

Internship report
On
“Present Scenario of
Fair Face Holdings Ltd.
(In the Context of Real Estate Sector of BD)”



Present Scenario of Fair Face Holdings Ltd

(In the Context of Real Estate Sector of BD)

Prepared For

S.M.Arifuzzaman

Asst.Professor

BRAC Business School

Prepared By

SabitRahmanTanim

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LETTER OF TRANSMITTAL

27 January 2015

S.M.Arifuzzaman

Asst.Professor

BRAC Business School

BRAC University

Sub: Submission of Internship Report.

Dear Sir,

I am highly pleased to submit my report on **“Present Scenario of Fair Face Holdings Ltd. (In the Context of Real Estate Sector of BD)”**. In preparing this report I have tried my level best to accumulate relevant information from all the available sources. This report attempts to describe my observations and learning during the internship period.

I am very much glad that you have given me the opportunity to prepare this report for you and hope that this report will meet the standards of your judgment. Any limitations in this report will subject to your kind of full consideration.

Thank you very much for your kind co-operation.

Sincerely yours,

.

.....

SabitRahmanTanim

ID: 12264021

Acknowledgement

First of all I would like to express our deepest gratitude to Supreme Lord for giving me the strength and devotion to finish the work within the scheduled time. In writing this internship report, I have collect different materials from a variety of sources and parties. So I have an intellectual debt to various authors whose ideas and contribution have shaped my thinking on this report.

After that I would like to acknowledge sincerely S.M.Arifuzzaman, Assistant Professor, BRAC University, for providing me all sincere guidance, patient cooperation and valuable suggestions to create this internship report and reach to the successful completion of the internship programs.

I am indebted to the Managing Director of Fair Face Holdings Limited, Engr. Nur-Alom Shaikh, and I am extremely grateful to Md. Moniruzzaman Mithu, Assistant Manager and also I would like to thank to all of the employees of Fair Face Holdings Limited who have directly or indirectly helped to complete my internship program.

Finally, my sincere gratitude goes to my family and friends for supporting me and gives me the moral support during the preparation of this report.

Executive Summary

The real estate sector is the growth center for the development of an economy. Bangladesh, being one of the densely populated nations in the world, has been experiencing severe of houses shortage for its citizens. Although majority of the population is segmented into the middle and the low income groups, still housing for all has been a fallacy in Bangladesh. The gap between demand and supply is still joy wide. Despite inadequate policy preparations, these real estate developers have been successfully making business although the middle and the low income households are still untapped.

Fair Face Holdings Ltd. was established in the year 2005 with REHAB membership, and is now the promising and pioneering company in the real estate of Bangladesh. As an intern I got the chance to attach at FFHL for 12 weeks. The internship is a way to relate practical knowledge with the theoretical knowledge. In this report I discuss and analysis the real estate industry and FFHL separately. Also I identify some internal and external factors that influence this sector and also the organization.

However, to pave the way for the organic development of the industry, the problem of long existent inadequate financing availability at lower burden of terms and costs must have to be removed immediately, and wider scope has to be created for Non-Resident Bangladeshis. With many other issues, this study attempts to identify the current status of the private housing real estate in Bangladesh, presents deeper insights of the critical factors for increasing its coverage, and thus finally recommends some immediate measures which will be helpful for both the organization and the industry also.

Table of Contents

<i>Chapter</i>	<i>Topics</i>	<i>Page</i>
List of Contents	Title Fly	I
	Cover Page	II
	Letter of Transmittal	III
	Acknowledgement	IV
	Executive Summary	V
	Table of Contents	VI
One: Introductory Part	1.1 Introduction&Background	8
	1.2 Objectives of the Study	9
	1.3 Methodology	9
	1.4 Significance of the study	10
	1.5 Scope of the Study	10
	1.6 Limitations of the Study	10
Two: Overview of the Industry & Organization Individual Securities	2.1 Real Estate IndustryProfile:	12-14
	2.1.1 Earlier Period of Real Estate Industry	12
	2.1.2 Present scenario of Real estate Industry:	12
	2.1.3 Major Players	13
	2.1.4 Regulatory Environment	14
	2.2 Company Profile:	15-19
	2.2.1 Overview of Fair Face Holdings Ltd	15
	2.2.2 Company Vision,Mission,Objectives, Slogan and Structure	16
	2.2.3 Products & Services of FFHL	18
	2.2.4 Major Functional Areas of FFHL	18
2.2.5 Project Status of FFHL	19	
Three: Industry & Company Analysis	3.1 Industry Situation Analysis:	21-22
	3.1.1 Demand Analysis	21
	3.1.2 Demand Analysis	21
	3.2 Company Situation Analysis:	22-30
	3.2.1 An Overview on Company Situation	22
	3.2.2 External Environment Analysis	23-27
3.2.3Internal Environment Analysis	28-30	
Four: Prospects and Challenges	5.1 Prospects in Bangladesh	32-35
	5.2 Challenges in Bangladesh	35-38
	5.3 Findings of the Study	38
Five: Recommendations and Conclusion	5.1 Recommendations	40
	5.2 Conclusion	41
	5.3 References	42

Chapter: 1
Introductory Part

1.0 Introduction & Background:

The real estate sector is one of the fastest growing and thrusting sectors in Bangladesh. Infrastructural development is highly important for a country to rise as a developed nation and to ensure housing facilities for the citizens of the country.

Acknowledging the importance of housing, which is one of the five basic needs incorporated in the constitution of Bangladesh, the government is compelled constitutionally to play a vital role in securing housing rights. The constitution of the People's Republic of Bangladesh states in Articles 15(a) that "It shall be a fundamental responsibility of the State to attain, through planned economic growth, a constant increase of productive forces and a steady improvement in the material and cultural standard of living of the people, with a view to securing to its citizens- "The provision of the basic necessities of life, including food, clothing, shelter, education and medical care"

From the above statement it is quite clear that providing shelter to all the people is one of the fundamental responsibilities of state. But being a government of a poor developing country, it is almost impossible for the government to ensure housing for all. By realizing this situation, they decided to share the task of providing safe decent places to live with Real Estate Developers.

Statistics show that Bangladesh will need to construct approximately 4 million new houses annually over the next twenty years to meet the future demand of housing. Estimates for annual requirements for housing in urban areas vary from 0.3 to 0.55 million units. In Bangladesh, 25 percent of the population (some 35 million people) now lives in urban areas; this proportion will be 34 percent (75 million) by 2015. Dhaka with a total population of more than 15 million is now the 22nd largest city in the world.

