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Socioeconomic Status and Housing Constraints of Middle-Income Individuals in Rayerbazar, Dhaka: Investigating Effective Multi-Ownership Housing Solutions to Counter Recent Economic Inflation.

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ARTICLE INFORMATION

ABSTRACT

In light of the ongoing urbanization of Dhaka, Bangladesh's capital city, residents from rural areas are increasingly attracted to its developed utilities and amenities. This influx of migrants has resulted in a substantial rise in population density, positioning Dhaka as one of the most densely populated cities globally. Providing affordable housing for this growing population is a major challenge faced by the city. Multi-ownership has emerged as a viable option in addressing this issue. This paper aims to investigate how recent economic inflation and income trends affect living conditions and affordability of multi-owned housing in Dhaka. The analysis presented in this discourse involves an assessment of the present income pattern and accessibility within a particular demographic. Within Rayerbazar, which is one of the densely populated areas under Dhaka South City Corporation (DSCC), various residential locations were selected for investigation due to their growth pattern. Ultimately, by conducting comparative analyses on data from these case studies - specifically examining ownership patterns alongside trends in income - contemporary manifestations of multi-ownership housing can be illustrated as key findings from this research.

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1. Introduction

The provision of housing is a fundamental civil entitlement afforded to all individuals. Its realization hinges on various factors, including policy and physical infrastructure delivery. Notably, affordability remains a salient challenge for the achievement of adequate housing access by targeted groups. Dhaka faces mounting pressure from rising migration rates that exacerbate demand for housing solutions while concurrently stimulating growth in the real estate market due to financing flexibility. A scrutiny of current trends reveals an escalation in land prices, material costs, and infrastructural development expenses which effectively curtail the attainability of affordable accommodation options. The housing affordability issue was mostly influenced by housing supply and demand (Lan Deng, 2011). According to certain research, inadequate housing policies by the government have been identified as a contributing factor to the problem of unaffordable housing. Additionally, demographic characteristics and income inequality exert an influence on property prices. To address this issue, there is ongoing collaboration between the financial market and governmental authorities. In recent years, the government has increased its remuneration levels substantially; however, it should be noted that daily essential living costs have also risen considerably more than before. Consequently, there has been a shift in both dwelling units and household income correlations resulting in alterations to housing affordability level.

The study attempt intends to analyze the present income trend in light of fast economic inflation and its impact on home affordability compared to the national pay scale. This study aims to analyze affordable housing conditions in the Rayerbazar neighborhood of Dhaka South City Corporation (DSCC), evaluating alterations in the link between household income and unit prices while establishing an affordability spectrum across study locations. However, a notable criticism of this work is the insufficiency of the sample size; increasing the sample size

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might improve data collecting accuracy and analytical validity.

2. Literature Review

Dhaka, like many other developing-country cities, has experienced rapid population increase and territory expansion. The discrepancy between the supply and demand of housing in emerging countries is increasing, with nine additional households coming into being for every permanent home constructed in the early 1980s (Chowdhury, 2013). Numerous academics concurred that the shortage of affordable housing is a complicated issue that affects not just low-income persons but also middle and lower-income groups in numerous emerging economies. Several nations, like Singapore, Hong Kong, and China, have made major strides in encouraging multi-ownership housing to address this complex issue. The prevalence of private land ownership has led to housing issues in Bangladesh due to a widening mismatch between supply and demand caused by rising property values.

2.1. Middle Income Group And Current Scenario Of Economic Inflation

The middle class is a vast socioeconomic stratum in contemporary society that falls between the working and upper classes. (Rowshan Jahan, 2012). The World Bank categorizes each economy based on Gross National Income (GNI), an indicator that is considered the most reliable measure of economic potential and progress." (Rahman & Habib, 2019). While the basic pay scale in the 8th National Pay Scale has been extended to 100% of the previous basic pay scale, reducing the class system in the basic income range, socioeconomic subdivision persists. (Table 1) depicts the various socioeconomic statuses of persons in the medium-income group based on their current earning range according to the 8th National Pay Scale.

Table 1: Socio-Economic Status Of Middle Income Group

Socio-economic Status	Total Income range (tk)	Grade (According to 8th pay scale)
Upper - Middle	60000 − 100000	Grade 2 – 5
Middle - Middle	36000 − 60000	Grade 6 – 8
Lower - Middle	16000 − 36000	Grade 9 – 18

Based on the 8th National Pay Scale, the middle-income group is divided into three categories: upper-middle, middle-middle, and lower-lower middle. This stratum encompasses individuals in grades 2 through 10. Despite an increase in Pay Scale, individuals continue to experience challenges in managing their finances amidst the current economic inflation. This is evidenced by a

noticeable rise in the cost of basic goods and services, which has also affected accessibility to affordable housing due to insufficient income growth relative to the increased land value and construction expenses. According to a media article, average inflation in the fiscal year 2021-22 has been accelerated to 6.2% from 5.6% in the fiscal year 2020-21, and the next fiscal year's inflation rate is anticipated to reach 6.7 percent. (Rahman & Habib, 2019) (Higher Inflation, Lower GDP This Fiscal, 2022). This situation arose as a result of the global Pandemic and has gotten more severe as a result of the interrupted supply mechanism for the Russia-Ukraine Conflict.

