

Socioeconomic Consequences of Real Estate:



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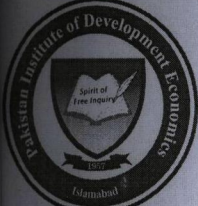
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ACKNOWLEDGEMENT

CERTIFICATE

In the name of Allah Almighty who made man by clot of blood and who taught

This is to certify that this thesis entitled “Socioeconomic Consequences of Real Estate” submitted by Mr. Javaid Iqbal Qamer is accepted in its present form by the Department of Economics and Finance, Pakistan Institute of Development Economics (PIDE) Islamabad as satisfying the requirements for partial fulfillment of the Degree of Master of Philosophy in Economics and Finance.

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(JAVOID QAMER)

ABSTRACT

This study deal with the socioeconomics consequences of real estate business in Pakistan which caused the number of issues regarding real estate investment, access of housing, employment, and inequality. On one side some economists said that real estate is capital intensive business it decreases the employment in economy while on the other side some economist say that 250 allied industry attached to real estate it increases employment. Real estate business is less risky than any other business in Pakistan, therefor people who are settled abroad invest their money in real estate because it does not require physical participation.

On one side some economist says that real estate increases the investment in economy while on the other side some economists say that it decreases the investment in other sector such as agriculture and industries, these are the two major sectors that can increase employment in many time. Real estate is helpful in access to housing because of increase the trend of urbanization but very bad and serious effect of real estate that it increases inequality in economy. For the purpose of accomplishment of purpose, I collect data from 200 households and 100 property dealer from Rawalpindi and Islamabad. Data shows 70% dealing are for residential purpose, 18% for commercial, 10% for sale and 2% farmhouse. The 46% source of purchaser come from remittances, 37% from business and 17% source of purchase come from jobs. These results clearly indicate that highest income come from remittance. Each property dealer employment to 5 skilled and 13 unskilled labor and provide job 8 people an average. 25% rent received by household by agriculture, 44% rent is received by residential house and 31% rent is received by leasing commercial property.

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CHAPTER I

INTRODUCTION

1.1 Background

Real estate is one of the largest businesses in Pakistan and in the world (Ministry of commerce 2012). In Pakistan, at least 6 out of top twenty businesses in are engaged in the real estate business. The business has certain socioeconomic consequences, for example, it is closely related to employment opportunity, household affordability; inequality etc. and however there is no research on socioeconomic impact on real estate business. This study is an attempt to explore how real estate business has an impact on the socioeconomic indicators. The basic aim of real estate is to provide services like selling, purchasing, assessment, registration of property, transfer, construction, renovation and rent, etc. Real estate business is one of the prevalent businesses in the present era, due to high profit; low liquidity and less risk this business become popular now a day in Pakistan. Investment in real estate also attracting those persons who are living abroad because the business does not require physical participation and entrepreneurial panic, on the other hand investment in other sectors such as agricultural and industries decreases over time.

Owing to high return and low risk real estate business becomes popular nowadays. Real estate business has many important features that other businesses do not have such as;

1. Real estate being capital intensive business and most of the times pays high rate of return. Therefore, higher the level of income, higher growth is would be the cause of income inequality.

2. When we study the history of economics then we can observe that there is strong relationship between demand and supply for housing and real estate. But supply of housing always remains limited due to low saving and high expenditures. Unfortunately, there are limited researches on impact of real estate business on access to housing.
3. Real estate business is less risky as compared to other business, that is why it can be cause of low investment in industry and agriculture sectors.
4. Due to high profit margin and least entrepreneurial panic, flow of investment towards agriculture and industrial sectors decreases. Though normally it can create a lot of job opportunities (Rehman 2014).

The existing research on real estate revolves around the assessment of real estate market and to predict the real estate prices so that investor can get benefit of it. The socioeconomic impact of real estate is ignored so far. Effect of real estate business on access to housing is another dimension should be addressed. Therefore, this study aims to analyze the socioeconomic consequences of the real estate. This study will be using primary data collected from Rawalpindi/Islamabad. This study is aimed to analyze the relationship between investment in real estate and investment in industry, so that the measure for the improvement in socioeconomic impact of real estate business could be recommended.

1.2 Objectives of the Study

The aims of this study are to explore:

- The determinant of real estate investment.
- The impact of real estate business on access to housing.
- To explore the relationship among real estate, investment and employment.

1.3 Research Questions

1. What is the impact of real estate on investment?
2. How does real estate business affect access to housing?
3. How does real estate influence on socioeconomic indicators?

1.4 Significance of Study

Real estate business is expanding day by day and Pakistan followed the world in this context. Though it has serious impacts on investment in industry and agriculture, however, there is no study in literature that addresses the impacts of investment in real estate on socioeconomic indicators. Therefore, this study attempts to explore the impacts of real estate business on several socioeconomic indicators.

CHAPTER II

LITERATURE REVIEW

The literature on real estate is generally about the analysis of real estate market and to make forecasts to help the investors. There is very limited literature that could be taken as a discussion on relationship between real estate and socioeconomic indicators. That literature could be divided into following.

- The investment and real estate
- Employment and real estate
- Housing affordability

2.1. Consequences of Real Estate Business

There are certain consequences of real estate business which should be discussed below.

2.1.1. The Investment and Real Estate

How the private investment is effected by income, saving, remittances, tax payment, House expense.

2.1.1.1. Investment Behavior in Pakistan

Investment capital /formation accumulation is the acquisition and creation of resource to be used in production. Investment used to be addition to the country capital stock (fixed investment). Investment spending is disaggregated into three categories namely:

- Business fixed investment – business spending on machinery, equipment and structure.
- Building investment consisting of investment in residential structure such as housing and non-residential.

- inventory investment - addition to or change in stock of (business) inventories (Samuelsson and Nordau's 1995)

Investment spending is the central topic of macroeconomics. Investment is one of the criteria to evaluate the performance of an economy and resource provision for prosperous future (caballero 1999). It is a complex process due to the dependence of “decision based on past, present environment and future expectations” (Lucas & Prescott, 1991). For the developing countries the analysis of high volatile component of national income is extremely difficult. The resource investment includes both economic determinant like income and cost as well as non-economic factors such as government policies, political geographic social and demographic conditions. Various theories and concept such as accelerator principle, Keynesian and post Keynesian theories, classical and neo-classical theories phenomena of crowding in/out, risk and uncertainty and irreversibility of investment etc. have been develop and many techniques are devised to study the investment behavior in economy.

2.1.1.2. Why People Invest in Real Estate Business?

Real state being less risky investment often lead people to make more investment in this sector especially in developing countries, where investment in other sectors does not pay off without bearing high risk. They might hold plot for some time and earn high profit which they cannot earn in agricultural and industrial sectors despite hardworking, therefore the people who living abroad or doing business spend their saving for purchasing more and more plots and earn high by holding plot only for one year which they cannot earn in any other business (Rahman 2014).

Arif (1990) investigates that the person who is working abroad spends 35% of their saving for investment in real estate. These investments may depend upon certain

factors. If a person is educated and wants to settle abroad with family, then he may send less for investment than the person who is uneducated and does not know about investment opportunities.

Lachman (2005) investigates, that investors think that real estate is a haven but sometime as happened in 2014 when property tax raised, real estate investment grew negatively; therefore, investors might invest rationally by keeping in mind the social and democratic issues. Investment funding backed by mortgage securities increased in 2005. These investments were mostly used for purchasing new houses and construction while keeping in mind socioeconomic factors.

Somerville et al (2008) investigates that application of financial option theory to investment in real estate has altered the way that researcher model the investment over the last two decades. Under the real option approach firm should apply a higher user cost to investment in irreversible assets when returns are refined the option to delay that is loss followed when investment occur.

Jack Goodman (2003) investigates that the homeowners who already own real estate should diversify their investment by making investment in other securities. According to their estimate the homeowner only makes 10% to 20% of their investment in real estate and get gain from other securities that are not much different from real estate investment trust. However, it was found that competitive return on real estate relative to other financial assets.

According to the Gallin (2004) the primary mechanism of the labor migration through metropolitan areas adjust to change in local economic condition. The decision about location depends on the cost of moving and benefit of living in such areas. The major share of the household budget and housing price has an important effect on the value

of wages across geographical area. According to Hyclak (1999) high house prices attract few migrants.

Wheaton and Denies (1990) examined that price and rent of real estate market vary across location while their relative price remains same across the time. Individual must pay development charges by focusing on the decision of the firm within metropolitan area, there is positive relationship when the construction in economy increase and negative relationship when rent rate increased. To analyze relationship between vacancy rate and rent, some previous study shows that natural vacancy rate has negative relationship with rent and positive relationship with economic activities. Generally, there are some negative conditions that determined the market rent and adjustment factors. Now by using this model we can determine that there exists a relationship between proposed value and actual value.

2.2. Real Estate and Employment

Real estate may have high potential of increasing employment and can contribute in poverty reduction through the channel of employment generation. There are many prose and cones about real estate, if the plots remain idle then it will not create any jobs. According to an estimate approximately 250 industries are affiliated with real estate and growth in real estate affect the economy in a positive way. (Ministry of commerce 2012)

2.2.1. Current Situation of Employment in Real Estate

Real estate agents work as seller and purchaser of residential houses, domestic and commercial buildings. There are five types of real estate workers which do not require any specific skill and hence we can provide employment to unskilled and surplus labor in developing countries like Pakistan. These include (1) Real estate broker, (2) Real

estate agent (3) Real estate agent for residential purpose (4) Real estate agent for commercial purpose and (5) Real estate supervisor.

