



Amit Ruparel, Managing Director, Ruparel Realty also believes that the RERA Act is surely boosting home buyer's confidence on the real estate segment and we are positive on the growth of the industry. With the ever-increasing market for affordable housing, the recent announcement of SRA, MHADA redevelopment being brought under the purview of MahaRERA is surely a step in the right direction. Overall, the RERA brings in a win-win situation for both the developers and the buyers, as it provides operating framework and guidelines which brings in further transparency and safeguards the buyers' interest.

"The regulatory act is definitely the most progressive reform for real estate sector in India. It has created a new-found confidence and trust factor amongst customers worldwide. RERA-compliant projects have ensured that customers need not get bogged down by due diligence," says Devang Varma, Director, Omkar Realtors.

Turning out to be the biggest reform so far in the real estate sector, the RERA has opened up a plethora of good governance opportunities for developer's community in India.

Ramesh Nair, CEO and Country Head, JLL India says, "RERA has been successfully implemented in Maharashtra and has been showing good results. The MahaRERA has been active in redressing customer complaints and queries. Other states have also started to implement RERA. MahaRERA has given empowerment and protection to consumers and at the same time have given comfort to developers for being fair to all. It has also helped settling of disputes mutually between parties thus showing the way to other RERAs about being practical and proactive."

"The implementation of RERA had a huge impact on the real estate market. RERA has been a prominent step taken by the government to enhance transparency and safeguard the interest of homebuyers. This has created a great amount of confidence in the minds of the consumers, thus contributing to the expansion of the segment and making the market more organised. The execution of regulatory policies like RERA is to give a uniform and straightforward tax assessment. With home ownership always being a priority ambition and investment objective for most Indians, these changes have been exceptionally positive for the homebuyers as well as the real estate sector," Sachin Bhandari, CEO, VTP Realty.

"RERA has helped regularise the sector and bring all developers on a uniform playing ground. This will of course affect the fly-by-night developers who do not follow any rules or ethics. Brands like Brigade Group will only get strengthened by this act. Given that we were already having clear and transparent processes, RERA ensures even erring customers follow regulations and do not default on their obligations," says Viswa Prathap Desu, Sr. VP-Sales and Marketing, Brigade Group.

### Serious concerns with the RERA rules and regulations

"The biggest concern is that the real estate developer has to open up all details and information – this is part of the process of registering the project under RERA. So, your competition knows practically everything about your project – this is not the ideal scenario how business is done," says Hiranandani. Then he adds, "Delays in possession may be caused by bureaucratic delays, but the concerned bureaucrat does not have to justify the reasons why he caused the delay – while the real estate developer is held responsible for the delay. There are circumstances beyond a real estate developer's control, and if delays are caused as a result of such circumstances, it does become very difficult for any developer to hand over possession on the promised date – but the regulatory scenario is that the developer is liable for delays. These are issues which do not make it a level playing field for the real estate developer."

Real estate construction is a complex process involving multiple stakeholders, permissions and sanctions. Under such circumstances it becomes extremely challenging to complete a project in a given time frame, believes Shah.

He points out, "A developer has to maintain a separate account for every project undertaken in which 70 per cent of the amount received from the home buyers need to be deposited in this account. The funds collected can be used for the purpose of construction and land cost only of the respective project. This provision limits the availability of funds for developers. While the sector has limited access to funds from banks, this provision further worsens the challenge of gathering funds for construction of projects for developers."

Despite of nearing one year of the authority majority of stakeholders continue to have ambiguity on the regime. There needs to be more clarity on the execution for the stakeholders.

He says, "RERA's 5 year warranty clause escalates the cost towards operation and maintenance and results in higher prices. This often results in impacting buyer's decision."

