

## REAL ESTATE REGULATOR

A Snap Shot

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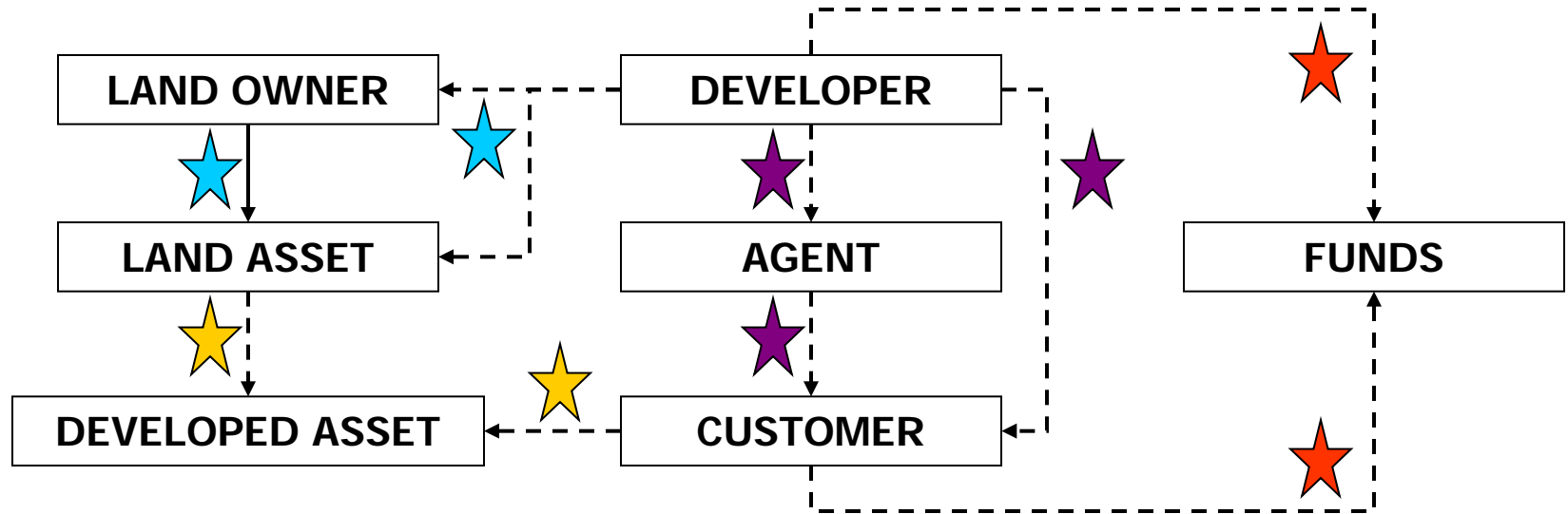
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Title of Land Owner and / or Developer.



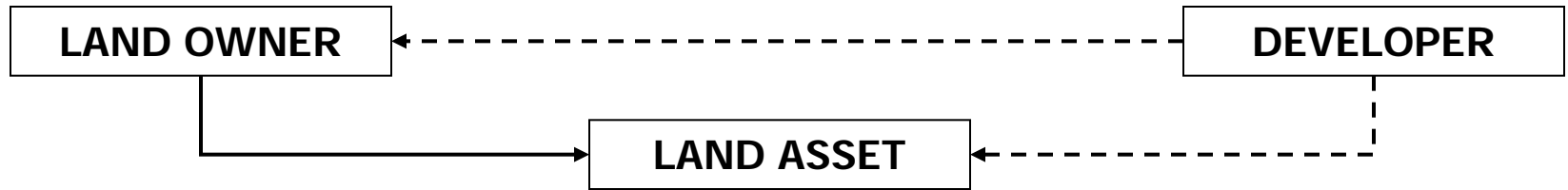
Representations on Development Specifications.



Arrangement between Developer – Agent; Agent – Customer; and Developer – Customer.



FUNDS ???!!!



