Future of Real Estate Business (Ready-made Flat) in Khulna City

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Abstract- Real estate is a fast growing industry in Bangladesh. Earlier this business was concentrated in Dhaka, the capital of Bangladesh. Later on, it spreads in various major cities of the country. The present study has paid efforts to explore the future of real estate business in Khulna, a major divisional city of Bangladesh. A structured questionnaire was used to collect data from Khulna city area. Respondents were selected carefully considering their potentiality to be a flat or house owner in this city. The study has identified income of potential buyers, land price, hassle of buying a flat, developers' performance and their trustworthiness, and availably of land will determine the future of real estate business in Khulna region. Consumers' income has been found statistically significant.

I. INTRODUCTION

Real estate is one of the potential industries in Bangladesh. The current trend of urban growth in Bangladesh is very high. Urbanization is an outcome of both population growth and migration. As urbanization increases, more and more people are becoming city dwellers (Karim and Islam, 2004). Substantial growth of population and shrinkage of land in urban areas cause severe problem for the middle, upper-middle and in many cases for upper class people to find a suitable place and construct their own house. These in turn make the real estate sector very lucrative. The current trend of urban growth in Bangladesh is about 5-6% per annum. At present 28% of Bangladesh's population live in urban areas, which will be 34% by the year 2025 (REHAB, 2003). The present estimated population of Khulna is 1.2 million and estimated growth rate is 3.8% per annum (USAID, 1999). The ever increasing urban population is creating continuous demand for shelter. The real estate developers are playing the vital role regardless of high and middle-income people since the past two decades in providing the housing provision in Bangladesh. Khulna is a third largest industrial city in Bangladesh. Day by day, it is improving in many sectors like education, industry, profession etc. Khulna City as a divisional headquarters is suffering a moderate pressure of migrated people. In 1998, about 48.45 percent of the total population was migrants. Most of the people (47.80%) migrate to the city for employment purpose (KDA, 1998). For these reasons many people are migrating from different areas of Bangladesh to Khulna (Karim and Islam, 2004). Besides this, population growth is also high in Khulna City. So, very recently, people of Khulna as well as migrated people from other areas are facing housing scarcity. This paper attempted to observe the perception of the prospective customers toward real estate business and developers whether they will accept the real estate service or will construct house by own along with the probable reason behind their perception. Khulna City is a prospective city for real estate business for its own charm and industrial status. So, this study has investigated some potential factors to identify which will be dominant in this sector in future according to the perceptions of customers.

II. LITERATURE REVIEW

Real estate or immovable property is a legal term that encompasses land along with anything permanently affixed to the land, such as buildings. Real Estate refers to the physical property, technically defined as land and its attachments (Jacobus & Harwood, 1990). Real estate development, or Property Development, is a multifaceted business, encompassing activities that range from the renovation and release of existing buildings to the purchase of raw land and the sale of improved land or parcels to others. Developers are the coordinators of the activities, converting ideas on paper into real property (Frej and Peiser, 2003). As the time passes, real estate sector is becoming healthier since the substantial growth of population is creating a tremendous housing problem and due to the increase in demand of commercial spaces this sector has become prominent (Seiler, 1999). This sector provides an integrated and planned package to resolve these problems.

Real estate is one of the newest sectors in Bangladesh particularly outside the capital city Dhaka where this business started in 1970. Recently this area has got attention due to the increasing extent of urbanization. In Bangladesh 25 per cent of the population (some 35 million people) now live in urban areas; this proportion will be 34 per cent (75 million) by the year 2015 (Karim and Islam, 2004). Urbanization is an outcome of both population growth and rural-urban migration. As urbanization increases, more and more people are becoming city dwellers. The density of the residential and commercial land uses have increased more rapidly than any other land uses (Islam, 2002) and thus aggravate this situation.

In Bangladesh, the problem of urbanization is further aggravated by limited land supply in urban areas, lower land utilization and lack of proper planning and land use policy. As globalization increases, the process of urbanization increases. The ever increasing urban population is creating an increasing demand for shelter. The UN declaration and the constitution of Bangladesh recognize the right of shelter (REHAB, 2003).

