



A Report on Real Estate Sector of Bangladesh

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Executive Summary

The report attempted to highlight the prospects and opportunities of real estate sector in Bangladesh. Like other economic sector in the country, real estate is one of major sectors which contribute to the national economy. The report tried to furnish the overview of the performances of real estate sector in Bangladesh. The report has also shown the overall picture of the real estate market and opportunity in Bangladesh.

Residence is one of the basic needs of human beings. The right to live in one's own house is a fundamental right of people and it is internationally recognized. The demand of housing in urban areas in developing countries like Bangladesh is dramatically increasing due to population increase and its fast growth rate. Rural people are migrating not only to find jobs but many wealthy people are moving to urban areas like Dhaka city for the fulfillment of their expectations of better of their future generation, and for enjoying the modern facilities of the city life. This has resulted into a serious crisis all over the country especially in the major cities of Bangladesh. In recent time, the private real estate firms have taken initiatives by ensuring maximum uses of land in a planned way. In this system it is possible to accommodate more people in a comparatively small place.

Real estate sector is one of the most attractive sectors of investment now in Bangladesh. Rapid urbanization has become an acute problem for the country. The rate of urbanization is estimated to be 5-6% annually for Bangladesh (REHAB, 2004). About 25% of the people of Bangladesh is now living in urban areas and 34% will be living by 2015 (REHAB, 2004) and 50% by 2025 (Singha D., 2001). There is acute shortage of housing supply in all urban areas and it's increasing with current demand of 600,000 to 800,000 units all over the country. Particularly in Dhaka this demand is estimated to be 60,000 units of real estate apartments combined with 200,000 units of replacement plus backlogs (REHAB, 2004). Dhaka is currently growing very fast compared to other cities in Bangladesh

1. Introduction

The growing urban population is creating an increasing demand for space. This rapid influx of population to the (capital) city results in sky rocketing land prices and provides the stimulus for construction of tall buildings (Rahman, 2001). During the period from 1981 to 2000, the greater Dhaka population grew at an average rate of 5.5% from about 3.44 million to 10.0 million. During the same period the built up area increased from 104 sq. km (39% of the city area) to 150 sq. km. (55%). By the year 2015 the expected population of the city is forecasted to be as high as 15.7 million. It is expected that Dhaka will become one of the ten largest cities of the world by the year 2020 with a population as high as 20 million (Rahman 2001).

2. Evolution of the Real Estate Industry

Real Estate business took off in Bangladesh in 1970 with only five registered firms. From the early 1980s the business started to flourish and showed robust growth. By 1988, there were 42 developers in business in Bangladesh. At present, more than 1500 companies are active in the real estate sector with 1081 of them registered with REHAB (Seraj, 2012). In the last four decades private developers have supplied more than 100000 units of apartments to the nation and will be supplying 25000 more units in the next three years (Sheltech, 2011).

3. Market Structure

About the market concentration in the real estate sector especially apartment projects, took off in the Dhaka city in the late 1970s. From the early 1980s the business started to flourish and showed robust growth. At present, more than 1500 companies are active in the real estate business in the country. The market is highly segmented, primarily based on location, price of the land and size of the apartments.

4. Trend of Real Estate Business in the Dhaka City

The business of real estate had a very slow growth rate in the first decade. The industry grew in a moderate pace since 2006 but between 2008 and 2010 the growth rate was exponential. The following figure self-explains the trend of real estate business in the city (Seraj, 2012).

