

## Affordable homes for all HOW? ONE RIGHT POLICY



### STAFF CORRESPONDENT

A comprehensive policy taking into account the interests of landowners, builders, financiers and prospective homeowners can give a boost to the housing sector and enable more people to own homes, said industry players and financiers yesterday.

There are several policies and initiatives taken by the government for housing but they are framed in a piecemeal basis and not enough to ensure housing for all, said speakers at a roundtable discussion on affordable housing and the role of stakeholders.

The discussion was organised by The Daily Star at its office in Dhaka.

Owing to the high prices of properties owning homes become tough for many.

For instance, in Dhaka city, the prices of apartments are more than 100 times the monthly rental or housing cost of a family because of high demand against very low supply.

Every year, 25,000 units of apartments are registered against the requirement of more than 100,000 units a year.

"Housing is our constitutional right, but having homes of own remains far away from the reach of a large number of population," said Mohammad Abu Sadeque, executive director of the Centre for Housing and Building Research (HBRC).

In Bangladesh, as much as 84 percent of the population live in houses with tin-roof.

There is no definition of affordable housing although it becomes a key issue, especially in developing nations, where the

majority of the population are not able to buy houses at market price.

Owning homes become affordable only when the monthly instalments are 30-35 percent of their incomes.

Subsequently, the government, researchers, builders and financial institutions have roles to play to make housing affordable for the middle-income people, which form the majority of Bangladesh's population, Sadeque added.

"The housing situation is dire," said Ishrat Islam, professor of Bangladesh University of Engineering and Technology's department of urban and regional planning.

In Bangladesh, the price of flat is very high, which is almost 120 times the disposable income, said Mominul Islam, MD and CEO of IPDC Finance. But the global standard is 48-60 times of a person's disposable income.

In Mumbai, the flat price has been brought down from 120 times to 54 times through decentralisation and development of small unit private community housing projects.

"If we can do the same in Mymensingh, Cumilla, Manikganj and Tangail, we will be able to provide a flat within Tk 25-40 lakh."

In Bangladesh affordable housing finance is almost non-existent, he said.

In India, the government provides tax break to boost affordable housing, which brings down the actual interest rate on home loans to 5-6 percent.

"Therefore, even a driver or a small shopkeeper in India can afford a flat. We need to learn from these good examples," Islam said, while calling for digitisation of land records at the earliest.

The main reason for the high prices of apartments is the high land prices, said Akter Mahmud, professor of Jahangirnagar University's department of urban and regional planning.

"The government has no control on the land market. It should be regulated," he added.

FR Khan, managing director of building technology & ideas (bti), said the government should take measures to regulate the cost of basic construction materials.

Rod and cement account for 20 percent of the total project cost and both the construction materials' costs have shot up Tk 200-500 per square foot this fiscal year for budgetary measures.

The secondary market for homes should be developed and the high registration cost be reduced.

At present, the registration cost accounts for 15 percent of the property price, Khan said.

"The high registration costs make flat purchase expensive for the middle-income group," said Rejbeen Ahsan, general manager of bproperty.com.

The interest rate on home loans should also be brought down to single digits, the bti MD also said.

It would be tough for banks to lend at single digit interest in the absence of long-term financing facilities, said Syed Mahbubur Rahman, MD and chief executive officer of Dhaka Bank.

"Ideally, the tenure of home loans should be as high as 30 years," said Khwaja Shahriar, MD and CEO of LankaBangla Finance.

### HIGHLIGHTS

- Formulate comprehensive policy for housing
- Provide tax incentive for first-time buyers
- Develop communication and other basic facilities in outskirts of city to develop satellite township
- Reduce registration cost
- Develop secondary market for housing
- Ensure access to longer-term finance for low- and middle-income people
- Develop bond market
- Reintroduce refinancing scheme for home loans
- Encourage use of alternative construction materials to reduce costs
- Digitalisation of land records

But, it is tough for financial institutions to offer such loans in the absence of long-term financing facilities.

Subsequently, he called for reintroduction of refinancing scheme for housing finance.

To address the absence of long-term funding in the country, the bond market needs to be developed, said Arif Khan, CEO and MD of IDLC Finance.

He also demanded the government slashes the value-added tax on materials used for construction.

"Its effect would be positive in the economy," Khan said, while calling for an

integrated policy from the government, involving all stakeholders, for ensuring housing for all.

The Bangladesh House Building Finance Corporation should play a more proactive role in ensuring affordable housing, said Rahel Ahmed, MD & CEO of Prime Bank.

A specialised home financing company needs to be established, which can support mortgage and house financing, said Selim RF Hussain, CEO and MD of BRAC Bank.

"We need to roll out long-term bonds."

Today, people do not invest in the bond market because they do not get any tax benefit. The National Board of Revenue should look into this issue seriously," he added.

The government should provide tax and other benefits to tempt the young professionals to become first-time home buyers, said Tanveerul Haque, MD of Building for Future and the former president of Real Estate and Housing Association of Bangladesh.

"Housing a very integral part of prosperity. Everyone wants a home," said Mahfuz Anam, editor and publisher of The Daily Star.

Ahsan of bproperty: "For reasonable and affordable housing, we must go out of Dhaka city, where the land price is still comparatively low."

But the Dhaka Bank chief Rahman, also the chairman of the Association of Banks, Bangladesh, the platform of private banks' chief executives, said people would only buy into the idea of decentralisation if a good communication system with the Dhaka city is in place.

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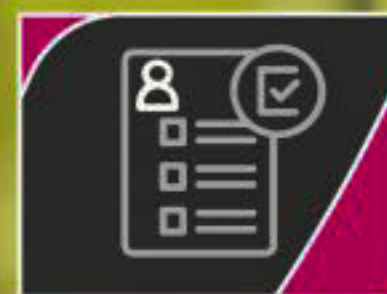
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