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Hall 5, Karachi Expo Centre



# Residential housing overview

## Current scenario and SWOT analysis

By Zahid Iqbal, CEO, Pak Real Estate

The fact has been established that the real estate market currently is facing a down turn hand-in-hand with the financial credit crunch. The construction sector is likewise facing stagnancy at some levels with the rising costs of cement, steel and expectations of further inflation with the devaluation of Pak Rupee. However, this sector will review the residential sector in the major cities one by one.

### Karachi Overview

Karachi which is considered to be very young as compared to other cities in the country has over the last 40 years grown tremendously simply because of its coastal location as the main outlet for international trade. For the period between the third quarter of 1993 and the beginning of 1995, when lawlessness prevailed in some areas of the city like Nazimabad, Liaquatnagar, Federal B, Area and other middle and upper-middle income residential areas, most of the residents started selling off their property in here buying land or units in other areas of the city or

just investing in property at prime localities of the city. It was around the same time too that things started turning bearish at 16 Stock Exchange bringing more and more speculative funds from the exchange to property market and did not take long before the whole area got into the hand of speculators. The prices of plots in the prime area were controlled during this period by the speculators and it was said that it went up as high as 70%, which practically forced the genuine buyers out of the market. Plots in the area were left to the mercy of the buyers, who in the hope of a bigger margin of profits had bought them at inflated prices.

By the middle of last year, the stock market was stable enough for the speculators to once again retrieve their money from the property market and return to the stock market. This action was said to have sent the market crashing down causing losses to those who had bought land solely for investment purpose. Though these speculators have since gone back to the stock market, their role in the market in these two to three years has left a permanent impression on the market. The little change that has occurred in the real estate sector of Karachi, according to a realtor, has more to do

with the hand over of Hong Kong to the Chinese may in other hand influence the sector. After the handing over of the Island to the Chinese by the British, the multinationals and banks located in Hong Kong would be seeking an alternate office in the region notwithstanding the Chinese government's promise that there will be no change in the policy for sometime to come.

A promised land for millions of job seekers, Karachi has attracted population from all over the country over the years. Karachi Abadis, which are part of the informal housing sector which provides not the best alternative solution to the urban housing problem by default, especially for the lower income group, keeping coming up all over the city owing, in large measure, to the activities of professional land grabbers, who thus acquire otherwise unavailable and expensive pieces of land. Meanwhile, the slump in the local market will continue for the next two years more before any stability could creep in.



up, and these will be primarily residential.

There is a large amount of high-end supply, both existing and forthcoming, in Lahore. There are three major upscale residential developments under construction at present; Bahria Town, Lake City and DHA Phase V/VI. Real estate agents estimate that this segment of the market has reached saturation point, while there is still an unsatisfied demand for low and middle-income housing.

There are a large number of formerly developed plots in Lahore that remain vacant. Individuals tend to hold land, especially as land prices rapidly increase. Current high interest rates should help to reduce the incentive to hold land, but poor tenant laws and selectively enforced building regulations reduce the incentive to build on vacant plots.

Lahore has seen rapid commercialisation of the city's residential areas, which has compelled many to move to the suburbs, where they are relatively free of the noise and pollution. Investment in Defence has benefited hugely where assurances for the protection of property and transparent property dealings have provided many guarantees notwithstanding better infrastructure.

Furthermore, the prospect of a longer-term peace plan with India has helped attract investment into areas across Lahore. The development areas surrounding the new Allama Iqbal International Airport demonstrates investor confidence, and with land prices much cheaper than in central Lahore, demand in this area continues to grow.

In fact, since 2000, Lahore DHA has announced five new phases for development.

14 In the residential market, the 1998 census estimated there are 10,535,000 units in the Punjab. Of those, 70% were in rural areas, and the inter census growth rate was just below 2% per annum. The average housing density was 6.9 persons per dwelling and 7.1 in urban areas.

The Housing and Urban Development Department estimated that in 2003 the total backlog of unmet demand was in the order of 1.176m (projecting population increase to be in the region of 1.8% per annum since 2000 and 2.4% between 1998 and 2000).

