STATE BANK OF PAKISTAN

INFRASTRUCTURE, HOUSING & SME FINANCE DEPARTMENT

Quarterly Housing Finance Review

July-September 2011

The Infrastructure, Housing & SME Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review for the quarter ending Sep 30, 2011.

This review contains data on housing finance, collated on a periodic basis from public sector banks, private banks, foreign banks, DFIs and House Building Finance Company Limited (HBFCL). It portrays trend of different parameters like disbursements, outstanding and recoveries. Some news pertaining to housing & housing finance are also presented in it.

Team Members

Imran Ahmad	Additional Director
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Contents

State of Housing Finance

In Pakistan, rapid urbanization has become a challenge for increasing number of people. Studies indicate that lack of finance from a formal source is primarily a supply-side problem. Most of the housing finance is arranged through personal resources. The formal financial sector caters to only 1 to 2 percent of all housing transactions in the country, whereas the informal lending caters up to 10-12% of such transactions. Presently, the formal financial sector provides housing support through two major sources namely the Government-owned House Building Finance Company Limited (HBFCL) and private commercial banks/DFI.

The property development industry suffers from low public confidence. Financial weaknesses and the absence of clear, uniform and fair business practices have affected its credibility contributing to the reluctance of financial institutions in providing development and construction finance. There is a strong need to strengthen the property titling and land administrative procedures including improvements of the legal provisions, standardization of processes, and computerization of all relevant revenue records. These steps will enhance the financing by the formal sector. Weakness in the existing legal framework also impedes the financing opportunities of the formal financial sector. Though the Financial Institution Recovery Ordinance, 2001 empowers the financial institutions in case of default to foreclose a mortgage property without recourse to the court of law, lack of full implementation of the recovery law in its letter and spirit dilutes its effectiveness in protection of rights of the respective parties, i.e., the financial institutions, mortgagors, landlords and tenants, thus needing a major improvement.

Although the regulatory framework for land registration and transfer regime exists in Pakistan, the process by which land is acquired and registered is cumbersome, because of number of institutions and registration procedures required to execute property transactions. Land records are manually maintained leading to errors and omissions and resultantly they have modest commercial value for the mortgagee financial institutions especially in rural and semi-urban areas. The lack of efficient and reliable system of ascertaining the bona-fides of property titles has forced banks to limit the access of housing finance to a certain number of urban localities within the urban centers.

National and local master plans for town planning and housing facilities are either inadequate or poorly enforced, which lead to inefficient allocation of land and uncontrolled urban development. Lack of transparency and accountability in the planning process also give opportunities to land grabbers/mafias to have valuable inside information as to future infrastructure developments or to be able to influence such plans so that value of its land increases. Moreover, the large scale projects often get delayed due to failure of utility companies in connecting new housing developments in time.

The “property valuers”, on the approved panel of the Pakistan Banks’ Association (PBA) have professional conduct requirements, whereas majority of real estate builders and developers are working as sole proprietorships or partnerships with limited capital and informal corporate governance structures. Absence of sound governance structure within the housing developer industry creates lack of good practices, illegal construction, unreliable building permits, and legally unprotected advance purchase of units that are required to be built in future. The unstructured and unsupervised nature of business of real estate brokers/ agencies, which could serve as natural arrangers for the provision of financial services, is also a significant constraint to the provision of housing and housing finance. Consequently, it is difficult for financial institutions to verify the character, capital, and capacity of potential clients. Risk assessment and portfolio valuation is also fragile, which is another factor for the lenders’ extreme caution for transaction initiated by these venture. As a result, financial institutions are reluctant to enter this market, which in turn causes scarcity of finance and constraints in the supply of housing. In the absence of the formal arrangements between the housing developers/real estate agents etc and financial institutions, the protection of individual purchasers remains limited as the market is dominated by cash transactions with limited availability of systematic information in a transparent manner. Without a strong regulatory authority to enforce corporate governance and allied standards for this stratum of business entrepreneurship, the quality and availability of housing facilities across population spectrum will not improve.

At present, 23 commercial banks, HBFCL and two microfinance banks are catering to housing finance needs. HBFCL is the only specialized housing company in the country, which has been providing housing finance to public since 1952. Commercial banks entered the mortgage business during 2003 contributing very small share in the housing finance system. Although HBFCL's share in the total housing finance has reduced in absolute terms, it is still the only institution that continues to cater to the lower-middle and low-income groups and enjoys the largest customer base. Recently microfinance banks have also started serving the lower income groups.

After demonstrating a promising growth trend till 2008, the housing finance sector has recently been showing a declining trend. The total outstanding reported by banks and DFIs as on Sep 30, 2011 was Rs. 61.22 billion as compared to Rs. 68.60 billion as on Sep 30, 2010 (a decline of 11**%**) and Rs. 61.90 billion at the end of June, 2011. The total number of outstanding borrowers has also decreased from 100,214 to 94,492 since Sep 30, 2010; showing a fall of 5.71%.

Approximately 638 new borrowers were extended house finance during the quarter (July-Sep, 11), accounting for Rs. 3.47 billion of new disbursements. HBFCL accounted for 45.76% of these new borrowers and contributed 6.64% of the new disbursements equivalent to Rs. 231 million.

Financing for outright purchase continued to dominate financing for construction and renovation by comprising almost 55% share in gross outstanding portfolio. Outstanding portfolio for construction and renovation was 34% and 11**%** respectively.

Non-performing loans have increased from Rs. 18.10 billion (Sep 30, 2010) to Rs. 19.14 billion (Sep 30, 2011); a 5.70% increase over the year. The stock of NPLs as on June 30, 2011 was Rs. 18.70 billion. However; this rise in NPLs is not unique to housing finance and is only depicting the overall increase in NPLs of all sectors witnessed in the banking industry during the past year.

