



# Realtors cry for low-cost long term loan

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**T**HE real estate sector has been passing through a tough time as apartment sales have declined significantly this year like the previous year. The sector's sales fell as much as 60 percent in 2013 and the situation is not any better now as a significant number of ready-flats also remain unsold this year despite stable political environment.

The slump can mainly be attributed to buyers' lack of access to a low-cost home loan, industry people said. "Low-cost housing loan is now the solution to revive the ailing real-estate business," said Alamgir Shamsul Alamin, president of the Real Estate and Housing Association of Bangladesh (REHAB). He urged the government to set up a Tk 10,000 crore fund to disburse long term

loans on single digit interest rates to the middle income-apartment buyers.

Many developing countries provide housing loan to the apartment buyers at below 5 percent interest rate, said Alamin. "But our apartment buyers are failing to get such benefit." Housing is considered a basic human right ensured by the constitution, he said. However, apartment buyers now have to pay upto 18 percent rates for loans, which obstruct people from affording a home, said Alamin.

REHAB in a recent study found that a total of 209 companies currently have 12,185 units of unsold flats worth Tk 8,811.19 crore. As the association has around 1,200 member companies, the actual number will be far higher, officials said.

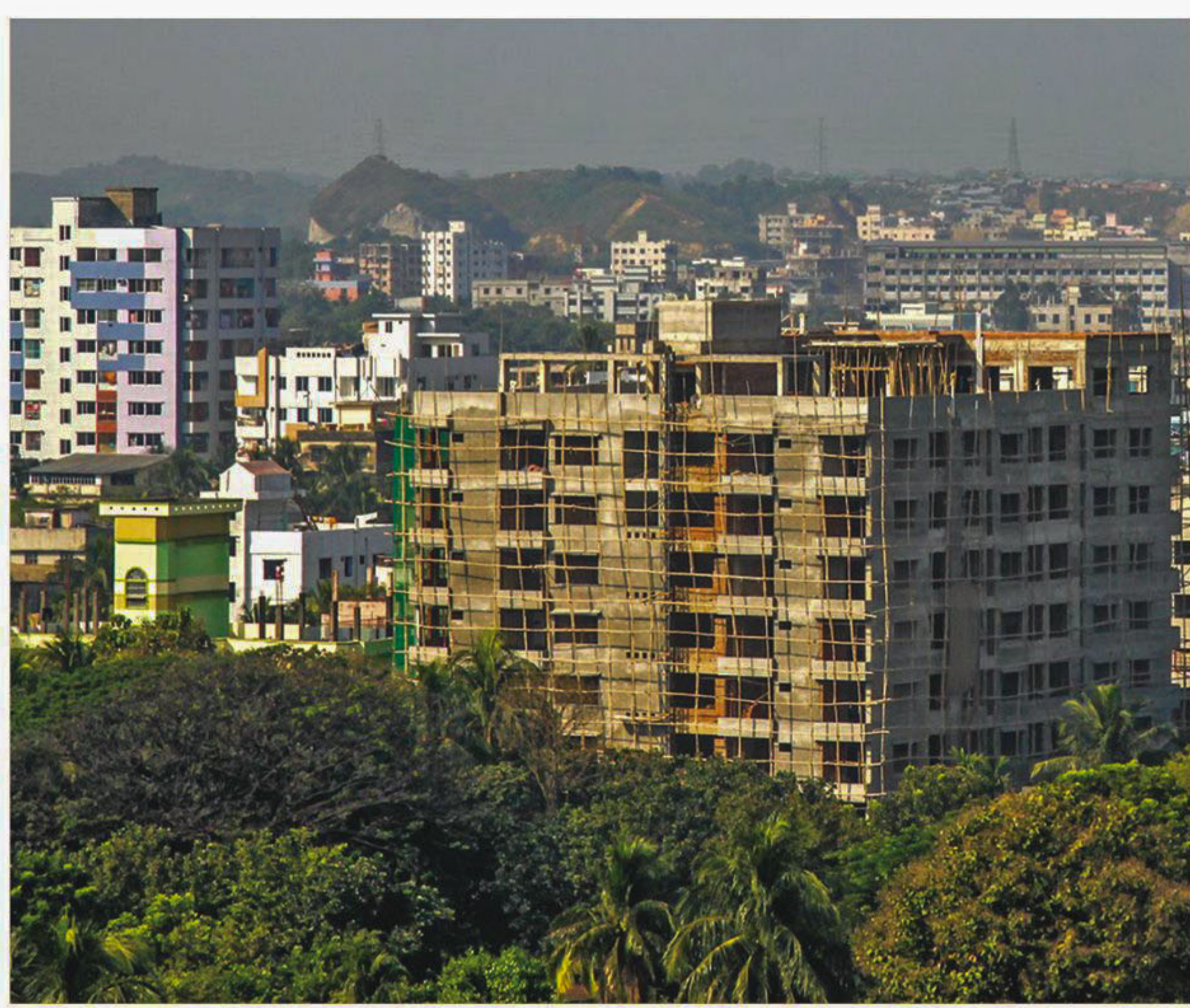
The 209 companies surveyed have sold 1,749 units of flats this year, where the number was