In that situation, Fair Face Holdings Ltd. was established in the year 2005 with REHAB membership. After establishing, the company has successfully come up to the present through meticulous management and effective client satisfaction and is now the promising and pioneering company in the real estate of Bangladesh.

1.1 Objectives of the Study:

Broad Objectives: The broad objectives of the report are:

1. To analyze the current position and performance of Fair Face Holdings Ltd.
2. To analyze the industry of real estate in Bangladesh.

The **specific objectives** of the study are to:

1. Measure the demand and supply of the real estate industry in our market.
2. Highlight the positive notion of real estate industry in our market.
3. Identify the challenges that are faced by Fair Face Holdings Ltd.
4. Examine the strong and weak points of Fair Face Holdings Ltd.
5. Understand the external environmental factors that influence the real estate business.

1.2 Methodology:

An experimental research has been conducted in preparing this paper. Pure basic research approach has been used along with this where theoretical and practical studies have been incorporated. Data have been collected through face-to-face and telephone interview. Questionnaire has been used in gathering primary information from real estate participants. Information has been used from different secondary sources – internet, Newspapers, annual reports, online and printed articles, journals and previous research papers on real estate sector. Opinions have been collected from experts and participants in the real estate sector, which have been very useful in analyzing the data and information and to reach a conclusion. Numerical data have been analyzed and interpreted with concentration and relation to the main issue. Theoretical analysis along with numerical evidence has been used to validate the findings of the study. The analysis has been presented first and then findings have been drawn.

1.2 Significance of the study:

The significance of this study is dual. From an internee's perspective this study gave me the opportunity to apply my knowledge earned in last 2 years education. From the company's point of view this study will help them to look at some problems from a very different perspective which is from the view-point of a person not from the company. This study may help them to evaluate their strategies and policies according to customer satisfaction and renovate their strategies and policies which may help them to achieve their goals.

1.4 Scope of the Study:

This report covers Organizational and Industrial Overview, Management and Organizational Structure and major functional areas, Products and Services performed by FFHL. It also covers the present situation of real estate industry and FFHL, prospects and challenges of FFHL, analysis external and internal environment of FFHL.

1.5 Limitations of the Study:

Though, I got whole-hearted co-operation from employees of Fair Face Holdings Ltd but during the internship program I have faced a lot of problems to complete the report. In fact, in the short time it is not possible for me to know everything about the total sector.

Problems that I have faced for this report purpose are:

- I did not get up to date information about the sector.
- Most of the developers did not provide me all information that is needed for my study.
- In some cases wrong information is also provided by the developers.
- Time constraint is one of the major obstacles of finishing the project in a limited time.
- Some of the data and information are highly confidential for any company. For this reason, it could not disclose for obvious reasons, which could be very much useful.

Chapter: 2

Overview of the Industry & Organization

2.1 Real Estate Industry Profile:

2.1.1 Earlier Period of Real Estate Industry:

Real estate business especially apartment projects has started in seventies in Dhaka City. But from early '80s the business started to grow and flourish. At present, about 1500 companies are active in business. But still 95% business is dominated by of top 15/20 Companies. Presently this market is growing at the rate 15% per year.

- The concept of real estate construction business is introduced in Bangladesh by 'Eastern Housing Ltd.(EHL). During 1964, EHL started the real estate business at Bangladesh (former East Pakistan).
- The second company in Bangladesh (former East Pakistan) real estate industry was Ispahani Group, which is one of the oldest business houses in the Indo-Pakistan sub-Continent, established 200 years ago. But in present they have no more operation activities in Bangladesh real estate industry.
- During 70s there were 5 real estate companies had operated this business. From the early 80s the business has started to flourish and in early 90s in reached at one of the highest growing sector in Bangladesh. In 1988, there were 42 real estate developers worked at Dhaka city.
- At that time the leading real estate companies felt the necessity of forming a trade association to strengthen the role of the real estate industry & ensure the ethical practice in construction. 'Building Technology & Ideas Ltd' (BTI) took the leading step to establish the association of the real estate companies. In 1991, Real Estate & Housing Association of Bangladesh (REHAB) was formed with 11 members of real estate companies.

2.1.2 Present scenario of Real estate Industry:

- In 2010, the total member of REHAB is exactly 1081. But there is also many non-member of REHAB is continuing their real estate business. Around 500 non-registered real estate developers are doing business in this sector
- REHAB members companies have delivered around 9000-10000 numbers of apartment units per year. In last 20 years, the real estate companies delivered approximately 100,000 no. of apartment units. The current demand of apartment is 600,000 to 800,000 units all over the

country. Particularly in Dhaka this demand is estimated to be 60,000 units of real estate apartments combined with 200,000 units of replacement plus backlogs (REHAB, 2004).

- By REHAB estimation, the real estate industry have approximate turnover of 28 Billion taka per year. This industry provides government revenues of 2Billion taka per year. This industry's contribution to Bangladesh's GDP is around 12- 15% of the total GDP.
- Currently more than 2.5 million of skilled & unskilled direct physical labors are employee in this industry, this indicated that it have a great contribution over Bangladesh economy & employment.

- Direct employment by Real estate Industry –

Architects	:	500
Graduate Engineer	:	3,000
Diploma Engineer	:	10,000
Management Official	:	20,000
Direct Labor	:	2.5 million

[Source: REHAB, real estate sector at a glance]

2.1.3 Major Players:

By REHAB's judgment, though there are now more than 1000 real estate companies, but still more than 80% of total real estate business is dominated by the top 18 to 20 leading real estate companies.

In the recent period the leading real estate companies are –

- East West Property Development (Pvt.) Ltd.(A sister concern of Bashundhara Group)
- Building Technology & ideas ltd.(BTI)
- Navana Real Estate Ltd
- Concord Real Estate & Building Product ltd.
- Advanced Development Technologies Ltd.
- Bashati consortium ltd
- Sheltech(Pvt.) Ltd.
- Eastern Housing Ltd
- Sagufta City Developers Ltd.
- Suvastu Development Ltd.
- Asset development & housing Ltd.

- BRAC Concord lands limited
- RANGS Properties
- Mohammadi Housing ltd.

