

ISSUES AND CHALLENGES OF REAL ESTATE SECTOR WITH SPECIAL REFERENCE TO HOUSING: A CASE STUDY OF URBAN INDIA

Rashmi Rani Anand

Assistant Professor, Shaheed Bhagat Singh College, University of Delhi, New Delhi
Email: rashmiranianandjnu@gmail.com

How to cite this paper:

Anand, Rashmi Rani (2022)
Issues and Challenges of Real Estate Sector with special reference to Housing: A Case Study of Urban India, Journal of Global Resources, Vol. 08 (02)

DOI:

10.46587/JGR.2022.v08i02.008

Received: 29 April 2022

Reviewed: 18 May 2022

Revised: 11 June 2022

Final Accepted: 25 June 2022



Freely available Online

www.isdesr.org

Abstract: Real estate sector has its close associations with the corporate world and is known for developmental activities related to housing, retail, hospitality, and commercial. The scenario of real estate is different in developed and developing countries in terms of availability of land, land-related laws, economic conditions, demography, etc. Real estate growth is affected by factors both acting within the country and those prevailing at the global level. In India, real estate growth is taking place at a much faster pace due to the expansion of the information technology (IT) sector, multi-national companies (MNC), and corporate firms. In addition, flexible loan schemes and improved income levels of people have made them invest more in the housing sector. But delay in possession, inadequate infrastructure, and inefficient and compromised results leave urban dwellers dissatisfied. The present paper discusses issues and challenges of the real estate sector with special reference to housing. The study also analyses the growth of the real estate sector in the light of major metropolitan regions of India.

Key words: Real Estate, Urban, Urban Dwellers

Introduction

The real estate sector has a well-established name and reputation across the globe. This sector was facilitated by globalization, urbanization, liberalization and these collectively made real estate a sector giving employment to the huge number of urban dwellers. In India, real estate emerged as the second major sector followed by agriculture, and is expected to rise by 30 percent in near future. In the context of India, the real estate sector shows a 'rising graph' as a whole but in reality, this sector has experienced 'crest and trough' during the past few decades. The increased 'income-earning opportunities' coupled with flexible financial loan schemes led to the migration of people towards major metropolitan cities (Delhi, Mumbai, Kolkata, etc.) which in return resulted in a boom in housing demand. Consequently, several small players 'mushroomed' and started dominating the real estate sector. The real estate sector in India is gaining pace after 2015 and it has been estimated that it will grow from US \$12 billion to US \$14 billion in near future. This can be attributed to the construction sector (specifically housing), private players in the housing sector, and governmental schemes like JNNURM attracting domestic and foreign players to invest (Christopher Crowe et.al., 2012). Moreover, real estate giants have played a major role through their mutual associations in the expansion of real estate in Tier-I cities, Tier-II cities, and Tier -III cities of different States in India. Several financial schemes and glorified advertisements are used as tools to lure urban dwellers to book their dream homes in various housing projects under real estate development. Though the delay in possession and inefficient and inadequate infrastructure are some issues faced by urban dwellers at the time of delivery of their dream homes. The Indian real estate market specifically the housing sector needs urgent attention towards transparency in possession-related issues. Moreover, improper and compromised houses are delivered at the time of possession (Karsten Lieser, 2011) leaving the customers frustrated and discontent.

The present study makes an attempt to analyze the past, present, and future prospects of the real estate sector with special reference to housing in India. In addition to this, the study also discusses issues and challenges faced by urban dwellers in real estate housing.

Table 1 Terms used in the study and their definitions

Terms	Description
Real estate	It is real property that consists of land and improvements, which include buildings.
Unorganized market	The unorganized sector of the money market is largely made up of indigenous bankers, money lenders, traders, commission agents, etc. Some of whom combine money lending with trade and other activities.
NRI	Overseas Indian, officially known as Non-Resident Indians (NRI) are people of Indian birth or ancestry who live outside the Republic of India.
PIO	Synonym for NRI
BPO	It means 'business process outsourcing' and refers to when companies outsource business processes to a third-party company.
FDI	Foreign direct investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country.