Construction activity in Lahore indicates that only 40,000 housing units are being developed annually by the formal sector, and thus significant increases are needed to meet the current shortage. 38% of Lahore's residential market can be designated as slum housing. The construction industry has seen a number of recent developments, with some benefiting developers and others hindering them. Cement prices have returned to below government cap prices, but steel prices have surged, partly due to sales taxes on imported steel.

The main concern of developers, especially medium-sized firms, has been fluctuations in the prices of material costs. Whilst this is not a problem for large-scale, international developers as it is for small developers, it is the potential of costs increasing by 15% per sq m on developments.

### Islamabad Overview

Islamabad, by virtue of its lush green mountains, pollution-free environment, scenic beauty and modern

civic amenities, has an irresistible attraction for people both at home and abroad. The plan of Islamabad sees the city in five zones with each zone telling a story of its own.

The beautiful Zone III is preoccupied with nature's gifts of ever-green Margalla Hills. The land makes any form of development next to impossible along with the State order of preserving its rich inheritance. The hills overlook the monopoly board of Zone I with miniature houses and villas of varying sizes and luxury and borders Zone IV, providing residents with a stronger argument for preferring land in Zone I compared to other land divisions.

Zone I is fully developed whereas Zone II and Zone V are under development, with CDA working in Zone IV, and DHA actively working in Zone V. CDA has also brought Zone IV into limelight with infrastructural plans underway for the so far neglected zone compared to its neigh-

bouring more quickly. Prices in developed areas dropped by 25-30% whereas 30-40% price fall was seen in developing areas. However, post 2007 prices surged once more in developed areas with the progress of these localities nearing completion.

DHA Phase I and Phase II were among the lucky winners along with the 15 developed areas of Bahria Town comprising Phase I-VI. Since the start of the current year 2008, political and economic uncertainty has chained the golden hands from further spending and real estate is facing a set back in buying and selling.

Inflation and other factors has dwindled the demand for real estate and property prices has been met with a fall of 20-40% in different areas. Zone V is currently being armoured at an exceedingly swift pace by both DHA and Bahria Town,



bringing it next in line to compete the demand for Zone I. The reason for the choice of Zone V mainly lies in its unique locality. It is easily accessible to residents of Rawalpindi as well as Islamabad due to the road network spread across it connecting it to the GI Road. Also, it is effortlessly reachable by the neighbouring towns and cities near Islamabad. Thus, it is ideal for

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Continued on Page 2

# Malaysia is truly Asia

By Mustafa Nemat Ali, Maha Group

Located in the heart of South East Asia, Malaysia is one of the most unique countries one can come across on the map. With an extremely diverse population of 27 million people, Malaysia has emerged not only as a popular tourist destination but also as a developed country that offers its inhabitants a standard of living second to none. Its potential as a previously untapped market is also coming to the surface.

Malaysia is a fellow Muslim country with Islam as its official religion. Even though the majority of the population is Muslim, other religions are widely and freely practiced without any interference from the state or other groups. Furthermore, Malaysians celebrate their ethnic differences in a peaceful and joyous manner rather than fighting over them. This tolerance is what sets the country aside as an example to follow in the ideologically torn world of today. Malaysia is the official language, but the exceptionally high literacy rate that Malaysia boasts ensures that almost everyone can speak in

English. Unlike many European countries, there is absolutely no language barrier in Malaysia. Blessed with a tropical climate, temperatures range from 15 degrees C to 32 degrees C and annual rainfall varies between 2000 mm and 2500 mm. These inviting conditions make Malaysia a tropical paradise at any time of the year.

### Tourism

Malaysia is a fascinating holiday destination offering something for everyone to enjoy. There are three distinct destinations in the country - Peninsular

Malaysia and the states of Sabah and Sarawak in the east. Kuala Lumpur is a modern cosmopolitan city boasting the world's tallest twin towers at a height of 452 meters. Its architecture is representative of the country's dominant cultures - the Malay, Chinese and Indian. Combined with the colonial legacy of the British and Moorish influences, KL has one of the most dynamic cityscapes. Malaysia's long coastline and many coral-fringed islands with the Straits of Malacca to the west and the South China Sea to the east give rise to a large number of fabulous beaches. Islands like Langkawi, Tioman and

