

# RERA: “Advance Need in Construction”

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**Abstract – The real estate sector is extremely relevant for the economy our country. In light of the promise made by the government to ensure that housing facilities shall be made available to the public, the enactment of the Real Estate (Regulation and Development) Act, 2016 was more of anecessity than a matter of convenience. The real estate sector was largely an unregulatedsector where the buyer in the market facing extreme inconveniences due to the harshdemands of the builders and the developers. The harshness of the demands was faced more bythe middle income and low income sectors who neither had the liquidity requirements to meetthe demands of the builders/developers nor the knowledge of real estate sector.**

**This paper attempts to highlight the effect of rera on whole real estate sector and gives general idea about how advantageous of the act by analyzing the construction work done with rera act and without rera act.**

**This paper discusses the effect of rera on delays, cost, possession policies and amenities to regulate the construction work in effective system.**

**Keywords: RERA Effect, Delays, Cost, Possession Policies, Amenities.**

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## 1. INTRODUCTION

The Real Estate (Regulation and Development) Act, 2016 (RERA) has set the momentum for the housing sector becoming more transparent and organized. The Indian real estate market which currently is fragmented and unorganized. To regulate the real estate sector in a perfect way this act is much important. The gazette of India made a 92 laws to Govern the real estate sector.

RERA is focused on safeguarding home-buyers' interest and ensuring transparency in the housing markets by bringing in accountability from developers and intermediaries. The implementation of this Act across the country will bring changes in business practices, transactions and functioning of housing markets, which will help to develop more creditability and attract more investments. The Act, which came into force from 1<sup>st</sup> may 2017.

RERA is normally going to focus on issues related to price, title, delays, qualities of construction, and other related issues. Delays are one of the biggest issue a common consumer is facing now a days across country.

## 2. REVIEW OF LITERATURE

Research work is carried out by various researchers on RERA ACT-2016 has been discussed for better understanding of present work.

SATF LINK Pvt Ltd: What will be effect of RERA: Real Estate Regulation and development Act, 2016 on property prices once it comes in to force?

**Increase in the prices of properties to the extent of 30-40%.**

As soon as RERA comes in to force it will lead to increase in prices of properties to an extent of 30-40% more. Reasons behind it being:

1. Reduced liquidity due to the clause of: **70% of project cost received** to be submitted in escrow account.
2. **Compulsory Title clearance** to be taken and **Plan passing** to be done before the starting the booking of the Project.

3. No booking can be done until pre requisites of **No: 2** are matched. Thus the practice of carrying out of whole project on **booking amount received** will be stopped because of these clauses.
4. To match above mentioned clauses of title clearance, builder or developer will have to invest total land cost and the investment before RERA used to be around 10-15% of land cost and After RERA it will go to 100% of land cost.
5. Certificates of CA, Engineers necessary before sanctioning of money from escrow account.

All these things in clause 1 to 4 takes around 7-8 months to get completed. The time value of money is tend to affect the whole investment cycle and developers will have to **pour more money in** to the cycle at high interest rates. And all these costs are simultaneously going to get transferred on buyers which will increase the cost of Built property to 30-40% in the projects approved after RERA enforcement in state.

**3. PROBLEM STATEMENT**

There are many significant reasons why we should be interested in RERA. The first one is to improve our understanding of the actual problems occur in Real Estate sector due to unregulated work, monopoly of builders, lack of transparency in owner and buyer, due to that there was no clear picture of project, passion, sanctions, legality and rates which lead to frauds and confusions to clients. Therefore, RERA is very important for Real Estate sector to regulate work in effective manner.

**4. OBJECTIVES**

1. To find out the issues related with the delays, price, quality of construction, possession policies and amenities.
2. To identify the effect on that issues after the RERA came into force.
3. Analyze the construction works with and without RERA.
4. Find out the merits and demerits of the RERA over Real Estate sector.

**5. METHODOLOGY**

1. **Study of Real Estate sector before RERA:** Before the RERA came into force the Real Estate sector is fragmented and unorganized.