2.2. Multi Ownership Housing

Within the housing industry, multi-family residential, also commonly referred to as multi-dwelling units, describes a form of living arrangement where a multitude of distinct residential dwelling units are situated within a single structure or a series of buildings that comprise a complex. Flat apartment dwelling is a frequent kind. Acquiring a home entails more than just possessing a place to relax and sleep. It holds significant importance as a crucial aspect of a family's social and economic standing. The standard of living offered by an apartment or flat exceeds that of a standalone house or cottage. Owing to the architectural properties of a flat, there is no singular housing unit that can provide self-sufficiency in terms of access, vertical circulation, service qualities, and structural uniqueness. Enhanced sociability and maintenance of certain behavioral limitations to prevent disturbance to other inhabitants are imperative for the incorporation of these features.

2.3. Affordable Housing

The ease or difficulty of renting or acquiring property determines housing accessibility, which is primarily dictated by economic patterns within a community or individual household. Monthly savings stemming from income and spending disparities are also important variables influencing affordability. 'Affordable Housing,' on the other hand, refers to houses intended for low to moderate-income households that are priced such that they may afford essential living expenditures such as food, clothes, transportation, medical care, and education. Housing expenses must not surpass 30% of the gross household income to be deemed affordable.

2.4. Housing Affordability Index

The Housing Affordability Index is an essential tool that uses the latest price and income data to determine whether a typical family can be eligible for the procurement of a mortgage on a prevailing property. at national and provincial stages. This index provides families with a convenient means to overcome financial obstacles and realize their aspiration of owning their ideal home.

2.5. Income Trend

The Bangladesh Bureau of Statistics (BBS) conducted surveys in 2010 and 2011 to collect data on income and expenditure trends among urban and rural populations, as well as at the national level. Despite conducting surveys, there was a significant lack of data about Dhaka. Due to the potential of respondents understating their financial status, researchers were compelled to depend on household expenditure statistics rather than income data. Preceding studies have also employed this approach.

3. Methodology

The extant research is initiated on primary evidence collected via a survey questionnaire and interviews steered in Rayerbazar. Six households belonging to diverse areas were selected for the exploration, which was categorized by various aspects comprising building ownership and age. The comprehensive data was meticulously cataloged and evaluated based on the prevailing income and spending trends, with a momentous prominence on affordability. Furthermore, all the case studies underwent a meticulous evaluation to ease appraisals and produce clear and succinct results. This rigorous analytical approach postulated a comprehensive understanding of the fundamental trends and patterns, assisting us in drawing evocative inferences.

4. Study Area

Rayerbazar is a heavily inhabited area in the western section of Dhaka, Bangladesh's capital city, with a mixed socioeconomic background (Figure 1).
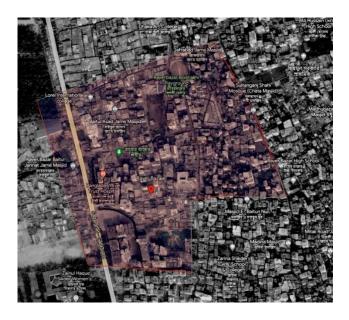

Figure 1: Rayerbazar Area, Dhaka

In response to the 2011 Bangladesh Population and Housing Census, Rayerbazar is home to approximately 57,000 people, with Muslims constituting the majority of the population. However, Hindu and Christian believers inhabit this area likewise (BBS, 2011).

The region has a variety of housing styles, ranging from single-family homes to multi-story apartment complexes, with high-rise structures being built as a result of urbanization. However, due to the region's high population density, many inhabitants must live in tiny apartments or shared areas. Rayerbazar has significantly high living costs and property prices for the lodging alternatives offered when compared to other areas inside Dhaka city boundaries.

5. Case Study Detail

Six (06) instances were randomly chosen in the defined region for the aim of conducting a survey. The research looked at six (06) different families from different buildings to acquire insight into current income patterns and their impact on multi-ownership home affordability. These specifics are provided for your convenience.

