

# Where to Live



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## Behind soaring land prices

As Dhaka's numbers swell, middle class residents find ownership out of reach

SAYEDA AKTER

**S**YED Ruman Ahsan, a mid-level merchandiser, started saving money to buy a piece of land in Dhaka four years ago. Initially, he planned to find a place in Uttara, near his office, or perhaps in Baridhara. The high prices forced him to look in cheaper areas, such as Goran or Bashabo.

"I thought that purchasing land would be a safe investment, because the price would increase further in a year or two, and can even double in five to 10 years," said Ahsan. "I would also have an option to rent it out even after constructing a tin-shed building."

Still, prices seemed to always mount faster than his savings. No piece of land in the 23 areas of the main town, however small, is affordable. "Finally, I gave up and have started looking for land on the outskirts of Dhaka."

Owning land or just an apartment in Dhaka is a common ambition -- yet one often out of reach. The city's population is growing by about 2,200 a day, according to Professor Adnan Morshed at the department of architecture and planning of the Washington DC based Catholic University of America.

With rising incomes, this creates a huge demand. Prices are rising in the 590 square kilometres city by an average of 150 percent in 35 years, forcing many to the outskirts.

Commercial space has also become pricey. Zafar Ahmed, started his business, Medi Care, in a 100-square-foot shop in 1970. It is one of the oldest medicine shops at

Chankarpool in the Dhaka Medical College Hospital area.

"At that time, I purchased the land at a price of Tk 5,000 from its Biharee owner, who was moving to India. Last year, when my sons attempted to sell the shop, they got several offers worth more than Tk 20 lakh for this shop," he said. In the end, he did not sell the moneymaking shop.

In areas of Dhaka and its outskirts, land prices have increased by more than 300 percent between 2000 and 2007 -- and developers estimate that it increased by about 35 percent since.

According to Real Estate and Housing Association of Bangladesh (REHAB) data, the price of a katha of land rose by 344 percent -- the hottest rate in Dhaka -- in Mohakhali, driven by new offices. (One acre equals 60 kathas.)

Artsy Dhanmondi was close behind, at 331 percent; and 300 percent in boutiquey Banani. The price in Motijheel, the commercial hub of Bangladesh, increased by a slightly above-average 214 percent during this period. The most modest price rise was in highly congested Azimpur, just 118 percent.

"The supply of [undeveloped] land is disappearing fast," said MA Baten Khan of BDDL Properties Ltd. "People want to get a toehold in the capital," said the managing director of one of the city's top real estate companies.

Commercial competition also plays a role: "The city itself is growing fast, with plush shopping malls and corporate offices, which is a huge part of the reason why land prices

have gone up in those neighbourhoods," he said. The rising prices of construction materials also contributed to the rising prices of offices, houses and apartments, said local developers.

