Monitor both real estate prices and quality

Chairman of Equity Property Management in Chittagong wants a ban on unplanned development

UDAY SANKAR DAS, *from Chittagong*

A rise in the cost of building materials hinders property development, causing the property prices to spiral further, a leading developer in Chittagong said.

There is no mechanism to check the quality of the materials, and regulations should be put in place to monitor both the price and quality, Moinul Islam Mahmud, chairman of Equity Property Management Ltd, said.

Unplanned development should stop and Chittagong Development Authority (CDA) must take strict measures to save the city dwellers from danger, said Mahmud who was nominated twice into the CDA board.

Looking back at his experience, he said this authority still lacks farsightedness and vision in planning for the not-so-affluent people of the city. Its agenda was never for the people who want to get into the property ladder, he said. "This spurred us to get into this business."

Mahmud said, "We have been in property development for the last 15 years. We felt Dhaka was a bit ahead of us in this sector and we thought this was a sector that Chittagong needed."

"What we see in Chittagong is housing facilities are made available for the upper-class and upper middle-class, not for the people in the lower strata of the society."

This is a negative issue in the field of property development in the port city, Mahmud said.

"We started our first project in Nasirabad housing area, which was a stepping stone for us. We did quite well though it was earmarked as an area prone to water-logging."

Moinul Islam Mahmud

The company's largest project was Equity Village in Muradpur. Catering mainly to the middle class, the project constructed flats between 900 square feet and 1,500 square feet.

The Equity chairman said the project has facilities such as a swimming pool, gymnasium and health club.

On expansion, Mahmud said, "We are no longer interested in individual property development projects. We would rather go for townships."

However, the company is not getting the cooperation they want, especially from the government, to fulfil their expansion plans.

Mahmud said, if the government undertakes any plan for property development in the port city, it should not sell plots but make flats.

And at least 30 percent of the work, if not more, should be given to competitive real estate firms, he added.

He also proposed that the profit margin of these developers should be restricted to 15-20 percent.

Terming property development as a huge industry with potential, Mahmud feels the need for public-private partnership to make it work more efficiently. "Otherwise, any headway is impossible."

On the issue that flat owners often do not get possession of their flats because of delays, Mahmud said laws should be enacted to compensate the owners.

Since Chittagong is in an earthquake-prone area, the quality of materials for building apartments is a vital issue, he said.

He said Chittagong is also prone to wind pressures of 220 kilometres an hour and these issues have been re-addressed with structural design.

Mahmud also highlighted the lack of survey on soil and sub-soil quality in the city.

He said the authorities must identify the soil quality in different areas so that when buildings are constructed, there could be extra share walls, extra piling and reinforcements.

"We should build all houses with a Richter scale 8 capacity with sustainable structural design."

On the housing market bubble, Mahmud said this was a result of an unholy alliance between some landowners and property developers, but the situation has now subsided as the banks have also come to the scene.

He said, because of this bubble, some entrepreneurs wanted to buy flats not to live in but for business purposes.

On non-availability of gas and electricity in new structures, he said this is a temporary phenomenon.

Cylinder gases, although slightly expensive, are available to address the problem and many apartment buildings are equipped with generators for electricity, he added.

Mahmud said the developers in Chittagong are not threatened by competition from their peers in other cities.

Land owners in the port city want to have a 'one-to-one' relationship and would always like to engage local developers who know the area and the market well, he said.

For the development of the industry, Mahmud said the government should not go for any 'plot allocation' but should focus on the poor to enable them to own property.

The authorities should mobilise their resources for the less affluent section and build smaller flats with basic amenities.

It has been seen globally that real estate is a major player in building the GDP (gross domestic product) of a country, he said.

"This industry can play a key role in adding 2 percent to our GDP," Mahmud said.

H&M prepares $130m drive to crack Indian market

REUTERS, *Stockholm*

HENNES & Mauritz plans to spend around 100 million euros ($130 million) on an initial 50 stores in India, hoping a growing population and rising incomes in Asia's third-largest economy will fuel demand for its fast-changing fashions.

