

Impact of Real Estate (Regulation and Development) Act, 2016 on the Indian Real Estate Industry

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Abstract

The Real Estate Regulation and Development Act, 2016 (RERA) was introduced in India to tackle the long-standing issues in the real estate sector, including lack of transparency, project delays, and fraudulent practices. The primary objective of RERA was to protect the interests of homebuyers and provide a more transparent and efficient framework for real estate transactions. Since its introduction, RERA has had a significant impact on the Indian real estate industry. One of the most notable changes brought about by the act is the mandatory registration of all real estate projects with the regulator. This has led to a more structured and streamlined process for project approvals, ensuring that only genuine developers with adequate financial and technical capabilities are allowed to undertake projects. Another significant impact of RERA has been the increased transparency in the sector. Developers are now required to disclose all project-related information, such as the carpet area, completion timelines, and project approvals, on the RERA website. This has empowered homebuyers with more information and reduced instances of fraudulent practices. Moreover, the act has set up an institutional mechanism for dispute resolution, which is aimed at providing a faster and more effective solution to homebuyers' grievances. The introduction of RERA has also helped in promoting a more professional approach to the real estate industry by bringing in stricter regulations and accountability.

Keywords: Real estate, the real estate (regulation and development) Act, 2016 (RERA), homebuyers

INTRODUCTION

Overview of RERA

RERA is a significant piece of legislation that was passed on May 1, 2016, in order to regulate the Indian real estate market and safeguard consumers' interests. The Act has several aims and objectives that seek to bring transparency, accountability, and efficiency in the real estate sector.

Aims of RERA

Protecting the Interests of Homebuyers

RERA strives to safeguard homebuyers' rights by requiring registration of all real estate projects and real estate brokers, disseminating comprehensive project information, and standardising agreements. The Act also provides homebuyers with several rights, such as the right to information, the right to refund, and a mechanism for resolving disputes.

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Regulating the Real Estate Sector

By requiring adherence to stringent deadlines for project completion, imposing penalties in the event of non-compliance, and authorising the regulatory authority to take action against negligent developers and agents, RERA seeks to govern the real estate market.

Bringing Transparency

By requiring registration of all real estate projects and agents, disseminating comprehensive project information, and standardising agreements, RERA seeks to increase transparency in the real estate industry. The Act also mandates the use of standard agreements between developers and homebuyers, which has reduced the incidence of one-sided agreements and protected the interests of homebuyers.

Promoting Accountability

RERA aims to promote accountability in the real estate sector by imposing penalties for non-compliance and empowering homebuyers to seek a refund in case of delay in possession or non-compliance by the developer. The Act also mandates adherence to strict timelines for completion of the project, which has led to a more efficient real estate sector.

Objectives of RERA***Mandating Registration of Real Estate Projects***

By requiring registration of all real estate projects and brokers, publishing comprehensive project information, and standardizing agreements, RERA seeks to increase transparency in the real estate industry.

Providing Transparency

All real estate projects are required by RERA to publish comprehensive information about the project, including the status of approvals, construction schedules, and project plan. This has enabled homebuyers to make informed decisions while purchasing a property.

Standardizing Agreements

RERA mandates the use of standard agreements between developers and homebuyers, which has reduced the incidence of one-sided agreements and protected the interests of homebuyers.

Imposing Penalties for Non-Compliance

RERA provides for penalties in case of non-compliance by developers and real estate agents, which has increased accountability in the real estate sector.

Establishing Regulatory Authority

RERA provides for the establishment of state-level regulatory authorities, which have the power to take action against errant developers and agents and resolve disputes between homebuyers and developers.

IMPACT OF RERA**Impact of RERA on Homebuyers**

RERA has had a huge impact on Indian homebuyers. The Act has provided homebuyers with several rights, such as:

- ***Right to Information:*** RERA requires that all real estate projects be registered with the regulatory authorities and disclose full project information, such as approval status, construction timetables, and project plan. This has enabled homebuyers to make informed decisions while purchasing a property.
- ***Right to Refund:*** RERA has empowered homebuyers to seek a refund of their money in case of delay in possession or non-compliance by the developer. The Act has also provided for a mechanism for resolving disputes between homebuyers and developers through the establishment of the Real Estate Regulatory Authority (RERA) and the Real Estate Appellate Tribunal (REAT).
- ***Standardized Agreements:*** RERA has mandated the use of standard agreements between developers and homebuyers, which has reduced the incidence of one-sided agreements and protected the interests of homebuyers.

Impact of RERA on Developers

The implementation of RERA (Real Estate Regulation and Development Act) has brought about a substantial change for developers in India, as it now requires them to comply with certain regulations. This includes the compulsory registration of their projects with the regulatory authority, providing frequent updates on the progress of the project, and meeting strict deadlines for project completion. This has led to a more transparent and efficient real estate sector. However, the Act has also increased the compliance burden on developers, leading to delays in obtaining approvals and increased project costs.

Impact of RERA on Real Estate Agents

RERA has also had an impact on real estate agents in India. The Act has made it mandatory for real estate agents to register with the regulatory authority and comply with various regulations, such as displaying their registration number in all advertisements and not accepting any advance payment from homebuyers. As a result, the real estate brokerage market is now more regulated and professional.

