



Impact and Implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA) in the Indian Construction Sector

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ABSTRACT

The Real Estate (Regulation and Development) Act, 2016 (RERA) marks a transformative shift in the Indian real estate sector, aimed at enhancing transparency, accountability, and consumer protection. This paper provides an in-depth analysis of RERA's provisions, its implementation challenges, and its impact on various stakeholders. Through detailed case studies and extensive literature review, this paper examines the practical implications of RERA, highlighting its benefits and identifying areas for improvement.

Keywords: RERA, Real Estate Regulation, Construction Sector, Transparency, Accountability, India.

1.Introduction

1.1 Background: The Indian real estate sector has long been plagued by issues such as project delays, lack of transparency, and fraudulent practices by some developers. The Real Estate (Regulation and Development) Act, 2016 (RERA), enacted by the Government of India, seeks to address these challenges by establishing a regulatory framework aimed at protecting consumers and ensuring fair practices in the sector.

1.2 Objectives: This study aims to:

- Analyze the impact of RERA on the construction industry.
- Evaluate the benefits and challenges of RERA for home buyers and developers.
- Provide detailed case studies to illustrate the practical implications of RERA.
- Offer recommendations for improving the implementation and effectiveness of RERA.

2. Literature Review

2.1 Regulatory Changes and Their Impact: Several studies have explored the economic impact of regulatory changes in the construction industry. Khare et al. (2018) analyzed the effects of economic slowdowns on builders and material suppliers, while Bhagatkar et al. (2019) studied strategic initiatives to combat economic downturns. Konnur and Hundekar (2018) discussed building capacities through Resource-Based View (RBV) theory. These studies provide a foundation for understanding the broader implications of RERA on the real estate market.

2.2 Transparency and Consumer Protection: The introduction of RERA has been widely recognized for its potential to enhance transparency and consumer protection in the real estate sector. Various authors have highlighted the importance of regulatory frameworks in ensuring fair practices and protecting consumer rights.

RERA Act Is Having Salient Features As Follows:

- Establishment of Real Estate regulatory Authority
- Registration of Real Estate projects and Registration of Real Estate agents
- Mandatory Public Disclosure of all project details
- Function and Duties of promoters
- Compulsory deposit of 70%
- Function of Real estate agents
- Rights and duties of allottees
- Functions of Real estate regulatory authority

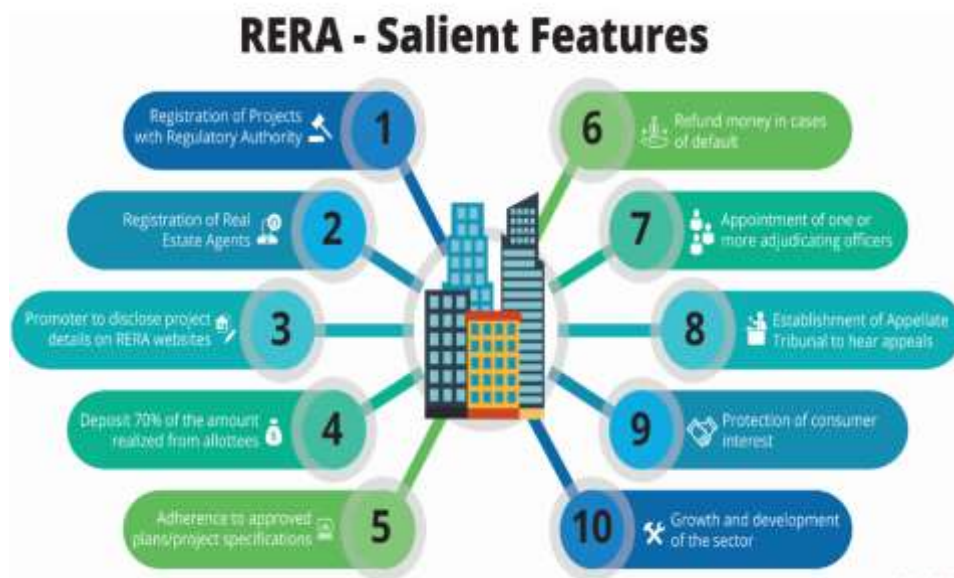


Fig no-2.1. : RERA-Salient Features

3. RERA Provisions and Implementation

3.1 Key Provisions

- **Establishment of Real Estate Regulatory Authority:** Each state must establish a regulatory authority to oversee real estate transactions.
- **Mandatory Registration:** All projects with a land area exceeding 500 sqm or more than 8 apartments must be registered with RERA.



- **Public Disclosure:** Developers must disclose project details, including approvals, land status, and timelines.
- **Deposit of 70% Funds:** Developers must deposit 70% of the project funds into a separate account to cover construction and land costs.

