have risen in the last ten years by 54% and the land within the organization is one of the reasons for this high ratio which reached more than 66%, with these rises in property prices which is not accompanied by a positive impact .As a result of the above many problems represent the imbalance in the real estate sector, notably:

- 1- The trend of many households to spend on housing at the expense of basic needs and that weaker demand for production and services and limited the increase in incomes if we know that the salaried employees 86.9% proportion in the Jordanian economy and the saving ratio in 2014-2016 years is negative.
2. the high cost of housing and the inability of a large segment of citizens to buy real estate.
3. the gap between housing product and demand in the real estate market.
4. the Real estate sales declined by more than 35%
5. difficult housing conditions and lending guarantees and weak sustainability programmes of support for housing finance.
6. stumbled in repayment of loans by investors which threatens the credit sector and predicts financial crisis in Jordan.

Keywords: Real Estate, Economic Growth, Population, Housing Unit, Real Estate Investment.

1. Introduction

Affordable housing and its availability to all individuals is one of the cornerstones of community life, a sign of interest in human beings and a path to sustainable development and urbanization.

The real estate crisis in the United States of America 2008 has highlighted the importance of this sector and its impact on all other economic sectors, in addition to changing the rules and fundamentals of investing in property and rework the deal lending and borrowing, although the investment in real estate and attention to it has not changed significantly. In Jordan, In Jordan, there have been other blocs with the above led to major changes have affected real estate sector economically, socially and politically, which had to reconsider a lot of postulates, assumptions that were previously taken over the course of investment in this sector and how business performance in terms of quantity and type of And the establishment of new foundations adapted to the developments and response to the Syrian crisis and the refuge of more than 2 million people to Jordan in 2011 has been preceded by the return of more than 250 thousand expatriate and more than half a million Iraqis after the Gulf crisis in the early nineties of the last century, Which added to the properties of this sector more uncertainty and lack of information flow and the inability to predict future trends predicted the exact size and quality on demand customers with the right product and lack liquidity and Heterogeneity of the product and The overall efficiency of the overall real estate market, which means that the prices in the real estate market does not reflect widely available information. As a result, the real estate sector is not subject to economic laws completely, Aspects of the characteristics of this sector.

1.2 Research Importance

The importance of this research is attributed to the uniqueness of this sector with its diversity and the number of its employees who exceed 140 thousand workers. The number of contracting companies exceeds 1400 companies, more than 1000 engineering consulting companies, more than 10,000 engineers and supporting more than 150 other professions. It is connected to more than 34 sectors of the national economy And contributes to 6% of GDP. Credit facilities exceed 25% of the volume of facilities for various sectors, which in 2012 constituted a

growth rate of more than 51% of the rate of growth of facilities from banks to all other sectors. In addition, this sector is the main component of the wealth of Jordanians.

1.3 Research Aim

Though the cause of the 2008 financial crisis and the role of stumbling in real estate and real estate sector, however, stages in Jordan expanding and stretching Planner randomly away from proper planning. Read the indicators of economic, social and political realities in Jordan which led to a surplus large display in this product sector and falling demand, which will necessarily lead to bogging in payment and reduced property value over time as a result of depreciation, and all this would amount to a financial crisis for not paying back loans Faulty credit sector.

1.4 Research Hypothesis

The research is based on the hypothesis that factors contributed to the decline in real estate activity in Jordan

1.5 Research Methodology

The study was based on the primary sources of references, periodicals and books that are examined in the subject of the study. The descriptive statistical method was followed by analyzing the real estate sector and its development during the period 2008-2015.

2. Previous Research

We can summarize some studies on the subject of real estate as follows:

(awad, 2011). The study aims to analyze the real estate market in Jordan and find out the extent of its impact on the financial and economic crisis by analyzing the demand and supply gap in the housing sector. This study concluded that balancing In this market calls for cooperation and coordination between the private and public sectors in all related fields such as finance and infrastructure services.

(Anderson, 2006). This study discussed the impact of taxes and wages on the real estate market and urban areas in China, where the study concluded that taxes and wages have a significant impact on the market of real estate and development, and recommended the study of investors in this sector to pay attention to regulations and laws on taxes and wages.

