

Research Paper

Real Estate in Pakistan: Regulatory Barriers, Taxation Issues, and Pathways to Reform

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Abstract

Pakistan's real estate sector is the driver of economic development as it generates major contributions to GDP, jobs, and city and urban development. Despite expanding very quickly due to population growth, urbanisation, and foreign investments, the sector suffers from several important issues such as inefficient regulations, tax avoidance, speculative prices of land and raw material, and corruption. Uncontrolled conversions of land from agricultural use to urban purposes risk food security and sustainability. This study examines the existing scenario of Pakistan's real estate industry, regulatory deficits, tax problems, and the effect of urban sprawl on agriculture. Through semi-structured interviews and comparative analysis of best practices worldwide and evaluation of policy loopholes, this research offers actionable suggestions, such as forming special property courts, launching real estate-focused financial institutions, imposing strict land-use regulations, and maintaining strict worker safety at construction sites. Strengthening governance, digitalising land records, permanent land conversion laws, and mainstreaming sustainable urban planning are key to the development of a transparent, resilient, and inclusive real estate market in Pakistan.

Introduction

The real estate industry is a critical driver of economic growth in a nation, shaping GDP by contributing 2.56%, jobs, and urbanisation. It involves all property and land ownership transactions, whether residential, commercial, or industrial. Land is the raw material for real estate construction. This raw material shall only be allowed to purchase by the builders & developers i.e. the commercial lands, FLs etc. As the largest asset class of the sector, real estate plays a pivotal role in generation and wealth flow of capital across the economy. The residential market deals with the sale and purchase of houses and non-commercial buildings, while the commercial and industrial markets deal with business and manufacturing premises. A well-governed property market not only facilitates effective property transactions but also fosters green urban planning and ecological stewardship. Property continues to be one of the most lucrative sectors in the world, with yields between 10.08% and 14.1% in different segments¹.

Pakistan's real estate sector has been growing at a very fast pace in the last few years, with growth stimulated by population growth, rising urbanization, and expanding demand for housing and commercial premises. Yet, obstacles like tax evasion, speculative investment, transparency issues, and poor regulatory systems hold it back from realizing its full potential. Though Pakistan's real estate market follows the same trend, price manipulation, unregulated development, and legal loopholes remain to cause uncertainty among investors. Adding to the problem, design approvals are often granted with a laidback attitude towards architects, engineers, builders, developers and contractors. Overcoming these obstacles through good governance, digital land records, and better taxation policies is essential for long-term stability and growth in the industry. Table 1 shows the overall picture of the real estate sector Pakistan.

¹ Forbes. "No. 13 Activities Related to Real Estate." Forbes, May 19, 2015. <https://www.forbes.com/pictures/feki45efjgh/no-13-activities-related/>

Table 1Key Indicators of the Real Estate Sector of Pakistan

Indicators	values
<i>Housing sector value</i>	USD300-400billion
<i>National wealth contribution</i>	60-70%
<i>Associated industries</i>	400+
<i>Employment contribution</i>	7.61%
<i>Global real estate investment ranking</i>	120/129
<i>Overseas Remittances (2019-2020)</i>	USD 21.84billion
<i>Investment Risk Score</i>	3.9/10
<i>Government Development Budget Utilisation</i>	Underutilised, leading to sector contraction
<i>Sources: BOI, Housing and Construction²</i>	

Pakistan, the world's 5th most populated country, boasts a population of 220 million, with a workforce of over 60 million and a fast-growing middle class. Urbanisation is increasingly becoming a trend, with 36.38% of the population now urbanised and 63.62% rural. The 2.4% average annual growth rate in population (according to the 2017 census) has driven a booming demand for accommodation, exerting pressure on the construction and real estate sectors. The construction sector accounts for 2.53% of the GDP of the country and employs 7.61% of Pakistan's total labour force, as stated by the Pakistan Economic Survey. Private sector investment has been primarily responsible for fuelling growth with Gross Fixed Capital Formation (GFCF) in the private sector growing at 20.6% year on year in FY2020 from FY2019, amounting to over 95% of overall GFCF. In addition, the China-Pakistan Economic Corridor (CPEC) has given a huge lift to the construction industry, with large-scale infrastructural projects like highways, power plants, and dams, generating further economic activity and investment in real estate³.

The real estate industry is also one of the most important segments of the economy of Pakistan, which also contributes a major share to GDP, employment, urbanization,

² Board of Investment. "Housing and Construction." *Board of Investment*, 2025. <https://invest.gov.pk/housing-and-construction>

³ Board of Investment. "Housing and Construction." *Board of Investment*, 2025. <https://invest.gov.pk/housing-and-construction>

and the development of infrastructure. With a population of more than 220 million individuals and an urbanization level of 36.38% (Pakistan Bureau of Statistics, 2023), housing, commercial property, and infrastructure demand is increasing day by day. The industry is worth an estimated \$1.8 trillion and is expected to grow by 4.07% every year from 2025 to 2029⁴.