## **Ruparel highlights some of the major concerns with the new rules and regulation**

- **Need for Single window clearance:** The clearance and approval process for residential real estate projects has been an impediment for a long time. Although many initiatives have been taken to create a favourable business environment in the sector, the demand for single window clearance mechanism in totality is yet to be fulfilled. After the launch of RERA, it has become all the more important to facilitate smooth clearances and approvals so that there are no execution delays due to procedural hindrances.
- **Transparency is for real estate:** This is how experts define 2017 for the sector, which has been battling a slowdown for years. The year saw developers put a major thrust on affordable houses, with builders focusing on end-users instead of investors. The slowdown, however, is still lingering, leading to a dip in new launches as well as sales.

Ruparel says, "A lot of pre-sales used to take place even before the building was launched, which is banned now. This is a big challenge in funding the project."

Puravankara says, "The act has brought in more accountability, transparency and efficiency in the sector, as it lays down guidelines for both buyers and developers about their rights and obligations. But this was a completely new requirement for the industry, which is time-consuming in terms of holistic comprehension of the complexities involved in the entire process. Also with each state defining ongoing projects differently, developers must assess each of their ongoing projects in light of the relevant state rules to ensure compliance."

"The RERA norms are not stringent, states Varma. He adds, "It might look so to unorganised breed of developers who are not in a state of readiness to adapt to the reform environment. Non-compliance of RERA provisions has been entailing penalties, which could be a cause of concern for errants. As the industry will move on, the compliance will become a ritual for every developer. Rest will be out of this vertical."

Briefing on the major concern Murali says, "Notification prohibiting projects with provisional approval from doing business effective April 1 2018 (which mandates that builders getting permanent approval before advertising projects/entering into agreement with customers/accepting advance money from them) requires a revisit."

Sharma says, "Over the last couple of years, the government has implemented several landmark reforms and supported the sector amply. However, roll-out of any new reform is expected to result in some transitional challenges, requiring time to reflect the benefits. Additionally, in a developing economy, the policies may change or enhanced further basis the changing dynamics of the market. Therefore, it would right to say that reforms are work-in-progress."

"These rules and regulations require a certain amount of customer receipts to go to an escrow. In times of weak markets and weak sales, it puts enormous financial pressure on the developer. Also, all associates and contractors involved in the project need to perform as per set requirements," says Desu.

## **Struggling to cope up with the stringent norms**

Informing about how Puravankara Ltd has been coping up with the stringent norms Puravankara says, "Before the law came into force, we have always been following the best practices in all spheres of our work. Thus, there is hardly any negative implication of RERA on our overall and day-to-day business. As an organisation we always adhered to the requisite compliances and regulation, and ethical practices have always been the pulse of our business."

Hence he adds, "Apart from understanding and the initial implementation of the act (that too because of it holistic comprehension) we hardly faced any challenges in coping with the norms set by the government."

As a corporate developer, Ruparel Realty have always been following the norms laid by the government and are happy that that the regulations have been mandated for the industry to follow. Ruparel says, "People who had delayed their home-buying decisions are now expected to return as RERA has brought the much-needed transparency into the market. The Act will help in quick redressal of any sort of builder-buyer disputes thus boosting the confidence of the prospective homebuyers."

"At Shriram properties we were always self governed even before; hence we don't seem to have much problem," states Murali, Managing Director, Shriram Properties.

"We have created dedicated teams to handle all the execution related to the authority. By now we have got used to the processes of complying with the norms," says Shah.

Real estate, as a business, has always had its share of rules, regulations, and norms – it has been an industry that factored in the change in norms, rules, and regulations, so in effect, RERA makes it easier – everything is clearly mentioned. No surprises, no different interpretations by officials and bureaucracy. In that sense, it has actually been a better option. As a company, brand Hiranandani has always been working within the parameters, in that sense; we do not have any major 'stringent norms' that impact our working style. The one thing that every real estate developer is doing is what we too are doing – it refers to time. So, if a project comprises 10 towers, at the initial stage, just two are registered under RERA, the remaining 8 will get registered down the line – as and when the initial two are almost sold out/booked. This is how the industry is working in the post-RERA regime, and that is what we are doing too, says Hiranandani.

