

CONSTRUCTION



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Construction without Real Estate Development

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1. YES! THE CONSTRUCTION INDUSTRY CAN REVIVE ECONOMIC GROWTH!

Real estate development in Pakistan suffers from a bad reputation, both in policy circles, and in the public. Detractors frequently claim that investing in real estate is *unproductive* and should be discouraged. Officials often put forward unsubstantiated claims that the real estate business is riddled with illegal activity of all sorts. However, when one looks back at Pakistan's foray into real estate development activity from the date of Independence, we find that the state considered itself responsible for providing housing for the millions of refugees who came to Pakistan to become citizens of the newly minted country. From then on, successive regimes have taken, or tried to take, some initiative to fulfil the promise to provide adequate housing for the poor masses.

Upon coming to power two years ago, Prime Minister Imran Khan began his term with a promise to provide subsidised housing for the poor, numbering up to 5 million homes. This time, the difference was that Mr. Khan made a point of recognising the importance of the construction industry as a participant in achieving this goal. Another important aspect of his agenda was the recognition that construction of high-rise buildings in big cities is an important part of urban development. However, city administrations have not been quick to accept the Prime Minister's vision and have shown limited interest in accommodating the discomforts of construction upheaval, such as 'tower cranes' and other such machinery in their city's midst.¹

Now, Mr. Khan has put forward a stimulus package to shore up the economic upheaval caused by COVID-19's impact on the economy. This includes a package for construction activity to lead the stimulus effort. The package recognises construction as an industry and gives it financial incentives. However, there is no mention of the real estate sector as one of the leaders in boosting productive market activity. In addition to urban development, the package focuses on the Prime Minister's promise to provide subsidised housing for the poor, as promised in his election campaign.

We have long argued that the construction industry is a leading predictor for economic growth and is a cornerstone for development and improvement of human life and society. From birth to death, the human life cycle takes place within spaces designed and constructed to promote all aspects of society, from education, to government, to recreation, and much more. The more advanced a civilisation, the more complex and specialised the construction activity will be. All through human history, from ancient civilisations to modern society, one sees evidence of amazing architectural achievements, proof that humans are builders and indeed, master constructors.

The Prime Minister has reiterated many times that the construction industry is linked to many other industries. It is important to note that ultimately the construction industry provides fundamental support to the real estate market, with the final product being

¹One of the authors, Nadeem Haque has been asking for the last 20 years, "where are the tower cranes in Pakistan". It is indeed surprising that there are no tower cranes in a developing economy of 210 million people with some of the largest cities in the world. That in itself is a huge comment on the state of city governance and regulation.

developed spaces. To only think of construction in connection with providing housing for the poor may not be enough for real estate activity to thrive and to drive the economy as envisaged in Haque and Nayab (2020), Haque (2017), and Framework of Economic Growth (FEG, 2011). This paper discusses in detail what actions could be taken to realise the Prime Minister’s vision to make our cities engines of growth, by promoting high-value ‘tower-crane’ construction.

2. THE CURIOUS CASE OF CONSTRUCTION WITHOUT REAL ESTATE!

Between the changeover from the last PMLN government to the current PTI government, policy took a sharp downturn on real estate activity and transactions in the sector. Stringent documentation requirements paired with high taxes were enforced (Dawn June 2, 2019). The result was a decline in real estate prices, and a severe decrease in the number of transactions. This has created a situation where the liquidity in the economy remains frozen in real estate. The result is dampened economic activity with expected growth in real GDP falling to 2 percent with no growth in the per capita income.

Meanwhile, Prime Minister Imran Khan announced multiple times that he wanted high-rise development, which is in essence high-value-construction on valuable real estate. City and provincial governments, as usual, did not understand what the PM meant and slowed the process of deregulation that is required to encourage construction activity. Apart from Karachi (PPP and MQM government), all other cities remain fundamentally opposed to high-rises or complex development frameworks.