Source: Compiled by author

Features of Indian Real Estate Housing

In India, the real estate sector generates huge revenue and is owned by private players. Although the sector is a profit-making industry but characterized by an under-regulated, unorganized market with improper management. With the advent of Foreign Direct Investment (FDI) in the real estate sector, consultants, developers, and construction companies show changes in terms of related aspects. Not only this, but Indian real estate housing is also open

for Non-Residential Indians (NRI) and Persons of Indian origin (PIO) to invest and make monetary benefits vis-a-vis remaining in bond with their motherland. The NRI and PIO invest in real estate as an element of lifestyle and splurge on luxurious apartments with beautiful commercial complexes and extraordinary retail ventures. Apart from NRI and PIO, people of different countries have started relocating themselves to India. The major demand in Indian real estate comes from housing, market places, office places, multi-national firms, and BPOs. The other demand can be seen coming from the information technology sector and miscellaneous fields.

Real Estate - Past, Present, and Future Prospects

Real estate housing meets the demand of urban dwellers with good monthly income and who wish to own a quality house with improved living standards along with a safe and secure living environment. Though real estate housing has gained full momentum in nations like India, it is a whole new idea to meet the housing demand of ever-increasing demographic pressure in urban centers like Delhi, Mumbai, and Chennai. But Indian scenario is characterized by socio-economic complexities with a higher level of consciousness prevailing in people before investing in real-estate projects (Christopher et.al. 2011). Until 2004, no Foreign Direct Investment (FDI) was allowed in India, but after that, the Indian real estate sector had seen a great boom for a number of years i.e. from 2006 to 2013. Likewise, the tendency of Indian urban dwellers to showcase their materialistic possessions and quality of life also helped in the flourishing of the real estate sector. The involvement of financial assistance provided by banks and financial institutions has further fueled the growth. The real estate companies gained momentum in major metropolitan cities of India. The increased income levels and flexible financial assistance made middle-class urban dwellers own houses/offices/shops as part of real estate. Moreover, the middle class (both lower and upper) got an opportunity to invest in the real estate sector.

Lastly, real estate housing started providing people with advanced level infrastructure which lured urban dwellers to invest in real estate housing. Real estate housing experienced a downfall after the year 2013. Though the Indian real estate housing business had great scope coupled with a huge capacity to add to country's economic development prevailing socioeconomic complexities and improper management by real estate housing people led to its downfall (Ramprakash Kona et.al., 2016). But due to ever-increasing demographic pressure in the top eight cities viz. Delhi, Mumbai, Chennai, Kolkata, Jaipur, Chandigarh, Gurugram, and Hyderabad's chances are still bright to recover. A major setback came from the slowing down of sales of homes due to one or other reasons. Sales of homes came down by 20 percent during the year 2015. Likewise, construction work of new homes came down by 40-45 percent in all major cities of India. The sales in cities like Bangalore and Delhi were severely shattered during 2015. In Delhi, sales came down by 80 percent during 2014-15 (Basu, 2014). In statistical figures, the mark of 60,000 new homes came down to 11,000 during 2015. There were several reasons for the downfall of real estate housing. The major reasons were high-interest rates on housing loans which caused people to go into unwanted debt, delay in possessions of houses by real estate developers. The entire process is time-consuming and involves complicated agreements and other formalities.

The constant decline of the Indian Rupee against US Dollar led to decline in profitability of the real estate players. The grievances expressed in newspaper articles by buyers suggests that builders compromised the quality of houses in order to deliver more houses in a short span of time. Things were further complicated by legal proceedings against real estate developers and absence of national real estate policy/regulatory bill led to ambiguity.