RERA has been welcomed by developers in most cases and this being a straight forward ruling, adherence is easy. "RERA has ensured that developers complete the due process as required by RERA and only then launch their projects. Initially developers did find it difficult, but with more than nine months passed since its commencing operations in Maharashtra, most developers are now comfortable with it and following it well," says Nair.

"Sobha as a brand is synonymous with transparency, top-notch quality products and timely delivery at right price point. Our policies and transparent business practices have ensured that we were always future-ready, helping us migrate to post RERA and GST regime seamlessly. All our projects were registered well within the specified timelines, without impacting the sales or pricing," informs Sharma.

Briefing on the way the company is struggling to cope up Desu says, "We are happy for RERA having come in and ensuring customers realise the benefit of investing only with RERA certified projects and accredited developers who fulfill the required norms. Brigade Group ensures all required norms are met, which were anyway similar to our earlier practices."

"VTP Realty as a brand encourages these norms and will persist by them. Though these norms are stringent, at the same time they are very crucial for the industry," states Bhandari. The year 2017 has been a remarkable year for the real estate industry as the residential segment observed relevant (purposeful) events by the government to bring in transparency and refine consumer's confidence. "As soon as RERA came into force, our first step was to register all our projects and continue to work on them. In addition, everything became a lot easier when real estate came under GST, as now only one tax is there as opposed to earlier times when different taxes such as central sales tax, excise duty etc. In addition to this, GST has played a very important role in shaping the Indian real estate industry as there is no longer a need to adhere to the multiple tax structure as opposed to the earlier times," he adds.

#### **Steps to delivering projects on time**

Post RERA many developers are taking steps for delivering projects on time. Briefing on the same Bhandari says, "We at VTP Realty completely believe in customer satisfaction and hence right from the beginning we are committed in delivering the projects on time so implementation of RERA has not been an issue for us."

Puravankara has always ensured that its customers gets a pleasant experience when buying their dream home. Delivering projects on time has been the company's ethos and it constantly adopts newer methods to improvise its system so that the company can offer the best to its customers. "We have always adopted the latest state-of-the-art technologies like Precast, Mivan technology and are pioneers in using cutting edge construction technology. This helps in improving quality and also expediting our construction process which aids in timely delivery of projects," informs Puravankara.

While briefing on post RERA steps taken to deliver projects on time Murali says, "At Shriram Properties by and large we have maintain stipulated norms and compliances as we have been execution oriented and self disciplined. However with RERA comes along the protection of the interest of the consumer, hence going forward it will ensure greater transactional delivery vigilance on the part of the developers which will be beneficial for all."

Marathon Group has also envisioned providing on time delivery of projects. Shah says, "Except for external factors, the group has been creating detailed plan to provide on time delivery of projects. The company has continued the same in the post RERA period. Besides this, additional manpower, state-of-the-art technology is been brought for use to ensure we complete the construction in time."

Omkar Realtors is known for commitment in every aspect; be it quality construction, product design and quality and timely delivery. It has delivered all its projects on time; to name a few: the first phase of Alta Monte at Malad East Omkar 1973 Worli. Other ongoing projects Ananta by Omkar at Goregaon East and Meridia at BKC extension are also ready for possession on time, as promised. "As standard operating practices, we have set strict timelines of completion of all on-going projects. We have instituted a special Customer Relationship Management (CRM) Cell to support valued customers. For speedier and quality construction, we have deployed highly advanced technologies comparable to best globally," informs Varma.

Hiranandani says, "We have a corporate work ethic, and as a company, we promise possession on a date on which we can deliver. We are leaders in leveraging technology to ensure time-bound construction, and this is something we used to do even in the pre-RERA days – and continue to do even now. Having said this let me add that there are circumstances beyond a real estate developer's control, and if delays are caused as a result of such circumstances, it does become very difficult for any developer to hand over possession on the promised date. Hopefully, we will not have to face any such situation."