Multiple master plans have been put forward in cities, seeking to develop a low-density, low-rise, elitist sprawl-based model that mimics the thoroughly criticised American suburbia, filled with cars and without any civil or commercial amenities whatsoever (see PIDE Policy Viewpoint No 2, 12, 13, and 16, and Haque 2015, 2017, and Haque and Nayab 2020).

With a cloud hanging over the real estate sector and city master plans built for slow sprawl development – allowing no complex development inside city cores, while sometimes declaring them a heritage area– the PM has now announced a construction package. As always, the package provides a tax amnesty, some financial incentives, and additional bureaucracy.

The construction package was received with a mix of appreciation and criticism. One questions whether it will lead to a boom in construction. A Twitter poll of about 500 respondents showed that 75 percent voted that there would be no boom. PIDE also held a webinar with several key participants in the construction industry, along with several keen analysts. Once again, there was skepticism. What could be the reason for this negative response to the package? Several questions and issues need to be addressed before the expected construction boom can take place. Issues critical to achieving the PM’s objective are discussed in detail below.

3. HOUSING FOR THE POOR?

The PM’s vision seems to focus only on housing for the poor. While he is correct in pointing out that housing conditions for the poor in Pakistan are abysmal, with lack of access being a pressure point, is it reasonable to expect that provision of housing to the

poor will jumpstart the economy and create a boom? Although the construction package has been portrayed as a philanthropic model, it does not adequately consider market conditions. People are rightly asking, “Where is the demand?”

Do we have an acute shortage of houses with millions homeless? Were this true, one could ask where these homeless people spend their nights: is it on the roads? In public transit stations? In other public spaces? In fact, we do not see many people in that situation. It should be clear then, that shelter is available but that it is of poor quality, as, for example, in squatter settlements. Estimates from Government of Pakistan statistics show that 47-50 percent of Pakistan’s urban population lives in squatter settlements, also known as ‘Katchi Abadies.’ People working in cities return to their family residences in these fringe rural settlements. **The crisis then is of housing quality, not quantity.**

Demand for a commodity arises when there is the ability to pay for that commodity. Ownership of a house requires both wealth and the cash-flow necessary to retain it. The poor in Pakistan have no money to buy a house. Thus, it is clear that the desire for ownership and wealth is there, but the means to buy a house is not. The conclusion, then, is that there is no demand on the part of the poor as demand implies both the willingness to buy and the means to pay.

Box 1: A Wish the Poor Would Disappear!

- Master plans for housing schemes, and industrial estates, are made without any space to house the poor who make up the labour required for lower tier jobs in the area. The commonly held belief is that the labour force will come in from neighbouring villages and return after completing their shift without accounting for commuting time and cost incurred by them.
- Courts have weighed in by ruling that all encroachments, defined as any deviation from a master plan made years or decades ago, must be eliminated, without giving heed to the change in population and demographics.
- At one point, the Supreme Court of Pakistan forbade evictions of slum dwellers in the country, requiring local governments to devise housing policies for the poor. Since there are no local governments, this has never been done.
- Meanwhile, do-gooders and donors want a debt-ridden and inefficient government to take on all the responsibilities of an advanced welfare state like Sweden, even though Pakistan’s economy is not even in the early industrialisation phase yet.
- There are more than 4,000 registered “Katchi Abadis,” housing approximately 9 million people. Various governments have regularised the “Katchi Abadis” in the past, and while improvement of slum areas remains on the agenda, it is only as housing for the poor, miles outside the city where there are no jobs.
- There are no rental accommodations available for the poor, as tenancy becomes a political issue.
- Every government wants to provide housing and handouts for the poor without the provision of jobs. This takes precedence over growth, employment, and social mobility.

Affordability does not mean that the government pays for the goods and the goods are then sold in the market below cost. In most developed countries, housing ownership among the poor is limited. Mostly the poor and transient working-class live in poor-quality rented accommodations.

