

Where to Live



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Housing beyond the reach of the middle class

MD FAZLUR RAHMAN

HOUSING plots and apartments are slowly going out of the reach of middle class groups because of incessant land price hikes, inflation and high prices of construction materials.

Industry insiders at the real estate fair at Bangabandhu International Conference Centre in Sher-e-Bangla Nagar in Dhaka said housing projects in the city are become costlier by the day, forcing them to pass on the costs to the end-customers.

Prospective buyers, whose buying mood has been squeezed by the rising cost of living, say they find many flats and plots just too costly.

Amir Hossain, who lives in the United States, said the general people would not be able to afford the prices the real estate companies are asking for.

"Most of the apartments are being sold between Tk 80 lakh and Tk 1 crore. How will we be able to buy them?" he asked.

He said he is looking for a flat at Tk 5,000 a square feet in Bashundhara, but the companies are asking for no less than Tk 7,000.

Mohammad Asaduzzaman, a teacher of BAF Shahin School in Dhaka, said the price of the plots is too high although they are mostly located outside the city.

Saiful Alam, an export-import businessman, who lived in Japan for several years, plans to buy a piece of land in Rampura and construct his own home. But he said his budget has been dwarfed by current market prices.

"Any person with a limited income will not be able to buy land."

Sahidur Rahman, a sales manager of Boshudha Builders Ltd, said although land prices are increasing sharply, they are not being able to raise the prices accordingly.

Khaled Hasan, deputy general manager (sales and marketing) of Swadesh Properties, said the price of plots of the Rajuk-approved projects is so high that the middle income groups cannot afford it.

He said his company is trying hard to help buyers belonging to the middle income groups to buy plots. "We are increasing the number of installments to ease pressures on them."

Hasan said people with limited incomes should not think about buying a plot alone. "They should form a group with family members, friends or colleagues, and buy a plot, construct a building that can give apartments to every contributing member."

He said the stockmarket debacle and a reduction of interest rates on savings instruments in



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Visitors flock to the real estate fair at Bangabandhu International Conference Centre in Sher-e-Bangla Nagar in Dhaka although prices of the most of the housing plots and apartments are going through the roof.

banks have led to the property price bubble. "The stockmarket and banks are no longer a safe heaven for investment. So people are putting all their savings in the property market, which led to the astonishing price hike of land. Investment in land or property also gives huge dividends."

He said the government should form a committee to monitor the timely implementation of a project. "The government also needs to extend cooperation. We still need to take permission from 11 ministries for a housing project before applying for approval from Rajuk. The ministries should do their part as quickly as possible."

"There are many companies that want to complete and hand over projects on time, as it is a question of credibility."

Mohammad Zakir Hossain, deputy manager of sales of Rangs Properties, said visitors are particularly queuing at the stalls of trusted companies.

Rangs Properties is displaying 30 apartment projects in posh areas such as Gulshan, Dhanmondi, Banani, Baridhara and Lalmatia and the relatively under-developed areas such as Mirpur, Khilgaon and Mayakanon.

He said most buyers at the fair belong to the upper-middle and middle income brackets.

"Visitors are now mainly having a look at the offers. They will take decisions later as a housing project entails a huge investment," he said. "Definitely, some of the visitors will contact us later."

Hossain said the price of land is increasing sharply as its valuation is not perfect. "Apartment prices are particularly high, partly because of the price of construction materials and high labour costs."

Saleh Md Shariful Alam, a planning and development manager of ENA Properties, said the property price hike is mainly due to a land crisis in Dhaka. "Apartment prices have skyrocketed due to land price hikes. Owners of land are increasing offer prices everyday."

"As a result, real estate companies are being

forced to increase the price of apartments and plots to survive in the business. Ultimately, the total cost is being passed onto the end-customers."

The price hike of construction materials and labour costs have also added further strain on the middle class buyers, he told The Daily Star. "Only a few years ago, apartments and plots were still within the purchasing capacity of the middle class. Now it is almost beyond their capacity."

ENA Properties is selling apartments in Adabor at Tk 5,000 a square feet and Tk 25,000 a square feet in Gulshan.

Realtors say some of their colleagues are responsible for the unusual price hike of flats and plots in Dhaka.

They say areas in Gulshan, Baridhara and Banani were mostly for the rich and upper-middle class groups. While, still under-developed areas such as Mirpur, Khilgaon and Malibagh were suitable for the middle and lower-middle class groups.

But buyers belonging to the middle class are struggling to buy an apartment even in Mirpur, as a flat is being sold at Tk 4,000 to Tk 4,500 a square feet there.

