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FICCI

One year of RERA: Where the industry stands

August 2018



Contents

Section	Page
Foreword from FICCI	04
Foreword from Grant Thornton in India	05
One year of RERA - The national footprint	06
Rajasthan real estate market overview	
Key market trends	09
Rajasthan RERA – Journey so far	10
Status of Housing for All by 2022	11
Managing RERA compliance: How Grant Thornton in India can help	12
Insights for real estate leaders in India	13
About FICCI	14
About Grant Thornton in India	15

Foreword from FICCI

Housing for All by 2022 and impetus on affordable housing would drive the next wave of growth.



The real estate sector is of vital importance looking at its employment potential and impact on many allied sectors and is therefore an indicator of economic growth and progress.

The union government and states have brought in various policy initiatives in the past few years in order to stimulate the sector with emphasis on transparency, inclusion and making it more organised.

Initiatives like Pradhan Mantri Awas Yojana (PMAY)-Housing for All (Urban), Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Smart Cities Mission, Infrastructure status for affordable housing, Real Estate (Regulation and Development) Act 2016 (RERA), Benami Transactions Act, Real Estate Investment Trust (REITs) and easing of FDI norms would lead to sustainable development of the real estate sector.

Housing for All by 2022 and impetus on affordable housing would drive the next wave of growth. The attempt is to address the housing requirement of urban poor through private sector participation, credit-linked subsidy scheme in partnership with public and private sectors and subsidy for beneficiary-led individual house construction/enhancement.

This report, released at the Rajasthan Realty Conclave on 10 August 2018, will set the tone of deliberations and enrich the discussions at the Conclave.

I hope that the report would be useful for all the stakeholders and would provide meaningful insights into the status and way forward for the development of the sector.

Ashok Kajaria
Chairman
FICCI Rajasthan State Council

Foreword from Grant Thornton in India

RERA authorities in various states are already gearing up to take charge of real estate in their respective states with over 31,500 projects already registered.



The real estate sector is in a stage of transformation with RERA and GST getting stabilised. It is moving into an era of transparency and a customer-friendly and simplified tax regime. RERA authorities in various states are already gearing up to take charge of real estate in their respective states with over 31,500 projects already registered. However, this may not be the complete picture and the regulators need to be more stringent to ensure complete compliance by developers. Various prominent cities in Rajasthan, such as Jaipur, Jodhpur, Udaipur and Ajmer, with urban and semi-uran population, hold potential for affordable housing. The government's push through various incentives around affordable housing can create significant demand in the micro markets of Jaipur and other adjoining cities.

This thought leadership publication brings out the status of RERA, along with some key data points, for Rajasthan and the rest of the country, along with progress of the Housing for All mission. We hope you find the information useful for understanding the sector better.

Neeraj Sharma
Director
Grant Thornton Advisory Private Limited

One year of RERA - The national footprint

The prime objective of RERA, which came into force on 1 May 2017, is to bring in much-needed transparency into the sector and to address the grievances of customers due to delays in project completion. Various rules and regulations were enforced to protect the interest of all parties and stimulate the confidence of investors with timely delivery of projects.

However, results so have not been prodigious and thus the Central Government has set up a 30-member Central Advisory Council (CAC) to advise on matters regarding RERA implementation across the nation.

Below is the snapshot of RERA implementation across states in the past one year.