Impact of RERA on the Real Estate Industry

RERA has had a significant impact on the Indian real estate industry. The Act has led to the following changes:

- *Increased Transparency:* RERA has brought transparency to the real estate sector by mandating registration of all real estate projects and real estate agents, providing detailed information about the project, and standardizing agreements.
- *Increased Accountability:* RERA has increased the accountability of developers by mandating adherence to strict timelines for completion of the project and providing for penalties in case of non-compliance.
- *Improved Consumer Confidence:* RERA has improved consumer confidence in the real estate sector by providing homebuyers with several rights and a mechanism for resolving disputes.
- *Reduced Unethical Practices:* RERA has reduced unethical practices in the real estate sector by imposing penalties for non-compliance and empowering homebuyers to seek a refund in case of delay in possession or non-compliance by the developer.

SOME CASE STUDIES

We can find that several cases have come up that showcase the effectiveness of the Act in protecting the interests of homebuyers and regulating the real estate sector. Some are:

Amrapali Group Case

The Amrapali Group was one of the largest real estate developers in India and was accused of delaying projects and not delivering homes to homebuyers. In 2018, the Supreme Court directed the Centre to take over the management of the Amrapali Group and ordered the group to complete all pending projects [1].

Subsequently, the National Company Law Tribunal (NCLT) ordered the initiation of insolvency proceedings against the Amrapali Group. The homebuyers then approached RERA seeking relief and compensation for the delay in possession of their homes. RERA ordered the Amrapali Group to pay compensation to the homebuyers and complete the pending projects [2].

This case demonstrates RERA's success in protecting homeowners' interests and regulating the real estate business.

Piyush Group Case

The Piyush Group was accused of delaying the delivery of flats to homebuyers and not completing the projects on time. The homebuyers approached RERA seeking compensation for the delay and non-delivery of their homes [3].

RERA ordered the Piyush Group to refund the money to the homebuyers with interest and compensation for the delay. The Piyush Group challenged the order in the High Court, but the court upheld RERA's order, and the Piyush Group was directed to comply with the order.

This case highlights the effectiveness of RERA in protecting the interests of homebuyers and ensuring that developers complete projects on time.

Jaypee Group Case

The Jaypee Group was accused of delaying the delivery of flats to homebuyers and not completing the projects on time. The homebuyers approached RERA seeking compensation for the delay and non-delivery of their homes [4].

RERA ordered the Jaypee Group to refund the money to the homebuyers with interest and compensation for the delay. The Jaypee Group challenged the order in the Supreme Court, but the court upheld RERA's order, and the Jaypee Group was directed to comply with the order.

This case highlights the effectiveness of RERA in protecting the interests of homebuyers and ensuring that developers complete projects on time.

Since its inception, RERA has been invoked in various legal cases. A few of the prominent legal cases in RERA are:

NCDRC vs. Supertech Limited [5]

In 2019, the National Consumer Disputes Redressal Commission (NCDRC) ordered Supertech Limited, a real estate developer, to refund the amount paid by the homebuyers for their flats in its project, "Eco Village I", located in Greater Noida, Uttar Pradesh, along with interest and compensation, for failure to complete the project on time.

The NCDRC found that Supertech Limited had violated various provisions of the RERA Act, and the failure to complete the project on time and deliver the flats amounted to an unfair trade practice. The order is considered significant as it was the first time that the NCDRC invoked RERA to provide relief to homebuyers.

Bombay High Court vs. Rustomjee Developers [6]

In 2020, the Bombay High Court directed Rustomjee Developers, a real estate developer, to refund the amount paid by the homebuyers for their flats in its project, "Global City", located in Virar, Maharashtra, along with interest and compensation, for failure to complete the project on time.

The court found that the developer had violated various provisions of the RERA Act, and the failure to complete the project on time and deliver the flats amounted to a deficiency in service. The order is significant as it highlighted the importance of RERA in protecting the interests of homebuyers and ensuring that developers adhere to strict timelines.

Delhi High Court vs. Orris Infrastructure [7]

In 2021, the Delhi High Court directed Orris Infrastructure, a real estate developer, to refund the amount paid by the homebuyers for their flats in its project, "Carnation Residency", located in Sector 85, Gurgaon, Haryana, along with interest and compensation, for failure to complete the project on time.

The court found that the developer had violated various provisions of the RERA Act, and the failure to complete the project on time and deliver the flats amounted to an unfair trade practice. The order is significant as it emphasized the importance of RERA in protecting the interests of homebuyers and ensuring that developers adhere to strict timelines.

CONCLUSION

This instance exemplifies how effective RERA is at safeguarding homeowners' interests and controlling the real estate industry. RERA has empowered homebuyers and provided them with a mechanism to seek relief and compensation in case of delay in possession or non-compliance by the developer. This case demonstrates how effective RERA is at protecting homeowners' interests and regulating the real estate business. RERA has also increased accountability in the real estate sector by imposing penalties for non-compliance and empowering the regulatory authority to take action against errant developers and agents. Overall, RERA has benefited the Indian real estate market by making it more transparent and consumer-friendly.

Overall, RERA has had a positive impact on the Indian real estate sector, and these case studies showcase its effectiveness in protecting the interests of homebuyers and regulating the real estate sector.

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