



Real Estate At Crossroads!



Let the market take its own course

by Faruk Ahmed

The real estate sector is in a serious crisis. The sector which had started its journey in the early '60s and had made a great impact around the turn of the century is now becoming lifeless, gradually. Entrepreneurs are now saying that the sector is in a deep crisis: its business leaders are wriggling like a bruised bird. For the last few months there is hardly any sales of flats or plots.

Many companies are quitting shops while at least fifty of them are frustrated at the poor sales. And those who have invested hundreds of crores of taka, are apprehensive of the future. Many of them are saying, what is going on? When will the stagnation run out? Buyers are saying, they are no longer confident of investing their capital in this sector. It is better to buy jewelry.

Market analysts are saying, apprehension of a global recession, unexpected hike in raw materials, scarcity of land and complications of ownership, loss of purchasing power, failure to keep commitments by developers and finally an image crisis that is threatening a booming billion dollar industry — have combined to create such a situation.

The current down turn has come in the wake of 1/11. Although the government has taken several steps to address the situation it has not been enough to overcome the crisis. On the contrary, another virus has emerged in the form of the proposed ordinance 2008. It has generated many storms in the tea-cup. Now the real estate sector is the talk of the town. Everybody is looking at it — where is it headed for? Where will it end up?

But policymakers are saying that investors and consumers

will very soon see a healthy real estate sector. Because the government is trying to ensure that their hard earned money is not lost the government is promulgating this ordinance. They are firmly saying that the government wants to ensure



Faruk Ahmed

that no innocent purchaser will be cheated by any company.

Why is the real estate sector stagnant? What is its main problem? Where will the billion dollar industry end up?

On 22nd June an open discussion was held on the issue at the national press club. Discussants at the seminar said that in the absence of adequate data and because of the immoral activities of a few companies an atmosphere of mistrust has emerged among consumers. To ameliorate this mistrust honest entrepreneurs have to come forward and allow free flow of information about their projects. At the same time the regulatory authority has to step forward and promulgate an ordinance that protects the interest of the consumers. There is some similarity of views among the journalists and regulatory authority. Both say, the company's dupe consumers by giving dazzling but misleading information through their advertisements. But the opinion of REHAB president Tanvirul Hoq Probal was quite different.

The contribution of real estates sector to the GDP is between 12 to 14 per cent. This is largely for the private sector. About 50,000 engineers, architects and many more skilled and unskilled workers are involved with it. Many industries like cement, steel, bricks and electricity are dependent on it. Because of the stagnancy in the real estate sector these industries are on a downturn. The government has to act quickly to bring dynamism to them. The market has to be left to market forces. It can be improved by strangulation.

Both regulators and developers must take into cognizance that the real estate sector has spawned millions of jobs. It is the 'mother industry' for many other industries. If it crashes so will the affiliates. The whole economy will pay for it.

(The writer is the creator of Dhakabiz.com and president of BJFCI)

Real estate at turning point : RAJUK Chairman

BID News

The government is likely to take tough actions as per law against the allottees of government plots who have not utilized their land, Rajdhan Unnayan Kartipakha (RAJUK) Md Shafiqul Islam said.

In an exclusive interview with financial news media, B.I.D, the newly-appointed chairman said the real estate sector is at a turning point now. "Like a river, criss-crossing many terrains it is finally headed for the sea. Very soon this sector will come within an efficient regulatory framework reducing, if not totally eliminating, the troubles that faces it today", he said.

Only a month into his new job, Shafiqul Islam informed that they have to face many painful situations every day. "This is largely because of the complicated land laws. There

are so many owners of one piece of land. And we are helpless. This has to be straightened out", he said.

Reflecting on the land allotments, he said, so many people have left their land vacant and make the situation difficult. If they had done something about it then the habitation problem would have reduced, substantially. "We are going to take some steps about it. If necessary, we are considering cancellation of plots as per law", Islam said.

According to the RAJUK chairman, there has to be a concerted and extensive effort to reduce the habitation problem. The private sector has to play a vital role, too. Because the government alone cannot do much. "But this does not mean that we should allow unethical business practices. The government has to ensure a transparent and efficient real

estate market", he opined.