Due to license requirement from government, number of real estate agents and brokers has decreased in 2010 than in 2008. Contributing factors are income fluctuation and imposition of property taxes by government. Employment in this field depends upon sale and purchase of houses, residential buildings and commercial plots. Mostly attached to this profession are above 55 of age with ratio of 35% and 3% of people are above the age 65. This profession has high incentive; therefore, people leave their job and attracted towards this employment because they are willing to work for long hour and at weekends; job of receptionist is also for females in office. opportunity. Real estate is also attractive for females not enough, mostly retired army officer and retires judge are attached to that profession, but due to use of electronic device media and internet the employment in real estate is decreasing. People, who are willing to make investment in purchasing of house but are not satisfied by online surfing, are also interested in seeing and visiting house personally and prefer appointment with the owner of house. Broker can make it possible for both parties to meet. According to a household survey, 88% people are attached to these profession, but the number of real estate agent depend upon sale and purchase of house and change in the household income. (Labor statistic.com)

2.2.2. Relationship between Construction and Employment

Real estate is very crucial for increasing employment and poverty reduction. According to an estimate, approximately 250 industries are affiliated with real estate industry and any growth in real estate sector will positively affect the economy. (Labor Statistic.com)

For these industries to grow, government should visit those people living in these small flats and small houses. Government should provide tax relaxation because people living in these houses mostly belong to low income group to keep pace with economic activity. These economic groups should be facilitated by government to have their own home. According to an estimate construction industry provide job to 7% of people and 40 allied industries are directly attached with the construction industry. (*Amanullah Bashar, 2000*)

Saks (2000) studied, that there is positive relationship between employment and construction of houses. Supply of houses caused variation of housing prices. As the demand for house is less, it will decrease the price of house and employment rate increase if there is no strict rule in the country ([Raven E. Saks](#)2000).

Snieska and Deimante (2009) investigate that boom and burst situation mostly depend on real estate market of this region therefor real estate market should be properly monitored and supervised to define the trend in economy. It is necessary to study growth and slowdown in real estate. It is generally observed that slowdown in economy caused decrease in monthly income which caused unemployment in construction sectors. Therefore, slowdown in growth will lead toward recession in economy. Employment in construction sector can be increased by foreign investment and availability of mortgage loan.

Niazi and khetran analyzed the prose of real estate and not cons. They ignore in jobs effect which create inequality in economy. The medium and long term strategies recommended simplification and new modern regulation related to property right. Their strategies also include information related to dispute resolution of frozen properties and develop functional real estate, encourage to foreign direct investment, reform regarding land subsidies, promotion of real estate investment trust and building of public and

private partnership, their aspects also include medium and long term strategies (Niazi and Khetran 2012).

According to Gallin (2004) the primary mechanism of the labor migration through metropolitan areas adjust to change in local economic condition, the decision about location depends on the cost of moving and benefit of living in such areas. The major share of the household budget and housing price has an important effect on the value of wages across geographical area. According to Hyclak (1999) high house prices attract few migrants.

Wheaton and Denies (1990) study that price and rent of real estate market vary across location while their relative price remains same across the time. Individual must pay development charges by focusing on the decision of the firm within metropolitan area, there is positive relationship when the construction in economy increase and negative relationship when rent rate increased. To analyze relationship between vacancy rate and rent, some previous study shows that natural vacancy rate has negative relationship with rent and positive relationship with economic activities. Generally, there are some negative conditions that determined the market rent and adjustment factors. Now by using this model we can determine that there exists a relationship between proposed value and actual value.

2.3. Housing Affordability

2.3.1. Public Policy for Real Estate Sector

Provision of house to each and every one is the sectors. It is the responsibility of government to keep these sectors free from politics. Housing sector plays a significant role for the economic development and growth of country. Both housing and

construction sectors play significant role for the development and growth of country. Skills and unskilled labor can also be absorbed in housing sectors.

According to World Bank report (2007) Housing unit can become affordable if Government can remove problems such as illegal construction, unreliable building permit, and those illegal units which have been purchased to be constructed in future.

According to state bank of Pakistan report there is general trend of migration towards city in developing countries which increase urban population up to 62% and increase demand for housing unit, house building finance corporation provide loan for housing. Due to inadequate, illegal structure and high property tax financial agencies are unwilling for provision of loan because it is difficult to verify the net worth and ability of client to pay back loan. Government of Pakistan has taken some step for registration and computerized record of land which is very effective for dispute resolution. State bank of Pakistan also provide information for the development of investment trust and have taken some step for registration and provision of land for household building. State bank of Pakistan also provide facility for micro finance and give loan to low income group at lower cost (State bank, 2007)

2.3.2. Relationship between Vacancy Rate and Rent

Wheat son examined that supply of stock or occupancy rate depends upon one-month lag rent. They also explain that larger the lease period lesser response will be to change in vacancy rate due to the rent in term of rent adjustment process. As the economic activity is low there is low occupancy rate and rent should be minimized. There is positive relationship when the construction in economy increase and negative relationship when rent rate increased to analyze relationship between vacancy rate and rent is key, some previous study shows that there exists some natural vacancy rate, there

is negative relationship between vacancy rate and rent and positive relationship between rent and economic activities, generally there are some negative condition that determined the market rent and adjustment factors. Now by using this model we can determine that there exists a relationship between proposed value and actual value (Wheaton torte, 1988).

2.3.3. Prices and Housing Affordability

Denise investigated from his study that price of the real estate depends upon the location of house, the microeconomic approach focused on the importance of structural and locational characteristics caused the changes in price and rent, while the growth influences the area of real estate. Real estate growth is determined by the growth of rational economy as well of industrial mix and compositeness (Denise and William, 1996).

Ellis, (2009) investigated and given overview of land and housing in the province of Punjab. He said that urban land and housing are important factors for increasing growth of economy, although this paper has certain limitation. There are many deficiencies such as complex tax structure, inadequate urban planning and policies, lack of infrastructure. There should be comprehensive land agenda reform for the improvement of this structure.

(Foster & Duvick, 1978), Investigated that sale is very low in the field of real estate which creates jobs effect on labor market. The seller mostly has different choices regarding alternative sale terms. They may reinvest the proceed or may finance to the buyer for several years the sale has may determinants like

- 1- different alternative opportunities of the seller
- 2- liability of tax of the seller

- 3- finance opportunities to the buyer
- 4- stable income after retirement
- 5- Compatibility with the seller plan (Foster & Duvick, 1978).

Many other authors had examined many aspects of real estate sales, to reduce the tax liability also include installment sales to check the relationship between installment sales and future earning or provide help to seller in choice the better number of year regarding financing the sale.

According to discussion notes global trend and their impact on real estate (2015) study shows that there is also important role of global trend on real estate, global trend effect on real estate in two ways, Implicit value of location and building implicit value the attractiveness of user may change, which may directly impact to income stream and their values the important different between their type is the ability of owner to react. Adjustment of building quality is possible up to some extent but changing of location is impossible due to season effect to location, quality trend to have many consequences to long term investment rather than affecting the characteristics of buildings. Finally, one thing to remember is the time of discussion consequences of high level trend that we cannot predict all of them with same level of confidence e.g. demographic change and technological change are very difficult to predict in medium and long term.

Samuel R. et al, (1999), investigated the urban growth boundaries by using the data of more than 100 cities. They found that high income is positively related with access to housing, while low income is negatively related. In addition, housing prediction leads to higher housing price in urban areas. Low income housing strategies such as inclusion zoning are also significant for improvement in zoning that would be required for developers to provide affordable housing. Single family house become unaffordable

when prices increase. Housing boundaries do not tend to prevent housing development. The boundary has expected to be dynamic management tools to accommodate growth. Tracy and Gyourko (1990) investigated that focal point of policy discussion is substandard units and racial discrimination that are also main issue of affordability of a single-family home. By increasing population and home ownership also increase overtime, while 1 percent decline in the aggregate ownership in 1980. This trend is very popular in last decade, when interest rate increases housing affordability decreases vice versa.

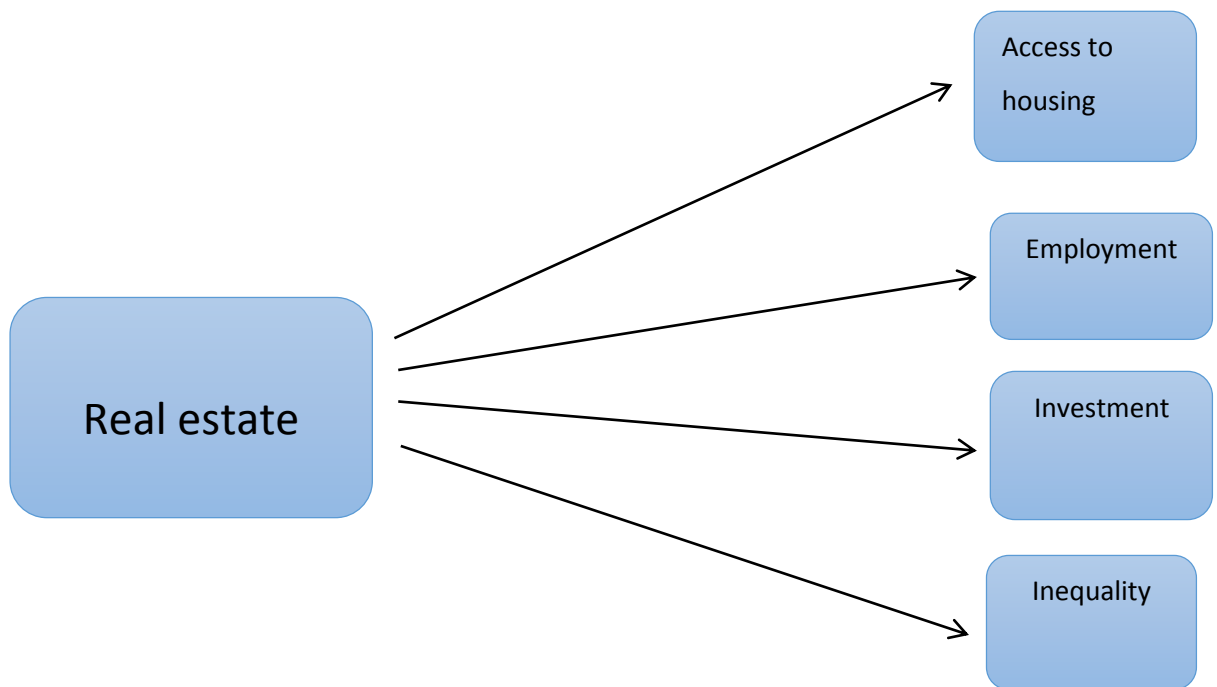
Rosen and Lawrence (1987) investigated that land regulations for housing market has increased rapidly because the community was dissatisfied with the effect of rapid, unregulated, suburban growth on the quality of life due to increase in awareness in people for land used and regulation about environment. Due to permanent regulation majority of control was remained in the hand of local government. Due to permanent regulation home, regulatory framework was formed. Local government has permanent control over timing, character and residential development. Mostly land used and promoting welfare of people was controlled. Many communities make such regulation that lower income group could not purchase house by increasing the price of new built house. The land development system put restriction on the purchase of house by changing housing design.

