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Prasanna S,

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No. 08, Arul Nagar, Seera Thoppu,

Maudhanda Kurichi, Srirangam,

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Phone : +91 94896 71437 – info@iledu.in / Chairman@iledu.in



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ANALYSIS OF THE RERA'S IMPACT ON RESIDENTIAL AND COMMERCIAL REAL ESTATE SECTORS

AUTHOR – CHAUDHARI SOHAM HARESHBHAI, FINAL YEAR STUDENT AT UNITEDWORLD SCHOOL OF LAW, KARNAVATI UNIVERSITY

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ABSTRACT

The Real Estate (Regulation and Development) Act (RERA), enacted in 2016, was a transformative step in India's real estate sector, introducing transparency, accountability, and efficiency. Prior to its implementation, homebuyers often faced issues such as project delays, undisclosed alterations, and financial mismanagement by developers. RERA has established stringent regulations mandating the disclosure of essential project details, including layout plans, financial approvals, and completion timelines. The Act ensures that developers adhere to project schedules and imposes penalties for non-compliance, thereby mitigating delays and enhancing buyer confidence.

Additionally, amendments to the Benami Transactions Act have further strengthened the fight against fraudulent property transactions by imposing stricter enforcement measures. Key updates in 2024 have reinforced the requirement for obtaining buyer consent for major project modifications, clarifying shared amenities, and ensuring transparency in financial dealings. The implementation of RERA has led to structured grievance redressal mechanisms, providing homebuyers with an efficient dispute resolution system.

The impact of RERA on the Indian real estate sector has been profound. It has bolstered consumer protection, attracted both domestic and foreign investors, and fostered a regulatory framework that promotes sustainable real estate growth. The categorization of sales according to Jantri rates has further standardized pricing structures. While RERA has significantly improved real estate governance, challenges such as inconsistent implementation and lack of awareness persist. Addressing these concerns through improved enforcement, consumer education, and streamlined grievance procedures will further solidify RERA's effectiveness in ensuring a fair and robust real estate sector.

1.1 RERA

Prior to the enactment of RERA, developers frequently altered projects without notifying homebuyers. In certain instances, they concealed critical information on the project plan, rendering purchasers ignorant and susceptible. The lack of regulation in the real estate sector hindered buyers' ability to hold developers accountable for fraud or mismanagement. RERA has effectively mitigated these concerns, especially the issue

of project delays. Historically, homeowners have shouldered the financial responsibility for project delays. Under RERA, the obligation for these expenses now resides with developers, promoting enhanced fairness and accountability.

All modifications to the project must be conveyed to homebuyers in advance. Structural alterations or substantial modifications necessitate the approval of a minimum of two-thirds of the allottees. Developers must give essential information,

including the project plan, layout, and requisite governmental permissions, to buyers prior to purchase.

A customer-centric strategy is increasingly imperative, highlighting the necessity for rapid project completion and prompt possession transfer.

According to the RERA Act, it is obligatory for all real estate developments to be registered with the appropriate state's RERA authority. Projects initiated prior to the enactment of the Act must also register to ensure adherence to the new laws. During the registration procedure, developers are required to provide detailed project information to the appropriate RERA authorities, explaining the project plan, timeframes, and requisite approvals. Developers can only advertise or do marketing of the project after obtaining the necessary registration and getting all the approvals.¹⁰⁶

The Indian government enacted the Real Estate RERA in March 2016 to enhance openness and accountability in the real estate. This legislation prioritises the protection of homebuyers' interests through the assurance of prompt project completion, adherence to quality standards, and the establishment of efficient dispute resolution processes. The following are the principal measures enacted in 2024:

- Share the information of FSI and all other amenities.
- Notify purchasers of the designated dates for the transfer of communal areas.
- Get pre-consent for any significant changes to facilities or common areas. Minimum approval of 2/3rd allottees is required for such amendments or change.
- Include parking details, such as space dimensions and location, in the sale

agreement and sale agreement to be made as per TPA.

- Developers are required to specify non-negotiable conditions pertaining to facilities and amenities that are mentioned in the Agreement for Sale, adhering to prescribed structure.
- Categorize amenities as utilizing a 'free of FSI' area or project FSI under local planning rules.
- Ensure that the list of amenities aligns with the information provided in the registration forms and architect certificates.

