

A shot in the arm ...



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70,000 crore had been invested in the apartment sector. At one point, there were 22,000 unsold flats in the country. Non-availability of timely utilities connection is another factor for making the sector unattractive for the new investors. Many of the flat owners have been running after DESA and WASA for electricity and water connection for years. In many places, household gas connection is unavailable. As a result, many owners are disposing of their flats at throw-away prices.

According to some experts, in many countries banks offer long-term loans to real estate companies at low interest. But in Bangladesh, such loans are offered at very high interest rates. There are a number of private financing organisations in the country, but none of them are ready to reduce interest rates. This is another reason why apartment are sold at very high prices.

How can the real estate sector turn around? As explained by experts, this is a large sector that needs government support and patronisation. With more and more people migrating to the cities and towns from the rural areas, there will be need for more flats of various sizes and shapes. But who will construct such flats? It will be done by the private sector of course. But how can they sustain if they do not get the necessary facilities to continue with their business?

Proper development of the real estate sector requires pragmatic planning spanning the next 30 years, steady and reliable source of finance, simplification of registration formalities, and strong policy for regulation. If Bangladesh Bank instructs commercial banks to offer loans at low interest rates, many companies would come forward with new projects. The registration fees and VAT, which are exorbitant now, should also be reduced, according to some investors. Land registration is a particularly painful undertaking, they comment. The entire procedure needs to be simplified.

Investors are also scared away when they are asked to show sources of their money. Though the government said that one can whiten one's money by paying 10% tax, many are fearful of questioning by the anti-corruption agencies and NBR. There should be a transparent one-stop service where they can go and settle their problems. Experts are of the opinion that if investors are allowed to invest after paying 10% to the government, the money will remain in the country. In that case, people would not run to Malaysia or Dubai buy flats.

According to REHAB, presently about 34% of the people of Bangladesh are living in urban areas, which will rise to 50% by 2025. The need for residential and office accommodation for this large population can easily be deduced from these statistics. Therefore, both the private and public sector will have to sit down together to find a mechanism to address the challenges. The real estate sector needs government support to grow and offer better services to the customers.

The writer is a businessman.

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