

Scarcity induced real estate boom?

Commercial and residential real estate prices have appreciated sharply over the last few years. Rising affordability is only part explanation. Three experts suggest ways of increasing urban land supply.

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THE boom in real estate prices in Indian cities is as healthy and reflective of ground realities as an athlete pumped up on steroids. The stratospheric land prices in our cities, rivalling at times those in New York and other world cities, can hardly be justified by the poor quality of urban life and the appalling state of urban infrastructure, be it public transport, road safety, power, water supply, sewerage, sanitation, or solid waste disposal. In a monopolistic seller's market, genuine buyers have no choice but to pay through the nose to own or rent a flat or house.

At a time of globalisation when choices before the Indian consumer in other spheres such as consumer durables are expanding as never before, there is hardly any value-for-money in real estate — for the crores of rupees spent to buy tiny flats in so-called posh localities in Mumbai and Delhi with their gated communities, polluted air and water and crumbling infrastructure, one could afford bigger and better flats in cities with a much better quality of life in Europe or North America.

The real estate sector in most Indian cities has been premised on large scale acquisition and development by the state that has stifled the supply of land and hampered flow of funds into this sector. Further, by the government's own admission this policy has led to the creation of unauthorised colonies and slums. An egregious example of this pernicious socialist-era practice is Delhi with its Delhi Development Authority (DDA) dating back to the eponymous Act of 1957.

A major drawback of the state-led approach is the substantial time lag between acquisition, development and disposal of land during which time it remains open to encroachment. This is compounded by the fact that farmers only get the price of com-

pulsory acquisition and therefore allow unauthorised colonisation to take place. Add to this picture, inadequate protection of the acquired land, weak enforcement of building laws and a dysfunctional Master Plan. No wonder then a majority of development in Delhi is unauthorised.

The bad example set by Delhi has been replicated by several other cities with their own equally corrupt and inefficient development authorities. As a result, the cancerous growth of unauthorised colonies and land grabbers and builder mafias,

blight the landscape of Indian cities. Time is running out for our cities as the market runs ahead of the state-led urban planning process.

What we need, inter alia, are better Master Plans for our cities that allow for redevelopment and intensification of urban land use and enabling mechanisms for private participation in land assembly and development. What we get, however, are plans that lack imagination and are out of touch with reality, and regulations that are a throwback to the licence-permit raj.

A glaring example of the latter is the Bill to set up a regulator for the real estate sector that is likely to be introduced in Parliament later this year. The Bill, inter alia, aims to regulate and permit each

building project on a case-by-case basis than the builder, per se. This is like regulating each case attended to by a doctor rather than licensing and regulating doctors! If passed, the Act will not only hobble development of the real estate sector by creating regulatory delays but will also create tremendous scope for rent seeking and arbitrariness.

In sum, the state has done more harm than good by its ham-handed and inept interventions in the real estate sector. Supply of land has been stifled, speculation has been encouraged and the results are there for all to see. It is time that it reduced its regulatory over reach, outsourced the Master Plans and created an enabling framework for private players.



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