Amendment to the Benami Transactions Act

The 2016 amendment to the Benami Transactions (Prohibition) Act substantially enhanced initiatives to address black money and corruption within the real estate market. This legislation specifically addresses fraudulent real estate transactions conducted under fictitious identities. Enhanced enforcement has facilitated the establishment of a more transparent and regulated real estate market. Recent Key Updates:-

Three-Month Response Period: Individuals designated as benamidars or beneficial owners must now reply to Show Cause Notices within a three-month timeframe.

-Prolonged Attachment Duration:The provisional attachment period has been extended from 90 days to four months, allowing for more comprehensive investigations.

Extended Case Referral Duration:Authorities now possess a maximum of one month, rather than 15 days, to submit cases to the Adjudicating Authority.

Immunity for Cooperation: Benamidars who comprehensively reveal their involvement to Initiating Officers may be eligible for immunity from sanctions, promoting enhanced transparency.

¹⁰⁶ Rera. Vidyabharati International Interdisciplinary Research Journal [Internet]. 2020;11(2). Available from: www.viirj.org

1.2 IMPACT OF RERA ON INDIAN REAL ESTATE

The RERA was enacted in 2016 to enhance openness, accountability, and efficiency within the real estate market. The increasing demand for residential and commercial properties has resulted in a significant escalation in property prices. In the absence of an adequate regulatory framework, certain builders and developers exploited the situation, frequently taking advantage of homebuyers. Prolonged projects, unapproved modifications to plans, and instances of individuals losing their life savings were progressively prevalent. RERA was designed to establish stringent regulations and criteria that developers must adhere to, hence enhancing protection for homebuyers.

Transparency and Accountability

RERA requires that all project information, including timetables, layout plans, and the status of statutory permissions, be published on the RERA website. This ensures that purchasers are confident in their purchases from the developer, preventing the developer from making arbitrary alterations. This fosters trust between the developer and the purchaser in Mumbai's real estate market.

Timely Project Completion

A significant problem that homebuyers often encountered was the postponement of project completion. These delays placed customers in precarious circumstances, with their cash immobilised in unfinished projects while they endured prolonged homelessness. The implementation of RERA mandates that developers are liable for adhering to project deadlines, with fines imposed for non-compliance. Furthermore, RERA mandates that builders allocate 70% of project costs into a designated escrow account, guaranteeing that the funds be only utilised for the particular project. These laws have markedly diminished delays, enhancing homebuyers' assurance in the timely acquisition of their houses.

Standardized Sales Agreements

RERA mandated standardised agreements explicitly delineate the responsibilities and entitlements of both the builder and the customer. Previously, builders would create biased unilateral agreements that favoured their interests. Standardised agreements have established equitable contracts between parties, minimising disagreements and disputes.

Sale according to the "Jantri rates"

Jantri Rates sales refer to house sales wherein the price of sale or value of property is equal to the Jantri rates (alternatively known as circle rates or government rates) as set by the concerned state government in India. These are the lowest value at which property may be registered officially for the purposes of taxation, including stamp duty, and are set by government agencies for the purpose of bringing uniformity to housing sales in a certain area or a region.

Grievance Redressal

The Real Estate Regulatory Authority and the Real Estate Appellate Tribunal have been established in each state under RERA to create a robust framework for addressing issues. These entities are structured to address grievances and conflicts effectively and expeditiously. Homebuyers now possess the authority to express concerns over project delays, construction quality, and unauthorised modifications to project plans.

Investor

RERA has established a more secure investment environment by guaranteeing timely project delivery and safeguarding both investors and homebuyers from fraudulent activity. This has attracted both domestic and foreign investors, enhancing the sector's growth and stability.

Assurance

The Real Estate Regulatory Authority (RERA) has significantly impacted the property market, acting as a crucial determinant in the increase of real estate investments. The emphasis on

prompt project completion, standardised procedures, and an efficient grievance resolution mechanism has motivated developers to maintain professionalism and ethical business conduct. This has led to a more transparent and dependable real estate market.