3.2 Impact on Stakeholders:

3.2.1 Home Buyers: RERA provides several benefits to home buyers, including timely possession, quality assurance, and transparency in project details. The Act mandates defect liability for five years, ensuring better construction quality.

3.2.2 Real Estate Industry: The introduction of RERA has increased compliance costs for developers due to the stringent regulatory requirements. It has also led to a consolidation in the market, with only serious players remaining.

3.2.3 Real Estate Agents: RERA requires real estate agents to register and comply with its provisions, promoting professionalism and accountability in their dealings.

4. Methodology

4.1 Research Design:

This study employs a mixed-methods approach, combining quantitative data analysis with qualitative insights from case studies and stakeholder interviews. The research focuses on analyzing the effects of RERA on project timelines, financial management, and stakeholder satisfaction.

4.2 Data Collection:

Data was collected through surveys and interviews with developers, real estate agents, and buyers involved in these projects. The analysis focused on the registration process, compliance issues, and project timelines.

4.3 Data Analysis:

Quantitative data was analyzed using statistical methods to identify trends and correlations, while qualitative data was analyzed through thematic analysis to uncover key themes and insights.

5. Case Study Analysis

5.1 Case Study: "Pebble White"

5.1.1 Project Overview:

- **Location:** Ejipura, Bangalore
- **Details:** The project includes 6 units of 2BHK and 4 units of 1BHK apartments. The total built-up area is 8700 sq ft.
- Project drawings

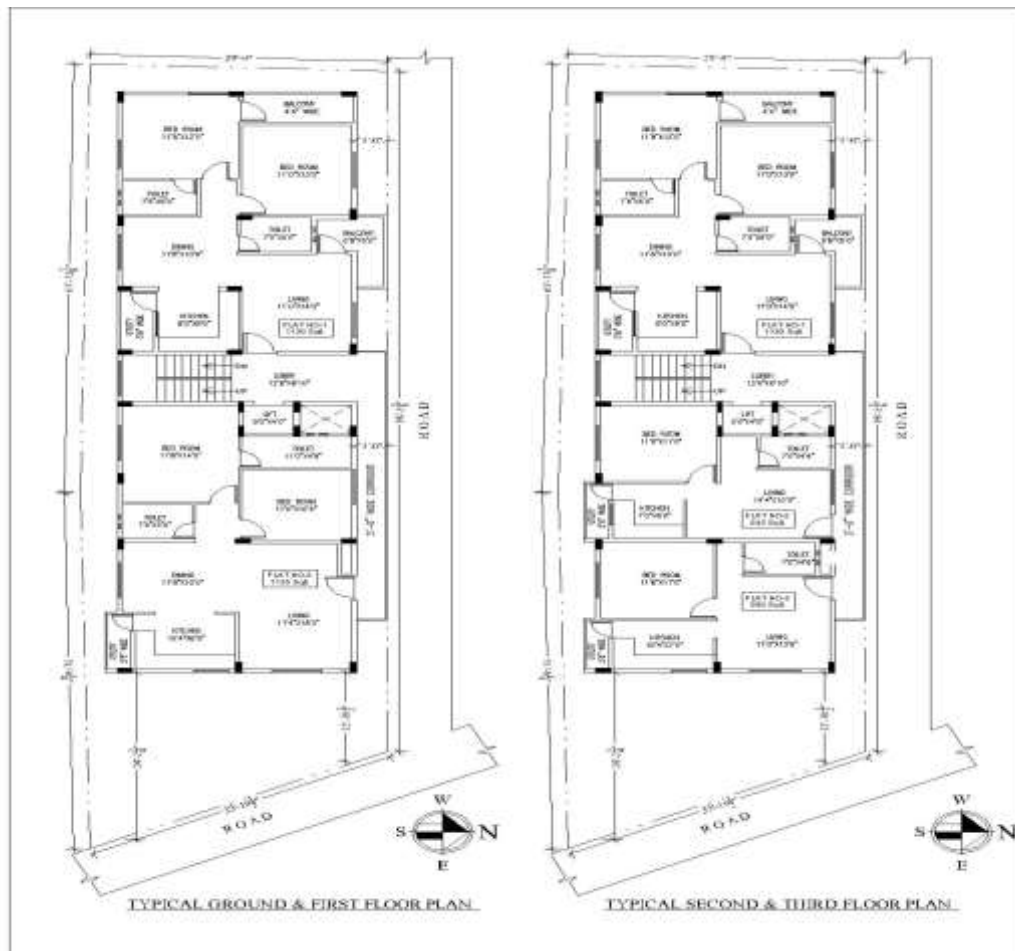


Fig no-5.1. : Pebble white floor plan

Table no-5.1.: Project abstract table

Building Name	Pebbale White
Builder's & Developer's	SRI DHANALAKSHMI BUILDER's
Location of project	EJIPURA, BANGALORE
Site area (sft)	3205
Floor plate area (Sft)	2175
No of floor	4
Total built up area (sft)	8700



