Steel buildings to redraw industrial landscape

SUMAN SAHA

LOCAL steel-building makers are expecting a bright future for the pre-fabricated building sector as an increasing number of conglomerates, including foreign companies, are setting up such structures for industrial use.

"The demand for steel buildings is increasing in the country as it needs low investment and less time, and provides high safety," said HM Jahidul Islam, general secretary of Steel Building Manufacturers Association of Bangladesh.

A pre-fabricated steel structure is now being used for different purposes such as setting up factories, multi-storied buildings, power plants and bridges, he said.

A higher resale value of the steel structure is another reason it has gained popularity, said Md Zakir Hossain Sarker, president of the association. Owners will be able to get four times the value if they sell the steel structure of the building as scrap even after 50 years, which is not possible for conventional buildings, he added.

The country has immense potential in steel infrastructure as steel consumption per capita is still very low against global standards, said Sarker, also the managing director of Sarker Steel Ltd.

Currently, steel consumption per person hovers around 12 kilograms in Bangladesh, while it is nearly 459 kg in Germany and 506 kg in Japan and 477 kg in China, according to World Steel Association 2013.

Many companies are setting up factories with pre-fabricated steel structure as it gives the flexibility to relocate at any time and makes maximum use of floor space, said Newaz Khan, chairman and chief executive of PEB Steel Alliance Ltd.

PEB Steel Alliance is implementing different steel infrastructures worth a total of 10,000 tonnes across the country and 95 percent of those are industrial buildings, he added.

Setting up such steel-structure buildings began in Bangladesh in 1985. Initially, the structures and components were being imported.

In 2001, local entrepreneurs first took the initiative to set up steel buildings locally, according to industry insiders.

More than 100 companies are now involved in such businesses; some 24 companies are members of the Steel Building Manufacturers Association of Bangladesh.

The sector has so far invested more than Tk 1,000 crore, employing around two lakh people directly and indirectly, including 2,000 engineers, said Islam, the general secretary of the association.

Presently, the annual demand for pre-fabricated steel buildings in Bangladesh is around Tk 2,000 crore, growing at more than 35 percent for the last several years. Local companies meet around 85-90 percent of the demand and the rest is imported, he added.

Prefabricated buildings consist of several factory-built components or units that are assembled on-site to complete the unit.

The factories made of prefabricated buildings are now mainly located in Gazipur, Narayanganj, Comilla, Chittagong, Manikganj and Savar.

The construction cost of such a building is Tk 250-Tk 350 a square foot, which is 20-30 percent lower than a conventional building, said Islam, also the managing director of ALM Steel Building Technology Ltd.

Generally, it requires a year to build a 60,000-70,000 square feet building, while a steel building can be made in only two months, he said.

ALM Steel has so far completed around 300 projects, mostly industrial buildings for garment to jute and brick manufacturing sectors.

ALM Steel has 15 ongoing projects and is working with a number of conglomerates, such as Partex, IFAD and Asiatic Group, he added.

Hot rolled MS plate, CR coil and colour coil are the key raw materials of the steel buildings and these are mainly imported from Korea, Japan and China, Islam said.

In the last five years, the country exported prefabricated building materials worth around $50 million, mainly to Sudan, Pakistan, India and the UAE.

Local steel-building makers, however, said they are now facing an uneven tax policy as they have to pay more than 60 percent duty for the import of raw materials.

They urged the government to reduce the tax rate for the development of the sector.

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Real estate hit by high interest rates

STAR BUSINESS REPORT

REAL estate has been hit by high interest rates that have caused a severe drop in sales, industry people said.

Real estate developers now pay 18 percent or more in interest rates for bank loans, up from 14-15 percent a year ago, M Wahiduzzaman, general secretary of Real Estate and Housing Association of Bangladesh (REHAB), said.

At the same time, the interest rates on loans to buy properties have also increased significantly, to upwards of 18 percent, he added.

Together with the realtors' capacity to repay loans, the demand for properties has fallen as a result, the REHAB general secretary said.

The increase in costs for bank borrowings, however, was necessary, bankers said, after a spike in default loans related to the sector.

"Banks are cautious about financing the real estate developers," said Helal Ahmed Chowdhury, managing director of Pubali Bank, which charges 15 percent for realtors and more for buyers.

There is also a ceiling for equity and loan (65:35) ratio for buyers, meaning that a buyer has to pay Tk 65 lakh against a loan of Tk 35 lakh to purchase a flat worth Tk 1 crore, he added.

There are around 20,000 unsold flats in the country, mainly in Dhaka and Chittagong, according to REHAB.

"From an investment perspective, return expectations are much lower now as prices have gone down as demand slows," said Toufiq M Seraj, managing director of Sheltech, a pioneer in the sector.

He said the situation is so dire that a price correction is not sufficient to raise demand.

"There used to be a time when we sold flats at the under-construction level. Now, we are facing cancellation of booked flats."

On bank interest rates, he said it depends on the clients and banks. "Bank interest rates for us are between 13.5 percent and 15.5 percent," the Sheltech MD said.