

Evolving Landscape of HOUSING MARKET SHIFT

Mr. Mashrur Arefin, Managing Director & CEO, City Bank PLC.

The housing market in Bangladesh is a dynamic sector, profoundly influenced by economic shifts, evolving consumer aspirations, and regulatory changes. As urbanisation continues and the middle class expands, understanding the trends, challenges, and innovations in

hesitant and understandably so. The upfront costs are higher, technical expertise is limited, and large-scale incentives haven't fully materialized yet. The intent is clearly there, but broader adoption will take time and the right kind of policy support.



within the ABB community, we view this as a clear opportunity. The direction is right; what's needed now is scale, partnership, and steady execution.

TDS: What are the key challenges developers or buyers face in accessing finance, and how are you addressing them?

MA: Affordability is still the biggest challenge for most homebuyers, and that's something we can't overlook. On the other side, developers are dealing with rising

Financing THE FUTURE HOME

Mohd. Rafat Ullah Khan, Managing Director (Current Charge), Al-Arafah Islami Bank PLC.

With urbanisation reshaping how Bangladesh builds and lives, housing finance has become central to making homeownership accessible. Rising construction costs, shifting regulations, and new sustainability goals are changing how banks serve this demand. To understand these shifts, The Daily Star spoke with Mohd. Rafat Ullah Khan, Managing Director (Current Charge) of Al-Arafah Islami Bank PLC.

The Daily Star (TDS): What trends are you seeing in home and construction finance demand?

Mohd. Rafat Ullah Khan (MRUK): Despite macroeconomic challenges like inflation, currency volatility, and tightened liquidity, demand has remained resilient. The rising US dollar increases construction material costs and property prices, but demand is sustained by salaried professionals and middle-income households. Key drivers include post-pandemic recovery, urbanisation, and steady remittances, which are fueling investment in semi-urban and suburban housing beyond traditional city centres.

TDS: How are interest rate movements and regulatory shifts affecting the market?

MRUK: The transition to market-based lending rates (like the

estate. We are also enhancing specialised facilities for women and SME developers to promote financial inclusion. Sustainable housing is another key focus, supported by our partnership with the Housing and Building Research Institute (HBRI) for affordable green solutions.

TDS: How is the bank supporting sustainable or smart housing projects?

MRUK: We offer special terms, such as lower profit rates and longer tenors, for certified green homes (LEED, EDGE, etc.). We also provide tailored finance to developers for green construction and to homeowners for installing energy-saving features like solar panels. Furthermore, we partner with institutions like the World Bank and ADB for intermediated funds and are incorporating ESG criteria into our lending decisions, viewing sustainable buildings as lower-risk assets.

TDS: What are the key financing challenges for developers and buyers, and how do you address them?

MRUK: The primary challenges include complex land documentation, inconsistent property valuations, high land



cash flow and ease the equity burden for our clients.

TDS: How do you see the evolution of urban vs. semi-urban housing demand?

MRUK: While urban demand remains strong, high prices are shifting growth to semi-urban areas and newly developing southwestern regions. We are catering to this with products like our Semi-Pucca Home Investment scheme, which has minimal documentation and no prior authority plan approval required. Our strategy addresses both urban vertical expansion (apartments) and semi-urban horizontal growth (individual homes) by expanding our network of branches and agent banking outlets into these areas.

TDS: Are there any innovative partnerships or digital solutions making finance easier?

MRUK: Digitalisation is central to our strategy. Our mobile app, 'AIBL i-Banking,' allows clients to manage their accounts seamlessly. We have also digitised our application, verification, and sanction processes, significantly reducing turnaround times. We are now exploring partnerships with FinTechs for pre-approved financing and cautiously adopting AI-driven tools to improve our risk assessment.

TDS: What is your outlook for the housing market in 2025-26?

MRUK: The outlook is highly optimistic, driven by projected GDP growth, accelerating urbanisation,

"The outlook for 2025-26 looks promising. The demand for housing in Bangladesh isn't just an economic trend it's rooted in people's aspirations, our growing urban centres, and the simple desire to build a better life."

home loan and construction finance becomes crucial.