The future prospects show that pressure related to population and development still opens the door for real estate housing in India. Proper institutionalization and management can result in positive outcomes. The rising demand for housing will make the real estate housing sector cross mark of US \$108 billion in near future. The assessment of choices and preferences of urban dwellers show that the sector will grow immensely in the near future and major demand will be for mid-segmented properties like 2 BHK homes.

Issues and Challenges faced by Urban Dwellers in Real Estate Housing

Urban dwellers face the following issues and challenges related to real estate housing -

- Delay in possessions - Urban dwellers invest a huge amount in order to own their dream home but their hopes get shattered when timely possessions are delayed due to one or other reasons. Sometimes lengthy processes related to agreement and approval consume time and in other cases, legal proceedings against builders halt the process of real estate housing.
- Inadequate infrastructure - The hurried process to deliver a maximum number of homes in a short span of time results in the delivery of homes with compromised quality and inadequate infrastructure. This type of performance by real estate developers' shatters expectations and inculcates distrust among urban dwellers. On a general note promises made in glamorous advertisements are not fulfilled at the time of delivery which leaves urban dwellers disappointed.
- Transportation problems - Problem of 'first mile' and 'last mile' poses transportation problems in almost all new real estate projects. This transportation problem also poses security and safety concerns among urban dwellers residing in real estate housing.
- Neighboring environment – The surrounding of any real estate development project attracts urban dwellers to come and invest in such projects. But with the passage of time, the real estate development project is surrounded by Juggi Jhopri clusters and shanty settlements. This makes urban dwellers lose interest and faith in real estate housing.
- Improper flow of information - Urban dwellers are misguided by improper flow of information and miscommunication with builders/property owners which lands them in disappointment at the time of possession.
- Unnecessary diversions - 'Mushrooming' of real estate developers specifically small players with limited or no financial resources result in dubious project launches. Such things have created a great deal of confusion among urban dwellers.

Real Estate Housing and Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) allows people from other countries to invest in our country. The limit set up by the Government of India (GOI) for Foreign Direct Investment was 51 percent in multi-brand retail. This was welcomed by both real estate developers and the retail sector. FDI investment by foreign players opened up immense opportunities both on the domestic and foreign front. Previously real estate housing was suffering from issues like lack of infrastructure, and capital investment which were resolved by FDI. As per experts, FDI acts as a catalyst to the growth in the real estate housing, and in long run, all associated sectors and players will get benefited. FDI also injected transparency and fueled the demand and supply process. With increasing competition, initially, experts thought that it will boost the economic benefits of real estate development. The government's decision to allow 51 percent foreign direct investment (FDI) in multi-brand retail was welcomed by all. Experts were of the view that the real estate sector will facilitate the process of urbanization by injecting the growth of malls, the housing sector, and other related sectors. In addition to this, it will also solve the problem of defaulters who are under the heavy burden of debt. Investment by foreign players will facilitate the domestic players to maintain the process at the front end and back end. Retail store spaces will flourish in the front end while housing sectors can be treated well in the back end.

Real Estate (Regulation and Development) Bill, 2016

The Real Estate (Regulation and Development) Bill, 2016 was an attempt to organize and induce proper management in the real estate sector by establishing a regulatory authority to keep an eye on real estate developers. The bill focused on making real estate developers accountable for their methods, delays in possession, and ensuring that houses/apartments/buildings delivered are up to mark and meeting national and international standards. The bill also has a provision to establish a judicial body to look over the petitions as per the instructions of the regulatory authority. The bill is an attempt to create a win-win situation for all without compromising the interests of urban dwellers.