There was no clarity on the carpet area and loadings on the built-up area. Every builder had their own calculations. There was a sort of monopoly of builders regarding the areas, rates, modes of payments. There was no clear picture of project , possession, sanctions, legality, and rates which lead to frauds and confusions to clients

2. **Study of Real Estate sector after RERA:** By studying the laws and other information through the Gazette of India of RERA, and various research papers we find out the various changes are done in Estate sector. There is the completion of work within the time limit which is given by Authority. Enhance transparency and accountability in real estate and housing transactions. Providing uniform regulatory environment to ensure speedy adjudication of disputes and orderly growth of the real estate sector. Boosting domestic and foreign investment in the Real Estate sector. Offer single window system of clearance for real estate projects.

3. **Analysis of the project work before and after RERA:** By the analysis of the both project we find out the various merits and demerits of the act. Due to the no. of penalties the completion of work within given time limit which minimizes the delays in the work is the big advantage. Increase in cost after the RERA came into the force. There is clarity of possession policies and amenities after the Act.

Activity	File No.	Kitchen PPRC	Wall Gypsum	R.M.D.F.	Tiling											Gypsum							
					M. Toilet Door Frame	Com. Toilet Door Frame	M. Toilet Dado	Com. Toilet Dado	M. Toilet Flooring	M. Toilet Window Frame	Com. Toilet Window Frame	Com. Toilet Window Frame	C. Otts & Dado	Flat Flooring & Skirting	Terrace Flooring & Skirting	M. Toilet Counter	Butt Finish	Toilet Kt. Gypsum					
101	02-Apr	ok	ok	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar
102	02-Apr	ok	ok	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr
103	02-Apr	ok	ok	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar
104	02-Apr	ok	ok	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar
201	02-Apr	30-Mar	29-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar
202	02-Apr	31-Mar	30-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar
203	02-Apr	ok	31-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar	24-Mar
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301	02-Apr	06-Apr	04-Apr	31-Mar	31-Mar	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr	04-Apr
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401	04-Apr	ok	10-Apr	04-Apr	04-Apr	08-Apr	08-Apr	17-Apr	17-Apr	17-Apr	17-Apr	17-Apr	17-Apr	12-Apr	19-Apr	21-Apr	27-Apr	22-Apr	22-Apr	22-Apr	22-Apr	22-Apr	22-Apr
402	04-Apr	ok	10-Apr	05-Apr	05-Apr	09-Apr	09-Apr	18-Apr	18-Apr	18-Apr	18-Apr	18-Apr	18-Apr	13-Apr	20-Apr	22-Apr	28-Apr	23-Apr	23-Apr	23-Apr	23-Apr	23-Apr	23-Apr
403	04-Apr	ok	10-Apr	06-Apr	06-Apr	10-Apr	10-Apr	19-Apr	19-Apr	19-Apr	19-Apr	19-Apr	19-Apr	14-Apr	21-Apr	23-Apr	29-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr
404	04-Apr	ok	10-Apr	07-Apr	07-Apr	11-Apr	11-Apr	20-Apr	20-Apr	20-Apr	20-Apr	20-Apr	20-Apr	15-Apr	22-Apr	24-Apr	30-Apr	25-Apr	25-Apr	25-Apr	25-Apr	25-Apr	25-Apr
501	04-Apr	29-Mar	13-Apr	08-Apr	08-Apr	12-Apr	12-Apr	21-Apr	21-Apr	21-Apr	21-Apr	21-Apr	21-Apr	16-Apr	23-Apr	25-Apr	31-Apr	26-Apr	26-Apr	26-Apr	26-Apr	26-Apr	26-Apr
502	04-Apr	31-Mar	13-Apr	09-Apr	09-Apr	13-Apr	13-Apr	22-Apr	22-Apr	22-Apr	22-Apr	22-Apr	22-Apr	17-Apr	24-Apr	26-Apr	32-Apr	27-Apr	27-Apr	27-Apr	27-Apr	27-Apr	27-Apr
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504	04-Apr	05-Apr	13-Apr	11-Apr	11-Apr	15-Apr	15-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	24-Apr	19-Apr	26-Apr	28-Apr	34-Apr	29-Apr	29-Apr	29-Apr	29-Apr	29-Apr	29-Apr
601	04-Apr	08-Apr	13-Apr	12-Apr	12-Apr	16-Apr	16-Apr	25-Apr	25-Apr	25-Apr	25-Apr	25-Apr	25-Apr	20-Apr	27-Apr	29-Apr	35-Apr	30-Apr	30-Apr	30-Apr	30-Apr	30-Apr	30-Apr
602	04-Apr	13-Apr	13-Apr	13-Apr	13-Apr	17-Apr	17-Apr	26-Apr	26-Apr	26-Apr	26-Apr	26-Apr	26-Apr	21-Apr	28-Apr	30-Apr	36-Apr	31-Apr	31-Apr	31-Apr	31-Apr	31-Apr	31-Apr
603	04-Apr	15-Apr	13-Apr	14-Apr	14-Apr	18-Apr	18-Apr	27-Apr	27-Apr	27-Apr	27-Apr	27-Apr	27-Apr	22-Apr	29-Apr	31-Apr	37-Apr	32-Apr	32-Apr	32-Apr	32-Apr	32-Apr	32-Apr
604	04-Apr	19-Apr	13-Apr	15-Apr	15-Apr	19-Apr	19-Apr	28-Apr	28-Apr	28-Apr	28-Apr	28-Apr	28-Apr	23-Apr	30-Apr	32-Apr	38-Apr	33-Apr	33-Apr	33-Apr	33-Apr	33-Apr	33-Apr