Nevertheless, in spite of its vast potential, the real estate sector of Pakistan is plagued with many issues, such as regulatory inefficiencies, tax evasion, speculative prices, corruption, and transparency deficits in property dealings. Table 2 highlight the stark contrast between Pakistan and the UAE (Dubai) real estate sectors, revealing the structural weaknesses and crippling disadvantages faced by Pakistan's market.

Table 2: Comparison Between Pakistan and Dubai

Indicator	Pakistan	Dubai
<i>Transaction cost</i>	14%-40%	
<i>Currency devaluation risk</i>	Substantial (14% per anum over the last 5 years)	Nil
<i>Tax on income</i>	59.5%	9%
<i>Capital gain tax</i>	15%-59.5%	Nil
<i>Security of title</i>	Unsatisfactory/Disrupted	100% Safe/Secured
<i>Risk of Encroachment</i>	Very high	Nil
<i>Court case disposal time</i>	30-40 years	12 months
<i>Access to credit/ finance</i>	zero	Abundent
<i>Infrastructure</i>	Dilapidated	world-class
<i>Approval process</i>	Conventional	Digital
<i>Buyers</i>	Pakistanis	Worldwide
<i>Scrutiny of funds by fbr/ fta</i>	Strict Rstriction	No Question Asked

Sources: Pakistan Economics Survey, PBS, World Bank

The real estate sector is one of the main contributors to Pakistan's economic growth, directly adding 2-3% to the GDP and indirectly contributing to more than 72 direct and 200 direct and indirect allied industries such as cement, steel, construction materials, and financial services⁵. The construction sector alone employs 7.61% of the country's workforce, underlining its significance in generating employment and economic stability⁶.

Pakistan's real estate industry has three major segments: residential real estate comprising housing societies, apartments, and rented accommodations serving the

⁴ Statista (2024). Real Estate Market Growth Projections 2025-2029. Retrieved from www.statista.com

⁵ Pakistan Economic Survey (2024). Real Estate and Construction Sector Contribution to GDP. Ministry of Finance, Government of Pakistan.

⁶ Pakistan Bureau of Statistics (2023). Urbanization and Population Growth Report. Government of Pakistan.

low-end and high-end consumer base; commercial real estate in the form of shopping malls, office spaces, and business districts that drive urban economic activity; and industrial real estate including factories, warehouses, and SEZs supporting Pakistan's export industries. The growth of the sector is fueled by high population growth at 2.4% per annum, high urban migration, and growing foreign investment. With the China-Pakistan Economic Corridor (CPEC) pumping billions of dollars into infrastructure schemes, demand for commercial and industrial property has skyrocketed, causing land prices to appreciate in major cities like Karachi, Lahore, and Islamabad. Pakistan is going through rapid urbanization, and nearly half of its population is projected to live in cities by 2030⁷.

This has created a higher demand for housing properties, particularly in urban areas. The shortage of housing continues to be a serious issue, with a shortfall of 4.5 million housing units⁸. Increased house prices and speculative investment further expand the gap of affordability, keeping homeownership out of reach for middle-income and lower-income households. Apart from increased demand, foreign investment in real estate jumped by 189% in 2024, contributed largely by investment from the Gulf states and Chinese business⁹.

The establishment of Special Economic Zones (SEZs) under the CPEC and SIFC has invited enormous FDI in industrial and commercial real estate, which has spurred economic activity. Pakistan's realty sector continues to remain a favorite among overseas Pakistanis, who send a huge portion of remittances towards the purchase of real estate. Another revolutionary trend in the industry is the move toward digitalization and PropTech, which is changing the way property is bought and sold by bringing transparency into it. Zameen.com, Graana, and Agency21 are some companies that have added virtual property listings, price estimates through AI, and blockchain land records to promote efficiency and transparency.

⁷ World Bank (2024). Urbanization Trends and Economic Growth in Pakistan. Retrieved from www.worldbank.org

⁸ State Bank of Pakistan (2024). Housing Demand and Mortgage Financing in Pakistan. Retrieved from www.sbp.org.pk

⁹ Pakistan Board of Investment (2024). Foreign Direct Investment in Real Estate Sector. Retrieved from www.invest.gov.pk

Taxation in the Real Estate Sector

Despite being a key contributor to the country's national economy, real estate's taxation framework is intricate and full of inefficiencies, thereby becoming a haven for tax evasion and underestimation of property values. A number of taxes, such as Capital Gains Tax (CGT), Withholding Tax (WHT), and Property Transfer Tax, have been introduced by the government to control transactions and proper documentation. According to the Finance Act 2024, CGT is levied at 15% for tax filers and 15-45% on non-filers on properties disposed of within a year, with a decreasing rate over time, but massive underreporting of gains enables investors to avoid taxes¹⁰. Likewise, WHT at 2-5% based on buyers' and sellers' filer status promotes compliance, but numerous investors continue to employ benami transactions to circumvent tax payments¹¹. The main cause of the international investors' resistance to invest in Pakistan's real estate markets is these benami transactions. Moreover, Property Transfer Tax is 1-2%, but incorrect valuation of properties causes a large amount of tax loss¹². Such taxation policies, although intended to develop a more organized real estate market, deter formal investment through high costs of transactions and common loopholes, which create a parallel economy diminishing the sector's contribution to GDP¹³.

