

A Country Report
On
Real Estate Business
In the Kathmandu Valley
And
Towards Developing a Sustainable
Building Planning in Nepal

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A Country Report on Reviving Real Estate Industry in the Kathmandu Valley and developing a Sustainable Building Planning in Nepal

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I take this opportunity as my great pleasure and express my gratitude to the Ministry of Land, Infrastructure and Transport of Japan for arranging the 4th Asian Forum and inviting me at this conference.

Due to financial constraints, lack of resources and a large number of people migrating from the rural areas in search of domestic and overseas jobs, many people of the Kathmandu Valley, do not have their own housing accommodation. In some cases, some people are freezing the resources just because they do not find appropriate land to build their houses while some other are unable to pay for the costly piece of land into the Valley.

Background:

Nepal is a landlocked country located between China and India, the two most populated countries of the Asian continent. Nepal covers an area of 14.7 million hectares with a population of about 25 million people. Altitudes zone divides the country into high mountain zones, mountain zones and plain zones.

Prospects of rapid economic development of Nepal are limited by factors such as rugged land, high rate of population growth, sub resistance in agriculture and weak industrial base. It is estimated that 40 percent of the total population is living under poverty.

Migration of rural population to the cities has become a common case over the last two decades. In general, major natural disasters, declining agro productivity, lack of infrastructures, desire for better living and increasing violence in the rural areas have been the major causes of migration to the Kathmandu Valley. However, the urban areas of the country are not able to absorb such migrants by providing them adequate housing and job opportunities.

Mounting pressure on existing infrastructure and services has created various types of environmental, social and economic threats to urban people bringing number of risks mainly to the poor people living in the urban areas.

According to various studies including the census figures, the pace of urbanization is very rapid and is considered highest among SAARC countries with 7 percent growth rate.

In this setting, exodus of internal refugees, trans migration and seasonal migrant workers from neighboring countries make up a large growth of population in the Valley.

Likewise, temporary migration and daytime flow from neighboring villages also contribute to a remarkable overcrowding to major cities of the country. The total population living in cities, towns and market centers at present is not less than 25 percent of the total population of the country.

Objectives:

With these reason, there is a wide scope of Real Estate Industry to serve the increasing house purchasers. The main objectives of the Real Estate sector are to find out the present number and ratio of house construction in the Valley.

Similarly, proper location for house construction, costs of land, prospective customers and existing applicable laws regarding the real state is equally important. In the mean time, the Real Estate Industry, which is booming with investment and scheme by the financial institutions, is to find out the best suggestions about profits of project including other negative sides of the housing market.

Methods Adopted in Nepal for Real Estate Business:

The real state business sector has adopted some methods for the selected project as defined below:

- a. Going to various places for right and appropriate location for the real state project.
- b. Interacting, interviewing and motivating the target clients to understand their choices about model of houses such as classical, neo-classical, modern, flat, mode of payments, spot location and privacy.
- c. Managing and negotiating with land agent or local brokers, to acquire land for the projects and find out the cost of land.
- d. Drawing and registering the map at the municipalities according to the choices of clients.
- e. Collecting related data regarding the use of land and plan, construction houses under the existing laws for the purpose of the real state projects.

Trends of House Construction in Kathmandu Valley

Below is the list of the house construction registration, which is agreed by the three municipalities, located at the Kathmandu Valley:

Kathmandu Metropolitan City

Year	
House Maps Registered	
1998-1999	
2090	
1999-2000	
2300	
2000-2001	
3307	
2001-2002	
4895	
2002-2003	
6500	
<i>Total house map registered in the period of five years</i>	19092

Lalitpur Sub-Metropolitan City

Year	
House Maps Registered	
1998-2000	898
1999-2000	1200
2000-2001	1500
2001-2002	1900
2002-2003	2200
<i>Total house map registered in the period of five years</i>	7698

Bhaktapur Sub-metropolitan City

Year	
House Maps Registered	
1998-2001	
300	
1998-2002	
340	
2000-2001	
395	

2001-2,002	450
2002-2003	490
<i>Total house maps registered in the period of five years</i> 1975	

The data on map registrations at the three municipalities of the Kathmandu Valley shows that house construction process is very fast though the Valley's area is 218 square miles. The house construction process during five-year period in the Valley with total 28,765 number of house map registration is highest in the country.

