Real Estate Regulatory Authority

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Why in news?

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The Real Estate (Regulation and Development) Act (RERA) came into force from May 1 2017, bringing one of the country's most unregulated sectors under regulatory purview.

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Why was there need for such authority?

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- The Centre had notified the RERA Rules, which were applicable to all UTs that don't have their own legislatures. The Rules were also meant to serve as the template for states to notify their Rules.
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- Data for 8 major cities from the real estate research agency show that over 80% of the 25 lakh-odd residential projects launched over the last 10 years have been **delayed.**
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- A quarter of these were delayed by more than 4 years over the promised date of delivery.
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- The NCR-Delhi accounted for most delays, followed by the Mumbai Metropolitan Region.
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- Moreover, states have had **obscure and varying definitions** for terms such as carpet area, common areas, or car parking, leaving ample room for manipulation by developers.
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- The new law provides for a series of safeguards to not only redress such situations, but to also pre-empt them.
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What are the advantages of the bill?

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- The law attempts to end the non-transparency that characterises transactions, where agreements are often tilted in favour of developers.
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- A buyer is rarely handed over the property on the date promised by the builder, while the **new act promises to end such opacity.**
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- The RERA is also expected to give a fillip to the real estate sector which has been sluggish in the aftermath of demonetisation.
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- Developers, who do not deliver to promised standards, and on schedule, will be severely penalised.
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- **The law will improve funding to the real estate sector.**
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- The improvement in the health of the industry and the increased credibility of its players could also lead to an **increased flow of funds from foreign institutional investors.**
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- Enhanced activity in the sector and a vigilant regulator could stabilise housing prices in the long run.
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What are the hurdles faced by the act?

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- **Intense lobbying** by the realty sector has resulted in several states issuing RERA Rules that in some cases effectively favour developers over homebuyers.
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- 32 significant sections of the legislation from registration of ongoing projects to **penalties for non-compliance were not notified.** This was because these required an institutional framework to be in place first.
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- Maharashtra’s Rules, for example, allow builders to sell open areas within a project as parking lots, a practice the Supreme Court had struck down.
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- Both Maharashtra and Madhya Pradesh allow builders of ongoing projects to submit details of only their last sanctioned plan, giving them scope to not reveal details of changes or delays with respect to the original plan and promise.
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- Till now only 13 states have notified rules that will make the act operational, and only one state, Madhya Pradesh, has set up a Real Estate Regulatory Authority. Nine other states have interim authorities in place.
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Source: The Indian Express

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