Another major problem in Pakistan's real estate taxation is tax evasion through cash payments and underreporting of property values, which enables buyers and sellers to report lower values of the properties to pay less tax¹⁴. The existence of three concurrent valuation systems, the official DC rates (Deputy Commissioner rates) and market rates, and FBR rate, fosters underreporting, as DC rates are much lower than the prevailing market price, enabling transactions at lower tax levels¹⁵. Pakistan despite having a designated ministry for kaachi abadi, still struggles with regulating these informal settlements. The presence of these abadis in urban centres fosters encourages criminal behaviour including the spread of drugs and weapons. In

¹⁰ Pakistan Taxation Authority (2024). Property Taxation and Capital Gains Tax Regulations in Pakistan

¹¹ State Bank of Pakistan (2024). Capital Gains Tax and Property Valuation in Pakistan. Retrieved from www.sbp.org.pk

¹² Pakistan Economic Survey (2024). Impact of Taxation on the Real Estate Market. Ministry of Finance, Government of Pakistan.

¹³ World Bank (2024). Urbanization Trends and Economic Growth in Pakistan. Retrieved from www.worldbank.org

¹⁴ Pakistan Board of Investment (2024). Foreign Direct Investment Trends in Real Estate. Retrieved from www.invest.gov.pk

¹⁵ Punjab Land Records Authority (PLRA) (2024). Digital Land Records and Property Registration Reforms. Retrieved from www.punjab-zameen.gov.pk

addition, legal loopholes like benami ownership and utilization of unregistered housing societies & kachi abadi impede transparency and enable massive tax evasion¹⁶. Despite the introduction of more stringent valuation mechanisms by the government, the real estate lobby, powerful developers, and political forces still resist reforms, making the taxation system ineffective¹⁷.

Table 3: Real Estate Taxation Comparison

Country	Regulatory Framework	Capital Gains Tax Enforcement	Digital Land Records	Impact on Revenue Generation
Pakistan	Fragmented policies, weak enforcement, no central regulatory authority like RERA	Weak enforcement, underreporting common	Digitisation efforts through PLRA and Sindh Land Revenue Department, but slow implementation	Loopholes hinder tax collection, speculative investments thrive
India	Implemented RERA, standardises taxation, ensures transparency, prevents black money circulation	Strictly enforced	Digital records minimise tax evasion opportunities	Increased transparency, better revenue collection
Bangladesh	Heavily taxes unregistered transactions, uniform valuation systems, digital property records	Effectively imposed to prevent underreporting	Uniform valuation and digital property records prevent underreporting	Accurate tax collection prevents black money circulation
Malaysia	Integrated blockchain in real estate, traceable transactions, lower tax burden but higher compliance rate	Effectively implemented with high compliance	Blockchain ensures full transaction traceability	High compliance leads to better revenue generation

¹⁶ Transparency International Pakistan (2024). Corruption in the Real Estate Sector and Tax Evasion.
¹⁷ Dawn News (2024). Challenges in Affordable Housing and Speculative Pricing in Pakistan.

Agriculture land and real estate sector in Pakistan

The property market in Pakistan has greatly transformed the nation's agricultural sector, mainly by converting arable land into urban complexes. This is fueled by fast-paced urbanization, population increase, and the profitability of real estate investments, which yield more financial gains compared to conventional farming. It is reported that between 20% and 40% of agricultural land has been converted for residential and commercial purposes, mainly parts of Hyderabad, Mirpurkhas, Sukkar, and Nawabshah and especially in Punjab, Pakistan's agricultural hub, where cities such as Lahore have lost almost 70% of fertile land to housing societies and business ventures¹⁸. Similarly, in Multan, thousands of acres of mango farms have been shifted to DHA authority. Rural-to-urban migration, economic incentives to landowners, and the mounting requirement for infrastructure development are some of the factors leading towards this change. The growing population in urban areas and increasing housing needs have caused the purchase and transformation of prime agricultural land, which has minimized available land for agriculture¹⁹. In addition, landowners are frequently tempted by high bids from real estate developers, and as a result, they sell fertile land for non-agricultural uses²⁰.

The widespread conversion of agricultural land into housing projects has had harsh consequences for the food security and environmental sustainability of Pakistan. Loss of arable land has resulted in reduced crop yield, food deficiency, and greater dependence on food imports, which puts pressure on the national economy²¹. Additionally, urban expansion contributes to deforestation, soil degradation, and loss of biodiversity, exacerbating environmental damage and reducing the overall quality of remaining agricultural land²². An alarming situation that requires immediate attention is the loss of land and fresh water. For instance, the UAE has been allotted thousands of acres of land for the manufacture of livestock feed, a process that requires a lot of fresh water. Despite legal frameworks designed to protect farmland, weak

¹⁸ Afpak Boell (2024). Housing Projects and the Decline of Farmland in Pakistan. Retrieved from afpak.boell.org

¹⁹ Rahman, G. et al. (2023). Urban expansion impacts on agricultural land and thermal environment. *Frontiers in Environmental Science*.