Fredrik Olsson, head of expansion at the world's second-biggest fashion retailer, said in an interview the Swedish group would continue a rapid rollout of stores across the world as it battles to catch up with larger rival Inditex.

Both H&M and Spain's Inditex, which owns the popular Zara brand, have fared better than most clothing retailers in a faltering global economy, thanks to a focus on bringing catwalk styles to the mass market at a fraction of the price.

But H&M has lagged its arch-rival, in part because it does not have the same scale or presence in fast-growing emerging markets. While H&M has around 2,800 stores in 49 countries, it still makes about 80 percent of sales in Europe. Inditex, meantime, has over 6,000 stores in 86 countries and makes about 20 percent of sales in Asian economies versus 6 percent for H&M.

Olsson said H&M had made an investment application to the Indian government, adding the figures were just an estimate. He could not give a time-frame for the opening of a first store in the country.

"It is a very interesting market with a huge population and a growing middle class," he told Reuters at H&M's headquarters in downtown Stockholm's shopping district.

A flurry of international retailers, including Swedish budget furniture chain IKEA, are looking to expand into India after its government moved last year to allow foreign firms to set up wholly-owned subsidiaries in the country. Inditex is already in India through a joint venture.

Indian retail consultancy Technopak has predicted the textile and clothing market in the country would more than double to $141 billion by 2021, from $58 billion in 2012.

In recent years, H&M has been adding other brands to its core H&M chain, such as & Other Stories, to broaden its customer base and mimic the variety of brands offered by Inditex.

In India -- as usual for new market entries -- H&M would start with the core H&M brand, Olsson said, adding it had applied to sell nine different product categories.

H&M has seen like-for-like sales shrink for six straight months and they are unchanged on average in its past two fiscal years due to the economic downturn in Europe.

However the group, which is about 43-percent owned by the founding Persson family, is debt free and Olsson said it would continue expanding across the world, whether to prepare for an eventual upturn in Europe, to boost its position in a recovering US market or grab a bigger share of emerging markets.

Karl-Johan Persson, CEO of retail chain H&M

"We have found and mapped loads of (potential) store locations," he said, adding H&M had a competitive advantage in securing good sites during the downturn because of its track record as a tenant.

H&M aims to increase its selling space by around 10-15 percent a year, compared with Inditex's long-term target of about 10 percent, and Olsson saw no change to H&M's goal.

Most new stores this year are planned for China and the United States, as in 2012, and Olsson said those countries would be high on the agenda next year too.

BRICS hit the wall restructure, or recycle?

JAMES SAFT

IT may be time for emerging market investors to acknowledge the truth: the problem is not just cyclical, it is structural.

One of the puzzles of recent months is the under-performance of emerging markets compared to the rather more sclerotic and central-bank dependent developed world. Thus far this year emerging market stocks are down about 6.5 percent and trail developed market indices by a full 11 percentage points.

Given that growth in emerging markets seems to have bottomed late last year, you would normally expect the reverse, accompanied by strong commodity markets prices and supportive central bank policy.

Instead performance is poor and central banks in China and Brazil have actually tightened.

"The primary emerging market problem is a structural one: of allocation of capital to a strategy whose time has passed," Patryk Drozdzik and Manof Pradhan of Morgan Stanley write in a note to clients.

"As a result, cyclical tools have been used in the past (and continue to be used even now in many places) to treat a structural malaise."

The structural problems vary, from an underdeveloped consumer economy in China to over-reliance on state industry in Russia, but in all cases the use of fiscal and monetary measures to ground growth in 2009 and 2010 may not have been the best medicine.

In fact, without structural reform, fiscal stimulus and easy monetary policy have only had the effect of worsening existing imbalances, leaving many of these economies less able to face their challenges as time goes on. That is precisely why Brazil and China have been forced to tighten at this point in the cycle, when normally you'd expect them to be able to allow the economy a bit of room to run.

REUTERS

(L-R) Indian Prime Minister Manmohan Singh, Chinese President Xi Jinping, South African President Jacob Zuma, Brazilian President Dilma Rousseff and Russian President Vladimir Putin pose for a family photograph during the fifth BRICS Summit in Durban on March 27.