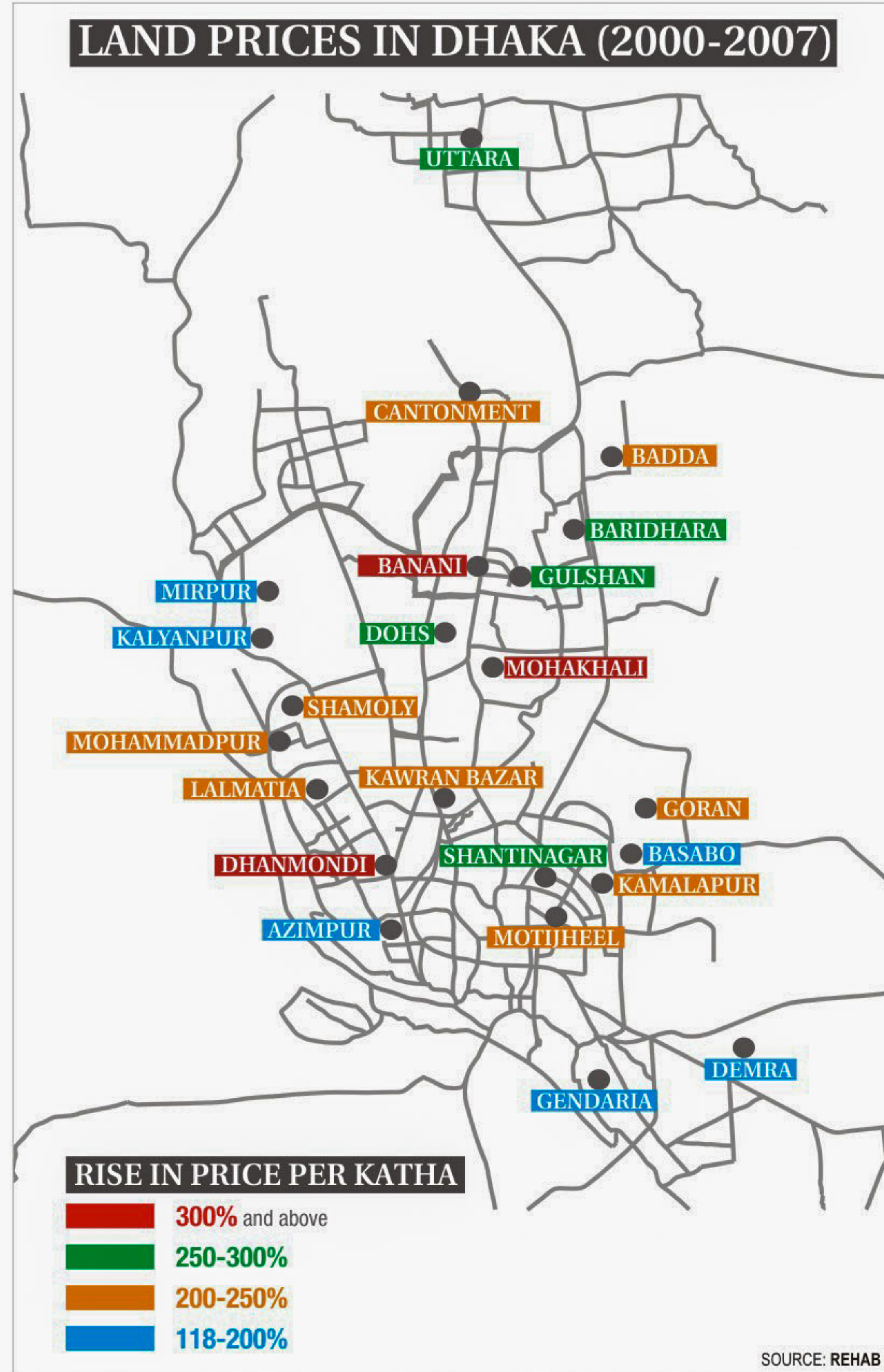
Khan said land prices have been rising for the two decades after the first gulf war. "At that time, many non-resident Bangladeshis started buying lands or an apartment in Dhaka out of worry that they might lose jobs anytime, and be sent back home. This anxiety grew after 9/11 happened in the USA."

The majority of land buyers are businesspeople, such as entrepreneurs from the readymade garments sector, corporate executives, retired governmental officials and non-resident Bangladeshis.

But not all places are equally valued by each buyer. Some value living close to schools or universities, others to hospitals, or their workplaces -- to minimise daily traffic jams, or at least to be able to get out of the city quickly. Others crave fancy restaurants and nightlife.

In Gulshan, Baridhara and Banani, prices increased 250 percent in 35 years, according to a study conducted in 2007 by Sheltech Ltd, a leading real estate company. "Now, most corporate offices are located in these three areas, which makes a huge demand for land in the areas," said Tanveerul Haque Probal, managing director of Building for Future Ltd.

Probal said commercial rent goes up when residential areas get hot. "These areas are away from the jam-packed commercial hub in Motijheel, and are also pretty close to the interna-



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tional airport. So the demand is increasing fast among many businesspeople. At the same time, there are other facilities, such as good schools, and hospitals. That adds pearls on the cushion."

People who like a quieter place tend to land in Dhanmondi and Lalmatia, said Probal. "But, these places are no longer as quiet as before, due to increasing numbers of schools

and shopping malls, which worsened the traffic jams."

Buyers mostly choose accordingly to their earnings and overall wealth. But proximity to one's workplace is close behind, when planning to buy a land and home, said Baten of BDDL. That generally means buying a flat in a high-rise, rather than land at sky-high prices.