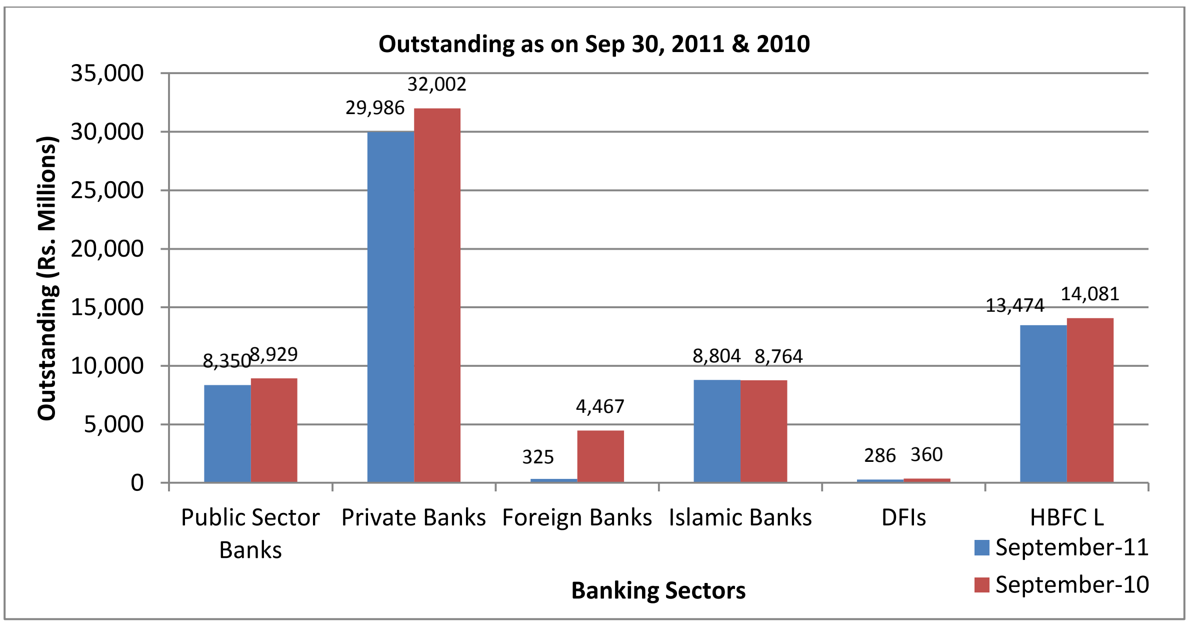
Major Trends

Gross Outstanding

The total outstanding finance as on Sep 30, 2011 of all banks and DFIs stood at Rs. 61.22 billion, as compared to Rs. 61.90 billion as on June 30, 2011, showing a decrease of Rs. 0.68 billion (1.09%). Compared to quarter ending Sep 30, 2010, outstanding of all commercial banks and DFIs collectively decreased by 11%.

Banking sector-wise total outstanding on quarters ending Sep 30, 2010 & 2011 are shown in Figure 1. Of the total outstanding as on Sep 30, 2011, commercial banks accounted for Rs. 47.46 billion; a 12.42% decline since quarter ending Sep 30, 2010. Private banks reported Rs. 29.98 billion followed by Islamic banks of Rs. 8.80 billion, public sector banks of Rs. 8.35 billion and foreign banks with Rs. 0.325 billion. The outstanding loans of HBFCL were Rs. 13.47 billion; down by 4.31% over the last year. Other DFIs have a meager share of Rs. 0.286 billion in outstanding loans.

Figure 1



The total outstanding housing finance as on Sep 30, 2011 of Islamic Banking Industry (05 Islamic Banks & 13 Islamic Banking Divisions of Conventional Banks) stood at Rs. 12.68 billion. Compared to quarter ending June 30, 2011 (Rs. 12.49 billion), outstanding of Islamic banking Industry increased by 1.52**%.**

Of the total outstanding Islamic housing finance, 05 Islamic banks accounted for Rs. 8.80 billion (a 4.47% increase over the last quarter June 30, 2011) and IBDs of conventional banks posted Rs. 3.88 billion (a 4.45% decline since quarter ending June 30, 2011).

Non-Performing Loans

NPLs have increased from Rs. 18.10 billion (Sep 30, 2010) to Rs. 19.14 billion (Sep 30, 2011); a 5.70% increase during the year. The stock of NPLs as on June 30, 2011 was Rs. 18.70 billion, showing an increase of 2.35% during a quarter (July-Sep, 2011). Figure 2 shows a comparison of existing NPLs status of different banking sectors with last year. Figure 3 compares NPLs as a percentage of outstanding portfolio at the end of quarters on Sep 30, 2011 and Sep 30, 2010. NPLs as a proportion of total outstanding have witnessed an increasing trend over the last twelve months. This overall rise in NPLs is primarily due to rising inflation and high interest rates. HBFCL's NPLs have decreased from Rs. 6.89 billion to Rs. 6.86 billion during the year; an 0.35% decrease.

Although growth of its NPLs remains relatively low in absolute terms when compared to some of the other banking sectors, its percentage share in its total outstanding, however, is the greatest, as 50.97% of its total outstanding constitutes NPLs (Figure 3). HBFCL's percentage share in total NPLs is 35.88%.

Excluding HBFCL, NPLs for all banks and other DFIs have increased by 9.42% over the year from Rs. 11.21 billion to Rs. 12.27 billion. The percentage share of NPLs that all banks and other DFIs (excluding HBFCL) constitute is 25.70% of their total outstanding portfolio, compared to a 20.57% as on Sep 30, 2010.

Among banks, NPLs of Public banks witnessed the sharpest increase of almost 44.26% during the year, from Rs. 1.27 billion to Rs. 1.83 billion. Non-performing finances (NPFs) of the Islamic banks have increased from Rs. 978 million to Rs. 1.16 billion (an increase of 18.63 %) which are 13.17% of their total outstanding. Their NPFs constitute 6.06% of total outstanding, which was only 5.40% on Sep 30, 2010 Private banks' NPLs have increased by 16.33%, from Rs. 7.74 billion to Rs. 9 billion which is 30.04% of their total outstanding as against 24.19% on Sep 30, 2010. NPLs of foreign banks as a percentage of their outstanding portfolio increased from 25.14% to 43.96%. NPLs of DFIs (excluding HBFCL) have increased from Rs. 100 million to Rs. 126 million, a 26.12% increase with 43.97% of its total outstanding classified as NPLs, which was 27.77% on Sep 30, 2010.