He said the government is setting up a guideline very soon for the real estate sector. The guideline aims to encourage good investors and protect the interest of consumers. This also calls for strong enforcement of certain laws. Otherwise, weak owners and flat purchasers — both will be adversely affected.

"Because the current law allows influential to remain beyond the law so certain special provisions have been added for stricter enforcement", he said.

Asked why the backlog after the new building ordinance, he said, I can't say anything about the past but now things are moving smoothly. The backlog is clearing up. Genuine plans are being passed quite quickly. But projects based on disputed land will never see the light of the day. It does not matter if they pile up.

Ashian Lands Development chief executive talks to BID Govt should take lead to ensure a fair housing market

by Md. Tanvir Noman

One can not survive in real estate business without honesty. Manging Director of Ashian Land Development Ltd, Nazrul Islam Bhuiyan in an exclusive interview said that the real estate sector in the country is at a cross roads but is generally moving in the right direction. "One cannot survive without honesty, integrity and commitment in this sector", he summed up.

Responding to a question about the direction of the real estate sector, as an entrepreneur and the owner of a leading model town project-Ashian City, Islam said, the current government does not represent any group or party, therefore, this government will be helpful for honest entrepreneurs that is expected.

"If the government provides assistance like the developed countries then there is no reason why the sector will not flourish. Otherwise, this burgeoning sector will be subverted", he said.

Continuing in the same vein, the successful entrepreneur went on, the habitat problem is so severe that many people live in sub-human conditions. In Dhaka, alone, a guestimated 4 million people spend their nights in the open. Because of the high price of land, building material and other complica-

'One cannot survive without honesty, integrity and commitment in this sector'.



Md. Nazrul Islam Bhuiyan

tions owning a house remains a unfulfilled dream for most people.

If their dreams are to be realized then 60,000 new houses need to be constructed, every year. The government, alone, cannot do this. Therefore, one has to think of alternatives, he said. "Like other countries, we, too, have to build satellite towns around the city. Some real estate companies are already doing this. The administration must facilitate their work", Nazrul Islam said. Without being self-congratulatory he said that the private sector has played the key role in the recent development of the multi-storied complexes in the city.

Their apex organization REHAB has played an important role in making the system as functional and user-friendly, as possible. "It is not only an association it is also a credible platform that ensures quality not only to sellers but buyers, as well", Islam said.

"Image crisis" is the single most problem for the sector, Nazrul says with a smile. "We have to overcome it, whatever the propaganda. Things have to be streamlined and trunants taken to task but an effective framework for service delivery must also be evolved".

He said buyers must get what they need and entrepreneurs must also be able to

make profits in a transparent and reasonable way. Stakeholders must put together their heads to ensure a fair process of investment development.

The CEO of Ashian Lands Development Ltd informed BID that his company was building a modern township across the road in front of the Dhaka international airport where a huge unplanned settlement has sprouted. He quietly informed that they had great response from customers both, here and abroad.

"We are not here for the money alone, we have plans to set up a beautiful habitat and ensure delivery of the plots in time. What we need is proactive assistance of the regulatory bodies and utilities".

Islam said, the current laws in the private sector land development rules, 2004, has created confusion among developers regarding land ownership. This is extremely harmful. If there is ambiguity about ownership then there will be little development. A parallel market will emerge. This has to be stopped.

The current power of attorney system in the land laws has served us well and it should continue. We hope, the government will consider, Nazrul Islam said.

It is sad, he reflected, the way the developers are being considered, almost as adversaries. If this is the work environment then progress will be slow, he said.

Proposed ordinance stunts growth of real estate industry: REHAB chief

BID News

The president of Real Estate and housing association of Bangladesh (RHAB) Engineer Tanvirul Haque Probal said the contradictory policy and the government's indifferent attitudes toward private sector would distort the growth of the real estate sector.

