

REALTY YEAR

5 things that will reshape sector in 2017

Take a dekko into five policy initiatives that will reshape the face of the real estate sector in Year 2017



investing in the real estate sector.”

Goods and Services Tax: GST is the single-largest taxation reform in modern India; it is aimed at doing away with geographical barriers for businesses by mitigating differences in indirect taxes applicable across various states. The initial deadline for its implementation—April 1, 2017—will most likely be missed though, with most states on board, it will almost certainly kick in by September 8, 2017.

“Clarity on tax credit for real estate transactions and allowing input credit could bring about a reduction in home prices. Clarity on the applicable GST rate for the real estate sector is expected in the next year,” Anuj Puri, chairman and country head, JLL India, said.

Benami Transactions Act: The Benami Transactions Act will curb black money flow into real estate and also render holding of property under fictitious names a punishable offence. Budget 2015-16 further announced imposition of a heavy penalty on property transactions carried out in cash. This amendment makes it next to impossible to park unaccounted monies in real estate.

Real Estate Investment Trusts (REITs): An important development in the real estate sector, REITs will help smaller investors invest in ‘Grade A’ commercial real estate across India. “India’s first REIT listing could happen within the next one year. Currently, around 229 million sq ft of office space can be seen as REIT-compliant. If even 50% of this were to get listed, we are looking at a total REITs listing worth \$18.5 billion,” a JLL India report said.

Demonetization: After the Modi government’s demonetization drive, transactions in the real estate sector have virtually dried up, particularly in the land and capital raising business.

Residential sales’ enquiries have also dropped, and prices in secondary markets are softening. However—“It seems to be a short-term problem—particularly for commercial transactions, land deals, hospitality and retail. We are hopeful that combined with RERA, demonetization is bound to curb inconsistencies and unfair trade practices and will professionalize the sector in the long run, apart from helping reputed builders,” Atul Banshal, president (finance and accounts) of M3M Group, said.

Thus, from the policy reforms perspective, 2016 was a big year for the Indian real estate sector. “Policy reforms like RERA, Benami Transactions Act, REITs, GST, and demonetization have considerable potential to change the way real estate sector works. The reforms are set to bring in transparency and build a robust ecosystem. Apart from being a definite advantage to responsible developers, they will be a game changer for the sector,” Ravish Kapoor, director of Elan Group, said.

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—Mamta Sinha



FAST FACTS

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Year 2016 failed to bring cheer to the real estate sector, be it in terms of sales or new launches, but, it was a ground-breaking period for the sector, especially on the policy front, unprecedented in scope, scale, and number.

Some of most crucial policy initiatives by the government, GST and RERA for instance, are harbingers of transparency and credibility which will put real estate on a par with the professionally run corporate sectors. Here are five policy initiatives that will reshape the face of the real estate sector in 2017:

RERA: The enactment of the Real Estate (Regulation and Development) Act, 2016, was an unequivocal victory for the Indian real estate sector. This act mandates every state and Union territory to establish a Real

Estate Regulatory Authority (RERA) to oversee the sector in their respective territories.

The Centre has formulated a set of model rules and procedures and the Union territories as well as two states, UP and Gujarat, have already implemented it. This major pro-consumer law will bring transparency to the sector like never before, while ensuring a level-playing field for developers and buyers.

Ssumit Berry, managing director of BDI Group, says: “RERA was adopted by only a handful of states and UTs, which have notified the rules. But, in 2017, we hope to see RERA operating in every state. We are confident that after the implementation of this act, builders will have more opportunity in

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