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'Real estate prices can't be jacked up artificially'

Mumbai-based lawyer Anil Harish is a leading expert on property laws. In an interview with Nauzer K. Bharucha, he traces the history of real estate in Mumbai, and the rapid growth in property prices over the decades. "Back then, a property was much more affordable, relative to other items of consumption," he says.

Q: *Historically, since when did Mumbai become a real estate goldmine?*

A: There was a great influx of people into Mumbai because of the textile industry, the city being a financial centre with a large port. There was a good real estate market. In fact, The Property Owners' Association was formed way back in 1924, which shows that there was an organised market even then. In the 1940s and 1950s, multi-storey residential buildings began to come up at Marine Drive and other places, so there was a demand. However, it was from the 1970s that prices began to go through the roof. The Emergency was in force between 1975 and 1977, and it was in 1976 that the market bottomed out. Then from 1976 onwards the prices went on rising very rapidly till about 1996 or 1997 – there was no slump in those 20 years at all. Then there were periods of a fall in prices and then increases and then again flattening out, and so on.

Q: *What was it like in the 1970s when the construction boom commenced, with the Backbay Reclamation?*

A: Mumbai's skyline changed with Nariman Point and Cuffe Parade coming up and skyscrapers in Malabar Hill and elsewhere. There was very high demand and even the largest buildings got occupied very quickly. At that time, the developers used to increase prices by more than 2% every month, and yet the

demand continued.

Q: *Back then, could a middle-class family afford to buy a house in the city?*

A: Although the selling prices of flats were, of course, much lower than they are now, incomes also were much lower.

It was a matter of planning and opportunity. If people were living in tenanted flats, then many did not shift to an ownership flat as they did not want to give up the tenancy, and because of the taxes – the wealth tax and estate duty. However, a property was much more affordable, relative to other items of consumption.

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–Anil Harish, property laws expert

Q: *So, Mumbai has become a much more expensive place from the point of view of immovable property. Can you explain to us how the real estate prices gradually increased in the 1970s, 1980s and 1990s?*

A: In Mumbai, real estate prices did not increase gradually; they increased rapidly. In 1976, a 1,000-sq ft flat in south Mumbai may have cost about Rs 1 lakh to Rs 1.5 lakh. If the cost of a car, such as a Premier Padmini or Ambassador, was about Rs 25,000 to Rs 30,000 at that time, then buying a flat was only about 4-5 times the investment decision compared to buying a car. In 1986, the price of the same flat would have gone up to about Rs 2,000 per sq ft (about Rs 20 lakh) whereas the price of a car would have gone

up to about Rs 1 lakh. So, buying a flat became a 20-time investment decision compared to buying a car. In 1996, the same flat probably cost about Rs 15,000 to 20,000 per sq ft or close to Rs 2 crore and a car were probably Rs 2 lakh to Rs 3 lakh. So, it became a 70 to 100 times investment decision. Then prices went down for a while and again began to rise and in about 2006 or so, the same flat would have been for about Rs 30,000 per sq ft. Of course, by then the range of cars was much greater and the older cars were no longer available. Today a flat in south Mumbai would cost between

wrong and the project is indefinitely delayed? Or worse, your money is stuck and the builder refuses to repay?

A: Yes, buying a house is a difficult experience. Huge sums of money must be paid, and loans have often to be taken, but the saving grace is that at least loans are available now. For a long time, there was no housing finance available and that made things much more difficult. Also, the stamp duty now is much lower than it used to be.

Till December 9, 1985, the stamp duty used to go up to 15% on transactions in immovable properties. This went down to 10% and then to 8% and is now at 5% in Mumbai. But yes, if something goes wrong and a project is indefinitely delayed, that can be disastrous if one has taken loans and these have to be repaid.

There have been so many instances of even large companies being unable to complete their projects for various reasons.

Q: *Is RERA helping the flat buyers or are the consumer courts a better option for this?*

A: RERA was introduced from May 1, 2017. Registration under RERA and agreements entered after RERA came into force have to specify the date of completion and this can be extended only for a short time. RERA is, therefore, definitely helping those flat buyers who have entered into agreements to purchase flats on or after May 1, 2017. But those who had entered into Agreements before that date do not get easy relief under RERA. They have to depend on consumer courts and sometimes even criminal complaints. Although there have been some decisions of the consumer forum, there are many cases which are still pending, and the plight of a home buyer who has not been able to get a flat is indeed pitiable.

Rs 5-6 crore at one end and perhaps even going up to Rs 15 crore at the top end. It depends on which car you would want to compare it to.

Q: *There is a perception that Mumbai's real estate prices are artificially jacked up. Do you agree?*

A: Prices are a result of interaction between demand and supply. No one individual can "artificially" jack up the price. There are many sellers and an even larger number of buyers, but prices are always subject to demand and supply.

Q: *For many, buying a house is a grueling experience, a long-time struggle, dipping into savings, taking bank loans and paying equated monthly instalments. But what if something goes*