In an exclusive interview, REHAB chief said the government should consider real estate investors as industrialists. Their service is of no less value than in investment in others sectors. Even in neighboring India, it is treated as an industry and is lumped together with infrastructure, as a priority industry. Here, we have a totally different attitude, a new law has been set in motion that ties us up.

"How do they expect an industry to flourish after that? Where do crores of people go from here? I am sorry to say, it will only make the housing crisis even more acute", Probal asked.

In a laissez-faire economy, REHAB president said private sector is the engine of growth.

Therefore, most countries are scaling down the state and making way for the private sector. "Yes, there are strong regulatory bodies that ensure quality services and allow easy entry and exit but nowhere is the engine subverted."

Probal said, that the government will frame laws to ensure transparency and accountability in the sector to ensure consumer benefit is also our demand but this does not mean that there will be only laws for the private sector and the public sector remains totally unregulated is unfair.

Describing the proposed law as the biggest threat to the growth of the private sector the business leader said that it is

not the public sector but the private that leads real estate. As of now, we have built thousands of apartments, employed

50 thousand engineers and millions of semi-skilled and unskilled workers. The sector contributes 12% to the GDP. Therefore, the government should ensure 'fast tracking' our activities, instead of trying to tie us down.

The ordinance is contradictory and is full of undesirable clauses. For instance, all projects are to be covered by the 2004 ordinance but in reality, nobody has been able to pass a single project under it. Has the administration inquired, why the lay-out, drawings were never passed?

He said REHAB is aware of

many cases where a real estate developer has been adversely affected by the land developer. In some cases it was observed that two of the five brothers are canceling the contract after the commencement of work. How will the developer then be compensated? Nothing is said about it. In some cases the apartment owner is not paying up after taking possession of the house. What happens then?

Probal said, the ordinance says that the agreement must include a clause that has to specifically state when utilities will be available. Now, we do not provide utilities. It is the government's job. "If they fail why should we be punished?"

The president of the Real Estate and Housing Association of Bangladesh (REHAB) Engineer Tanvirul Islam Probal concluded that the government's real estate policy is so contradictory and unrealistic that it has brought the industry to a dangerous turning point. The ordinance speaks of it.

position to give something of substance to the nation", he said.

Propaganda is going on to subvert housing sector

BID News

The general secretary of Real Estate and Housing Association of Bangladesh (REHAB) Khaled Md Jewel Molla feels that the global price hike of construction material and the propaganda against the real estate sector is pushing the real estate sector to a new challenge.

He said that incentives to exporters and foreign investors have brought them in the forefront of the economy. But real estate developers have been identified as "land-robbers" and "frauds" — this has created a precarious situation.

Talking to BID the REHAB leader said a big amount of foreign currencies that has flowed into the country as remittance in the last five years is in the real estate sector. This is the result of relentless effort by the real estate developers. No government has been able to source remittances this way.

"But it is unfortunate that the government is

discriminating it through its laws. Many of the companies have been identified as land grabbers and cheats", he said.

Molla said that in the upcoming ordinance by using the word 'private' the government has created double standards. But the truth is that the public sector also has its problems but nothing has been said about it.

If that was not so, why is there

so much anger and charges against RAJUK?

In the proposed ordinance, he said there is provision for fine and imprisonment for developers, which is non-bailable. This is a violation of human right and fair business principles.

One of the salient feature of the proposed law is that government officials cannot be sued. But if they are engaged in any activities here they may be right some time but they can also be wrong. What happens then? The fact is with the Damocles's Sword hanging nobody can be in business, he said.

A Few Words From Us



Shamim Ara
Managing Editor
BID

The current problem of the real estate sector is a major topic of discussion, nationally. And the talk of the town. It has affected the entire country and not the real estate sector alone.

We BID and BJFCI have given it due importance. After a seminar at the National Press Club, we are publishing a supplement to highlight the views of all stake holders of this sector. It covers all stakeholders at the policy level that include the RAJUK chairman, REHAB leaders and a real estate developer. The opinions given here are those of the persons concerned and not of those of the newspaper where it is published or that of BID or BJFCI.



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Secretary General
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