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## Densification Scenario of Dhaka: The Role of Socio-Economic and Political Forces on Urban Planning

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**Abstract-** Dhaka the capital city of Bangladesh is one of the fastest growing megacities of the world with a density of 23,234 people per square kilometer (World Population Review, 2016). The city bears a legacy of four hundred years and have undergone through a series of shifting political status and dramatic changes in its population throughout the history. But since its emergence as the capital city in 1971 it had to face a huge influx of rural migrants pouring in on a regular basis. Within four decades of its inception Dhaka witnessed a radical increase in population which constitutes about 40% of the total urban population of the country and 6% of the entire national population. Due to its unique geographical constraints the city could not spread horizontally which caused a scarcity in the inventory of buildable land. Consequently the city had to grow vertically to accommodate the escalating demand of housing and other facilities which in turn increased the density. By 2011 the population of the city reached 14.7 million with one of the highest densities in the world. (World Population Review, 2016). In the face of land scarcity and a large and fast growing population that needs to be accommodated – there is sometimes little option left but to densify existing land uses which leads to the process of densification as it can be seen in the case of Dhaka. But the promised benefits of densification process did not seemed to be accrued so far.

**Keywords:** *densification, socio-economic drivers, building regulations, political will.*

**GJHSS-B Classification:** FOR Code: 040699p



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# Densification Scenario of Dhaka: The Role of Socio-Economic and Political Forces on Urban Planning

Dr. Syeda Jafrina Nancy

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The socio-economic and political drivers of the state always influence the Urban planning which is also true for Megacity Dhaka. The ever changing socio-economic condition of different periods guided by the political will of the incumbent rulers acted as a key driver in determining the urban growth pattern of Dhaka. Though the British can be credited for making the first Master Plan of Dhaka a significant transformation of the city as provincial capital can be witnessed from Pakistan period. The importance of Dhaka continued to grow after independence as an influx of migrants rushed to the capital which served as the sole economic hub of the country. The formulation and application of building regulations of various periods in addition to the socio-economic and political drivers have brought Dhaka to the present state of densification. Given this development scenario, this paper intends to investigate the causes of densification through identifying the influences of various socio-economic and political forces on the city planning agenda within the application period of the dominant Building Regulations.

**Keywords:** densification, socio-economic drivers, building regulations, political will.

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## I. INTRODUCTION

From the onset of the 21st century as the world urban population was experiencing an up rise the provision of accommodating the mass through construction of sustainable megacities became a challenge for the urban planners as well as the governments worldwide. Densification proved to be a plausible solution to the crisis as it ensured the preservation of valuable agricultural land together with the benefits of energy consumption. Consequently densification was adopted as a widely practiced strategy to attain sustainability of the megacities in both developing and developed countries. Dhaka reached the status of Megacity from 2000 with a population of 10.16 million and kept on increasing since then. The city has been expanding since its inception in 1610 A.D. but never before the city had to experience the scarcity of buildable land for the growing population as it had to after independence. Soon after the independence, Dhaka became the sole of hub of economic, administrative and cultural activities owing to the centralized development policy of the incumbent Government. This in turn made people from all over the country to pour in Dhaka in search of employment opportunities making it one of crowded cities. The newly formed country had to undergo through a prevalent political instability in its initial years where due attention could not be given towards developing a well-conceived planning strategy for the capital. The lack of foresight coupled with technical incompetency in the field of urban planning gave way to the spontaneous growth of the city. Development was taking place more as a result of the socio-economic conditions guided by political will rather than informed decisions of planners. The inadequacy of the planning rules and lack of monitoring resulted in encroachment of wetlands promoting both vertical and horizontal expansion. These types of endeavors by the vested groups took place in large scale and eventually set the stage for the current complications stemming out from the current densification process. However, the ongoing densification process of Dhaka is still unguided owing largely to the lack of proper densification strategy as well as building rules and bye-laws aimed at ensuring a

sustainable future for the city. In addition with the influences of various socio-economic and political drivers the planning instruments operating within this period also exert a profound impact on the densification process that have been taking place over the years.

