

One year after coming into force, Rera remains a work in progress

According to property consultancy firm Knight Frank, only 19 states and UTs have a functional portal in place, that too with a lot of information dissymmetry across data points

A year after coming into force, what the Real Estate (Regulation and Development) Act, 2016, or Rera, has achieved is that it has made buyers more aware and developers cautious. The implementation of Rera, however, remains an issue, as majorities of the states are yet to implement it fully. Only three states — Maharashtra, Madhya Pradesh, and Punjab — have implemented full-time regulators under Rera, while 26 states are yet to appoint full-time regulators. A full-time regulator would have implemented the norms in an effective manner.

According to property consultancy firm Knight Frank, only 19 states and Union Territories (UTs) have a functional portal in place, that too with a lot of information dissymmetry across data points. In Andhra Pradesh, only two projects are registered under Rera. Haryana does not have a portal and the status of the projects registered manually remains unknown.

The progress on the establishment of a Real Estate Appellate Tribunal is far more disappointing with only 15 out of the 35 (states and UTs) have made progress on this parameter.

Uncertainty over how RERA provisions will play out for realty firms in NCLT

Rera rules prohibit pre-launches without approvals, mandate that developers put 70 per cent of project proceeds in an escrow account so developers do not divert funds and submit delivery timelines so that they do not delay projects unnecessarily. "From the consumers' perspective, Rera implementation needs undivided attention and focus from the regulators. Sadly, most states have been playing the waiting game about getting a permanent regulator after handing over the reins to such 'interim' authorities," Knight Frank said.

OFF TO A SLOW START

1. Only Maharashtra, Madhya Pradesh, and Punjab have full-time regulators
2. 25 states yet to establish full-time Rera regulators
3. Only 19 states and UTs have a functional portal in place
4. Only two projects registered under Rera in Andhra Pradesh
5. Haryana still does not have a portal and the status of projects registered manually remains unknown
6. Only 15 out of the 35 states and UTs have real estate appellate tribunals

However, in states it is implemented, developers have turned cautious in launching projects and on delivery timelines. "Rera authorities are implementing the penal provisions of the Act and are

imposing interest and compensation on the developers," said Sudip Mullick, partner at law firm Khaitan & Co. For instance, the Rera authority in Maharashtra has issued notices to developers for not updating information regularly on project details and imposed penalties on half a dozen developers for not following norms while publishing ads.

Mullick said Rera had brought in clarity for buyers as flat sizes and amount of consideration taken for the flat and consideration for car parks were now transparently disclosed. "The entire project details including amenities and layout of the project is also transparently disclosed and hence a buyer can take an informed decision," he said.

Anuj Puri, chairman of Anarock Property Consultants, said Rera had changed the business practices for good. "The crazy days of pre-launches, soft-launches and other variants are gone," adding the previous opacity, rolling over of funds, and other malpractices have been largely weeded out of the system and only 'clean' players with good business intentions will be able to survive.

However, despite the Act being in force in Maharashtra, developers have shifted delivery timelines. For instance, in a housing project in Mumbai suburb Chembur, a reputed developer has shifted possession to 2021 from 2019 earlier after Rera came into force. Homebuyers and developers have different views on whether Rera has had benefits for the consumers.

"The redressal mechanism under Maharashtra Rera is not smooth and there is a lot of scope for builders to manipulate the system," said Vipul Saxena, a homebuyer at Powai in Mumbai, who approached the Maharashtra Rera authority for not getting apartment delivered by the developer.

Saxena said developers were registering ongoing projects or stuck projects in different names with the authority and hide details. However, developers said in states where it had been implemented, Rera has increased the confidence of the property buyers. Rajeev Talwar, chief executive of DLF, said the major benefit that Rera had brought is the "timely completion" of projects, which has been the bane of the sector for a long time.

"The other benefit is the quick redressal mechanism, which again is acting as a big confidence booster for the people to come forward and invest or buy a real estate asset," Talwar said. J C Sharma, vice-chairman and managing director at Bengaluru-based Sobha, said, "Consumers are more confident in getting delivery of their homes on time and of better quality."

Even if buyers in states where Rera has not been implemented are disappointed, developers in such states are put on notice and cannot build or market their properties for the fear of Rera coming, experts said. Puri of Anarock said real estate companies were now investing heavily in upgrading their existing systems and technologies to ensure adherence to the defined norms.

After Rera, there has also been consolidation. Many big companies such as Godrej Properties, L&T Realty, and Hiranandani have seen a surge in the joint venture proposals from smaller or financially weak developers after Rera as the smaller companies could not meet compliance norms. "We have already seen some amount of consolidation in the last few quarters, and larger-scale

consolidation is likely to take place in 2018," Puri said. While many states have to implement the Act in totality, the law should address many grey areas, experts said.

According to Puri, one such issue is Rera does not govern the project timelines directly and so in many cases developers overstate the timeline to complete the project and not face penalties. Also, websites are not even functioning in many states. "There is a lack of necessary supporting information technology infrastructure, as only a few states have got a live Rera website and others are still following the offline mechanism," Puri said

Khaitan & Co's Mullick said the Act had not answered the demand of the real estate developers of a single-window clearance or of taking into consideration the time spent in seeking approvals from the local corporation. "The interplay with other Acts is not properly addressed for example the conflict between Rera and Insolvency and Bankruptcy Code is already under lots of discussion," he added.

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