

# Dream of owning a home is fading as prices rise

## Analysts suggest housing outside Dhaka for low-income people

STAR BUSINESS REPORT

Low-income people can no longer afford to dream of owning a piece of land in Dhaka due to acute land shortage and extremely high prices, analysts said yesterday.

In addition, non-availability of housing loans at low interest deepens the problem, they said at a roundtable.

To address the problem, the speakers suggested shifting the focus away from Dhaka to meet growing demand for accommodation for low-income people.

"Now the situation forces us to think about the alternatives, which includes relocation of any housing projects outside Dhaka," said Nasrul Hamid, president of Real Estate and Housing Association of Bangladesh (REHAB).

"For this the government must establish all civic amenities and better communication sys-

tem for satellite townships that may be an answer to this problem," he said.

He spoke at the roundtable titled "How may 80 percent of the urban population of low-income group afford housing" organised by Bangladesh Brand Forum at the Bay's Galleria in Dhaka.

Hamid also said currently the real estate sector as a whole suffers a downturn with a decline in sales, new project signing and bank financing due to liquidity crisis and high prices of land and construction materials.

He urged the government to take measures to lower bank interest rates for housing schemes. In addition, the government needs to rearrange the taxation system further to support the industry to create housing facility affordable for the low income people.

Sheikh Abdul Mannan, member of planning at Rajdhani Unnayan Karttripakkha (Rajuk),

said the state-owned organisation took steps to create housing facilities for a wide range of people.

He admitted that the chance of lowering land prices is next to impossible. But Rajuk offers a competitive price for lands compared with that of the realtors.

The government should ease tax regulations to support the housing need for the lower income group people in the city, said Mamdudur Rashid, deputy managing director of BRAC Bank.

He suggested the government take steps like imposing high taxes for costly plots and flats, and lower taxation for low income group.

He also said the land registration fees should be reviewed and rationalised to increase government revenue and ease the burden on the mid and low income people.

The government increased

land registration fees to Tk 2,000 from Tk 250 per square metre in 2010. Industry people said the rate of registering property and apartments have significantly dropped due to this increase in fees in the last two years.

The government's plan to charge tax at source 10 times higher than the existing rate for registration of flat, building or space that are in use for commercial purposes is unrealistic, said one of the speakers of the event.

The plan affects sales of commercial spaces in Dhaka and Chittagong, where the demand rose manifold due to growth in the private sector in the last decade, and eventually the plan slows the growth of the sector.

In the national budget for 2011-12, the government proposed a hike in tax at source for registering per square metre of commercial space from Tk 2,000 to Tk 20,000 for buildings in

Dhaka's prime locations such as Gulshan, Banani and Motijheel.

The government increased the rate to Tk 15,000 for per square metre of commercial spaces in other areas, including Dhanmondi, Uttara and Bashundhara.

The rate was also increased to Tk 4,200 from an existing Tk 800 in other areas across the country for commercial buildings.

The rate was hiked to Tk 2,000 in 2010-11 from Tk 250 in 2009-10 for both residential and commercial spaces in Dhaka and Chittagong.

Due to a fee hike, 16,000 apartments were left unregistered in 2010-11 and the government missed out on around Tk 1,000 crore in revenues, according to REHAB.

Sudhir Chandra Das, executive director of Bangladesh Bank, and Shariful Islam, founder of Bangladesh Brand Forum, also spoke.



REHAB

Nasrul Hamid, president of Real Estate and Housing Association of Bangladesh, attends a roundtable on "How may 80 percent of urban population of low income group afford housing", organised by Bangladesh Brand Forum at the Bay's Galleria in Dhaka yesterday.



BROTHERS FURNITURE

Habibur Rahman Sharkar, chairman of Brothers Furniture, launches Baishakhi offers to mark the Bangla New Year at the firm's Baridhara showroom in the capital recently. AKM Monir Hossain, head of marketing, was also present.

## Indian poultry giants lured in

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Ihtesham Shahjahan, general secretary of Feed Industries Association of Bangladesh, said foreign companies enter Bangladesh market because of competitive advantage in terms of loans that they get at lower interest rate from abroad.

He said the production capacity by Bangladeshi companies far exceeds the present annual demand for 27-30 lakh tonnes of feed.

"So, why do we invite outsiders with a huge competitive advantage," he said, urging the government to make a list of possible investment areas where local companies are yet to venture or bring in new technology.

It should be done in consultation with the local industries, he said.

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## Tk 100cr set aside for PPP projects

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A finance ministry official said the VGF assistance will be given to projects which have high economic and social viability but are not commercially profitable.

Besides, the VGF money will be released on the basis of the equity of private entrepreneurs, and will be given on a month, quarter, half-year and year basis.

According to the draft guideline, the VGF assistance will be given to only those projects which will be completed on build, operate and transfer basis.

For getting such assistance, the bidder must be selected through competitive bidding and the economic rate of return of the project must be equal or more than the level fixed by the PPP unit of the Finance Division.

The Finance Division through issuing circulars from time to time will change the level.

An official of the division said the guidelines were prepared after consulting with the technical assistance team of the Asian Development Bank, taking opinions of the stakeholders and reviewing the guidelines of different countries.

Earlier, the government issued the Policy and Strategy for Public-Private Partnership, 2010. Under the policy, a separate PPP office was established under the Prime Minister's Office. A chief executive officer was appointed to the PPP office.

Besides, a PPP unit was formed at the Finance Division that would work for providing technical assistance and VGF for the PPP projects on the basis of the demand of the PPP office.