2.5. Research Gap

The previous study shows that there are many studies on real estate conducted to investigate the impact of real estate on economy and on the macroeconomic variable, but there is no scientific study on the socioeconomic consequences of real estate business in Pakistan or elsewhere, but this study is especially on socioeconomic

consequences and some propose to reduce these consequences, this study aim to fill this gap.

Figure 1:



CHAPTER III

METHODOLOGY AND MODEL SPECIFICATION

To carry the objectives of study we will conduct the cross sectional filed survey. The primary data will be gathered from the Rawalpindi and Islamabad region. The main objectives of this chapter are to introduce the methodology which will further used in the next chapter. This chapter has four sections. The first section is about the sample, data collection method and description of sample size. The second section is about the measurement instruments and their validation.

3.1. Sampling Technique and Data Collection Method

3.1.1. Sampling Technique

In the literature of economics different sampling technique are used to conduct the field surveys, such as, random sampling method, cluster sampling method, stratified sampling method and snow ball sampling methods. In this we will use Cluster sampling, sampling method, which is used by in my study, because each society serve as cluster. The cluster sampling is Sampling schemes without *replacement* i.e. no element can be selected more than once in the same sample. **Cluster sampling** is a **sampling** technique used when "natural" but relatively heterogeneous groupings are evident in a statistical population. It is often used in marketing research. In this technique, the total population is divided into these groups (or **clusters**) and a simple random **sample** of the groups is selected.

3.1.2. Sample Frame and Sample Size

The data will be collected from household and property dealers. First, we will make a list of all housing societies in Rawalpindi and Islamabad, and then we will select 10 housing societies at random from both regions. After that we will select 10 property dealers from each selected housing society. We are considering every society as a

cluster, The population in a cluster could be heterogenous, at some extent. From the above mention sampling in following way. we will collect data of 100 property dealers. On the other hand, using households we will select 10 sectors from Rawalpindi and Islamabad at random from the list of sectors and then select 20 households from each society. In this way, we will collect data from 200 households.

Q no,7 is just for information, we want to know their intention toward their business. Like do they run this business for the livelihood or have national level interest.

3.1.3. Tools of Analysis

we collect data from 200 household and 100 property dealers, and information is collected about income, expense, saving, source of financing of purchaser, type of property dealt through Questionnaire. The questionnaire for the said purpose is being attached at the end of proposal for further details and for estimations SPSS is used.

3.2. Methods of Analysis

3.2.1. Determinants of Investment in Real Estate

Following specification of generalized model is used to determined private investment.

$$PI = \alpha + \beta_1 INC + \beta_2 HP + \beta_3 S + \beta_4 TP + \beta_5 HHEXP + \beta_6 REM + \beta_7 HHW + \beta_8 RT + \beta_9 INF + \beta_{10} HHPT + \beta_{11} HZ + \beta_{12} EMP + \beta_{13} HR + \beta_{14} PR + \beta_{15} LOG + \beta_{16} INS + D0 + \varepsilon$$

In our case price indicates the price of housing units planned to purchase and y_{it} illustrates the income of the individual, however unlike the standard demand function dependent variable is binary which take value 1 if the household has invested in real estate and 0 otherwise because the dependent variable is binary we are going to use discrete type modeling instead of standard OLS models.

Determinants of investment in real estate could be found by following modeling, Let Y is the variable representing the investment in real estate, and Y can take two values 1, if the investor has invested some amount in real estate and 0 otherwise.

Logit model can be used to check the relationship between investment and real estate.

Let D_i be the dummy variable representing investment in housing $D_i=1$ if the respondent has investment in real estate and '0' otherwise then

$$P(Y_i = 1) = \frac{e^{\alpha + \beta_1 X_{i1} + \dots + \beta_k X_{ik}}}{1 + e^{\alpha + \beta_1 X_{i1} + \dots + \beta_k X_{ik}}}$$

Where X_i $i=1, 2, \dots, k$ represented the potential determinant of private investment, β_i and α represent the regression coefficients. These coefficients inform about the impact of potential determinants on the private investment. A positive and significant coefficient indicates that by increasing the variable probability of investment on real estate would increase and vice versa.

3.2.2. List of Variables

List of control variable used in the Table.

Variables	Description
Private Investment	Dependent variable
Income	Income of household
Market values of the house	price of the owner occupied that housing units
Saving	Saving of household for purchase of plots and construction of house
Tax payment	Tax on business and salary
Housing expenditure(rent)	Rent in rupees
Remittances	Remittances from abroad
Household Wealth	Total wealth from all source of income
Interest	Interest expense paid on income
Inflation	Increase in price of houses
Household size	Size of house
Employment	=1 if increase 0=otherwise
House rent	Rent of House
Profitability	Profit on sale or purchase of house
Location	Location of house

Insurance	Insurance for house
Household affordability	Affordability is defined as rent to income ratio

3.2.3. Impact of real estate on public access to housing

Real estate business creates easy entrée of housing by providing amenities of installment, on the other hand price are sky-rocketing because of this business. We want to check net effect of real estate on the affordability of housing.

Consider we have housing scheme which is offering housing facilities for life time monthly installment. This PS maximum relaxation that a housing scheme can produce. Let P_t is the price of standard housing unit. The monthly installment without tax can be calculated by dividing the price on the life time. The earning life time is 50 years which is equivalent to 600 months. The monthly installment can be estimated by dividing P_t by 600. Let M_t is the amount of monthly installment, then the person having saving greater than M_t would be admittance to housing, let H_t is the percentage of household who having monthly saving greater than M_t , then the trend of H_t will serve as indicator of right of entry to housing.

3.2.4. Analysis of Relationship between Real Estate Business, Investment and Employment

The investment in real estate and investment in industry are auxiliary of each This analysis is for individual employment per million in real estate and industry. Employment in real estate and other business is also very important but difficult job. Few indicator can be used for the examination of these occasion are as follow:

Number of employment by investment 1-million in real estate =ERT

Number of employment by investment 1-million in industries=ELT

The gap between two type ERT and ELT will give the information about relative importance of two type of business for employment.

For the calculation of employment in real estate ERT, following information are collected from the representative sample of real estate enterprise.

1. Approximation of total value of deal entertained by the property dealer in one month.
2. Total person engaged in that business lead by the property dealer.

Employment creation rate = no of person employed/Total number of deal

On the other hand, employment creation by the other business will be calculated as follow:

IT =National investment (Gross national capital formation).

LT =Total employment labor force

Employment creation rate = LT/IT

The comparison between two employment rate give us the idea about usefulness of the business in crating employment opportunities.

Aggregated employment rate should be calculated by dividing the investment by employment.

Aggregate employment rate = Investment /Employment

CHAPTER IV

RESULTS AND ANALYSIS

4.1 Introduction

Descriptive statistics is used for quantitative description of data mean and standard deviation is used as measure of central tendency and as measure of dispersion respectively. Maximum and minimum value of the data has been taken to find the range of the data and coefficient of variation has been taken to indicate the spread of data which is obtained by dividing the standard deviation to its mean. The spread of data and coefficient of variation has taken to indicate the spread of data which is obtained by dividing the standard deviation to its mean. In this chapter, the empirical results and discussion on these results are described, Descriptive statistics describe the characteristics of the variable. Before we go into rigorous analysis of the data, we are stating with descriptive analysis of various indicators collected through questionnaire. The household questionnaire is summarized first and the questionnaire for property is summarized afterward.

Table 1: Table of Household:

Serial. No	Sectors/Housing society	NO. of house hold
1	F-6/7/8/9/10/11	20
2	I-8/9/10	20
3	Bahria Town	20
4	DHA	20
5	Chackshehzad/chatta bakhtawer	20
6	Bhara Kahu	20
7	Murree road Rawalpindi	20
8	Highway and Airport road	20
9	G-9/10/11	20
10	G-6	20
	Total	200

4.2 Demographics

4.2.1 House Possession

Table 4.2 summarized that how many people in Islamabad/ Rawalpindi have their own house and how many of them live on rent.

Table 2: House Possession

Statistic	Frequency	Percent
Own House	119	59.5
Rented	81	40.5
Total	200	100.0

Table 5.2 shows that about 60% Families have their own house while other 40% household lives on rent.

4.2.2 Ownership, Facilities and Demographics of Households.

Table 5.3 describes the ownership facilities availed by the families in Islamabad / Rawalpindi.

Table 3: Ownership, Facilities and Demographics of Households.

Ownership, Facilities and Demographics of Households.

