

The power of real estate

The sector can be a game-changer fueling Bangladesh's trillion-dollar economy

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MD ABU TALHA SARKER

Bangladesh is an emerging economy that will soon step into the trillion-dollar segment with real estate set to play an integral role in this transformation, according to industry people.

The country's real estate sector saw significant growth in recent years and this can be attributed to several factors, including increased urbanisation, rising income and a growing middle-class.

As a result, real estate has become an attractive option for investment.

According to data from the Bangladesh Bureau of Statistics, the real estate sector's contribution to the gross domestic product (GDP) was 7.93 per cent in fiscal 2022-23. This marked a significant increase compared to previous years, highlighting the sector's expanding role in the economy.

M Mahbubur Rahman, chief executive officer of Rupayan City, said the real estate sector currently has the third highest number of employees in Bangladesh. As an emerging industry, it has become a safer place to invest.

Bangladesh is witnessing rapid urbanisation and people are opting to move to cities from their villages. This situation is creating a constant

appeal for residential or commercial spaces.

Another interesting point for assets is that their prices never go down despite inflation, recession or any other calamity, making this investment safe and risk-free with a guaranteed appreciation of the invested capital, he added.

However, there are some setbacks to investing in real estate. The very first is that the shortage of land is making investors pay a fortune on purchasing them as in most cases, a substantial capital investment is required, which limits the market.

"There is also a concern about liquidity as selling the property mostly cannot be done quickly compared to stocks, gold, or other types of assets," Rahman said.

Md Kyser Hamid, managing director of Bangladesh Finance, said the benefit of investing in real estate is better than any other option on a long-term basis.

The government gives some relaxation for undeclared money almost every year so that those who have undeclared money earned by legal means can whiten it by investing in the real estate sector.

Another significant aspect is the rental income generated from properties. The rental market in Bangladesh, particularly in Dhaka and Chattogram, has witnessed steady growth. The demand for both residential and commercial properties, driven by urbanisation and population growth, has contributed to rental income, which adds to the sector's contribution to the GDP.

Hamid said people have to pay tax on capital gain in the real estate sector year-on-year, which does not

happen in other income or investment.

Alamgir Shamsul Alamin Kajal, president of the Real Estate and Housing Association of Bangladesh (REHAB), stated that the sector is the most secure for investment, and its importance in the economy is significant. Therefore, everyone should make an effort to make it stronger and more attractive to domestic and foreign investors, he added. Kajal further mentioned that real estate firms have initiated maximum land utilization in a planned manner. Additionally, builders have started constructing apartments for the middle-class.

"The government should prioritize the sector and formalize a sector-friendly policy in the next budget, considering the employment opportunities it generates," added the REHAB president. He also suggested that the government reduce the recently increased registration fee. Instead, the government could announce special benefits for first-time buyers, such as massive discounts in registration fees, according to Alamin.

Furthermore, he emphasized the need to extend easy and long-term home loans to property/flat buyers, along with the implementation of a special real estate law for realtors' protection. "The government can make it mandatory for financial institutions to allocate a certain percentage of their funds to home loan seekers because those who genuinely need a home loan are not receiving it."

To diversify the economy, he suggested establishing wholesale markets outside the capital to ensure growth in other regions. "Lastly, the government should provide unquestioned amnesty for the use of undisclosed money in the real estate and industrial sectors." According to Alamin, when this facility was extended to the housing sector in 2020, it attracted Tk 20,000 crore in investments and earned the government Tk 2,000 crore in taxes that year.

Economist Khondaker Golam Moazzem, a research director of the Centre for Policy Dialogue, said real estate is still a lucrative sector for investment.

The progress of the real estate

sector in Bangladesh has created a close relation with people's income. As people's income is increasing and savings is growing among a group of people, they are now investing in real estate to own their own homes.

"Initially, the demand was only for residence or dwelling place. But now, it is being used for multiple purposes," he said.

A secondary market has also been created in the sector, where people purchase land, flats and apartments for selling and reselling to earn more money.

In addition, the government formulated the "Dhaka Area Plan" including new areas.

Taking advantage of the new plan, realtors and land developers filled the low-lying areas, underwater and marshy areas but environmentalists have severe complaints over the matter, Moazzem added.

Syed Zulkar Nayan, head of business, retail and SME banking at Eastern Bank Ltd, said people always look for suitable ways for their investments to grow and real estate could be a good option to this end.

"Like any other country, an earning individual, regardless of income and savings, aims to own a house in Bangladesh. Despite having an emotional perspective of "Living in my own home", it also urges a calculated investment," he added.

Nayan went on to say that there are few risk factors of such long-term decisions, such as high initial cash investment, depreciation of property, immediate liquidity and so on.

Arup Haider, head of retail at City Bank, said the demand for flats is apparently at the pre-Covid level and of course, there was never a dearth of supplies that made the real estate market as vibrant as before.

In absence of having many long-term investment opportunities, real estate remained people's number one choice for investment, especially for the middle and upper-middle classes. With Covid-19 no longer a concern, people just started expressing their investing intent, which was the same before the pandemic.

As such, the real estate sector has just bounced back, he added.



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