Ruparel says, "We have robust systems and processes and our project planning team ensures RERA-compliance that in turn avoids any delays and helps to manage project funds efficiently."

Desu says, "We are ensuring our planning is made more stringent, all vendors and material suppliers apart from contractors are tied up much in advance. Also, project status tracking is being done religiously to ensure the pre-set milestones are met as per schedule."

#### **Time-bound completion of projects and compliance**

Across the industry, those organisations which followed a casual way of working are facing problems in terms of the regulations, the aspects of completing on time as also compliance issues. "As a corporate entity, brand Hiranandani has always ensured that we work in complete compliance with norms, rules, and regulations. RERA has codified most of the norms and ways of working we follow, so it is not a major issue in terms of time-bound completion of projects as also compliance issues," briefs Hiranandani.

Disruption may be a new way of changing the paradigm, but it has 'side effects' on the working system of any industry. A recent survey by Grant Thornton in India and industry body, FICCI found 45 per cent of real estate developers having no formal process in place to manage compliance mechanism of RERA. In the new regulatory regime, compliance is an important aspect. And yet, under RERA, it is not so much a matter of compliance in terms of doing as is laid down, as much as a matter of not going away from the norms or ensuring one does not do something different than what is prescribed under the rules. So, you mention a particular set of amenities at the time of registering the project under RERA, you do not end up using a different brand or something not mentioned in the documentation. Then, there are no changes or alterations permitted until sufficient percentage of buyers agree to the same. "This is how RERA works - it sets down norms, rules, and regulations which are to be followed. Compliance is more about ensuring one doesn't do something different that what is supposed to be done," says Hiranandani.

Murali emphasis, "As a responsible developer we have to remember that in the real estate industry all of us need to abide by the set rules to be able to deliver quality projects to our patrons and to avoid action from the regulators. Hence, discipline is imperative. Every stakeholder involved in the process should work responsibly towards maintaining norms and remain in compliance."

He adds, "I would urge that RERA to bring accountability from all the stakeholders - all approval authorities -while granting approvals as well as authorities issuing certificates for completion and occupancy."

"Leading developers like Omkar Realtors itself had embraced professionalism quite some time back, much prior to RERA regime," says Varma. He adds, "In terms of corporate governance and pushing the construction barrier, our internal due diligence has been in place for a long time. Our speed of execution speaking competitively is excellent and capable of meeting compliance deadlines. The only challenge would be related more to external environment which is not in our control largely. This could pertain to state or central approvals at various stages and even unwarranted opposition from vested interests."

Puravankara says, "As serious real estate players we do not see it as a deterrent. When it comes to our internal protocol, we have laid down stringent measures to monitor each of our projects. Also, when there are robust project management practices in place which are diligently being followed there is never pressure of the result because you are sure of the end product and its authenticity. Having said that, I believe that the right amount of competitiveness is always beneficial for the health of the ecosystem as it pushes our boundaries to perform better."

Bhandari says, "Yes there has been pressure in terms of delivery of project that to remaining in compliance. For this we have to increase the manpower and skill labor for the same."

#### **Response from buyers**

With schemes like the Pradhan Mantri Awas Yojna (PMAY) and other initiatives for lower interest rates on home loans have gained buyers confidence. "Additionally, developers are passing off the benefits of GST and other such schemes directly to the buyers, with the aim of attracting more business," informs Ruparel.

There is a demand for low-cost homes. Ruparel Realty recently launched a project, Ruparel Optima, at Kandivli West with 1 BHK flats priced at Rs 54 lakh. It offers all the best amenities like swimming pool, gym etc, and each flats are fully furnished with AC. The tide has turned in our favour as we have changed design based on human sentiment. "We have seen an upward trend in sale of 1BHK apartments in the affordable segment. We have sold more than 80 per cent of the inventory in our recently launched project, Ruparel Optima," says Ruparel.

