

IMPACT OF RERA, 2016 ON REAL ESTATE INDUSTRY IN INDIA

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BACKGROUND

- The Real Estate (Regulation and Development) Act, 2016 (RERA) has been passed in India after a very long time of hibernation on the part of the Government.
- The Real Estate Industry in India has been a most unorganized and unscrupulous industry wherein all kinds of fly by night operators had entered the industry and brought infame to this industry.
- The sufferers were the bonafide and genuine builders/developers who had also to suffer because of the wrongs of some fly-by-night operators.

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CONTD.

- This scenario is very vividly depicted in one of the Hindi movie which became famous by the name of “Khosla Ka Ghosla” .
- With the advent of RERA, it is expected that the industry will become highly organized and transparent. Better organization and better transparency will bring greater prosperity to the industry over a period of time after initial hiccups.

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MAIN OBJECTIVES OF RERA, 2016

- To achieve professionalism, standardization and transparency in real estate sector
- To establish the Real Estate Regulatory Authority for regulation and promotion of the real estate sector and to ensure sale of plot, apartment or building in an efficient and transparent manner
- To protect the interest of consumers in the real estate sector

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➤ INVESTMENT

- The RERA will protect the interest of buyers and boost investment in Real Estate sector.
- RERA will cause more equitable and fair transactions in the primary market. The transaction will be simpler, transparent and with more accountability.
- RERA will trigger fresh investment from Indian players as well as from global players as the investors in this industry will have more confidence with regard to real estate industry in India.

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REGULATION OF INDUSTRY

- RERA has given its first legal structure for regulating the industry. It will ensure the transparency and regulated environment which was needed in the Indian Real Estate industry.
- The impact of RERA towards positive direction is certainly to take place as various measures will help the industry.
- The builders will become extremely responsible towards their buyers. The builder will not be able to take arbitrary and one sided decisions nor indulge in any kind of unwarranted and unfair trade practices.

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INCREASED RESPONSIBILITY OF DEVELOPERS

Regulation of industry is possible in as much as the developers are now saddled with the responsibility of complying with various provisions of RERA which specify that

- (1) Consent of 2/3rd allottees to be taken in case of any addition or alteration
- (2) No launch advertisement before registration with RERA
- (3) Consent of 2/3 allottees for transferring of majority rights to third party
- (4) sharing information of project plan, layout, government approvals, land title, Sub-contractors, etc.
- (5) Five year defect liability period assurance and
- (6) formation of resident welfare association within 3 months of sale of majority of units.

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UNIFIED LEGAL REGIME FOR BUYERS

- RERA has unified legal regime for the purchasers of property across the country
- It has also standardized sale agreement and will ensure perfect title status.
- The project specific risk will reduce in light of the increased transparency. This will enhance the buyer- seller relationship in a positive way.
- The provision that insurance to be obtained by promoters further strengthen the trust of buyers on the whole process.

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BETTER ACCOUNTABILITY

- RERA will bring absolute accountability, professionalism and transparency in the business and people who can conform to these will benefit a lot. The fly-by-night operators will stand to be eliminated. The sector will be consolidated and will become a highly reputed industry.
- The timely completion of projects is emphasized in the new law which will regulate the work efficiency of the developer. Also the buyers will be able to look into the track record of the deliveries made by the developer for better quality and efficiency.

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OVERALL IMPACT ON THE INDUSTRY

- The real estate sector will consolidate on account of mandatory State Registration which will result in the efficiency and organization of the industry.
- The transparent measures will reduce malpractices and thus reduce the rate of litigation in the real estate industry. The same will also ensure the professionalism in the sector.
- It will improve the quality of services in the industry owing to the fact that there will be balanced agreements, organized funding and timely delivery to the buyers.

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CONTINUED..

- There is a scope to eliminate the causal operators and will ensure the quality and skills for the real estate projects. It will further stop the practice of over-valuation of the property as the industry will become organized.
- It is expected that there will be more demand of infrastructure in future as the current investments in infrastructure are not sufficient to meet the demand and thus, the

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UNSOLVED ISSUES

- A lot more needs to be done in as much as RERA only deals with primary market and not secondary market.
- It has regulated the projects being launched by developers but it has left out the resale market.
- Apart from this aspect, land titles also need to be regulated in as much as various frauds are committed with respect to title of the land frequently by unscrupulous and anti-social elements.

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CONCLUSION

- The outlook of the industry after introduction of RERA is very positive and Real Estate industry is now poised to take quantum jump. However, there is a need to consider the issues which still persists like regulation of resale market, land title, frequent land frauds, etc. It is high time that the government look into all these matters and have a depository just like NSDL to prevent land frauds.
- It will also attract more This will also attract investments in the sector and restore the confidence of the buyers and others stakeholders in the sector.

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