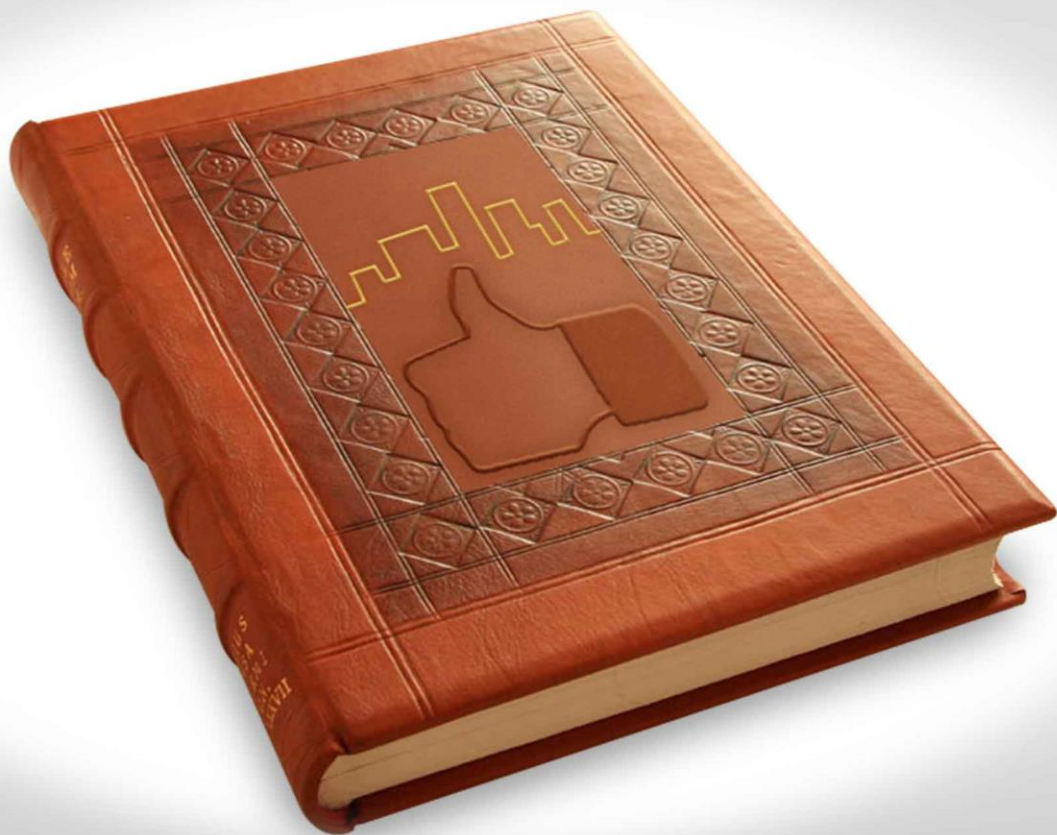




THE REAL ESTATE REGULATORY BILL



ROYAL NOD FROM THE RAJYA SABHA



With a Rajya Sabha nod, Real Estate Regulatory Bill takes another step

The Rajya Sabha approval to the much awaited Real Estate Regulatory Bill proves there is indeed light at the end of tunnel. Most of the lacunae in the functioning of the sector can be attributed to lack of clearly defined regulatory norms. However, it can now be said that things will gradually fall into place. Delays in project completion, misuse of funds by developers and ambiguity over saleable area parameter are few things that have depleted buyer's trust over the years. This bill based on three major foundation stones: Transparency, Accountability and Efficiency has the power to tie all loose ends in the real estate sector. A genuine intention has been leveraged and the impact of this Act will be large.

Transparency	Accountability	Efficiency
Enterprise Details	"Likely period of time" within which promoter undertakes to complete the project or phase thereof	Timely completion will lead to reduced speculation and sales at justified price points.
Approvals Layout plan - phase-wise	Minimum 70% of realization to be deposited in separate bank account to cover the cost of construction.	Deception in prices will go as stock will be sold at carpet area. In tune with practices in developed world
Development Work to be executed, proposed facilities	Builders will pay interest to home buyers for any default or delays at the same rate they charge them.	Diversion of funds/ proceeds to different projects and other motives like land accumulation will be curbed.
Details of Professionals and Real Estate Agents	Builders will be liable for structural defect for upto 5years.	
Declarations of Title and encumbrances		
No of units to be developed and their carpet area		

Based on our data, Urban Development Minister M Venkaiah Naidu, said **“As per available information for 27 major cities including 15 capitals, 2,349 to 4,488 new housing projects were launched every year between 2011 and 2015. Thus in these 27 cities during these last five years, a total of 17,526 projects were launched with a total investment value of Rs 13,69,820 crore”**

Quantification of benefits to the consumers and industry

New launches across 27 cities

Calendar Year	No of Projects	Units Launched	Value of Units Launched (Rs Crore)
2011	2,640	373,501	227,744