The Daily Star (TDS): What trends are you seeing in home loan or construction finance demand in the last 2-3 years?

Mashrur Arefin (MA): Home loan demand has stayed quite steady, although the pace of growth has naturally eased a bit because of inflation and higher construction costs. The desire for home ownership, especially among the middle-income segment, remains very strong. People still see a home as their most stable investment. On the construction side, developers are being more selective now, focusing on projects where the demand is visible and costs can be managed well. In many ways, the market is simply finding its balance after a few years of rapid expansion.

TDS: How are interest rate movements and regulatory shifts affecting homeownership or construction projects?

MA: The shift to a fully market-driven interest rate system has naturally brought a period of adjustment for everyone—borrowers, developers, and even lenders. As rates now move with market liquidity and demand, affordability has become a bigger consideration for many homebuyers, especially in the middle-income group. Developers are also recalibrating their project timelines and cost structures to fit the new reality.

TDS: What products or schemes (e.g., green housing loans, women's housing finance, SME developer financing) are gaining traction?

MA: There's definitely growing awareness around green housing. Buyers and even policymakers now recognize the long-term value of energy-efficient and environmentally responsible homes. But many developers are still a bit



On the other hand, affordable housing is gaining very strong momentum. As middle-income families expand, so does their aspiration to own a home within a reasonable cost. This segment has really become the heart of the housing market. The challenge for all of us—banks, developers, and regulators—is to strike the right balance between affordability and quality, so that homeownership remains both achievable and sustainable.

TDS: How is the bank supporting sustainable or smart housing projects?

MA: Large-scale financing for sustainable or smart housing is still in its early days. Bangladesh Bank has made some commendable moves through refinance schemes and policy guidance, but a truly coordinated industry-wide approach is still taking shape. Development partners like IFC have also been working to promote green and affordable housing, though progress has been slower than expected because of practical and structural challenges. Even then, there's a real sense of direction emerging. Awareness is growing, and more institutions now see sustainability not just as a social cause but as sound economics. At City Bank and

material costs and a shortage of long-term financing. Even the documentation and valuation process can sometimes feel a bit heavy for customers. Across the industry, we're working to make these processes easier with greater transparency, simpler repayment structures, and better-designed loan products. At City Bank, our focus is to help people own their homes without compromising on financial discipline.

TDS: What's your outlook on the housing market in 2025-26, and how is your bank positioning itself to support that growth?

MA: The outlook for 2025-26 looks promising. The demand for housing in Bangladesh isn't just an economic trend—it's rooted in people's aspirations, our growing urban centres, and the simple desire to build a better life. These are long-term, structural drivers that continue to give the market strength. Even as costs and interest rates adjust with time, the housing sector has shown an impressive ability to adapt and move forward. At City Bank, we'll keep our focus on affordable, green, and digitally enabled housing finance. The future of this market lies in making financing more inclusive, more sustainable, and simpler for our customers.

"Even with rising costs and tighter liquidity, housing demand in Bangladesh remains resilient—driven by urbanisation, remittances, and the growing aspirations of middle-income families."

SMART model) has introduced volatility, impacting affordability and repayment capacity for middle-income borrowers. This has caused some to delay home-buying decisions. Concurrently, regulatory initiatives from Bangladesh Bank's Sustainable Finance Department are promoting green and energy-efficient housing with concessional profit rates. Our Home Investment scheme, operating under the HPSM (Hire Purchase under Shirkatul Melk) mode, is designed to make homeownership more affordable and convenient amidst these changes.

TDS: What specific products or schemes are gaining traction?

MRUK: Beyond our flagship products, we see strong growth in several segments. Financing for Non-Resident Bangladeshis (NRBs) is a high-growth area, as they invest foreign earnings in local real



prices, and difficulty proving stable income, especially for borrowers in the informal sector. To address these, we use a multi-tiered legal verification process for clear land titles, a comprehensive income assessment guideline, and offer flexible financing tenors and phased construction finance to manage

and supportive government policies. We expect steady property price growth, particularly in suburban zones. Al-Arafah Islami Bank is positioning itself to support this strategy by strengthening our focus on green projects and affordable housing, in line with Islamic finance principles.

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