²⁰ The Friday Times (2024). The Fight for Land: Pakistan's Obsession with Real Estate Development. Retrieved from www.thefridaytimes.com

²¹ The Friday Times (2024). The Fight for Land: Pakistan's Obsession with Real Estate Development. Retrieved from www.thefridaytimes.com

²² AgriEconomist (2024). Urban Expansion and Agricultural Land Depletion: A Historical Perspective. Retrieved from www.agrieconomist.com

enforcement and economic pressures allow developers to bypass regulations and continue land acquisition for commercial projects²³. The profitability of real estate investments has proven hard for policymakers to reconcile with urban development and agricultural viability, as large-scale housing societies continue to encroach on food production²⁴.

In order to stem the harmful effects of real estate expansion on agriculture, Pakistan has to impose harsher regulations, adopt sustainable urban planning, and encourage and enforce by law landowners to conserve agricultural land. Promoting vertical housing complexes rather than horizontal growth, enhancing land-use planning policies, and providing financial incentives to farmers who maintain agricultural production may assist in achieving a balance between urbanization and food security. Unless checked, the uncontrolled expansion of real estate on agricultural land can cause extreme food shortages, rural livelihood loss, and long-term environmental degradation, endangering Pakistan's economic and ecological stability²⁵.

Land Digitalisation through Segments (e.g., CDC)

Land record digitalization in Pakistan has been a revolutionary project to increase transparency, lowering fraud in property, and simplifying land administration. Initiated by provincial governments like the Punjab Land Records Authority (PLRA) and Sindh Land Revenue Department, this project aims to shift from manual to computerized land records so that service delivery is effective and tenure security is ensured. The Computerized Database for Land Records (CDLR) is instrumental in this transition by offering a central database for property ownership information, making it easier to access and less dependent on old manual records. In Punjab, almost 90% of land records in 39 districts have been digitized, with 150 land centers being digitally transformed²⁶, whereas Sindh has introduced its own Land Records Management Information System (SLRMIS) to facilitate online verification (Zameen, 2024).

²³ ALS Journal (2024). Regulatory Challenges in Protecting Agricultural Land from Real Estate Developers. Retrieved from www.als-journal.com

²⁴ CDPR Pakistan (2024). The Dark Side of Real Estate: Policy Implications for Land Use in Pakistan. Retrieved from www.cdpr.org.pk

²⁵ Brainly (2024). The Impact of Land Use Change on Food Security in Pakistan. Retrieved from www.brainly.com

²⁶ Union Developers (2024). Land Ownership Verification and Digitalization in Pakistan. Retrieved from www.uniondevelopers.com

The importance of land digitalization is seen in its capacity to prevent property fraud and conflicts, which were prevalent in the manual system because of forgery, lost documents, and ownership conflicts. The use of tamper-proof digital records offers more security, minimizing the possibility of illegal transactions and providing an easily accessible and verifiable system to avoid fraud (Punjab Urban Development, 2024). Land records can be safely digitalised by employing AI and block chain technology, ensuring that no documents can be removed or changed once recorded.

Although it has advantages, various challenges are deterring the complete adoption of digital land records. Bureaucratic resistance is hindering progress because old ways and paper-based systems continue to be popular among officials used to manual record-keeping. Technical constraints in the form of data inconsistencies, outdated records, and verification difficulties also pose a bottleneck in the process of change. Additionally, public knowledge and infrastructure gaps in rural areas render digital land records less accessible to rural landowners²⁷. Coupled with these issues, tax evasion, corruption, and the builder's mafia further erode digitalization efforts. Numerous property owners shortchange their property values to avoid Capital Gains Tax and Withholding Tax, leading to false records that make digitization a challenge. In addition, corruption at land administration offices allows for intentional misrepresentation and manipulation of ownership documents, while builder mafias deploy their power to acquire land illegally, which shuts down digital reforms that would reveal their scam²⁸.

But efficient digitalization of land can be an effective means to fight corruption and stem the power of illegal actors in the real estate market. A properly implemented system of digital records improves transparency through making land ownership information publicly available, closing off avenues for forgery and illegal transactions. It also improves accountability since digital records leave a traceable audit trail, which helps authorities identify abnormalities and fraudulent actions with greater ease. Public empowerment through access to land records also allows property owners to claim their rights on their own, reducing the need for corrupt middlemen. While political

²⁷ IRB Canada (2024). Corruption and Challenges in Land Digitalization in Pakistan. Retrieved from www.irb-cisr.gc.ca

²⁸ Hartanto, P., Suwadi, P., Rustamaji, M., & Kamil, R. (2024). Corruption policy challenges in combating land mafia: Experiences from several countries. *Journal of Human Rights, Culture and Legal System*, 4(3), 521–654. <https://doi.org/10.53955/jhcls.v4i3.233>

resistance and bureaucratic obstacles continue to be major issues, the efforts from PLRA and Sindh's Land Revenue Department are a significant step forward for a completely digital, transparent, and fair land administration system. Correcting these systemic inefficiencies and providing universal access will prove fundamental to Pakistan's real estate market advancing towards higher transparency, efficiency, and long-term sustainability²⁹.