Statistics	Number of respondent	Percentage
Parking is available in house	128	64
Household owns a property Leased to other	172	86
Household own plot in Rawalpindi/ Islamabad	166	83
Government Employees	94	47
Insurance Policy	36	18
Plan to purchase plot in Islamabad/Rawalpindi	160	80
Development Charges	124	62

Table 5.2 shows that in Rawalpindi/Islamabad 64% households have their own parking while 36% have no parking for vehicles. Household owns a property leased to other is 86%. 83% households have their plots in Islamabad / Rawalpindi while 17% do not have any plot in Islamabad /Rawalpindi. Similarly, in our sample in twin city.,47% households are Government employees while remaining 54% doing their own business or part time job. This study also shows that 18% households have insured their houses while remaining 82% did not insure their houses. 80% households have plan to purchase plots in Islamabad and Rawalpindi while 20% do not have any plane for the purchase of house. According to this study 62% pay development charges of house, while 38% do not pay and society himself responsible for the payment of development charges. Above table also shows that the household having their own property rented to others are 86% of the sample therefore people living at rent in Islamabad have their own property which is given on rent to others.

4.2.3 Status of Plot Ownership in Islamabad/Rawalpindi

Table 5.4 described the ownership of plots that a household have in Rawalpindi/ Islamabad.

Table 4: Current statues of plot ownership in Islamabad/Rawalpindi

status of plot ownership in Islamabad/Rawalpindi	Frequency	Percent
Land without construction	137	68.5
Land under construction	29	14.5
Constructed land	25	12.5
Land under cultivation	9	4.5

Above table shows that approximately 69% households having their own plots on which construction has not been done. While 15% have houses under construction and 13% have constructed their houses, (others) have plots and have used them for agriculture purposes.

4.3- Income Receipt from Property

Table 5.5 shows that how much income a household has from agriculture, from rent of residential and commercial property.

Table 4.5

Table 5: Income Receipt from Property

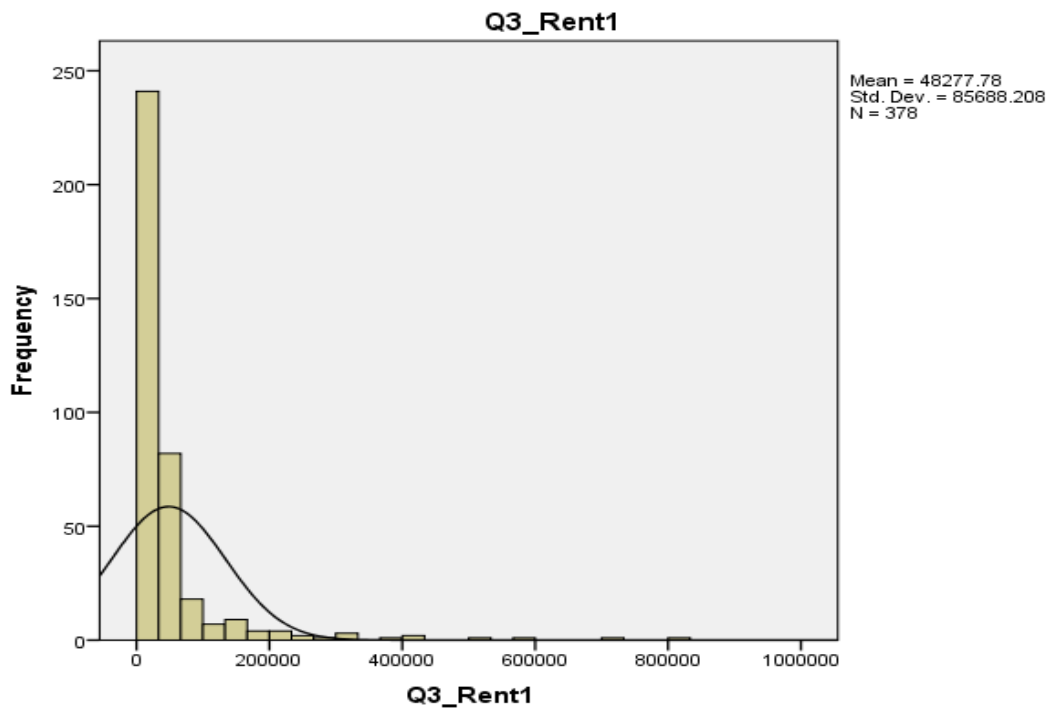
Statistics	Frequency
Agriculture	95
Residence	167
Commercial	116
Total	378

Table 5.5 shows that there are 378 properties lend to others (owned by the sample household), this implies there are many people who own more than one properties, the properties include agriculture, residential and commercial.

4.3-Histogram of Rent Receipt

Histograms show that amount of rent received by the household by leased property to others.

Figure 2: Histogram of Rent Receipt

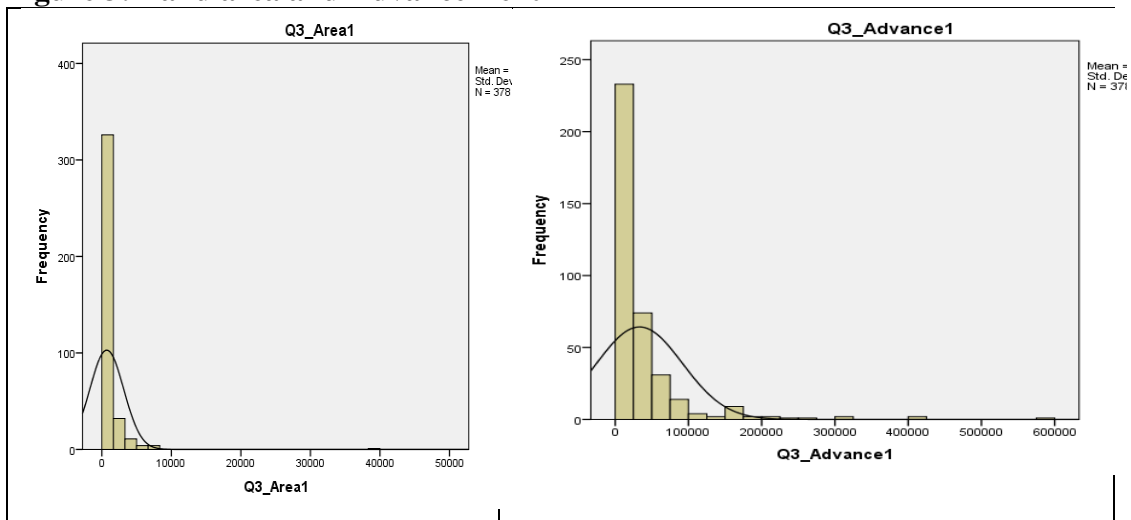


The Histogram shows that majority of individuals earn rent less than .2 million while few individual earning as high rent as .8 million. highly rent is received in the posh area of Islamabad that the rent received by household is highly skewed.

4.3.1- Land area and advance rent

Figure 4.2 shows about the land and advance rent.

Figure 3: Land area and Advance Rent



The histogram shows that area of land rented to others is less than 1000 Marla. While the few individuals lend land to others is 2000 Marla. In my study, agricultural land is also included for that purpose, agriculture land also converted into Marla for making one unit. Advance means advance rent or security received by individual by lending that land to others. Maximum amount of advance received by individual is Rs. 200,000 in my figure.

4.3.2 Income of Household From Various Sources Per Month

Table 4.6 shows income received by household from various source.

Table 4.6

Figure 4: Income of Household From Various Sources Per Month

Statistic	JOB/ BUSINESS	Rent Received	Advance	Remittance	Income from other sources	Commission
Mean	215590	76137	33207	152400	56255	26235
Median	100000	40000	15000	0	20000	0
Mode	150000	0	0	0	0	0
Std. Deviation	470393	118323	58616	656667	99485	101512
Range	4986000	1000000	575000	7000000	600000	1000000
Minimum	14000	0	0	0	0	0
Maximum	5000000	1000000	575000	7000000	600000	1000000

Income received by employees on average RS.215500. rent, remittance, and income from other sources is Rs.76100, Rs.152000 and Rs.56200 respectively. Maximum amount of remittance received by a household is Rs.7000000. According to collected Data, the person who gives his property on rent, total rent received in one month

Rs.76100 on average as rent and advance money received by that person is Rs.33207 and the rent is collected by that person from 706 Marla. (Agricultural land also converted in Marla). Advance means collateral received by that person at the start of the month. This rent is collected from agricultural property from village and house in city. Above table also shows that people in Islamabad have income three times higher than people of other areas. It is clearly shown that in Islamabad mostly source of income is business and services that's why share of agriculture in rural area decreases where income comes from dwelling. On the other side, if they have high income there is ability for high saving. They invest in economy given in appendix.

4.3.3 Average Monthly Saving

Table 4.7 shows that how much income a house saves for the purchase of plots and construction of house and how much money is kept in house for future.

Table 6: Average Monthly Saving

Statistic	Average monthly saving	Per month saving for house construction	Per month saving for purchase of house plot
Mean	135670	48310	54665
Median	30000	10000	10000
Mode	0	10000	5000
Std. Deviation	275898	93446	163295
Range	2000000	600000	2000000
Minimum	0	0	0
Maximum	2000000	600000	2000000

Average monthly saving is Rs.135670, from which Rs.48300 is for construction of house and Rs.54600 for the purchase of house. Above table also shows that Rs.350000 houses in Islamabad have average monthly saving 47 billion. If there is saving of individual, then it should have to invest in economy. It is cleared from above table that people of Islamabad have high income and can afford a house easily. Some sample average is too high, it is due to the outlier in the sample data.

4.3.4-Mode of Saving

Table 4.8 describes the different modes of saving where a household keeps its saving generally, there are four different modes of saving.

Table 7: Mode of Saving

Statistics	Frequency	Percent
No Saving	8	4.0
Bank	99	49.5
Committee	43	21.5
Saving Scheme	22	11.0
Others	28	14.0
Total	200	100.0

Table shows that 4% people do not save anything, 49 % keep their savings in banks, 21 % keep their savings in committee, 11% have saving scheme plans and remaining 14 % have some other sources of saving. Therefore, as on the above table shows that there are only 8 people that do not save while the other people have some source of saving. Therefore, they have saving, so they can invest in economy and it will generate employment.

