The Impact of 'Real Estate Regulatory Authority'

What is the issue?

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- Real Estate Regulatory Authority (RERA) has been a potent instrument in addressing some of the pertinent issues afflicting the sector.
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- Amongst them, most significant change has been ushered in completion and deliveries of projects.
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What are the broad contours that the RERA has addressed?

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- Real estate sector is regarded as an unorganised and fragmented sector, marked by lack of transparency and lopsided builder-buyer relationships.
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- The implementation of the RERA Act with effect from May 2017 brought about marked improvements in the way the real estate sector operated.
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- This was noticed in issues like delays in completion/delivery of projects, skewed builder-buyer agreement terms favouring the developers.
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- Cash transactions, fly-by-night developers who had limited financial and operational experience were also curtailed in their operational domains.
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- Such issues increased consumer confidence, but the teething troubles coupled with the overall economic situation has slowed down demand in the sector.
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- **Project Funds -** Experts expect that the ability to execute will become amongst the key differentiators among developers in the real estate sector.
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- Therefore, it would be imperative for the developers to have the funding and other required resources in place to be able to execute the projects on time.
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- Contrastingly, a large part of the funding earlier essentially dependent on incremental sales as there was a lax time pressure on developers.
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What are some specifics?

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- RERA has prescribed a model agreement that can be built upon by the respective states to bring about an equal builder-buyer relationship.
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- The presence of some of the penal clauses has also brought about a sense of responsibility amongst the stakeholders, especially the developers.
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- Disclosure norms as required under the Act, has brought in transparency.
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- While elevated prices and an uncertain business environment impacted the purchase decisions of consumers, RERA established certainty in the sector.
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- As builders are now being forced to ensure speedy completion of projects, consumer confidence to purchase unfinished projects has increased.
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- **Challenges -** Although the real estate Act is a step in right direction, some provisions have created an excessive fear in the minds of the developers.
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- Furthermore, issues such as under-staffing and non-streamlining of operations of the authority and tribunal will continue to impact developers.
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- Correspondingly, there has been a decline in new launches, which is not just due to the prevalent poor demand.
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How does the future look?

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- For the long-term development of the sector, setting up of the requisite infrastructure for implementation of RERA is a crucial factor.
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- Currently, deviations of the state-specific rules from the central Act hinders the ability of the developers to roll out projects across the country.
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- Hence, some rationalisation is required across states – which will not only help developers channelize resources better but also boost buyer confidence.
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- The respective state governments will also have to play an important role and be proactive in improving operational efficiencies to nurture the sector further.
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- Notably, real estate sector is crucial for states as building infrastructure is indispensible to the overall business environment and the economy.
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- Political willingness and administrative efficiency will remain key attributes in the process of implementation.
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Source: Financial Express

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