

RERA: A REFORM TO SUPPORT REAL ESTATE SECTOR

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ABSTRACT

The Real Estate Regulatory act 2016, popularly known as the "RERA" act is a unique legislation made by the central government of India. The purpose and objective of this act is to reduce the mental and financial distress that customers have suffered from the fraudulent builders and Real Estate lobby. The RERA act will help the consumers to get possession of their units in a timely manner with better conditions. This act will also bring complete transparency in the Real Estate sector benefitting both the home buyer's community and developer's community. The RERA act will improve market sentiment. It will bring regulation in an otherwise and unregulated sector. There will be consolidation of Real Estate broking market and elimination of fly-by-night operators. It will increase satisfaction of clients. .

KEYWORDS: RERA, Transparency, Accountability, Home buyers, Regulations, Brokers.

Introduction

Every Nation wants to strengthen its economy. Each Nation makes new rules, regulations, policies, plans to develop the economy so that maximum social and economic welfare can be achieved. Government implements new reforms in every sector of economy. Real Estate sector is a sector which has remained unregulated till now. In this order Government of India has recently made an act called RERA to regulate Real Estate sector. RERA (Real Estate regulation and development act) was introduced on 1st May, 2017 across India. This act will support Real Estate sector of every state. Every state has to make rules and regulations according to RERA. It is applicable only for under construction Real Estate projects. It will regulate developers and brokers to protect the interest of Reality buyers.

Why RERA?

Real Estate in India has been a very unregulated sector. There were so many shots and illegal activities in Real Estate sector. So, government implemented RERA to protect the interests of buyer, seller, investor etc.

Research Problem

The concept of RERA is a very important Reform of Indian economy. This research helps to understand provisions and regulations of RERA. This research intends to focus on effects of RERA on buyer, seller, investors etc.

Research Methodology

The study focuses on study of primary data of RERA provisions made by government. It includes secondary data also collected from journals, books, government Publications related to RERA.

Review of Literature

Jayeshganatra, 2017, in his book, " RERA the Real Estate" primed the laws, forms, sections, guidelines related to RERA. It states the everyday reality regulations. Taxmann's " guide to RERA with RERA checklists" mentions the rights of buyer of plots/ apartments, functions and duties of builders, rights and obligations of Real Estate agents, adjudication of compensation by adjudication officer authorities under

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act. Shruti a. Desai in her book," commentary on the Real Estate (regulation and development) act, 2016" highlights latest act passed by parliament? Rules of States those notified under the act, guidelines, circulars, policies, smart City guidelines, model building bye laws as published by ministry of Urban Development government of India 2016, latest judgments, comparative studies MOFA and RERA.

Objectives of the Study

- To study laws and guidelines of RERA.
- To study the impact of RERA on Real Estate.
- To study the changes in market scenario.
- To study the regulations of RERA.

RERA (Real Estate Regulation and Development Act 2016) Provisions

The Real Estate regulations and development act 2016 who was formulated to safeguard the interest of home buyers and to Infuse transparency and credibility into the otherwise unregulated Real Estate sector. Some of the key provisions pertaining to registration of Real Estate projects are as follows:

- This act covers all commercial and residential Real Estate projects larger than 500 square metres or 8 apartments, to be registered with their respective States Real Estate regulatory authority before being launched.
- On-going projects without completion certificate as on the date of commencement of the act will have to file for registration within 3 months. That authority will have to either accept or reject the application within 30 days.
- After acceptance of registration request, promoters will be required to present all the relevant details about the project on RERA's official website.
- If failure to register there will be a penalty of 10% of the total project cost or and imprisonment of up to 3 years.
- Real Estate agents facilitating the sale or purchase of reality projects too will have to register themselves with RERA.
- The developer of Real Estate development firm will have to maintain a separate escrow account for each project. A minimum of 70% of total funds collected for a specific project will have to be deposited in that account and used only for the construction or land cost related to the same project.
- Promoters of Real Estate projects will have to charge buyers only on the basis of carpet area, unlike the earlier practice of charging on the built up or super built up area.
- This act also restricts a promoter from taking higher than 10% of total cost of apartment Plot or building as an advance payment without entering into a written agreement of sale.

Impact of RERA

- **On buyers:** RERA has been introduced mainly to protect the interest of property buyers in order to increase transparency regarding project competition status. Buyers can visit RERA website to check builder's and broker's history whether he is registered or not and other things. He can get any updated information regarding broker and builders. If there is delay in project completion, buyer will get up to 10% of property value from builder. There will be an increase in quality of construction due to defect liability period of 5 years.
- **On Developers:** RERA will affect developers also. As it is mandatory to register in RERA developers will gain trust of customers through RERA. It will be easy for them to create their goodwill in the mind of customers. According to RERA developers will have to maintain 70% of total cost of projects, big developers who have enough working capital will be benefited and will get more projects. They will be able to handover projects by time.
- **On Real Estate Industry:** As a lot of formalities to be done to get the project registered like; last 5 year project status, developers detail, plans etc. According to RERA state Real Estate regulatory authority will be formed by every state and Real Estate appellate Tribunal will be established for settlement of disputes related to home buyers. It will create interest and trust of buyers in the industry. There must be some initial backlog for the Industry, But in long term it will help in smooth running of the industry. There may be less liquidity due to rise in project cost and launch time. Except this, there will be transparency and good governance in the industry. It will enhance the confidence of investors. It will be able to attract higher investment and funds in long run. There will be a regulated environment in the industry after implementation of RERA.

- **On Brokers/ Agents:** Real Estate brokers also known as Realtors or channel partners are the medium between a buyer and a developer and play an important role in the marketing of any project. The RERA brings within its Ambit not only the developers but also includes brokerage firms and Real Estate agents as well. RERA has set some code of conduct for agents to prevent unfair means. The brokers or agents will now have a big responsibility to perform their role. Brokers will maintain all the records and documents related to Real Estate projects and Developers, they work with. Until now, Real Estate brokers were only considered the facilitators who brought together the buyers and the sellers, but with the changing rules and regulations, brokers will now have a larger and more responsible role in the industry.
- **On Property Prices:** Builders are already saddled with under construction projects and will face hard time to bring them under RERA, complying with new norms, arranging funds that would have already diverted and then completing these within the new agreed time period. There will be a pressure to deliver projects on time and this pressure will be translated to contractors, who in turn, will demand much higher rates for construction. This will lead to an upward pressure on prices for the end customer. Accordingly the sale of projects, on a carpet area basis, is likely to result in the per square feet basis, prices of the project going up by about 40% to 50% of the price based on super built up area.

Conclusion

RERA is the regulation that was much required for the industry. It will bring more transparency and organized and quality focused approach, in the business functions. Builders are now required to warrant to the premises, they sell, which ensures that quality will certainly get a good push in the building material sector including other linked industries. RERA will also bring accountability for not only developers but also for material suppliers and contractors to deliver high quality work as per sanctioned plan and specifications. RERA promises to transform the Real Estate industry into an organised, transparent and a profitable sector. One has to wait and watch to really understand the impact, it will have in the long run. The initial obstacle in the implementation of RERA is unavoidable, but the holistic impact of this revolutionary act will definitely be positive and beneficial for the home buyers community. It can be said that the implementation of the Real Estate Regulation and development Act, 2016 is, in fact, a win-win situation for all stakeholders in the Real Estate industry.

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