Also the other companies that are operating business successfully are Assurance Developments Limited, Rupayan Real Estate company, Urban Design & Development Ltd., Globe Construction Limited, ANZ Properties Limited, DOM-INNO Builders Ltd, Abode Properties ltd, Tropical Homes Ltd, Assort Housing & Engineering Ltd. Manama developments, Anna Corporation, Family Living Ltd, PrasaadNirmaan ltd, Agrani Apartment Ltd, Xenovalley Model Town Limited, Dhaka Shelter (Pvt) Ltd.,Shahjahan& Group, City Axis Ltd, Western Developers Ltd., Kashba Housing Private Ltd., United Pacific Builders Ltd., Century Reality ltd, Ideal Home Bulders Ltd, Borak Real Estate (Pvt) Ltd. Russell Lodge Holdings Ltd., Amin Mohammad Lands Development Ltd, ABC Real Estate Limited, Keri ltd., etc.

2.1.4 Regulatory Environment:

Before 2004 there were no mandatory building regulations or laws in Bangladesh. There is “Bangladesh National Building Construction Code 1993”, which is not mandatory and well enforced by the government. The government has taken initiative to make it mandatory. According to newspapers, many developers do not follow the codes, which put the customers in risk. In 2004 “Land Development Act for Private Residential Project 2004” has been passed which is mandatory and to be complied by the developers. Government amended The Building Construction Act of 1952 in February 2006. The Bangladesh National Building Code (BNBC) of 1993 came into effect on November 15, making it mandatory to comply with in any building construction under The Building Construction Act of 1952 and to ensure accountability in the management of overall building construction and safety of the buildings. Developers also have to comply with the Dhaka Metropolitan Building Rules of 2008 to ensure safe building constructions. To protect the interest and ensuring safe investment of the buyers, the Government of Bangladesh has designed the Real Estate Management Ordinance 2008 but it is yet to be approved by the Govt. or passed lay the Parliament.

2.2 Company Profile:

2.2.1 Overview of Fair Face Holdings Ltd.:

Fair Face Holdings Ltd. was established in the year 2005 with REHAB membership, and is now the promising and pioneering company in the real estate of Bangladesh. With the rapidly increasing demand for land and development for housing, Fair Face Holdings Ltd. started the development of land in various locations of Dhaka and sold over several apartments. Fair Face Holdings Ltd. has also played a pioneering role in the construction and selling apartments to a substantial number of city dwellers. During the past years, it has successfully completed a good number of apartments and also focusing on delivery land toward customers.

Since that time, (2005) the company has progressively consolidated its expertise in developing projects and has gained a high reputation in successfully completing its assignments. It is very serious in their commitment to hand-over its ready flats. Essentially, company manages and develops community and affordable housing for people on low to moderate incomes.

They provide clients with a range of housing options, from income-based community housing rental to shared-equity house purchases. Company characteristic is always to perform their task with the specialized workers (i.e. with the right man for the right job) all construction materials and equipment are procured with great care so as to ensure highest possible standard.

2.2.2 Company Vision, Mission, Objectives, Slogan and Structure:

a) Company Vision:

“To create some new look structures, comfortable living with competitive price.”

b) Company Mission:

“To safely and profitably serve our clients' construction needs while maintaining a reputation for quality, integrity and employee satisfaction.”

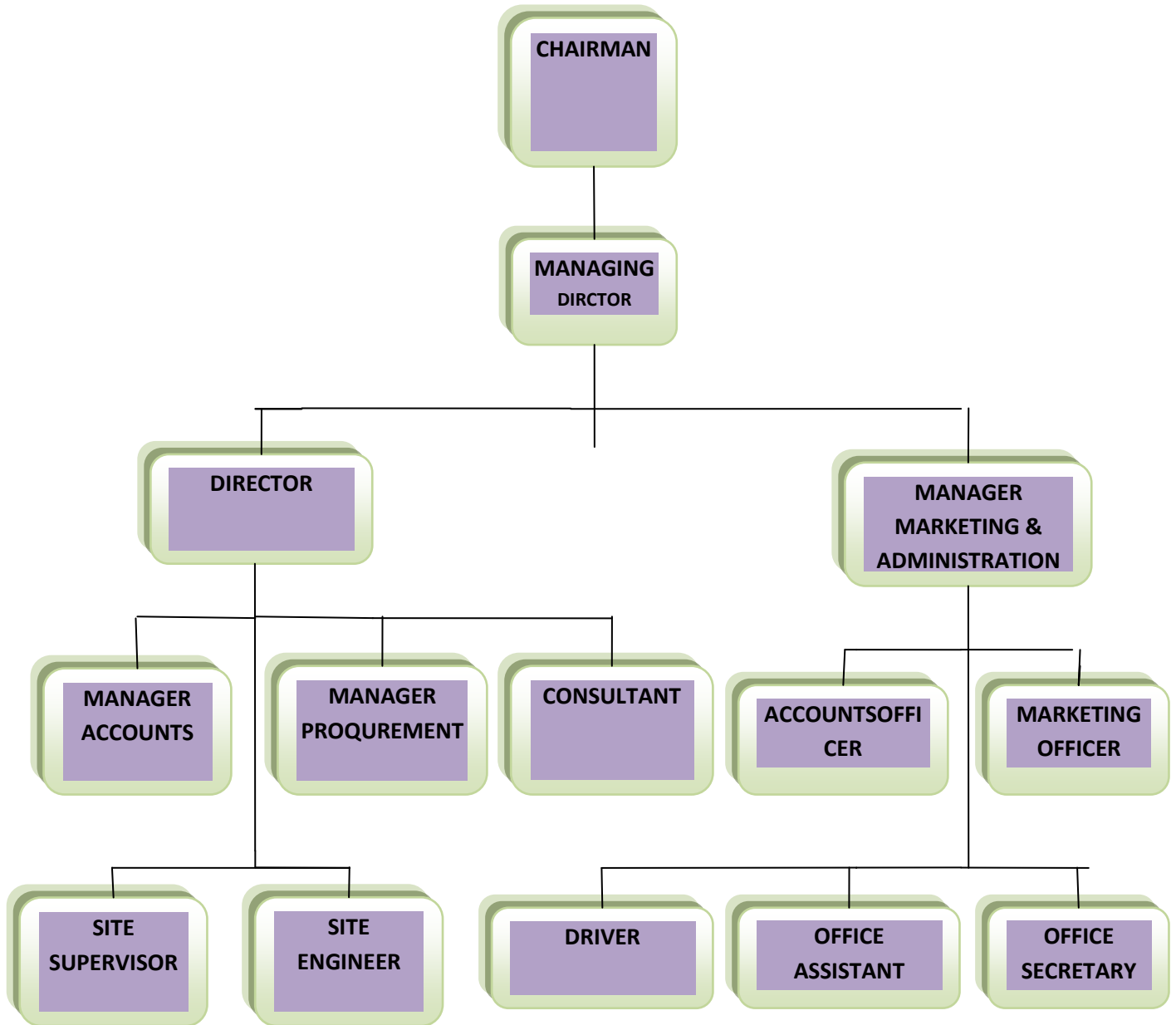
c) Company Objectives & Goals:

- To ensure equitable and fair access to affordable housing for people in very low, low and moderate income households.
- To provide cost effective and efficient housing management services.
- To provide high quality infrastructure and management services that meet client needs.
- To provide security of tenure to tenants meeting their tenancy obligations.
- To be managed prudently in order to become and remain financially self-sufficient in accordance with good commercial practice.
- To promote and seek to provide quality diverse living environments and housing forms that reflect cultural and community values, energy efficiency and ecological sustainability.
- Seek to provide affordable housing that is well positioned in terms of access to transportation and services.

d) Company Slogan:

.....Everything is fair

e) Company Structure:



2.2.3 Products & Services of FFHL:

The main products in the real estate sector in Bangladesh include 3 types – commercial units, residential units and a mix of the two. In the recent period the real estate developers have introduced a new diversified product that is Model Towns. FFHL mainly produces two types of units: - 1. Residential Units and 2. Commercial Units

Logically, the customers will demand some extra things with their real value investment. For that reason FFHL provides some extra services for their premium customers. Services for Luxury Apartment, Commercial Space & Hotel Suites:

- Payment Service
- Loans & Benefits
- Customer Service
- Site visit & Outdoor counseling services
- Maintenance Department
- Resale Opportunity
- Legal Advice

2.2.4 Major Functional Areas of FFHL:

Fair Face Holdings Ltd has several functional departments that are integrated to give the best output for the organization. Those departments are: land purchase department, finance & accounting, architect & engineering department, marketing & HR department. There are also some independent division which was running under managing director.

The departments are independent from any divisions. The names of 5 departments are:

- Administration Department
- Revenue Assurance and Fraud Management Department
- Information Department
- Internal Audit Department
- Legal and Compliance Department

2.2.5 Project Status of FFHL:

a) List of Handover Project:

SL	Name of the Project	Location	Size of Project Lands	Size of Buildings	Types (Com./Res.)	Project Cost	Project Started Year	Date of Handover
1	Ospray	BashundharaR/A	5 Kathas	6 Storied	Residential	2.2 Crores	2006	2012
2	Nahar Garden	South Badda	3 Kathas	7 Storied	Residential	2.8 Crores	2007	2014
3	Grasia	Mohammadpur	3.75 Kathas	6 Storied	Residential	2.3 Crores	2008	2014
4	Earthen Paragon	Uttara, Sector12	3 Kathas	7 Storied	Residential	2.4 Crores	2008	2013
5	Eden Paragon	Uttara, Sector11	3 Kathas	6 Storied	Residential	2.1 Crores	2009	2012
6	Dream Mergia	Uttara, Sector13	3 Kathas	7 Storied	Residential	2.3 Crores	2009	2014

b) List of Ongoing Project:

Name of the Project	Location	Size of Project Lands	Size of Buildings	Estimated Project Cost	Project Started Year	Present Status of the Project	Date of Handover
Feroja Palace	Uttara, Sector10	5 Kathas	8 Storied	5 Crores	2013	35%	2016

c) In Future Project:

FFHL has many empty lands in Gazipur and Cox's Bazar for future projects. They will use those lands mainly in commercial and residential projects basically in Cox's Bazar they had 125 kathas land near the Labuni Beach where they will start a commercial project in future. But due to ongoing unfavorable economic situation, slowness in sales and financial problem, FFHL is very much calculative and selective in choosing new projects. However, they are hopeful that, very soon they will be able to make an agreement for 2 or 3 projects at Uttara sector-10, sector-13 and Basundhara. FFHL believes in qualities and give emphasis on great life styles, facilities and location. Their aim is to provide a luxury and affordable life.

Chapter 3

Industry & Company Analysis

3.1 Industry Situation Analysis:

3.1.1 Demand Analysis:

Now in Bangladesh the demand for residential real estate unit is rapidly increasing. The current urbanization rate is 5-6% and 50% people will be living in the cities by 2025, according to experts. In the Dhaka City from 1991 to 2004 the urban population density has increased by about 79%. It was 4795 persons/sq.km in 1991 and 8573 persons/sq.km in 2004. Population is increasing rapidly in Bangladesh. The population in Dhaka, the mega city, is increasing very fast. This rapidly increasing people need more housing facilities. More and more increase in house rent implies that people would become less interested to stay in rented house and would try or tend to buy home. This is also increasing the demand of apartments in Bangladesh especially for the middle or upper middle class people in the society. This huge lift in the urban density and rush of the people to Dhaka city has created great demand of accommodation and housing services. Moreover the real estate developers have started targeting the middle-income groups in the last few years to sell apartments. As the major portion of the society belongs to the middle-income group, its demand is essentially high. According to REHAB there is a demand of about 60000 residential units plus 200000 units of backlogs and replacements every year. But REHAB members can supply only 8000 to 10000 units each year. Now in this intense situation of rapidly growing demand the existing number of developers cannot satisfy the current demand. This scenario ensures us a higher demand in future as the gap between demand and supply is increasing.

3.1.2 Supply Analysis:

Certainly the supply of apartments in the residential sector is increasing everyday with high pace. REHAB at the time of its inception had only 11 members who were developers & builders. In 1988 the number grew to 42. In 2004 it was 200 and now about 450 REHAB members and more than 350 non-members are there in the market.

The huge demand gap has lured a steady growth in the number of real estate developers in the market. Therefore supply also increased at a good rate though it is far below the demand level. In the last 18 years apartments supplied by REHAB members show a steady growth in

supply. Currently REHAB members are supplying 5000-6000 units of apartments and 4000-5000 units of plots on an average per year against huge demand of housing. In the last 20 years REHAB members have supplied 50000 apartments approximately which is much less than the demand in the market. The large unsatisfied demand is partially satisfied by real estate developers who are not the members of REHAB. REHAB could supply only 6000 against demand of 8000-10000 which is approximately 10% of the demand. Thus 90% of demand is supplied by the independent developers and the consumers. That's why it is expected that there is a vast opportunity to sell apartments & plots in the market. It presents an attractively growing scenario for the market players. REHAB is expecting to supply 20000 to 25000 additional units of apartment from the next year if all environments are favorable. Currently, according to REHAB statistics, in Dhaka city there are 2240 dwelling units under construction, which includes 49703 apartments. Outside Dhaka city, around 80 projects are currently under construction, which can supply merely 2663 apartment units (REHAB, 2004).