4.3.5-Area of Plots Held by Household

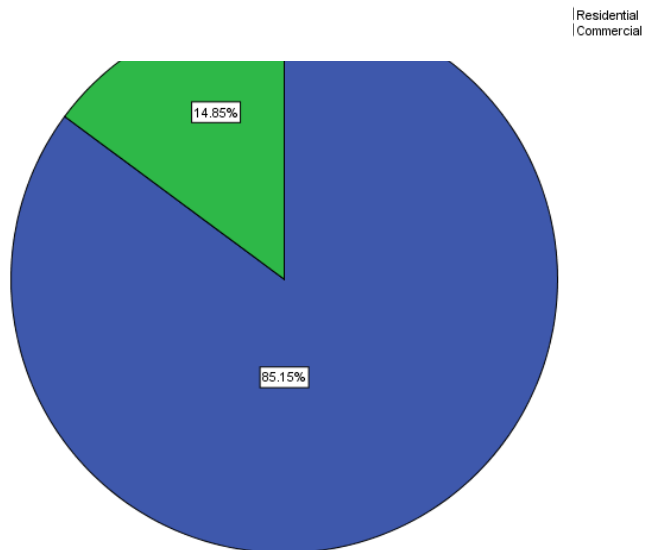
Table 4.9 explain the plots and types which is frequently dealt in Islamabad and Rawalpindi.

Table 8: Area of Plots Held by Household

Statistics	Area
Mean	13
Median	10
Mode	10
Std. Deviation	34
Rang	600
Maximum	600
Minimum	00

According to my survey every person purchases property in Islamabad/Rawalpindi is 13 Marla including residential and commercial property. Every individual desired for purchasing plots in Islamabad/ Rawalpindi. Mostly the purchase of residential plots is 82% and commercial plots is 18%.

Figure 5: Q7- Type1



4.3.6- Rent and Area:

Table 4.10 summarized the plots hold by the sample household and receipts of rent on these plots.

Table 9: Rent and Area

Statistics	Per month Rent (Rupees)	Area
Mean	40806	5
Median	25000	3
Mode	2000	2
Standard deviation	78573	5
Range	100000	40
Maximum	1000000	40
Minimum	0	0

According to above table rent received for Rs.40806 for 5 Marla house. The minimum amount of rent received is 0 (because they have their own house) while the maximum amount of rent received by Rs.100000 excluding posh area where the amount of rent received is very high.

4.4-Price and the Area held by the Sample Household

Table 5.11 described the average price of house paid by the household.

Table 10: Price and the Area held by the Sample Household

Statistics	Price of house (Rupees)	Size of house in Marla
Mean	17222500	11
Median	10000000	8
Mode	8000000	5
Std. Deviation	30488069	9
Range	299800000	67
Minimum	200000	3
Maximum	300000000	70

Average price for 12 Marla house in Islamabad is Rs.17222500.

4.5-Expenditure Paid by House Hold for one Month

Table 4.12 tells about expenditure paid by household with in the month.

Table 11: Expenditure Paid.

Statistics	Rent if (Applicable)	Commission	Tax	Bill Electricity Gas Other	Salary to servant	Children education
Mean	24605	30015	4545	20585	4808	55815
Median	0	0	3000	13000	1500	30000
Mode	0	0	2000	15000	0	15000
Std. Deviation	68246	97003	4866	45140	7781	116426
Range	600000	600000	26000	598800	45000	1350000
Minimum	0	0	0	1200	0	0
Maximum	600000	600000	26000	600000	45000	1350000

Average amount of rent paid is Rs.24600. Average amount of household tax paid Rs.1000 on salary, Rs.1400 is paid on tax on rent, Rs.1200 is paid on tax on business, wealth tax paid on average is Rs.667 and other tax is amount Rs.424. The minimum price of house is Rs.200000 while the maximum price of house is Rs.300000000 for form- house. Standard deviation is high due to variation in prices. average amount of house rent paid is Rs.24600 and commission and tax paid is amount Rs.30015 and Rs.4545 respectively. Electricity bill is average Rs.20585. Employees in Islamabad on average paid salary to servant Rs.4800 and paid for children education is Rs.55800. Minimum earning on average is Rs.14000 and maximum amount earned is Rs.5000000 per month. Total income from property 200 sample is 3444 million. while the tax on

property 0.28 million which is too small as compared to business.: 0.24m is paid by businessman each month. It is mostly seen that consumption pattern in Islamabad on luxury and education ratio is increased while in rural area major source of consumption is basic needs of people. mostly, houses in Islamabad are imputed rent. They give their property without receiving any rent from property. According to my survey, average expenditure in Islamabad is four times higher for poor people.

4.6-Payment Schedule Per Month

We have asked the households if they have plan to purchase a house in Islamabad, the payment schedule per month is summarized as under.

Table 4.13: Payment schedule per Month

Statistics	Price of house	Down payment	Instalments in numbers	Instalment payments	Discount
Mean	9462850	1892000	35	185730	349575
Median	2500000	500000	36	42000	50000
Mode	0	0	0	0	0
Std. Deviation	25505537	4238212	27	409132	901025
Range	300000000	40000000	180	3000000	07000000
Minimum	0	0	0	0	0
Maximum	300000000	40000000	180	3000000	700000

Average price of Rs.9462800 and down payment is Rs.189200 on average number of instalment is 35 and instalment payment Rs.185700. Every investor on average received Rs.350000 discount. Maximum instalment payment is Rs.3000000 And discount received by household is Rs.700000. Std. deviation is high due to variation of prices of houses. Above table shows that 200 household bound 360 million in property as down

payment. If that amount invested in agriculture which is 45% of employment. There should be employed thousand people. On the other side 200 household estimated invested is 2000 million in plots as an unproductive investment. if they invest in another field it will bring a broad change.

4.7 Cross tabulation

4.7.1 POSSESSION AND PARKING AREA CROSS TABULATION

Table 4.14 explained about cross tabulation about possession and parking area for the house.

Table 4.14 Possession and parking area cross tabulation

POSSESSION	PARKING	NO PARKING
OWN HOUSE	83	36
	65.5%	49.3%
RENTED	44	37
	34.6%	50.7%
TOTAL	127	73

This table showed that 65% people have their own houses have parking while 35% people live on rent have parking. While on the other side, 49% people having own house have no parking, while 51% rent house have no parking.

4.7.2-Relationship between Job Nature and Plot Holding Cross Tabulation

Table 5.15 explained about jobs and plots in Islamabad and Rawalpindi.

Table 4.15: Relationship between Job Nature and Plot Holding Cross Tabulation

Plot in Islamabad/Rawalpindi	Job			Total
	Part Time	Full Time	Business	
Have	9	91	66	166
	52.9%	80.5%	94.3%	83.0%
Not have	8	22	4	34
	47.1%	19.5%	5.7%	17.0%
Total	17	113	70	200
	100.0%	100.0%	100.0%	100.0% ^s

Cross tabulation shows that 53% part time jobholders holder have plots in Islamabad while 47% do not have plots. 80% person doing full time job have plots in Islamabad/Rawalpindi, 20% do not have plot. Mostly, businessman who are doing business in Islamabad have plots while 6% do not have plots.

4.7.3-Relationship between Job Nature and Property Lend to other Cross

Tabulation

Table 4.16 elaborate the relation job and leased property to other.

Table 4.16: Relationship between Job Nature and Property Lend to other Cross Tabulation

Leased property to other	Job			Total
	Part time job	Full time job	Business	
Leased	11	95	66	172
	64.7%	94.3%	94.3%	86.0%
Not leased	6	4	4	28
	35.3%	5.7%	5.7%	14.0%
Total	17	70	70	200

This table shows that 65%-part time jobholders leased their property while 35% do not lease their property. 84% full time jobholder leased their property while 16% do not

lease their property.94%bussinessmen leased their property to other while 6% did not leased their property.

4.8 Property Dealer

This chapter summarized the information extracted from the questionnaire designed for property dealer. We have 100 property dealers in our sample the locality of these are reported as under.

Table: 4.17-property dealer:

Serial no	Sectors/Housing society	No of proper dealer
1	F-6/7/10/11	10
2	I-8/9/10	10
3	Bahria Town	10
4	DHA	10
5	Chachshehzad/chattabakhtawer	10
6	Bhara Kahu	10
7	Murree road Rawalpindi	10
8	Highway and airport	10
9	Pwd	10
10	G-6/7/8/9/10/11	10
	Total	100

4.8.1 Demographic of Property Dealer:

This section tells about the demographic of property dealer and investment channelization, it also identified the number of employees hired by the property dealer.

4.8.1.1 Office Ownership

Table 4.18 showed about how many property dealers has their own office and how many have office on rent.

Table No 4. 18: Office Ownership

Statistics	Frequency	Percent
Rented	49	51
Own	48	49
Total	97	100.0

Table shows that 51% property dealers have their office on rent while 49% have their own office. Mostly I observed from my study that those people engaged in property business belong to other area and do business in Islamabad. Therefore, the ratio of rented office is more than own office. These results can be shown with the help of graph below.

4.8.1.2-Deal in Construction or Property/Both

Table 4.19 shows about how many persons deal only in property, how many are engaged in construction, and how many people deal in both businesses.

Table No 4.19: -Deal in Construction or Property/Both

Statistics	Frequency	Percent
Construction	5	5
Property	25	25
Both	67	69
Total	97	100

According to above table, 5% businessmen deal in construction while 26 % deal only property and remaining 69% deal in both businesses. Because I have collected data from the posh area of Islamabad, where people have money but don't have time to

construct house, therefore, they approach these property dealers who construct house for them at lower cost. Therefore, property dealers make agreement with construction companies and start joint venture business. Contractor charge per square foot cost which is calculated Rs.2000 per square foot and paid property dealer office expense as per contract between property dealer and contractor therefor the ratio of person dealing in both business is high which is calculated as 69 in the above table.