## II. THE IMPACT OF EXISTING BUILDING CONSTRUCTION RULES

The building activities within the metropolitan area of Dhaka have been regulated by the Building Construction Rules (BCR) formulated by the RAJUK (Capital Development Authority) as bye-laws of the East Bengal Building Construction Act 1952. The Rules started in 1955 with only 5 lines of instruction on the backside of the application form. Gradually newer requirements were set-1 page in 1970, 3 pages in 1984, and 12 pages in 1996 (Rahman, 2011). BCR 1996 was reviewed several times and finally replaced by a newly reviewed byelaw known as Mohanogor Imarat Nirman Bidhimala (MINB) 2008 which came into operation from 2008. These bye-laws have a profound impact on the building activities rather than the overall planning rule which has brought Dhaka to the present state of densification. The following section therefore traces the development scenario of Dhaka through identifying the socio-economic and political forces within the application period of these three dominant bye laws: BCR 1984, BCR 1996 and MINB2008.

### a) *Development Perspective under Building Construction Rule (BCR) 1984*

Before the formulation of the Building Construction Rule 1996, the only statutory policy guideline was the Master Plan 1959 which was conceived by the colonial rulers of East Pakistan Regime to absorb the sudden growth pressure caused by the migrating Muslim refugees from India after 1947. The plan was prepared following the post World War II British master plan style where the entire city was divided into a number of land use zones and was connected with a road network and other line services. These plans were rigid and did not consider the socio-economic issues of urbanization in depth. It was basically a land use zoning plan serving as zoning regulatory measures prepared on a population base of the Provincial Capital. But the sudden emergence of Bangladesh as a sovereign state and the upgraded status of Dhaka as the National Capital turned the city to be the prime commercial hub of the country. This in turn brought an influx of rural migrants to the city. For this unanticipated population increase the land use allocation and development guidelines suggested in Master Plan 1959 proved to be incompatible and inadequate. The existing Master Plan needed to be reviewed in favor of formulating a new Master Plan for the city. But the newly emerged country under the leadership of Bangabandhu Sheikh Mujibur Rahman

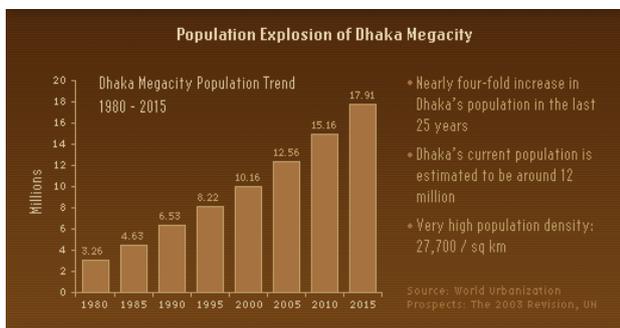
was faced with a host of economic and political challenges. Apart from the effects of 1970s cyclone the war-ravaged country was faced with the challenge to restore its immensely deteriorating economy. The newly elected government had to focus on more serious issues like rehabilitation of millions of people displaced in 1971, organizing the supply of food, health and other necessities. Amidst all these crises the issue of city planning was subdued. The paucity of fund and a shortage of native expertise in the field of planning further delayed the formulation of the second Master Plan.

However, during this period, the city of Dhaka was stretched up to Azimpur, New market, and Dhanmondi. Azimpur was developed for staff quarters which provided accommodation to the Public service employees while Dhanmondi for housing the diplomats and elites. The residential areas of Banani, Gulshan, and Uttara were considered as suburbs with most of the plots remaining vacant, and no significant development was apparent till 1980 (interview of a senior resident of Banani, 2014). The old city core continued to be the prime urban area with CBD in Motijheel. The only Master Plan of 1959 was still in effect, but little of the plan adhered. For example, the Mirpur area was developed for accommodating the rehabilitated population predominantly the Muslim refugees according to the Master Plan. Furthermore the Master Plan conceived during the colonial occupation required a review as it was based on assumptions that became obsolete after independence. But when the average GDP growth prospect went down alarmingly to 1.5 percent due to extensive nationalization policy, the urbanization of the city met a stalemate. The precarious economic condition was further devastated by the deadliest famine of 1974 killing 1.5 million Bangladeshi people from hunger. The famine was a result of the operational inefficiency of resource distribution, corruption and bureaucracy rather than food crisis which triggered major discontent against Mujib's government (Zafarullah, 1990). Amidst this increasing political and economic crisis no significant city development program was undertaken. The continuing economic deterioration and mounting civil disorder led to the government in adopting more strict control and undemocratic measures which ultimately caused the downfall of Mujib's government and transition of power to Martial Law Administrators in 1976. Thus the country fell into the grip of military control for a short period when the national economy was facing uncertainty.

