

# Towards transparent transactions in realty industry

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The recent announcement by the Confederation of Real Estate Developers Association of India (CREDAI), the apex body of builders, to impose a code of conduct on some 10,000-odd members to bring in transparency in real estate transactions is a welcome step.

Though the association has made it mandatory for members to mention the actual usable area, also called the carpet area, of the property and compensation for project delays, the measure may fall well short of making much needed disclosures and empowering the property buyers to ensure they get a fair deal and their interests are protected. This is especially so as lot of ambiguities

persist among property seekers, pertaining to the rights of ownership, maintenance charges, regulations of statutory bodies and documentation modalities in general.

It is a common practice with builders to sell property on the basis of "super" built-up area, which includes open spaces like spaces for elevators, staircases and parking area, among other things. As such, the actual usable area which the property buyer gets is about 20-40 per cent less, depending on the loadings which are not uniform.

In some cases, the loadings can be even more. Often builders are not disclosing the basis of calculating the carpet area. Recently the Monopolistic and Restrictive Trade Practices Commission, India's apex anti-trust authority, had pulled up a

leading developer of Delhi for this.

The builders are also avoiding calculating the usable area on the basis of the norms set by the Bureau of Standards on the plea that these are not statutory. They also take advantage of the fact that there are no standardised means to measure common space value and extra cost it imposes. There is a need for introducing a new system of calculating value of property on the basis of actual usable area.

What makes things really difficult for the property buyers is the ambiguity about carpet area in the property-purchase agreements. In a majority of cases, the agreement does not go beyond stating

that plan, design and specifications are tentative and the developer reserves the right to make variations and modifications.

As such, the property buyer is totally clueless about the area of his property till he or she takes possession. Taking advantage of this ambiguity, developers often make the buyers shell out additional money in the name of improved specifications.

It is, therefore, important to make mandatory for builders that their property sale agreements also carry detailed area statement to give a clear picture of the carpet area. There should be a limit to loadings and what developers can charge from the

buyers for the common spaces they use. Here, regulatory bodies like the National Housing Bank and the Reserve Bank of India can play a crucial role by way of a policy initiative, which prescribes lower loan rates for those developers who sell property on the basis of carpet area.

Besides this ambiguity about what the buyers pay and what they get in terms of area they are also often ignorant about the hidden costs like what are called development charges, parking fee, club membership fee, extra electrification charges for common areas, fire fighting charges, preferential location charges and maintenance and security fee.

To get over the problems related to quality of construction, specifications of raw material along with list of fixtures

and amenities, standard agreement. Warrant could further provide. Finally, the self-

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