FAR	2.71
Architect/Consultants	Tec360 ASSOCIATES
Type of Floor	Stilt (Parking) + Ground, First, Second & Third floor
No of block	1
No of Unit/3BHK	--
No of Unit/2BHK	6
No of Unit/1BHK	4
Cost of project (INR)	16,095,000

Questionnaire survey:

1. Will RERA help in the betterment of broker business?

No

2. Will RERA come as an aid to real estate agents/brokers and not just home buyers?

Yes

3. Is empanelment with builders a worry to brokers?

Yes

4. Are brokers willing to partner with large brokerage firms?

Yes

5. Will project be delivered on time and builders comply after RERA implementation?

No

6. Is RERA implementation good for end consumers?

No

7. How will RERA impact the Indian property market?

By changing the way of thinking of customer & promoters view

8. Any plans to shift business focus from new project launches to resale?

Yes



9. Is there an increase in focus on rentals to get more business?

Yes

10. Will investor sentiment return with the implementation of RERA?

Yes

5.1.2 Challenges:

The project faced delays due to compliance with RERA regulations, including registration and fund allocation.

5.1.3 Impact of RERA:

RERA's requirement for project registration and fund management has increased transparency but also led to delays and higher costs for developers.

5.2 Case Study:

"Victorian Wisp"

5.2.1 Project Overview:

Location: Kadugodi, Whitefield, Bangalore

Details: The project includes 8 units of 3BHK, 12 units of 2BHK, and 4 units of 1BHK apartments. The total built-up area is 23,048 sq ft