The belief that government subsidies can enable the poor to become homeowners is a myth. If one supposes that the government is able to provide subsidised housing to the poor, or even free housing, one must address the following issues:

- Does the government, and society, have the resources to provide housing to all the poor? If not, then a selection process has to be designed to identify the most deserving. This is where corruption, nepotism, political allegiance and such negative practices inevitably come into play.
- Secondly, if the selected individuals do not have the financial ability to manage their immediate needs such as food, health, education, or other necessities, they will most likely cash in the wealth transfer and return to homelessness. In fact, some of them may actually find it convenient to game the policy by selling the previous endowment and lining up again for another handout.

It is for this reason that social housing in many countries is limited and often a failed experiment.

Box 2: Housing for the Disadvantaged, and Refugees, has been a Political Slogan since the Beginning.

- Refugee claims & settlements- 1947
- Ghulam Muhammad's in 1950s.
- Korangi project in Ayub's era 1958-59
- Orangi Pilot Project (OPP), Karachi 1980s
- Khuda ki Basti (KKB), Hyderabad, Karachi and Lahore-Started in 1985
- Bhutto's PPP used the slogan "Roti, Kapra aur Makan" and ended up regularising Katchi Abadis and illegal possessions across the country.
- During Zia ul Haq's Martial Law regime, Premier M. K. Junejo initiated 5-7 housing schemes with built houses and left office without completing any.
- PML (N) government in the 90's initiated 'Mera Ghar' apartments in all big cities; it was a good initiative with a better selection of sites and house/apartment models.
- 'Ashiana' in 2013 was another land-intensive model but was halted because of frauds.
- And now, the PTI initiative.

Every government has espoused the goal of housing for the disadvantaged. However, despite offices being set up and allocation of funds, little more than a few thousand houses for a select group were ever delivered. History keeps repeating itself and no government wants to rethink this flawed approach.

4. EVEN THE MIDDLE CLASS LACKS QUALITY HOUSING

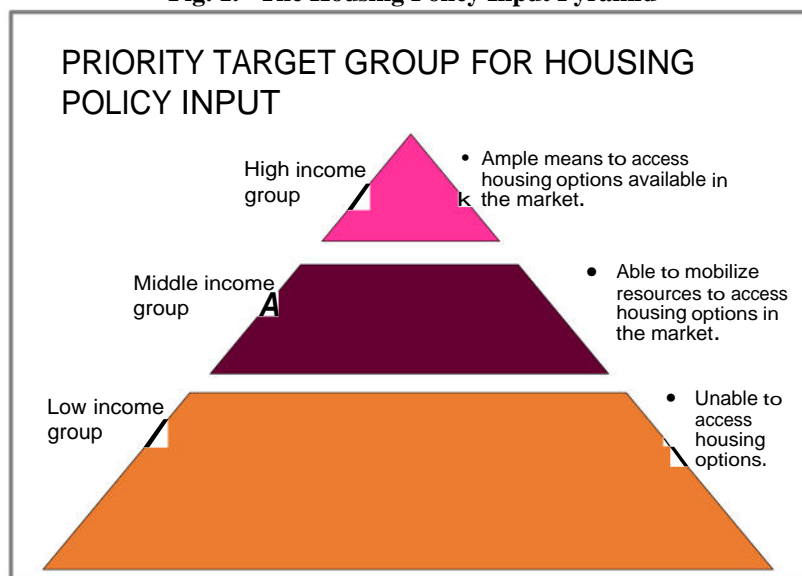
Data suggests that even middle-class families are still living in inadequate, joint-family setups. It is impossible for young, professional nuclear families in our society to find affordable housing in the cities they work in. With that in mind, one questions the focus on providing housing for the poor without considering the needs of a productive working class as an essential requirement for the progress of the economy. The real estate market, like all markets, has a logic that must be kept in mind when designing policies.

Rental housing available to working professionals is mostly portions of residential bungalows. The rent and utilities can be up to 60 percent of the salary. Availability of rental office space is also limited. Either the quality is below par or the cost is prohibitive. This again brings one to the point where construction of high-rise mixed-use buildings in city centres is essential to promote business activity as well as provide reasonably priced residential accommodation for working professionals. Unless steps are taken to promote this concept, urban development will not be conducive to an economically vibrant city.