4.9-Source of Financing

Table 4.16 shows about the source of financing of the household for the purchase of plot.

Table No 4.20 Source of Financing

Statistics	Remittance %	Business %	JOBS %	Other %
Mean	41	34	15	9
Median	40	32	15	10
Mode	40	30	10	10
Std. Deviation	11	8	6	5
Range	57	45	38	20
Minimum	13	15	2	.00
Maximum	70	60	40	20

Remittances are mostly 41% invested for the purchase of property,34% businessman invested their money for the purchase of plots, jobholder which is only 15% could make investment in property, only 9% investment comes from other fields. The results clearly shows that only 74% people in Rawalpindi/ Islamabad have only single plot,21%

people have 2-3 plots, only 4% people have 3-10 plots and remaining 1% have plots more than 10 which are the richest people of the society.

According to data collected from property dealers it is clear that mostly investment come from abroad. People who are settled abroad invest their money in property because of safest investment which is 41% according to above data, it is considered as an unproductive investment because it does not create any job opportunity unless construction starts which creates few jobs as compared to agriculture and industry where such investment can employ thousands of people. while some economists give their views that forty allied industries are attached to construction which is helpful for employment generation.

Second source of financing is business which is 34% according to above data. Investors make investment in property for selling plots and after construction of houses which is favorable for economy because it increases investment and cause the flow of cash from richest people to poor people those who work in construction sector and develop infrastructure. Jobholders, which are only 15% of source of financing because Islamabad is expensive city then other cities in Pakistan therefore, jobholders cannot save much money because of heavy expenditures. Others, mean, those people who wanted to settle in city after selling their property in village. Ratio of these people increased in recent years. But according to my survey these people are only able to make investment in property which is only 9%.

4.10-Occupation of Plots by Client

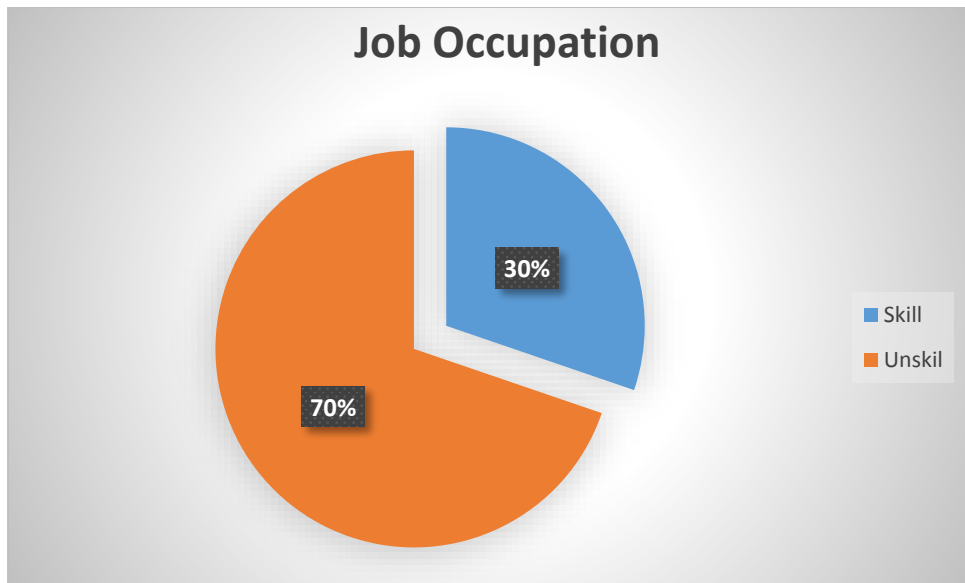
Table 4.21 shows the number of plot held by the household.

Table 4.21: client occupation of Plots.

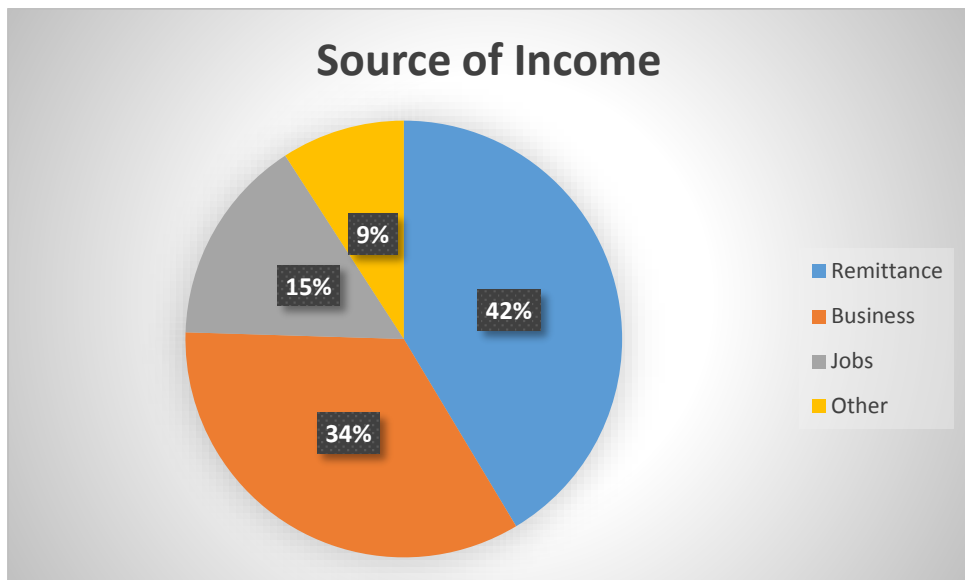
Statistics	Client having single plots%	Client having 2-3 plots%	Client having 3-10 plots	Client having 10 onward plot
Mean	74	20	4	1
Median	75	20	4	1
Mode	75	20	3	1
Std. Deviation	8	5	3	.501
Range	50	32	17	4
Minimum	45	3	2	0
Maximum	95	35	19	4

According to my information which I have collected from field about 74% people have one single house/plot in Islamabad/Rawalpindi, which means that mostly people do not have any saving to make investment in plots. Their earning and expense are equal. 20% people in Islamabad have 2-3 plots. Mostly bureaucrats and top businessmen are included in these categories. 5% people have 3-10 plots in Islamabad. These are those people who are settled abroad and have high remittance from abroad, also have Black money on which they don't pay any tax. 1% people are those people which are the richest segment of society, have 10 onward plots, such as Malik Riaz etc.

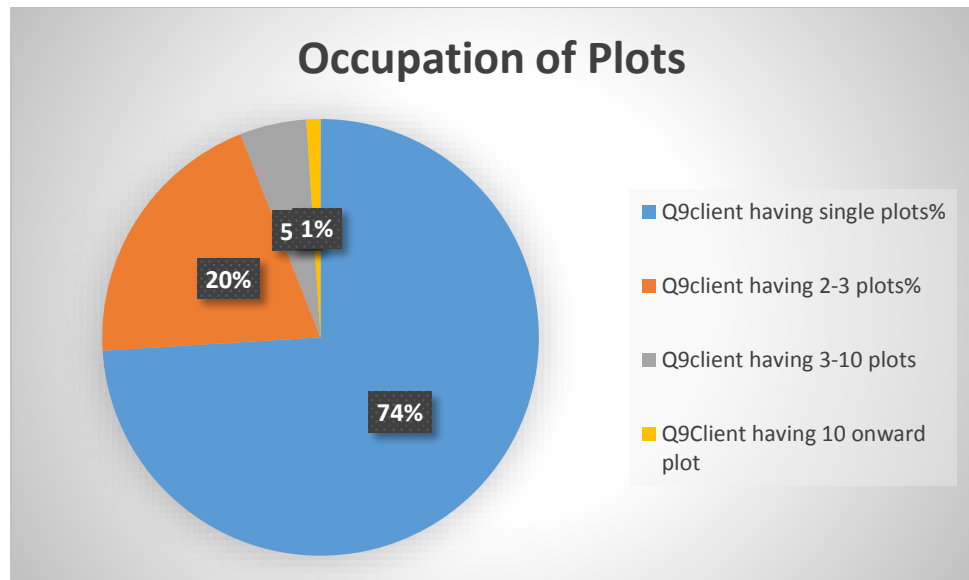
Pie charts:



Above pie chart explain that the number of skill labor hires by property dealer is 30% and unskilled labor hired by the property dealer is 70%. Above ratio tell that each skill worker need 2 unskilled labor for contraction purpose.



Above pie chart explain that 42% source of financing are from remittance. 34% investor invest in property business. 15% jobholder can make investment in property. 9% are those who sell property from village and buy property in city.