3. Demographic and economic indicators in Jordan

3.1 Demographic indicators

In 2016, the population of Jordan was 9,978 thousand, of which 6700,000 had Jordanian nationality, less than 68% of those on Jordanian soil. The proportion of the population under the age of 15 was 37.3% and the proportion of those aged 15-65 years was 59.4%. The urban population of Jordan was 90.3% and the size of the Jordanian family was 5 persons.

The total number of families was about 195,900 families with Jordanian citizenship of 13,40000 families, population growth of 2.2%, natural growth of 2% and population density of 110.3%.

3.2 Economic indicators

Jordan is poor in resources and most of its territory is desert and one of the poorest countries in the water wealth. The number of Jordanians in working age (15-65) is about 3778800 people, and the number of workers in Jordan is 1132165 workers, in the public sector there are 339408 workers and in the private sector there are 792757 workers and the proportion of migrant workers with a work permit of 40.26% or 318883 workers in 2017 and the proportion of Jordanian workers to the labour force in the range of 21.5%

Table (1): Economic indicators in Jordan

year	Per capita GDP	Growth rate of GDP at fixed prices	Consumer price index
2010	3069.2	2.3	100
2011	2928.2	2.6	104.17
2012	2957.5	2.7	108.87
2013	2939.6	2.8	114.12
2014	2889.3	3.1	117.43
2015	2786.6	2.4	116.4
2016	2801.1	2	118

It is clear from the table above that per capita GDP decreases as in 2010 it amounted to JD 3069.2 to reach JD 2801.1 in 2016 and this affects the welfare of the Jordanian individual and his purchasing power. The GDP growth rate fell from 2.3 in 2010 to 2 in 2016, accompanied by a high level of inflation in 2016, which exceeded

118% compared to 2010, which added depreciation in the purchasing power of dinar.

On the other hand, the economic participation rates of the Jordanian population fell from 39.5% in 2010 to 36% in 2016 and the unemployment rate increased to more than 18.5% in the 2017 survey. The average wage for males is 499 JD and the average wage for females is 446 JD.

Table (2): Indicators of employment and unemployment in Jordan

year	Participation rates for the Jordanian	unemployment rate
2010	39.5	12.5
2011	39	12.9
2012	38	12.2
2013	37.1	12.6
2014	36.4	11.9
2015	36.7	13
2016	36	15.3

Table (3) shows that 75% of male workers aged between 25-54 and 86.5% of female workers within this age

Table (3): The Jordanian employees by age

Age categories	Ratio of males	Ratio of females
19-15	3.7	0.5
24-20	14	10.6
39-25	44.6	57.3
54-40	30.3	29.2
64-55	5.9	1.6
+65	1.5	0.3

Table (4): Distribution of households by expenditure indicators survey 26 September 2017

Classes	Family expenditure category JD / year	Number of households
poor	Less than 1800	5709
	2400 >1800	8743
	3300 >2400	15437
Families are vulnerable to poverty	3600>3000	25490
	4200>3600	41563
	4800>4200	55202
	5400>4800	65699
	6000>5400	74175
Limited income	7000>6000	129325
	8000>7000	127287
	9000>8000	119068
Middle class	10000>9000	104863
	12000>10000	146633
	14000>12000	97710
Rich	>14000	256443
Total		1273351

It is clear to us from the table of distribution of households according to the expenditure indicators that 52.5% of the Jordanian families are poor and their income does not cover their expenditures, ie, 52.5% of the families can not buy house.

4. Real estate sector indicators

The real estate sector has had a positive impact on the Jordanian economy. The contribution of this sector amounted to 5.5% of the gross domestic product at constant prices in 2015. The number of apartments that were allocated and sold was about 8400 apartments, including 2500 apartments belonging to the initiative of Queen Sakin for a decent living. The real estate sector ranked fourth in terms of the highest subsectors of the financial services, insurance, real estate and business services sectors, which contributed to the gross domestic product (GDP) of 6 sectors, and ranked 16th in terms of the highest economic sectors contributing to GDP by 81 subsectors.