CHINA'S CHALLENGE

China's challenge is fairly straightforward it is massively dependent on investment and has little consumption in its economy to provide a counter-balance.

A very thin social safety net and a poor choice of savings vehicles mean Chinese households save more than they otherwise would, money which the banking system seems unable to allocate well. As a result, the banking system poses a risk and low-quality investments continue to enjoy a subsidy. Yet the obvious solution liberalising financial markets carries with it its own risks, namely of a fast and bruising transition away from investment.

The upshot may be a long period of transition from investment to consumption, the Morgan Stanley authors argue, something that implies high risks.

RUSSIA AND BRAZIL'S DUTCH DILEMMA

Russia and Brazil's issues are in some ways a product of China's hugely high rate of investment, in that both economies have concentrated on the production of the natural resources which China consumes. That has left manufacturing lagging, and makes investing in both countries a bit of a gamble on commodities, and on China.

You could make a case that both economies are flirting with what economists call "Dutch Disease," after what Holland suffered in the wake of its discovery of large gas fields in 1959. That drove wages and the exchange rate up, helping consumer spending but hobbling manufacturing.

Both Brazil and Russia show signs of this, but both have unique problems. Russia's economy is dominated by sometimes sclerotic state-run companies, while subsidized lending in Brazil also leads to misallocation of capital.

That makes the fall in commodity prices an opportunity for both countries, but one that can only be fully realized if they pursue painful and politically difficult reform.

Of the BRICS, India has the fewest structural issues and the most market-determined interest and exchange rates. Still it faces a lack of labor flexibility and a political system that is famously opaque and lacking cohesion.

The main issue is that emerging markets, having perhaps wasted their chances at deep reform in the past five years, now may face a difficult choice. If indeed growth is faltering in the rest of the world, not to mention China, what exactly will be the official policy reaction among the BRICS?

Would China loosen monetary policy and give another large fiscal boost? If so, its reliance on poor-quality, low-yielding investments will only grow, implying a yet greater reckoning somewhere down the line.

The hard work of structural reform will also be that much more difficult to do amid a downturn, even a mild one. If a downturn comes, emerging markets might continue to underperform developed ones.

If we muddle through and growth returns in coming months then a bet on the emerging markets, especially China, is a bet on structural reforms.

James Saft is a Reuters columnist.

Smartphones dethrone feature phones

AFP, *San Francisco*

INDUSTRY tracker IDC on Friday reported that shipments of smartphones topped those of basic mobile phones for the first time ever in the first three months of this year.

"Phone users want computers in their pockets," said IDC senior research analyst Kevin Restivo.

"The days where phones are used primarily to make phone calls and send text messages are quickly fading away."

The rise of smartphones has put power in the hands of California-based Apple and South Korea's Samsung, but Chinese companies such as ZTE and Huawei have muscled their way into the top-five sellers, according to IDC.

"In addition to smartphones displacing feature phones, the other major trend in the industry is the emergence of Chinese companies among the leading smartphone vendors," said IDC Mobile Phone team research manager Ramon Llamas.

"Chinese vendors, including Huawei and ZTE as well as Coolpad and Lenovo, have made significant strides to capture new users with their respective Android smartphones."

Google-back Android software for powering smartphones is available free to gadget makers while Apple keeps a tight grip on the iOS operating system for its iPhones.

The global mobile phone market grew 41.6 percent, with the number of handsets shipped climbing to 418.6 million as compared to 402.4 million in same period last year, IDC reported.

The overall market, which includes basic phones that don't serve as mini-computers linked to the internet, grew four percent to 418.6 million, according to IDC.

Samsung remain the smartphone king, as shipments surged 60.7 percent to 70.7 million handsets in a showing that topped the combined total shipped by Apple, LG, Huawei, and ZTE, which rounded out the top-five list in that order.

Apple iPhone shipments hit a new high for the company in the first quarter, growing 6.6 percent to 37.4 million to claim 17.3 percent of the global market as compared with the 32.7 percent held by Samsung.

LG saw smartphone shipments double to 10.3 million, while Huawei and ZTE shipped 9.9 million and 9.1 million respectively, according to IDC.