

EXPRESS Estates

PROPERTY MATTERS

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Tackling tenants

Serviced apartments are a more viable form of tenancy **PAGE 2**

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budget

Capital ideas

What can Rs 20,000 p.m. get you in and around Delhi? **PAGE 2**



Dream homes

Home-buying experiences of people like us **PAGE 3**

A new real estate law might be coming. What it should have to be meaningful to home buyers

Give it top billing

Sudhir Vohra

It is now four years since work began on the Real Estate Management (Regulation and Control) Bill. While no real progress has been made on it yet, ground realities have changed substantially during these past few years. More than ever before, there is now a crying need to bring the real estate industry under regulatory discipline. There has been a surge of building activity in the past five years—and there's lots more waiting in the wings.

Very soon, the Central government will announce the National Urban Renewal Mission to give a facelift to about 60 cities across the country. The Delhi chief minister wants to turn Delhi into a city worthy of hosting the 2010 Commonwealth Games. With the Central government opening up the 100 per cent FDI route for construction and real estate, a significant increase in interest and activity in the sector is expected in the coming months; already, several prominent Delhi-based realtors have hired personnel to tap the emerging opportunities.

It's all building up. Before things get out of hand, it's imperative the government puts together a regulatory framework that addresses various issues relating to the industry and protects the interests of various constituencies, especially the home buyer. History shows that India has had a 'muddy boots' approach to creating laws. Invariably, removal of controls preceded regulations, causing chaos and necessitating reworking the rules. Think telecom, power sector, civil aviation. Real estate must not go through

the same toil.

So, to that extent, the Real Estate Bill, currently in the works, is good news. But the form in which it currently exists, it has its flaws. Its greatest shortcoming is that, such are the laws of the land, it applies only to the National Capital Territory (NCT). But the grim reality is that home buyers across the country face the same set of problems with builders—a yawning gap between promise and performance. From the point of view of the

home buyer, any legislation for the real estate industry should cover the following four areas.

Transparency

Financing on easy terms from housing finance companies has made it easier for people to buy houses and is partly behind the ongoing real estate boom. But there lies a problem. Individuals have no way of knowing whether the realtor is using the deposit made by them towards their new house to fund the construction of their project or to buy more land for his next project.

The laws in Singapore and Malaysia, for example, mandate that the realtor place the deposits in an escrow account meant for the specific project. There are

independent auditors—chartered accountants to audit finances, and archi-

applicable only to goods—movable material—and not to real estate.

THE PROPOSED REAL ESTATE BILL

Hits

- First law to regulate builders
- Builders will have to register with a regulatory authority
- The builder-buyer agreement should be transparent
- Monetary fines and imprisonment on builder in the event of violations

Misses

- Meant only for Delhi, should be all-India
- Weak and big picture, doesn't get into specifics
- Does not prescribe minimum standards and credentials for builders, agents and contractors
- No tribunal for hearing appeals
- No mention of escrow accounts
- Some overlap with existing Acts and municipal laws

fects to audit construction quality and adherence to civic laws. These audit reports are public documents. In India, unfortunately, the Consumer Protection Act

Registration

In order to check fly-by-night operators, realtors must register with the civic body of cities in which they

are doing business. In fact, in several countries, a national registration in mandatory. Since India currently has no regulations on registration, builders have disappeared with people's monies. In the past few years, the Securities and Exchange Board of India has done exem-

so many words is that this development is subject to purchase of land and statutory approvals. What they won't also tell you is that many such highways, most famously the Mumbai-Pune highway, are off limits. It is so reminiscent of the great disappearing act of plantation companies a few years back.

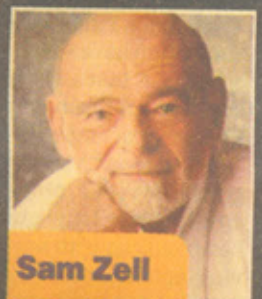
Accountability

Our real estate industry still concentrates on the speculator and the investor, it doesn't give home buyers—the worst-placed to make an informed decision—their due. This is bound to change, as money flows into the hands of an ever-increasing middle class. For now, they have to go through the pains of delayed delivery of projects, illegally constructed buildings, low interest on payments, huge maintenance deposits and monthly maintenance bills, bad finishes, rewiring and replumbing the house before shifting, among other hassles. In order to make home buying a more pleasant experience, builders need to be made more accountable. Punishments need to be spelt out clearly and they need to be enforced.

Paperwork

There is talk of property rights laws being cleaned up, but nothing substantial is emerging. We still have to track a trail of ownership documents through a complex maze of sub-registrar offices, patwaris and such revenue records, which date back to more than a hundred years, sometimes more. No wonder, property is the favourite haven for the cor-

GURU speak



Sam Zell

A builder's greatest assets are his tenants. Unfortunately, the real estate industry has not focused enough on customer relationship and service. Responsiveness to the needs and fears of tenants is a critical element of long-term confidence.

Sam Zell
Real estate investor

rupt to preserve their ill-gotten gains.

The irony is that players in the organised sector are closing their eyes to the reality of the changing times. For instance, housing finance companies should be pushing for changes in real estate management regulations, as it directly effects the quality of their assets. But closing one's eyes to the problem is never a solution.

There are groups of professionals who understand the gravity of the situation, and are contributing their two-bits to make a case for urgent reforms. Consumer groups need to step up the pressure and municipalities need to get their act together before things get out of hand. Our policymakers need to wake up to the fact that real estate is no longer a cottage udyog. It's a mainstream industry worth several thousand crores, a matter of financial life-and-death to India's teeming millions—and therefore needs sensible and effective legislation. •