Assuming the presidency in 1977 General Ziaur Rahman dismantled the martial law marking the transformation of Bangladesh's Government from the Martial Law Administration (MLA) to a democratically elected, constitutional one. There was a global rise of the neoliberal policy model in the sphere of economy and society which began in the late 1970s and was

adopted by the developing countries in various stages. In Bangladesh, the market-oriented liberalizing policy reforms were initiated around the mid-1980s with the support of IMF and the World Bank (Mahmud et. al., 2007). Adopting this framework means that “urban sector” is no longer just about urban housing, infrastructure, and municipal services delivery. It is also about economic growth, and job creation (e.g., ADB 1995; WB 2010). Two key features of this new paradigm are the emphasis on devolved local governance and the reliance on the private sector. These features require a host of institutions and laws, secured land tenure, a capital market, and arrangements for private sector role in municipal services. To overcoming the declining economic condition, the government embraced the neo-liberal policy model and introduced free markets. Overtime donor-initiated privatization, and structural adjustment policy (SAP) was adopted (Bhattacharya, et.al. 2001). This strategy helped to restore the badly affected economy of the previous regime for the time being and was reflected in the GDP which rose to 4.1 from 1.6.

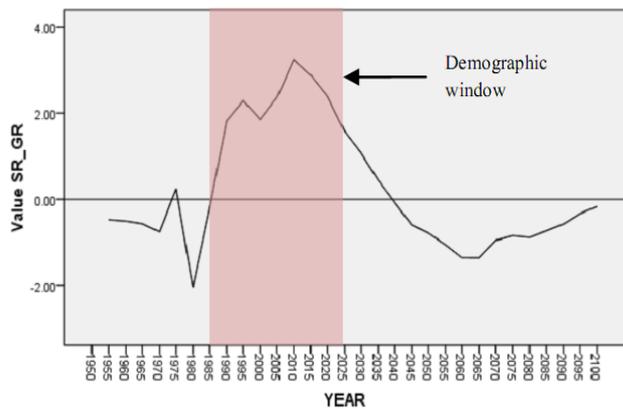
Along with crawling towards a democratic order, the civil-military bureaucracy ran and managed the state of affairs along with widespread and frequent criticism of the bureaucracy on the charges of corruption, lethargy, and malpractice (Ahmed, 1995). A reviewed Master Plan was long overdue but due to the persistent economic instability and administrative turmoil, no remarkable initiative was made to evolve a mechanism for effectual urban planning of the city during Zia regime. Dhaka continued to be the main economic hub of the country. The first commercial high rise building was constructed in Motijheel. Sangshad Bhavan in Sher-e-Bangla Nagar was completed, and the developmental work of satellite towns was going on at a slow pace according to the Master Plan 1959. But as the planning considerations of 1959 Master Plan was proven insufficient and it failed to provide a successful growth strategy for the city. However, one of the chief contributions of this Master Plan was the laying of the 8 major road arteries that determined the future growth axis of Dhaka towards the north. The developmental work again came to a pause due to political turbulence caused by Zia’s assassination in May 1981.



Source: World Urbanization Prospects: The 2005 Revision, UN  
 Chart 1.1: Population Explosion of Dhaka Megacity

The administration was immediately succeeded by President Justice Abdus Sattar for a brief period. The to the tune of 4 billion Takas, and the International Monetary Fund (IMF) declared that it would not provide any more loans until Bangladesh paid down some of its existing debts. Citing the country’s social, economic and political crisis, General Hossain Muhammad Ershad assumed the presidency in 1982, retaining his positions as Army chief and CMLA. From August 1975 to December 1990, Bangladesh experienced the rule of two consecutive military regimes – Zia regime (1975-1981) and Ershad regime (1981- 1990).

During this long 15 years, the two military rulers had tried to tinge their regime with civilian color by holding elections and running the parliament. The autonomy instilled by them has left a significant impact on the socio-economic condition of the country discussed in the following:



Source: UN (2010). Medium Variant

Chart: 1.2 Growth Rate of Support Ratio (Per cent) Bangladesh: 1950 – 2100.