RERA national statistics

24
States and UTs notified RERA rules (8 pending)

6
Permanent RERA regulators appointed and 17 interim RERA regulator appointed

25,000+
Real estate developers registered

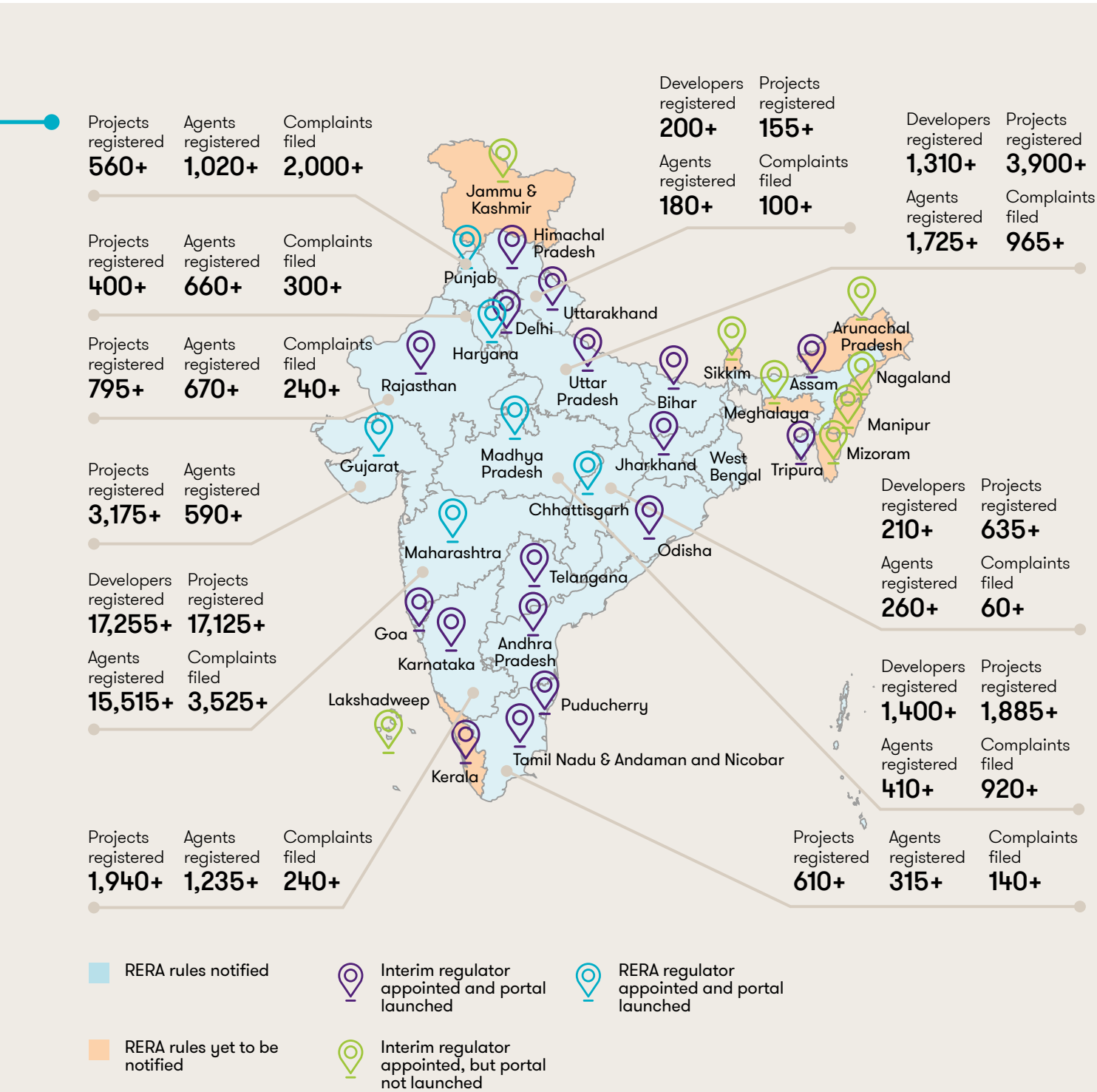
31,500+
Real estate projects registered

23,000+
Real estate agents registered

9,700+
Complaints filed

18
States where RERA portal/ website has gone live

Nationwide over 31,000 projects are registered under RERA, of which 54% alone are from Maharashtra.



Source: Housing and Urban Affairs Ministry, state RERA websites and secondary resources accessed on 25 July 2018



Rajasthan real estate market overview

Key market trends

Rajasthan is the largest and the 8th most populous state of India. With increasing population, the demand for residential properties in the state is on the rise as well. Majority of the urban population resides in cities like Jaipur, Bikaner, Ajmer, Alwar, Udaipur, Jodhpur and Jaisalmer. Many investors prefer these micro markets because of reasons like fair pricing and presence of famous tourist destinations. These markets have also attracted many real estate developers from across the country because of low stamp duty rates, low construction cost, positive political scenario, positioning as tourism hubs and nearness to the millennium city (Gurgaon), Delhi and the international airport among others.

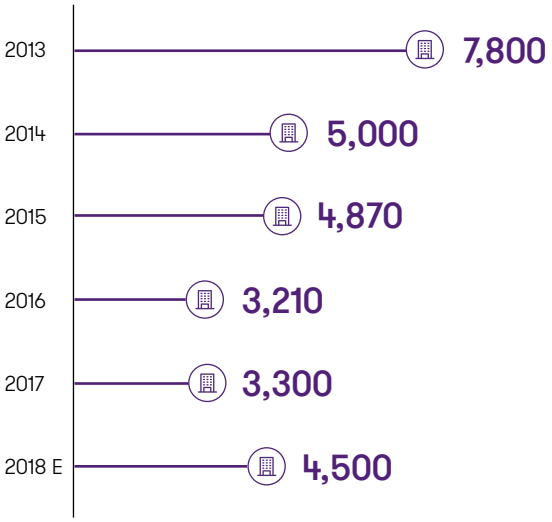
Jaipur: A potential real estate market destination

