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Land management laws in the country need to be seriously looked into. A report.

MANAGING LAND

In the past few months and so, articles in newspapers and magazines and talk shows on television have focused on whether the real estate sector is overheated or not. There are also talks on issues connected with the excessive liquidity in the sector. The other tell-tale signs are casting their shadows too: seemingly difficult to control inflation, two increases in cash reserve ratio (CRR) in a month, after the initial one a few months ago, and persistent,

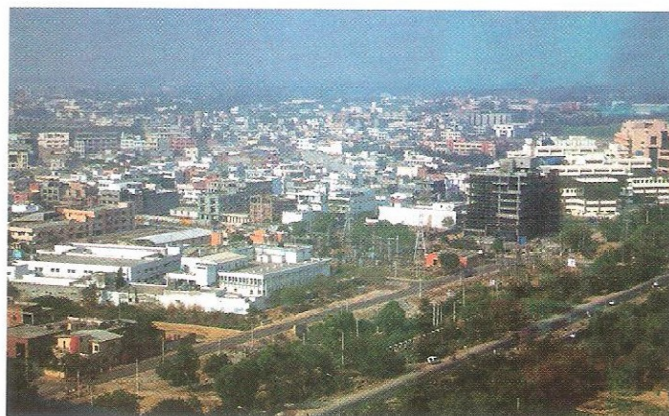
though random, warnings from doyens in the banking and real estate sector about a possible correction in the sector. Will it be a correction or a crash? It is a difficult question to answer. Perhaps, because our economy is poised in a void between a truly market-based economy and the old order controlled affair. It has taken about 14 years for the stock market to get a credible regulatory system in place, with rating agencies like the EBI and NSDL in place.

EXPERT VIEW

However, the fact that real estate is no longer only a need-based activity and is a part of an investment portfolio has not sunk into the mindset of the government. There is now an urgent need for a national level regulatory body to be put into place. One school of thought feels such a regulator must be created through state laws, as land is a state subject in the Constitution. Another thought process advocates that as the sector is now an investment opportunity, it needs a central legislation. This is only on a micro level. The larger picture is that the land management laws in the country need a serious relook and fresh thinking.

India is 18 per cent of the globe's population with 2 per cent of land mass, and an equally small per cent of the world's energy resources. The hard facts are that since 1947, we have built only two new towns—most others are extensions to older towns which existed earlier. The current situation of SEZs, completed with reactions of Nandigram and Singur is another indicator of the neglect that the land management sector has suffered in the past six decades of Independence.

"Most of the land shortage talk you hear today is nonsense. The easiest-to-build-on big acreage of flat land just the right distance out in the right direction may be gone, but there are millions of acres of bypassed land closer to town than most of today's new tracts, more millions of acres of bypassed land than the housing industry will need for many years." The quote



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from *Fisher and Gaffney* (1960) is true than ever before in the present day situation that India faces today.

So is the fact that this talk we hear about land banks (a recently popular term read in most prospectus' of real estate companies) is also a lot of nonsense. If one were to calculate the requirement of resources required to develop the infrastructure and constructed housing in the thousands of acres which some real estate companies advertise, the figure would show that they would need about 10 to 15 years to develop these lands into usable habitats.

The recent drop in prices in parts of Gurgaon has been driven by many factors: lack of liquidity in the market, sharp rise in rates of interest for home loan, stipulation by the government of Haryana that plots which had a covenant built into the lease that construction would be completed by 2007 is fast drawing to a close is being enforced, and the fact that Gurgaon residents now realise that they have no infrastructure worth talking of, and that it is not a city capable of standing alone, but is an extension of the capital city.

This brings us to the larger issue of the speculative markets. Most of the money being pumped into small (read tier 2) cities' new development is from the big cities. There is hardly any investment coming "bottoms

upwards". A dangerous trend, given the fact that interest rates and costs of money is rising; the RBI is aware of the overheating of the sector; banks are reducing their exposure quickly, and the finance ministry has been reduced to appeals and coaxes to contain excessive liquidity in the market. The lack of transparency in the sector is another concern. The fact that prices have dropped in Chandigarh-Mohali area by about 25 per cent, that Amritsar is no longer hot, and that the NCR suburbs are cooling off does not get reported, yet the reality cannot be hidden for long.

In almost all parts of the country, the SEZ story now seems to be a dream of the past. Solutions but exist. In Gujarat, a 75-km long outer ring road has been constructed around Ahmedabad without a single square inch of land being acquired using the Land Acquisition Act. In others part of the state, town planning scheme has allowed towns to expand equitably, and sensibly, and has ensured that all sections of society get a reasonably priced roof over their heads.

While these may be small beginnings, the government needs to grapple with the larger issues of a faulty land management system.

The writer is an urban planning and urban economy specialist