## Rational Arrangements :

- ❖ Land Owner = Developer
- ❖ Outright Sale
- ❖ Joint Development Agreement



## Interesting Arrangements :

- ❖ Agreement to Sell
- ❖ Memorandum of Understanding

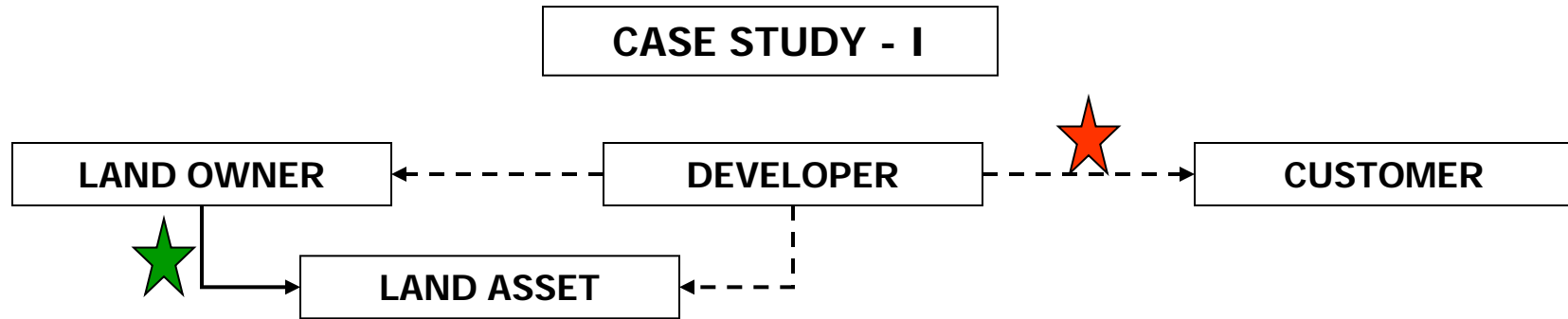
## What the BILL proposes ?

### True disclosure on :

- ❖ Nature of Title !
- ❖ Encumbrances !
- ❖ All related Outgoings !
- ❖ Location and Situation !

## OPTIONS :

- ❖ NO DISCLOSURE !!!!!
- ❖ Satisfy multiple Customers !!! Maybe hundreds !!
- ❖ Certificate from Single Window REGULATOR !



## Existing Situation

- ❖ Proposed Site under multiple ownership.
- ❖ Some may be willing to sell, some iffy.

## Lets START the PROJECT

- ❖ Developer starts acquiring land.
- ❖ Does not go for outright purchase.
- ❖ Instead, TIES UP land in Agreements to Sell; Memorandum of Understandings etc.

## OVERSTRETCHED ???!!!

- ❖ Need some MONEY ?

## GREAT Indian Resilience !!

- ❖ Let's SELL !
- ❖ OBVIOUSLY, we intend to complete the PROJECT.

## In the Meantime !!

- ❖ Land cost SKY ROCKETS !!
- ❖ Project Projections WOBBLY.
- ❖ CAN'T DO THIS PROJECT !!

## WHAT ABOUT THE CUSTOMER ???!!!

Still looking for the Developer; AND his PLOT of LAND !!



## GREAT EXPECTATIONS :

- ❖ Over the Moon Sales Talk
- ❖ Top Line Construction
- ❖ Amenities – such as, Swimming Pool; Power Back Up etc. etc.
- ❖ Time Bound Delivery



## Well, Not So GREAT After All :

- ❖ Well, it was Sales Talk after all !!
- ❖ Amenities provided; **APPROVAL ?**

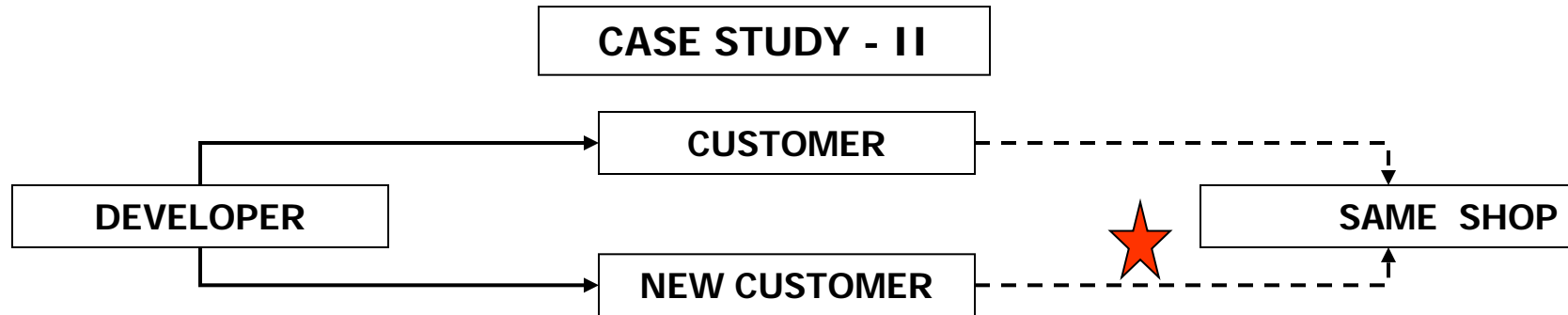
## OPTIONS :

- ❖ Don't ask me a QUESTION, and I won't tell a LIE !!!!!
- ❖ Self Regulation – Independent Professionals !!!
- ❖ Regular checks and Certification by the REGULATOR !