The pink city of India, Jaipur, has witnessed a growth phase in recent times in which industrial companies have played a vital role in generating commercial real estate demand, followed by education related firms, PSU and private sector banks, IT firms and capital goods firms. This growth is also attributed to the various significant infrastructure developments like Jaipur Metro (9.25 km corridor from Chandpole to Mansarovar), Ring Road to decongest the city traffic (47 km), elevated road network, and the presence of the largest start-up centre (Bhamashah Techno Hub), which has a seating capacity of 700 and is available to entrepreneurs and start-ups free of change. The city has also been shortlisted as part of the Smart Cities Mission for overall urban modernisation.

On the residential side, new regulations like RERA and demonetisation have shrunk the residential demand by 30% in the last two years; however, due to low ticket size it still remains an affordable investment option in comparison to NCR micro markets. Land values across the micro markets of Jaipur remained largely downcast; however, a few markets saw transactions, resulting in an increase in land values by 3% on a yearly basis. Most of the micro markets witnessed a decline in average capital values to the tune of 10%-15%

In 2018, we expect Rajasthan Real Estate Regulation Act (Raj-RERA) reforms to bode well for Jaipur and key residential cities. We also expect that the incentives for affordable housing will certainly bring about a big change in 2018 as majority of the developers have shown proclivity to diversify into affordable housing segment.

New launches (units)



Source: Grant Thornton in India Research

Residential average capital values

Micro markets	INR/SF*
Jagatpura	2,500 - 3,500
Patrakar Colony	3,500 - 4,000
Ajmer Road	2,500 - 3,500
Tonk Road	2,500 - 3,200
Vaishali Nagar	3,000 - 6,000
Durgapura	5,000 - 5,500
Kalwar Road	2,500 - 3,300
MNW Road	3,000 - 3,200
Sirsi Road	3,000 - 3,500

* Indicative prices
Source: Grant Thornton in India research

Rajasthan RERA – Journey so far

Rajasthan was the third state to enact RERA after Maharashtra and Madhya Pradesh. Major rules are in line with the central RERA rules like definition of ongoing projects, payment schedule and norms for escrow withdrawal, but penalties for non-compliance have been diluted and and there is no clarity on number of years (timeframe) for the clause of structural defects, where the developer needs to rectify such defects without any extra cost/charge. Below is the journey of Raj-RERA in the last one year.

Appointment of Interim Raj-RERA Regulator (Additional Chief Secretary (ACS) of Urban Development and Housing (UDH) Department

17 Feb 2017

Raj-RERA Rules approved; RERA notified and enacted

1 May 2017

Appointment of Food Safety Appellate Tribunal as the Real Estate Appellate Tribunal

15 May 2017

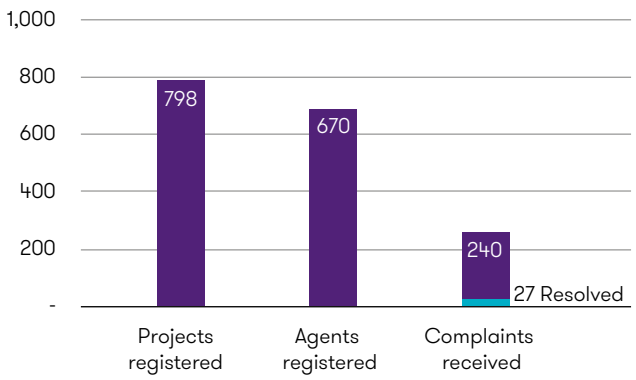
Raj-RERA portal goes live

1 June 2017

Raj-RERA status

25 July 2018

Raj-RERA is gearing up fast with over 795+ projects registered, as compared to other states across India.



Source: Raj-RERA, accessed on 25 July 2018

Status of Housing for All by 2022

With the housing shortage in India (urban areas) increasing to over 10 million units, the government introduced the Housing for All mission. As part of the scheme, central and state agencies will provide housing to all eligible beneficiaries by 2022. Implementation strategy was built on 'in situ' slum redevelopment, affordable housing through CLSS (Credit Linked Subsidy Scheme), affordable housing via PPP, and subsidy for beneficiary-led individual house construction. However, despite a suitable plan, the mission has achieved a success rate of only 8% (3 lakh of the 40.6 lakh houses built).