Methodology

The research is a qualitative study with an exploratory research design based on interviews of experts and policy comparisons. The main source of data was semi-structured in-depth interviews with key stakeholders in the real estate industry, such as CEOs of real estate organisations, law professionals, and government regulators. The interviews provided insight into current challenges like land disputes, inefficiencies in taxation, gaps in policies, and digitalisation of land records. To place these issues within a broader regulatory and economic context, secondary research was conducted using government publications, policy briefs, international reports, and academic literature. The methodology aimed to ensure accuracy and to develop policy recommendations that are applicable to Pakistan's complex real estate environment.

Interview Analysis

“The most pressing issue in term of regulatory gaps is the lack of clarity in land titles, which remain vulnerable to claims even after thorough due diligence, often taking years to resolve. Additionally, weak town planning practices, poor enforcement of quality standards during construction, and the absence of a single-window system for municipal services such as drainage, water, gas, and electricity were identified as major challenges. The company’s role in formalizing and stabilizing the real estate sector involves addressing these issues by linking real estate to capital markets through REITs, making the process more transparent, documented and more inclusive. It aims to make housing affordable so that homebuyers do not have to spend more than 30–40% of their income on housing. Due to the shortage of capital in Pakistan, especially in cities like Karachi, nearly 50% of the population lives in informal settlements. In smaller towns like Rahim Yar Khan, poor planning and the absence of

²⁹Asian Development Bank (ADB) (2024). Infrastructure Investments and Housing Finance in Pakistan.

recreational spaces further reflect the sector's deteriorating state. On land digitization, while Pakistan is not at the optimal stage, the respondent acknowledged its potential to reduce property fraud. Fraud erodes trust in the market, especially for overseas Pakistanis who are frequently defrauded due to distance and lack of oversight. The courts' slow resolution process further deters dispute settlement. On the question of preventing unregistered and undocumented real estate actors, the respondent argued that the informal sector, although not ideal, fills a gap left by the state's failure. They emphasized that the government should reduce the cost of documentation and not overburden the sector with excessive taxation, which currently exceeds 50% when combining corporate tax, super tax, GST, transfer duties, and other levies. Such heavy taxation makes evasion almost justifiable and stifles formal business growth. The government needs to recognize that investors are allies, not criminals, and should create policies that facilitate investment instead of deterring it. The interview concluded with a note on the respondent's contributions to digitization efforts through the Central Depository Company (CDC), where they represented the private sector and collaborated with institutions like the World Bank, IFC, and IDB to advocate for reforms. They expressed openness to further collaboration and knowledge-sharing in the future."

Ejaz Arif Habib, CEO REIT

"There is an urgent need for a long-term, consistent policy framework for the construction and development sector in Pakistan regarding taxation, land regulations and planning approvals. At present, the country faces a housing shortage of nearly 12 million units, and yet we still lack a consistent national policy to address it effectively. Key challenges in the sector include non-digitization of land records and approval processes which create inefficiencies and opportunities for exploitation. SBCA gives approval to only 300–500 housing and development projects annually, whereas 5,000 to 6,000 buildings are constructed illegally without approval. These buildings do not contribute any fees for the betterment of the city and are a danger for the people who are living in it as no qualified engineer, architect or proper construction material are used for construction of these buildings. Karachi being in seismic zone prone to earthquakes or natural disaster. In that case these buildings will fall like a pack of cards. Whereby killing and injuring hundreds of thousands of people.

Additional barriers to sectoral development include political instability, higher taxation, too much documentation, absence of RERA for the protection of allottees or investors, slow finalization of cases by the judiciary, law and order situation and outdated development procedures. While technology can play a transformative role, its adoption has been limited due to institutional resistance, corruption, and capacity issues. Pakistan's development practices remain antiquated, discouraging foreign direct investment (FDI). To attract FDI, Pakistan must adopt durable and investor-friendly construction policies. FDI inflows are highly dependent on the government's ability to implement transparent and consistent policies that reassure investors. However, the digitization of land records—essential for building investor confidence—remains a slow process, hindered by the absence of long-term strategic planning. Currently, no policy extends beyond a one-year. The private sector is ready to invest an estimated \$ 10 billion in construction and development business subject to removal of impediments . Yet uncertainty caused by weak and short-term policies deters stakeholders from moving forward. Regarding climate change, Mr. Bakshi emphasized that economic development must go hand in hand with climate change initiatives. First, we must focus on improving lives of common man through sustainable development to stabilize the country and its key sectors. Only then can we effectively address climate challenges.'