## What the BILL proposes ?

### True disclosure on :

- ❖ Layout – Colony; Building !
- ❖ Structural Design Specification !
- ❖ Construction Material !
- ❖ Nature of Fittings / Fixtures !
- ❖ Time Lines – Construction
- ❖ Time Lines – Delivery
- ❖ Pre Approved Advertisements



### **BONANZA OFFER !!!**

- ❖ Shops available at ***"UNBELIEVABLY LOW PRICES TODAY" !!***
- ❖ @ INR 450,000 only.

### **2 YEARS LATER**

- ❖ Offer gets better.
- ❖ **Unbelievably low priced shops now available at EVEN LOWER PRICES.**
- ❖ @ INR 150,000 only.

***BECHARA CUSTOMER ???!!!***

***How can my "UNBELIEVABLY LOW PRICED SHOP" be so COSTLY after 2 YEARS !!!!***

### **JUDICIARY Gets Involved !!**

- ❖ First case filed in the MRTP.
- ❖ State Commission also moved.

### **Justification Provided !!**

- ❖ @ INR 450,000 the price was **UNBELIEVABLY LOWER** than the price we expected the shop to be at 2 years later
- ❖ Unfortunately market melted.
- ❖ But isn't this a **CONTRACT ???!**

## SOME INTERESTING FACTS – The Requirement

### REAL ESTATE MARKET

- ❖ Present Market is approximately 15 billion USD
- ❖ Growing @ 20 % – 30 % per annum
- ❖ Expected in 2010 to be 60 billion USD

### SHORTAGE IN HOUSING

- ❖ Shortage of 22.4 Million dwelling Units
- ❖ By 2010, expected demand supply gap 18 Million Dwelling Units
- ❖ Additional requirement estimated at 4.5 Million Units per year

### POTENTIAL IN COMMERCIAL

- ❖ Demand in 2006 was 20 Million square feet
- ❖ Expected demand in 2010 is 75 Million square feet

### ROLE IN G.D.P.

- ❖ 14% - 15% contribution
- ❖ 250 linked Ancillary Industries
- ❖ 2<sup>nd</sup> largest Employer

### FUNDS REQUIRED

- ❖ USD 750 Billion over the next 15 years
- ❖ @ USD 50 Billion per year

*“Things alter for the worse spontaneously, if they be not altered for better designedly.”*  
- Sir Francis Bacon



## SOME INTERESTING FACTS – The Desire

### ASIA PACIFIC Vs. INDIA – 2006

- ❖ Asia Pacific region attracted an investment of 65 Billion USD
- ❖ India attracted an investment of 850 Million USD