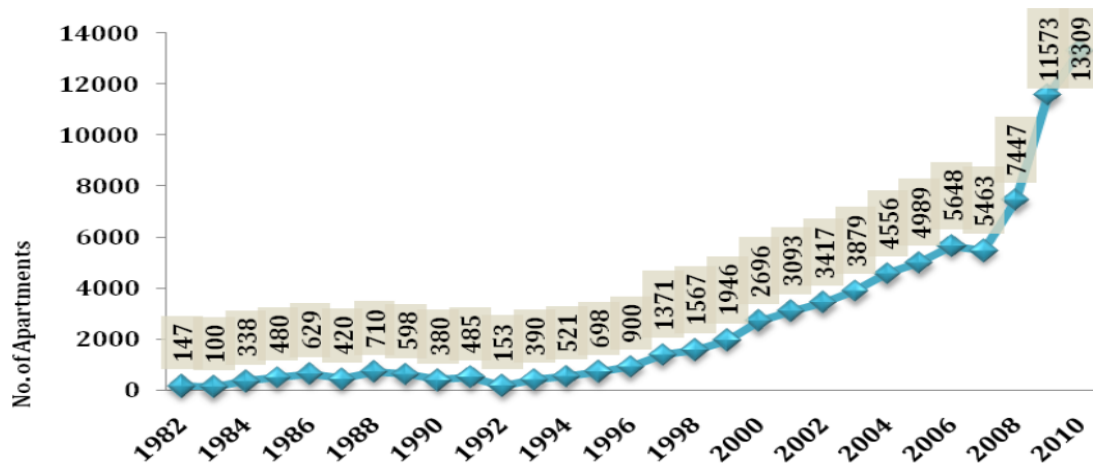


Figure 1: No. of Apartments Developed Each Year from 1982 to 2010

Sources: Sheltech 2011, Seraj 2012

5. Apartment Price Hike Trend in Dhaka City

The apartment price mainly depends on two parameters: Price of the land, and Construction cost of the apartment

Increase in land price and price of the construction materials automatically results in increase of apartment price.

The following table shows the price of per square feet apartments in the major areas of Dhaka city from 1990 to 2010.

Table: 1. Average price of apartments (Taka/Sq.foot) from 1990 to 2010.

Area	Average Price of Apartments (Taka/ Sq.foot)					% Increase in price over the past two decade	
	Year					Between	Between
	1975	1980	1990	2000	2010	1990-2000	2000-2010
Dhanmondi	2150	2200	2400	3300	14000	12%	483%
Gulshan	2115	2080	2450	4500	14000	16%	471%
Banani	1750	1950	2200	3100	12500	26%	468%

Baridhara	1850	1950	2150	4000	20000	16%	830%
Lalmatia	1800	1950	2400	3400	8500	33%	254%
Mirpur	1250	1300	1500	2500	5500	20%	267%
Uttara	1650	1750	2000	27000	5300	21%	165%
Shantinagor	1850	1900	2200	2700	5000	19%	127%
Siddeswari	1450	1800	2250	2750	5500	55%	144%
Malibag	1600	1850	2250	2500	7000	41%	211%
Mohammadpur	1450	1600	1800	3500	4500	24%	150%
Shamoli	1350	1500	1600	2100	7000	19%	338%
Kolabagan	1800	2000	2250	2100	5500	25%	144%
Monipuripara	1850	20000	2250	3300	5500	22%	144%
Green Road	1600	1700	2000	2500	5500	25%	175%
Elephant Road	1600	1800	2200	2500	5500	38%	150%
Segun Bagicha	1450	1550	1900	2500	6000	31%	216%

Source: REHAB, 2013

In the first decade of 21st century, the percentage increase in per square feet price of apartments is very high, particularly in Baridhara, Dhanmondi, Gulshan, Banani, and Shamoli area.

Compared to the price increase of the earlier decade, price rise is almost exponential in this decade.

The following figure shows the price hike trend of apartments in Dhaka city from 1990 to 2010.

The following figure shows the price hike trend of apartments in Dhaka city from 2000 to 2015.

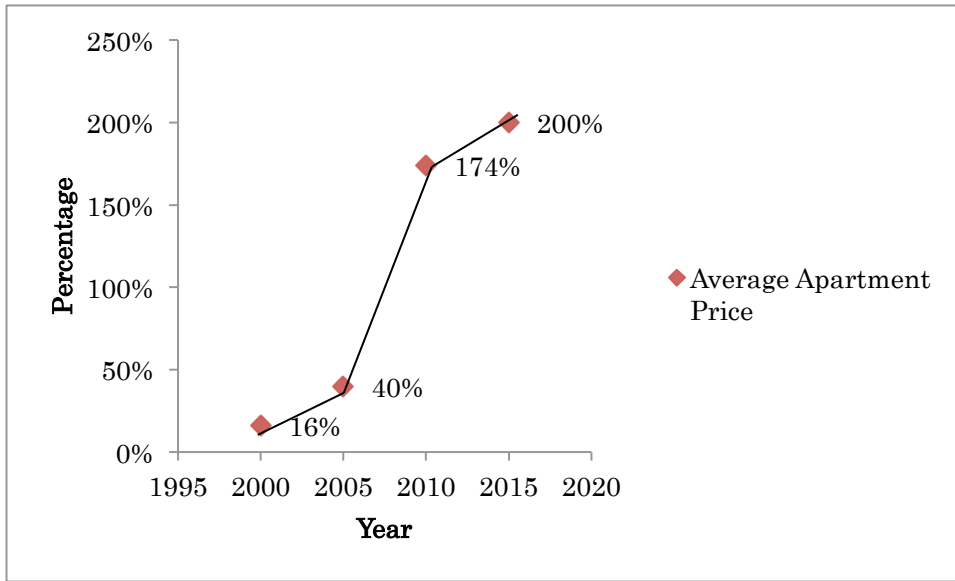


Figure 2: Price hike trend of apartments in Dhaka city from 2000 to 2015

Source: Statistical Yearbook, Bangladesh Bureau of Statistics (BBS)