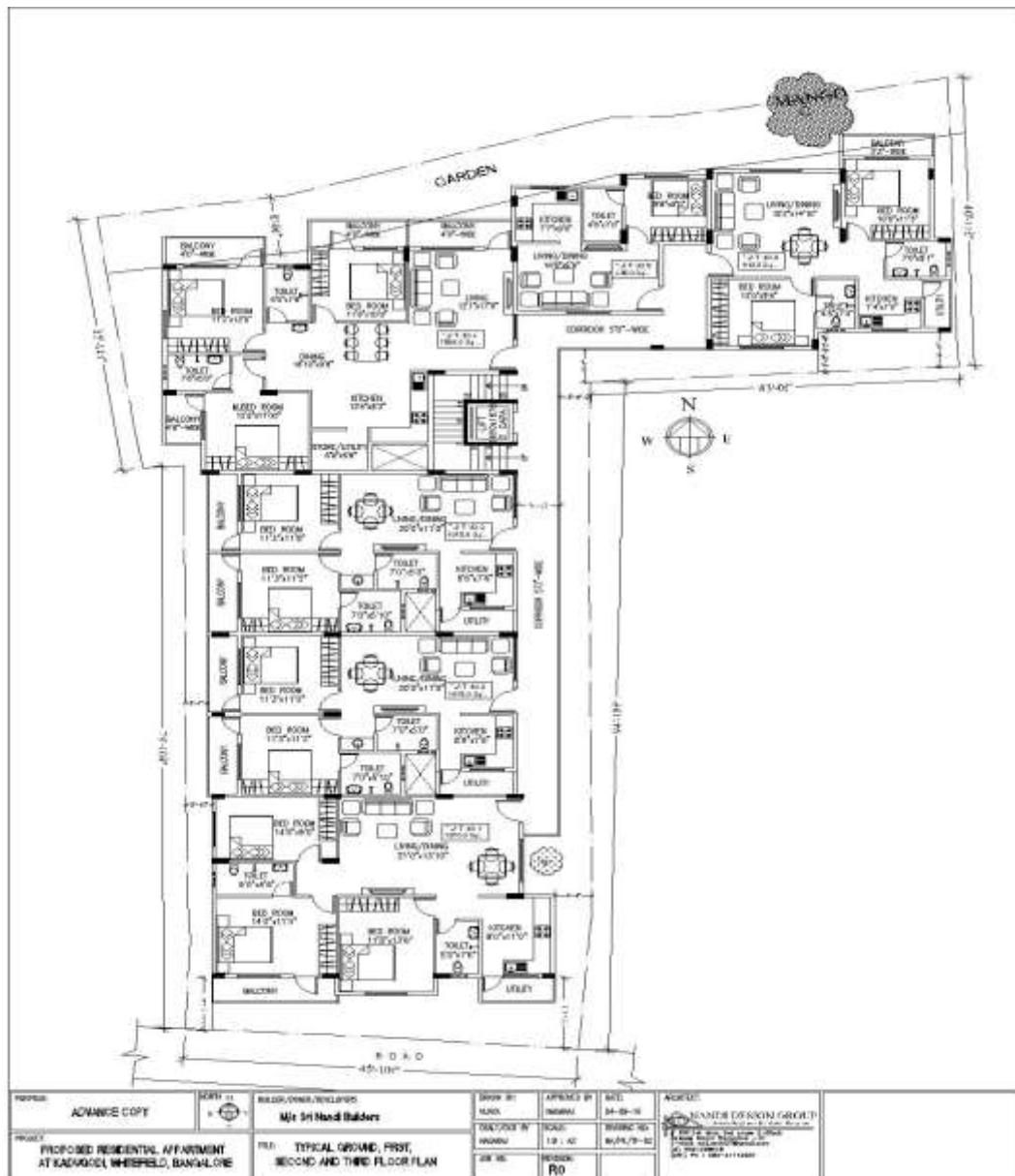


Fig no-5.2. : Victorian Wisp floor plan

Table no-5.2.: Project abstract table

Building Name	Victorian Wisp
Builder's & Developer's	Sri Nandhi Builder's
Location of project	KADUGODI, WHITEFIELD, BANGALORE
Site area (sft)	7718



Floor plate area (Sft)	5762
No of floor	4
Total built up area (Sft)	23048
FAR	2.99
Architect/Consultants	Tec360 ASSOCIATES
Type of Floor	Stilt (Parking) + Ground, First, Second & Third floor
No of block	1
No of Unit/3BHK	8
No of Unit/2BHK	12
No of Unit/1BHK	4
Cost of project (INR)	34,572,000

5.2.2 Challenges:

Developers encountered difficulties in obtaining project approvals and managing funds as per RERA requirements.

5.2.3 Impact of RERA:

RERA has improved project transparency and accountability but has also increased the financial burden on developers due to the need for compliance.

5.3 Case Study:

"Brown Paper"

5.3.1 Project Overview:

Location: Bangalore

Details: The project includes 8 units of 3BHK and 40 units of 2BHK apartments. The total built-up area is 55,532 sq ft.