As Figure 1 shows, currently our urban sprawls benefit the top triangle of society, the affluent being the only ones who can afford suburban homes with cars and gardens. If Haque's (2015) and PIDE's (2006) concept of high-rise, mixed-use, apartment dwelling is accepted, then perhaps middle-income professionals will be able to live in a nuclear family setting rather than the current model of forced extended-family living.

If the abovementioned model were implemented, it would become possible to provide housing for the triangle's base, which is the poorer segment of our population. The issue of rental or ownership needs reformulating. The current mainstream approach in our plan to ensure property ownership by the poor at any cost needs review, and we will turn to that. Clearly, there is no reason to fear market-based provision of rental housing for the poor if it meets their needs while the economy is offering them opportunities for social mobility (Gilbert 2003).

Fig. 1. The Housing Policy Input Pyramid



5. THE CHIMERA OF MORTGAGES

While donors advise us to copy the West regardless of context, with expatriates thinking that those solutions are easily transferrable, in practice we have tried that path and failed. As an example, consider the haste with which we rushed to develop a REIT (Real Estate Investment Trust) law in 2011. To date we have had only one REIT, which was to refinance an existing project of a business group with a strong balance sheet.

Despite the underlying rise in real estate value over time, mortgages are risky instruments for the following reasons:

- (1) The value of real estate does not increase as rapidly as generally believed. Even in Pakistan, on a long-term basis, the return on real estate investments is less than that of the stock market.
- (2) Mortgages are long-term instruments as the amount of the loan is often multiples of an individual's annual income. Servicing a mortgage, therefore, would require a steady and growing income over the repayment period. Income growth would be necessary because the family's needs also grow during the period of repayment.
- (3) For the mortgage to be financeable, the value of the property must be no more than 3-4 times the annual income of the mortgagee. Creditors will only be confident of repayment if they see that the income supports the mortgage. For mortgage markets to exist, therefore, the ratio of average value of property to secure increasing incomes must be about 3-4 times.

We must disabuse ourselves of the notion that mortgage markets have no preconditions other than some repossession laws and government guarantees. In reality, mortgage markets require a labour market where good jobs — secure and steady — and growing incomes with insurance for risk, are prevalent. In addition, both a supply of real estate and a supply of good jobs must grow in tandem in order to achieve some kind of balance between the value of homes and incomes.

Society continues to think of acceptable housing as a single unit with clear and exclusive land ownership. They also think that the poor live outside, or on the outskirts of the city. The result is that our cities have developed with single-function, low-rise, low-density buildings. The cities continue to grow horizontally rather than vertically. Currently, sprawl-based models occupy 60 percent of a city's footprint with an average density of 3500 persons/km². Ideally, this number should be more than 50,000/km² in a city's core (Khurshid, 2020).

The latest thinking on urban development of cities views them as a labour market with commuting distance/time as critical to housing policy decisions. People crowd into cities for jobs. This has led to the creation of shantytowns and shared housing near city centres. People crowd into neighbourhoods like Misri Shah, Krishan Nagar, Baghbaan Pura, and Shahdara in Lahore, Sadar in Rawalpindi, and Lyari, Quaidabad, and Sohrab Ghot in Karachi, to be near the job market. Each of these settlements has a density of more than 30,000/km². Thus, these middle-income neighbourhoods are ideal in terms of high density but largely lack decent urban services.

Box 3: Some Mortgage Arithmetic

- While collateral is important for a mortgage, the creditor wants a steady source of income and does not want to undertake the costs of collecting on the collateral and disposing of it. Creditors also like to lock in a secure income to avoid the risk of collection or the price fluctuation of real estate. Thus, the most important element of a mortgage is the income of the mortgage holder.
- Mortgages are possible with property as collateral, but more importantly a “good job” is essential i.e., secure, steady, with income growth and some form of insurance to cover risk.
- The rule of thumb used by most creditors is that the borrower cannot commit her full income to servicing the mortgage. Taking into account the family’s needs, servicing a mortgage, as when paying rent, should require no more than 25-30 percent of a mortgagee’s income. Thus, it is safe to assume that mortgages will be available at 3-4 times a person’s secure income. With that in mind, the following table shows the mortgage possibility for various income groups, from poor to rich.

