

Ring, ring

The right phone system for big, opuluous houses **PAGE 2**

my budget

Prime property

What can Rs 40,000 get you in and around Delhi? **PAGE 2**

Mall Mania

The number of malls in the NCR is set to explode **PAGE 4**

Beware of builders who sell plots without owning that land or having the approvals to develop it

Sudhir Vohra

Remember the non-banking finance companies (NBFCs) that went bust in the mid-nineties, defaulting on fixed deposits worth hundreds of crores? Or the plantation companies that barely took off the ground, forget growing into beanstalks? Or the timeshare resorts that built—and managed to sell—castles in the air?

Empty promises?

A faint tremor of that now-familiar refrain was felt in an inconspicuous advertisement in Hindi that appeared in prominent English dailies in Northern India last week. Issued by the Jaipur Development Authority (JDA), the public notice was addressed to three builders—the Omaxe Group, the Rajdurbar Group and the Melange Group. It pulled them up for advertising and selling plots on land they either hadn't purchased or received statutory approvals for. The JDA asked them to explain their actions within three days of the ad, failing which it would file a FIR against them.

These three builders are not the only ones who have allegedly jumped the gun, and are wooing the public through ads and advertori-

als to invest in property on and around the recently-constructed Ajmer bypass, on the outskirts of Jaipur, despite the fact that it's unclear whether that land can be developed or not. Although the ads pertain to a part of North India only, this could be happening, or can happen, in other cities across India as well.

The builders are taking a

gamble. They purchased this land sensing that better road connectivity can do wonders for real estate prices in that region. So, they rushed to acquire land, even though the land use norms were not clear on development along highway stretches. One of the better-known builders in Delhi and Jaipur is the Vatika Group. In March, it

House of CARDS



was part of a colourful advertorial on Jaipur, promoting its upcoming Vatika City in the city. It stated the "proposed Vatika City would be on the Ajmer Road" and dwelt at length on the contours of this township. The rider, given in brackets: "subject to acquisition and statutory sanctions".

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House of cards

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Maybe, these builders will buy the land and the approvals will come through. Maybe, if the approvals don't come through, they will refund your money. Maybe. Yet, given the financial upheavals of the past, it's too small and too open-ended a word on which to hang such a big deal.

Imagine investing your lifetime savings in a housing project that hinges on a tenuous "maybe". Where you don't even know the exact location of the plot for which you have made a down payment of 25 per cent. Where you don't know when you will get possession, if at all you will that is. Where access to information or recourse to redress is fuzzy. Where the word of the builder is all you have to go by.

It's a huge leap of faith.

Planning push

This rush to rake it in also puts the spotlight on how the sieves in the planning and regulatory setup let slip in practices that are unethical, even illegal. Our town planning laws are a mess—there simply isn't a plan. While town planning is meant to lay down a roadmap for development activity, in the hands of 'interested' parties, it has become a tool to gain post-facto approval in order to make profits.

Take this Jaipur-Ajmer controversy. Builders are buying what they feel can sell well without seeing the larger context of the region or the infrastructure support. Now, sound town planning practices discourage intense real estate development along highways, as it clogs these lifelines.

Select states and cities even have rules that govern planning in peripheral ar-

reas. In Chandigarh, the Punjab New Capital Act was enacted in 1952, and was followed a year later by the Punjab New Capital (Periphery) Control Act 1953 to "regulate the use of land

planners with two points to introspect and act on. One, as a consumer, don't commit money to a housing project until you have ensured it has bought the land earmarked for it and received all approvals (See box: *Do your due diligence*).

This is often not public

DO YOUR DUE DILIGENCE

Before you buy a plot...

- Ensure the builder has bought the piece of land earmarked for your housing project and has a clear title to it
- Find out if it has received all statutory approvals needed to start work. This information can be had from the district administration or the town planning department
- Ask the builder to give you in writing plot details, delivery schedule and assurance of a refund

on the periphery of the new city". Even on the Mumbai-Pune highway, such issues never arose because land use and development norms were specified early.

Unfortunately, not too many cities have similar peripheral control acts. As a result, the nature of land use there is left open to interpretation. Wherever a highway comes up, this phenomenon might rear its ugly head there. With big bucks up for grabs, builders know they can talk the language of economics. So, they buy this promising land first and then work the system to get a favourable verdict on land use.

The lessons

This whole episode leaves consumers, regulators and

THEIR DEFENCE

Omaxe Constructions

"The only place where we have mentioned Jaipur is in general corporate advertising. We haven't brought out any targeted ads or solicited buyers."

Kunal Banerjee,

VP (sales and marketing)

Vatika Group

The company didn't respond to our queries

(ENS)

knowledge in India, as disclosure requirements for buyers are fairly lenient. Investing in a project that hasn't taken off is a risky proposition. You could lose your money. With a reputed builder, the chances of a default are slim, though your money could get stuck.

Two, town planning has to be taken more seriously. It needs a vision, one that gets translated into action. In India, town planning is not recognised as a regulated profession—it is merely considered an occupation, devoid of responsibility and ethics.

Rules and regulations must protect consumers. Why should it take an ad from a regulatory body to point out irregularities, that too after some damage might have been done? A consumer has the right to know what he is buying. In the case of a house or plot of land, this means its specifications, location, its status, delivery schedule and support infrastructure. If a builder can't give these, he shouldn't be allowed to sell such land in the first place. Regulation needs to be more forceful and a redress mechanism should be in place. Or else, there might be another entry in the hall of shame. ♦