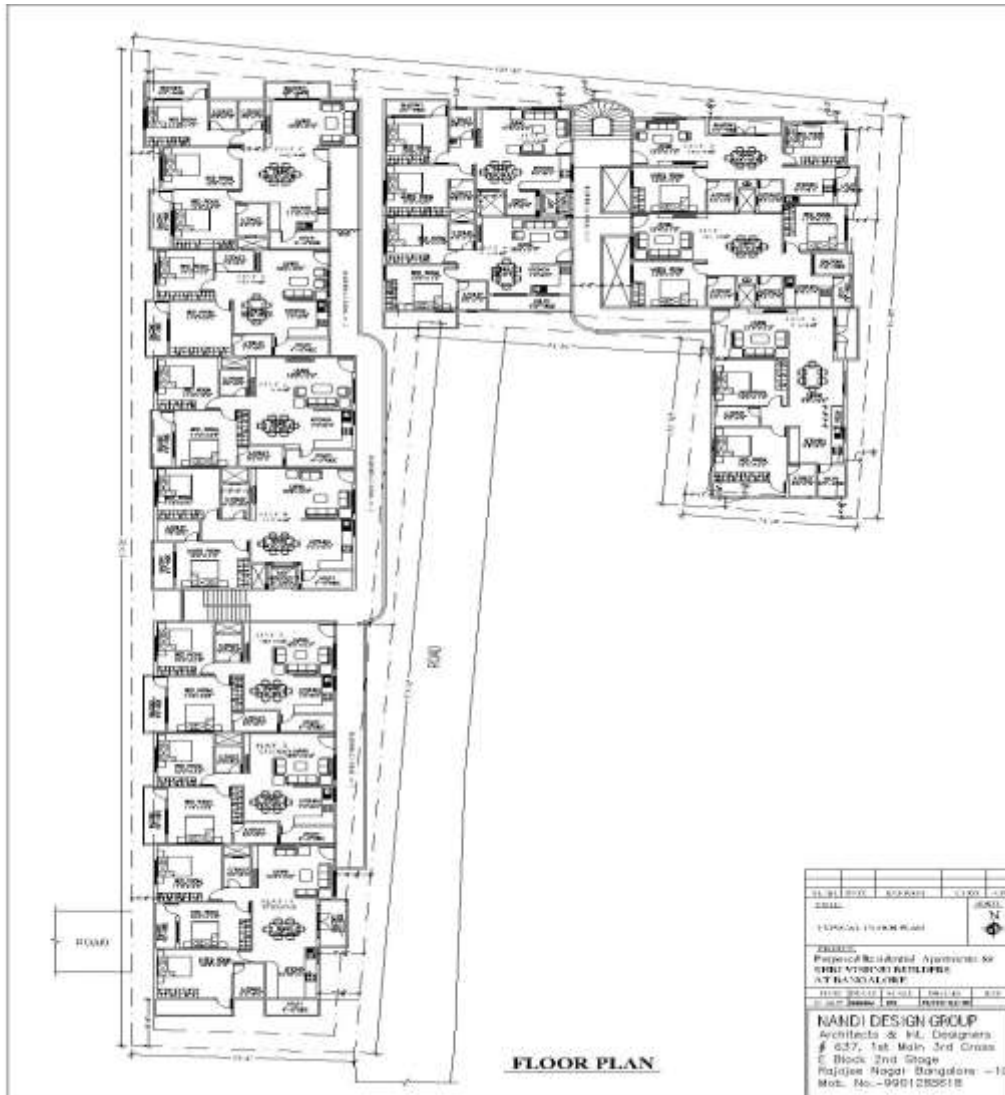


Fig no-5.3. : Brown Paper floor plan

Table no-5.3.: Project abstract table

Building Name	Brown Paper
Builder's & Developer's	SHRI VISHNU BUILDERS
Location of project	BANGALORE
Site area (sft)	17277
Floor plate area (Sft)	13883
No of floor	4



Total built up area (sft)	55532
FAR	3.21
Architect/Consultants	NANDI DESIGN GROUP
Type of Floor	Stilt (Parking) + Ground, First, Second & Third floor
No of block	2
No of Unit/3BHK	8
No of Unit/2BHK	40
No of Unit/1BHK	0
Cost of project (INR)	91,627,800

5.3.2 Challenges:

The project faced issues related to the extension and revocation of registration, affecting project timelines and financial planning.

5.3.3 Impact of RERA:

RERA's stringent requirements for project registration and extensions have ensured greater accountability but have also introduced complexities in project management.

Case Study "Burst of Lime"

1. Introduction

The "Burst of Lime" residential apartment project is located in Bangalore city. Designed by architectural and structural consultants M/s Tec360 Associates and executed by M/s Sri Sai Builders, the project involves contributions from real estate agents as well. M/s Sri Sai Builders, with over 20 years of experience, managed the execution through their in-house teams specializing in civil, electrical, and plumbing work. This project engaged various teams, including architects, structural consultants, builders, developers, real estate agents, investors, and others. The real estate component was managed by M/s Shri Sai Real Estate Agents, who have been active in Bangalore for the past decade and have overseen numerous projects across Karnataka.



Project Details

Geometrical Details:

- **Site Area:** 8210 sq ft (764 sq m) with a 30-foot approach road under the jurisdiction of Bruhath Bengaluru Mahanagara Palike.
- **Building Details:** Single-block building with multiple units.
- **Units:** 24 units of 2BHK.
- **Floors:** Stilt, Ground, First, Second, and Third floors.
- **Built-up Area:** Each floor has a built-up area of 6917 sq ft, including private areas, common areas, balconies, etc.
- **Total Built-up Area:** 27,668 sq ft (2570 sq m).
- **Floor Area Ratio (FAR):** 3.37.

Execution Details:

- **Construction Method:** Conventional.
- **Materials Used:** Cement blocks, stone dust, and other minimum quality materials.
- **Estimated Project Value:** ₹4,10,00,000 (Four crores ten lakhs).
- **Project Duration:** Planned completion within 18 months for client handover.

2. Business Challenges

India's real estate sector is expanding at an annual rate of approximately 20%, contributing about 6-7% to the nation's GDP. Despite the increasing demand for housing over the past decade, the supply-demand balance remains skewed. Government initiatives have struggled to meet the growing demand, allowing private entities to dominate the market without adequately addressing consumer needs. Key challenges include project delays, lack of compensation provisions from the government, fraudulent advertisements, and unfair interest rates on defaults.

3. Issues Identified in the Project Due to RERA

RERA has introduced numerous regulations that affect real estate projects. In the "Burst of Lime" project, the following issues were identified:

- Failure to apply for registration by the real estate agent.
- Non-grant of registration to the real estate agent.

4. Analysis of Issues Based on RERA and Construction Sector

Failure to Apply for Registration by the Real Estate Agent:

- Every real estate agent must register as per subsection (2) of section 9, submitting an application in writing to the Regulatory Authority in Form 'G', along with:
 - Brief enterprise details (name, address, type of enterprise, etc.).
 - Registration particulars (bye-laws, memorandum of association, articles of association).
 - Name, address, contact details, and photographs of the real estate agent or partners/directors in case of other entities.
 - Self-attested copies of the PAN card and address proof of the business place.
- The real estate agent must pay a registration fee via demand draft, banker's cheque, or online payment:
 - ₹25,000 for individuals.