To revive these number, in 2018 the government has further introduced certain policy-level measures like industry status to affordable housing, as a result of which there will be no capping on banks lending to it, and reduction of GST to 8% under CLSS. Also, to boost affordable housing the government has increased the carpet area of eligible houses under CLSS MIG category; MIG I from 'up to 120 square metre' to be increased to 'up to 160 square metre' and, in respect of MIG II from 'up to 150 square metre' to 'up to 200 square metre'. The following is the current status of CLSS across India (till June 2018). The number of beneficiaries in the EWS/LIG category is over 1.3 lakh (subsidy amount INR 2,890.5 cr) and in the MIG category is over 35,000 (subsidy amount INR 736.79 cr) till June 2018. Looking at the continuous efforts of each stakeholder towards improving the status of the sector, we believe any negativity associated with the sector will disappear soon.

Number of houses sanctioned under PMAY (Urban) in lakh

2015	2016	2017	2018
14.23	52.07	131.05	53.74

CLSS status: Number of beneficiaries and subsidy amount (INR crore)

2015		2016		2017		2018	
5,835	99	22,607	424	112,449	2,482	27,526	622.74

CLSS-EWS/LIG/MIG (Persons)

CLSS-EWS/LIG/MIG (Subsidy amount)

Source: Ministry of Housing and Urban Affairs website, accessed on 25 July 2018

Managing RERA compliance: How Grant Thornton in India can help

RERA is a game changer for the companies in the real estate sector, bringing in transparency and customer focus



In addition to creating a robust compliance framework for RERA, our service offerings are aimed at providing a comprehensive solution to the real estate companies, starting from pre-registration stage to overall project lifecycle.

Top 4 reasons why RERA compliance is necessary:

- Multiplicity of information and compliance needs
- Challenges in an organisation related to RERA awareness and processes
- Increase in credibility and customer focus
- An ever-evolving legal environment

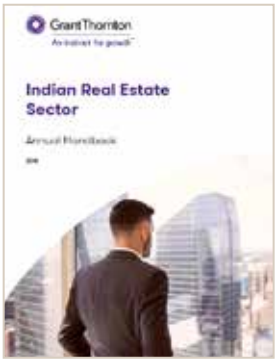
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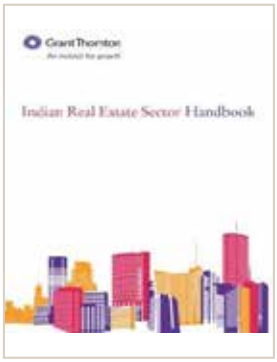
Insights for real estate leaders in India

Grant Thornton in India strives to speak out on matters that relate to the success and sustenance of your business. Through our publications, we seek to share our knowledge derived from our expertise and experience. The firm publishes a variety of monthly and quarterly publications designed to keep dynamic business leaders apprised of issues affecting their companies.

Indian Real Estate Sector: Annual Handbook

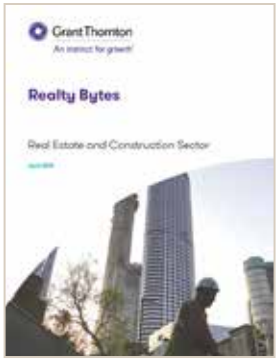


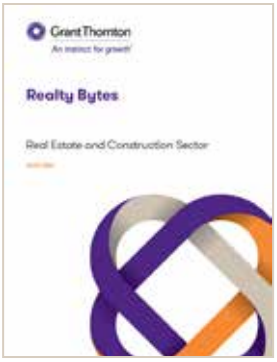


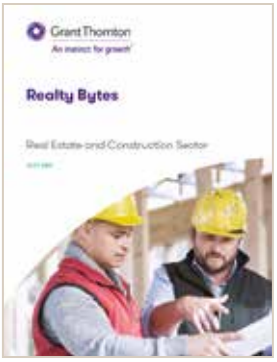




Realty Bytes: Quarterly publication on key developments in the real estate sector





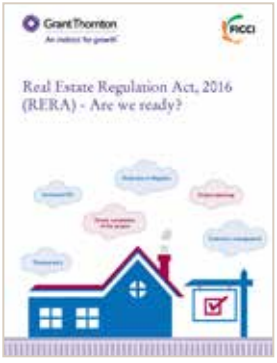


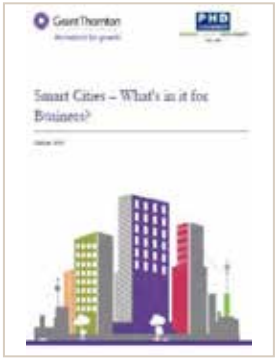


Other publications









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Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

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