Industry people say the price of plots and apartments are increasing because many real estate companies increase product prices all the time. "Some even increase the prices of apartments every three months."

ASM Shahanawaz, a sales and marketing manager of Mohammadi Developers Ltd, said his company raises apartment prices by 10 percent a year.

Sultan Kabir Chowdhury, a businessman from Chittagong, said he plans to buy an apartment in the city's Baridhara or Niketan area. "It is tough to buy a flat with the budget I have in my mind."

He said the price of an apartment has just doubled in the last six months in some areas. "A

few months ago, the price of a flat was Tk 5,000 a square feet in Niketan, but now they are asking for Tk 8,000 to Tk 9,000, and it is increasing perhaps everyday. The same price situation prevails in Baridhara."

He feels the middle class has already lost its purchasing power to buy an apartment in the city. "They have to belong to the upper middle class group. Now the middle class are buying apartments that were meant for the lower middle class."

Kamrul Hasan, who teaches at a private university, said: "It seems there is no room for us. Maybe we have to buy land in the village and live there."

Md Murshedunnabi Manik, in-charge of the marketing department in Quantum Properties, said apartments in some areas are already beyond the reach of the middle class. "However, they still could by flats in areas like Banashree."

Hossain believes there is some distortion in apartment prices. "There might be a gap. The companies are making a huge profit. A syndicate is controlling the sector. As a result, land prices are increasing. All are involved in unholy business competition."

Allowing for an average inflation of 9 percent between 1972 and 2010, real land prices in Dhaka have grown by a whopping 91 percent a year, putting the city amongst the fastest growing land prices in real terms anywhere in the world, according to Sadiq Ahmed, an economist.

The Real Estate and Housing Association of Bangladesh (REHAB) has organised the fair, where 283 real estate companies, construction materials suppliers and two financial institutions are taking part.

The REHAB winter fair opens to visitors from 10:00am to 9:00pm on Monday, the concluding day.

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Non-banking financial institutions are also taking part in the fair to extend loan facilities to buyers for purchasing plots and apartments.

Solar panels a must for power connections to new buildings

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THE government had planned to reduce power consumption by making the installation of solar systems in new commercial and residential buildings a precondition to obtaining a power connection. However, it may not have yielded expected results as most realtors oppose the decision.

After a gap of nearly a year and half, the government started giving electricity connections to new building projects in March this year, on condition that any urban residential or commercial unit must have a solar power system that can supply 3 percent of the building's total energy needs.

The realtors are complying with the government's green move as it seems just; they were unable to sell over 15,000 apartment

units in the last year and half because of a lack of power connections, according to the Real Estate and Housing Association of Bangladesh (REHAB).

Speaking to The Daily Star on the sidelines of 'REHAB Fair 2011' at Bangabandhu International Conference Centre, Mizanur Rahman, manager (sales and marketing) of Concord Real Estate & Housing Development, said his company has been installing the back-up power systems since the government took the decision early this year.

However, Zafar Ulla, a general manager of Vertex Builders Ltd, said the power being produced by the solar panels is not being used at all, as most buildings have back-up diesel-run generators.

Last week, Nazrul Hamid MP, president of REHAB, also said the government should relieve the construction firms of installing

the mandatory solar panels before they can get a power connection in a building.

"The government can add additional charges on the new power connections. We are ready to pay. We just want electricity," he said.

The city's real estate businesses have urged the government to add additional costs in giving electricity connections to the new buildings instead of imposing the largely ineffective solar panels.

The lack of gas and electricity connections to the apartments is dealing a blow to their business, Mohammad Zakir Hossain, deputy manager of sales of Rangs Properties.

"This is one of the first questions prospective buyers ask while enquiring about any housing project."

He said the mandatory installation of solar panels is creating problems for the housing sector. "Still, we are installing the panels before we handover flats to the buyers."

A huge amount of money is being invested to comply with the government's green move. But ultimately, the buyers are shouldering the cost. As a result, the price of apartments is increasing

ASM Shahanawaz, a sales and marketing manager of Mohammadi Developers Ltd, said depending on the size of the building, the cost for installing solar panels varies. "It

is a complex system."

Industry people said a huge amount of money is being invested to comply with the government's green move.

"But ultimately, the buyers are shouldering the cost. As a result, the price of apartments is increasing," said Aminul Islam, an official of Neer Ltd.

However, not all real estate companies oppose the government move.

"The real estate companies are complaining because this is a new system. Things will be OK once they are used to it," said a top official of a real estate company.

Environmentalists however said the government move might not yield desired dividends, as most realtors have installed low cost and substandard systems, which could go out of order within a year.

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