6. Land Price Hike Trend in Dhaka City

The following table shows the price of per katha land in the major areas of Dhaka city from 1990 to 2010

Table 2: Price hike trend of land in Dhaka city from 1990 to 2010

Area	Average Price of Apartments (Taka/ Sq.foot)				% Increase in price over the past two decade	
	Year				Between 1990-2000	Between 2010-2010
	1975	1990	2000	2010		
Baridhara	25,000	600,000	5,000,000	40,000,000	733%	700%
Gulshan	25,000	600,000	2,200,000	25,000,000	267%	1036%
Banani	25,000	600,000	2,000,000	15,000,000	233%	650%
Mahakhali	25,000	600,000	1,800,000	12,000,000	200%	567%
Lalmatia	20,000	600,000	1,800,000	15,000,000	200%	733%
Azimpur	175,000	600,000	1,600,000	5,500,000	167%	244%
Mohammadpur	25,000	500,000	1,200,000	7,000,000	140%	483%

Shantinagor	20,000	500,000	1,500,000	10,000,000	200%	567%
Shamoli	17,500	300,000	1,000,000	4,500,000	233%	350%
Uttra	20,000	300,000	1,000,000	7,500,000	233%	650%
Cantonment	20,000	400,000	1,000,000	7,500,000	150%	650%
Komlapur	17,500	400,000	800,000	4,000,000	167%	300%
Gendaria	10,000	400,000	700,000	3,500,000	75%	400%
Basabo	2,000	300,000	800,000	3,500,000	167%	338%
Kollanpur	17,500	300,000	800,000	4,000,000	100%	400%
Mirpur	10,000	200,000	700,000	4,000,000	250%	471%
Badda	4,000	200,000	600,000	3,000,000	200%	400%
Goran	4,000	200,000	600,000	2,600,000	200%	333%
Demra	4,000	200,000	600,000	18,000,000	200%	2900%
Motijheel	50,000	1,200,000	3,500,000	20,000,000	192%	471%
Kawran Bazar	41,500	1,000,000	2,500,000	15,000,000	150%	500%

Source: REHAB, 2013

In the first decade of 21st century, the price of per katha land increased unbelievably almost all over the Dhaka city. Compared to the price increase of the earlier decade, the percentage increase in price almost doubled, and in some areas it is three times to ten times the earlier price.

The following figure shows the price hike trend of lands in Dhaka city from 1990 to 2010.

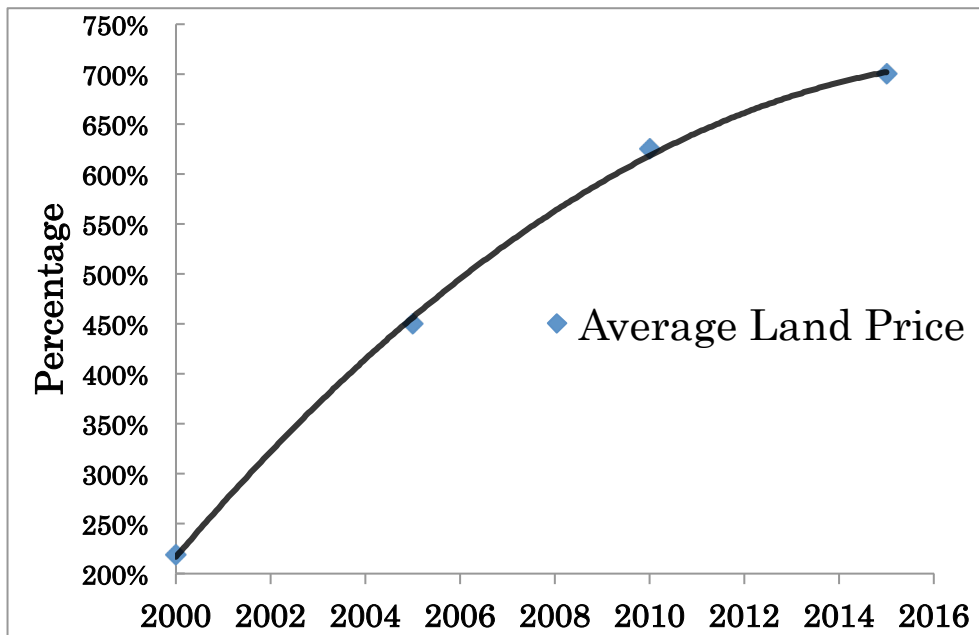


Figure 2: Land price hike trend from 2000 to 2015

Source: Statistical Yearbook, Bangladesh Bureau of Statistics (BBS)

The price of land is increasing at a very high rate after 1990. After 2000, the rise in land price became steeper. This price rise is unbelievable and unexplainable.