Mortgage Potential by Income			
Monthly Secure Income	20,000	200,000	400,000
Annual Income	240,000	2,400,000	4,800,000
Mortgage=3*Annual	720,000	7,200,000	14,400,000
Mortgage =4*Annual	960,000	9,600,000	19,200,000

Conclusion:

- Given property prices of well over Rs.10 million, only the very rich can get a mortgage, provided they can show good, secure jobs.
- The poor, who have no secure jobs or prospects of increased income, will probably not be able to get a mortgage.

6. A HOUSE IS AN APARTMENT IN BIG CITIES

In terms of investment, the big win that the PM is looking for is to allow the urban regeneration that city planners seem to avoid. People crowd into these dense centres, crammed into tenements in poor living conditions, because of the convenience of city living. If the PM wants quick construction and development, city managers, planners and architects must recognise that these people want to live in flats in their neighbourhoods. If city building regulations and zoning laws are liberalised to allow mixed-use in a vertical setting, these people could spread out into flats and revitalise their neighbourhoods.

Globally, people in big cities live in flats/apartments in mixed-use neighbourhoods with ease of access that encourages foot traffic eliminating the need for cars. Why is it that the Naya Pakistan Housing authority is still looking to build suburban housing for the poor far away from the city? Pakistani policy needs to learn from big cities in other countries and accept that large cities cannot be vibrant entities by spreading horizontally and must adopt the vertical growth model.

7. CITIES ARE MORE THAN HOUSING

Jacobs (1969, 1984), Bertaud (2018) note that cities are a large urban market. Hence, the reason for flocking to them. The dynamism of a city arises with agglomeration in a dense setting where people shape the city according to their unique needs. This requires flexible zoning that allows people and their ideas to shape and reshape cities over time. This dynamism is what creates jobs and opportunities.

“Planners should focus much less on what people do inside their buildings and living spaces, and focus more on improving the public realm and the way people interact while using workplaces, markets, streets, parks, and places of communal interactions”
Bertaud (2018)

Cities provide opportunities for education, creative activities such as art, leisure, retail, warehousing, entertainment, entrepreneurship, and trade. Creativity and innovation adds opportunities to the benefits of living in cities. Thus, a city, its labour market, and opportunities need flexible zoning and administration.

As discussed above, city managers (mostly non-technical bureaucrats) have governed our cities for decades with master plans that are rigid, extractive, and biased toward single-family homes. Cities are experiencing a sort of “command urbanism” through the exercise of a plethora of regulations derived from these master plans. The building block of our cities is either a suburban single-family home, or an encroachment, thanks to poor city planning. These policies have created a crisis of housing availability and a lack of opportunities for the residents of our cities.

The PM’s housing initiative bases its policy on the same thoughtless planning formula as the previous city master plans and seeks only to provide housing for the poor. The question one asks is, “Where?” A related question should be, “Will the poor have the opportunity to hold on to the houses?”

Unless the PM and his advisers recognise that opportunities are more important than gifts, this will be another scheme that has a greater chance of failure than success. The best way for this program to succeed is to allow cities to develop, especially in the downtown areas, like those in the rest of the world.

8. SPRAWL, PLOTS AND CONSTRUCTION

Real estate investment is considered unproductive without any evidence to support this conclusion. This is part of our mercantilist policy approach where industry is protected and subsidised, and services and construction are repressed (Haque 2006). Since the popular perception is that buying real estate is unproductive, the imposition of heavy taxes and sanctions is used to dissuade people from investing in real estate. The Imran Khan government did just that by imposing heavy taxes on real estate transactions as it came into power in 2018. Transactions in most areas virtually dried up, withdrawing huge amounts of liquidity from the market, subsequently leading to a significant slowdown in growth. The recognition of the construction sector as an ‘industry’ by the government is a step in the right direction. However, the government needs to recognise that the real estate sector is the real industry that drives the construction sector. The product is consumer demand for city spaces that have many

shapes, of which housing is only one. As we have shown here, policy and planning has favoured sprawl and suburban housing with cars. As shown in PIDE Viewpoint 12, urban needs such as education, health, offices, retail, warehouses, markets, leisure, hotels, and public and community engagement are extremely undersupplied. Such activities perforce take place in suburban housing conversions that courts and regulators often proclaim illegal.