5.1. Income and Expenditure

Household income groups in this defined region may be roughly categorized into three categories: lower-middle, middle-middle, and upper-middle. This is owing to the higher proportion of middle-income residents compared to those conforming to the 8th national pay scale norm. Initially, six (06) distinct families were carefully polled on many aspects (Table 2).

Three of the six families rent, while the remaining three own their homes. The prior landowner is now the owner of two flats in the same structure. The other owners bought from various locales, with one also owning an apartment under construction somewhere else. Of all of them, only one owner and one tenant had no outstanding loans. Afterward, monthly household income and expenditures are questioned, along with breakdowns (Table 3 & Table 4).

5.2. Unit Size, Land Value

The size of flats or units varies according to land area in different areas. Furthermore, the cost of property fluctuates within an area based on its proximity to neighboring roadways and facilities. Developers' current marketing prices vary for every unit, which is influenced by both their field costs and the size of the land investigated (Table 5).

Table 2: Case Study Sample Details

Sample Information											
Sample	**Unit size**	**No of Unit per floor**	**Ownership Status**		**No. of other owned apartment**			**Loan Status (for home or other)**	**No. of Family Member**		
			Type	**Process**	**Same Building**	**Another place**	**Total**		**Earning**	**Other**	**Total**
01	1600	4	Owner	Buy	1	1	2	Available	1	3	4
02	1550	4	Owner	Land-Owner	2	0	2	Unavailable	1	3	4
03	1250	5	Rental		N/A	N/A	N/A	Available	2	1	3
04	1150	4	Rental		N/A	N/A	N/A	Unavailable	1	3	4
05	1200	4	Owner	Buy	0	1+1 (under const.)	2	Available	2	2	4
06	1575	3	Rental		0	N/A	1	Available	1	3	4

Table 3: Monthly Household Income

Monthly Household Income (Tk)						
Sample	**Occupation**	**Salary**	**2nd Earning member**	**Flat Rent**	**Other**	**Total**
01	Non-Govt Job	70000	-	50000	-	120000
02	Business	-	-	60000	60000	120000
03	Non-Govt Job	48000	30000	-	10000	88000
04	Govt Job	55000	-	-	-	55000
05	Non-Govt Job	52000	-	15000	-	67000
06	Business	-	-	-	130000	130000

Table 4: Monthly Expenditure

Monthly Expenditure (Tk)							
Sample	**Apartment Maintenance charge**					**Loan Repay**	**Total**
	Rent	**Gas**	**Electricity**	**Service charge**	**Other (Internet, TV, Diver, Helping hand)**		
01	-	1080	2500	5000	22200	15000	45780
02	-	1080	1800	6000	20400	-	29280
03	25000	1080	2000	5000	4400	12000	49480
04	-	1200	2200	4500	6200	-	14100
05	-	1800	2500	5500	4700	10000	24500
06	35000	2400	3500	5000	5200	10000	61100

Table 5: Unit Size And Land Value Relation

Area and Cost of Units and Land						
Sample	Unit size	No of Unit per floor	Unit price		Land Area (Katha)	Land Price
			(per sft)	Total		Per Katha
01	1600	4	6000	9600000	12.5	6000000
02	1550	4	7000	10850000	12	6500000
03	1250	5	6500	8125000	15.3	7500000
04	1150	4	6000	6900000	11.9	6700000
05	1200	4	6500	7800000	11.8	6200000
06	1575	3	7000	11025000	10.5	6000000

5.3. Building Cost Details, Registration, Tax, and Other Supporting Costs

Apart from the cost of land, another major impediment to house construction in Dhaka is the high cost of building materials. Because these two inputs are critical, it is difficult for the urban poor to purchase suitable housing. Construction material prices in Bangladesh have been gradually growing, resulting in a huge increase in overall expenditures of 1000tk per square foot of individual units – with building construction expenses alone rising from 500 tk to presently being at 2000tk per sft (Asad, 2022). Taking into consideration the aforementioned scenario, an examination was conducted on a particular sample obtained from the survey about prevailing expenses associated with construction and other ancillary expenditures (Table 7 & Table 6).

The cost of constructing each unit comprises various auxiliary expenses, such as a registration fee equivalent to 10.5% of the building's construction expense (Rahman T. , 2022), transfer charges amounting to 1500 tk per sqm, and additional utility costs that fluctuate depending on specific property features like parking fees (Division, 1984).