The 1980s decade was governed with political autonomy but with positive development in the economy. Right before the bloodless coup led by the Army Chief of Staff Lieutenant General Hussain Muhammad Ershad the country was going through great economic difficulty. Among his first actions were to privatize the largely state-owned economy (up to 70% of industry was in public ownership) and encourage private investment in heavy industries along with light manufacturing, raw materials, and newspapers. Foreign companies were invited to invest in Bangladeshi industry as well, and stiff protectionist measures were put in place to safeguard manufacturing. Bangladesh has been going through macroeconomic policy reforms along neoliberal lines since the late 1970s. The liberalization policy graduated in three steps in the mid-1980s, early 1990s and mid-1990s, steering Bangladesh’s economic policy in a dramatically opposite direction. Subsidies for agricultural inputs were gradually withdrawn since the early eighties (Ahmed, 1998). Several rounds of industrial policies saw more

and more sectors opened up for private entrepreneurship while privatizing the state-owned enterprises. As a part of the same package, there was a reduction on import tariffs were reduced with profound impacts on the pattern and composition of the manufacturing sector in the country (Mahmud, 2004). All these steps initiated a change in the occupational pattern as more people were getting involved in the secondary and tertiary sector. The consequences of this shift in occupation was reflected in the urban planning of Dhaka as new CBDs along the north axis started emerging providing jobs for these emerging working class.

According to demographers, Bangladesh entered the demographic window from the 1990s which is defined to be that period in a nation's demographic evolution when the proportion of the population of working age group is increasing, and dependency ratio (ratio of dependents to working-age population) is decreasing. The demographic window of opportunity usually lasts for 30–40 years depending on the country's fertility rate. In case of Bangladesh, the demographic window will reach its peak during the 2020s and will remain open until the 2030s according to the estimation of UN2010 (Chart 1.2). Consequently being the economic nucleus of the country Dhaka has already witnessed the unprecedented growth in its share of the urban population due to natural growth as well as rural migration. This boost in the proportion of working age population subsequently led to a phenomenal increase in housing demand (informal and formal sector) of the city. This increasing demand for housing could not be ensured by the Government alone and had to rely on the private sector. Adopting the policy model of neo-liberalism, the government continued to maintain the role of facilitator rather than provider in case of provision of the formal housing. The escalating demand for housing brought the attention of the investors in the real estate market. The prevailing subdivision law did not allow land to be subdivided below 3600 sqft in the formally planned residential areas. This ceiling posed a problem for dividing the land equitably among the legitimate heirs according to the Muslim law of inheritance which led the beneficiaries to find a solution through the way of constructing multistoried buildings. In a multistoried building, each inheritor gets a fair share regarding the number of apartments which he or she can use for self-accommodation as well as use the rest for rental purpose. Consequently, more and more property owners of the planned residential areas started redeveloping their land or property into multistoried buildings which offered a means of both accommodation and profit making. Both the landowners and developers found this type of redevelopment activity beneficial and were engaged in deals of 40-60 percent share. From 1980 to 1990 the population of Dhaka doubled which further escalated the demand for

housing and shelter. In the face of land scarcity, the rising demand for housing was tackled through vertical development first introduced in Dhaka by the formal private developers in mid-70s. The business took off with five registered firms. The first high rise apartment built in Siddeshwari marked the initiation of apartment culture. The main impetus of the real estate developers in housing provision was undeniably profit making. To achieve their goal of profit maximization the developers primarily catered the housing need of the upper income group (i.e., higher middle and middle income) Furthermore, the inflow of foreign remittance from the non residing Bangladeshies contributed to this type of housing scheme as they found it profitable to invest in the real estate market where both land and housing could be foremost vehicles of speculation. Government's initiative in developing various satellite towns accelerated this process where a majority of the allotted plots went under the ownership of the wealthy class who harnessed it as a means of speculation. As the developers' activity was gaining momentum a gradual but steady rise in the population of the satellite towns of Banani and Gulshan could be observed from the early 1990s while Uttara was still undergoing the development phase with most of its plots still vacant.

#### *b) Development Perspective under Building Construction Rule (BCR) 1996*

The decade of the 90s witnessed the transition from autonomy to democracy following a mass protest that ends the long era of dictatorship. The first half of the decade (1991-96) was under the rule of the democratically elected Bangladesh Nationalist Party (BNP). Soon after assuming the power BNP met with a host of challenges. Khaleda regime initiated a series of measures to liberalize the economy and the financial sector. The structural adjustment policy (SAP) of the World Bank and the International Monetary Fund (IMF) envisaged inter alia deregulation of the private sector, improvement of Government-Business relations and privatization of public enterprises. Thus a distinct shift in the role of the government was becoming more apparent from a regulator to that of facilitator in economic management (World Bank and Ahmed cited in Zafarullah, 1997:5 Part-4). This further fueled the involvement of private sector in housing supply. The small number of developers who started haphazardly in mid 1970s consolidated into more organized form under the umbrella institution of Real Estate and Housing Association of Bangladesh (REHAB) in 1991 with 19 members.

