

ABANDONMENT OF PUBLIC HOUSING PROJECTS WITHIN REAL ESTATE SECTOR OF PAKISTAN

Sana Malik^{a*}, Ruhizal Roosli^b, Nor'Aini Yuso^c

^{a b c} *School of Housing, Building and Planning, Universiti Sains Malaysia*

Abstract

Complex processes and relationships between various actors and practices leave public housing projects in the state of abandonment. In Pakistan, the laws offered by the government at federal and provincial levels have not yet administered the abandoned housing and real estate sector. Despite the development strategies, the deserted housing schemes are common in cities, leaving purchasers as the actual victims to get affected adversely socially and economically and act as factors of slow down for the national economic growth. This paper discusses the gaps to address the challenges and issues associated with abandoned housing projects as well as regulating residential properties within the real estate sector in Pakistan. A scarce yet considerable literature was reviewed along with primary data in form of semi-structured interviews, for describing the body knowledge to highlight the several dimensions of housing adornment in the context of public projects.

© 2020 The Authors. Published by CRES Dept. of Estate Management and Valuation, University of Sri Jayewardenepura

Keywords: Abandoned Pakistan Housing Projects; Real Estate; Regulating

Introduction

The urban population in developing countries is increasing at a great pace. Management of urbanization and planning of urban settlements are essential to improve lives and better livelihoods in cities and to limit the adverse impact of the large concentration of people on the natural environment (Desa, 2007). Public housing projects are always a major share of the government agenda to provide adequate shelter to low-income groups. However, such projects have no precisely defined time i.e. when the project begins or ends. Delayed factors associated with public housing projects include land acquisition, lack of professional expertise, design issues and infrastructure development, however land acquisition was highlighted as the severe and major issue among all. Delay factors that contributed for the majority of time overruns were; land acquisition, contractor' lack of expertise, re-designing, and line services (haphazard underground utilities). The severest among these was found to be the issue of land acquisition which contributed to majority of the time delay in infrastructure projects in the Mecca province. (Elawi, Algahtany & Kashiwagi, 2016). This implies that real estate dealing with land matters and development of housing projects are connected through channels of regulation and governance in urban sector.

Abandoned housing schemes give rise to the rapid growth of the informal housing sector consisting of slums and squatters. Tirmizi (2007) explained that conventionally, the formal urban low-income housing projects follow a sequence that could be broadly classified as *planning -servicing -building -occupation*, and are thus dominated by systematic analysis / comprehensive design, following the tacks of a 'top-down' concept, while the informal housing

* *Corresponding Author: sana.malik@umt.edu.pk*

sector follows a reverse sequence of "*occupation -building -servicing -planning*". Not only informal housing development abandoned projects leave the end-users and beneficiaries as well as contractors in distress and dissatisfaction within housing markets of real estate sector. This can be even bigger because the rehabilitation of projects that have been abandoned is near to impossible leading to national economic loss (Doraisamy, Akasah & Yunus, 2014).

Cohen (2001) in his study has termed "abandoned constructions as "unemployed buildings" and lots that are pockets to negative economic and social values. Nonetheless, it is submitted that, in the case of abandoned housing projects, reviving abandoned housing or construction project has its mechanism and procedures that must be endured by the government for starting the revitalization and that is no simple task to initiate in third world countries. There is a wide range of abandoned housing projects in all regions of the world and especially there is a pitched increase in such urbanization projects in the case of developing countries.

This study investigates the varying nature of abandonment causes of public housing projects within the real estate sector of Pakistan. The objective of this study is to highlight the difficulties and obstacles as well as the challenges that have to be highlighted for addressing the problem of abandoned housing projects while exploring its relation with the regulation of the real estate sector. The last section of the paper provides certain conclusions and suggestions to facilitate the rehabilitation of abandoned housing projects in Pakistan.

