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Spaced out super duper offers

Scrutinise builder agreements carefully, or you may end up paying for non-productive spaces, says **Sudhir Vora**

THE GENERAL slowdown in the economy and the resultant change in the supply and demand equation for both housing and commercial property - evident since the last few years, but more so during the last year or so - has brought about welcome changes in products being offered to customers.

Potential property purchasers are now becoming increasingly aware of the specifications they are offered, the legal aspects of the transactions, and the gap between "promise and performance" which was more the norm than the exception a few years ago.

The eighties and the nineties saw a spate and a boom in the real estate industry. The rush for property of these two decades resulted in the coining of some new words - words that were alien to the consumer. Builder, FSI (or FAR as it is known in Delhi), or super area now seem to be common parlance, but are creations of these 20 odd years.

Super area is one such concept, which is now causing a fair amount of controversy, as also concern to consumers. Many people who have invested in properties, and have been paying installments since many years suddenly find, that just when they feel they have reached the end of their payment schedules, the builder/real estate developer springs a surprise and produces a fat bill for super area which puts all financial calculations out of gear. A closer look at the agreement - with which the developer had assured them was in perfect order - shows that a term called super area which has no real definition in the agreement, now is the basis on which the final bill is raised by the developer.

Very often this super area ratio could amount to an addition of 30- 35 per cent of the estimated price of the property at rupee values, which send all calculations out of gear.

What is super area"? This term – a creation of the seller imaginative dictionary pertains to the common area, which is shared by all inhabitants of a building - areas like staircases, pump rooms, common corridors, switch rooms etc.

The fair and first method of calculation of how much more a customer must pay (beyond the area he has purchased and is in possession of) is that all the common areas be put into one common basket, and be shared by all the inhabitants. Thus if a building has 10 apartments, each with an actual possession area of say 2000 sq ft., and if the common areas - those needed for staircases, corridors etc.- amount to, say, 2000 sq ft., then the super area ratio would simply be 10 per cent - each of the 10 apartments would pay for 200 sq ft. There are a few details, of course, which need to be kept in mind.

The developer/builder must be able to prove the basis of his calculation, as well as be transparent about the legality of the common areas which he has constructed. Areas under elevators, pump rooms, wa-ter tanks on the roof, lift machine rooms, and all those which he may have built illegally (without municipal sanction) should not be put into the common kitty.

In most municipalities (Delhi, Noida and Gurgaon included) lift machine room, pump sheds, staircase mumties, guard rooms and architectural elements like porches, pergolas, and such are allowed free of FAR - they do not constitute covered area - and as such are not common kitty area.

Instances of developers asking for exorbitant super area ratios are common when the agreement is silent about how to establish the ratio – most agreements are, or when the project has been delayed beyond the original expectation.

Obviously, an efficiently planned and designed building would ensure that the common kitty area is kept to the minimum. But this shall vary substantially for commercial and shopping buildings where the common corridors would be necessary for aesthetic reasons as well as to give enough shelter to customers / public who visit the buildings.

The picture is different in residential developments where such large common areas are of no real use to anyone, and in fact are a security and a maintenance nightmare.

The other surprise awaiting the customer is the maintenance agency bill.

While few object to the concept, and most customers agree that both maintenance of the building as well as its security are essential to peaceful occupation and enjoyment, some developers – quite unjustly - request a non interest bearing deposit for such services, and support the maintenance effort from the interest they earn from such deposits, and therefore block a lot of the customers capital in these deposits.

Both these issues – super area and maintenance deposits - are getting corrected in new development agreements. The rapidly moving market, and the growing awareness of the customer of his rights and of the service he deserves in solving the problem.

A few established developers now even state in their advertisements that no super area shall be charged, or only X per cent of super area.

The buyers market, which the property trade has now become, is teaching the seller a few lessons. Some developers do not charge a deposit for maintenance, but are living off the service to outside agencies.

But these are, as yet, exceptions rather than the norm. Many of the fly by night builders / developers still manger to get away with ridiculous super area ratios.