Despite a shift in the form of government, the country faced widespread corruption and sudden changes in economic practice in the years 1990-92. Besides, a host of natural calamities (eg., cyclone Cidar and subsequent flooding) also took a toll on the national economy. Consequently, investors were not interested in

investing during this economic downturn. So, during this period the country faced a recession in the real estate market as well since the Real estate is heavily dependent on investors. Amidst these political and economic crises, little attention from the government was paid to the developmental works of the city. However, the long-awaited second Master Plan DMDP 1995 was formulated at the end of the BNP administration when the government was facing a general strike aimed at forcing the resignation of Prime Minister accused of corruption and competence. Against such a backdrop of political unrest and shortage of time, the government was not able to accomplish its implementation. There was again a change in the ruling political regime as Awami league wins the power seat after BNP's five years tenure. During the ruling period of the Awami league (1996-2001) most of the policies suggested in the Structural Plan of DMDP 1995 was not carried out properly due to the absence of Detail Area Planning (DAP). Instead, piecemeal planning solutions were worsening the city's growth plan. After the recession of 1990-92, the real estate business gradually took off. But due to the lack of a complete development planning package for the city the redevelopment activities of the private sector were concentrated in the planned residential areas like Dhanmondi and later spread to Banani and Gulshan without taking into account the infrastructure capacity and amenities necessary for supporting such development.

The haphazard construction of mid and high rise buildings initiated vertical growth within the city, and the authority faced the challenge of providing adequate utility services to meet the demand of these vertical habitats. As the existing Structure Plan (SP) and Urban Area Plan (UAP) was not helpful enough to control the redevelopment spree that was taking place, RAJUK sought the aid of Building Construction Rules and framed the BCR 1996 which viewed a building only within its plot boundaries, using no tool but the setbacks and later imposed a height limitation of six stories based on road width and a few other requirements for vertical development. Though better in many aspects than BCR 1984, the BCR 1996 did not take into account the environmental considerations of the building activities and therefore was a prime cause of the emerging densification pattern, i.e., the densely developed 6-storied high multistoried buildings all through the city in the later years. However, the gradual increase in investment following the recession of 1990-92 resulted in an immense supply of this prototype vertical housing in the real estate market during 2004-06. As a result, the land price shot up unrealistically making housing price beyond the affordability of the mass public. The real estate business attracted investors by providing lots of good products. Subsequently, many new entrepreneurs lacking relevant experience and adequate infrastructure

support also became interested to invest in this sector. However, the real estate sector contributed by adding incremental output in the real economy on the supply side, while also bringing up demand from newly-created employment and income, preserving real sector stability. This input in the national GDP even strengthened the industry's existence as a major provider of housing.

By the time a discernible transformation due to globalization can also be observed taking place in the socio-cultural sphere of the country. The advent of communication technology through the launching of cell phones, satellite TV, and internet services at public disposal had an enormous impact on the cultural values, customs and living pattern of Bangladeshi people. Ahmad (2004) noted that the high intensity of invasion of the household could be attributed to the global electronic media, particularly television. The response towards technological revolution was changing not only the thought process but also the living systems, consumption patterns, and even the very nature of such human desires as love and sexuality (Rahman, 2014). This cultural hybridization started from the 90s, and within a couple of years, a perceptible change was evident in people's way of living. Behavioral pattern and lifestyles in Bangladesh got a new form influenced by Western culture. The reflection of invading Western cultural values and practices could also be observed in the family structure where the emergence of the nuclear family was gradually outnumbering the traditional extended and joint family. Most of these nuclear families (parents and one or two children) prefer to dwell in flats with two or three rooms. From the field survey 2014 nearly half of the apartments built by the developers in the case study areas were found to be between 1,000 to 1,600 square feet which are ideal habitats for the emerging urban nuclear families. Besides economic condition, this socio-cultural transition also worked as an influential factor that made urbanites of Dhaka particularly the higher middle and higher income group to adopt apartment culture quickly. On the other hand, only 2% of the residential apartments provided by the private sector is less than 700 square feet, which indicates that the real estate sector has not reasonably been able to address the low-income dwellings.