The Indian real estate sector has become more transparent and efficient resulting in its growth.¹⁰⁷

The implementation of RERA has markedly enhanced transparency within the real estate market. The imposition of required project registration grants purchasers access to dependable information, facilitating more informed decision-making. Additionally, RERA increases developer accountability by mandating compliance with project schedules and effective financial oversight. This has resulted in prompt project completion and a significant decrease in fraudulent operations, underscoring the beneficial effects of the rule. RERA has significantly improved consumer protection by creating a robust legal framework that shields homebuyers from fraud and project delays. This enhancement has bolstered buyers' confidence in the real estate market, demonstrating RERA's efficacy in safeguarding their interests. Furthermore, RERA incentivises developers to focus on affordable housing initiatives, catering to the housing requirements of lower-income demographics and fostering the overall advancement of the real estate sector. The regulatory framework established by RERA has enhanced adherence to project timelines, markedly diminishing delays. This advantages both homeowners and investors, demonstrating the efficacy of the Act. Nevertheless, despite its accomplishments, RERA persists in encountering numerous hurdles. The main issue is the insufficient awareness among several homeowners and developers concerning its stipulations. This restricted understanding

frequently leads to non-compliance and insufficient utilisation of the Act's advantages, rendering awareness campaigns essential for improved implementation. A further difficulty is the uneven implementation of RERA legislation across various regions. Inconsistent execution diminishes the overall efficacy of the Act. Furthermore, the procedure for lodging complaints and settling disagreements may be protracted and intricate. So to simplify these procedure is essential.

Way Forward

1. Promoting Awareness: To address the problem of insufficient awareness, RERA authorities should initiate extensive instructional efforts targeting both homeowners and developers. Enhancing awareness is crucial for the seamless and efficient execution of RERA.
2. Enhancing Enforcement: A more rigorous enforcement strategy is essential. This entails enforcing stricter sanctions for non-compliance and guaranteeing the prompt resolution of complaints. Enhancing enforcement will markedly improve RERA's efficiency.
3. Streamlining the Grievance Procedure: Enhancing the complaint resolution procedure to be more direct and efficient can augment accessibility. A streamlined method will motivate additional homebuyers to pursue redress, enhancing the execution of RERA.

Guidelines of the RERA Act 2016

Each state is required to :

Set up the structured system Establish an online platform for project registration. Address consumer grievance. Supervise real estate ventures within their respective states.

RERA license :

An agent or a company has to obtain a license to deal in any kind of real estate work. The registration process for agents under RERA (Real Estate Regulatory Authority) is straightforward. Agents are required to submit a fee and an application to the Authority for registration. The advantages of RERA

¹⁰⁷ A Review On Impacts of Rera Act, 2016 On Housing Projects. International Research Journal of Modernization in Engineering Technology and Science. 2023 Mar 1;

registration for agents include builder details, ensuring ethical handling of clients' funds, and offering precise and authentic information to the general public.

Registration of Real Estate Projects :

The developers have to mandatorily register their projects before they initiate any new project. This registration ensures that the project adheres to standardized norms and provides accurate information to potential buyers.

Transparency and Accountability :

Developers has to provide accurate and detailed information about their projects on the RERA website. This includes project details, layout plans, approvals, completion timelines, and other relevant information. This helps the homebuyers to be sure about their investment.

Adherence to Project Timelines :

Developers are obligated to complete their projects within the specified time frame mentioned in the agreement with the buyer. Delays can lead to penalties under RERA.

1.3 PROVIDING SUSTAINABLE GROWTH TO THE REAL ESTATE SECTOR

RERA ON REAL ESTATE SECTOR

RERA is crucial in fostering sustainable development in the real estate sector. Developers must now adhere to stringent standards established by the authorities. Given the risks associated with concurrently managing numerous projects, developers are more likely to prioritise the prompt completion of each project. Consequently, homeowners are increasingly likely to obtain their residences within the stipulated timeframe.

Moreover, developers are required to present a definitive schedule for project completion. Noncompliance with these dates may incur severe consequences, hence enhancing responsibility. This transition is anticipated to re-establish consumer confidence in the real estate market, enhancing the industry's

transparency and dependability. It also protects developers and held buyers liable ,when a buyer is at fault.¹⁰⁸

Investment Opportunities and Market look

In 2024, the Indian real estate market offers significant investment opportunities, notwithstanding the moderate economic recovery and changing market conditions. Trends and key indicators indicate substantial development potential in the sector.

