

Following news “clarification” was published by Dawn on August 30, 2021 titled ‘Making housing in the air’.

Epaper Date: 2021-08-30



FOUNDED BY QUAID-I-AZAM MOHAMMAD ALI JINNAH



Monday  
August 30, 2021  
Muharram 21, 1443  
KARACHI

Rs 25.00  
62 Pages  
Vol. LXXV No. 237  
Regd No. 95-009

www.dawn.com

# Making houses in the air

By Mubasher Khan

WHEN the PTI administration came to power in 2019, one of its key promises was the lofty target of building five million homes for the low-income population. The evening news shows yet another talking point with pundits deliberating upon how achievable that ambitious number was. To help realise this plan, the State Bank (SBP) was taken onboard which unveiled a markup subsidy — starting at a three per cent rate per annum for the lowest tier — to make borrowing a viable option. Along with it, Rs30 billion subsidy was presented in the budget for Naya Pakistan Housing Development Authority.

All this noise led to an interest in housing. According to data shared with Dawn by Zameen, the online real estate portal, overall demand for properties from 2019-20 has shot up by 117pc in Islamabad and 103pc in Karachi. While this was obviously across the board, there was a marked spike in search activity for houses and flats.

As per the Zameen data, demand for houses and flats in Karachi jumped 132pc and 122pc over 2019-20, 156pc and 150pc in Islamabad, 135pc and 127pc in Lahore. But what good is this interest and the broader demand side measures such as cheaper financing and subsidies if there is not enough supply in the market? That's exactly what the bankers also initially argued when they were pressed to step up loan disbursement. And when the revised circular on markup subsidy was published by the SBP — increasing the maximum limit plus allowing play with new construction and tap on lease prices, lending picked pace too.

That can be seen from the SBP lending data by borrowers, showing outstanding credit for residential construction financing at Rs47,292 billion as of July, compared to Rs34,118bn in the same month of 2020 and Rs28,812bn in 2019, respectively. However, the latest numbers reveal a noticeable decline from June values, which had shown unrelenting growth on a monthly basis. If we turn to “credit by type of finance”, overall — residential and non-residential — construction finance grew to Rs162.6bn in July from Rs104bn in the same month last year.

So the banks do seem to be lending, at least more than they used to, even if still below the mandated 5pc targets — where again relaxations have been made such as allowing holdings in real estate investment trusts (commercial) by tax-deferred investors towards housing portfolios — but supply was still needed. The public sector could only build so much (which is yet to be done properly in any case) and needed the support of the private stakeholders. Naturally, the construction industry found it a great lobbying opportunity with their economic praxes for the government and was soon rewarded with an amnesty scheme, giving yet another clean shot to a sector notorious for tax evasion.

Once the government promised to close its eyes, the builders started listing their upcoming inventory. As per the Federal Board of Revenue's list (last updated on July 27), 2,505 projects have been registered so far of which city-wise details are available for



2,036. Lahore leads the chart at 429, followed surprisingly by Gujranwala at 408 (could be a technical loophole as 406 of these entries are in the same project address built by Gardensquare Developers and only house number differs). Karachi comes third at 333, Rawalpindi 278 and Islamabad 244.

**That gap between the market prices and FBR rates means only one thing: an increasing amount of money is being transacted in cash and escaping the tax net, paving way for another possible amnesty in the future**

Forget the typocony of giving “NFO” to the corrupt lot for now, at least a free supply is coming online which will not only help drive the engine of growth but also make that lofty housing target more achievable.

Well, not quite. At least as far as low-cost housing is concerned. Of the 2,036 projects with address details available, 170 are in Bahria Town and 221 in DHA — hardly the bustling hubs for the less privileged lot I checked. Getting into the specifics of each listing is too comprehensive an exercise but a few Google searches for other areas also show that prices for sub-1,200 sq ft flats are generally around the Rs13 million tag, most likely making them unaffordable even if one goes for the maximum financing of Rs5bn under Tax-3, assuming a 20pc equity.

This is for the new construction. The revised circular from the SBP also temper-

ly — until March 2023 — allows subsidised financing for old houses and flats, thus still theoretically keeping the chance of owning a house alive. Provided that the buyer can manage to pay for an already built property. Thanks to Zameen's data (which is based on listing price and is the best proxy available), we can see trends. Unfortunately, that doesn't paint a particularly optimistic picture either. In Karachi, the price of a house has gone up by 35pc and 3 bed flat by 19pc over the 2018-20 period. Similar is the trend for other major cities as per-square-foot rate for apartments in Lahore and Islamabad increased in the range of 44-50pc.

Meanwhile, the official valuation rate of properties has stayed the same since 2019 for the cities mentioned in this article. That gap between the market prices and FBR rates means only one thing: an increasing amount of money is being transacted in cash and escaping the tax net, paving way for another possible amnesty in the future. But who cares about that? By then, the ruling party will have achieved the short sprint of economic growth — probably with a low multiplier effect — needed to fend off political pressure. Many of the projects to have come live under the much-hated scheme would likely be half occupied at best, as anecdotal evidence suggests, while the low-cost income groups still continue to have their houses demolished.

The SBP for its part will keep cherry-picking numbers every time there is an increase in construction finance in absolute terms, with a total disregard for relative changes and even declines. Not to mention that the head in question doesn't really tell us what share of lending was done under low-cost markup, subsidy or amnesty, for example. Neither do we have much data on the capacity of those projects being listed, but as long as the ruling party's official Twitter account can post a meaningless and busy infographic, it's good. —

**Following clarification/rebuttal was issued to Dawn in response to an article published on August 30, 2021 titled 'Making housing in the air'.**

Apropos to the story 'Making houses in the air' published in your esteemed newspaper dated August 30, 2021.

At the outset we would like to clarify that State Bank releases monthly data under the title of "Loans Classified by borrower" which includes financing provided by banks to the construction sector (including residential, non-residential and others). With respect to recent initiative of promoting housing and construction finance, State Bank of Pakistan has allocated targets to banks, under which they are required to increase their financing for the purpose of housing and construction gradually to 5 percent of their domestic private sector advances by December, 2021. The financing of banks for the purpose of construction covers information more comprehensively rather than remaining limited to financing for construction sector (builder and developer financing) only.

SBP releases information about housing and construction finance on quarterly basis. Hence, the assertion in the article that State Bank is cherry-picking numbers is factually incorrect and misleading.

Following clarification was published in Dawn, Karachi on September 3, 2021

Epaper Date: 2021-09-03



FOUNDED BY QAUID-I-AZAM MOHAMMAD ALI JINNAH



# DAWN

Friday  
September 3, 2021  
Muharram 25, 1443  
KARACHI  
Rs 25.00  
22 Pages  
Vol LXXV No 241  
Regd No 39 002

[www.dawn.com](http://www.dawn.com)



## No cherry-picking

THIS is with reference to the article 'Making houses in the air' (Business & Finance; Aug 30). The State Bank of Pakistan (SBP) releases monthly data under the title of 'Loans classified by borrower', which includes financing provided by banks to the construction sector.

With respect to the recent initiative of promoting housing and construction finance, the SBP has allocated targets to banks which are required to increase their financing gradually to five per cent of their domestic private-sector advances by December 2021.

The financing of banks for the purpose of construction covers information more comprehensively rather than remaining limited to financing for the construction sector (builder and developer financing) only. The SBP releases information about housing and construction finance on a quarterly basis, and is not cherry-picking the numbers.

**Chief Spokesman**  
State Bank of Pakistan  
Karachi