- ₹2,00,000 for entities other than individuals.

Non-grant of Registration to the Real Estate Agent:

- Upon receiving the application, the Authority has 30 days to either grant or reject registration. The Authority may allow the real estate agent to rectify application defects within a specified period.
- Upon registration, the Authority issues a registration certificate with a registration number in Form 'H'.
- If the application is rejected, the Authority informs the applicant using Form 'I'.
- The granted registration is valid for five years.

Project details abstract

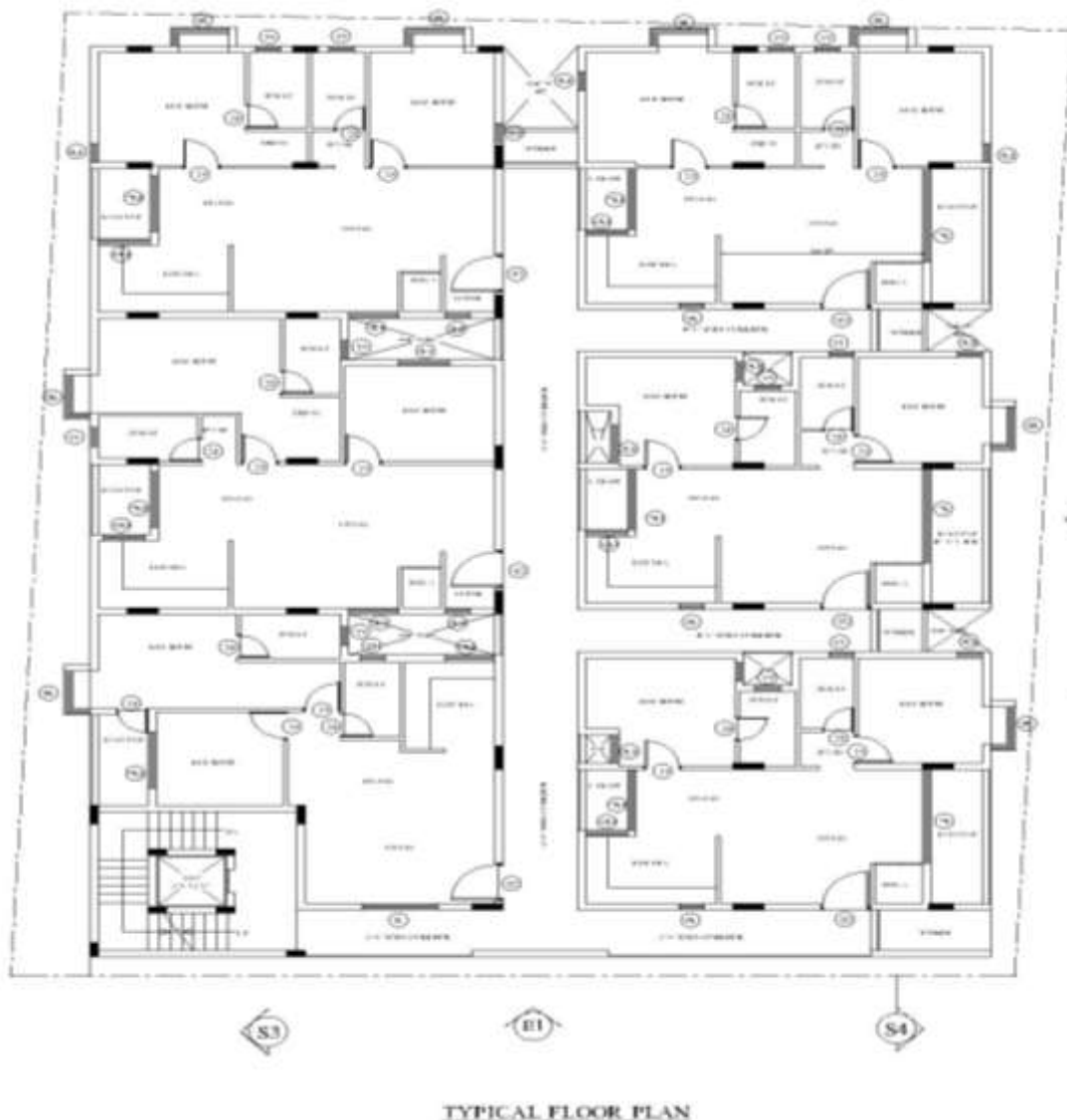


Fig no-5.4. : Burst of lime floor plan



Table no-5.4.: Project abstract table

Building Name	Burst of lime
Builder's & Developer's	SHRI SAI BAUILDER's
Location of project	YELAHANKA NEW OLD TOWN, BANGALORE
Site area (sft)	8209.50
Floor plate area (Sft)	6917
No of floor	4
Total built up area (sft)	27668
FAR	3.37
Architect/Consultants	MAHIMA ASSOCIATES
Type of Floor	Stilt (Parking) + Ground, First, Second & Third floor
No of block	1
No of Unit/3BHK	--
No of Unit/2BHK	24
No of Unit/1BHK	--
Cost of project (INR)	50,494,100



Case Study of Project-05: "Nature World"

1. Introduction

The "Nature World" residential apartment project is situated in Bangalore city. It was designed by the architectural and structural consultancy firm M/s Tec360 Associates and executed by M/s Sri Sai Builders. This project also involves real estate agent services. M/s Sri Sai Builders, with over 20 years of experience in the field, managed the execution through their in-house teams comprising civil, electrical, and plumbing professionals, including engineers, technical supervisors, and various laborers such as masons, carpenters, bar benders, fitters, and electricians.

This project involved numerous teams, including architects, structural consultants, builders, developers, real estate agents, investors, and other stakeholders. The project's execution was overseen by M/s Shri Sai Real Estate Agents, who have been operating in Bangalore for the past decade and have managed numerous projects across Karnataka with their own in-house consultancy services.

Project Details

Geometrical Details:

- **Site Area:** 217,800 sq ft (20,241 sq m) with a 30-foot approach road in Bangalore rural area.
- **Building Details:** Single-block building with multiple units.
- **Units:** 5 villas.
- **Villa Types:** Duplex and triplex villas.
- **Built-up Area:** Each villa has a built-up area of 3470 sq ft, including private areas, common areas, and balconies.
- **Total Built-up Area:** 17,350 sq ft (2570 sq m).
- **Floor Area Ratio (FAR):** 0.08.

Execution Details:

- **Construction Method:** Conventional.
- **Materials Used:** Cement blocks, stone dust, and other minimum quality materials.
- **Estimated Project Value:** ₹4,68,45,000 (Four crores sixty-eight lakhs forty-five thousand rupees).