Figure 2

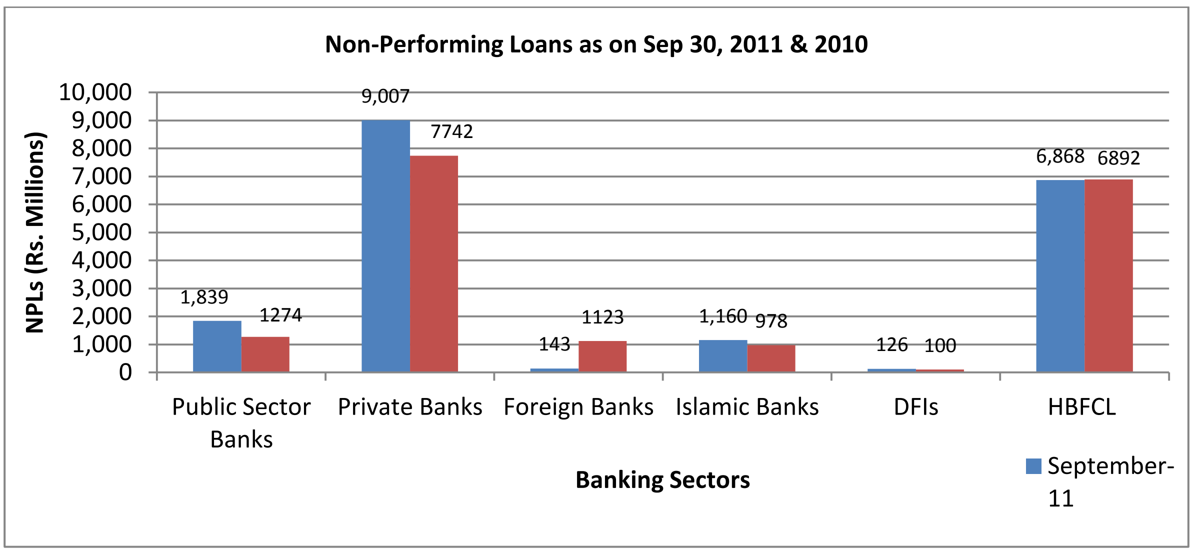
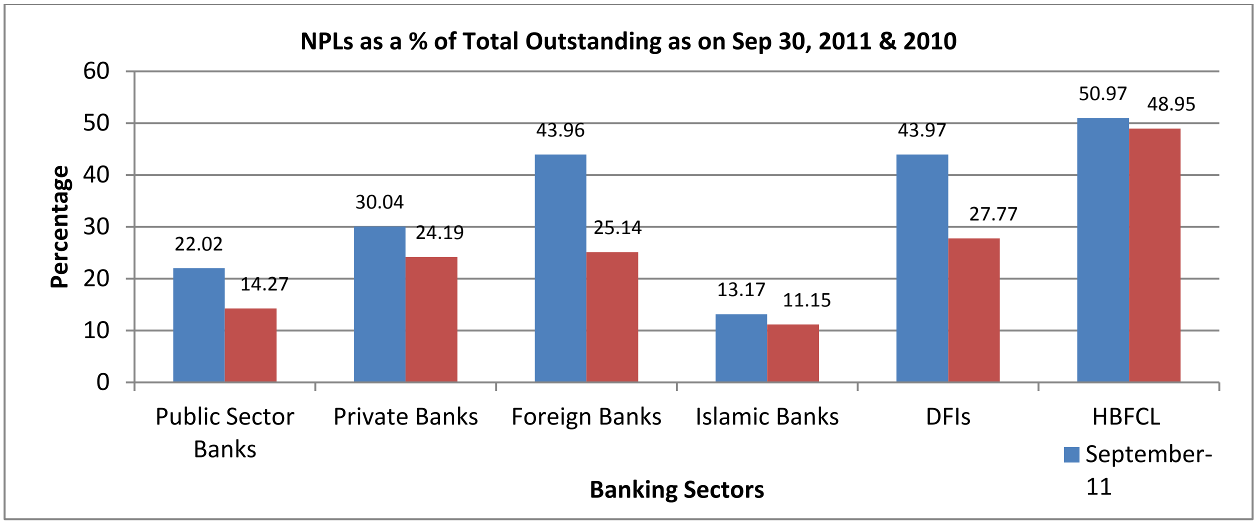


Figure 3



Non-Performing Finances (NPFs) for Islamic Banking Industry (IBs & IBDs) were reported as Rs. 2.06 billion on Sep 30, 2011, which were Rs. 2.18 billion at the end of last quarter April-June, 2011 showing a decrease of 5.22%.

Number of Borrowers

Total number of outstanding borrowers decreased from 100,214 to 94,492 since Sep 30, 2010; a decline of 5.71%. As shown in Figure 4, there is a decrease in no. of borrowers in each category except Islamic banks and private banks, where numbers increased from 2,284 to 2,991 and 12,280 to 13,817 respectively.

