

PAKISTAN ECONOMIC SURVEY 2021-22

REAL ESTATE HIGHLIGHTS

1. Real Estate Activities posted a **growth of 3.7 percent**. Construction has a 13.4 percent share in Industry, while value-added in the construction industry is mainly driven by construction-related expenditures by industries. Construction recorded a modest growth of 3.1 percent mainly due to an increase in general government spending. This moderate growth rate is due to an unusual increase of 30.1 percent in relevant deflator i.e., WPI building material.
2. The share of employment in the construction sector has increased from 8.0 percent in FY2019 to 9.5 percent in FY2021.
3. Real Estate activities is having **second-highest share of 18 percent in Private Sector GFCF** as compared to 15 percent in FY2016. In real estate activities, private sector GFCF has registered a growth of 35 percent on account of higher growth of deflator.
4. Real Estate Activities (OD) has **9.6% shares in services** and **5.6% share in GDP**. **Construction sector** has **2.56% shares** in GDP.
5. Iron & Steel production jumped by 16.5 percent during the period under review against the contraction of 8.6 percent in the same period last year. Billets/Ingots, mainly used in **construction industry**, grew by 32.8 and H/C.R.Sheets/Strips/Coils/plates increased by 7.9 percent. Both reflect the growth momentum in automobile and construction-allied sectors.
6. Cement industry of Pakistan remained under pressure since the beginning of FY2022. This was largely attributed to a revival in construction activities in the second half of 2020 as COVID-19 lockdowns were eased. Since then, the demand for cement was said to be 'sluggish' due to inflation and high commodity prices. It also pinned its marked fall in exports on political and economic instability in Afghanistan.
7. Overall, **private sector credit** observed an expansion. Sectors which posted higher credit expansion included **Construction Rs 31.0 billion**.
8. **House building sector** has witnessed **unprecedented growth of 64.3 percent** (Rs 66.6 billion) during Jul-Mar FY2022 as compared growth of **17.2 percent** (Rs 13.8 billion) in last year. This surge in house building loans demand primarily due to measures taken by Government and SBP to promote housing and construction financing in the country.

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9. In October 2020, the Government of Pakistan augmented these efforts by introducing the Government Markup Subsidy Scheme (G-MSS) wherein, now commonly known as Mera Pakistan Mera Ghar (MPMG) Scheme. This scheme enables banks to provide financing for the construction and purchase of houses at very low financing rates for low to middle income segments of the population.

10. SBP also instructed banks to target housing and construction finance on July 15, 2020. Banks required to increase their housing and construction finance portfolio to 5 percent of their domestic private sector advances by the end of 2021. As a result, banks' financing to housing and construction sector increased to Rs 367 billion as of December 31, 2021 from Rs148 billion as of June 30, 2020. For 2022, Banks have been directed to increase their housing and construction portfolio to 7 percent of their domestic private sector advances, i.e. up to Rs 560 billion.

11. Real Estate Investment Trusts (REITs) REITs are investment schemes that own, actively manage income-producing real estate. Through such schemes, investors may own, operate, or finance income-generating property across various real estate categories. The REIT invests in physical real estate and distributes profits from rental income and/or capital gains to its unit holders.

12. Currently, three REIT schemes have offered units to the investors and acquired property(ies) i.e., Dolmen City REIT, Silk Islamic Developmental REIT and Silk World Islamic REIT. As of December 31, 2021, the aggregate fund size of these REIT Schemes was Rs 67.15 billion. Stakeholders continue to express interest in REIT as a viable option for investing in real estate projects, as evidenced from the number of companies licensed to undertake REIT management services increasing to eleven and receipt of twelve fresh applications for formation of REIT management company/grant of REIT management services licenses.

13. **Metal group import increased by 38.4 percent** and reached US\$ 5011.9 million. **The reviving activity in the construction** and automobile sectors led to an **increase in import of iron and steel by 53.1 percent** in value and 20.5 percent in quantity during Jul-Mar FY2022.

14. **The construction and manufacturing sectors are considered as major source of the economic growth and development.** Expansion of these sectors can **generate millions of jobs** for unskilled, semi skilled and skilled workforce. Further, these sectors also play an important role in generating income in formal and informal sectors. Share of employment in construction sector has increased

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from 8.0 percent in 2018-19 to 9.5 percent in 2020-21. This increase shows that job opportunities are being created in the country. Wholesale and retail trade sector has shown 14.4 percent employment in 2020- 21. The employment level in transport/storage & communication remained same in the period under review and share of employment in community/social & personal service sectors increased from 14.9 percent in 2018-19 to 16.0 percent in 2020-21.

15. Labour Force Survey 2020-21 indicated that employment in **construction sector** reached to 6.4 million as compared to 5.13 million in 2018-19, showing an increase of 1.28 million of employed people. **Construction sector** on account of both backward & forward linkages boost approximately 40 allied industries simultaneously. Therefore, expansion of construction activities not only results in substantial increase in GDP growth but also create thousands of jobs in industrial sector.