There is no control of the govt. over the price increase of land within Dhaka city. Increased land price have a direct impact on apartment price.

7. Present Market Demand Analysis

Based on the consumer survey part of this study, the demand for flats and houses in Dhaka were estimated. While estimating demand, we have considered the 30,000 plus monthly income group people as a potential client. Here, three different source of population was used to estimate the demand. The following table shows the estimated demand for flats and houses in upcoming three or five or ten years.

Table 3: Estimated demand for Flats and houses in Dhaka in upcoming 3/ 5/ 10 years

Population of Dhaka	14,251,000 (CIA World fact book)	10,298,888 (SBS, Dec, 2011, BB)	11,875,000 (Census 2011)
Avg. no. of member in a household	4.5	4.5	4.5
Total household in Dhaka	3,166,889	2,288,642	2,638,889
Total household in Dhaka who have 30,000+ income	410,112	296,379	341,736
Total 30,000+ income group people in Dhaka	635,674	459,388	529,691
Demand for houses			
Total demand to build home in 3 yrs.	40,429	29,217	33,688
Total demand to build home in 5 yrs.	82,765	59,812	68,966
Total demand to build home in 10 yrs.	132,602	95,828	110,494
Demand for flats			
Total demand to purchase a flat in 3 yrs	105,331	76,121	87,770
Total demand to purchase a flat in 5 yrs	126,944	91,740	105,779
Total demand to purchase a flat in 10 yrs	96,877	70,011	80,725

Source: REHAB, 2013.

Comparing the three population sources, it is estimated that demand for houses in upcoming three years is around 30,000 to 40,000; in upcoming five years demand is around 60,000 to 80,000; and in upcoming 10 years demand are around 95,000 to 130,000.

In case of flats, estimated demand in upcoming three years is around 75,000 to 100,000; in

upcoming five years demand is around 90,000 to 125,000; and in upcoming 10 years demand are around 70,000 to 95,000.

For houses, demand is increasing in the long run; i.e. people are more interested to build houses in 10 years.

For flats, demand is more in medium and short run; i.e. people are more interested to purchase flats in 5 years, then in 3 years.

The following figure summarizes the market demand scenario.