Figure 4

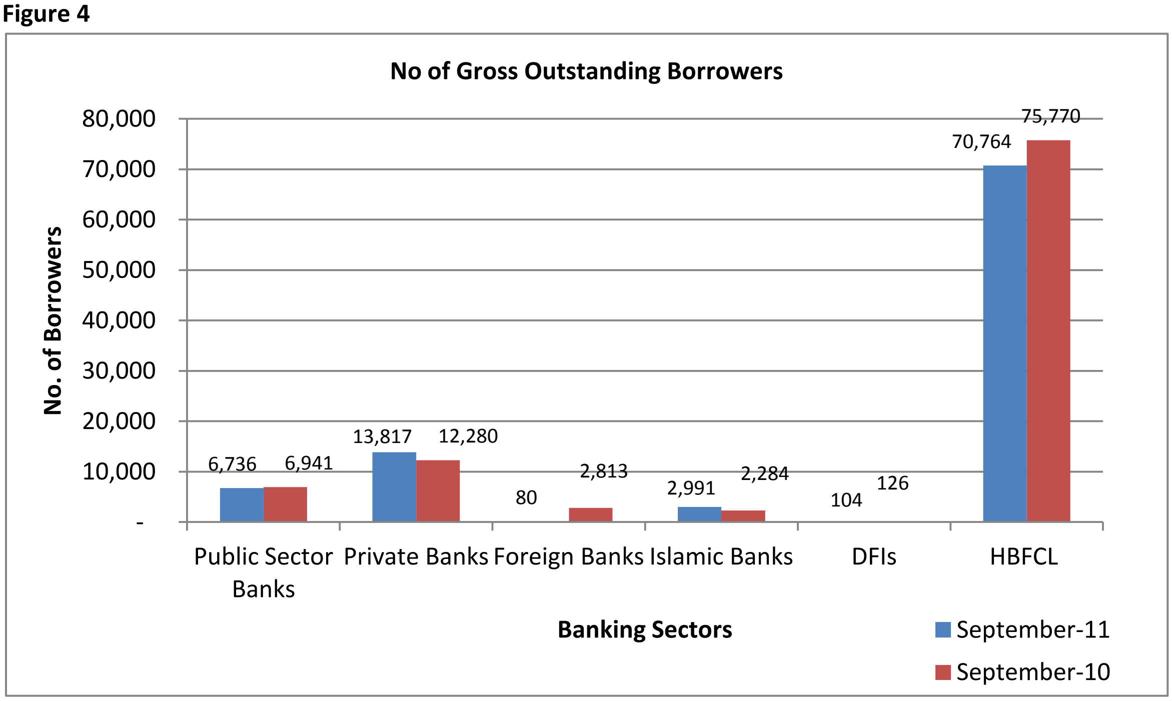
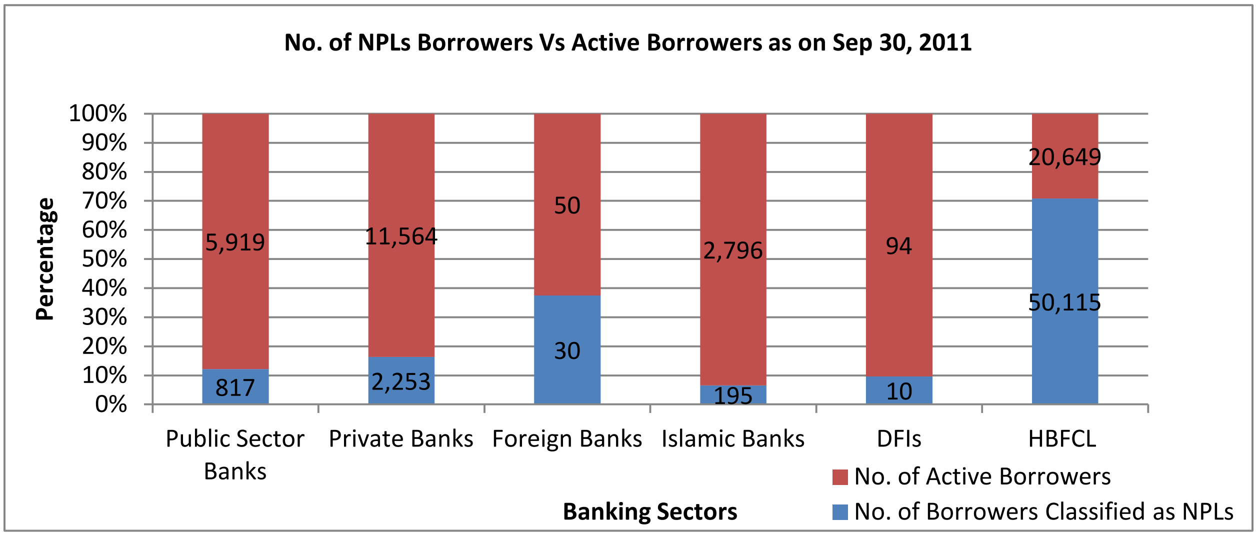


Figure 5 shows number of borrowers that has been classified as NPLs as a percentage of total borrowers. In terms of numbers, approximately 56.53% of total borrowers of housing finance borrowers have been classified as non-performing. However, this is primarily due to HBFCL's number (50,115) of non-active borrowers, classified as non-performing, which comes to 70.82% of its total borrowers. Thus, excluding HBFCL in such an analysis will be important as it caters to 78% of the total borrowers in housing finance sector which accounts for only 22% of total outstanding portfolio. Thus, by excluding HBFCL, 14% of total borrowers of housing loans have been classified as non-performing.

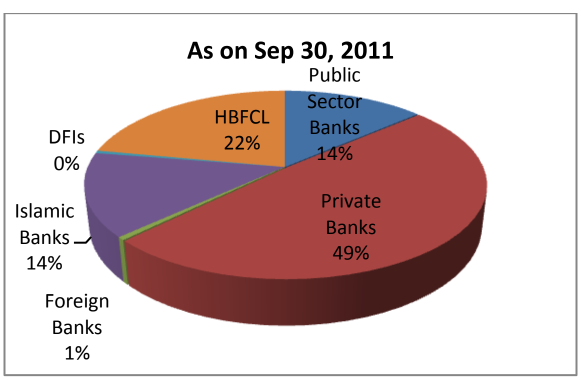
Figure 5

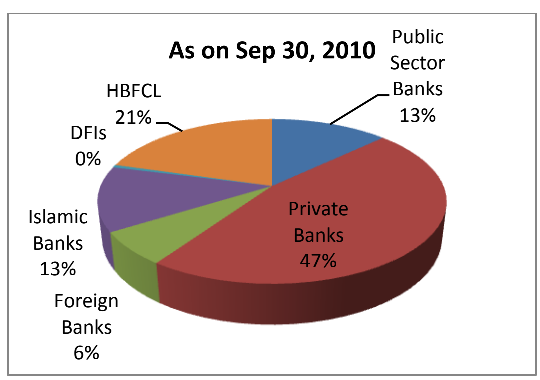


Total number of customers served by Islamic Banking Industry increased from 4,089 to 4,145 (an increase of 1.36%) since June 2011.

