

## The FDI dream

including land and construction. Though it has been six months since the government announced FDI norms for real estate, foreign investors have shown little interest in this sector. This is natural: without a regulatory system, norms, and clear rules for town planning, land-use change policies or other such systems in place, how are foreign investors expected to put their money into the market?

### Foresight

Another aspect of FDI requires government attention. While we gloat about the country's burgeoning forex reserves, FII funds can withdraw without notice. We need to remember the southeast Asian crash of 1997, even though we may consider our economy larger and stronger than its eastern neighbours. Is it sensible to create a real estate dream based purely on excess liquidity, and not on firm foundations?

For that is what we are doing. Carving up good productive agricultural land to create real estate dreams for an ever-growing populace without a real plan in mind - a plan to decide how our the coming generations are going to live, work, play and perform. Though these dangers are real, the possibilities for good work are tremendous. The RBI, over the last few months, has woken up to how much banks are lending to the real estate sector. Our banks have too much exposure of their assets in this industry, and competition is forcing them into a possible spiral.

One thing is sure. If the real estate bubble bursts the common man will suffer in the end. It might shake his confidence in the system yet again. The shine will wear off, and it may take years for India to shine again. ♦

The author, an architect, is a member of the team drafting Delhi's building laws

Despite FDI norms for real estate, investors are showing little interest. Reasons: lack of clear planning and land-use policies

The last year has seen what many call the real estate boom. But is it really a boom, or is it a bubble waiting to bust?

For now, let us accept that it's mainly an excess of liquidity that's driving this spurt in the real estate market. Banks and housing finance companies are probably pushing up to Rs 10,000 crore into the market annually. The young and upwardly-mobile middle class is the target. A lot of this money is being fuelled either into second homes or into the investment market. These monies are not always utilised by end users to live in the properties they purchase. Often they are being fuelled into properties that will take a few years to develop.

Housing colonies are coming up in many parts of the country without any town planning norms being followed by states; changes in land use of agricultural land based on political (read

financial) considerations is now becoming the rule rather than the exception. The West Bengal government's recent backtracking on the sale of agricultural land after the media highlighted the FDI story is one such example. Gurgaon's ill-logical and infrastructure-less growth during the last state government's tenure is another example.

The Mall mela is over. Most shopping mall developments are lying empty and see limited customers. But

to the dangers of how the country's urban centres are going down the tube.

### Tough questions

What is surprising is that the captains of the financial arena are not reading these signs properly. Are our banks, in their eagerness to look for customers, and for low NPAs, generating a real estate bubble? Are banks focussing too much on home loans? Are they watching the quality of their assets? Do they consider whether the assets they finance have good foundations? These and many other questions need to be addressed.

The last decade has seen the opening of the Indian economy. In many areas, such changes have been accompanied with the creation of regulatory bodies, which are geared to quickly handle changes in their respective sectors. The telecom sector got TRAI; power

reforms came with DERC; insurance opened up around five years back, but IRDA came along with the reforms. The stock market got a stronger SEBI, and the RBI is more watchful than ever before, especially after FEMA replaced FERA.

The automobile industry too saw privatisation with competition at its best, with better emission and safety norms packed along with growth. The PFRDA is already in place for public pension funds and schemes. Even the Department of Consumer Affairs seems to be waking up and its 'Jago Grahak Jago' advertisement campaigns are quite frequent. But what about real estate regulation?

### Regulator

There is now an urgent need for a real estate regulator to step in. Huge amounts of national resources are involved - financial assets, and those



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the rudderless DDA and other cities' planning agencies are selling their most valuable asset - the city's land - to the highest bidder. Both the Mumbai and Gurgaon episodes of July and August are self-explanatory and should shake us awake