Nevertheless, the apartment culture soon gained popularity within the affluent class for various reasons. Firstly, as mentioned earlier in this section, the prevailing subdivision law of land promoted the new generation of property owners to opt for apartment construction which ensured them both shelter and a steady source of income. Secondly, the hike in land price and the cumbersome process of construction caused most people to shift their interest towards preferring apartments. Thirdly, the redevelopment activities of the existing planned residential areas offered opportunities for the middle and higher middle-income

group of the old city core as well as other parts of the city to relocate into these high-class residential areas with better facilities and connectivity in pursuit of improved lifestyle choices and status. Lastly, the declining microeconomic condition along with the inclination towards westernized lifestyle worked as catalysts in changing people's preference from detached low rise dwelling to high rise apartment. Furthermore the visual appeal and living standard of the ready to use flats as well as the security and facilities offered in vertical habitats played a central role in the popularity of apartment culture. Moreover, the issue of safety and security of apartments is another factor for preference since it has been obligatory for an apartment building community to have a management consisting of the apartment owners responsible for the overall building. All these reasons have been shaping the apartment buyers' decisions and preferences. Again the significant number of absentee property owners, i.e., the wage earners in the Middle East and other foreign countries are also the potential buyers as well as investors and therefore a major contributing factor towards the increasing demand for apartments during this period.

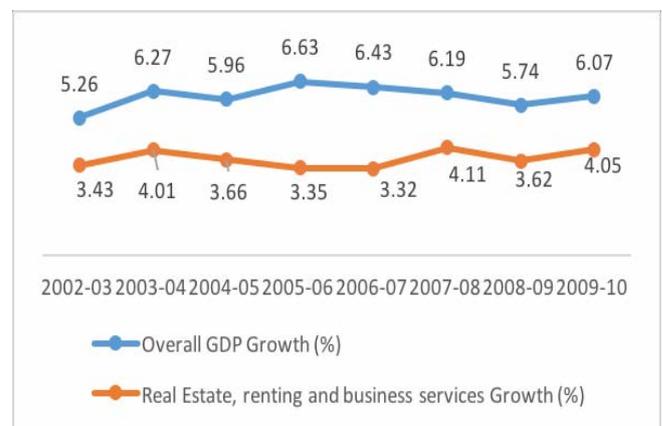
Hence three main factors namely, the lack of local planning guidance due to incomplete Master Plan Package (DMDP 1995), the lack of environmental consideration in BCR 1996 and the socio-cultural transition towards western values and lifestyle can be considered responsible for the densification that occurred in the residential areas during this period.

#### c) *Development Perspective under Mohanagar Imarat Nirman Bidhimala (MINB) 2008*

The arbitrary requirements of the BCR 1996 rules mostly framed by non-professional bureaucrats were not thoroughly researched about developing a desired physical and climatic environment. Accompanied by a weak implementation process, such inconsiderate rules could neither control unplanned growth and violations nor give any direction towards the planned development of a burgeoning city. On the contrary, these set of regulations contributed in cultivating corruption, deteriorating the environment, enticing illegal construction, destroying neighborhood harmony, wasting space and resources, and endangering lives. Therefore the urge for an appropriate and modern rule was developing in the backdrop of some building accidents in the 1990s. The authority, though alarmed, could not overcome red tape and mindset to enact new rules and improve the enforcement procedures (Rahman, 2011). Meanwhile as a response to the increasing demand for housing and shelter the real estate business kept on flourishing with an increased number of apartment builders appearing in the market. The sector showed a tremendous boost during 2004-06 which indicates the intensity of market

driven densification (REHAB, 2007). Therefore by the first half of the new millennium, the bulge of unguided building activity regulated only by BCR 1996 rules and carried out by the Market-led densification left the residential areas of Dhaka mostly packed with six storied multistoried buildings which brought widespread environmental consequences as well as urban crises.

Realizing the environmental hazards and increasingly declining livability of the residential areas the Capital Development Authority (RAJUK) once again tried to control the development through preparing a new set of Building Construction Rules (BCR) known as Mohanagar Imarat Nirman Bidhimala (MINB) with the aim of a greater interest, i.e., sustainability of the city rather than benefits of individual plot owners. After several reviews, the new Rule received gazette notification on 12 April 2006, which became mandatory for all concerned. However, this was not made operative until February 2007 while the BCR 1996 continued functioning. In the confusing situation with two parallel rules, vested quarters took advantage of the older by-law supposed to be abandoned due to shortcomings mentioned above. Moreover, some of the provisions conflicted with those in the Bangladesh National Building Code (BNBC) that was made mandatory in November 2006. Thus two more essential revisions of MINB were adopted subsequently as the 2007 and 2008 Rules respectively. With the abolishment of previous height restriction MINB 2008 introduced the FAR which would determine the height of the building in relation to the road width and plot size. The rule is applicable to all the areas of the Metropolitan Dhaka irrespective of any density limit. Hence, MINB 2008 paved the way for vertical expansion which initiated the emerging trend of building high rise buildings more than six stories. So from 2008 onwards, a new generation of high-rise buildings both residential and commercial started invading the horizon of the residential areas of Dhaka.