Box 4: Shortage of Needed City Space

The planning paradigm of Pakistani cities is as follows:

- Low rise strip malls along wide roads
- Single family houses
- Priority to cars, leading to ever-widening roads with flyovers and high-speed lanes.

The result has been that single-family homes have become units for economic activity taking on many purposes, including:

- Schools
- Offices
- Leisure space
- Restaurants
- Shops
- Warehouses

Urban planning has failed to recognise the variety of human needs or the growing population in cities. Instead, the preferred approach has been to force people into tight fantasies of planning, divorced from emerging needs, technologies, and changing lifestyles. The result is that neighbourhoods' needs and requirements wage a constant battle against the poor planning standards prevalent currently.

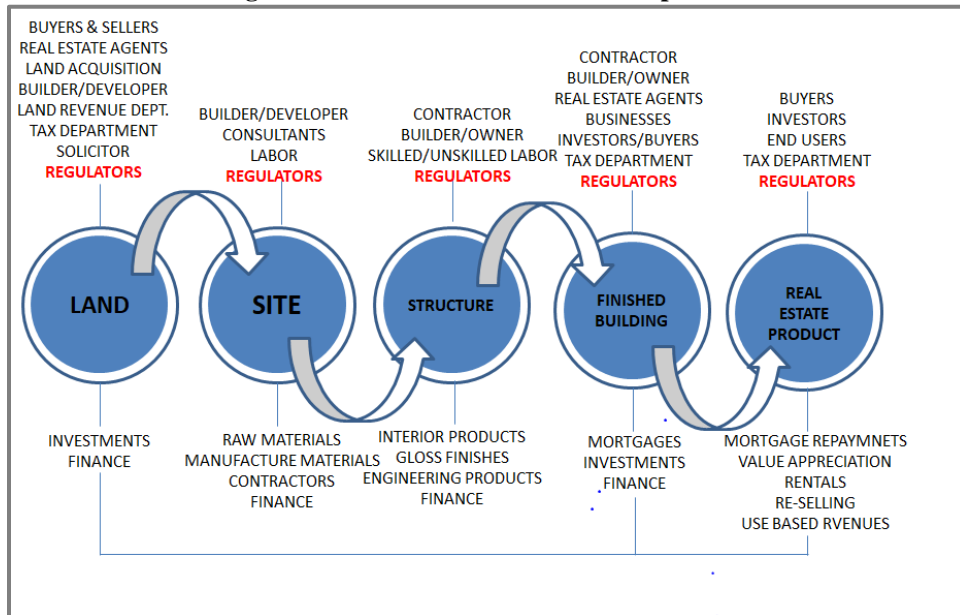
Courts have jumped into the game without any idea of what the sociology or economy of a city is. A poor country is therefore wasting real resources with businesses and livelihoods being destroyed and transactions costs rising inordinately as courts and planners try to enforce unrealistic and fantastic standards. This thoughtless planning is detrimental to economic growth.

Haque 2015

Haque and Nayab 2006

PIDE Policy viewpoint 12

The big win in real estate is allowing the industry to supply complex mixed-use buildings that will provide flats, offices, retail spaces, and other needs based on market demand instead of the whims of city planners. This will mean freeing up the value chain of real estate from land to end use, as shown in Figure 2.

Fig. 2. Construction Value Chain Perspectives

Real estate investment has been an important source of wealth generation throughout human history. Indeed, Mr. Jinnah, the architect of our nation, was a perceptive real estate investor and is well known to have invested all his savings in real estate, which was the only investment choice open to the citizens of the colonised Indian subcontinent. Real estate development, through every stage of its value chain, creates wealth as well as specialised spaces that allow humans to be more productive.