Share of Banks

The overall market share (based on gross outstanding) of commercial banks (excluding DFIs) increased marginally from 78% to 79% since Sep 30, 2010. Within commercial banks, the share of private banks in the total outstanding increased marginally from 47% to 49% and the share of foreign banks decreased from 6% to 1% due to take over of RBS portfolio by Faysal Bank and Citi Bank portfolio by BankIslami (Figure 6). The share of public sector banks and Islamic Banks in the total outstanding increased from 13% to 14% and 13% to 14%. Share of HBFCL in the total outstanding increased from 21% to 22% since Sep 30, 2010**Figure 6: Share of Banks in Total Outstanding**





The share of Conventional Banking (excluding HBFCL), Islamic Banking Industry and HBFCL in the total outstanding was 58%, 20% and 22% respectively on Sep 30, 2011 (Figure 6.1). IBDs (13 windows) and Islamic banks (05 banks) have 69% and 31% share in housing finance portfolio of Islamic Banking Industry (Figure 6.2), which shows that conventional banks also consider the Islamic mode of financing an important part of their business strategy.

Figure 6.1: Share of Islamic Banking Industry & Conventional Banking in Total Outstanding.

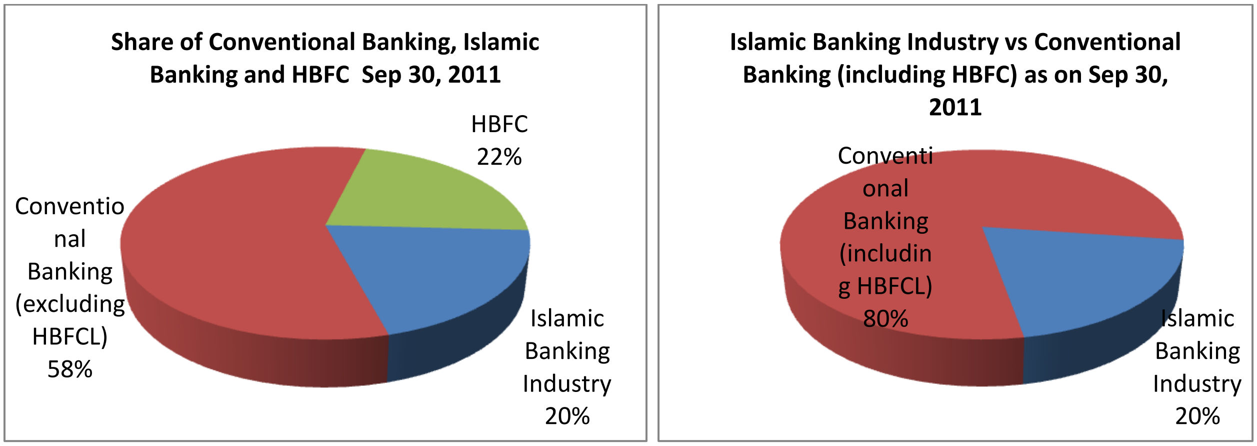
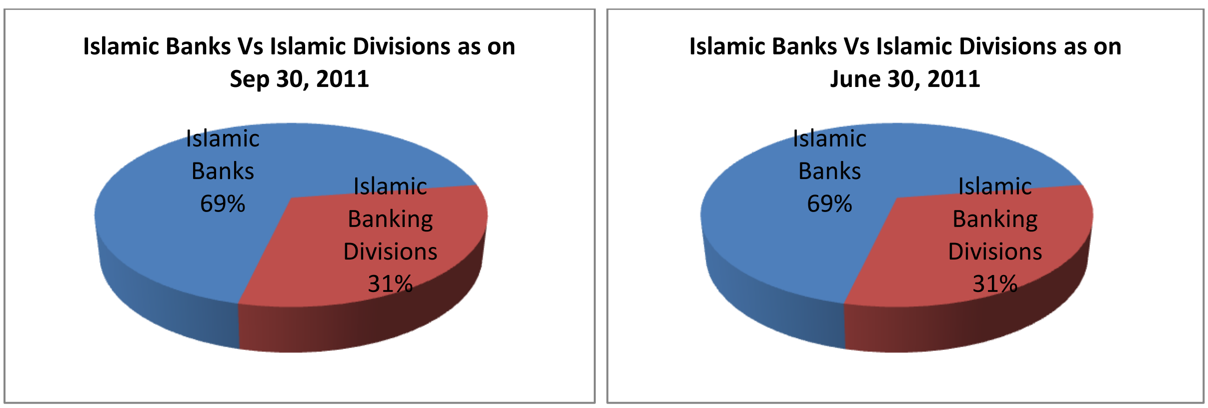


Figure 6.2: Share of Islamic Banks and Islamic Banking Divisions within Islamic Banking Industry in Total Outstanding.



Disbursements

Fresh disbursements to the tune of Rs. 3.47 billion were made to 638 borrowers during the quarter ending Sep 30, 2011 (Table 1). Private banks extended new disbursements with Rs. 2.737 million followed by Islamic banks with Rs. 429 million, public sector banks with Rs. 61 million and foreign banks with Rs. 19 million. HBFCL's fresh disbursements for the quarter were reported to be Rs. 231 million. Among commercial banks, the number of new borrowers totals 346, with private banks serving 193 borrowers and Islamic banks 118 borrowers. HBFCL extended loans to 231 new borrowers during the reporting quarter.

