RERA INDUCES FASTER CONSTRUCTION AND ECONOMIC GROWTH

MAY 2019
Data for 41 cities shows that the average time taken to complete construction work up to first floor after launch of a housing/real estate project has come down significantly from the time RERA (Real Estate Regulation and Development Act) has been enforced.

At present developers are taking an average of six months to complete work up to first floor slab. Historical analysis shows before 2016, average time taken to complete first floor after the project had been launched, used to be 21 months.

Among tier-I cities, Mumbai Metropolitan Region witnessed the maximum drop (of 63%) in the median timeframe (from 15 months to 5 months) between launch and completion of first floor slab while Chennai witnessed minimum drop, that being 27% (from 10 months to 7 months) between 2016 and 2018.

*Figure 1: Median time taken across 41 cities between launch of project to completion of first floor slab*

To assess the impact of Real Estate Regulatory Authority (RERA), the report is based specifically upon the average turnaround time between launch of project and completion of first floor slab. This duration could be considered as a buffer period that was earlier utilised by developers to secure necessary approvals after launching the project.

Maximum construction delay was noticed in NCR and Kolkata in the past among tier-I cities.
Figure 2: Median time taken across cities between launch of project and completion of first floor slab

<table>
<thead>
<tr>
<th>City</th>
<th>2016 (Pre RERA)</th>
<th>2017 (RERA Implementation)</th>
<th>2018 (Post RERA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMR</td>
<td>15</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>NCR</td>
<td>17</td>
<td>12</td>
<td>8</td>
</tr>
<tr>
<td>Bangalore</td>
<td>14</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Pune</td>
<td>12</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Chennai</td>
<td>11</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>11</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Outer MMR</td>
<td>16</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td>Kolkata</td>
<td>17</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>12</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Bhopal</td>
<td>15</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Indore</td>
<td>14</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Surat</td>
<td>15</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Jaipur</td>
<td>13</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Lucknow</td>
<td>15</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Vadodara</td>
<td>16</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Chandigarh</td>
<td>14</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Nagpur</td>
<td>14</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Raipur</td>
<td>12</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Patna</td>
<td>20</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>Outer Pune</td>
<td>17</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Coimbatore</td>
<td>14</td>
<td>11</td>
<td>8</td>
</tr>
</tbody>
</table>

It also turns out that floor space construction has also increased in the last three years. Data from top-8 cities shows that the incremental floor space construction has increased by 88% from 2016 and 235% from 2014. With enforcement of RERA in 2017, builders have increased the pace of construction in many of their projects in order to avoid registering these projects under RERA leading to a sudden jump in floor space construction in 2017.

Figure 3: Incremental Construction (Housing Production Index)
RERA leads to production and economy boost

RERA has come as a boon to not just real estate industry but to the economy as a whole. Increased accountability of developers has given boost to the cement consumption as well. Cement is not just a major material in building construction but also an indicator to the growth in construction and allied industries.

Cement consumption has grown by 9% between FY 17 and FY 18. It is expected to grow at the rate of 8% in FY 19 (forecast) as against a CAGR growth of 3.7% in the last five years. It should be noted that housing and real estate contribute 65% of the demand for cement. Another report by CRISIL shows that the cement industry has grown by 12.5% to 13% during 9M FY 19 and is expected to scale rate of 11% to 12% in FY 19.

**Figure 4: Cement Consumption Trend**

![Cement Consumption Trend](image)

It is evident that RERA is beneficial for industry as well as overall economy and more so for consumers as well as developers. Although RERA is yet to resolve and regularise the industry completely, it has definitely helped in reducing the delivery timeline of projects.

This improvement can also be attributed to government initiatives such as ease of doing business, faster approvals, quicker dispute redressal, among others. But RERA is definitely proving to be a game changer for the industry.

Real Estate (Regulation and Development) Act came into effect in May 2017 with an aim to protect the interest of home buyers, encourage greater transparency, accountability, financial discipline and to ensure fairness in the real estate sector. States have been given a mandate to establish a Real Estate Regulatory Authority to handle complaints and grouses of homebuyers.

