

# Big Bang reforms in 2017- yet a long way to go: Surendra Hiranandani, CMD, House of Hiranandani

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20 December 2017, 6:23 PM IST



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The year 2017 will surely be remembered as a year of Big Bang reforms for the real estate sector. The implementation of significant policies has brought about a massive change in the tax, regulatory and business environment in India.

Post demonetization, the introduction of RERA and GST structurally impacted trade, commerce and business in the economy. These reforms did however improve the transparency and accountability in the sector, thereby catching the attention of institutional investors who are now looking at Indian real estate with renewed vigor. The improvement in rankings in ease of doing business, Moody's positive upgrade on India, better GDP rate and higher investments in the real estate sector are some of the positives of the reforms.

The various incentives announced by the government to promote affordable housing will certainly have a positive impact on the sector. Subsidized home loans, introducing PPP (Public Private Partnership) models to promote private investments, granting infrastructure status and hike in carpet areas will help buyers find their dream homes.

While we congratulate the government for these achievements, there are many more areas where reforms are eagerly awaited which will boost confidence amongst buyers and have a positive impact on the economy.

We hope to see much awaited legal reforms happening in the sector. The concept of Title Insurance is yet to be introduced in India which will safeguard the interests of the buyers. Unscrupulous elements have made a thriving and growing business to raise contorted frivolous issues and obtain ex parte stay orders from the Courts so that they can extort monies from developers. Lifting these stay orders take months and stall the project. We hope that such stay orders will not be granted in future by the Courts with the implementation of RERA thereby allowing Title Insurance to be established in India.

It must be noted that while the Ease of doing Business ranking has improved to 100, India is still ranked at 181 out of 190 countries in the Ease of obtaining Construction Permits. We are in the same league as war torn countries where institutions have collapsed. This is one area where the Government could easily implement rapid reforms. It can only be achieved by deregulation. We have all seen how deregulation in different sectors have benefited all stakeholders and the customer. Entrepreneurial energies are currently wasted in a process which is among the most exhausting in the world.

Our real estate industry bodies have been communicating with the government on the same and some recommendations are being considered seriously while others remain "work in progress". It is extremely important to deregulate and not over regulate the sector, provide faster approvals and clearance which will boost productivity in the future.

The coming year will see consolidation in the real estate sector as larger players will peak in strength and smaller ones will be eroded or will align with the established ones. Owing to stringent RERA norms, it is clear that only credible developers who conduct their business with transparency will survive in the future and will be able to navigate the roadmap. This is good from a buyers perspective as one is assured of quality product within stipulated timelines.

The recent trend in the decline of new project launches imply that the supply in the market will gradually find some equilibrium with demand, and prices will subsequently start picking up pace gradually. In case "buying a house" features in your New Year resolutions, the current environment presents a very good opportunity to take the plunge as attractive offers are available and interest rates are at their lowest levels. We certainly hope these factors lead to more fence-sitters spring into action in 2018.

Notwithstanding the economic disruption, commercial real estate market remained robust in 2017. The office leasing market will continue to remain healthy in 2018 and beyond, reflecting strong employment growth. We expect REIT's to be launched in India in the coming year which will provide investment opportunities to smaller investors and private equity players, who are now gearing up to expand their retail portfolio across Indian cities.

Co-working spaces are also expected to see a spike in demand in the coming years as they are becoming platforms for collaboration, exchange of ideas and higher networking opportunities.

The long term prospects continue to remain positive for the sector. As per syndicated reports, the potential employment opportunity in the real estate sector is expected to increase by more than 80% by 2025. The share of the real estate sector in India's

GDP is expected to double by 2025. The annual real estate supply in India is also expected to increase from about 3.6 billion sq. ft. in 2013 to about 8.2 billion sq. ft. in 2025. Not only will this result in an increase in job opportunities, but it will also have a cascading effect on various ancillary industries which are dependent on the real estate industry.

Increasing urbanization and the expanding urban fabric of tier II and tier III cities in the country will be the prime drivers for the growth of real estate in the future.



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