In the process of providing client with house, the client wants a good site, plain land, good quality of building materials, comparatively reasonable cost with school, playing ground, health centers and public transportation facilities near their houses.

Generally, the clients do not mind to pay minimum US dollar 30,000 to 45,000 for their houses. Most of the clients prefer individual house rather than apartment or a flat. They are interested towards modern houses since the trend of flat system is yet to develop in the country.

Looking at the approximate cost for the individual houses, the following are the target clients such as; middle class businesspersons, professionals, government employees, retired British army, Nepalese working overseas and financially strong family migrating from other cities out of the valley.

Most of the clients want the following mode of payment for their houses:

- | | |
|--|-----------------|
| 1. At the time of booking | 20% of the cost |
| 2. After completion of first stage of the construction | 30% |
| 3. After completion of final stage of construction | 30% |
| 4. At the time of handover of the house | 20% |

Considering these facts, there is future of Real Estate Business in the country. Currently, there are about 50 Real Estate Companies in operation in Nepal. Land price into the Kathmandu Valley is at least four to 4 to 5 times higher than in the other towns of the country.

Land price in these two major cities has been increasing around by 15-20 percent each year. The cost of residential land varies from US dollar 35,000 to 1 hundred thousand per ropani (512 square meters) in the Kathmandu Valley.

Investing in land has several advantages:

- a. Urban land appreciates faster than other long-term investment.
- b. There is no risk in investing in land.
- c. It is freely convertible after paying land transaction tax.
- d. No recurrent costs are associated with the investment.

Finally, land and housing projects that have been undertaken have not addressed the issues of poor and financially backward groups, especially those living in slum and rental houses.

The low quality of the construction materials and insufficient infrastructure has resulted poor quality of housing. Land and housing remains inaccessible to a large section of the urban population posing a challenge for the government. The high value of house price and rent to income ratios has resulted in large concentration of the poor in the squatter settlements.

There have not been any significant government interventions in land and housing development, which largely has been undertaken at the household level. Those few examples of Real Estate sector initiatives are "Site and Service", program for providing developed plots for housing to people in middle -income groups.

Impact of Asian Forum's Objectives in Nepal's Context

The ASIAN FORUM approach seeks to ensure that Sustainable Building Management does not remain the exclusive affair of Housing institutions and professionals but that all developed sectors and agencies including those dealing with health, environment, local government, industry, private enterprises, and technological institution.

The SUSTAINABLE BUILDING PLAN process involving collaboration of different agencies and the use of sustainable building management indicators in better understanding our urban-rural centers are useful to remove the barriers to integrated approaches using technology, communication, education and know-how information transfer.

Over the last two years (2002 and 2003), number of considerable progress has been achieved in various fronts of Sustainable Building Management at the local and national levels in Nepal:

- I. Implementation of National Building Code at Municipal level has been carried out.
- 2. Disaster Response Preparedness Plan (final) Report is in position to move for action.

3. Kathmandu Valley Earthquake Risk Management Plan is under active implementation.
4. The National Disaster Minimization Assistance program's final Report is in final safe stage.
5. Apartment Act with its rules and regulations are already in action.
6. Nepal Urban Sector Strategy has been already promoted towards urban development context.
7. Municipalities have already undertaken Healthy Cities programs.
8. Implementations of Public Work Directives are already in action.
9. Rural-Urban Partnership Program has been started in 12 municipalities and 28 rural markets.
10. Development Plan 2020 of Kathmandu Valley has been approved and the Plan strategies are already in implementation process.

The above components deal with national and local action along with Asian Forum. The overall Sustainable Building Management's objective is to improve the social, economic, technological and environmental quality of human settlements.

In Nepal's context, the most important reason for the Sustainable Building Planning problems is the result of lack of willingness and commitment at political level. Without strong willingness and commitment at political level to improve the situation, no other policies, plan and programs will bear little fruit.

Finally, Sustainable Building Management problems have challenges to planners, engineers, policy makers and political leadership. Therefore, if sincere attentions are paid to the plans and programs, then only it will bring concrete results and achievement.

Once again, I would like to thank the organizer and the participants for their kind attention towards my views.

Thank you!