Source: REHAB, 2012

Chart 1.3: Comparison between real estate and GDP Growth

Though the national, urban and Dhaka population have been growing with declining rates, Dhaka metro went through an upward curve during the latter half of the last inter-census period of 2001-2011. There was a sharp increase in in-migration during this time after 2005 (BBS 2011). In the phase of 2006-08, due to the changed socio-political scenario all sectors of the economy, including real estate, showed declining trends during this time. Many novice realtors ceased doing business. After this situation ended, the economy took off again. People resumed investing, and the real estate sector experienced a boom during 2009-11. But this boost was unlike the previous one of 2004-06 and did not last long (REHAB, 2010). Despite the fluctuations, the real estate sector made significant progress during 2005-2010. In fact, the real estate renting and business services have expanded every year from 2001-2010 due to sustained macroeconomic stability. The Chart 1.3 shows the comparison between overall GDP (Gross Domestic Product) growth and growth of Real estate, renting and business services. This period witnessed an increase in the price of the properties which boomed the real estate profit. By 2010 more than 1500 companies were active in the real estate sector with 1081 of them registered with REHAB (Seraj, 2012). Apart from the corporate ones, there are also many other companies/individuals engaged in such development in smaller scale and selling apartments to friends and relatives only which is mostly an Old Dhaka based practice.

The land price increased in this period for a number of reasons. Government could not provide adequate infrastructure and facilities to the newly proposed sites of development in Dhaka due to the lack

of financial support and visionary planning. Consequently, growth was concentrated in the existing residential areas. As the government had no control on the land market, the developers' led concentric nature of growth within the existing residential areas contributed to the price hike of land. Another potential reason responsible for the increase of land price is the land use conversion of residential plots to commercial use which was frequently taking place in the existing residential areas. There is sufficient evidence to support the linkage between land use regulation and housing affordability. Two recent Harvard University studies showed that land use conversion increased average housing prices between 1.3 and 4.7%, depending on the intensity of land use regulations in a county (Cho, Wu, and Boggess, 2003). The price of land increased in areas like Dhanmondi, Banani, Gulshan after independence due to the above mentioned factors. Despite low-level developers' activity in old Dhaka in the early 80s the land price of old Dhaka remained considerably high for its importance as a commercial hub which always played a significant role in the regional and national economy (Islam et al, 2007). The price of the apartments escalated as a result of the rise in land price and associated building products. The price hike continued up to 2011 with prices of TK 30000/sqft in locations like Dhanmondi, Banani, and Gulshan. The per capita income has shown a rising trend since 2009, and it is higher than the trend in 2002. The growth rate of Real Estate, Renting and Business service sector has increased over the 2002-2010 period. However, compared to overall GDP growth, this sector expanded at a slower rate, which explains the downward trend in real estate as a percentage of overall GDP.



*Source: Sheltech Survey, 2014*

*Chart 1.4: Land price trends of Dhaka*

In the last four decades, private developers have delivered more than an estimate 100000 units of apartments to the nation with an average of 9000 units each year (Sheltech, 2011). According to Bangladesh Bureau of Statistics, the construction sector accounted for a record 9.1% of GDP (Gross Domestic Product) in fiscal year 2012/13. But as the development activity carried out by the private sector was by and large unguided, it contributed to uncontrolled densification of the residential areas leading to a host of environmental consequences. On the other hand, it escalated the land

price which peaked in 2011 forming an asset bubble that had a direct impact on the apartment price. Again the crash of the stock market had repercussion on the housing market as the affordability of the people suffered severely. This financial crisis along with the political unrest in late 2013 dented the country's economic outlook, leading to lower consumer and investor confidence. All these factors melt down the flourishing business of the real estate. More and more apartments remained vacant with real estate facing a bank loan of 4212 crores. Apart from the overall

economic condition, the real estate companies could not get bank loans in a reasonable margin for real estate projects. As the asset bubble behaves in a symmetrical fashion in respect to time and price its reflection could be observed from the beginning of 2014 when the

apartment prices started falling. To bounce back the real estate sector in business, the government declared that people who have undeclared money can now invest in property to legalize it.