On the other hand he adds, "The luxury housing market, which was earlier an investor-friendly space, has now become a high-risk zone. Investors used to pump a lot of money into the luxury segment, as properties would get sold soon after completion. Nowadays, buyers are constantly looking for 'something different' while buying luxury properties. The focus on privacy and security, along with modern facilities and amenities has resulted in affordability being a major factor of concern."

"Affordable housing is the talk of the town and we will definitely see maximum investment in this segment in 2018. Affordable housing brings with it a solution to this problem, by creating a market of smaller flats, which can be sold one at a time, thus keeping your investment intact," states Ruparel.

As per Sharma, any new policy roll-out is bound to bring certain transitional challenges. This is especially true for a large economy like ours, impacting the sales. However, as the customers are becoming aware of the benefits of RERA, market sentiments are beginning to show signs of improvement. This has been appropriately supported by reduced interest rates on home loans, controlled inflation and necessary impetus by the Government to affordable housing through affordable housing fund, lower GST rates, increased tenure of loans under Credit Linked Subsidy Scheme (CLSS) of Pradhan Mantri Awas Yojana (PMAY) and extended income tax benefits to apartments of carpet area of 60 square metre.

RERA definitely provides the peace of mind to home buyers across, besides providing requisite information in taking a balanced decision of investment. The new rules will provide confidence to buyers to invest in new projects, believes Murali.

Indian real estate market is an admixture of reputed/organised developers as well as less organised players. "With the overall general perception that the Indian government has brought in key transformations in India real estate sector to a satisfactory level, I strongly opine it will further gear up buyer's sentiments and the days ahead will be very bright and right time to make the home purchase," adds Murali.

"Buyers have responded positively to this move and are now more confident in investing in property. In the last 2 quarters, we see an increased demand and the sales have improved. The buyers have the assurance of the regulator to protect their investments in case of a defaulting developer," informs Desu.

"There has been a tremendous amount of positive response from the buyers owing to the improved demand scenario in the segment. An important factor attributed to this development is the active involvement of the government in the development of the real estate sector and its aim of housing for all by 2020," informs Bhandari. One of the major concerns for the home buyers is transparency, which has been missing. The customers have been expecting transparency in the industry and expecting a product which was committed to them while buying. "With the implementation of RERA, I feel that a new phase has started for the real estate sector as now the customers would be having more transparency towards the product that is being delivered," he adds.

For the home buyer, RERA has brought in transparency and accountability on part of real estate developers, which has enhanced trust and confidence on part of potential buyers. "Yes, sales are up, as a result of RERA. And yet, I would not go so far as to already term it a success – it is a success that is in the making, something that is work in progress. We need to see how things work out in the coming months before we can take a call on how to describe it, but as of now, I would say sales are improving, 'fence sitters' are turning into actual buyers – which is good," briefs Hiranandani.

Shah says that after an initial apprehension, the buyers have shown a positive response towards purchase of properties. They have more confident while entering a real estate transaction. Along with improved market sentiment, stable prices, low interest rates, variety of schemes on property purchases are contributing towards rise in demand for real estate especially in Mumbai Metropolitan Region.

As per Varma, the RERA registered projects are bolstering homebuyers' confidence and accelerating the buying process. However, the onus is still on the brand to create customer-friendly offerings. Post RERA implementation, Brand Omkar clocked record sales in Mumbai market having sold approx. 1200 apartments to homebuyers spanning Mumbai, Pan-India and NRIs.

Buyers have by far been the biggest beneficiaries of RERA, believes Puravankara. He adds, "Post the initial phase, the market has witnessed renewed consumer confidence. After demonetisation, RERA has channelised the latent demand and has created a positive environment across the industry. Other factors which have contributed to the resurgent of customers' demand are ready to move in projects, surge in the demand for affordable housing backed PMAY schemes, low home loan interest etc. It would be safe to say that RERA may have nudged some of the fence sitters towards finalising their purchase decisions."