Hassan Bhaksi CEO ABAD

The discussion centers around the systemic challenges and potential reforms in Pakistan's real estate and urban planning sectors. Key issues include the lack of inter-provincial coordination and absence of a unified national framework for housing and land management, leading to fragmented policies and ineffective execution. Provinces operate under distinct cultural and political mindsets, complicating consensus-building and policy enforcement. Vested interests often resist reforms like land titling and digitalization, while bureaucratic inefficiencies and poor planning hinder progress. The conversation also highlights resistance to high-rise construction due to infrastructure gaps, cultural preferences, and lack of trust in basic amenities like elevators and fire safety. A significant concern is the unchecked conversion of agricultural land into housing societies, impacting food security and disrupting planned urban growth. Economic obstacles such as overly complex tax structures discourage formal business activity and facilitate benami (undisclosed ownership) transactions. The speaker stresses the importance of digitizing land records, proposing a model similar to the

Central Depository Company (CDC) used in the stock exchange for transparency and efficiency. Finally, the need for simplified tax systems, stakeholder-driven master planning, and robust institutional frameworks is emphasized as essential for sustainable development and real estate reform in Pakistan.

S M Imran, Ex Chairman LDA

Establishing specialized courts in Pakistan for land or property disputes is not advisable. The main reason is that specific forums already exist in the country, but people are generally unaware of them. For example, in the case of a land dispute, one can approach the ADC, file an appeal, and only then take the matter to the High Court. However, people often bypass this and go directly to the High Court, leading to an overwhelming number of cases. Around 70% of the cases in the High Courts are property related. Another issue is that regulatory authorities like LDA, CDA, and KDA often exercise their own discretion rather than relying on the courts. In fact, some regulators have even submitted in court that they have the sole discretion to restore or not restore plots, implying that the court lacks jurisdiction over such matters. This reflects a limited judicial authority over these regulatory bodies. Even if land courts were established, they would likely appoint retired bureaucrats or Deputy Commissioners as judges, who may focus only on administrative paperwork rather than legal interpretation. In India, such land cases drag on for 30–40 years, while countries like Nepal, Bangladesh, and South Africa have adopted more efficient models where land dispute resolutions are limited to six months and handled by relevant experts. Our suggestion is to involve people who truly understand the land administration system, such as patwaris (land record officers), local revenue officials, or experienced individuals from regulatory bodies, to resolve these disputes. Often, judges take years to understand documentation, causing cases to drag on for generations. There is a dire need for reform in our judicial process. We need to introduce procedural improvements like setting clear time frames for case filings, a 30-day limit for appeals, and a six-month deadline for verdicts. Although such directives exist, they are rarely enforced due to lack of coordination among executive and legislative bodies. In Pakistan, billions are transacted regularly, yet people hesitate to hire lawyers because of high fees—sometimes as much as 2 to 2.5 million rupees—so they avoid legal support, only to end up in disputes later. If court hearings were scheduled at least twice a week, cases could be resolved faster. However, our system

is not currently designed for that. What we need is a new, special law dedicated solely to land and property disputes. Only then can we move toward a more efficient legal and economic framework.

Arsal, Tax Lawyer

The interviews with the experts provide a multidimensional diagnosis of the urban and real estate development issues facing Pakistan, exposing critical flaws in land governance, institutional capacity, the legal framework, and market incentives. Another recurring issue among respondents is the lack of clarity surrounding land titles, where even verified ownership cannot be considered immune to legal ambiguity issues that may take years to resolve. Such legal uncertainty deters legitimate investment and damages confidence, especially among foreign Pakistanis who face risks of fraud.

In terms of governance, poor urban planning, inadequate enforcement of construction standards, and the absence of integrated municipal services (such as drainage, water, and electricity) significantly impair the performance of the real estate sector. The inability to digitise land records represents a notable bottleneck. Although digitisation is expected to improve transparency and reduce fraud through increased visibility, its implementation remains weak due to institutional inertia and policy fragmentation. The shortage of affordable housing is a severe problem that cannot be effectively addressed due to short-term policymaking, fragmented regulations, and political instability. Karachi's housing sector, which accommodates around 50 percent of the population, is largely nominal, as formal investment channels are absent owing to the high costs of legal compliance.

Taxes are often cited as a discouragement to formal sector expansion, with the total tax burden exceeding 50 percent encouragement evasion and non-compliance and thereby encouraging informality. The legal system faces significant scrutiny; over 70 percent of High Court cases are property-related, yet legal redress remains ineffective, costly, and structurally deficient. Without institutional reform regarding substantive change, land courts cannot provide solutions; instead, procedural simplification is recommended, aligning with international best practices observed in countries such as Bangladesh and South Africa.

Key Challenges Facing the Real Estate Sector in Pakistan

Pakistan's real estate industry is confronted with a number of major challenges that hamper its development and expansion. Lack of regulation and transparency are among the biggest challenges, as the industry is characterized by unclear policies, deceitful tactics, and inefficient enforcement systems. Land grabbing, illegal housing schemes, and inadequate enforcement of property rights deter investors, while there is no central real estate regulator, causing unequal property valuations and unregulated price swings. This absence of standardization makes the investment environment uncertain, and it is challenging for local and foreign investors to operate in the market. Taxation and black money circulation are another big issue, enabling a parallel economy to flourish. Most property transactions are under-declared or carried out in cash, enabling investors to avoid Capital Gains Tax (CGT), Withholding Tax (WHT), and Stamp Duty. Although the government made an effort to introduce stronger property valuation regimes in 2024, there still are loopholes which facilitate speculative investments and manipulation of house prices.

