



**Webinar**

**Brief 82:2021**

# The Paradox of Housing Societies Pakistan

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 [pide.org.pk](http://pide.org.pk)



 [www.pide.org.pk](http://www.pide.org.pk)

 [policy@pide.org.pk](mailto:policy@pide.org.pk)

 92-51-924 8051

 92-51-942 8065

# The Paradox

## of Housing Societies in Islamabad



**Malik Tariq Hussain**  
Vice President,  
Media Town Islamabad



**Farhan Javed**  
Group Director,  
Graana & Imarat



**Lubna Hasan**  
Senior Research Economist,  
PIDE



**LIVE  
WEBINAR**

### **MODERATOR**

**Nadeem Ul Haque**  
Vice Chancellor,  
Pakistan Institute of  
Development Economics

**THURSDAY**

September 16, 2021  
**Start at 3:00 pm (PST)**

To join the conversation, please visit <https://bit.ly/2Pwskh3>  
Meeting ID: **986 3023 1695** | Passcode: **381153**



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### **Preamble**

Housing Societies have gained immense importance overtime as they provide shelter to the urban dwellers. However, these Societies have to work under the ambit of Local Development Authorities, who have a stringent regime for granting approvals. Same is the case with Capital Development Authority (CDA), which manages development of Islamabad in its retrospection with the Master Plan. It has divided Islamabad into five zones i.e., Zone 1, Zone 2, Zone 3, Zone 4 and Zone 5, each with an area of 54,958, 9,804, 50,398, 69,814 and 39,029 acres, respectively. Zone 1-2 are classified as Municipal Area and zone 4-5 as rural area, whereas zone 3 is reserved forest area. Zone-1 is exclusive to CDA for any development activities in accordance to the master plan whereas zone 2, 4, and 5 are open for private developers, subjected to the preliminary approvals from CDA.

Private housing societies make headlines in the news from time to time and not for the good reasons always. For example, in last 25 years, no completion certificate is being issued by CDA, means a person who invest his live-long saving in a plot to build a house, he won't be able to get it in at least 25 years, as is the case of Islamabad. Pakistan Institute of Development Economics (PIDE) has organized a webinar titled "Paradox of Housing Societies in Pakistan" to understand the issue and hurdles faced by various stakeholders. The webinar started with a brief presentation by Ms. Lubna Hasan, Senior Research Economist at PIDE regarding illegal housing societies in Islamabad, coauthored with Mr. Aqeel Anwar and Mr. Hanzala Jalil. The presentation was followed by a discussion on key points with Mr. Farhan Javed, Group Director Graana.com and Malik Tariq Hussein, Vice President Media Town Islamabad.

## Key Points from Presentation

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



The average time taken by CDA for NOC approval is two and half years

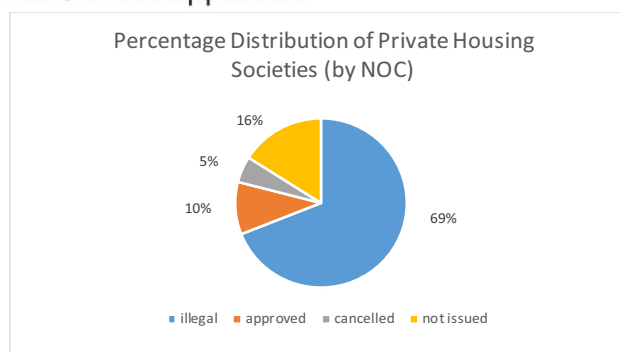


The average time since the approval of NOC is 12 years



in 25 years, no completion certificate was issued by CDA

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



3. Moreover, only 10% of housing societies have proper documents (LOP, NOC).
4. CDA has issued only 22 NOCs in the past 30 years.
5. These housing societies cover 6.8% of the total area in zone 2, 4, and 5.
6. More than 90% of the area in these zones (1.26 million kanals) is under illegal occupation.
8. 99% of housing societies are incomplete.

## Salient points from discussion

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

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

## Conclusion

It was concluded that the real estate sector in Pakistan is real in name only as a large part of it is based on virtual documents/files whose value is speculated based on the advertisement campaign and background of the developer. The sector doesn't generate much real value in terms of fulfilling the housing demand or even return on investment. Moreover, land distribution at extremely low rates has become a well-entrenched culture in the public sector i.e. housing societies for judges, lawyers, armed forces personnel, even for journalists. In addition, the regulator also fails to regulate the market in a professional manner due to lack of capacity, corruption, etc.

The speakers suggested that the onus of bringing efficient equilibrium cannot be put on a regulator, developer, or for that matter on any stakeholder alone. Rules and regulations need to facilitate efficient working of the real sector. Digitization of land records and one window operation is essential. Middle-income housing, along with low-income housing, should be a priority. For this to happen, all stakeholders must come together and share the responsibility so that the developer can deliver and the regulator can regulate avoiding unnecessary red-tapes.



**Prepared by**  
*Syed Saddam Haider*

**Edited by**  
*Saima Bashir*

**Design by**  
*Afzal Balti*

🌐 [www.pide.org.pk](http://www.pide.org.pk)  
✉ [policy@pide.org.pk](mailto:policy@pide.org.pk)  
☎ 92-51-924 8051  
📠 92-51-942 8065