The real estate sector in Jordan was adopted in the expansion of the crises and migrations of neighbouring countries, in addition to the needs of the Jordanian citizen where the rate of Jordanians needs less than 30 thousand apartments per year to more than 55 thousand apartments per year after the Syrian crisis, and this prompted many investors to access the investment in this sector. The investment was motivated by excessive profits despite the fact that many investors lack the efficiency, knowledge and experience in this sector, which was characterized by change and volatility and inefficiency in the market and the restricted flow of information and different characteristics of the product as the prices in this market didn't reflect widely available information related to its components, information about the property is limited.

Table (5): Survey contractors

item	2014	2015
Number of establishments	2843	2927
Number of employees	37831	38190
Compensation of workers in thousand dinars	222174	221724
Production-based	1453273	1691550
Intermediate consumption	1074326	1266529
Value Added	378948	425021
Taxes on production	7650	6317
Depreciation	73038	58240
Operating surplus	76086	138740

Table (5) shows the increase of contractors' establishments by 3% between 2014 and 2015 and the increase of the percentage of workers by 1%. Most of the workers in this sector are expatriate workers. The average wage for workers in this sector has declined in 2015 to 5806 JD while the current production increased by 16.4% compared to the previous year. The added value increased by 12.5% and the surplus of operating surplus increased by 82.23% in 2015.

Table (6): Supplementary Survey (Value in thousand JD and area in thousand meters)

ITEM	2014	2015
Total costs of buildings in the real estate sector	1648061	1429140
Number of completed dwellings	9741	9004
Total area of completed dwellings	8472	7651
Number of completed housing units	39986	41074
Total number of employees	61231	50578
Number of licenses granted	39578	35775
Total licensed area	14992	13123
Number of new housing units	50835	33047
Total area of licensed housing units	7010	5661

from the table above, the number of buildings and area as well as the number of employees declined in 2015 and we can say decrease and drop in all the data table except the number of completed housing units increased by about 1088 thousand housing units and we found that the average cost of the housing unit in 2014 amounted to 41 216 JD (\$ 58 115) and in the year 2015 amounted to JD 49 060 (\$ 34 794)

The number of new housing units witnessed a significant decline in 2015 by 17,788 units, or 35% compared to 2014, and the area of new licensed housing units decreased by 1349 thousand square meters by 20% compared with 2014 Which marks the beginning of a contraction in this important sector.

Table (7): The indicators in the construction sector in Jordan (2013-2016)

Indicator	2013	2014	2015	2016
Value added in thousand JD	1060.6	1140	1159.6	1195.8
Growth rate at constant prices	8.7	6.8	-1.3	1.1
GDP Deflator	209.4	201.8	217.2	221.6
credit facilities	4086.4	4552.8	4904.5	5827.7
Number of registered construction companies	217	224	148	121
Capital of registered companies	10.3	11.1	7.7	5.2
Number of granted construction licenses.	36601	39578	35775	39410
Licensed Area	13985	14992	13123	13310

5. Supply side in the real estate sector

The development of the total number of building licenses and areas shows the supply side in the real estate sector. The area of buildings licensed for residential purposes during the year 2015 decreased by 22% compared to the

same period of 2014, the licensed areas for residential purposes amounted to 5,662 thousand square meters compared with 7020 thousand square meters in 2014. On the other hand, the area of buildings licensed for non-residential purposes during the year 2015 decreased by 8% compared to the same period of 2014. The total number of buildings licensed for residential purposes was 79.7% of total licensed buildings, while the area licensed for non-residential purposes constituted 20.3% of the total area of licensed buildings.

In terms of license numbers, the number of building licenses issued in Jordan reached 8,169 licenses during 2015, compared to 10,304 licenses and 10,822 licenses during 2014 and 2013, respectively. It should be noted that the indicators of building permits reflect the reality of real estate activity, while the design contracts relied upon by other parties represent the future plans of the real estate activity, since the building permit probably means the actual construction, while the engineering plans represent a stage of licensing has been Sometimes they are not updated.

6. The real estate prices in Jordan

Property prices in Jordan have risen consistently since 2008, based on the Jordan Real Estate Price Index, which is prepared by the Central Bank of Jordan and the Land and Survey Department for various types of real estate assets. The weighted average price of real estate transactions completed over a certain period of time. The year 2012 was chosen as the base year for calculating the index with the relative weight of each basin depending on the volume of trading for each basin in the base year.