Another crucial concern haunting Pakistan's property market is speculative pricing and the builder's mafia's impact, composed of politically affiliated builders, major investors, and powerful real estate operators. The information regarding characteristics of property and price available in the market is not accurate and sufficient, resulting in an inefficient pricing system. A key contributor of this problematic price system is the presence of different property rates set by three different authorities, namely: the FBR immovable property evaluation, the DC rate and the market rate. However, the transactions are recorded at the market price, varying as per the sellers' and buyers' negotiations³⁰.

These builder's associations, along with corrupt officials, unlawfully acquire state land, taking advantage of the inefficient land administration. To address these issues, the proper anti-corruption measures need to be upheld as referred to by the Transparency International Pakistan. These syndicates corner land purchases and manipulate property values, rendering real estate inaccessible to the masses. Land encroachments and unauthorized constructions also add to haphazard urbanization,

³⁰ Qasim, Ahmed Waqar. "The Real Estate Price Quandary: Issues and Way forward". 2022. Available at: The Real Estate Price Quandary: Issues and Way forward (PIDE Knowledge Brief No. 72:2022)

resulting in strain on infrastructure and environmental degradation. These syndicates also use political lobbying to postpone much-needed regulatory changes, allowing loopholes in land purchase policies to continue to their advantage. Corruption and land fraud aggravate these issues, especially in land registration and property deals. Most housing schemes are run without legal sanction, leading to legal conflicts and financial losses for investors. One such example is Bahria Town Karachi, where huge land acquisition irregularities were revealed, leading to legal action by the Supreme Court of Pakistan.

The problem of affordable housing and sustainability also persistently ranks among the country's top priorities. While upscale real estate developments continue to grow, affordable housing supply is still scarce, rendering a majority of the population unable to afford homes. The Naya Pakistan Housing Scheme, launched to counteract low-income housing deficits, has been delayed and encountered budgetary challenges, hampering its implementation. Additionally, land is being converted into housing societies at a fast pace, and food security and environmental sustainability are being compromised. A feasible solution is the development of satellite cities around the major cities to reduce the pressure on metropolitan areas.

To address these issues, digitalization has been seen as a possible solution to enhance transparency and efficiency in the real estate market. Digital land records and online property verification systems have been introduced to curb property fraud by providing secure, tamper-proof land records. Property verification systems based on blockchain can curb speculation and ensure up-to-the-minute valuation of properties, counteracting artificial inflation of prices. Digitalization will also increase the confidence of investors by making property transactions more secure and traceable. The Punjab Land Records Authority (PLRA) and the Sindh Land Revenue Department have made considerable efforts to digitize land records, but the full realization of such reforms is being delayed by bureaucratic resistance and pressure from influential vested interests. Overcoming these hurdles and effectively executing digital solutions has the potential to transform Pakistan's real estate industry, promoting sustainable growth, enhanced investor confidence, and increased affordability for the masses.

Conclusion and Policy Recommendations

Pakistan's real estate industry is a vital contributor to economic development, making a substantial contribution to GDP, employment, urbanization, and infrastructure improvement. The industry, though having vast potential, is highly unregulated, inefficiently taxed, and prone to corruption. Key issues like speculative investment, poor enforcement of property rights, tax evasion, and uncontrolled price manipulation have prevented the industry from operating in a transparent and fair manner. The lack of a single real estate regulatory body has provided fertile ground for land mafias, unauthorized housing projects, and fake property transactions to flourish, creating investor apprehension and an unstable housing sector. Also, Pakistan's real estate sector is not transparent when it comes to valuation mechanisms, with property deals often under-valued to avoid capital gains tax (CGT) and withholding tax (WHT), lowering government income and generating an aura of financial secrecy.

One of the most pressing concerns is the widespread conversion of agricultural land into real estate developments, particularly in Punjab, which has lost nearly 70% of its fertile land to urbanization. This has not only threatened food security but has also led to environmental degradation, deforestation, and loss of biodiversity. Weak implementation of land-use policies and the absence of strict zoning laws have enabled developers to keep encroaching on fertile agricultural lands. If the trend is not checked, Pakistan can face serious food shortages, higher reliance on food imports, and long-term economic instability.

Land grabbing and illegal encroachments are also rampant because of loopholes in property laws and the power of politically supported builder mafias. Unauthorized land purchases have created housing projects to be conducted illegally, placing the homebuyers at risk of financial loss and legal issues. The price bubbles fueled by tremendous investor appetite and absence of pricing control have caused real estate to become less affordable for lower- and middle-class families, extending the divide between affordable and non-affordable homes. The Naya Pakistan Housing Scheme to fill the housing deficit of low-income populations has been stalled due to budget cuts and delay in implementation, restricting further housing access for low-income groups.

