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ASSESSMENT OF RERA, 2016 BY CENTRAL GOVERNMENT

THIS ARTICLE COVERS 'DAILY CURRENT AFFAIRS' AND THE TOPIC DETAILS OF "ASSESSMENT OF RERA, 2016 BY CENTRAL GOVERNMENT". THIS TOPIC IS RELEVANT IN THE "ECONOMY" SECTION OF THE UPSC CSE EXAM.

WHY IN THE NEWS?

The Ministry of Housing and Urban Affairs is currently assessing the operations of the Real Estate (Regulation and Development) Act, 2016.

WHAT IS THE NEED TO REVIEW RERA?

Assessment of the impact of RERA: A crucial aspect of the review involves **evaluating RERA's real-world impact**. This includes examining how effectively the Act has fostered transparency in real estate transactions, promoted accountability among developers, and provided efficient mechanisms for homebuyers to address grievances.

Data-Driven Decisions: To move beyond anecdotal evidence, the **Ministry is establishing a dedicated data collection unit**. This unit will gather crucial data on the functioning of RERAs across various states over the years. Data on project approvals, progress reports, and delays will provide a more comprehensive picture of RERA's effectiveness and identify potential bottlenecks in implementation.

Gathering the stakeholder's Feedback: Recognizing the importance of firsthand experiences, the government is actively **seeking feedback from stakeholders, particularly homebuyers**. Through regular meetings, homebuyers can voice their experiences with RERA, highlighting areas where the Act has fallen short or exceeded expectations. This feedback will be instrumental in identifying areas for improvement and potential amendments.

Amendment for the improvement: The RERA review process serves as a springboard for **potential future amendments**. By proactively identifying and addressing shortcomings in the

Act's implementation, the government aims to enhance its effectiveness and ultimately safeguard the interests of homebuyers. This proactive approach demonstrates a commitment to a real estate sector that prioritises fairness, transparency, and protects home buyers' investments.

Standardised Information and Ensuring Consistency: The government is focusing on **ensuring consistency in the information available on RERA websites across different states**. This will provide homebuyers with easy access to crucial project details and developer updates, regardless of location. It also reinforces the **mandatory publication of annual reports and quarterly progress reports from builders**, fostering greater transparency. Discrepancies identified during the review, such as websites lacking information or projects being registered without proper document verification, will be addressed **to ensure developers comply with the Act's provisions**.

ABOUT RERA

The Real Estate (Regulation and Development) Act (RERA) is a notable law passed by the Indian government in 2016. The RERA Act was put into effect in March 2016 under the jurisdiction of Entry 6 and 7 of the Concurrent List of the Indian Constitution, which pertains to contracts and property transfer. It officially came into force in May 2017. Key Objectives of RERA are:

- **Protecting Homebuyers:** RERA prioritises safeguarding homebuyers' interests. It establishes a regulatory authority (RERA) in each state, acting as a watchdog to ensure fair practices and speedy dispute resolution mechanisms.
- **Boosting Transparency:** The Act promotes transparency in real estate transactions. Builders are obligated to register projects with RERA and provide comprehensive information to homebuyers. This empowers buyers with better decision-making through access to accurate details about projects.
- **Timely Deliveries:** RERA aims to combat delays in project completion. The Act emphasises the timely delivery of projects without compromising quality standards, ensuring homebuyers receive their investments within the agreed-upon timeframe.
- **Standardisation and Professionalism:** RERA aims to establish a nationwide standard for real estate transactions, promoting professionalism within the sector.
- **Enhanced Information Flow:** The Act facilitates a smooth flow of accurate information between homebuyers and sellers, empowering informed decision-making.
- **Increased Accountability:** RERA fosters accountability by placing greater responsibility on both developers and investors, ensuring a fair and balanced environment.
- **Building Investor Confidence:** By promoting transparency and accountability, RERA strengthens trust within the real estate sector, potentially attracting more investors.

IMPORTANT PROVISIONS OF RERA

REGULATORY OVERSIGHT

- **State-Level RERAs:** RERA mandates the establishment of Real Estate Regulatory Authorities (RERAs) in each state. These authorities handle project registration, maintain databases, and promote fair practices within the sector.
- **Appeals Process:** The Act establishes Real Estate Appellate Tribunals to address appeals against RERA decisions. Hence, provides a dispute resolution mechanism for aggrieved parties.

PROJECT REGISTRATION AND TRANSPARENCY

- **Mandatory Registration:** Real estate projects exceeding a minimum size threshold (plot size or number of apartments) must be registered with the relevant RERA authority. This ensures transparency and provides a central repository of project information.
- **Public Access to Information:** Registered projects and related details are made available on the RERA website for public viewing. This empowers homebuyers with access to crucial project information before making investment decisions.

FINANCIAL SAFEGUARDS AND ACCOUNTABILITY

- **Escrow Account Mandate:** Developers are required to deposit at least 70% of the funds collected from homebuyers into a separate escrow bank account. These funds can only be used for project construction, mitigating the risk of misuse.
- **Structural Defect Liability:** Developers are held accountable for repairing structural defects in a property for a period of five years after handover. This protects homebuyers from shoddy workmanship.
- **Penal Interest for Delays:** Both developers and buyers are liable to pay an equal rate of interest for any delays in fulfilling their obligations as per the sale agreement. This incentivises timely project completion and protects homebuyers from financial losses due to developer delays.

CONSUMER PROTECTION MEASURES

- **Advance Payment Limits:** Developers are restricted from accepting more than 10% of the property cost as an advance payment or application fee before entering into a formal sale agreement. This safeguards buyers from losing significant sums if a project falls through.
- **Focus on Carpet Area:** RERA emphasises the use of carpet area, which refers to the usable floor space within an apartment, as the basis for pricing. This protects buyers from inflated costs based on the total built-up area, which includes walls and common areas.
- **Penalties for Violations:** The Act prescribes penalties for violations, including imprisonment for developers and agents/buyers who disregard orders from RERA or the Appellate Tribunals. This enforcement mechanism discourages malpractices and ensures compliance.

ISSUES ARISING FROM RERA

EXCLUSION OF PAST REAL ESTATE PROJECTS

1. Only new projects fall under the purview of the Act, leaving ongoing, completed, or stalled projects due to clearance or financial issues unaffected.
2. Consequently, many buyers may not receive the benefits envisioned by the Act.

GOVERNMENT DELAYS

1. Government agencies sometimes take considerable time to approve projects, leading to delays.
2. Timely approval by government bodies is essential for developers to initiate, complete, and deliver projects on schedule.

LACK OF COMPULSORY REGULATION FOR SMALL PROJECTS

- Projects smaller than 500 square metres are not required to register with the regulator, exempting small developers from this obligation.

EXPECTED DELAYS IN NEW PROJECT LAUNCHES

- Projects cannot commence without necessary clearances from the government, typically taking two to three years, resulting in automatic delays.

UNADDRESSED DEVELOPER CONCERNS REGARDING FORCE MAJEURE AND LAND TITLE REPOSITORY

- The Act does not address developer concerns related to force majeure events, such as labour shortages or the absence of a central repository for land titles and deeds.

MAINS PRACTISE QUESTIONS

- Q1. In your opinion, what measures can RERA implement to address the issue of low-quality materials used in residential buildings? Discuss particularly in light of recent collapses in India?**
- Q2. How effective do you think RERA's major provisions are in ensuring transparency and accountability in the real estate sector?**

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