Literature Review

Abandonment of housing developments is not restricted to one geographic context, rather it is widespread in all parts of the world including Malaysia, Dubai, Kuwait, US, Spain and Russia. (Ariffin et al, 2018). For instance in case of Malaysia, Ariffin et al (2018) revealed that according to a national report PN that between 1990 and 2005, there were total of 261 abandoned housing projects in Malaysia involving 88,410 houses between 1990 and 2005. Abandoned housing projects inhibit its causes and likewise suggestions to cope with its created problems. A recent study investigated the 16 important factors of delays and discussed abandonment as one of the five main effects of delay along with time overrun, cost overrun, negotiations and court cases & disputes (Haseeb et al, 2011). In case of Ghana, poor project execution, lack of political will within government sector and inadequate infrastructure were revealed as three main causes of abandonment for public housing projects (Twumasi et al, 2014). Lessons from Baltimore to address the abandoned housing projects suggest for comprehensive people and place-oriented strategy, however being expensive, but can tackle the range of poverty-related conditions in neighborhoods and to leverage the private sources of income (Cohen, 2001).

Malaysian context provides plenty of empirical research on this subject and has made suggestions considering legal dimensions. Dahlan & Hilal (2012) emphasized on introducing judicial management ('JM') in Malaysia as one of the ways to study its strength and weaknesses particularly in dealing with the problems of abandoned housing projects Another recent study highlighted the causes and impacts of abandoned housing projects that can be categorized into economic, financial, legal, managerial, system-related, and unforeseen risks (Rahman et al, 2013). Hence, it can be concluded that abandoned housing projects impact the community socially, economically and environmentally.

According to the latest census, 350,000 units is the annual urban housing demand in Pakistan whereas the formal supply per year is nearly half of it i.e. 150,000 units. considering this figure, 62 percent is for lower-income groups, 25 percent for lower-middle-income groups, and 10 percent for higher and upper-middle-income groups. (Hasan & Arif, 2018). History of policymaking in the housing sector witnessed the approval of the Sector-Specific SME strategic framework back in March 1998 under the government of Pakistan Muslim League (N) which

was formulated by a Committee of Developers appointed by the former Prime Minister Mr. Nawaz Sharif (Chaudhry, 2000). Significance of the small and medium enterprises (SMEs) sector in Pakistan and assessment of its employment potential. Features of this policy were meant to revive the economic growth by stimulating the development in the housing sector by offering key measures for real estate regulation. These included a substantial reduction in Property Tax, not charging Wealth Tax is not charged on housing; Development of master/structural plans. Phang & Tan (2016) also suggested that the state governments should be encouraged to participate more actively in abandoned housing projects in their respective states by forming joint ventures (JV) with the housing developers.

Methods

The situation of housing crises got worse with abandoned housing projects in the country due to poor enforcement of these policies and the non-regulation of real estate. Since there was no existing study on abandoned housing projects in the case of Pakistan and how this term has been further associated with other critical realities of urban sector development in the country. It is likely to say the concept of housing abandonment is unfamiliar to the development and regulatory authorities in the Pakistani context. This situation made difficult the selection of different cities with evidence of abandoned housing projects. This paper discusses the gaps to address the challenges and issues associated with abandoned housing projects in major cities of Pakistan. The data used in this study rely mainly on secondary data based on new articles and research papers. Primary data relies on interviewing the stakeholders ranging from government housing authorities and policy bodies to private market actors like developers and public banks.

Results and Discussion

The stories of abandoned housing projects and the un-functioning of potential residential land are common in major metropolitan areas of Pakistan. The nature of problems, range of stakeholders and scale of issues varies in every abandoned housing project from case to case. Some key aspects in this regard are given below.

Several Revisions for Land Use

The Capital Development Authority (CDA), in the case of Islamabad, is facing issues and challenges in solving such projects as a lot of constraints come along like changing the leadership and political influence, developer's unprofessionalism and agony of consumers (the buyers). Such factors formalized the delay of housing project involving the construction of 8000 residential units in 2005 when nearly 8000 applicants had invested money with the CDA. The alternative was given by the authority to refund the deposited amount which leaves the buyer with two options either to avail the refunding or to wait for the execution of the project.