5.4. Multi-Ownership Home Financing and Alternate Source

Employees are entitled to retirement benefits such as pensions, gratuities, and cash that are distributed after a specified term of service. These advantages may be better utilized if the pension fund could be used to provide security for more pressing requirements such as housing, which reflects not just security but also social standing and total well-being. Moreover, long-term house loan facilities with a maximum duration of 25 years and monthly installment

Table 7: Actual Construction Cost Per Unit

Per Unit Actual cost											
Sample	Unit size	No of Unit per floor	No of story	Total unit	Land Area (Katha)	Land Area per unit	Land cost (tk)	Land Cost per unit	Actual Construction cost (tk)		Actual Property Cost (tk)
							Per Katha		(per sft)	Total	
03	1250	5	8	40	15.3	0.3825	7500000	2868750	2000	2500000	5368750

Table 6: Total Property Cost

Total Property cost										
Sample	Unit size	Actual Property Cost (tk)	Other Supportive Cost							Total Property cost (tk)
			Registration cost (10.5%)	Transfer fee (tk)			Utility Cost (tk)	Parking Cost (tk)	Total Other Cost (tk)	
				(per sqm)	Unit size (sqm)	Total				(Actual property cost + Other Supportive Cost)
03	1250	5368750	536875	1500	116.17	174257	100000	500000	1311132	6679882

alternatives are available from several banking sectors, allowing borrowers to borrow up to 80% of the property cost (IDLC, 2023). Various strategies for housing delivery, such as cooperative land sharing, developer-led projects, and public sector-supported self-build initiatives may be employed to facilitate the establishment of multi-ownership dwellings.

5.5. Affordability Concerning Location, Target Demographic, and Income Patterns

The primary reason for the interest in living in this location is the affordable price within budget, influenced by family and assuring quality, and significantly bigger flat size within budget. The proximity of emergency and basic essential amenities such as education, healthcare, commercial and recreational areas to this neighborhood has also motivated the medium-income group to dwell in such a location. As per the affordability check, we can find different cases in our survey where two households with the same monthly income but different family sizes will have different overall expenditures, and in some cases, some of the families are living in compromised situations because of their loan repay (Table 8).

their basic and everyday demands. Their funds, however, are nearly sufficient for multi-family homes. Housing delivery systems with low down payments are prominent in this area. The allocation of building or construction expenses has changed, with a greater emphasis on finishing costs as compared to land casting. This phenomenon can be attributed to the upsurge in prices for land and materials used in both building and finishing processes. It influences the people's fundamental demand for inexpensive housing, and as a result, they are in desperate need of other funding avenues to finance their houses. Cooperative housing development is a viable solution for higher-middle and middle-middle-income groups. This process entails the formation of a cooperative, followed by joint land acquisition. Investors have the option to acquire multiple shares depending on their financial ability or capacity to invest. This approach offers a practical alternative to conventional housing development and promotes community building among co-op members. It will be more economical and beneficial than the developers-led housing. The only issue with such cooperative housing is having less influence over the process and the possibility of disagreement among owners due to the long and inexpensive development process.

Table 8: Affordability Analysis

Affordability Analysis								
Sample	**Monthly Household Income**	**Grade as per Pay scale**	**Rent Allowance**	**Monthly Household Expenditure**	**Savings**		**Expenditure %**	**Condition**
					Amount	%		
01	120000	Grade- 1	39000	45780	74220	61.85	38.15	**Compromised**
02	120000	Grade- 1	39000	29280	90720	75.60	24.40	**Affordable**
03	88000	Grade- 2	33000	49480	38520	43.77	56.23	**Unaffordable**
04	55000	Grade- 6	19525	14100	40900	74.36	25.64	**Affordable**
05	67000	Grade- 5	21500	24500	42500	63.43	36.57	**Compromised**
06	130000	Grade- 1	39000	61100	68900	53.00	47.00	**Unaffordable**

The examination further revealed that the families experiencing compromise are capable of meeting their rental expenses or finding suitable housing within their income bracket without relying on loans, yet they feel compelled to seek alternative living arrangements using their savings.

6. Synthesis and Potentiality

There is a significant disparity between the developer's unit pricing and the overall construction cost of the building, including registration and other supporting charges (Table 5 & Table 6). Variations in pay scale in different income groups are also found in Grade -1 to Grade -6. When their income trends are compared, it is evident that most of the time, savings are compromised or unaffordable to finance a private house that meets all of

7. Conclusion

The issue of housing has emerged as a significant challenge in Dhaka due to continuous population growth. The current housing predicament is attributed to a variety of factors, including political instability, a high rate of rural-urban migration, increased demand for dwelling units, rising land and building material costs, and high interest rates on bank credit. As a result, accessing adequate housing has become a challenge for many individuals. Economic inflation also plays a role in determining ownership patterns; presently multi-ownership residences are gaining popularity compared to single privately-owned houses. This trend is more prevalent among middle-income earners who find multi-ownership housing an affordable alternative within the capital city's property market. If government initiatives such as salary increments and house

rent allowances were implemented alongside low-interest financial support, affordability issues regarding multi-owner properties could be addressed effectively.

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