3.2 Company Situation Analysis:

3.2.1 An Overview on Company Situation:

FFHL is one of the growing companies in the industry though it was established in 2005. The current growth rate of the company is about 10%. Their experienced top management is concise about the changing market behavior. They are flexible in their management style. They recruit young personnel for their mid-level management to get maximum benefit from those fresh men. As market behavior is continuously changing so they need to arrange some training programs for their young personnel to achieve their objectives.

Moreover recently the company is in financial crisis for that reason their number of current projects are going down. So they need to borrow money from the outside of the financial institutions as the financial institutions are not interested to give it. Their logistics and construction department are also not structured enough and all of these incurred higher production cost. To be market leader they need to improve their department efficiency. To know better about the company situation we need to analyze its external and internal environment:

3.2.2 External Environment Analysis:

It is very important for real estate industry to analyze its external environment. An external environmental analysis studies information about a business's industry, competition, and political and social environments. These factors affect the business from the outside of business where they have not any control. An analysis of the external environment includes a list of factors in a business's external environment and their influence on the business. There are some components of external analysis; here we mainly focus on PEST analysis.

PEST Analysis:

Every organization operates in a larger macro environment of forces that shape opportunities and pose threats to the company. The four major forces that are: Political, Economic, Social and Technological forces that affect the developing and the real estate industry as a whole which are discussed below:

I. Political & Legal Forces:

As one of the biggest problem of our country is political chaos & instability. This continuous political problem hampers the continuation of the project and delays completion of project, and so sometimes the companies become unable to handover the apartment on the due time and fail to maintain their commitment. This increase the overall cost for the companies. This political instability also hampers the image of the companies as they failed to maintain their commitment, and it may have a long run effect on sale & business profit margin.

For the last 5 years Bangladesh is being defending champion in being ‘most corrupted country’. Again to start a construction a real estate company has to take approvals of nine different government agencies. This picture really indicate how much extra unseen illegal cost the real estate companies have to bear to start a construction project. Again one another problem facing the real estate companies is ‘illegal toll collection’ by the local people(mastan) where the project work incurs.

The legal and regulatory framework concerning the housing and real estate development includes laws such as Building Construction Act (1952), Town Improvement Act (1953), Dacca Master Plan (1959) and Building Construction Rules (1984). But these laws are not adequate to facilitate resolving habitation problems. Other limitations of these rules included a lack of appreciation

about the differences between planning and building rules, the outdated nature of such rules and the inability of the rules to address the demands of an expanding city and targeting only the middle and high-income groups. There is no standard housing plan for Metro Dhaka.

Bangladesh does not have any separate code for the design & construction of earthquake resistant structures. The building earthquake society has recently published a Bengali translation of the guideline for earthquake resist non-engineered construction, written by the international association of earthquake engineering.

Till now there is no specific rules & regulations for constructing high rise buildings. But a new rule of construction of high rise building is waiting for final approval of the ministry.

Before start a construction project every developer has to take approval of different agencies for the specific project. Most of the construction work delayed due to the lengthy & time consuming & bureaucratic procedure. This process also incurs a handsome amount of unseen/illegal cost for the developers.

The approvals are required from the following governmental department –

1.Rajdhani UnnayanKortipokkya (RAJUK) 2.Civil Aviation 3.Ward commissioner of the specific project site 4.Dhaka water & sewerage authority (DWASA) 5.DESA / DESCO 6.TITAS 7.Fire service 8.Dhaka transport coordination Board (DTCB) 9.Department of environment (DEO)(Sources: REHAB).

II. Economic forces

- **Bank loans to the customers & it's interest rate :**

Definitely it has a positive effect on the growth & prospers of the real estate business. In Bangladesh the housing & construction loan to customers are basically provided by DBH, IDLC, HBFC etc. For this housing loan facilities many middle income groups can get the opportunity of having own living permanent shelter, which basically opened a new horizon of business for the real estate companies. But the matter of fact is that the rate of the interest for the housing loan is very much high which is not easily affordable for the middle income group. So basically the high income group is mainly exploiting the opportunities. Currently the average compounded interest rate 13% - 15%, which is too much high, compare to the other foreign countries.

- **Bank loans toward real estate companies :**

The well established companies are less dependent on the bank loan, as because those establish companies can finance their projects by own capital & most of the amount actually comes from the customers' advance installment payment. But for the small & unknown companies sometimes they have to rely on the bank loan or loan from third parties as they may cannot sale their apartment units in advance.

- **Inflation & Economic Breakdown:**

For the uneven fluctuation of the price of supplies materials for the construction, the real estate companies also have to increase the price of the apartment. The main raw materials of construction are basically cement, steel, ceramic mosaic, paints etc. we have seen that due to the inflation the price of these material is ever increasing. According to REHAB, there had been average increase of 15%-18% in overall prices of building construction materials in 2005 than that in 2004. REHAB and industry experts estimate amplification of this price trend in the long run. Again from 2003 till now the price of rod has been increased by a devastating 100% approximately.

Economic crisis is also a big concern of our real estate companies for that reason after the collapse of the share market and recent bank crisis average sale in real estate industry has fallen near about 40% to 50%, because people (basically middle-income) have no enough money to effort a new house.

- **Impact of changes in foreign currency exchange :**

The basic supplies of real estate are cement & steel. The most of the raw materials for producing cements are imported from foreign countries, mostly from India; again the raw materials of producing steel is coming from the scraps of the foreign ships. So the instability in foreign currency exchange definitely has impact on the price of cement & steel. But in terms of dollar our currency does not fluctuate very much and this is a good point for the cement & steel manufacturers.

III. Social & Demographic Forces:

- **Population Growth & un-availability of vacant space land :**

Population is increasing rapidly in Bangladesh. Basically, the population in Dhaka, the mega city, is increasing very fast. In 1991 the Dhaka city population growth rate was more than 10 %, and in recent 2001, this rate was 4.34%, which is also much higher than the country population growth. (Source: REHAB). This rapidly increasing people need more housing facilities. More and more increase in house rent implies that people would become less interested to stay in rented house and would try or tend to buy home.

