

# The Paradox of Housing Societies in Pakistan

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## Introduction

In recent years, gated communities have grown in popularity in Pakistan, with a rise in the number of such communities. According to the Federal Board of Revenue, the real estate industry in Pakistan is worth about 700 billion dollars, and it accounts for nearly 2% of Pakistan's total GDP. It not only creates a large number of direct jobs but also stimulates demand in over 250 different industries. In 2015-16, construction in gated communities increased by 15 to 20%, with 20 to 25 large projects completed during that period. Despite its rapid growth and strong job demand, the real estate market is still being under-researched and unexplored.

## Key Messages

1. CDA takes on average two and half years to approve an NOC.



2.5 years  
is an average time taken by CDA for NOC approval



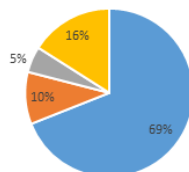
12 years  
is an average time since NOC approval



25 years  
no certificate was issued by CDA

2. Out of total housing societies in Islamabad, only 10% are approved, whereas a major proportion (69%) has not approached CDA for approvals.

Percentage Distribution of Private Housing Societies (by NOC)



3. Moreover, only 10% of housing societies have proper documents (LOP, NOC).
4. CDA has issued only 22 NOCs in the past 30 years.
5. These housing societies cover 6.8% of the total area in zone 2, 4, and 5.
6. More than 90% of the area in these zones (1.26 million kanals) is under illegal occupation.
7. 99% of housing societies are incomplete.

### Salient points from discussion

1. Dr. Nadeem ul Haque started the discussion by inquiring if the legal status of the society mattered for the end consumer? Lubna Hasan responded by saying that the end consumer is directly affected. For example, they may be sold fake plots, or face long delays due to housing societies being involved in litigations over land.
2. According to an audit carried out by the Auditor General of Pakistan, irregularities at the CDA housing directorate have created a loss of PKR 5200 billion. Further, a typical housing society takes at least 15-20 years to develop. An idea of the situation can be drawn from the fact that over the past 25 years CDA has not issued even a single completion certificate to any housing society, which in itself is a great loss to the consumer as they have to wait a long time to get their plot.
3. Farhan Javed, Group Director GRAANA.COM & Imarat also substantiated the facts and said that a similar kind of situation is present in the vertical buildings i.e. 65% of vertical development does not have any clearance. Furthermore, answering the question about the intentions of developers, Mr. Farhan said obviously some developers come into the market with different intent but even a genuine developer faces difficulties and red tape at the hand of the regulator. Moreover, Mr. Farhan also identified the current land record system as a major obstacle, which in essence is the root cause of the majority of litigations in the housing societies.
4. Having identified the land record system as a major hurdle, what adds to this problem is that in Pakistan, and by large in India or the subcontinent, the land ownership document and land possession document are two different things. The land titling system is archaic and was last updated in 1956, which is more or less the same as the original one drafted in 1906. So, for example, a family that owns

a large chunk of land, now six to seven generations down, the land has a number of owners and anyone can take a stay-order from court when that land is sold.

5. There are two modes of finance for a housing society in Pakistan i) equity base finance or ii) client advancement. The developer, who has invested huge amounts in advertising, suffers when the project lingers due to stay/litigation.
6. The real estate sector in Pakistan has not evolved as a real corporate sector despite contributing greatly to the labor market and GDP of the country.
7. In Pakistan, developers at times advertise housing societies having little or no land. Anecdotal evidence suggests that 80% of developer in Pakistan fails to deliver.
8. Pakistan has a huge deficit of housing in the country. There is a demand for 7-10 million houses but, unfortunately, the supply is very poor due to the focus is on luxury apartments, villas, etc.
9. A good amount of remittance from abroad goes into real estate, which essentially has made the real estate of Pakistan a place where files are bought and sold, making the sector investment-driven not demand-driven.
10. No verification/qualification is required to become a developer or real estate agent. Anyone with access to some parcel of land or capital is a developer in this country.

**Conclusion:** *It was concluded that the real estate sector in Pakistan is real in name only as a large part of it is based on virtual documents/files whose value is speculated based on the advertisement campaign and background of the developer. The sector doesn't generate much real value in terms of fulfilling the housing demand or even return on investment. Moreover, land distribution at extremely low rates has become a well-entrenched culture in the public sector i.e. housing societies for judges, lawyers, armed forces personnel, even for journalists. In addition, the regulator also fails to regulate the market in a professional manner due to lack of capacity, corruption, etc. The speakers suggested that the onus of bringing efficient equilibrium cannot be put on a regulator, developer, or for that matter on any stakeholder alone. Rules and regulations need to facilitate efficient working of the real sector. Digitization of land records and one window operation is essential. Middle-income housing, along with low-income housing, should be a priority. For this to happen, all stakeholders must come together and share the responsibility so that the developer can deliver and the regulator can regulate avoiding unnecessary red-tapes.*