There was no answerability of developers before RERA came into the picture and they used to divert funds (customer advances) to acquire new land or to complete other deals rather than using the advances to complete the same project. As a result delays were getting common and at times projects were stalled midway due to lack of funds. With escrow account coming into the picture and mandate for builder to use 70% of the project receivables towards construction, healthy construction progress has been ensured. Diversion of funds to other projects has become difficult and timely completion of underway projects has become key priority.

1. India Brand Equity Foundation report on Cement, February 2019
Disclaimer

Information contained here, has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. The readers are encouraged to independently assess the relevance, accuracy and completeness of the information of this publication. This report is for general guidance and informational purposes only, and does not constitute professional advice.

Whilst every effort has been taken to provide authentic data and analysis, Liases Foras Real Estate Rating & Research Pvt. Ltd. Or any of its employees are not responsible for any loss, major or minor incurred on the basis of the information and analyses provided or are liable to any damages in any form or shape All rights to this material are reserved and cannot be reproduced without prior written permission from Liases Foras Real Estate Rating & Research Pvt. Ltd.

Authors

Ms. Tanvi Goyal
Head - Client Engagement
+91 75061 56706
Email id: tanvi@liasesforas.com

Mr. Pankaj Kapoor
Founder and MD - Liases Foras Real Estate Ratings and Research Pvt. Ltd
Email id: pankaj@liasesforas.com
About Us

Liases Foras: The Pioneer in Scientific Research in Real Estate

Liases Foras is an independent real estate research institute having offices in Mumbai, Bengaluru and New Delhi. Liases Foras was founded in 1998 as a boutique non-broking real estate consultancy and has since evolved into a data-focused real estate research lab employing over 120 people. Liases Foras tracks and closely examines the health of the real estate sector in over 60 cities across India, including all metro and capital cities. Liases Foras is the official consulting partner of the National Housing Bank and has created RESIDEX.

Data & Coverage

Existing database includes more than 19,000 ongoing projects, spread across 60 cities in India. We are closely following performance of over 11,000 developers and their projects on a quarterly basis.

PRODUCTS

- **Ressex**: Ressex, our online data interface, provides structured solutions to day-to-day questions pertaining to real estate markets and projects.
- **DFS**: Desktop Valuation with comparables, is a web based valuation tool kit designed to give us the price of a property in minutes.
- **Crystal**: Crystal is a valuation workflow system designed to streamline the interaction between lenders, valuers, and surveyors through automation and mobile devices.
- **Developers Ratings**: This product uses extensive data and analysis of on-ground performance of over 10,000 developers across 60 cities in India to help users manage lending risks.
- **OPPS**: Opps is a data driven analytics tool to help banks, HFCs and financiers identify the potential opportunity and underlying risks while lending for home loans.
- **Real Estate Market Report**: Exhaustive report on market condition, demand-supply dynamics, price points among scores of other parameters.

ADVISORY SERVICES

- **Highest and Best Use Feasibility Study**: Depend upon our trusted site and market analysis to identify the optimum development mix that results in the highest returns.
- **Urban Planning**: Count on our experts to prepare detailed city development plans and financing strategies to unlock the potential of urban regions.
- **Consumer and Intermediary Survey**: Use our structured field research to understand the spa al and loca on needs of your consumers.
- **Product Viability**: We will help you ascertain feasibility of your project and circumvent the risks involved in its development.
- **Preparing a Design Brief**: We prepare an uncluttered and financially prudent design brief to move the project to the drawing board and execution.
- **Micro Market Reports**: Micro-market report focuses on dynamics and trends in particular location or catchment.

VALUATION SERVICES

- **Technical Valuation and TEV Studies**: Highly qualified experts with over 20 years of experience, track records and accomplishment form the technical team of valuation.
- **Retail Valuation**: Dedicated chartered surveyor (civil engineers) provide retail valuation to the leading home loan lenders in locations of Mumbai, MMR region, Pune and Bengaluru.
- **Portfolio Validation and Risk Assessment**: Liases Foras offers data driven price and micro market risk assessment of existing porVioles of banks HFCs.

OUR CLIENTS

www.liasesforas.com