Researches indicate that only 30% population in Dhaka city has occupied already more than 80% of residential areas with human settlements and supportive infrastructure. Economists and real estate experts state it as highly significant because in this way land is becoming increasingly inadequate to provide individual housing solutions. Moreover, land is quite unavailable in Dhaka at suitable location for individual housing fulfillment. For huge demand and inadequacy of land, price of land is very high in the urban area according to the real estate participants. This is making more people inclined to build and share apartments.

- **Recent pattern of Family structure :**

The family structure is undergoing some qualitative & quantitative change. The families become small & joint families are facing extinction. Commercialization & urbanization has resulted into breakdown of traditional large families into nucleated one. . The average size of family in Dhaka City Corporation area in 2005 was 4.2 (STP, 2005). In the recent trend every new couple are interested of having their own tiny apartments to dwell with two or three rooms. As for this social change there is an increased demand for new housing, which also influenced the flourish of the real estate business at Dhaka city.

- **Reluctant of individual to spend time & energy in building construction :**

Now a days, in this fast moving globalizing condition, people have less time to spent on purchasing & constructing the home individually. As the real estate companies offering the readymade houses, people are now try to avoid the hassles of constructing the house by themselves. As one has to face many bureaucratic harassment to start a building contraction, people are now more interested in apartment purchase.

- **Security Purpose & various services :**

One of the main reason of growth of apartment business is security purpose. In a apartment there is a society, and so people feel more secured & safe life. But the own built house cannot provide such security in people's life.

Again , many service facilities such as garbage disposal, central satellite TV connection, roof top facilities, lift, generator, playground for children, gym & prayer facilities etc., so apartments services saves time, & make the peoples life more easier. Monthly Rent of the apartments is also comparatively higher than the rent of privately constructed house units. That is the other reason of increasing popularity of real estate business.

IV. **Technological Forces**

Technology plays a vital role in this industry. Compare to foreign countries, Bangladesh real estate industry is lack behind in implementation of advance & new technology. As in Bangladesh labor is cheaper, it is used as a substitute of advance technology. But in fact of Time-frame, manual man power cannot be a perfect substitute of technology. Though we have skilled manpower for constructing high rise building & also architecturally creative buildings, only for the lack of technological support it is not possible in Bangladesh.

In Japan, to struggle against the earth quake disaster, 'spring' system technology is used at the base foundation of the building. Whereas Bangladesh, which is also considering an earth quake probability zone, doesn't have any machine to measure the rector- scale of the earth quake. Again in the technologically advanced countries, they use 'Alukabond' technology to build high rise building made by steel.

In Bangladesh some industry leading companies are now taking the help of advanced technology. As like 'Bashundhara Group' is started to utilize technological facilities. They are using technology like- Ready-mix concrete truck, Electronic ground scanning (EGS), vibra technology, Crain to carry heavy materials from one point to another point. 'Advanced Development Technologies' also have plant for ready -mix concrete supply through special form of trucks; and enjoying lower cost as it reduces the timeframe for a construction project.

3.2.3 Internal Environment Analysis:

It is very important for a real estate company to analyze its internal environment. An internal environmental analysis studies a business's strong points, weak points and opportunity along with threats in their environment. These factors affect the business from the inside of business where they have some control over it. An analysis of the internal environment includes a list of conditions, entities, events, and factors within an organization that influence its activities and choices, particularly the behavior of the employees. There are some components of internal analysis; here we mainly focus on SWOT analysis.

SWOT Analysis:

A SWOT analysis is a structured planning method used to evaluate the strengths, weaknesses, opportunities, and threats involved in a business venture. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective. The SWOT analysis of Fair Face Holdings Limited is given below:

Strengths:

- **Market Share:** Fair Face Holdings Ltd. has got over 4-5% market shares in this business covering both apartment and land for housing. (Source: Direct interview with the employee of FFHL)
- **Reputation:** The strength of the company is its reputation that turns into its competitive strengths and helps them to sustain in the market. With a valuable brand name, innovative formats, customer service focus and quality control, the company can compete against its competitors like NondonKanon, RANGS Properties etc.
- **Expertise:** Fair Face Holdings Ltd has many experts in different departments. These experts, with their many years of experience in the Real Estate industry, now help in the day-to-day operation of the business.
- **Price, Value & Quality:** With a minimum reasonable price, the company sells their products (land, apartment, commercial complex), which have a great quality.
- **Customer service:** Fair Face Holdings Ltd provides high quality infrastructure and management services that meet client needs.

Weaknesses:

- Lack of adequate marketing (advertising & promotional) effort.
- Employee shortage and lack of training facilities for them.
- Small number of ongoing project.
- Lack in increase equity from share market.
- Higher employee turnover rate.
- Lack of motivation and remuneration facilities.
- Don't have /cannot afford the high technology as other foreign countries.
- Higher overhead expenses due to borrow money from third parties.
- Weak balance sheet as sales is going down.

Opportunities:

- In Bangladesh, as a developing country there is a high growth of urban areas.
- The population of Dhaka city is growing at much more faster rate, and as urban population increases it is increasing the demand of new house.
- As the land price of Dhaka increased, the demand of apartment also increased.
- A very wide scope is prevailing for foreign investor.
- A high profitable investment opportunity for individuals as well as financial institutions.
- Change the pattern of family increases the demand of more housing.
- Less effective substitute in current scenario.

Threats:

- In Bangladesh the housing loan interest rate for customers is much higher than foreign countries. In Bangladesh it is 14-16%, whereas in foreign countries it is on an average 5- 8 %.
- The companies have to go in a long time-consuming bureaucratic process of getting approval of 9 different government agencies to start a construction project.
- Most of the urban population falls into middle income group those cannot afford luxurious apartments.

- Due to inflation & uneven foreign currency exchange the price of raw materials is ever increasing
- Political & economic instability increases the cost as well as hurts the growth of the industry.
- Strong competition among the existing players of the industry.
- Lack of vacant land in the city area of Bangladesh.

