



Illustration: [Name]

In the absence of any law on compulsory disclosure norms, real estate developers are taking innocent home buyers for a ride with misleading advertisements. There's an urgent need for making disclosure norms mandatory so that buyers protect their most important investment in life

PRAVEEN K SINGH

IN AN age of growing consumer consciousness, backed by teething laws, real estate continues to thrive as one of the most unorganised sectors taking the gullible consumers for a ride. It is not the case with just small-time developers duping home buyers with misleading advertisements and tall claims, but even the listed companies continue to operate as if their mandatory disclosure clause is applicable only with the financials of the company to the SEBI. The absence of any clear guidelines and disclosure norms leaves enough room for tall promises and dicey deals, and hence calls for a mandatory disclosure norms for the average property buyer and putting an end to misleading advertisements.

The number of pending cases against such misleading property deals has skyrocketed of late, even though many of the duped customers that *The Indian Express* spoke to, have not approached any court of law. Ramesh Chopra, a non-resident Indian, is one of them. He booked his apartment in Omaxe's The Forest Spa, situated in Sector 93B, Noida. The developer claimed that the project spread over an area of approx 8 acres, is strategically located in front of 325 acres of green forest. However, according to the Noida Authority, the area marked as green belt is fixed as so for a limited period and thereafter the use of the land can change. When contacted, Rohtas Goel, CMD of Omaxe said "As per our understanding, if the government wants to deforest the land earmarked as city forest then the master plan has to be amended in consonance of that. The forest is as per the master plan of Noida."

Chopra's apartment actually fell far short of the dream home promised in the advertisement. Unfortunately, his is not the only such case. In the absence of any regulation for misleading advertisements, buyers are routinely promised the moon and then delivered sub-standard houses.

Today when a home buyer goes to purchase an apartment in a real-estate developer's project, he has very little concrete information. Based on the developer's advertisement, he is able to visit the site, flip through a glossy brochure, and go around a sample flat (which is adorned with expensive furniture to catch the buyer's eye). That's about it. With these insufficient inputs, he is expected to advance lakhs of rupees to the

developer and depend on the latter's word that the apartment will be handed over to him a few months later. In these conditions, most buyers would want more information: Whether he will get all that has been promised in the promotional advertisement? Whether there are any additional hidden costs involved? How much attention does the developer pay to quality? How good is his track record regarding timely delivery of projects? And so on.

According to PSN Rao, founder-chairman of National Association of Realtors (NAR-India), "A home buyer visualises most of the things that he is going to get. Whether his dreams are going to become a reality depends more on his luck and the developer's goodwill than anything else. A flat with a forest attached, a house with the sky and stars above, and so on — these are not merely catchy lines in advertisements; they are downright misleading." He adds that in the absence of any law on compulsory disclosure, advertisements tend to take customers for a ride. "Real estate is perhaps the most expensive one-time purchase that a buyer is going to make in his lifetime. The outcome of that purchase cannot be left solely to chance."

BE WATCHFUL

In such a situation, home buyers need to be extra-cautious while making a new booking. They must make sure that the developer has the ability to deliver what he has promised, the project does not get delayed because of the developer's financial difficulties, and there is no compromise on quality. "There is great risk involved in buying in such projects. Buyers must read the fine print and take the plunge only after double-checking everything," says Rao.

Buyers should also do a small market survey of the area before finalising the deal for purchase which would give them a better idea of the prices along with the facilities provided by the developer. Sanjay Sharma, MD of Qubrex, a real-estate brokerage firm, says, "While purchasing a property, buyers should also keep in mind the additional hidden costs involved in facilities like parking, maintenance, electricity, power back-up, membership of the club and pool, secu-

GUIDELINES FOR BUYERS

- In order to safeguard themselves, before purchasing a property, buyers need to be alert regarding whether the developer has obtained all the approvals required for project development.
- In case any sanction is pending, he should try to find out the time that will be required to obtain it. In case the timeline involved is too long, he should refrain from investing in such projects.
- The buyers should also read all agreement papers carefully and understand fully what they have been promised. In case a project is re-invented, the buyer should press for a refund.
- They must make sure that the developer has the ability to deliver what he has promised, the project does not get delayed because of the developer's financial difficulties
- They should also keep in mind additional hidden costs, which are usually not a part of the offer made by the developer and when added to the cost of the property, one may find oneself not benefiting from the scheme at all

rity, insurance, preferential location charges, super area versus carpet area etc. Such costs are usually not a part of the offer made by the developer and when added to the cost of the property, one may find oneself not benefiting from the scheme at all."

Experts suggest that even if one is willing to compromise on certain negatives, a reduction on the actual rate should be preferred to any structuring around the quoted rate. "Buyers must read the terms and conditions of their agreements carefully. Unless they are completely clear and satisfied about all the clauses (especially those related to the payment cycle, penalty on late possession, and penalty on the project getting changed or scrapped), they should not buy," says Sharma. He adds that technically prices in most of the markets in India have declined by 20-40 per cent. Now, these lowered rates are getting reflected in the primary

market (new launches). To reiterate, attractive payment schemes and discounts are typically a bust-time phenomenon. If the market gets its pace, developers will quickly dispense with such schemes. If you wish to take advantage of them, act now. At the same time, do examine the offer carefully before making a decision.

RATING OF DEVELOPERS

Rating of developers and projects by a third-party rating agency can be a useful thing for a home buyer. It benefits all the concerned parties in the sector. According to Raman Uberoi, senior director, CRISIL, the country's largest rating agency, "Real estate being an unorganised sector, a third-party opinion can be beneficial to customers, financial institutions and even developers."

One, says Uberoi, a good rating mitigates the high construction and market-related risks that a

customer takes when buying from a developer. Two, a rating service also creates an incentive for developers to maintain the standards regarding legal and construction practices. Three, a good rating also enables developers to sell the project to customers and raise funds from institutions. And finally, financial institutions such as banks and mutual funds that lend money to developers can consult these ratings in addition to doing their own due diligence.

Developers too agree on the merits of rating. "A good rating definitely enhances the saleability of a project and attracts buyers. It should, in fact, be made compulsory for all projects. Such an evaluation will reward developers who adhere to quality and deliver on schedule," says Navin M Raheja, MD of Raheja Builders.

STANDARD NORMS IN PLACE

Clearly, there is a need to develop standard norms so that the developers cannot obfuscate in this matter. Says Rao: "Any product must have a clearly defined method of measurement, so that the consumers are able to make informed decisions. For instance, in a department store, we are able to see the product, read its contents, know its weight or volume, price, and so on. Only then do we decide whether to buy it or not. In case we have doubts, we can actually have a check conducted. Even in real estate we need a statutory framework to ensure that all the specifications are clearly mentioned. And secondly, we need random checks at periodic intervals to make sure that the regulations are adhered to in practice. Unfortun-

nately, all this is not a

real estate sector at present. Further, says Rao, needs to be passed that for compulsory standard norms. The legislature define these terms and mandate their usage in that is easily understood. says, would go a long way protecting consumer interest.

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"In cases where government are involved in a re-invented project, and they are unable refund, legal recourse of the issued allotment only option," says Sharma.

With distressed buyers recourse to consumer courts and online groups is getting messier. A market forces cash-strapped operators to halt, delay or projects, the level of option among buyers mount. All this once again lines the need for a real-estate sector a schedule. More important legislation will protect mon man and allow informed choices which his hard-earned income praveen.singh@express

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