Pangkor are world-renowned resort destinations. Penang is an island famous for its history, museums and the unique Baba-Nyonya community. The charming east coast of the peninsula with its laid back lifestyle is the country's cultural heartland. The states of Sabah and Sarawak are renowned for their lush rainforests and wildlife reserves. These states are renowned world over for their prolific marine life and dense rainforests. Exploring the underwater world and wilderness of Borneo is also enjoyed by many. Malaysia has been dubbed a gastronomic paradise. Food is also a popular conversational topic in the country and Malaysians enjoy eating out. One can savor a range of items at different times of the day. Malaysia has to offer Asia's best variety of food given the wide array of cooking styles and traditions. Dining out is a gastronomic adventure ranging from aromatic Malay dishes to piping hot Chinese delicacies and spicy Indian fare. The unique Peranakan, also known as Nyonya cuisine is a fusion of Chinese and Malay styles. Being a Muslim country, one need not worry before walking into a restaurant since everything is Halal. Given the beautiful climate, the country also offers a great variety of refreshing fruits to be found nowhere else in the world.

One of the significant characteristics of Malaysian culture is its celebration of various festivals and events. The year is filled with exhilarating and exciting activities. Even though some of these festivals are religious, they are vibrant and joyous events enjoyed by people from all backgrounds. These include Hari Raya (Eid-ul-Fitr), Chinese New Year, Malaysia Water Festival Deepavali, Christmas, Gawai (harvest festival) and others of Malaysia, only to name a few. Music and dance are also integral components of Malaysian culture but not widely. Many art forms are influenced from the Middle East, Indonesia, China, India and Thailand making Malaysia's art and culture just as diverse as its population. Shadow puppetry, Chinese opera, classical Indian dances and bamboo dances are a part of everyday life.

There is plenty of entertainment in virtually all the states but Kuala Lumpur takes the lead with the most number of entertainment venues where one can find a plethora of restaurants, cinemas, theatres and discos. International productions, ice-skating extravaganzas and musicals are regularly presented in the Genting Highlands resort (a short drive from KL) renowned as the "City of Entertainment in the Clouds". Karaoke is popular as well, especially after dining or in the late evenings. There is accommodation to suit every visitor to Malaysia. The capital city of KL and the main towns in each state have international class hotels ranging from modest two star to luxury five star properties. International chains like Hyatt, Marriott, Hilton, Le Meridien, Sheraton, Renaissance and Mandarin Oriental have established their presence since long and provide rooms at very competitive rates. Travelers can also find uniquely Malaysian hotels with an authentic Malay ambience and traditional architecture ranking amongst the world's best. For long-staying visitors serviced apartments of all standards are available in and around KL.

With over 45 airlines flying into Malaysia all you need is a travel document valid for six months and an easily available visa to set foot into the heart of Asia.

### Economy

To label Malaysia just as a popular tourist destination would be major misrepresentation. Since the 1970's it has been booming economic progress comparable to the likes of the four Asian tigers. During the 22-year term of Prime Minister Mahatir bin Mohammad, Malaysia was successful in diversifying its economy from dependence on exports of raw materials to expansion in manufacturing, services and tourism. In the previous year Malaysia was just as diverse as its population. Shadow puppetry, Chinese opera, classical Indian dances and bamboo dances are a part of everyday life.

## Turkey: gateway to Europe

Constantinople of past and Turkey of today possesses a rich culture, a vibrant spirit, out-of-this-world scenic beauty and great human fortitude. Over the years Turkey has transformed herself as a modern state that is wisely being governed by creating diverse opportunities utilizing best of her skills through a well organized and efficient government system. Turkey is considered as one of the strongest among Islamic states and due to its size, location and political stability along with economic boom is stepping into the new millennium with a progressive and prosperous bang.

Turkey is a vast country with many natural resources. Its continued strong economic activities indicates the political stability it is enjoying, however the major force working behind Turkish stability and sustained progress is its size, geo-strategic location and prime reputation which had made it the 6th leading nation in the European Union and 17th in the world. For Turkey this is a very significant and a proud achievement in the global arena of today. Turkey is also called a gateway to Europe and laying half in Asia and half in Europe. Turkey, with its rich and vibrant history and promising economy is proud to have a technically well-trained work force and well-organized government machinery. Sitting at the threshold of

Continued on Page 2

Continued on Page 2