Residential Sector

There remains a significant demand for cheap housing, especially in major urban areas. Middle-income housing is undergoing significant growth due to heightened urbanisation and elevated income levels. The luxury home sector is gaining popularity as urban dwellers experience economic growth and want enhanced living standards. Affordable housing continues to be in high demand, particularly in major urban areas where housing shortages persist. The middle-income housing segment is also witnessing rapid growth, driven by increasing urbanization and rising income levels. Meanwhile, the luxury housing market is gaining traction as economic prosperity enables urban residents to seek better living standards and more comfortable lifestyles.

1. Commercial Sector

The rapid expansion of the residential sector is a multifaceted phenomenon, driven by a convergence of key factors. Primarily, increasing urbanization and consistent population growth create a fundamental demand for more housing, especially in burgeoning urban centers. This demand is further amplified by positive economic conditions, where rising incomes and improved purchasing power enable more individuals to invest in property. Government policies, particularly those aimed at promoting affordable housing and streamlining real estate regulations like RERA, play a crucial role in fostering a stable and

¹⁰⁸ www.ijcrt.org

attractive market. Additionally, ongoing infrastructure development, including enhanced transportation networks and the establishment of essential amenities, significantly increases the desirability of residential areas. Finally, shifting demographic trends, such as the rise of nuclear families and evolving lifestyle preferences, contribute to the demand for diverse housing options.

2. Warehousing and Logistics

The warehouse and logistics sectors in India are seeing swift expansion, propelled by increasing domestic consumption and the growth of organised retail. The necessity for sophisticated storage solutions has been increasingly apparent in the post-pandemic period, as supply chain resilience has emerged as a focal point. The nation's real estate market is anticipated to attain a worth of USD 1.04 trillion by 2029, exhibiting a remarkable compound annual growth rate (CAGR) of 25.6%. In 2023, private equity investments increased to USD 4.2 billion, rising from USD 3.4 billion in 2022. Furthermore, foreign institutional investors invested USD 26.6 billion from 2017 to 2022. The construction sector garnered USD 60.53 billion in foreign direct investment (FDI) from April 2000 to March 2024. The housing industry is anticipated to be crucial in facilitating this growth, propelling the real estate market towards its estimated valuation by 2029. The substantial CAGR of 25.6% indicates considerable growth across multiple market categories. Cities such as Bangalore, Delhi (NCR), Coimbatore, and Hyderabad have emerged as premier investment locales owing to their robust growth potential, continually attracting interest from both domestic and foreign real estate investors. Nonetheless, despite the favourable returns, investing in India's real estate business has various risks. It is imperative to navigate the market judiciously and remain cognisant of the principal challenges that may affect profitability. Let us examine these difficulties in depth.

CONCLUSION

The introduction of RERA has revolutionized India's real estate industry by instilling greater transparency, accountability, and efficiency. Homebuyers now have access to detailed project information, enabling informed decision-making and ensuring protection against fraudulent practices. Developers are required to adhere to stringent regulations, including the timely completion of projects and financial accountability through escrow accounts, reducing instances of stalled projects. Furthermore, standardized sales agreements have balanced the interests of both buyers and developers, fostering trust and reducing conflicts.

The act has also encouraged investment in the real estate sector by providing a regulated environment that attracts both domestic and international investors. With a strong focus on project completion timelines, legal protections, and quality assurance, RERA has contributed to the overall growth and sustainability of the market. Additionally, the integration of Jantri rates has helped streamline property valuations and pricing transparency across regions.

However, challenges remain in ensuring the uniform implementation of RERA across all states. Many buyers and developers are still unaware of their rights and responsibilities under the Act, necessitating widespread awareness campaigns. The grievance redressal mechanism, while effective, can be further refined to expedite dispute resolution and enhance consumer confidence.

Moving forward, a more stringent enforcement strategy, coupled with digital initiatives for transparency, will enhance RERA's effectiveness. Efforts to streamline compliance processes and educate stakeholders will play a crucial role in maximizing the Act's benefits. Ultimately, RERA stands as a landmark legislation that continues to shape India's real estate landscape, ensuring fair practices, consumer protection, and sustainable sectoral growth.