### WAITING TO GET INTO INDIA ?!

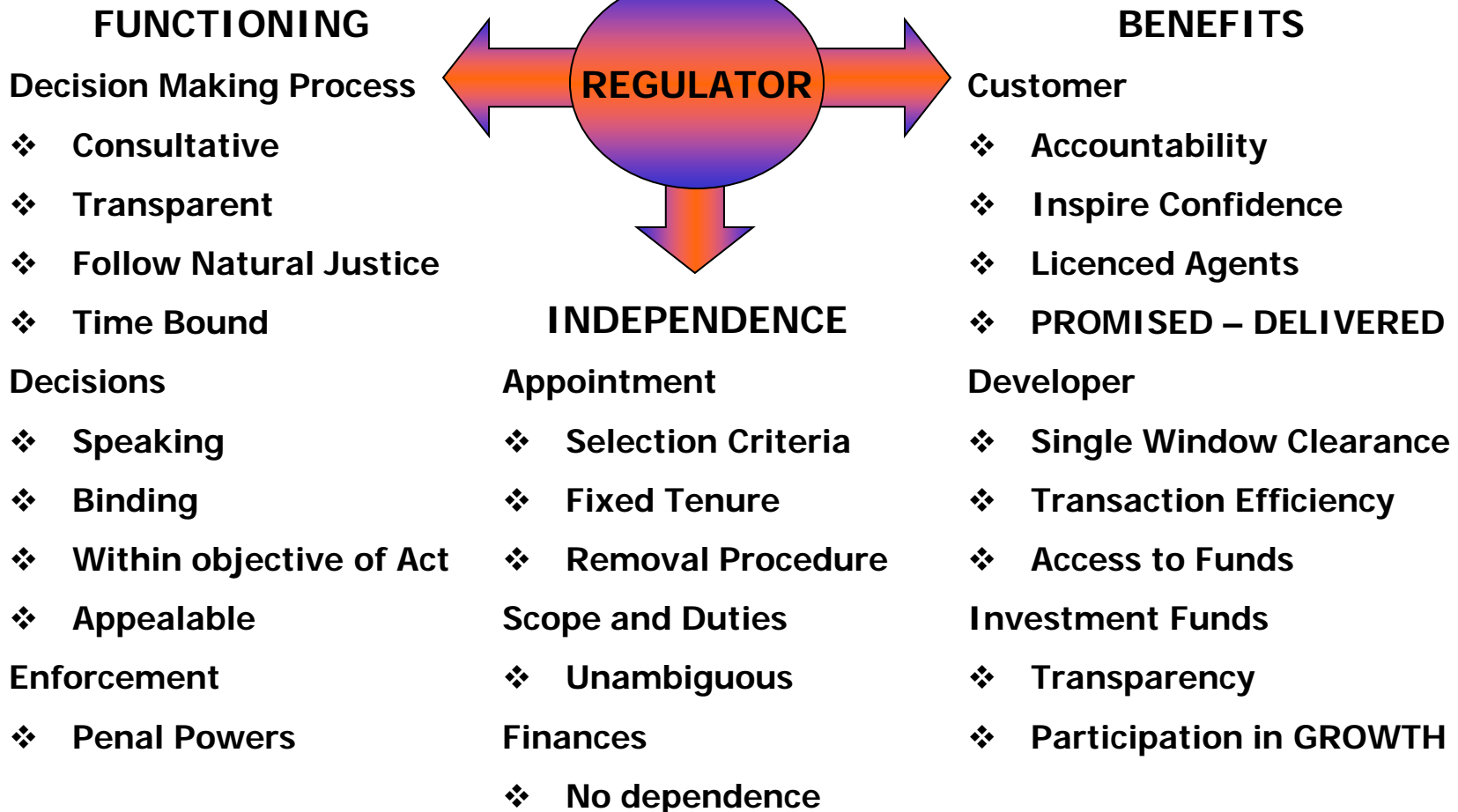
- ❖ USD 1 Billion raised from AIM
- ❖ USD 4 Billion by Royal Indian Raj; Blackstone Group; Goldman Sachs; Pegasus; Citigroup; Le Kim Tah Holdings and others
- ❖ USD 2 Billion waiting for RBI Approval – 20 Applications cleared by SEBI pending

### ISSUES THAT NEED TO BE ADDRESSED

- ❖ Land Laws are a MESS
- ❖ Title Verification is an EXERCISE
- ❖ Building Bye Laws are OBTUSE
- ❖ Permissions from UNKNOWN Number of Agencies
- ❖ Not recognized as an Industry
- ❖ Access to Capital QUESTIONABLE
- ❖ No Transparency
- ❖ Transaction Cost is too HIGH
- ❖ Adequate PARKING

*“It is better to bear a smaller pain today, than a bigger pain tomorrow.”*

**THE SOLUTION**



## A Comparative Study

### NOW

&

### THEN

- ❖ Available on DEMAND
- ❖ Totally SERVICE ORIENTED
- ❖ COMPETITION
- ❖ 4 Months = 40 Years
- ❖ STD is Cheaper than Local Call THEN

- ❖ Telephones were a PRIVILEGE
- ❖ No concept of SERVICE
- ❖ Cell Phones
- ❖ Number of Users
- ❖ Charges

- ❖ Proper Disclosure Norms
- ❖ Regulated; Secure Market
- ❖ Access to Global Capital
- ❖ Market Cap = 600 Billion USD

- ❖ Fly By Night Operators
- ❖ Share BAZAAR
- ❖ Access to Capital – An Obstacle
- ❖ Market Cap = 65 Billion USD

*“Experience shows that Regulators are needed to ensure successful transition from market monopoly to economic competition to consumer satisfaction”*

TRAI

SEBI