Fresh disbursement for Islamic Banking Industry was Rs. 550 million to 139 new borrowers during the quarter ending Sep 30, 2011 (Table 1). This includes new disbursements of Rs. 122 million to 21 customers by IBDs of conventional banks. One of reasons of increasing fresh disbursement is the merger of two banks, My Bank & Summit bank in the quarter ending June 30, 2011.

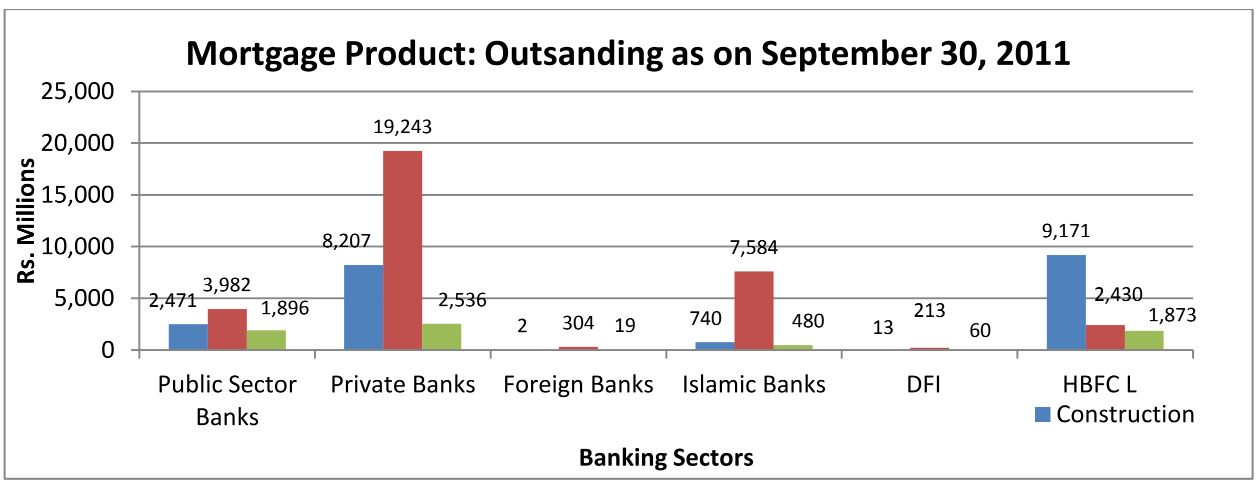
Table 1

New Disbursements during the quarter ending Sep 30 2011		
	Amount (Rs. Millions)	**No. of Borrowers**
Public Sector Banks	61	23
Private Banks	2,737	193
Foreign Banks	19	12
Islamic Banks	429	118
All Banks	**3,246**	**346**
DFIs	-	-
HBFCL	231	292
Total	**3,477**	**638**
Islamic Industry	**550**	**139**

Sectoral Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 7).

Figure 7



The outstanding for outright purchase stood at Rs. 33.75 billion as on Sep 30, 2011; a 55% share in total outstanding of Rs. 61.22 billion. This is followed by the construction category where outstanding reported at quarter-end stood at Rs. 20.60 billion and that of renovation stood at Rs. 6.86 billion. Active portfolio shows that private banks have taken a lead in financing for all three sectors; construction 47%, outright purchase 54% and renovation 35%.

Housing Finance Business of Micro Finance Banks:

Gross Outstanding

The total outstanding housing finance as on Sep 30, 2011 of Micro Finance Banks (MFBs) stood at Rs. 174.15 millions, which was Rs. 169.64 millions at the end of June 30, 2011, showing an increase of 2.66%, over the last quarter.

Number of Borrowers

Total number of outstanding borrowers has increased from 2,297 to 2545 since June 30, 2011; an increase of 11.18%.

Non-Performing Loans

NPLs for Micro Finance Banks have decreased from Rs. 1.57 million (June 2011) to Rs. 1.55 million (Sep 2011); a 1.27% decrease over the last quarter. NPLs of MFBs arising out of housing finance business are around 1% of their outstanding housing finance portfolio.

Analysis of Loan Variables adopted by Banks/DFIs & HBFCL

Tables 1, 2 & 3 summarize loan variables across all banking sectors including weighted average interest rate, Loan-to-Value ratio (% financing by banks), average maturity period, average loan size and average time for loan processing.

Weighted average interest rate

The overall weighted average interest rate was 17.0% at the end of the current quarter. Highest weighted average profit rate was reported by HBFCL 17.4%, followed by Islamic banks 17.1%, public sector banks 16.5%, private banks 16.4% while foreign banks average came to 16.3%.

Average maturity periods

Average maturity period of outstanding loans as on Sep 30, 2011 came to 12.0 years, which is high as compared to quarter ending Sep 30, 2010 when it was 11.7 years. HBFCL's average maturity period is reported to be 13.5 years, while that of Islamic banks is 12.2 years. Table 1 shows that among commercial banks, foreign sector banks have extended housing loans for an average tenure of 16 years followed by private sector banks with 10.6 years and public sector banks with 5.9 years

Loan to Value ratio

The percentage of financing (Loan to Value ratio) extended by banks and DFIs increased during last year (Table 2) from 48.1% to 48.8%. The average LTV for HBFCL has decreased from 48.5% to 38.7% during the last year, which is a significant change.

Average loan size

Average loan size for disbursements made during the quarter ending Sep 30, 2011 is Rs. 2.5 million for all banks, except HBFCL. The average loan size for HBFCL is reported to be Rs. 1.3 million for the reporting quarter. Islamic as well as private banks reported an average finance size of Rs. 2 and 2.7 million, foreign banks Rs. 1.9 million and public sector banks reported Rs. 3.0 million. The housing finance market is still inclined towards lending to high income groups.