1,965 units in 2013 and 2,370 units in 2012, according to REHAB. Due to slack in real estate business, the backward and forward linkage industries like cement, iron and steel, bricks, electrical equipment, tiles, fittings, ceramic have also been affected significantly, he said adding that around 269 industries are directly involved with the real estate sector.

The government can arrange low-cost loan for small apartment which is below 1,250 square feet, said Md Abdul Awal, managing director of the Structural Engineers Ltd, a leading real estate company. Generally, lower middle income group buys small size apartments, he said adding that "so low-cost loan will immensely benefit such customers as well as picking sales in the sector."

Structural Engineers is now sitting on around 50 saleable apartments and has around 40 ongoing projects, he said. Awal, also a former president of REHAB, stressed to increase housing loan repayment period to 20 years. "Monthly installment would come down equivalent to general house rent level if the loan repayment time is extended, which is more manageable to buyers," he said.

Real estate companies had expected an increased sale of apartment and plots this year after the prolonged political turbulence in 2013, said Tanveerul Haque Probal, another former REHAB president. "But it has not happened this year. Market is very dull." Meanwhile, realtors are now more cautious on undertaking any new projects due to the sluggish



trend in sales, said Probal, also the managing director of Building For Future Ltd.

The number of new projects undertaken by developers declined by around 75 percent in 2013 compared to the previous year, according to REHAB. "And this year's situation is also the same," said a number of developers. "It is very difficult time for a real estate company to survive," said Kamal Mahmud, managing director of Skiros Builders Ltd, another real-estate company.

Skiros Builders have sold only three units of apartment in last three months, he said adding that "we

will face problem to operate our business if the present trend continues for long period of time." Moreover, realtors called upon people to invest in the real estate now to gain cost benefit.

"Apartment price is on a decline trend," said Liakat Ali Bhuiyan, vice president of REHAB. "So customers can now buy flat at a reasonable price." Bhuiyan, also chairman of Brick Works Development Ltd, said his company is now selling apartment with size of 1,300 square feet at Mirpur-10 at Tk 55-60 lakh, around 10 percent lower

than previous year. Banks and other financial institutions have been reluctant to finance housing sector as it is a non-productive sector, said Mahfuzur Rahman, executive director and spokesperson of Bangladesh Bank. "Housing loan is a long-term investment and its default rate is comparatively high, which discourages most banks and other financial institutions to lend," he said.

In fiscal of 2007-08, Bangladesh Bank had launched a housing refinance scheme initially with Tk 300 crore for housing

loan. Later, the fund was increased to Tk 500 crore. But, in end of 2009, the government closed the scheme. Under the scheme, borrowers were entitled to loans of up to Tk 20 lakh at a 9 percent interest rate for 20 years.

The real estate sector now contributes around 7 percent to the country's GDP, employing around one lakh skilled people and another 35 lakh in the backward linkage industries, according to industry people.

The writer is a Staff Reporter, The Daily Star

**Some Facts at a Glance**

- Tk 10,000 crore fund to disburse long term loans
- Many developing countries provide housing loan to the apartment buyers at below 5 percent interest rate
- Apartment buyers now have to pay upto 18 percent rates for loans
- A total of 209 companies have 12,185 units of unsold flats worth Tk 8,811.19 crore
- Total 209 companies have sold 1,749 units of flats this year, where the number was 1,965 units in 2013 and 2,370 units in 2012
- Around 269 industries are directly involved with the Real Estate sector

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