- **Project Duration:** Planned completion within 24 months for client handover.

2. Business Challenges

The introduction of the Real Estate (Regulation and Development) Act, 2016 (RERA) is considered the most comprehensive reform for the real estate sector since India's independence. Developers have traditionally sourced funds from non-institutional sources, leading to various issues that compromise consumer interests. RERA was formulated to induce accountability and transparency in this capital-intensive and opaque industry.

Commercial lenders have historically provided funds to real estate players against security interests. Funds collected by developers as project financing were under lender control. However, RERA mandates that 70% of the amount collected from home buyers must be deposited in a separate account at a scheduled bank, specifically for land and construction costs related to the project, preventing diversion to other projects. This poses challenges for banks regarding account bifurcation and mechanism implementation. Funds in this no-lien account are not directly accessible to lenders.



Though RERA is a landmark reform, it does not override other existing Acts. It complements provisions in other Acts, ensuring that a builder or developer cannot transfer their interest in a project without written permission from two-thirds of the allottees and the RERA authority. This raises concerns, particularly regarding the SARFAESI Act, where lenders must consider whether consent from RERA authorities and buyers is necessary for project transfers. This issue remains contentious and unresolved within the lending community.

3. Issues Identified in the Project Due to RERA

The "Nature World" project was significantly impacted by various RERA regulations, particularly:

- Non-renewal of the registration of the real estate agent.
- Revocation of the registration of the real estate agent.

4. Analysis of Issues Based on RERA and the Construction Sector

Non-renewal of Registration of the Real Estate Agent:

- **Application for Renewal:** As per section 6, the registration granted under section 9 may be renewed upon application in Form 'J', submitted at least three months before the expiry of the current registration.
- **Accompanying Documents:** The application must include a demand draft, banker's cheque, or online payment for ₹5,000 for individual agents or ₹50,000 for other entities.
- **Required Documents:** The real estate agent must provide updated documents as specified in clauses (a) to (e) of Act 9, along with the renewal fee.
- **Notification of Renewal:** The regulatory authority informs the agent of the renewal through Form 'K' and of any application rejections through Form 'I'. The agent is given an opportunity to rectify any defects in the application.
- **Compliance:** Renewal is granted provided the agent complies with the Act's provisions and associated regulations. The renewal is valid for five years.