2012	3,705	455,114	280,538
2013	4,488	502,671	336,472
2014	4,344	513,688	302,487
2015	2,349	328,376	222,578
Total	17,526	2,173,350	1,369,820

Source: Liases Foras

Cities covered

MMR (Mumbai Metropolitan Region), NCR (national Capital Region), Bangalore, Chennai, Pune, Ahmedabad, Hyderabad, Surat, Kolkata, Chandigarh, Vadodara, Jaipur, Indore, Lucknow, Bhopal, Nagpur, Coimbatore, Nashik, Goa, Cochin, Mangalore, Thiruvananthapuram, Palghar, Boisar, Kanpur, Bhubaneswar, Rajkot, Patna

Incomplete projects have a huge negative bearing on India's GDP. Delay in completion is a menace that has plagued the sector since long. For our analysis we have considered all the total supply across all the 25 cities under our coverage universe. About 34% of this supply is more than 12 months delayed. This estimated delay of residential projects amounts to 1.32% of GDP (2014-15) at current prices.

Project delays are the biggest menace for the Indian real estate and one of the key reasons for sky-high prices. The Real Estate Regulatory Bill, aimed at reducing delays and ensuring faster completion through Transparency, Accountability and Efficiency, is the requirement of the hour. Together these elements will bring about Efficiency by discarding any kind of deception in prices. Firstly, sales will happen on carpet area, which is a practice followed in the developed countries such as Singapore, UK etc. Secondly, the escrow account will help in curbing diversion and misuse of funds, thus ruling out speculative practices.

Statistics of Delays

(total supply figures in mn sq ft)

Cities	NIL		Less than 12 Months	12-24	24-36	36-48	48-60	More than 60 Months	Grand Total
	Launched in 1 year	More than 1 year							
NCR	65	140	201	195	111	84	21	16	833
MMR	59	95	130	83	35	27	19	20	466
Bangalore	73	129	108	67	14	8	8	2	409
Pune	44	48	102	45	12	5	2	2	260
Ahmedabad	33	52	73	33	7	3	0	0	202
Chennai	12	59	72	26	11	5	3	1	190
Hyderabad	23	17	57	25	17	6	9	13	168
Surat	20	39	32	6	1	0	0	0	98
Kolkata	11	25	30	12	9	5	0	0	92
Bhopal	8	32	29	11	1	0	0	0	81
Vadodara	14	28	23	4	0	0	0	0	69
Chandigarh	3	10	26	15	7	4	0	0	65
Jaipur	7	21	20	10	4	0	0	0	62
Other cities*	24	62	98	47	15	8	3	2	260

Grand Total	396	758	1001	579	244	155	65	57	3255
%	12%	23%	31%	18%	8%	5%	2%	2%	100%

Source: Liases Foras

*Lucknow, Indore, Nagpur, Nashik, Cochin, Bhubaneshwar, Coimbatore, Mangalore, Patna, Thiruvananthapuram, Goa, Kanpur

Total area delayed more than 12 months	1,100 (Mn sqft)
Cost to Economy (Rs Crore)*	165,064
Proportion of GDP (2014-15) at current prices**	1.32%

* Cost to Economy is estimated at construction and other cost of Rs 1,500 per sqft

**Estimated GDP 2014-15, at current prices is Rs 125.41 lakh crore (Source: Central Statistics Office)

Source: Liases Foras

Today, the inventory across major cities in India stands at one million units, clocking in a growth of approximately 22% on an annual basis. As per NHB, the housing shortage is estimated around 18 million units in urban India. Currently, 2,84,984 units are sold on a yearly basis and fulfil this shortage, sales have to grow more than 5 times. This is required for the inventory to be sustainable. In order to boost sales there has to be rationalisation of prices. Unless there is an uptick in sales, market would never be able to absorb additional stock which would lead to a decline in new supply.

While the bill protects consumer interest, faster approvals are also crucial for developers to prevent delays. Against this backdrop, regulatory authorities aim to promote single window system of clearances for real estate projects, wherein the projects and promoters both can be graded along with digitization of land records. However, the bill has a long way to go as far as faster sanctioning process is concerned. Thus, the problem is only Half-Solved.

A nation's economy has its foundation in consumer confidence. The bill will be instrumental in alleviating dwindling confidence and weak sentiment that prevails across the sector. With increased transparency, real estate sector will start to look up and find itself on a global footing.

The Government of India has also mooted an ambitious policy called "Housing for All" for the urban poor, and without the proper regulatory mechanism in place, this policy will be unable to yield the desired results. The amendments are in the right direction, but it is imperative that they be implemented within the time frame when the momentum is intact. With the Cabinet nod to the amendments, the Bill is very close to becoming an Act, after which it's the State's responsibility to bring it to effect by appropriate measures.

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Authors:

Mr. Pankaj Kapoor

Founder and MD-Liases Foras Real Estate Ratings and Research Pvt. Ltd

Email id: pankaj@liasesforas.com

Ms. Namrata Sen Chanda

Content Manager

Email id: namrata@liasesforas.com

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