

Demand for flats remains stable

JAGARAN CHAKMA

Both realtors and buyers have fallen into an uncomfortable situation due to the sudden increase in raw material prices amid the ongoing war in Ukraine, strain on foreign currency reserves, and rising inflation in the country.

"We realtors are trying to

compromise with buyers who booked apartments before the rise in raw material costs, which increased abnormally to become a burden for both asset buyers and developers," said Alamgir Shamsul Alam, president of the Real Estate and Housing

Association of Bangladesh (REHAB).

According to the terms and conditions of apartment booking, there is a clause to adjust the price when construction costs rise by more than 10 per cent.

Raw material prices have increased by over 30 per cent, inflating apartment prices by at least 25 per cent in the process.

"So, both sides [realtors and buyers] should come to a point to minimise the price adjustment within reasonable bounds to reduce their burden," he added.

Local developers are now being cautious in taking up new projects considering the current adversities.

"Under the current circumstances, there is no scope for realtors to be over-ambitious," Alam said. "So, realtors should move very carefully and focus on completing the heir ongoing projects."

The R E H A B president went on to say that the construction cost of a flat that was Tk 1 crore

previously now stands at almost Tk 1.25 crore, up by about 25 per cent.

He then said the future of the housing sector remains uncertain as the officials concerned are yet to inform in detail about the Detailed Area Plan.

One of the major items used in construction is stone, for which the freight cost was \$8 per tonne two years ago. The freight rate had risen to as much as \$28 in recent months before falling to \$19.

Similarly, the price of rods has jumped to Tk 88,000 per tonne from Tk 68,000 before the pandemic while the price of cement has gone up by 25 per cent at the same time.

Mahzabin Chowdhury, general manager for marketing and public relations at bProperty.com, said the increasing cost of raw materials that are both directly and indirectly related to real estate, labour and land is forcing the price of new properties to slowly go out of reach for the largest client base, namely the middle class.

"With a loss of access to affordable new property, we see more and more people turning to second hand property, which is definitely a good move even if most people don't realize it at first as the price of such property remains stable even after all the increases over the last few years," she said.

Although the cost of living continues to go up due to various reasons, it was observed in the first three months of this year that there was a 27.2 per cent increase in the demand for 1,200 to 1,500 square feet apartments in the secondary market.

Meanwhile, Assurance Developments Ltd, a leading developer, has cut the number of new projects.

"As a part of risk mitigation, we have reduced the number of projects by 40 to 50 per cent," said Md Arifur Rahman, chief executive officer of the company.

Arifur said construction costs have increased by Tk

1,500 to Tk 12,000 per square foot depending on the size and location of the properties being developed in Dhaka city.

"So, realtors are following a go-slow business policy to tackle the situation," he added.

According to REHAB, there are 35 lakh workers in the housing sector and over 260 backward linkage sectors that are suffering along with the developers.

Building Technology & Ideas Ltd (btii), another leading developer in the country, says it is initiating new projects after an in-depth analysis due to the present condition of the economy and demand for assets.

The hike in raw materials prices has pushed up the price of flats by Tk 1,000 per square foot on average, said FR Khan, managing director of btii.

As a result, flat prices have gone up by Tk 10 lakh to Tk 50 lakh in the past six months.

According to Khan, the pressure of higher global inflation and Russia-Ukraine war have directly affected the local real estate sector and he apprehends the demand for flats may fall owing to volatility in the global economy.

Overall, the real estate sector is not in a comfortable stage at the moment as the price of land is increasing, he said.

Presently, btii is implementing 73 projects.

Assurance Development's Arifur says despite the property price hike, the demand for flats has not declined.

"The sales of secondary flats have also increased owing to lower prices and availability of utility connections," he added.

Mohammad Kayum Khan, head of mortgage at IPDC Finance Ltd, a leading lender in the real estate sector, said the number of home loan seekers has remained unchanged compared to previous years.

"This indicates that the trend of flat demand remained unchanged amid the present situation of the economy," Khan added.

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