

## Immediate Impact of RERA on Construction Industry

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**Abstract :** *The Real Estate (Regulation and Development) Act, 2016 is an Act of the Parliament of India which seeks to protect home-buyers as well as help boost investments in the real estate industry. The bill was passed by the Rajya Sabha and the Lok Sabha in March 2016. The Act came into force from 1 May 2016. Remaining provisions came into force from 1 May 2017. The objectives of this act are to Ensure Transparency & Efficiency in real estate sector in regards to sale of plot, apartment, building or real estate project; Protecting the interest of consumers in real estate sector; Establishing adjudicating mechanism for speedy dispute redressal and Establishing Appellate Tribunal to hear appeals from the decisions, directions or orders of the Real Estate Regulatory Authority. Prior to RERA, there was no clarity on carpet area, was sort of monopoly of Builders regarding loading, rates, modes of payments. There were Frauds, no clear picture of project, possession, sanctions. An attempt has been made to find out the immediate impact of this act on the Builders, and the customer. The scope of study is limited to Pune area region.*

The objective of this paper is

- i. Study of act and understanding the provisions given in the ACT
- ii. How this ACT affected the ongoing and about to start projects?
- iii. How does construction companies look at it?
- iv. What were the provisions they did to overcome the uncertainty even before the enforcement of Rule?

Keywords:

**RERA (Registration of Real Estate Project and Registration of Real Estate Agents), promoters, Allottee, Real estate project**

### I. INTRODUCTION

The Real Estate (Regulation and Development) Act, 2016 is an Act of the Parliament of India which seeks to protect home-buyers as well as help boost investments in the real estate industry. The bill was passed by both the *Rajya Sabha* and the *Lok Sabha* on March 2016. The Act came into force from 1 May 2016. Remaining provisions came into force from 1 May 2017.

#### Before RERA:

- There was no clarity on the carpet and loadings on the built-up area. Every builder had their own calculations.
- There was a sort of monopoly of builders regarding the areas, rates, modes of payments.

- There was no clear picture of project, possession, sanctions, legality and rates which lead to frauds and confusions to clients.

### II. STUDY OF RERA ACT

No promoter is allowed to advertise, market, book, sell or offer for sale, or invite persons to purchase in any manner any plot, apartment or building in any real estate project or part of it, in any planning area, without registering the project with the RERA. The advertisement or prospectus issued or published by the promoter shall mention prominently the website address of the Authority and the registration number obtained from the Authority.

Where any Allottee sustains any loss or damage by reason of any incorrect, false statement included therein, he shall be compensated by the promoter in the manner as provided under this Act. The entire investment along with interest and compensation shall be returned to allottee if he intends to withdraw from project.

The promoter shall make an application to the Authority for registration of the project within a period of three months from the date of commencement of this Act for ongoing projects and whose completion certificate is not issued.

No registration of the real estate project required where;

- a. The area of land proposed to be developed does not exceed 500 square meters or the number of apartments proposed does not exceed eight inclusive of all phases.
- b. The promoter has received completion certificate for a real estate project prior to commencement of this Act;
- c. For the purpose of renovation or repair or re-development which does not involve marketing, advertising selling or new allotment of any apartment, plot or building, under the real estate project. Act specifies the list of documents and drawings which the promoter has to submit for Registration.

The promoter shall create his web page on the RERA website and enter all details of the proposed project in all the fields as provided, for public viewing, including—

1. details of the registration granted by the Authority
2. quarterly up-to-date the list of number and types of apartments or plots booked, garages booked, approvals taken and pending subsequent to commencement certificate and status of the project;
3. such other information and documents as may be specified.

It is the right of Allottee to get all the above information from time to time.

He is responsible for all obligations, responsibilities and functions till the conveyance of all the apartments, plots or

buildings. With respect to the structural defect or any other defect continue even after the conveyance deed, its promoter's responsibility to execute.

**Responsibility of promoter**

1. To obtain the completion certificate or the occupancy certificate, or both.
2. To obtain the lease certificate, where project is developed on a leasehold land.
3. For providing and maintaining the essential services, on reasonable charges, till the taking over of the maintenance of the project by the association of the allottees.
4. Enable the formation of an association or society or co-operative society or federation of the allottees, under the laws applicable.
5. Execute a registered conveyance deed in favour of the allottee.
6. Pay all outgoings until he transfers the physical possession of the project to the allottee or the associations of allottees.