In our cities, undeveloped plots rather than finished real estate are the investment of choice, all because of poor city planning, and not individual preferences. Sprawl policy favours a slow suburban development where plots are the commodity available for investment, while waiting decades for development of said plot. Investors have no choice but to hold plots for years to make a gain. Our city planning, therefore, has created a plot market because it will not allow construction. People invest in plots, a graveyard of capital, when there is no real estate or secure investment alternative. We must allow real estate to be developed in order to satisfy city needs and let investors be involved in every part of the development of a real estate product.

City planners and policy makers must recognise that value and product are both created in vibrant city spaces. Unless we allow complex multiple use spaces that are in demand by both investors and consumers, we will not achieve the national productivity numbers required by our economy (Haque and Nayab 2020, FEG 2011). It is for this reason that we urge the government to go further than the current construction package.

9. DEREGULATE! DEREGULATE! DEREGULATE!

Our cities are mostly a flowery assemblage of suburbs with wide avenues, flyovers, and underpasses connected to a decaying old district that is not allowed to regenerate. The focus of 90 percent of the city is the affluent population and a large share of the city budget is used to

service their needs. Lavish clubhouses, golf courses, race clubs, and colonial mansions occupy prime land in the most productive city cores. Meanwhile, the poor live in informal settlements or crowd into the decaying old sectors of towns that city planning wants to forget.

Box 5: A City Definition

The Haque definition of a city must be considered. He claims that cities are made of dense areas with four characteristics of city centres:

- (i) Dense living in high-rise mixed-use localities;
- (ii) Walking and cycling must be the preferred mode of transport;
- (iii) Cars will be expensive to use downtown by imposing parking fees, fast lanes, or congestion charges;
- (iv) The basic living unit will be a flat/apartment in a multiple use setting.

Haque (2015)

As Haque (2015, 2017), Haque and Nayab (2020), and PIDE Policy Viewpoints 2, 12, and 13, have pointed out our planning models must change. Our zoning and building regulations must allow for flexibility. The permission regime must change to facilitate work.

If construction is to pick up, we must correct our vision of a city and our current paradigm that favours a sprawl. A wholesale deregulation of the real estate sector to facilitate development, transactions, and investment is required. What is holding back real estate development is too many convoluted government regulations based on excessive requirements of permissions and documentation, and outmoded thinking. There is a clear need to check our mercantilist approach and recognise that all economic activity, including real estate investment and development, is productive². In fact, economic activity begins with purpose-built real estate in cities.

Box 6: Onerous Regulations in Real Estate!

- In the absence of an urban land management system, all cities take longer than expected to register and transfer lands. The process normally takes 45-90 days.
- Two supra committees – District Planning & Design Committee (DPDC) to oversee land use change, review, and approval, and the High Level Design Committee (HLDC) to grant approvals of buildings – are headed by non-technical bureaucrats (Commissioner & DC) and are delaying the approval process by several months.
- There is another intermediate time-consuming requirement for the construction of commercial/business and apartment buildings – that is, the commercialisation of plots. The process again takes 3-6 months under a normal process.
- City authorities do not allow mixed-use and business spaces unless they are on prescribed areas (usually located on ‘Declared Commercial Roads’) and in the manner that suits them.
- City regulators also act as housing developers, competing with the private sector and reducing their business space.
- Absence of the multiple ownership/condominium law to resolve and secure title issues also creates barriers to the development of high-rise and mid-rise buildings.
- Another legal tool titled “Real Estate Regulatory Act (RERA)” is in the pipeline to control the real estate market.

² See McKinsey and Company (2017) to understand causes of low productivity in construction.