**6. CASE STUDY**

**NYATI ELAN:**

When we visited to the 'NYATI ELAN WEST I' construction project. We found out the various

changes are occurred. The quality construction work is done properly with in time limit which is given by a Authority. The whole construction work is arranged by WBS system for proper and timely execution.

From the study of delays there is great effect on completion of work. The following detail shows the work completion before and after the Act.

Before RERA Original proposed date is fixed by the builder for its own as per his comfort and completed his project before proposed time limit. Buyer is not technical person to know the idea about time limit for any particular task. But after the RERA perfect time limit is given by the authority and the completion of work is must within given time limit.

- Project before RERA:

#### 1. Nyati Elan- south east

Type - Residential

Land area - 21234.61sq.m

No of Buildings - 6

No of Apartments - 288

Original proposed date - 2017-06-30 of completion

Actual date of completion- 2016-10-10

The actual construction period of the project is **27 months** and as per proposed date the project is completed before **8 months**. Because the proposed date is fixed by Builder itself as per his comfort.

In some case the delays are occur beyond the proposed date.

- Project after RERA:

#### 2. Nyati Elan- west 1

Type - Residential

Land area - 14500.73sq.m

No of buildings - 4

No of Flats - 200

Original proposed date - 2018-06-30 of completion

Actual date of completion -2018-04-15

The proposed date is given by Authority as a perfect time require for completion of project. The Actual work is completed before 76 days. It's a clear picture that the timely completion of project is done by builder.

### 7. RESULT:

After the whole analysis we found out that the implementation of the RERA act is most helpful for further development of Real Estate sector.

By the analysis there are some merits and demerits of the act are as follow.

#### Merits:

1. Timely completion of work.(minimize delays)
2. Achieve the quality of construction.
3. All work under single window system.

(Administrative work under one window system.)

4. Sale of property strictly on basis of carpet area.
5. Possession to customer within the time of completion.
6. Total illegal work is eliminated.

#### Demerits:

1. Increase in the prices of properties to the extent of 30-40%.
2. As per costumer point of view: at the time of booking costumer has to paid 70% amount of total cost of flat.

### 8. CONCLUSION:

From the analysis the act is very important to govern the Real Estate sector in effective system. It minimizes the delays and achieve the quality construction. The cash flow is well maintained by **70% of project cost** to be **submitted** in escrow account and liquidity reduced from that clause. As per Act the sanitary ware, electric fittings, fixtures and fastening are used with high quality of materials. Builder has to be provide the all amenities before the possession to customer.

But the property cost is increased by 30% to 40% that is ultimately effect on customer.

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