Out of 8000 investors, half choose to wait while the other half claimed for the reimbursement of the invested money. Six years later, the management team of CDA of that time in 2013, decided to go for re-planning of the proposed residential project, focusing on the creation of plots rather than going for the construction of flats. This initiative increased the number of plots up to 7738 whereas the figure was 3454 initially. Later on, the authority again revised the land use of the proposed area for development (Hussain, 2014). The failure of developing another project Park Enclave, significant investment was made The overseas community of Pakistanis in this project got shocked but false balloting of plots at housing property by CDA in the initial phase of the housing scheme. The investigation of counterfeit plot balloting is presently carried out by NAB- National Accountability Bureau (NAB) and FIA- Federal Investigation Agency (Hussain, 2014).

Proliferation of Illegal Housing Developments

The Lahore city experiences plenty of illegal housing schemes developed privately by the landowners that exist in the case of Lahore. The concerned authorities of the city like Lahore Development Authority (LDA) and Town Municipal Administrations (TMA) have been unsuccessful in checking the authenticity of such uncertified housing schemes being initiated in the result of land sub-divisions, though strict policies have been launched against such housing developments. Recently, the declaration of around 137 illegal housing societies in different parts of the city has been made, in comparison to 117 legal housing society*. Ferozpur road as one of the major city centers is being spotted with flourishing growth of such unauthorized acts by builders and developers in a short time. Carrying out of such illegal land activities regarding the housing sector is a clear indication that a private group of developers is not afraid of LDA and the concerned Tehsil Municipal Authority (Hasnain, 2013). But once the leadership gets active in the authentication of such housing schemes then abandoned housing project is a common thing in result, ultimately affecting the dwellers who invested time and money in these schemes.

Delayed Execution

Another reason causing an increase in stalled housing projects is the time lag causing a delay in the supply of completed housing projects ready for possession and accommodation. The conventional private and public housing schemes planned to develop through the formal sector hold up to a time duration of 10 years including allotment of plots, developing the housing scheme and infrastructure, possession of plot and setting up for construction. The poor regulation of the real estate sector has badly affected the project delivery in the case of housing. Interviewee A (government policy sector) shared that “applicants of the housing projects always complained about delayed delivery of housing unit to them, taking about 10 years on average.” The rule and law to document the process of property transactions at the local level are missing.

Unregulated Real Estate Sector

Real Estate Regulating Authority (RERA) was proposed to regulate the real estate business with more legislative and regulatory powers. Interviewee A shared in this regard that “due to delayed responses, RERA was given the shape of the ordinance by the Cabinet, with an effective duration of three months until unless it follows the procedure of Parliament and become Act.” Interviewees reflected that National Accountability Bureau (NAB) doesn't have a reliable understanding of the complexities associated with the property and real estate business. A practicing consultant and developer p- Interviewee B expressed his thoughts that “NAB without any expertise audited the housing projects previously with a poor understanding of housing Cooperative laws and building bye-laws.” The real estate sector cannot be regulated well if property transactions for open plots are encouraged. Interviewee C (government policy sector) shared that “on average 60-75% Bahria Town is vacant, in Lahore; and people buying open plots are creating an economic disparity in the society.” Interviewee D (local government official) also talked about this negligence in the property business and stated that “there is 40% to 45% plots in Lahore are vacant plots, empty plots with no property imposed; furthermore LDA doesn't have a mechanism to find out to what and where the property is being sold to?”

Conclusion

Abandoned projects in the housing sector of the country are the result of poor governance and weak planning policies with key underlying factors discussed in this study (Table 1). To win the land matters and projects, public housing departments must get involved to strengthen the feasibility. Private and public developers should cooperate in such proposals of the project which can boost up the economic growth of the country rather than keeping unconstructed pieces of land in the competition of winning the development projects. The role of the government sector is needed to examine in detail through implementing the rules and regulations of Public Authorities as in most of the private housing schemes the status is illegal and the focus remains

on profit-making instead of building housing units on plots of the following recommendations can assist in lessening down the abandoned housing projects and can be powerful actors for avoiding the abandonment of housing projects:

- Imposing a tax on vacant property
- Avoiding construction delays and imposing penalties on the developing body behind the project.
- Executing the construction of housing units in the proposed scheme through timely allotment and possession of the plot to the owner.
- Legal screening of all presently developed housing schemes to washout the unlawful developments in a proper manner
- Encouraging the involvement of the key actors i.e. State, Private sector and Public at all national platforms to make resolutions for unfinished housing projects.
- Local authorities should develop a database for constructed and unconstructed plots

Table 1: Causes of Public Housing Abandonment in Pakistan

Causes of Abandoned Housing Projects	Connection with Real Estate
No property tax on the empty plot	Regulation
Delayed completion of the project	Execution
<i>The proliferation of illegal Housing Developments</i>	Land Status
<i>Several Revisions for land Use</i>	Execution
<i>Poor mechanism for Property Transactions</i>	Regulation
<i>Poor auditing of initiated Projects</i>	Governance

Source: Analysis Data, (2020).

References

- Ariffin, N. F., Ali, M. I., Ramli, N. I., & Khalid, N. A. (2018, October). The Study on Cause and Effect of Abandoned Housing Project in Selangor. In *IOP Conference Series: Materials Science and Engineering* (Vol. 431, No. 8, pp. 313-326).
- Chaudhry, S.A., 2000. Significance of the small and medium enterprises (SMEs) sector in Pakistan and assessment of its employment potential.
- Cohen, J.R., 2001. Abandoned housing: Exploring lessons from Baltimore. *Housing Policy Debate* (12), 415-448
- Md Dahlan, N.H., 2012. Comparative legal analysis of the viability of judicial management on insolvent housing companies in Malaysia, The Republic of Singapore and The United Kingdom in the rehabilitation of abandoned housing projects.
- Desa, U.N., 2007. The United Nations Development Agenda: Development for All. *New York: UN*.
- Doraisamy, S.V., Akasah, Z.A. and Yunus, R., 2014. Current Situation of Project Revival in Malaysia. In *13th Management in Construction Researchers' Association (MiCRA) Annual Conference & General Meeting 2014. 6th November*.

Elawi, G.S.A., Algahtany, M. and Kashiwagi, D., 2016. Owners' perspective of factors contributing to project delay: case studies of road and bridge projects in Saudi Arabia. *Procedia Engineering*, 145, pp.1402-1409.

Hasan, A. and Arif, H., 2018. Pakistan: the causes and repercussions of the housing crisis. Haseeb, M., Lu, X., Bibi, A., Dyian, M. U., & Rabbani, W. (2011). Causes and effects of delays in large construction projects of Pakistan. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 33(832), 1-25.

Hasnain, K., 2013. *DAWN*. Available at: <http://www.dawn.com/news/1034163/illegal-schemes-overtake-lda-tma-drives>

Hussain, D., 2014. *The Express Tribune*. Available at: <http://tribune.com.pk/story/660886/stalled-project-balloting-for-sector-i-15-plots-likely-in-march/>

Hussain, D., 2014. *The Express Tribune*. Available at: <http://tribune.com.pk/story/653135/year-in-half-deeds-the-capital-development-authority-blunder-blog/>

Rahman, H.A., Alashwal, A.M., Ayub, M. and Abdullah, A.A., 2013. Abandoned housing projects in Malaysia: Pressing issues during the rehabilitation process. *ArchNet-IJAR: International Journal of Architectural Research*, 7(1), p.65. (1)

Phang, S.N. and Tan, T.H., 2016. Challenges of implementing build-then-sell housing delivery system to address the abandoned housing problem in Malaysia. *Malaysian Journal of Economic Studies*, 53(1), pp.135-151.

Tirmizi, M. A., 2007. Sustainable Urban Development Strategies For The Provision Of Low-Income Housing In Pakistan. *Central Europe Towards Sustainable Building* , Pp. 486-492. Prague.

Twumasi-Ampofo, K., Osei-Tutu, E., Decardi-Nelson, I. and Ofori, P.A., 2014. A model for reactivating abandoned public housing projects in Ghana. *Civil and Environmental Research*, 6(3), pp.6-16.