Chapter 4

Prospects and Challenges

4.1 Prospects in Bangladesh

The positive trends of global expansion in the real estate sector in the neighboring countries also show a possibility of such growth Bangladesh. According to the above graph and past record of INDIA and USA, we see that the real estate sector market experiences an average annual rise of 5-10% if it starts once. In Bangladesh, before 1985, people in Dhaka city never thought of buying an apartment for living. Before 1995, people thought twice before buying an apartment. But in the last couple of years, interest in buying apartment has increased rapidly. The boom in Bangladesh real estate market took place between 1988 and 1991. But it faced fall in 1991-1992 gaining rise again in 1993-1994. From 1995-1998 there has been not so high growth but the market was stable. From 1999 to 2004 it has been growing rapidly caused by huge household demand, lack of enough land, rapid urbanization etc. in Dhaka City. The present rate of urbanization is 5-6% annually. About 25% of the people of Bangladesh are now living in urban areas and 34% will be living by 2015. Only 40% of the people of Dhaka city have standard or below standard housing facilities. Thus from the comparative analysis, experts assume that according in the trend of the global market and in the neighboring countries, the growth of housing demand will stay for the next couple of years. The main reasons for positive expectation have been presented evidently in the following points.

➤ Increasing Urbanization:

Statistics & studies show that in 2000-2015, urban growth rate is expected to be at an average of 3.7% for Bangladesh. India, one of the most attractive markets of global real estate, is expecting 4.9% growth of urbanization. Moreover which India is estimated to have 36% people living in urban areas by 2015, Bangladesh is expected to have 34%.

Table-1: Urban growth Rate Projection(%)	Population Growth (million)			Projected Annual Average Growth (%)
	1975	2000	2015	
Bangladesh	9	25	34	3.7
India	21	28	36	2.7
Nepal	5	12	18	4.9
Sri Lanka	22	24	32	3.1

Source: Making Cities Work, Urban Fact Sheet, USAID

Thus in South Asia, Bangladesh holds the second position in terms of urbanization rate and proportion of urban population. This scenario tells that, as India is a rapidly growing real estate market in the world, Bangladesh also may attract more real estate than before.

By 2015, Dhaka is estimated to have about 20 million people that show about 55% growth from 2000 whereas every year more than 0.5 million is added to this mass (Source: Rural and Urban Development Case Study- Bangladesh, Oxford Policy Management, June 2004). With this amount of people Dhaka is estimated to be the 5th largest city in the world by 2015. This fast urbanization needs enough accommodation and housing supply, which is expected to create a huge market for the real estate sector in Bangladesh.

➤ **High Rate of House Rent Inflation:**

House rent has been increasing in Bangladesh since 1990 at a high rate. Although inflation rate is declining in the long term, the rate of increase in house rent is still higher when compared with the real income growth especially of the middle income group in Bangladesh. In 1990 and 1995 the inflation rate in house rent was around 25%. The declining inflation rate in house rent can be the result of increased supply by the private real estate suppliers, government initiatives, and self-housing schemes. Though in the recent times this inflation has been a little bit lower, still in 2004, statistics shows an increase of house rent at about 10% in the country (Source: CAB, 2005). According to the real estate participants, the inflation in the house rent is encouraging people to buy apartments not bearing the increasing expenditure of house rent. A recent study conducted by Consumers Association of Bangladesh (CAB) shows that house rentals in Dhaka have more than doubled (249.62 percent) in the last 17 years. The rentals in Dhaka witnessed a jump in 1991 by over 23% and it continued for some years, finds the study. The increase was around 17% in 2007 and 16% in 2006. Recent estimates indicate that over 70% of housing is rented in Dhaka and there is requirement of over 60,000 new homes per annum (Karnad R. S., 2004). Tenants who are from upper middle, middle, lower middle and lower income groups are the worst victims of the rising trend of house rentals. This section of the population spends nearly 50% of their monthly income in house rentals alone.

➤ **Growing Easy and Available Financing:**

Financing the apartment purchase for individual has become easier more and available. In 1952 Bangladesh House Building Finance Corporation (BHBFC), the first of its kind was established a government organization to finance the middle-income household civil servants. Now there are a number of private specialized housing finance institutions, financial institutions and banks, which provide housing finance facility up to 70% to 80% of the value of the house or apartment. Interest rate is competitive ranging from 12% to 16%. Maximum amount that can be financed is BDT 5 million to 6 million with maximum 20 years repayment option, which varies with the different financing institutions. Loans can be taken to buy apartments or for construction purpose in any part of the country.

➤ **Inadequate and costly land:**

Researches indicate that only 30% population in Dhaka city has occupied already more than 80% of residential areas with human settlements and supportive infrastructure. Economists and real estate experts state it as highly significant because in this way land is becoming increasingly inadequate to provide individual housing solutions. Moreover, land is quite unavailable in Dhaka at suitable location for individual housing fulfillment. For huge demand and inadequacy of land, price of land is very high in the urban area according to the real estate participants. This is making more people inclined to build and share apartments.

➤ **Targeting the middle class:**

Studies reveal, only in Dhaka city 5% of the population belongs to the high-income group. Thus 45% of the total population falls into the middle-income group and the rest 50% in the low-income group. Economists and real estate participants see the middle-income group as a huge market for the real estate sector. Builders have started building apartments for middle-income class of 600-900 sft. The large unsatisfied middle-income class is expected to be boosting market for the real estate business.

➤ **Encouraging Remittance Flow:**

The Government of Bangladesh has declared the foreign remittance inflow through banking sector as tax-free and any purchase of fixed assets by Non-Resident Bangladeshis will not

require producing any Tax Identification Number or TIN. It increased remittance inflow to Bangladesh in the recent years. According to the economists, non-resident Bangladeshis are vital investors for the real estate sector in Bangladesh as they are continuously supporting it.

➤ **Other Issues:**

There are hazards which customers face in purchasing lands, which encourages them to buy apartments rather than lands. Construction and maintenance of buildings require spending huge time and energy, which make the people reluctant to build houses on their own. The influence of western culture and housing design is attracting people more to buy apartments. These reasons are contributing to the decision of individuals to buy apartments.

4.2 Challenges in Bangladesh

There are some challenges that FFHL has to face in operating business. These are as follows-

➤ **Increased Price of Construction Materials:**

One of the major challenges of Fair Face Holdings Ltd is to maintain the construction cost of project due to the price hike of construction materials. The price of construction materials is consistently increasing thereby increasing the construction cost and apartment price.