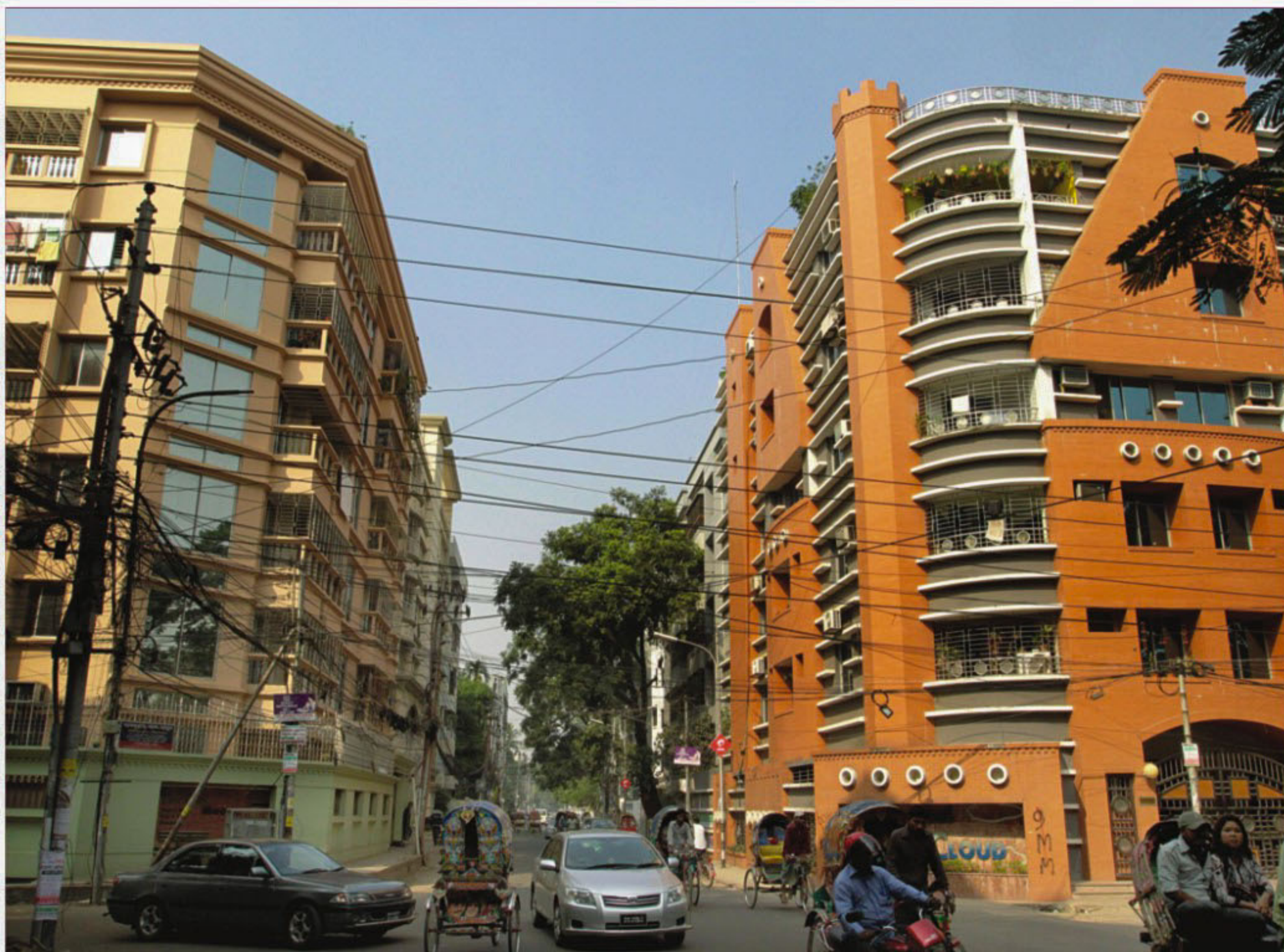
In a city where one of the few protections that owners have is

to not pay in full until their unit has working gas and power hook ups, this has an upside.

"Rather than purchasing a piece of land and then building on it, people tend to buy a completed residence nowadays, since few want to face hazards related to constructing a house from the ground up," said Probal, also former REHAB chief.

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## Why small flats are sky high



High-rise buildings with tiny flats are becoming a common feature of the capital.

SAYEDA AKTER

As Dhaka grows upward, so does the price of accommodation, in a ceaseless effort to match supply with increasing residential demand.

Demand for apartments in the capital is rising at 10 percent a year. That's a need for 70,000 new units a year, Real Estate and Housing Association of Bangladesh (REHAB) data shows.

Industry observers agree it is mainly because of the growing urban population.

But other factors are behind the hike in prices. One reason is that the government stopped permitting new residential land development by passing the Land Development Regulations for Non-Government Residential Project 2004.

That means adding floors to existing buildings occurs, rather than building on unused land or the remaining green areas.

"Since the supply is limited and the demand is increasing, the price goes up," said MA Baten Khan, managing director of Building Designs and Developments Ltd (BDDL).

Also, the price of construction materials has increased, he notes.

Khan said the major clients for new apartments are non-resident Bangladeshis (NRBs) and RMG manufacturers.

"The trend is for middle-income groups to seek a toehold in the city within their limited earnings," he said. "They tend to go for low-cost apartments that are a bit smaller yet affordable."

The majority of buyers can afford apartments that range between 950 and 1,500 square feet. Most real estate companies build low-cost flats to meet this demand now, Khan added.

High costs have slowed the once-torrid growth. But while some see a remedy to a lack of proper planning in this, other see a brake on a mechanism to meet the influx of residents.

Khan wants the government to reinstate housing loans at low interest rates, to facilitate ownership and provide more affordable rental units to the mid and low earners.

The top names in residential developments, in terms of turnover and reputation in delivering projects on time, include Sheltech, BDDL, Asset, Eastern Housing, Concord, Amin Mohammad Foundation, Navana Real Estate and Rangs.

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