### **How the new regime will reshape the industry**

"As a long time forerunner in the industry, we are focused and committed to ensure customer satisfaction in all aspects of property development and we see the act to further boost consumer sentiments which will bring in a more equitable and fair transaction between the seller and the buyer of properties, especially in the primary markets," states Murali.

RERA, Murali believe is now providing the much needed peace of mind to home buyers as it is their life time bulk investment of their hard earned money. RERA, post its implementation is looked upon as ensuring formalisation of the Indian real estate sector with required transparency and strengthening the relationship between consumer and developer. This is good both for the home buyer and the developer.

The RERA aims to bring in the much-needed transparency in the real estate sector. This sector will see a change in terms of a more transparent, competitive, value offering, hassle-free and definitely consumer-focused industry. "It is directed to aid a regulated market in the real estate sector and it will act as a boon making a positive impact both on developers and buyers. Many developers have started to re-design their business practices and processes to suit the regulations perfectly," informs Ruparel.

As per Hiranandani, the new regime has made it mandatory for all to work in a manner that is transparent and accountable – this change will ensure long-term growth for real estate. Indian real estate is witnessing a 'systems re-boot' that began with demonetization, the legislation on benami properties, RERA Act and, the GST. Real estate sector will benefit owing to the cumulative effect of reformist and progressive policies. These reforms, in the long term, will surely reinforce trust and enhance assurance among the home buyers and enable healthy growth of the real estate industry in India. In the long run, things will definitely improve.

"RERA has created a robust, transparent and accountable real estate working landscape. The implementation of RERA is a well thought out process and will help in giving the industry an organised structure. All stakeholders of the business will reap its benefits in the coming years. We anticipate healthy growth for the industry overall," Puravankara.

"Overall, it will be a win-win situation for developers and buyers. In view of RERA, now more finance companies are showing interest in funding projects thereby impacting the inflow of FDI. We are now expecting that more FDI will come in. Also, on the hindsight however, due to increased focus on compliance: the cost of compliance will go up in turn increasing the cost to customers," informs Shah.

"All the policies and steps taken by the government will only bring transparency in the sector making it an organised one. This will bring in trust and buyers confidence back in the industry and will ensure exit of unprofessional lot from this vertical. However, the objective of any reform should be to ensure customer is protected but the same principle should be applied in case of responsible developers too," says Varma.

"The real estate industry has faced a lot of difficulty in the past 3-4 years. There was an increase in the rates of certain markets whereas the rates were static in others. Therefore, by the fall of 4 per cent in GST rate and introduction of RERA, this is a very crucial time for the investors to start gearing up in the market. Post GST and RERA, there has been more transparency in real estate market making it more friendly and process driven. The reduction in GST has made housing affordable. In addition, we have made sure that all the projects are registered under RERA. The projects registered under RERA are to be delivered on time as promised to the customers. Overall, these norms have a positive impact in the real estate market making it an ideal investment choice. Those developers who are not making long term approach towards business will consolidate," says Bhandari. Briefing on how the new regime will reshape the industry in the long run, both for home buyers as well as developers Sharma says, "While protecting the interests of homebuyers, RERA also benefits the developers by enabling them to understand their responsibility and working within their competencies. They are becoming increasingly realistic in offering the right products at the right price point. This is facilitating speedy execution of projects and on time delivery, creating a win-win scenario for developers and homebuyers. More importantly, RERA is expected to consolidate the sector and help create a level playing field for organised developers with a strong balance sheet, transparent dealings and a great track record of timely delivery. We believe that RERA will develop and regulate the sector for a sustainable growth and help drive the Indian economy."

"The regulation has set new norms in the real estate industry thus paving the way for a well defined industry unlike the unregulated business that it was earlier. This industry tends to get maligned because of a few bad fish, which will now be history," states Desu.