Average Apartment Price in Dhaka (USD per Square Meter)



Source: Sheltech Survey, 2014

Chart 1.5: Upward trend of apartment prices in Dhaka (2003 - 2013)

Despite the political unrest that occurred in late 2013, Bangladesh emerged as the second favored investment destination in South Asia after India. The US Government's 2013 investment climate statement for Bangladesh notes that the country presents promising business opportunities because it offers a "highly competitive labor force, an entrepreneurial business community and a resilient and steadily growing economy." The country was found different in projecting 7 percent growth for the FYP 2016 even with the lowest fiscal capacity. 2014 was an interesting time for real estate market. A renewed consumer interest seemed stemming as a lot of people tried to take advantage of the low price property market situation and made more purchases than the preceding year. The country's economic development and rising standard of living was the key drivers of this change, according to property agents surveyed by Lamudi Real Estate online service. Top three chief influences on the investment environment were 71% economic development, 36% rising standard of living and 32% infrastructure development. In the property market, while apartment remains the most commonly searched estate, there was an overall growth in search for all properties across the year of 2014.

In 2015, Bangladesh became the 4th fastest growing economy in South Asia, down one position compared to 2014 due to political uncertainty and unfriendly business policies. The growth of customer pessimism had strengthened where Dhaka had 20,000 apartments ready for sale, compared to 13,000 unsold ones in 2013-14. Developers have been forced to reduce prices by 11 percent and land prices by 14.2 percent to entice customers. In contrast to only 17% rent requests for rent in 2014, the figures drastically became a 60-40 split between buying and renting in 2015 in the real estate market. Even though apartments are 26.92% cheaper than their peak in 2012 Dhaka remains the

most expensive place to buy or rent property across the country. Though the demand for housing prevails, the bulk of unsold apartments of the real estate developers indicate that these luxurious high rise buildings are not built to address the overall shortage but to serve their ends which is profit maximization. This implies that the densification of the existing residential areas that gained momentum from the 90s was basically a market-led densification rather than a demand led. Since motivation behind the private sector's housing is profit maximization they are the least concerned about the negative impacts which the unguided densification exerts on neighborhood livability and sustainability of the city as a whole. Though the contribution of real estate developers in the supply of housing is quite significant this accounts for just 30% of the urban population comprising of the well-off class. The vast majority of the urban population belonging to low-income class still cannot afford a decent home and environment for living. Clearly, a political intervention has been long overdue to strike a balance between the two ends to serve the public interest. However, government had already taken some steps to rectify the situation by unlocking the liquidity in the banks formed by the asset bubble. The real estate sector is in a very precarious position in the current year (2016) given the difficult period it went through the year before. The pace of slow and steady growth hampered by the political unrest of January 2016, significantly slowed down the whole economic engine of the nation.

The government in a measure to boost sales had halved VAT on small flats by 1.5% making them more affordable to middle-income families and on large size apartments increased by 50% to 4.5%. Additionally, there has been an increase in the Housing loan ceiling from Tk. 10 million to Tk. 12 million to support customers against rising construction costs. To decongest the residential areas the government has also taken an

initiative to evict all the illegal commercial setups from the existing residential settlements. Though the eviction strategy is subjected to controversy and requires more insight but the effort is praise worthy. All these measures seem to have positive effects on people's growing confidence and interest in buying apartments which were reflected on the leading real estate online portal of Lamudi website thorough a increase in the percentage of property searchers in 2016 than in May 2016. According to Lamudi on-site data the most searched site is Mirpur, Dhaka, 29% of the property seekers are finding house in Mirpur area in 2016. Uttara is standing in second position as 25% of property hunters are searching property in this area which is due to the better connectivity and reasonably affordable property price and rental structure of these two areas. The scenario was almost similar for first two places in 2014, where Mirpur and Uttara were in first and second place consecutively. With technological advancement through internet availability and government intervention as regulator, the real estate sector can be utilized in developing residential areas to the benefit of both customers and developers.

### III. CONCLUSION

The above discussion has presented an insight into the socio-economic and political factors working as the driving forces in the development and densification of residential areas of Dhaka. Together it has also pointed out the potential of the population window which if harnessed through thoughtful densification strategy can bring economic prosperity and sustainability of the city as well as the country itself.

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