The prices rose during the year 2015 by 10% for real estate properties for housing purposes while land prices increased by 27% These numbers are high compared to 2013, where the rate of increase of real estate assets for housing purposes 3.6%, and land prices rose by 7.2%

Table (8): JORDAN REAL ESTATE PRICE INDEX

Indicator /Period	Weight	2015	2016	2017
Residential	43.6%	110.4	111.9	110.5
Villa	1.9%	102.8	101.7	99.7
House	3.6%	105.7	106.0	105.6
Apartment	38.1%	111.2	113.0	111.5
Non-Residential	2.1%	103.2	103.5	102.0
Commercial	0.8%	108.0	109.1	105.9
Industrial	0.1%	100.6	93.7	105.7
Other	1.2%	100.2	100.8	98.8
Lands	54.3%	126.5	129.3	128.6
Residential	37.2%	134.0	138.3	137.6
Commercial	2.7%	109.6	110.7	106.6
Industrial	1.8%	128.3	126.8	128.0
Non-Regulaetd	12.6%	107.8	106.9	106.9
General Index	100%	119.0	121.2	120.1

7. The reasons for the deterioration of the real estate sector

The reasons for the decline in real estate activity in Jordan can be summarized as follows:

1- Political tension in the region

The political tension in the region is one of the factors that control the movement of local and regional real estate in general, as a result of the political tension experienced by the war in Syria and Yemen, and reflected the effects of those crises surrounding the volume of demand for the purchase The property in the region in general, including the demand to buy the local property.

2- Real estate cycle and price correction movement

The real estate cycle lasts for five to six years, starting with the prices of real estate in the gradual rise until prices reach rates beyond which cannot rise and there is a significant inflation and prices are exaggerated, starting after that period stagnation due to higher prices to record high rates In which the investor cannot achieve the desired returns, which affects the movement of circulation and the decline in the volume of demand for purchase against the increase in the volume of supply. Prices are beginning to fall, and experts point to a period of price correction and decline to normal rates. This is seen in the local real estate sector during the current period, which is expected to continue in 2016, especially in light of other factors pushing prices to this correction, which is mandatory on the market.

Conclusions and recommendations

Based on the analysis of indicators of the real estate market in Jordan, the study concluded that:

1. High housing costs

- 2 - The weakness of the purchasing power of a large segment of Jordanians
- 3 - Difficulty of the conditions and guarantees of housing lending and the poor sustainability of programs to support housing finance
- 4 - There is a gap between supply and demand where the number of supply exceeds the number of Jordanian families who do not own a house.
- 5 - Expansion of the product of the property was a reaction to successive migrations to Jordan as a result of the political situation in the region
- 6- Lack of expertise and efficiency of workers in this sector
- 7 - limited information available to this market and the inefficiency of the real estate market
8. Poor participation of NGOs and non-governmental organizations in the provision of housing
- 9 - The expansion of investors and borrowing staff was not matched by the demand that Jordanians spend more than their income.

All these were reflected on the real estate sector, which was unable to adapt to the changes or consideration of the 2008 real estate crisis. Consequently, the number of investors in this sector increased which has reached the level of obsession, which would inevitably affect the funds allocated for the necessary consumption. The borrower to pay its financial obligations, which will necessarily affect the funds allocated for the necessary consumption, The borrower to pay its financial obligations, which means that indications of signs of a default in the real estate market will move very quickly to the credit sector. Therefore, decision makers and various sectors related to this sector should coordinate and define responsibilities and draw the direction of this sector towards safety under the current political conditions in the region. The study recommends the following:

1. Harmonization of regulatory provisions and areas of exclusion for housing of low income groups
2. Enhancing the participation of NGOs and non-governmental organizations in the provision of housing
3. Limiting the granting of loans
- 4 - Tax facilities should start from higher depreciation rates when submitting tax returns. The higher the cost of production calculated by tax specialists, the more profitable the investment, which is reflected in the reduction of real estate prices for the target groups.

There is a saying of speculators in the financial markets "we are in dire need of a new model and new ideas"

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