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# Should home buyers safely consider under construction properties in RERA regime?

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#India #Magicbricks' propindex #Real estate #Rera #Under-construction



Under construction houses have been historically attractive to buyers as there is bargaining power available to the purchaser and returns are higher due to the higher implicit risks. More to the point, it is the only choice for a large base of customers who are hard on cash.

In a market where sellers are sticking to their price and there is little evidence of any major price correction in the secondary or resale market happening according to statistics by Magicbricks' PropIndex for Jan-March 2017, a major chunk of consumers would want to opt for UC properties.

But the overall realty market scenario is pathetic.

All major under construction properties markets NCR, Gurgaon, Noida are laden with problems of unsold inventory and project delays.

RERA supposedly will reign in a systematic approach and will safeguard the interests of the buyers, the Central laws stipulate.

In this new realty scenario, should buyers wait for some time longer for RERA to kick in 'in earnest' or buy right away?

There is lack of clarity. For instance, it is not clear whether RERA applies to under-construction units as well. The central rules state that these would apply to under-construction units while state rules say otherwise. But, can existing projects comply with retrospective legislation? Questions Surendra Hiranandani, Chairman & Managing Director, House of Hiranandani.

As of the latest circular, developers are permitted to continue marketing their under-construction projects until the end of July. This provides a three-month window period for them to register their projects under RERA. In such a scenario, buyers are advised to only patronise developers with projects in established locations and who are actively pursuing the registration of their projects under RERA, says Kishor Pate, CMD - Amit Enterprises Housing Pate advises customers that it is a good idea to visit developers' websites and see if they are actively pursuing RERA compliance.  
Ltd.

He cautions that with RERA in action, only builders with the right financial bandwidth and existing reputation and strength will be able to achieve this.

Upon implementation of RERA, projects registered on the website will be good choices to buy. With RERA, buyers will get a more transparent property search, sourcing and purchase experience says Anuj Puri, Chairman – JLLR (JLL Residential). Transparent pricing, swifter redressal mechanism and more accountability from developers and brokers will definitely create a consumer-friendly environment.

But Under construction properties carry risk for both the end users and the investors as they are exposed to irregular permissions and certain delays due to the developers' financial instability, points out Amit Wadhvani, Director, Sai Estate Consultants. With RERA coming into play the developers will have to deposit a large chunk of money for the projects, with more than 70% of the amount to ensure that the consumers get possessions on time. With RERA, the consumers will be ensured of possessions on time failing to which they can file a case against the developer.

Buyers assume that RERA will ensure timely delivery which is not a right expectation from RERA. Although the inclusion of under-construction projects under the purview of RERA is a good move.

A purchaser should buy an under construction house after understanding the pros and cons of such a decision. RERA itself may affect projects due to a chain of activities or delays that may set in. This is because project sales will be affected due to the requirement for developers to register projects, and brokers to register themselves before marketing, advertising or selling a project. With such affected sales, there could be possibilities of construction getting delayed or stretched in the absence of a steady and assured stream of alternate capital cautions Tejas Patil, Head of Real Estate Services, Sanctum Wealth Management.

In case of project delays, purchasers are protected through compensation receivable from the developer till completion or return of capital invested with the approved return as per the sale agreement, says Patil.

In case of any delivery lapse now, the consumer can approach to the appellate tribunal for legal recourse and faster resolution. However, the fate of already delayed project due to willful default and financial stress is still doubtful. The clarity is needed if the penalty will be applicable for delays that has already taken place before RERA says Surabhi Arora, Senior Associate Director, Research, Colliers International India.

RERA laws intend to give consumers a sense of security. But if buyers have to do their due diligence and choosing the right project/developer remains the key consideration, it will be wiser and safer to avoid under construction property till RERA rules are tested and tried out.

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