The bill keeps 'residential' and commercial real estate in the core and takes care to maintain the faith of buyers in real estate housing by protecting their interests and resolving their disputes in a quick and efficient manner. It induces accountability, institutionalization, and liability in real estate housing. Formulation of regulatory authority in each state to monitor the real estate housing sector and to keep a check on mediators who try to sell land/houses/apartments in an illegal manner. Bill makes registration of all projects by real estate developers compulsory. The bill contains several provisions in order to ensure transparency. These provisions include revelations of details of projects like advertisement strategy, developmental framework, ecological impact, etc. in front of concerned authorities and also in the public domain. These aspects also cover details related to property, investment in developing property, and also time to time track on the development of the property. In addition to this, environmental aspects, ecological footprint, impact on the surrounding environment, and green building norms were also covered under the bill. The bill also keeps consumers in focus. It talks about provisions like refund and repayment of capital in case of failure of project or unnecessary delay in the project. It also encompasses provisions related to people involved in various jobs like designing process, sale-purchase brokers, architects, etc.

Constructors will now be required to deposit at least 70% of the sale proceeds, including land costs, in a separate bond account to cover construction costs. This is to prevent developers from squandering funds obtained from clients. Developers are prohibited from changing plans, structural blueprints, or the condition of a plot, home, or structure without the permission of two-thirds of consumers following disclosure under this bill. On an architectural and engineering basis, however, minor additions or alterations are permitted. Real estate mediators must sell assets that are registered with the governing real estate authority under the bill. They must also keep account books, documentation, and certificates, and they are prohibited from engaging in any unethical business practices. The law establishes the right of customers to get a project's phase-by-phase schedule and claim ownership based on the promoter's declaration. In the event that the promoter defaults, the customer is also entitled to compensation with interest and reimbursement. Customers, for their part, must reimburse and fulfil their contractual obligations. According to the bill, the authority must serve as the central agency for organizing real estate development efforts and providing necessary assistance to the appropriate government to ensure the development and encouragement of a transparent, competent, and spirited real estate sector.

The measure also creates a fast-track dispute resolution system through arbitration and the establishment of a specialist real estate matter court. Courts will now have to rule on cases in 60 days, rather than the 90 days previously intended, and regulatory agencies will have to resolve complaints in 60 days. The planned law's punitive provisions include a price of 10% of the project cost for non-registration, as well as reimbursement of an extra 10% of the project cost or three years of custody, or both if the law is still not followed. Payment of 5% of the venture cost will be required if the information is revealed incorrectly or if the confessions and requirements are not followed. The statute gives authorities the power to cancel project

registration in the event of repeated violations and to devise a new plan for completing such projects. The necessity for an official real estate bill to regulate and promote the real estate sector was critical. Over the last three years, buyers have faced numerous challenges. With many projects in the later stages of construction or nearing completion, further clarity on the applicability of key provisions of the law to current projects is required. It is vital to have clear procedures in place to determine if projects that have been approved but not yet started will be guided by the bill. Any violation of the law's provisions carries a monetary penalty.

As a result, clarity in the description of the project/construction cost may aid in avoiding ambiguity at a later stage. There is still a call for an apparent definition of the term 'structural faults' to avoid any vagueness or delusion in the future.

Conclusion

Land, a primary and limited resource, is playing a crucial role in developing real estate housing (both vertically and horizontally). Real estate housing has attained the point of saturation in metropolitan cities and is undergoing a spillover effect. Consequently, housing is experiencing a fast pace of growth in lower-level cities or newly formed metropolitan cities. Indian real estate housing is full of attraction in terms of population scenario and unmet demand. The increased demographic pressure has mounted demand for more and more houses but the slow pace of real estate housing has resulted in a gap in demand and supply. The FDI investments and other governmental schemes will surely help in improving the scenario in long run.

The most important aspect which we need to discuss is the degradation of the urban environment and alteration of the urban landscape. Due to fast pace development urban environment is growing in an unsustainable manner and the landscape is getting dominated by built-up. In such a scenario, issues of urban regions (like urban floods, urban heat island effect, heatwave, etc.) have increased and intensified manifold. Consequently, thermal discomfort is part of urban life which in lieu has increased power consumption to a drastic level. On a whole, we need to check all possible pros and cons of real estate sector development so that the process of urbanization can be brought back on the lines of sustainability.

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