



*I feel this trend will be continued in 2013. The reasons behind the situation are liquidity crisis, high interest rate and political unrest. Therefore, investors do not feel comfortable to invest. So, we cannot expect that 2013 would be better than 2012.*

**Dr. Toufiq M. Seraj**

*Managing Director, Sheltech (Pvt.) Ltd.*

Land-price correction in Dhaka Metropolitan Area has already started. At least in 2012, land price did not increase in any place in Dhaka. Suppose I have a land and I wish to sell it at BDT 10 but I'm not getting any buyer at BDT 10. That means land price has come down. If I wish to sell it at BDT 9 and find that it is not getting sold at BDT 9; not even at BDT 8- if this is the scenario, I may not sell. Sales have dropped drastically- both in apartments and in land. You have probably seen that we have sales promotion fair. We never lower our prices officially. What we do is- we set up a fair and offer apartments at lower prices, with 15 to 20 percent discounts.

Real estate sector performance in 2012 was very poor. Collective delivery of all the developers together was much lower than previous years. I feel this trend will be continued in 2013. The reasons behind the situation are liquidity crisis, high interest rate and political unrest. Therefore, investors do not feel comfortable to invest. So, we cannot expect that 2013 would be better than 2012.

At the early stage of 2012, there was electricity problem which has now lessened to quite a good extent. The gas problem still exists but it seems people have grown adaptability with using LPG Cylinders at their households and we don't find any grief with regard to using LPG Cylinders at our apartments. But sales of new apartments have definitely dropped as the people using supply-gas are reluctant to move new apartment for the fears of using cylinder-gas. Moreover, apartment registration costs have been raised.

There is severe cash crisis. There is liquidity shortage both from the clients' side and the lenders' side. Financial transactions are taking place in the market at a very low volume as there is very little scope for safe investment remaining. Surplus cash is what people invest in real estate.

We have many clients who own multiple apartments. I feel the real estate bubble has already busted and now this is high time to invest. One reason behind this could be that investors are not feeling secured. Investment in the urban sector has dropped whereas investments in the rural lands have increased though there is very less statistics to support the point.

We have corrected our prices and definitely those are marginally lower than previous year. But we are increasing our product variation. We just launched a project in Mirpur which we had kept on hold for many days. That will be a 1295-1525 square feet apartment which is fully loaded with amenities; very much designed for the middle class. We have started it at BDT 8000 per square feet.

There are many newcomer developers who have come to the market in last 5 years, they are procuring land at very high prices. If there is any further price correction, they will be in real trouble. The number of these newcomer developers is not small. Most of the unsold units are located at Uttara where relatively new players are building a large number of

apartments. When older developers have started to reduce project in Uttara, these new developers made their entry. It is indeed a wrong business move. Developers who are operating in the real estate sector for many years, they have their own strategy. There was a time when land prices were very low at Uttara. As reputed schools like Scholastica and Aga Khan moved to Uttara, there was a demand for flats there. As we were among the early developers, our procurement cost was very low. At Uttara Sector 10, we were the first mover and we started on a test basis. The building work was going very slow and we were seeing that people were interested in apartments at Uttara. At that time, we procured 13 plots in Uttara. When we started selling our apartments, the place was stormed with many other builders to whom we sold all our unsold holdings and got out of the region. Nowadays, we see huge number of apartments in Uttara. When I exited, my last selling price was BDT 6000 per square feet; so those people who are now selling at BDT 4000 per square feet are bound to lose money.

Real estate development was profitable in the location but now the prices are quite stagnant. So, it is difficult to make project profitable in Uttara.

One thing that is I am seriously concerned about is the abrupt policy changes by the government. Even today I have sent 60 apartments for registration because I fear if policies change on the 1st January, then we have to bear the burden of extra costs as the customers have already paid us the amount for registration fees. Prices of local materials have not increased that much; rather price of steel has dropped.

Bank interest rates should be lessened. Now, USA's 30-year mortgage rate is negative 3.5 percent to encourage people whereas if you take home loan here, the rate would be 18-20 percent.

This is now buyers' market. This is no longer our market. There are as much as 10-15 percent discounts being offered by the reputed builders. So, people should take the chance now.

What I feel is that some other factors should also be taken into account; may be our interest rates are getting effected by the political instabilities or the financial crisis happening in the western world. I feel it's only our expatriate remitters who are keeping our economy breathing.

Now from the developers' side, what we will be doing is that we will be limiting our constructions in 2013. We, at Sheltech, have stopped bidding for the 5-Katha plots. We hope, in this way, we can initiate some corrections from the land-owners' side as well.

In 2013, people will tend to show interest for smaller apartments; commercial real estates will experience stagnant prices.

*Interview is taken by Md. Ashaduzzaman Riadh and Tanzina Ahmed Choudhury. All views and opinions expressed here are solely of the interviewed persons and neither represent the views of LankaBangla Securities Ltd. nor those of any of its associated institutions.*

*It is illegal to reproduce this material in any format without prior written approval of LankaBangla Securities Limited.*