

Real estate sensex



Down the road: regulators like Sebi should set up a system by which the ownership of real estate companies can be established

With IPOs and mutual funds in the offing, it's time the sector gets its own index

The Saturday property supplement in Chandigarh newspapers last week contained reports on how the prices around the city's peripheral areas had dropped by 15-20 per cent; and how there were very few investors willing to plunge into an market where, a few months back, people were withdrawing their wealth from mutual funds and ploughing it into the real estate gold rush.

Both the newspaper reports and market sources tried to find reasons for the slump in the real estate market. In doing so, they attributed it to various factors such as the shortage of liquidity due to interest rate hikes, and the expected changes in the laws relating to Swiss bank accounts, and a whole slew of other reasons. One source, who I had a chat with, lamented about the lack of what he called a Realsex — a real estate sensex valid for the region. He questioned whether the real estate sector could be called an industry at all, and wondered about the wisdom of the Ministry of Finance (MoF) and the Securities and Exchange Board of India (Sebi) in particular in allow-

other perspective about the sector.

Realty realities

It is true that the real estate market flourishes on rumours on how master plans of our cities are being drafted: how roads might be developed in some areas; when highways shall possibly be completed; and how land shall be re-zoned from agricultural to urban land use. Very little real data about infrastructure is available, and our land management laws are in a holy mess, often altered to suit the political party in power at the time.

Moreover, there is little transparency in the working methods of even large companies who are seeking funds from the equity markets. If these trends are not realised by Sebi and the MoF, we are, I am afraid, in for another series of scams and court cases when these IPOs suck up funds from the market. The forestry scams of the 1990s are recent enough occurrences - the golden dreams spun by those who promised golden forests were shattered within a few years.

reading reports suggesting that most of the big players in the financial world shall launch such funds very soon. This is a welcome sign as such a move would definitely inject much required professional skills and analytical vigour into the market, and shall also affect the valuation of real estate companies to some extent. But is it enough to allow these companies to run amuck without any real guidelines?

So, where does one start? To begin with, the regulators (be it Sebi or the MoF) should set up a system by

amongst other data collection methods, and it is common knowledge that the ministry is working at increasing the tax base.

A closer look

As per the laws of the land, matters dealing with property come under the mandate of the state governments, and not the central government. Allowing land to remain a poorly hidden secret of a running parallel economy is a dangerous situation, one which shall further skew the disparity between those who can afford to run with the parallel economy and those who are struggling with working within the ambit of the law.

Perhaps the MoF needs to take a closer look at the sector, especially in anticipation of the IPOs and REMFs which are coming in. Who knows that one day in future real estate could become an industry in its own right and we would see a realsex index flashed on our television screens like the regular sensex tippers.

This shall not remain in the realm of a utopian dream, if the ministry mandarins sit up and listen



which the real ownership of these real estate companies is established. It is common knowledge that many such entities (firms, proprietorships, partnerships, and, in a few cases, companies registered under the Companies Act) are fronts for political money, and for people who find themselves having no other