10. CONCLUSION

Construction is indeed a leading sector. It has been such through all of human civilisation. People construct cities to conduct business activities with city spaces designed for ease of doing business and thus to be a catalyst for growth. All manner of space is required for the many human needs of commerce, employment and living. Currently no one in city authorities fully understands or predicts these needs. This is why city planning, like central planning that had become a fad in the 20th century, is no longer practiced in most modern cities in the old top-down, predetermined fashion. Instead, planners use a light touch to work with the market and reshape cities as they grow (Jacobs (1984), and Bertaud (2018)).

There is also a clear need to check our mercantilist approach and recognise that all economic activity, including real estate investment and development, is productive. Economic activity begins with purpose-built real estate in cities. In Pakistan, the bureaucracy has had control of cities for a long time and has held to the tenet of rigid planning firmly. High-rise construction for flats, shopping malls office spaces and many other spaces has been severely restricted. Planners have been enamoured of the American suburbia modal without providing the amenities offered there. The result is a car-favoured sprawl where only the rich have room. Employment opportunities are severely restricted and commercial spaces are in short supply. Because apartment living is seriously discouraged, there is no residential space available near employment opportunities. The poor are forced to seek informal establishments at the risk of frequent displacement.

The PM has the right idea that the construction industry needs to be liberated for many reasons, not the least to allow economic growth to take place. This economic growth will only happen through change in regulations governing urban development and investments. Construction must not be for housing only. Human life is more than mere housing. At least half our life is spent in various urban spaces, from offices to schools to hotels to shopping centres. Without a comprehensive plan, allowing all these to happen conveniently and concurrently, the construction initiative of the PM will not succeed as he envisions.

Cities cannot be directed. They must be allowed to grow according to the needs of all its residents. City centres, especially, belong to everyone. Dense construction with high-rise and mixed-use buildings in city centres will allow everyone employment and living choices. The current approach favoured by rigid planning is to provide housing opportunities to the poor in the outskirts of the city, imposing high travel costs on them for commuting to jobs.

The model of giving the poor housing out of the city and offering them cheap mortgages without good jobs and with large travel costs is flawed and will only lead to future difficulties. The model will be gamed by developers and the poor will get minimal benefit while the possibilities of budgetary losses, or public land being swindled, are high. The current package is not the first of its kind. Previous governments have had such initiatives that failed because of inappropriate locations, being set on the outskirts of cities (utilising state lands), with a focus on the plot-making model.

We argue here that an effort to deregulate the city is essential to realise the construction vision of the PM. This will involve the following:

- Stop master plans that do not understand the dynamism of evolving city innovations. These master plans are hijacked by lobbies that prevent city innovation.

- Change rigid zoning laws that prevent citizens from accessing facilities needed to lead a productive life. There is no reason to ban commercial life near gated communities or prevent offices from overlooking residential property. Those with a high value for privacy can move to the suburbs.
- City centres or the cores of large cities like Lahore, Karachi, Faisalabad, Peshawar etc. must allow construction of high-rise and mixed-use buildings to have the flexibility to adapt to changing market conditions.
- Generous floor area ratios (FARs) should be allowed so that the market can work. Not everyone will build to maximum height despite market conditions. FAR also allows flexibility of design. Building height restrictions, currently rigidly enforced, are outdated, constrain the market, are inflexible in design, and are not realistic in today's world.
- Building codes are for areas and not individual properties. There should be no reason to get building-by-building commercialisation and permission.
- The permission regime is too costly. Those entrenched in the system have an advantage and it becomes a builders' game. Let everyone with ownership develop his or her own properties.
- The mistrust in the real estate sector is misplaced. There is no reason to look upon the real estate industry with suspicion and increase transactions costs in it. Documentation is not an issue only in real estate but everywhere.
- The real estate sector comprises of the construction industry as well as real estate development and both work in tandem. It is a value chain that operates from land to development to the services that flow from constructed space. The stigma from any part of the value chain must be removed, and the entire industry should be allowed to transact freely.

It is important to realise that packages cannot solve the problem of over regulation, poor policy formulation and thoughtless planning. The real estate market requires a substantial rethink. City development, regeneration and innovation need substantial rethinking. Without these, the construction package will not achieve much.

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