In every year's budget, the government keeps allocation for PPP but till now it failed to spend a single taka for this. After the budget, the money goes back and is carried over to the next budget.

# Power, energy likely to get Tk 10,500cr in next budget

UNB, Dhaka

The power and energy sector is likely to receive an allocation of about Tk 10,500 crore in the coming national budget for 2012-13, according to the officials of the finance ministry.

In fiscal 2011-12, the total budgetary allocation for the sector was Tk 8,311 crore.

The ministry's officials are now outlining the national budget which is expected to be placed in parliament on June 7.

According to the officials, the power sector is expected to get Tk 8,000 crore in fiscal 2012-13, up from Tk 7,160 crore in the current fiscal year.

The energy and petroleum sector is likely to receive Tk 2,500 crore in 2012-13, up from Tk 1,151 crore in 2011-12.

The finance ministry officials, however, could not give a clear idea about the subsidy to be given for the power and energy sectors.

The subsidy is not included in the power and energy sectors' budget as it directly comes from the finance ministry's block allocation, they said.

The officials said it is likely that the power and energy sectors will continue to receive the highest budgetary alloca-

tion in different forms and types, including subsidy.

In the current fiscal year, the government has to spend Tk 38,500 crore as subsidy for power, energy and agriculture sectors, 4.3 percent of the total GDP. The original subsidy allocation was Tk 20,477 crore.

Of the subsidy, the power and energy ministry received more than Tk 20,000 crore while the sectors received the rest of the fund.

Officials said the subsidy was spent for fuelling the rental power plants which excessively pushed up the government's petroleum fuel import.

The government supplies petroleum fuel to rental power plants at subsidised rates and then buys electricity from those at high rates for selling it to public at low rates.

The power and energy ministry's budgetary allocation will be spent mainly for the implementation of different projects of the power and energy sectors.

The government has signed contracts for the implementation of about 50 power plant projects. Some of the plants will be set up in the public sector while some will be executed by the private sector sponsors from whom the government will buy electricity.



AFTAB GROUP

Azharul Islam, chairman of Aftab Foods Ltd, and Laurant Therond, managing director of Nestle Bangladesh Ltd, sign a business deal recently. Iftekarul Islam, vice president of Aftab Foods, was also present.



ACTIVE LINE CHEMICALS

Md Mosleh Uddin, chairman of Active Line Chemicals, attends the company's seventh annual general meeting at the Institution of Diploma Engineers, Dhaka in Dhaka recently. The company announced 20 percent stock dividends for 2011. SM Saifur Rahman, managing director, was also present.



INTERNATIONAL LEASING

Mahbub Jamil, chairman of International Leasing and Financial Services, attends the company's 16th annual general meeting at Spectra Convention Centre in Dhaka recently. The company approved 5 percent stock dividends for 2011.



PRAGATI INSURANCE

Md Jalalul Azim, managing director of Pragati Insurance, receives the International Arch of Europe award, given by The Business Initiative Directions (BID), Madrid, Spain, from Jose E Prieto, president and chief executive officer of BID, at Frankfurt in Germany recently.

## StanChart's Islamic banking head due in Dhaka

STAR BUSINESS DESK

Wasim Akhtar Saifi, global head of Islamic banking of Standard Chartered Bank (SCB), arrives in Dhaka today for a two-day official visit, the bank said in a statement yesterday.

This is his second visit to Bangladesh. Saifi took up this role in January 2011, and is based in Singapore.

He is expected to meet key regulators, clients, employees and other stakeholders during the visit.

This is Saifi's second stint with SCB, the first being from 1986 to 2003 in numerous roles, including CEO of SCB Sri Lanka and regional head of



## International Leasing gets new chairman

STAR BUSINESS DESK

Mahbub Jamil was elected chairman of International Leasing and Financial Services Ltd at a meeting on Tuesday, the company said in a statement yesterday.

He is a sponsor director, and the longest serving board member of the company.

Jamil is also chairman of Ice Retail Initiative and Singer Bangladesh.

He also served as the president of Metropolitan



## Stocks pass a week in red as confidence erodes

STAR BUSINESS REPORT

Stocks declined last week as investors lost confidence because of a writ petition against the Securities and Exchange Commission's latest directive on minimum shareholding.

DGEN, the key yardstick of Dhaka Stock Exchange, finished the week at 5,076.63 points, after falling 84.6 points or 1.64 percent.

On November 22 last year, the stockmarket regulator made it compulsory for sponsors, directors and promoters of listed companies to individually hold at least 2 percent in their own companies.

Market analysts said investor confidence eroded as some of the sponsor-directors filed three writ petitions last week against the SEC directive.

The market took a U-turn on the last trading day of last week as one of the petitioners withdrew the writ petition for the interest of the market, analysts said.

"The DSE dropped for another week as the sponsors' writ petition dejected the investors' sentiment sharply. In the last week, market was extremely volatile due to uncertain outcome of writ filing, which eventually brought down the key market gauge, DGEN, to 4,900 points," LankaBangla Securities said in its market analysis.

The microeconomic issues also pulled up the market, BRAC EPL said in its market commentary. The reduction of inflation to single digit has been the most-aspiring news of the last week, it said.

Inflation fell to 9.93 percent in April, the lowest since March, 2011.

The week witnessed four trading sessions instead of five as Sunday was a government holiday on account of Budhha Purnima, the most important festival in the Buddhist calendar. Two of the sessions lost 266 points while other sessions gained 142 points.