According to REHAB, there had been average increase of 15%-18% in overall prices of building construction materials in 2005 than that in 2004. REHAB and industry experts estimate amplification of this price trend in the long run. Again from 2003 till now the price of rod has been increased by a devastating 100% approximately. As imported items, price for electrical wire has gone up by 50% recently. The price scenario with large jumps for basic raw materials has been shown below:

Year	Brick (TK./Piece)	Sand (Tk per cft)		Cement (Tk/Bag)	Steel Reinforcement 60Grade(Tk./ton)
		Fine	Coarse		
1990	1.10	4.73	6.70	115.00	11,500.00
1995	1.50	7.00	8.50	162.00	13,500.00
2000	2.50	7.80	10.50	193.00	21,300.00
2005	3.15	8.00	22.00	283.00	39,700.00
2010	7.00	10.50	29.00	365.00	54,400.00
2011	9.10	13.50	30.50	378.00	60,800.00

Source: Sheltech, 2011

➤ **High Property Transfer and Registration Fee:**

Besides, high apartment cost, fees pertaining to property transfer and registration impose extra burden to the buyers. According to new procedure, fees include Gain Tax (2%), Stamp Duty (3%), Registration Fees for the central government (2%) and City Corporation (2%) and fees for sub-registrar (0.5%) which together account for additional 9.5% cost of an apartment. In addition, the buyers have to pay advance Income Tax (up to tk. 2000 per sq. meter) along with a 1.5% VAT which further worsens the affordability of the buyers.

➤ **Technological Advancement:**

Bangladesh real estate industry is lack behind in implementation of advance & new technology. Though FFHL have skilled manpower for constructing high rise building of 20 to 25 storied, only for the lack of technological support it is not possible in Bangladesh. In Japan, to struggle against the earth quake disaster, 'spring' system technology is used at the base foundation of the building. Whereas Bangladesh, which is also considering an earth quake probability zone, doesn't have any separate code for the design & construction of earthquake resistant structures. Again in the technologically advanced countries, they use 'Alukabond' technology to build high rise building made by steel.

‘Bashundhara Group’ started to utilize technological facilities whereas FFHL is falling behind because of technological advancement and they have no plan of technical collaboration with the Japanese or other foreign technologically advanced real estate firm.

➤ **High Employee Turnover:**

High employee turnover is the biggest challenge for any firm, FFHL is not out of that. The average employee turnover rate is 25% to 30%, which is a concern for them. Basically, FFHL follows a traditional remuneration & promotional policy. They do not offer satisfactory compensation package and effective training to their employees in mid and lower level, so that they do not satisfy with their job and they try to switch in another company to get a better compensation package and remuneration.

➤ **Rising funds for projects:**

Now it is a big challenge for FFHL to raise funds for their current projects and daily business operation. As a private limited company it could not raise funds through IPO or share market.

Well established companies are less dependent on the bank loan, as because those established companies can finance their projects by own capital & most of the amount actually comes from the customers’ advance installment payment. But for a small company like FFHL, has to rely on the bank loan as they may not be able to sell their apartment units in advance. Now the situation is worsen after the collapse of share market and current bank scandal. At present banks and financial institutes are more selective in giving loan. So FFHL has to rely on third party at an interest rate of 30% to 35% obviously it will increase their cost of production and it will be a biggest challenge for them.

➤ **Increasing sales:**

In our country political & economic crisis starts and ends without any alarm but it brings a long term disaster in our business world. Our real estate industry is the victim of that situation where after the collapse of the share market and recent bank crisis average sale in real estate industry has fallen near about 40% to 50%, because our middle income people have lost their all savings in share market and they have not enough money to afford a new house. Moreover, like most of

the small company FFHL also does not go for aggressive marketing strategy. In that situation increasing sales is major challenge for them.

➤ **Expanding number & types of project:**

As FFHL is under financial crisis and they could not find better location for next project in main Dhaka city so it is major challenge for them to increase the number and types of project. Though FFHL offers two types of product units like residential and commercial unit but because of proper location they could not go for commercial units. So, they have to live with their narrow product line (residential units) in a particular location.

4.3 Findings of the Study:

- FFHL has small number of ongoing project which is hindering in achieving its economies of scales and financial solvency.
- Market is very sensitive with the economic conditions of the country, even with the fiscal policy of the Government.
- Political unrest, bureaucratic problem & unseen cost are the major issue in handover the project on due time and encoded cost.
- FFHL has not any technological support for that they cannot go for technological advancement.
- There are a large number of competitors in the market.
- Most of the projects of FFHL are located in some specific locations.
- FFHL needs to focus on using their resources properly.

Chapter 5

Recommendations and Conclusion

5.1 Recommendations

The recommendations for Fair Face Holdings Limited, based on the findings are as follow:

1. Fair Face Holdings Limited should concentrate on the construction of high-rise apartment complexes rather than the small one by technological advancement. If they go for high-rise apartment projects targeting low and middle-income group and may comfortably stay in competition in relation to big operators.
2. The company should increase the number of current projects to capture the market by constructing major housing projects in the exclusive and premier zone of Dhaka city. Here, they may raise funds by moving public limited company or may try to make joint ventures with international real estate operators.
3. The company should arrange the advertising program for the advertisement in TV media or any other electronicmedia that its competitors are doing and should study its outcome.
4. FFHL should undertake strategic plans and action to increase market position in real estate industry.
5. The company executives should be more caring to the customer's speeches and to improve the customer service such as maintenance service after handover of the projects.
6. FFHL should arrange training programs for their employees to improve their lack of dedicated behavior and functional skills.
7. Government should be flexible in providing utility facilities in residential building and reducing the bureaucratic ladders.
8. Political parties should be more responsible in declaring any political activities.

5.2 Conclusion

The report does not cover all the factors and parameters for identifying the present scenario of FFHL. But it is very positive for FFHL that, the real estate sector is growing and shows tendency of future growth. Because of the rise in house rent, increasing demand for housing, getting easy financing facility, rapid urbanization, inadequacy of land, remittance flow towards the sector and many other factors are creating huge scope for this sector to grow.

On the other hand, technological advancement, increased price of construction materials, raising the sales and raising the project funds, number & types are the challenging issue for FFHL as well as for whole industry. Regulatory environment has been helpful for the sector to grow except the bureaucratic problem and the recent Real Estate Management Ordinance 2008 which is yet to be passed and is likely to be very important for protecting buyers' interest. Government should be more flexible and friendly to the developers as they are the only chance in providing the basic need of shelter.

Finally, the product developer of FFHL should develop an augmented product around the core and actual products by offering additional consumer services and benefits. On the whole, this study finds a very promising and positive tone of growth, provided this sector is given proper attention and facilities. It has certainly become very necessary to satisfy the increasing housing demand and minimize the supply gap in the country where people's basic need will be fulfilled and their living standard will be increased.

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