Even with efforts made to initiate digital land records with projects like the Punjab Land Records Authority (PLRA) and the Sindh Land Revenue Department (SLRMIS),

comprehensive implementation has been slow owing to bureaucratic resistance, corruption, and poor digital infrastructure in rural Pakistan. The property records continue to be manipulated by the builder's mafia and corrupt bureaucrats, hindering digital reforms that could enhance transparency, accountability, and investor faith. The lack of an integrated taxation policy has also enabled speculative investors to work unmonitored on their finances, causing artificially inflated property prices and creating a parallel economy undermining formal economic expansion.

While CPEC-backed infrastructure development projects and growing foreign investment have triggered growth in commercial and industrial real estate segments, they have also pushed up land values in the key cities of Karachi, Lahore, and Islamabad, rendering housing beyond the reach of the masses. The employment and economic stability contribution of the real estate sector is still considerable, with more than 400 related industries reliant on real estate development. But without regulatory reforms, tax reforms, and improved urban planning policies, the sector will continue to be vulnerable to corruption, speculation, and unsustainable growth.

To overcome these challenges, the following policy initiatives need to be undertaken to promote a sustainable and properly regulated real estate industry in Pakistan:

Setting up Special Property Courts/Benches/Tribunals

- Create special real estate courts to effectively manage land disputes, property scams, and unlawful encroachments.
- Reduce case backlog and facilitate quick settlement of legal issues impacting investors and residents.

Creation of Special Real Estate Banks

- Set up real estate-specific financial institutions to support transparent transactions, mortgage lending, and investment control.
- Offer low-interest loans for housing to support affordability for lower- and middle-income classes.
- Credit allocation targets by banks under appropriate structures that are in-sync with the sector's dynamics.

Compulsory One-Pager Insurance Policy for Construction Labourers

- Impose mandatory insurance protection for all construction workers at job sites to include health, accident, and life coverage.
- Curtail work-related deaths and enhance working conditions within the real estate and construction sectors.

Shield Agricultural Land from Urbanization

- Endorse strict zoning regulations to stop fertile agricultural land from being converted into commercial or residential ventures.
- Encourage vertical urban growth (high-rise developments) rather than horizontal sprawl to maintain Pakistan's agricultural viability.
- Provide financial incentives to farmers to remain engaged in agricultural activity, ensuring food security and lowering dependence on food imports.
- Provide an effective development plan to cater the needs of all metropolitan cities with the population of 7.5million and above.

Enhancing Land Digitalization and Transparency

- Completely digitalise land ownership records to stop fraud, ensure transparency, and ease property transactions.
- Apply blockchain-based property registration to avoid illegal transfer and speculative land grabbing.

Tight Enforcement of Real Estate Taxation

- Apply market-based valuation of property to discourage tax evasion and implement real-time digital assessment of tax.
- Punish benami deals and cash transactions in property sales to discourage corruption and speculation.
- Introduction of a simplified and easily comprehensive tax calculation formula tailored for the general public.

Encouraging Sustainable Urban Growth

- Advance green building and green infrastructure to reduce urban sprawl.
- Implement public-private partnerships (PPPs) to create planned urban housing with sustainable facilities and infrastructure

Action Matrix

Action Area	Pathways to Solution	How to Implement Each Solution	Actor Responsible	Duration
Setting up Special Property Courts/Benches/Tribunals	Create special real estate courts to manage land disputes, property scams, and encroachments.	Establish legal frameworks and infrastructure. Recruit trained judges and legal staff and integrate with the existing judicial system.	Ministry of Law and Justice, Provincial Judiciary, Supreme Court of Pakistan	1-3 Year
Creation of Special Real Estate Banks	Set up dedicated financial institutions to support mortgage lending and transparent investment.	Draft enabling legislation, engage the central bank, develop operational models, and set housing loan criteria.	State Bank of Pakistan, Ministry of Finance, SECP	2-4 year
Compulsory One-Pager Insurance Policy for Construction Labourers	Mandate health, accident, and life insurance for all construction workers.	Enforce compliance through building authorities and labour inspectorates.	Ministry of Labour, Construction Companies, Insurance Regulatory Authority	1-2 year
Shield Agricultural Land from Urbanisation	Apply strict zoning and incentivise high-rise developments.	Enforce land-use regulations; offer tax and subsidy incentives for vertical building; provide rural support subsidies.	Ministry of Planning, Provincial Land Departments, Local Governments	1 year
Enhancing Land Digitalisation and Transparency	Digitise land records and use blockchain for property registration.	Roll out digital platforms nationwide, pilot blockchain systems and train land registry staff.	Board of Revenue, NADRA, Ministry of IT, Provincial Land Authorities	1-3 year
Tight Enforcement of Real Estate Taxation	Implement market-based valuations, penalise benami and cash transactions.	Integrate tax and property data; introduce digital tax assessment tools; revise taxation rules.	FBR, Ministry of Finance, Provincial Revenue Departments	1-3 year
Encouraging Sustainable Urban Growth	Promote green buildings and sustainable housing via PPPs.	Update urban planning guidelines; provide incentives for green certification; structure PPPs for affordable green housing.	Ministry of Climate Change, Ministry of Housing, Private Developers	2-5 year

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