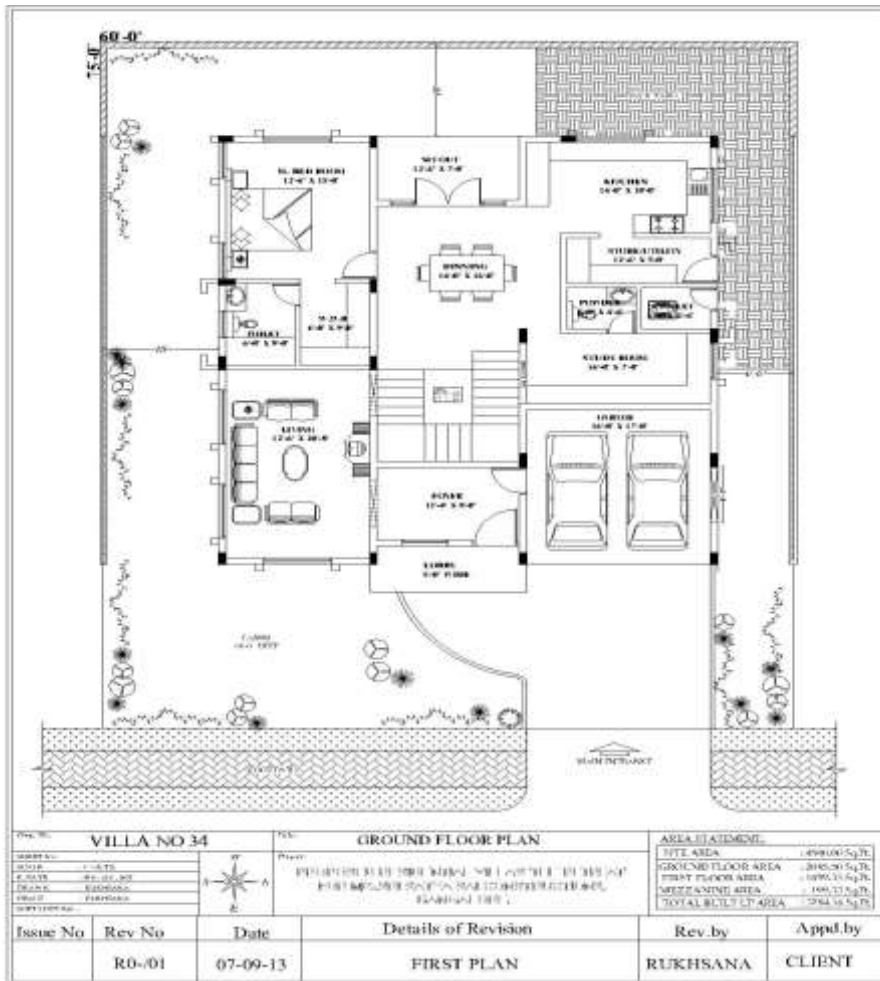


Fig no-5.5.a. : Nature world Ground floor plan

Table no-5.5.: Project abstract table

Building Name	Nature world
Builder's & Developer's	SHRI SAI GROUP'S
Location of project	TUMKUR ROAD, BANGALORE
Site area (Smt)	20242
Floor plate area (Smt)	323
No of floor	2



Total built up area (Smt)	1613
FAR	0.08
Architect/Consultants	RUKSANA & ASSOCIATES
Type of Floor	Ground & First floor
No of block	5
No of Unit/3BHK	VILLA's
No of Unit/2BHK	
No of Unit/1BHK	
Cost of project (INR)	46,845,000

5. Discussion

5.1 Implementation Challenges:

5.1.1 Regulatory Compliance: Developers need to navigate the complex regulatory environment, which can delay project timelines and increase costs.

5.1.2 Financial Management: The requirement to deposit 70% of funds in a separate account impacts the liquidity of developers, especially for ongoing projects.

5.2 Benefits of RERA:

5.2.1 Transparency and Accountability: RERA has significantly improved transparency in real estate transactions, ensuring that buyers have access to accurate and timely information about projects.

5.2.2 Consumer Protection: The Act provides robust protection for consumers, including timely possession of properties and quality assurance through defect liability clauses.

5.3 Recommendations:

5.3.1 Streamlining Approvals: Simplifying the approval process can reduce delays and costs for developers, making it easier to comply with RERA regulations.



5.3.2 Financial Support: Providing financial assistance or incentives to developers can help mitigate the liquidity issues caused by RERA's fund management requirements.

6. Conclusion

RERA has brought significant changes to the Indian real estate market, promoting transparency and protecting buyers' interests. However, the Act also presents challenges for developers in terms of compliance and financial management. Ongoing efforts to streamline the regulatory process and provide financial support will be crucial in realizing the full benefits of RERA.

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