Table 1

	Weighted Average Interest Rate (%)					Average Maturity Period (Years)				
	Sep-11	June-11	Mar-11	Dec-10	Sep-10	Sep-11	June-11	Mar-11	Dec-10	Sep-10
Public Sector Banks	16.5	17.2	16.8	15.9	13.8	5.9	10.1	13.2	10.6	9.8
Private Banks	16.4	17.1	17.1	16.4	15.0	10.6	13.2	13.0	11.0	10.0
Foreign Banks	16.3	15.6	14.1	15.7	16.9	16.0	17.5	20.0	14.8	9.5
Islamic Banks	17.1	17.0	17.3	16.6	16.3	12.2	10.7	12.2	10.0	11.4
All Banks	16.7	17.0	16.9	16.3	15.5	10.5	12.3	13.2	11.1	10.4
DFIs	-	-	16.8	16.6	16.3	-	-	-	-	-
All Banks & DFIs	16.7	17.0	16.9	16.3	15.6	10.5	12.3	13.2	11.1	10.4
HBFCL	17.4	17.5	17.5	17.0	16.2	13.5	12.7	13.5	13.3	12.9
Total Average	17.0	17.3	17.2	16.7	15.8	12.0	12.5	13.4	12.2	11.7

Table 2

	Loan to Value Ratio					Average Loan Size				
	Sep-11	June-11	Mar-11	Dec-10	Sep-10	Sep-11	June-11	Mar-11	Dec-10	Sep-10
Public Sector Banks	35.2	31.7	49.6	62.1	52.4	3.0	0.8	2.5	1.1	1.4
Private Banks	57.8	44.6	49.4	55.0	45.9	2.7	4.7	4.5	2.9	3.2
Foreign Banks	49.0	63.4	65.5	50.1	33.2	1.9	2.5	2.4	1.7	2.2
Islamic Banks	45.4	39.7	42.2	53.2	51.4	2.0	1.9	2.1	2.9	2.6
All Banks	48.8	42.6	48.5	55.2	48.1	2.5	3.2	3.5	2.5	2.6
DFIs	-	-	-	-	-	-	-	-	-	-
All Banks & DFIs	48.8	42.6	48.5	55.2	48.1	2.5	3.2	3.5	2.5	2.6
HBFCL	38.7	42.8	44.7	43.5	48.5	1.3	1.9	1.2	1.2	1.6
Total Average	43.7	42.7	46.6	49.3	48.3	1.9	2.5	2.3	1.9	2.1

Conclusion

The quarter ending Sep 30, 2011 depicted a slight decrease as compared to quarter ending Sep 30, 2010, in overall portfolio. NPLs of the housing finance portfolio display an increasing trend and banks continue to show signs of cautious lending amidst decreased affordability of the borrowers. However, the lack of a conducive institutional framework and secondary mortgage market and high interest rates are still the major constraints towards the growth of housing and housing finance sector which is one of the potential key drivers of the economy.

Major Initiatives and Achievements

Recognizing the importance of housing sector in boosting the domestic economy, following initiatives have been taken by SBP to further develop market based mechanisms and enhance the flow of credit to this priority sector.

Implementation of Housing Advisory Group's Recommendations

As part of its earlier efforts, SBP had established a Housing Advisory Group (HAG) with an intention to conduct a thorough analysis of the existing regulatory and policy framework affecting housing finance. The HAG made number of recommendations stressing on the need to enhance access of financial services for the development of housing sector. These include reforms in legal and regulatory framework, establishment of secondary mortgage market, development of market intelligence, provision of affordable/low income housing finance products. SBP disseminated the recommendations to the concerned stakeholders and is currently coordinating with Provincial Governments, Pakistan Banks' Association (PBA), Association of Mortgage Bankers (AMB) and Association of Builders and Developers (ABAD) for implementation of some of the key recommendations.

Mortgage Refinance Company

Work on the establishment of Mortgage Refinance Company is being pursued aggressively. IFC developed a detailed business plan and feasibility for the Mortgage Refinance Company. Principal buy-in of the Ministry of Finance has been elicited and equity commitments from the GoP, commercial banks and HBFCL have been received. Memorandum & Articles of Association of the proposed company have been developed and consultant has been hired to assist in incorporation of the company during the current financial year (2011-12).

Capacity building Program

In addition to initiatives taken to institutionalize housing finance, SBP realizes that a simultaneous development of human capital will play a critical role in ensuring sustainability of housing finance. Few training programs have been conducted on different aspects of housing finance including product development, loan marketing/distribution and origination & loan underwriting, servicing and risk management. Till date, approximately 500 bankers from over 20 banks have been trained in the mortgage business.

Development of Housing Finance Guidelines

To increase the efficiency of mortgage bankers, Housing/Mortgage Finance Guidelines have been developed, by adopting best international practices, and after consultation with internal and external stakeholders, including PBA.

News on Housing Finance

Kingdom, Qatar set to lead growth of Islamic mortgage market

The development of mortgage finance is key to the growth of the housing sector in the Gulf Cooperation Council (GCC) countries where demand for affordable housing is set to increase significantly because of the demography of the region where some 65 per cent of the population is under 30 years old.

"Islamic mortgage finance is set to grow at varying levels in the GCC markets as compared to previous years," explains R. Lakshmanan, chief executive officer of Bahrain-based Sakana Holistic Housing Solutions, one of the pioneers of Islamic mortgage finance in the GCC, in an interview with Arab News.

"Saudi Arabia and Qatar are likely to witness higher growth compared to other markets due to ongoing increased economic activity in those markets. The Islamic finance industry is also expected to grow in Oman with the recent licensing of three Islamic banks in the sultanate," he adds.

Over the last few years Islamic mortgage finance has developed faster than conventional mortgages with providers such as Sakana Holistic Housing Solutions; Saudi Home Loans Company; and Deutsche Housing Finance taking the lead. Sakana, which is 50:50 owned by Capinnova Investment Bank and Ithmaar Bank and which started operations in December 2006 as a dedicated Islamic mortgage finance provider in Bahrain, adopts a holistic approach to mortgage finance with a comprehensive range of Shariah-compliant products. In addition the company, which is capitalized at BD20 million, claims that its strategy is paving the way for significant change in the Kingdom's mortgage market by making Islamic finance easier to understand and acceptable, as well as making it available to an ever-wider group of customers.