The real estate developers are playing the vital role regardless of high, middle, and low-income people since the past two decades in providing the housing provision. The housing condition of the urban area in Bangladesh, in general is quite unimpressive. In all metropolitan cities, there is acute shortage of housing supply and backlog in continually on the increase. Inadequate supply of dwelling units for middle and low income people and high rental value are among the most severe challenges affecting urban living in Khulna (Karim and Islam, 2004). Total area of the Khulna city is 42.04 sq. km. with 150000 households (Karim and Islam, 2004).The population of the city is increasing. Khulna Metropolitan area shows relatively higher level of urbanization, far above the national average. Rapid urbanization in Khulna city especially Jessore-Khulna-Mongla Corridor can be attributed to good accessibility, road-rail network, and commercial industrial activities (Karim and Islam, 2004).

The reasons behind flourishing the private real estate business in this area are infrastructural development, regional economic interaction, land elevation, proximity to the Central Business District (CBD), good communication, availability of various services and existence of better education facilities (Karim and Islam, 2004). There are some private real estate developers in Khulna City who has developed more than 30 individual housing projects outside the City Corporation area (Karim and Islam, 2004).

Besides, scarcity of land and its value is rising day by day. With the increment of the land value, the house rent also increases and the lower income groups are shifting their residences and higher income groups are gathering in these areas by creating tremendous pressure on the existing urban housing stock and urbanization process (Karim & Islam, 2004). In this backdrop, responsibility of real estate developers is to establish private residential areas inside and outside of Khulna city adopting the master plan of KDA and meeting up the new housing demand for all classes of people of the city (Hossain, 2000).

III. METHODOLOGY

Survey technique was administered on potential customers to identify their perception. Judgment sampling technique were used as the list of middle and upper-class people who seem to be the prospective buyers of ready-made flat were not available. 100 respondents were selected from high professionals or high income for collecting primary data. A structured questionnaire were prepared and used for collecting data which were developed by using some parameters. The parameters used to evaluate the

scenario are cost of land, the scarcity of suitable land for new house, perception toward developers, the hassle for constructing new house, and the future trend of real estate business. 5 point likert scale was applied to measure potential customers' perception regarding real estate developers. Some questions were dichotomous in questionnaire. There were some check-list type questions where respondents had to put tick mark on more than one options.

Several variables were selected to predict the future of real estate business in Khulna city. These are income of respondents, their monthly expenditure, hassle of construction, hassle of buying flat, developer performance and trustworthiness, suitability of land, land price. These variables were finalized after interviewing several mid-level management personnel working in the marketing and sales departments of real estate business organizations in Bangladesh. Binary Logistic Regression model and descriptive tools with help of SPSS was applied for analyzing of data.

IV. ANALYSIS& DISSCUSION

Table 1: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	29.066	8	.000
	Block	29.066	8	.000
	Model	29.066	8	.000

This model is statistically significant because p value is less than .05.

Table 2 : Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	98.678[a]	.257	.352
a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.			

Table 2 represents the 'pseudo statistics' which indicates that independent variables explain 25.7% variations in dependent variables in this model.

Table 3: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	11.685	8	.166

Table 3 displays the goodness-of-fit of the model. The chi-square value is not significant that indicates that the model fits the data well.

Table 4: Classification Table

			Predicted		
	Observed		Kind of establishment		Percentage Correct
			House	Flat	
Step 1	Kind of establishment	House	22	13	62.9
		Flat	9	54	85.7
	Overall Percentage				77.6
a. The cut value is .500					

From table 4, we conclude that
   a. 63% of all respondents who prefer house are correctly classified correctly, and 37% are incorrectly classified.
   b. 86 % of respondents who have preference of flat are classified correctly, and 14% are incorrectly classified.
   c. The overall correct percentage is 77.6 % which represents the explanatory strengths of this model.