**Revised carpet area definition**

**Carpet area** means net usable floor area of an apartment, excluding the area covered by the external walls, area under services shafts, exclusive balcony or verandah area and

**III. RECORDED INTERVIEWS**

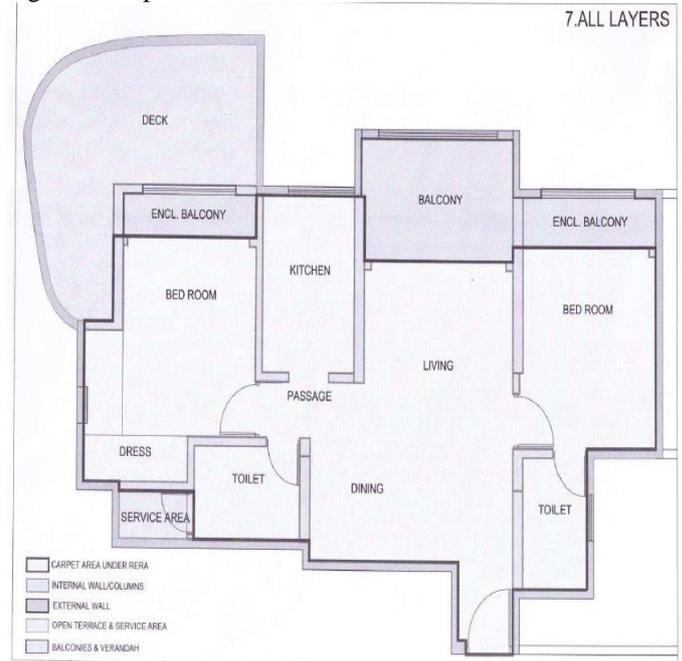
The articles, personal interviews and opinions published in the media are studied.

**Table I – Recorded interviews**

INTERVIEWEE	POSITIVE POINTS	NEGATIVE POINTS
Mr. Niranjan Hiranandani's Interview on Zee business dated 3 <sup>rd</sup> May 2017.	Transparency in process.  Project information is accessible to everyone.	Financial issues: Companies which has less capital, may face problem in this transition period.  As one cannot use money from one project to another, companies have problems in arranging money for projects.
Mr. Niranjan Hiranandani's Interview on CNBC Awaaz dated 31 <sup>st</sup> July 2017.	Govt. is very active in Maharashtra.  Major cities are aware and has facilities.	Small towns are not clear and should be taken care of.  The projects which are in transition period are very much in stressed condition.  Their problems are not solved and are not focussed.  To complete such projects Rera need to give some relief. Bengaluru Authority has given time extension to transition phase builders.
Mr. Aniel Kumar Sahu, Chairman and MD, SAHA, Interview on Zee business dated 3 <sup>rd</sup> May 2017.	Buyers will have assurance that their money will be safe and used for their project only.	

exclusive open terrace area but including the area covered by the internal partitions walls of the apartment.

Figure I. Carpet area



Mr. Deepak Kapoor, Chairman, Gulshan Homz, Interview on Zee business dated 3 <sup>rd</sup> May 2017.	Speedy approvals due to single window approval system.  Generally, it takes 1.5-2 yrs for approvals which is time wasting and cost also overruns.	If developer has to return money to customer, from where he will arrange as he is saving money is an ESCROW account. He is neither investing that money anywhere nor earning interest on it. This is not clear.
Mr. Rohit Gera, MD, Gera Developments, Interview on CNBC Awaaz dated 31 <sup>st</sup> July 2017.	It is a great opportunity for customer to get the promised product.	
Poor RERA registration may impact home loan disbursal. 99acres bureau article dated 11/09/2017		Some builders are not able to advertise their projects due to incomplete registration of project. This will hit home loan figures as lenders have decided to finance only RERA registered projects.

**IV. PERSONAL INTERVIEWS**

**Seller point of view**

Personal interviews were conducted with builders to note their views on RERA. The Following questions were framed for the personal interviews with the builders.

1. Rera in general your views. (pros and cons)
2. Any difficulty in registration process?
3. How do you find the website?
4. Carpet area definition is changed now. There is no enclosed balcony concept. How it made area wise difference?
5. How is area and loading calculated now?
6. Any changes on rates and sales?