Agreement for Aashiyana soft loan

October 13, 2011

LAHORE - Chief Minister Shahbaz Sharif has said that credit goes to Pakistan Muslim League-N for providing shelter to the common and poor people during the 64 years history of the country which materialized the dream of the poor of having their own house by launching Aashiyana Housing Project. He said that Aashiyana Housing Project is an important step for transforming the country in accordance with the ideals of Quaid-e-Azam and poet of the East. He said that Aashiyana Housing Scheme is a unique with regard to transparency. He disclosed that the project of Aashiyana-II will soon be started near Barki and Ring Road in Lahore whereas Aashiyana schemes will be started this year in 17 districts of the province.

Rs 916 million HBFCL loans of quake victims written off

ISLAMABAD, Oct 8 (APP):

Federal Minister for Finance Dr. Abdul Hafeez Shaikh on Saturday announced to write off loans worth Rs. 916 million advanced by Housing Building Finance Corporation (HBFC) to 5000 persons in earthquake affected areas of Azad Kashmir and Khyber Pakhtunkhwa. Speaking at a ceremony at President House here for distribution of ownership documents to 15 borrowers of HBFC, the Minister said HBFC should also provide relief to the people affected in the recent floods in Sindh province.

The Finance Minister said that October 8, 2005 was a tragic day in Pakistan's history as on this very day the devastating earthquake wreaked havoc in AJK and northern areas of Pakistan. He said the devastation was widespread and Muzaffarabad, Bagh, Mansehra and Balakot were declared calamity hit areas.

The Finance Minister said the government took a number of initiatives for rehabilitating the affected people.

He said a survey team concluded that the houses financed by the HBFC were substantially damaged or completely destroyed, making them totally uninhabitable in Bagh, Balakot, Muzzaffarabad and Mansehra districts.

Considering the level of devastation and hardship caused by the earthquake, the recovery of HBFC loans was suspended.

Issues and potential of Islamic home finance in Pakistan

http://www.brecorder.com/supplements/single/661/0/1234387/?date=2011-09-23

Pakistan witnessed a real estate boom during 2003-2007.

Property prices skyrocketed across the country and to buy a home was a step beyond the bounds of possibility for an ordinary Pakistani.

The expatriate Pakistanis invested their money in real estate and the continuous flow of dollars swelled the volume of market.

According to modest estimates during 2003-2007, the money invested into the real estate market was nearly equal to Rs 250 billion rupees and this resulted into an upward and sharp increase in the prices which produced a hyper effect on the market.

But, now market analysts are of the view that the real estate bubble has come to an end and market is going through a slump.

What really happened is that a conventionally unorganised and unnoticed sector recorded an amazing level of growth, which was unsustainable.

At the same time the country's housing situation is aggravating with each passing day.

Our burgeoning population, its stunning 2.4 % annual growth rate and strong inward migration (rural-urban migration) trends are compounding the problem.

The decrease in the average household size or the nuclear family is also gaining popularity in the urban centers.

It is also resulting into a higher need for smaller houses to catering to smaller households.

There are nearly 19 million houses in the country against the population of 150 million and the required number of housing units for the population is 25.83 million.

Thus, we are falling short of nearly 6 million houses.

This is a huge number if seen against the backdrop of the housing units being built annually.

We have to construct more than 500,000 housing units annually to meet the backlog in 20 years.

We have not taken the factors of population growth and stock depletion into account.

At present the number of housing units being constructed is only 300,000 which is really a fraction of the gigantic demand.

Govt endeavouring to provide low cost houses to people: Durrani

http://www.brecorder.com/pakistan/politics-a-policy/28814-govt-endeavouring-to-provide-low-cost-houses-to-people-durrani.html

The Government especially President Asif Ali Zardari is very keen to promote housing and construction sector in the country in pursuance of Pakistan People Party (PPP) mission to provide housing to every family at lowest possible price.

This was stated by the Sindh Minister for Local Government, Agha Siraj Khan Durrani.

Speaking as the Chief Guest at annual dinner of Association of Builders and Developers (ABAD) here on Wednesday, the Minister said that majority of the Building and Construction companies were based in Karachi which have made visible change in the life of people of the city.

He urged the ABAD members to focus other areas of Sindh province also where a large population was looking for low cost housing units.

He said President Asif Ali Zardari had directed him to take special care of builders and constructors to strengthen this industry to help the common man have a better housing besides generating an economic activity. Many other industries directly or indirectly dependent on this potential industry, he said.

He mentioned that PPP Government had already provided various incentives and big relief to builders and constructors including revision of the related laws to make their business secure and lucrative.

Sindh Assembly has already passed a bill on encroachment and the law is being enforced to clear all kind of encroachments including on the land for housing projects. Anti-encroachment Force has formed to effectively pursue the agenda, he said adding that this could be done only with cooperation of the people.

Durrani assured them all-out support and facilitation on his behalf and that of his Department and the Government in resolution of the problems facing housing and construction industry especially the members of ABAD.

Housing Minister directs PHA to implement PM directive of one million house

http://www.brecorder.com/pakistan/general-news/21319.html

Minister for Housing & Works Makhdoom Faisal Saleh Hayat directed the Pakistan Housing Authority to make plans and have proactive approach for the realization of Prime Minister's vision of one million houses for government employees.

He issued these instructions during a briefing given by PHA about the proposed plan to construct apartments in Karachi Sadar, a press release issued here on Tuesday said.

In this regard different options were discussed in detail.

The Minister constituted a committee under the chairmanship of Senior Joint Secretary Mr M.B Awan with the membership of MD PHA and DG Pak PWD.

The Committee will suggest different methods for construction of apartments and their modalities. In addition to Makhdoom Faisal Saleh Hayat directed the PHA to explore different ways for construction of houses in all big cities in order to smoothly implement the Prime Minister directive for construction of one million houses for medium and low income groups of society.