

Construction sector-Rising hope with raising buildings

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The question is whether the promised housing revolution can actually be brought about without active engagement from mortgage providers. PHOTO: STOCK IMAGE

KARACHI:

Far from being a PR stunt that most trade bodies are prone to hold in the name of exhibition, the Association of Builders and Developers (ABAD) recently organised a grand expo that brought a number of stakeholders on a single platform for three days.

With active participation from foreign delegates, the expo has resulted in many international construction companies signing memoranda of understanding with local partners.

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The overwhelmingly positive response to the exhibition has raised people's expectations about foreign investment. For example, ABAD representatives say they expect investment agreements valuing \$800 million in the next few months.

While the expo's success justifies optimism, many observers believe citing such figures give rise to scepticism and dilute the effectiveness of the message.

After all, the expected investment of \$800 million is almost half of the total foreign direct investment of \$1.6 billion that the country received in the last fiscal year. Understandably, many people find it difficult to believe that a three-day exhibition – however effective it may have been – can attract that kind of investment within a few months.

HIGH HOPES

\$800m

is the value of investment agreements ABAD expects

Similarly, the claim that the country's construction industry will initiate housing projects valuing Rs600 billion by the end of 2014 also needs substantiation.

Data compiled by the State Bank of Pakistan shows the outstanding position of credit by the country's construction industry at the end of June was only Rs52.3 billion. This leaves one wondering how the construction industry will fund its upcoming projects of Rs600 billion in the next four and a half months.

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While the stakeholders' participation in the three-day expo was huge, mortgage providers were conspicuously absent. Only one bank set up its stall at the expo while the rest of the banks that have footprints in the mortgage market stayed away from the mega event. Similarly, House Building Finance Company, along with other development financial institutions (DFIs), did not bother to set up stalls at the expo.

This leads to the question whether the promised housing revolution can actually be brought about without active engagement from mortgage providers. New housing projects of Rs600 billion cannot take off with the current level of housing finance in Pakistan, which amounted to just Rs51.6 billion as of March 31.

With the current shortage of eight million residential units in the country, the role of ABAD is most critical in meeting the housing challenge. Admittedly, ABAD has successfully revived the debate on housing of late.

Yet there are key issues that ABAD cannot do much about despite its muscle and sincerity. According to town planner Arif Hasan, the housing shortage has a lot to do with issues that are beyond the control and ambit of ABAD, particularly in the case of Karachi.

For example, he believes Karachi has been unable to foster commercial growth or provide adequate low-income housing partly due to the presence of numerous land-owning agencies with no shared plan or coordinating mechanism.

Similarly, he believes the finance systems in Karachi do not reflect the economic conditions of most of its inhabitants, as houses are usually available for outright purchase rather than through easy financing or mortgage options.

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Evidently, land and financing are macro issues that ABAD cannot resolve by itself.

It is time the government joined hands with ABAD and addressed key issues by streamlining land-owning agencies, computerising property records and encouraging banks and DFIs to expand their housing finance operations.

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