Table 5 : Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)	95.0% C.I.for EXP(B)	
							Lower	Upper
Step 1[a] Income	1.278	.438	8.502	1	.004	3.590	1.520	8.475
Land Price	.426	.347	1.507	1	.220	1.531	.776	3.022
Hassle of Buying	-.432	.409	1.118	1	.290	.649	.291	1.447
Hassle of Construction	.241	.332	.527	1	.468	1.273	.663	2.442
Developer Performance	.242	.336	.516	1	.473	1.273	.658	2.462
Trustworthiness	.184	.381	.233	1	.630	1.202	.570	2.534
Expenditure	-1.403	.679	4.270	1	.039	.246	.065	.930
Land Availability	.524	.381	1.892	1	.169	1.689	.800	3.566
Constant	-4.722	2.139	4.875	1	.027	.009		

a. Variable(s) entered on step 1: Income, land price, hassle of buying, hassle of construction, developer performance, trustworthiness, expenditure, land availability.

Table 5 represents the stepwise binary logistic regression results. The variable whose odds ratio is more than one (1) increases likelihood of occurring in practical situation. The results show that income of potential buyers, land price, hassle of buying a flat, developers' performance and their trustworthiness, and availably of land have odds ratio more than one. It can be concluded that they are the determinants of real estate business in Khulna region. But only one variable is statistically significant which income is. Income is positively related with flat preference that indicates demand of flat will rise along with increasing the level of income.

Table 6: Cross tabulation of age and kind of establishment

Age	Kind of establishment				Total
	House	%	Flat	%	
Below 30	15	**58**	11	42	26
30 – 40 years	11	26	32	**74**	43
40 – 50 years	05	23	16	**77**	21
50 – 60 years	04	44	05	56	09
Above 60 years	0	00	01	100	01

Total	35	65	100

Source: Field survey 2011

Table 6 shows that maximum numbers of respondents were aged between 30 to 50 that covered 90% of the total. It reveals that only those aged below 30 have more preference for constructing houses whereas those aged 30 to 50 have more preference for purchasing flats.

Table 7: Cross tabulation of education and kind of establishment

Education	Kind of establishment				Total
	House	%	Flat	%	
SSC/Equivalent	04	**66**	02	34	06
Graduation	23	41	33	49	56
Post Graduation	08	11	30	89	38
Total	35		65		100

Source: Field survey 2011

Table 7 displays that preference of purchasing flat increases along with the increase of level of education. People with graduation and post graduation degrees show interests in purchasing flat instead of constructing houses although people with SSC or equivalent degree prefer house.

Table 8: Cross tabulation of occupation and kind of establishment

Occupation	Kind of establishment				Total
	House	%	Flat	%	
Businessman	14	50	14	50	28
Government Job	7	39	12	61	19
Private Job	9	22	31	78	40
Foreign Organization Job	1	20	4	80	05
Doctor	1	25	3	75	04
Engineer	0	00	1	100	01
Other	3	100	0	00	03
Total	35		65		100

Source: Field survey 2011

Table 8 shows that people engaged in private job, government job, and foreign organizations have shown high preference for purchasing flat. On the contrary, those who are involved with business have equal preference for house and flat.

Table 9: Respondents preference for flat vs. house

Choice	Frequency	Percent	Cumulative Percent
Flat	97	97.0	97.0
House	3	3.0	100.0
	100	100.0	

Source: Field survey 2011

V. CONCLUSION

This study has identified several factors dominant in deciding flat. These are income of, land price, hassle of buying a flat, developers' performance and their trustworthiness, and availably of land. People aged in between 30 to 50 have high preference for flat. Educated people particularly with graduation and post graduation degrees opt for flat. People involved in private jobs, government jobs, and foreign organizations have shown high interest for flats.

The study also shows 97 percent respondents opined that they will go for flat in future. This statement indicates the high potentiality of real estate business in Khulna City. But still people are not satisfied with the overall performance of developer. They expect the developers to be more reliable and trustworthy. The most dominant force of this business will be income level of people. Besides, price and availability of land, developer performance has a substantial influence in choosing flat instead of constructing a house.

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