7. After the introduction of RERA, how is cashflow managed now.
8. How it impacted customer's attraction and satisfaction?
9. Any delays or difficulties faced on ongoing sites due to Rera?
10. Demonetization, Rera and now Gst, where has it taken the industry to? And what is RERA contribution?
11. Is it really giving equal rights to Buyer and seller?
12. Defect liability period of five years.
13. Impact on home loans and on employment in the industry.

### Buyer point of view

Similarly, a questionnaire was prepared for the customer and a survey was carried out.

1. Are you aware of RERA act?
2. Do you know about provisions given in the Act about the customers benefits/rights?
3. Do you confirm whether the project's RERA registered before enquiring about the project?
4. Have you used the RERA website to check Project information and builder's reputation?
5. How do you find RERA website?
6. Do you find Builder information correct on RERA website?
7. Is RERA really giving equal rights to Buyer and seller?
8. Are you aware of the process of complaint/ actions against the builder/promoter in case of fraud/complaints?
9. Has carpet area clarity helped you?
10. If you have booked your flat, are you getting timely update on project on website or from builder?
11. Has loan process become smoother than before?
12. Is area and pricing of the flat clear to you?
13. How do you find the difference in approach before and after RERA?
14. Are you aware that "Rera does not guarantee 100% trustworthy information about the promoter/ builders, but brings control over the information given?"

### V. FINDINGS:

#### Findings from Customer survey

- All are aware of the RERA act.
- 67% claims to know about the provisions given in the Act about the customers benefits/rights.
- 50% confirmed that the project is RERA registered before enquiring it.
- Only 20% have used the RERA website to check Project information and builder's reputation.
- 60% found RERA website good.
- Mixed reaction received about whether the Builder's information found correct on RERA website. (fig. II)
- Only 40% are aware of the process of complaint/ actions against the builder/promoter in case of fraud/complaints.
- 40% says that RERA giving equal rights to Buyer and seller.
- 80% says that carpet area clarity helped them.
- 60% are getting timely updates from their Builder. RERA yet to update its first quarterly project details.

- Only 40% have answered it and says that the loan process is smoother than before.
- 60% says area and pricing of the flat are clear.
- 60% says that they are not aware that "Rera does not guarantee 100% trustworthy information about the promoter/builders, but brings control over the information given."

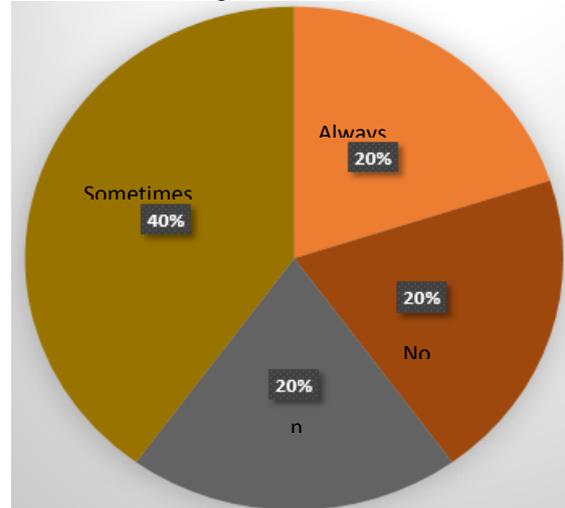


Fig. II. Pie chart showing customer mixed response

### Findings from Personal interviews

- It is very early to judge the Act.
- RERA is beneficial for both customer and builder in a long run.
- Customers are happy that he has Government support now.
- Builders have great hopes from single window system.
- Website is good and user friendly and registration process is smooth.
- Getting timely updates and amendments from RERA
- Carpet area concept explained very well
- Financially not much impact on big builders, but on small ones.
- Escrow account is looked a good concept where project money will be managed properly.
- Defect liability period is too long for builders.
- Package price concept introduced. no clarification on price and area calculations from RERA.

### VI. RECOMMENDATIONS

- a. Smaller sale projects should also be included as they are more prone to frauds.
- b. A clear understanding of area calculation is required upon which the price of the flat will be calculated.
- c. Customer should be aware of area and pricing calculation methods. No thought is given to it.
- d. Mixed replies from the customer survey depicts the confusion status about the act.
- e. There is very much expectation from single window system as it may save the efforts of the promoter in documentation process and thus saving project completion time.

### VII. CONCLUSION

Though the act is very new, it is accepted very easily by the seller and buyers. A very positive impact is expected in the future as the act becomes more intact. Amendments are still going on. It is very early to study the results of this act in terms of both the parties. Single window system plays an important role in the success of the RERA Act.

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