

## MAIL TODAY

# STIMULATING THE SECTOR

**Treating the covid outbreak as a force majeure under RERA and extending the deadline for completion of registered projects by six months is a big move by the government to turn around the depressed scenario of the realty sector**



**E**ver since the imposition of lockdown, economic activities undertook a hit and construction activities also got stalled across the country. Some construction work has now resumed, but faced with migration of labourers, it may take some time for it to gather full steam. In this context, treating the outbreak as a force majeure under RERA and extending the deadline for completion of registered projects by six months without individual applications is a welcome move by the government.

Given the distressed economic environment triggered by the health crisis and the resultant dent in the sentiments of the consumers as well as stakeholders of the sector, the recent announcement made by the finance minister was the need of the hour and has bought some respite in the real estate market.

According to industry experts and stakeholders, the recent series of announcements is a big move and a breather for those who are struggling to pull through the crisis. Niranjan Hiranandani, co-founder and MD, Hiranandani Group & president, ASSOCHAM and NAREDCO explains that the six month extension for RERA registered projects expiring on or after March 25, 2020 with an additional window of three months with the permission of individual state authorities will certainly benefit several developers in a scenario where construction work has come to a complete stand still. This would also prevent them from defaulting on their timelines.

Prashant Solomon, MD, Chintels India and hon. treasurer, CREDITA NCR also applauds the decision of extending registration and completion dates by six months for all registered projects without individual

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applications. "This is likely to boost the sentiments of the developers and help us tackle the issue on a stronger footing," accentuates Solomon. Also puts in Rajiv Gupta, MD, Wave Infratech, "Relaxation in project timelines under RERA has brought a sigh of relief to the developers and has also safeguarded the interest of the homebuyers. It grants breather to the developers for coping up with pending construction work due to the lockdown." The first set of announcements made by the FM adds up to almost ₹6 lakh crore.

The other announcement which is also positive for real estate is the announcement of ₹30,000 crore special liquidity scheme for non-banking finance companies (NBFCs) and home finance companies (HFCs) and micro finance institutions (MFIs). NBFCs and HFCs are major sources of credit for real estate, the impact should be easing of the liquidity crisis, especially for stressed players. Ashok Mohanani, chairman, Ekta World & VP, NAREDCO, Maharashtra points out, "The 30,000 crore special liquidity scheme for NBFCs, HFCs and MFIs will bring in cash flows thereby keeping the business cycle running and bring in some confidence in the consumer in the gloomy market." Applauding the decision, Arjunpreet Singh Sahni, executive director, Solitaire Group says "These steps are highly welcome in view of the current crisis situation faced by the industry due to the Covid-19 impact owing to which the real estate sector is facing supply chain disruptions and struggling





with a shortage of labour at sites. In such a scenario, these announcements will certainly help the industry tide over the current turbulence phase. Further, the provision of Rs 30,000 crore special liquidity scheme to NBFCs and HFCs will also help revive the demand and improve the overall market sentiments."

In second installment of announcements, the government refocuses on affordable housing. Shishir Bajjal, CMD, Knight Frank India is of the view that the announcement has reemphasised on government's agenda of promoting 'affordable housing' and 'housing for all'. "The decision of extending Credit Linked Subsidy Scheme (CLSS) for another year will help demand for the affordable housing sector to inch back as and when the economy starts to revive. This in turn will help the construction sector to restart operations at the earliest possible," says Bajjal. Anshuman Magazine, chairman & CEO - India, South East Asia, Middle East & Africa, CBRE, too emphasises, "For middle-income group, the extension of CLSS upto March 2021 is a positive step and will further strengthen demand in the affordable housing

segment."

Pradeep Aggarwal, founder & chairman, Signature Global Group & chairman - ASSOCHAM national council on real estate, housing and urban development believes that the relief provided to the common man under EPF will also help the affordable segment a great deal. "The buyers of affordable fall in this category and they will be related to get extra money at their disposal. Covid-19 situation has made everyone realise the importance of making safe investments and having a roof on one's head. With extra disposable income, these beneficiaries will go for buying real estate assets," says Aggarwal.

Manju Yagnik, vice chairperson, Nahar Group and vice president, NAREDCO (Maharashtra) points out that 25 per cent reduction in TDS on rent till March 2021 and extension of assessment getting barred from March 2021 to September 2021 would leave more time for homebuyers to plan better financially. Also, the change in classification period in NPAs from 90 days to 180 days would prove beneficial for developer and homebuyers in the current scenario.

Ankush Kaul, president (sales & marketing), Ambience Group points out that any measures directed towards the stimulation of real estate sector will in turn benefit 250 other industries that are directly and indirectly linked to this sector and ultimately help in revival of the economy. This will immensely help development firms and the associated allied industries. For Avneesh Sood, director, Eros Group also the decision is another big step to lift sectors like steel, housing material and construction sector which contributes to increased activity on the supply side. "This initiative is expected to benefit the middle-income group in the form of new job creation and result in enhanced economic activity that would contribute to improvement in the demand side," affirms Sood.

To provide further support to the rental housing segment of the population which does not have the affordability to buy homes, Pankaj Bansal, director, M3M Group suggests that the government should come out with a comprehensive policy framework on rental housing. Developers and corporates should come together to create a large pool of rental housing, backed by financial institutions with the help of an adequate policy framework.

However, some realtors are of the view that there is still the need to address the larger liquidity and cash flows related challenges faced by the developers. Harish Sharma, executive director, REPL feels that real estate sector was expecting for a bigger chunk as the government failed to address the larger liquidity and cashflow challenges. It's important for the FM to grant a waiver or reduction in the interest on term loans and consider the one time roll over of loans such that developers can focus and utilise the funds for completion of projects and repayments can be made back ended.