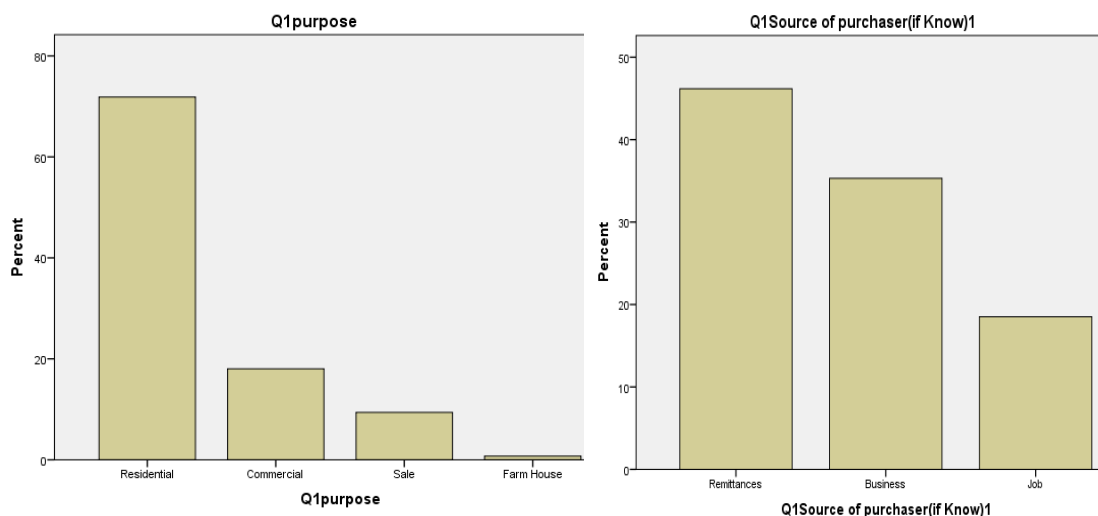


According to above table explain that 74%household have only single plot in Islamabad/ Rawalpindi. 20% are those people who have saving greater than expenditure and have small house size, that make them able to make investment in Islamabad. 5% are tope bureaucrats and black sheep who have high remittance from abroad have 3-10 plot.1% are the richest segment of society have 10 onward plots.

4.11-Investment Channelization:

Bar Chart 4.1: Purpose and Source of Income of Purchaser:

Bar chart below shows about the source of purchaser of the buyer and for what purpose investment is made.



purpose,18% The above graph shows that in Rawalpindi /Islamabad 70% dealing are don for residential is for commercial,10 % is for sale and 2% is farmhouse. The 46 % from the total source of purchaser comes from remittances, 37% is from business and 17% is source of purchase come from jobs. These results clearly indicate that highest income is from remittance.

4.11.1 Files Dealt During Last Month:

Table 5.22 provide the details of file dealt with during last month by the property dealer also known as Investment Channelization.

Table No 4.22-Files Dealt During Last Month:

Statistics	Face value	Sale Value	Profit on file	Tax on file (if applicable)
Mean	11682125	12268119	1232111	528675
Median	6000000	6800000	500000	240000
Mode	6000000	4000000	500000	0
Std. Deviation	17246407	13099315	2242516	987304
Range	249700000	104800000	33500000	10000000
Minimum	300000	200000	0	0
Maximum	250000000	105000000	33500000	10000000

The Above table shows that just like sale of plots there is another business known as transferring of file. On average one property dealer transfer file 11.68 million while the sale value of the file is 12.26 million ultimately, he earns profit 1.2 million on average after paying taxRs.0.52 million. Transfer of file is done for non-possessional plots.

Property dealt by property dealer during last month

Table 5.23 provide detail about the property dealt during last month, amount of profit earned by the property dealers, commission earned by property dealers, whether the payment is made in full or installment. How much tax is paid by property dealers?

Table No 4.23 property dealt by property dealer during last month

Statistics	Amount	Seller profit (approx.)1	Area (Marla)	Commision1	Payment in full/instalmet1	Down payment	Quarterl instalmen
Mean	15558395.1	1569209.88	12.9574	154343.2099	1480962.96	3574691.36	10976935
Median	8000000	600000	7	80000	0	1500000	6000000
Mode	5000000	500000	20	50000	0	0	0
Std. Deviation	23928808.5	2724647.74	40.7953	196784.5626	3269675.52	6550824.05	15117081
Range	249800000	35000000	799	2000000	25000000	70000000	10000000
Minimum	200000	0	1	0	0	0	0
Maximum	250000000	35000000	800	2000000	25000000	70000000	10000000
Percentiles							
25	4000000	400000	5	40000	0	0	737500
50	8000000	600000	7	80000	0	1500000	6000000
75	17250000	2000000	18	177500	1500000	5000000	14212500

One property dealer on average facilitates deal of Worth 5.23 million and earns about .15 million whereas, the seller's profit is about 1.5 million. These findings clearly indicate that the business is extremely capital intensive with high profit margin. Mostly payments are made on instalments but few investors make small payment in full and deals in 12 Marla plots are more than the others. Since, the variation of deals by each property dealer is very high, therefore standard deviation is also high.

4.12-Opinion about recent tax reform:

Table 4.24 describes the opinion of property dealer about recent tax reform.

Table No 4.24: Opinion about recent tax reform

Statistics	Frequency	Percent
Good	12	24
No effect	22	22
Detroit	64	64
Total	97	100

Table 4.24 shows that opinion about recent tax reform, that 12 % of the dealers believed tax is good for their business while 23% say that there is no effect of recent tax reform and remaining 65% give opinion that tax deteriorate their business.12% are those who deals in plots where the amount is always less than 4 million, because there is no property tax on the property less than 4 million. Recent tax brought improvement in small plots dealing and mostly property dealer shift their attention to this area. 22% are those, stamp duty and other expense is paid on selling of plots. In rural area property tax is charged on DC (district commissioner) rate. 65% believed recent tax deteriorated their business. They are those property dealers who are working in CDA and government fixed tax rate that 2% on filer and 4% on non-filer and 2% CVT (capital value Tax). Government also charges gain tax (on profit) and advance tax (on seller).

The rate of gain tax is fixed at 20% on profit. That is why investors withdraw their money from the market. Only genuine seller purchase plots. There are only 5% genuine buyer in the market.

4.13-Effect of Recent Tax Reform

Table 4.25 tells about the effects of recent tax reform. Whether the recent tax reform improves, no effect or deteriorate their business.

Table No 4.25: Effect of Recent Tax Reform

Statistics	Frequency	Percent
Improve	10	10
No Effect	23	23
Detroit	64	66
Total	97	100

10 persons say that recent tax improved their business 24% says that there is no effect of recent tax reform, whereas 66% say that recent tax deteriorate their whole businesses.

4.14-Employment:

Last but not the least effect real estate generate employment for economy. if we will compare it with other sectors we will see it generates, less employment as compare to the other sectors. Result are shown in the table below.

4.14.1 No of Person Employed in office.

Table 5.26 shows the number of employee each property dealer employed in his office.

Table 4.26: No of Person Employed in Office

Statistics	No of person working in your office	Startup cost of business	Employees engage in business
Mean	8	807402	7
Median	6	500000	6
Mode	5	500000	3
Std. Deviation	7	1137820	6
Std. Error of Kurtosis	.485	.485	.485
Range	40	7952000	38
Minimum	.00	48000	2
Maximum	40	8000000	40

Above table shows that on average, one property office provides job to 7.5 people whereas, startup cost of business is about 807402. It can be observed from above data that cost of starting real estate business is very low as compared to agriculture and industrial sectors, where the cost of starting business is in millions. Real estate is less risky business than agriculture and industry, therefore, people invest more in real estate than in any other sectors, while real estate business only generate jobs when construction starts. Therefore, rate of employment in real estate is low as compared to other sectors. If that amount is invested in other sectors it will give thousands of jobs.

4.14.2- Skilled and Unskilled Labor:

Table 5.27 shows the skill and unskilled labor hired by property dealer by making contract with contractor.

Table 4.27: Skilled and Unskilled Labor

Statistics	Skilled Labor	Unskilled
Mean	5	13
Median	5	10
Mode	4	10
Std. Deviation	3	16
Range	20	150
Minimum	.00	.00
Maximum	20	150

Each property dealer in Rawalpindi/ Islamabad provides employment to 5 skilled and 13 unskilled labors. Every property dealer need one carpenter, one wilder, one plumber, one mason and one painter. These people are hired on daily wages and labor is also hired on daily wages keeping in mind the need of business.

4.14.3-People Remuneration:

Table 5.28 shows the remuneration of employed people. either these employed workers are working on salary or on commission.

Table No 4.28 People Remuneration:

Statistics	Frequency	Percent
Salary	11	11.3
Commission	71	73.2
Other	15	15.5

In property dealing business 11% employees work only on salary, 73% work on commission and remaining 16% work as partner. 73% people engaged in this business work on commission. Those people who are working on commission earn 50% as commission in each deal and give 50% to property dealer as an office expense. 11% are those people who are working as permanent office employees e.g. office boy. Other 15% are those who have family relation with property dealer and work as a partner.

4.15-Effect of Terrorism:

Table 4.29 shows what would be effect of terrorism on property business.

Table No 4.29: *Effect of Terrorism*

Statistics	Frequency	Percent
<i>Improve</i>	10	10.3
<i>Deteriorate</i>	26	23.7
<i>NO Effect</i>	64	66
<i>Total</i>	100	100

There is general opinion about terrorism that it deteriorated their business, while 24% say that there is no effect while remaining 66% says that terrorism deteriorated their whole business.

4.16-Expense Pays on Transfer of File:

Table 4.30 explains the type of expense paid by property dealer on transfer of file.

Table No 4.30: Expense pays on Transfer of File:

Statistics	Number of Respondent	Percentage
File expense paid	100	19
Transfer fee paid	100	73
Membership fee paid	100	10
Stamp duty paid	100	35

The finding from the above table are that 81% does not pay file expenses while remaining 19% pay file expenses. 27% people do not pay transfer fee and remaining 73% pays transfer fee. Only 10% people pay membership fee and remaining 90% do not pay. At the last but not the least, 35% pay their stamp duty and remaining 65% do not pay stamp duty.

CHAPTER V

ESTIMATION AND ANALYSIS

This chapter consists of empirical analysis. Such an analysis was employed for determining the determinants of investment. We used following variables Income, Saving, Market value of house, Taxation, Household size, Remittance, Tax Payment, House Expense and Housing Affordability to predict the private investment were used. The sample data was collected 200 households and 100 property dealers from Islamabad and Rawalpindi. We concluded that few variables are significantly influence private investment.