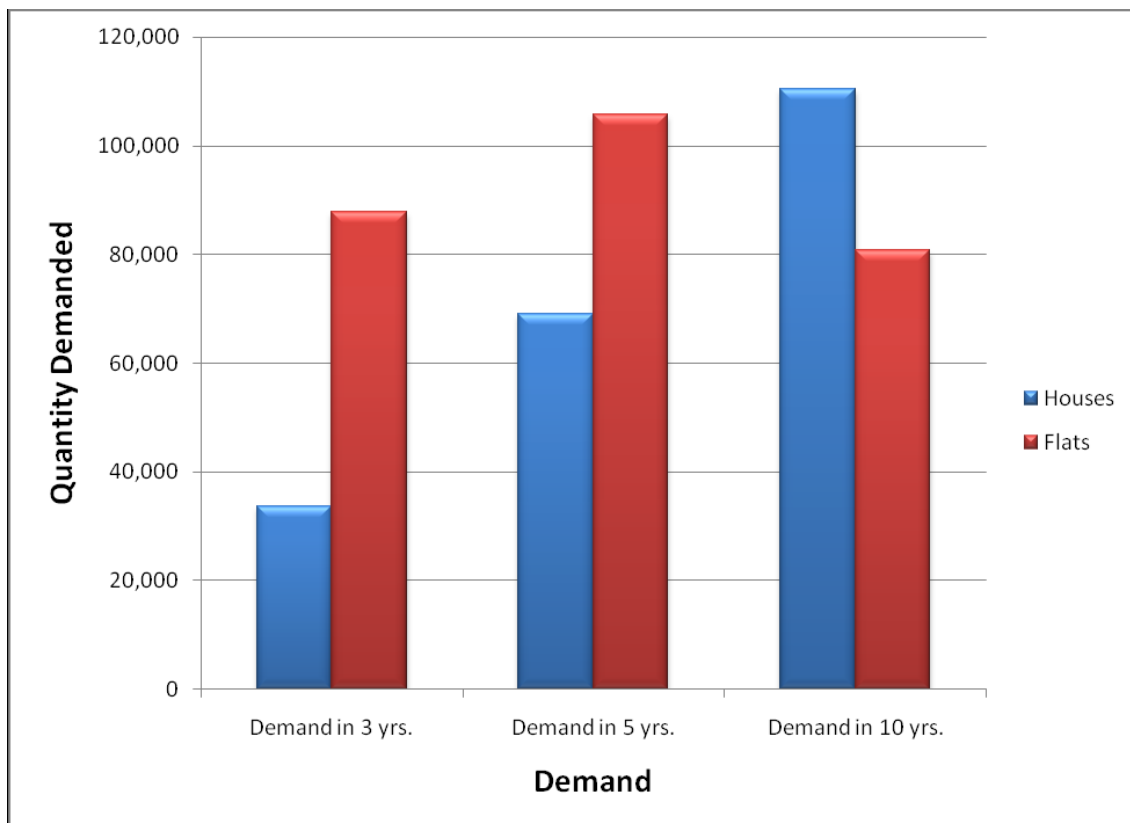


Figure 4: Estimated demand for flats and houses

Source: Bangladesh Bureau of Statistics, 2013.

8. Major Real Estate Company

1. Bashundara Real Estate Ltd.
2. Eastern Housing Limited
3. Sheltech Ltd.
4. Amin Mohammad Group:
5. Building Technology & Ideas Ltd.
6. Concord Real Estate Ltd.
7. Vision Living Ltd.

9. Opportunities of Real Estate Sector

As economy of Bangladesh is changing rapidly that results market is becoming too much competitive and customers are becoming focal point of all the activities. At present some companies are already come up with quality that maximizes the customers` satisfaction and started operating in this market. So as time goes, market becomes very competitive in nature. Opportunities of real estate in Bangladesh may also be

- Health Cities: Large scale integrated development
- Hospitals: combining the services of a hospital and a hotel
- Slum-rehabilitation
- Mass housing
- Free trade and warehousing zones/logistics parks

10. Possibilities of the Real Estate Sector

In Bangladesh, before 1985, people in Dhaka city never thought of buying an apartment for living. Before 1995, people thought twice before buying an apartment. But in the last couple of years, interest in buying apartment has increased rapidly. The boom in Bangladesh real estate market took place between 1988 and 1991. But it faced fall in 1991-1992 gaining rise again in 1993-1994. From 1995-1998 there has been not so high growth but the market was stable. From 1999 to 2004 it has been growing rapidly caused by huge household demand, lack of enough land, rapid urbanization etc. in Dhaka City. The present rate of urbanization is 5-6% annually. About 25% of the people of Bangladesh are now living in urban areas and 34% will be living by 2015 (REHAB, 2013). So, there are huge possibilities of the real estate sector in Bangladesh. These are below:



- Real estate industry of Bangladesh has a great opportunity to become a major sector of the national economy. As we know that availability of a lower labor cost in Bangladesh helps the real estate industry to secure a very strong position in the world market.
- Labor cost all over the world. However, Bangladeshi real estate sector labor cost is comparatively cheap; as a result Bangladeshi real estate industries have an opportunity to fulfill local demand.
- Bangladesh is a growing economic country. Here middle class and upper middle class people have a huge demand for housing. For this reason, Japanese Real Estate Companies have a huge opportunity to do business in Bangladesh.
- At the present time the population of our country is increasing at a very alarming rate. The demand for housing is very high, particularly in Dhaka city. So the prospect of real estate business is very high. Now if the real estate companies run their business according to the demand of middle class, lower middle class, and higher middle class people, the business must be profitable.
- Bangladesh's real estate sector is deemed competitive because of a favorable business environment.

11. Conclusion

With a rising population and increasing housing demand, apartment culture has grown up in Dhaka sharply. Apartments were first introduced by the formal private developers in the early 1980s into the housing history of Dhaka. It first appeared in Dhaka near Central Road and subsequently the city experienced a boom in apartment development in all residential areas including Paribagh, Maghbazar, Siddeshwari, Shantinagar, Dhanmondi, Mirpur, Banani, old DOHS, new DOHS, Gulshan and Baridhara, to name just a few. During the last decade, the total volume of Real Estate, Renting and Business service sector increased every year which implies a positive growth in the sector every year.