5.1. Determinants of Investment

We employed a regression to estimate the determinants of private investment. In this regard, Private investment is the dependent variable whereas Income, Saving, Market value of house, Taxation, Household size, Remittance, Tax Payment, House Expense and Housing Affordability are independent variables.

The results are given in table 6.1 below.

Table 5.1 indicates that house size is only significant determinant of private investment. It means that the small houses are more approachable as compared to big houses. Thus, owing to increase in taxation the intentions of investor altered towards the small plots and small houses, because there is no imposition of tax below than Rs.40 lac. All other variables are statistically insignificant; it means they have no rule in determining private investment.

Table 5.1 Determinants of Private Investment

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
(Constant)	17846362.68	4256826.10		4.192	.000
MVH	-.010	.074	-.010	-.136	.892
Household size	755404.780	308919.012	.231	2.445	.015
Remittance	5.951	5.646	.131	1.054	.293
Saving	-6.485	10.695	-.060	-.606	.545
Income	-.697	4.579	-.022	-.152	.879
Tax Payment	-863.339	691.406	-.139	-1.249	.213
House Expense	-5.800	13.925	-.041	-.417	.678
Housing Affordability	- 21775768.431	17208625.19	-.096	-1.265	.207

5.1.1. Determinants of Private Investment after Taking log

We run the regression same as above after taking log of all variables. The results are given in table 5.2 below.

Table 5.2 shows that after taking log, only income is significantly impacted private investment. This indicate that person with high income has ability to invest more. The sign of coefficient shows that an income has positive relationship with investment. The value of coefficient indicates that if the income is increased by one unit the investment will increase by 0.676 units.

Table 5.2 Determinants of Private Investment after taking log

Variables	Unstandardized coefficient		Standardized Coefficient	T	Sig
	B	Std. Error	B		
(Constant)	17.558	2.573		6.823	.000
LMVH	-.195	.146	-.205	-1.334	.188
L Household Size	.206	.301	.115	.683	.497
L Remittance	-.098	.233	-.108	-.421	.676
L saving	-.170	.193	-.209	-.882	.382
L income	.676	.343	.619	1.969	.054
L Tax Payment	-.063	.262	-.048	-.241	.810
L House Expense	-.348	.232	-.326	-1.496	.140

5.1.2. Predicting the purchase of plot in Islamabad /Rawalpindi

Now we are predicting the purchase of plot in Islamabad and Rawalpindi in table 6.3.

Table 5.3 determining the purchase of plot in Islamabad /Rawalpindi

Variables	Score	Sig
MVH	1.218	.270
Household size	3.679	.055
Remittance	1.998	.158
Saving	5.182	.023
Income	6.651	.010
Tax Payment	13.361	.000
House Expense	3.827	.050

Table 5.3 indicates that household size, Saving, Income, Tax Payment and House Expense are statistically significant. All other variables are statistically insignificant

means that do not affect purchase of plot in Islamabad /Rawalpindi. The sign of Household size, Saving, Income, Tax Payment and House Expense are positive means they have positive relationship with purchase of plot in Islamabad /Rawalpindi.

Table 5.3 also describes that the household with high saving, low expenditure and high income has ability to purchase house. In the above table shows that saving has significant relationship with ability to purchase plots. House expense has significant relationship with purchase of plots, people with small house sizes have minor expenses and can purchase plots easily.

5.1.3. Results after taking log

We are predicting the purchase of plot in Islamabad and Rawalpindi after taking log in table 6.4.

Table 5.4 determining the purchase of plot in Islamabad /Rawalpindi after taking log

Variables	Score	Sig
LMVH	1.945	.163
L Household Size	.276	.599
L Remittance	3.815	.051
L saving	2.325	.127
L income	1.392	.238
L Tax Payment	.639	.424
L House Expense	.072	.788
Total	9.576	.214

Table 5.4 shows that remittance is significant which indicates that the people whose relative live in abroad or have the business of trade. These people have deep pocket to

invest in property. It is generally seen that people who are settle abroad send remittances in Pakistan. They invest approximately 45% of remittances in real estate because real estate business is less risky as compared to any other business in Pakistan.

After taking log, remittance shows significant result which means that the household with high remittance has more ability for purchase of plots. Remittance positively related with purchase plots.

5.1.4. Plan to Purchase House

Employing regression for plan to purchase house. The results are given in table 6.5.

Table 5.5 Regression for plan to purchase house

Variable	Score	Significant
MVH	2.094	.148
Household size	6.475	.011
Remittance	.167	.683
Saving	9.876	.002
Income	2.137	.144
Tax Payment	14.367	.000
House Expense	6.609	.010

Table 5.5 Shows that House Expense, Tax Payment, Saving and Household size are statistically significant in determining plan to purchase house. All are positively correlated with plan to purchase house. People are moving toward cities, so they must plan to purchase plot or house in city. For this they keep their household size small, save more and keeping their expenses low. As in our society separation from join family

increase that is why trend for purchasing their own house is increasing day by day. This shows that people who have high saving and low household expense have more ability for the purchase of house. It is also shown in above table that small size plot is more purchased than large size plot. In the above table saving and income have significant result which show that people with high saving and high income can easily purchase plots. House expense and tax payment also show significant result which shows that small household size and low tax payment have more ability to purchase plots.

5.1.4. Plan to Purchase House after taking log

Employing regression for plan to purchase house after taking log. The results are given in table 5.6.

Table 5.6 Regression for plan to purchase house

Variables	Score	Sig.
LMVH	4.330	.037
LHousehold size	6.028	.014
LRemittance	1.093	.296
LIncome	.595	.440
LTax Payment	13.834	.000
LHouse Expense	4.586	.032

In this table, we can see that four variables can be seen Market value, Household size, Tax payment, and House expense are highly significant. All are positively associated with plan to purchase house.

It means that if someone have saving it can purchase house. If the market value is reasonable and household size is small, it can save more. If the person has small family size then he can purchase house in the capital city, because the expense on small family are low than large family. Because expenses on large family can be met with difficulties due to inflation in Pakistan.

5.2. Analysis of Relationship between Real estate business, Investment and Employment

Capital to labor ratio (Real estate sectors) of real estate sector shown in table 6.7.

Table 5.7 Relationship between Real estate business, Investment and Employment

Ratio	Sample Employed	Pakistan total labor force
Employment	615	57200000
Investment	6301150000	70000000000000
Ratio	10245772.36	1223776.224

Table 5.7 explain that the employment ratio in my sample is more than total employment in Pakistan. So, it is clear from the sample that the total employment in capital city is more as compared to Pakistan other cities. It also describes that in Islamabad more people are engaged in property business therefor inflation in property is also more in capital city. Therefore, when there is inflation in real estate. It creates bubble in economy which is more dangerous for economy. Therefor investment in real estate also decrease the investment in another sector.

CHAPTER VI

CONCLUSION AND RECOMMENDATIONS

6.1-Summary:

The above discussion determined that real estate is a significant business in modern era. It has some disadvantage as it is a capital-intensive business. It decreases the share of other investments. It decreases investment in agriculture and industry which is major cause of unemployment. Real estate business is become more attractive for those people who are living abroad. Because, it requires little bit physical participation and real estate is less risky as compare to other business in Pakistan. Real estate provides easy accessibility of housing to people. But on the other side the amount of taxes submitted to government treasury are very minor.

According to an estimate about RS30 billion taxes are summited to government treasury in each year. Recently government increased capital value tax from 2% to 4%. Owing to imposition of heavy taxes, investors are shifting their investments Pakistan to UAE. Only few investors are still working under the heavy burden of taxes. The shifting of investment form Pakistan to UAE trigged imbalances in economy (FBR, 2016).

6.2-Conclusion:

The data are collected from 200 households and 100 property dealers from Islamabad and Rawalpindi. This study concluded that people with high saving are investing in real estate business. The separation from joint family system is also a cause which increased the demand of new houses. People keep their house size small for high saving and invest in real estate. It is also shown in above results that mostly Pakistani's who are working in abroad participate investment in real estate. They invest 45% of saving in real estate because it is less risky business. We also concluded form empirical analysis that investment has positive relation with income/output (GDP) or profitability and

negatively related to cost and political instability (input prices that are wage, interest rate, taxes, and inflation by raising the uncertainty in return, political instability and poor governance). The investment on infrastructure may be insignificant because of political consideration and ignoring the economic rate of return while selecting the public projects. It is also reduced due to political uncertainty; this will reduce the investment.

People make their investment for purchasing more plots and earn a lot of profit which cannot be earned in any other business. It is also stated that people can diversify their investment by making their investment in other securities, which have higher rate of returns instead of real estate.

This study also concluded that employment is negatively related with the rent of house, and positively related with the economic activity. It also concluded that the relationship between proposed value and actual value prevailed. It also stated that the business related with real estate like, Brick works, Cement industry etc. are causes of surge in employment.

Real estate also provide employment to specific skilled persons like, plumber, welder, mason, carpenter etc. Similarly, many people are involved in this business through selling and purchasing. They also work as an agent for negotiating between seller and purchaser. Real estate also attracts foreign investment and cause for the availability of mortgage loan for the construction of house.

The above discussion indicates that the social and economic condition also effect on the availability of house. We also concluded that the real estate business caused inequality in economy. We collected information from Rawalpindi Islamabad where

74% people have only single plot, 21 % have 2-3 plots, 4% have 3-10 plots and 1% who are the richest segment of society have more than 10 plots.

6.3-Recommendations.

We offered some recommendations for government and public.

- Government should design fair and equal taxation policy. Because owing to bad policy people are shifting their investments from domestic to foreign.
- Government should design such type of policy which urge people to invest in agriculture and industrial sector because these sectors can increase employment manifold as compare to real estate business.
- Government should also design policy for controlling inflation in real estate. Which is cause of creating bubble in housing sector.
- Government should include real estate in tax unit. Because the amount of tax which paid
- by real estate agent is less than the actual amount which should be paid by the real estate dealer.

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