

Report



Regulation and Development:

A Study of Real Estate Sector in Kerala



An Autonomous Institution of Government of Kerala

**Regulation and Development:
A Study of Real Estate Sector in Kerala**

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PREFACE

Real Estate in India is the major segment of the construction sector and an important source of employment after the agriculture. Apart from its direct contribution to GDP and employment, it generates strong forward and backward linkages on account of thriving sectors derived from it. Kerala is known for a vibrant construction sector and the real estate sector is often considered as a major growth pole of the economy.

However, the sector has been confronted with a number of issues that called for regulated development leading to the enactment of the Real Estate (Regulation & Development) Act, 2016, by the Parliament in March 2016. Within this framework, Government of Kerala established Kerala Real Estate Regulatory Authority (K-RERA) in 2020. Despite working under the pandemic, K-RERA has made its presence felt within a short span of time. Yet, there were a number of issues with serious deficit in our understanding that constrained K-RERA in accomplishing its mandate of facilitating a regulated development of this sector. It is against this background that this study has been initiated at the instance of K-RERA.

It is our hope that the report has made a significant addition to our stock of knowledge on this sector and the recommendations are helpful in addressing the challenges. At the core of the findings of the present study is that a vibrant real estate sector with the growing preference of people to live in high-rise buildings has already emerged at least in the urban areas. Such a trend is considered as in sync with the economic, ecologic, demographic and social characteristics of the state and hence needs to be promoted. This also helps the better provision of public services by reaping the economies of scale and scope therein. This is also shown to help the collection of GST and thus improving the tax base of the state. Being a land scarce state, real estate-based housing could be facilitated beyond the urban areas. However, the study observed the regulatory curse setting serious limits to the performance of real estate developers, leading to unsatisfied consumers and less than potential performance of the sector. The study makes recommendations towards addressing the challenges of “Regulatory Curse” through accomplishing an environment of “innovative development-driven regulation” of the sector.

In the preparation of this report, the study team developed a string of indebtedness to a number of individuals and institutions. The study team had the privilege of working closely with and benefitted from a series of interactions with Shri P H Kurian IAS (Rtd.), Chairman K-RERA. We thank him for providing us with an opportunity to undertake the study and the insights offered at different stages of this work. The members of K-RERA, Adv. Preetha Menon and Er. M P Mathews were equally

helpful and supportive. It was indeed a pleasant experience working with Mrs. Sheeba Rani, Secretary, K-RERA on this project.

The role of the LSG Department needs a special mention. Especially we thank Dr Sharmila Mary Joseph IAS, Principal Secretary, LSGD for being a source of ideas and encouragement. Insightful Inputs for the study offered by Shri Binu Francis, Secretary and Shri Prashanth H, Chief Town Planner are also gratefully acknowledged. Officials of IKM and Kozhikode Corporation offered their timely support by providing important data for which we are thankful.

Real Estate developers and the consumers/ flat owners are the two important sides of the real estate coin. We learned a lot by interacting with a number of flat owners and office bearers of Kerala Flat Owners Association and Flat Owner Association of different flats. Equally important was the learning that we had through the interaction with the office bearers of CREDAI and Builders Association. We especially note the insights offered by Shri Jacob Mathew Manalil, President, Flat Owners Association, Kerala, Shri S N Raghuchandran Nair, Convener General, CREDAI-Kerala and Executive Member, CREDAI National, Shri M A Mehaboob, Vice Chairman, CREDAI-Kerala, Shri Digvijay Singh, Builders Association, Kerala. A number of flat owners and builders shared their concerns with us with great hope for immediate solutions. We thank them with the hope that the study will serve its purpose.

I place on record my sincere appreciation to my study team, Dr Thomas Joseph Thoomkuzhy and Smt. Shency Mathew for their commitment and hard work. Thanks, are also due to Smt Anitha Kumary, Dr Ramalingam, Dr Kiran Kumar Kakarlapudi, Dr U P Anil Kumar, Dr Zakaria Ziddique and Dr Chandra Sekhar, Dr Anoop S Kumar, Dr Renjith P S for their input during different stages of this work. Assistance by Mr Mohammed Izuddin during the early stage and Mr Raj Krishna during the last stage of the study was highly useful.

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ABBREVIATIONS

ACS (LSGD)	Additional Chief Secretary, Local Self Government Department
AoA	Apartment Ownership Act
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
BSUP	Basic Services for Urban Poor
CAD	Computer Aided System
CAGR	Compound Annual Growth Rate
CDP	Community Development Programme
CDS	Centre for Development Studies
COSTFORD	The Centre for Science and Technology for Rural Development
CREDAI	The Confederation of Real Estate Developers Association of India
CTP	Chief Town Planning
DES	Department of Economics and Statics
DPIP	Department of Industrial Policy and Promotion
EMI	Equated Monthly Instalment
EWS	Economically Weaker Section
FAR	Floor Area Ratio
FSI	Floor Space Index
FYP	Five Year Plan
GDP	Gross Domestic Product
GIFT	Gulati Institute of Finance and Taxation
GPS	Global Positioning System
GST	Goods and Services Tax
HH	Household
HIG	High Income Group
IAJ	Indira Awas Yojana
IBEF	India Brand Equity Foundation
IHSDP	Integrated Housing and Slum Development Programme
IKM	Information Kerala Mission
IRTC	Integrated Rural Technology Centre
IT	Information Technology
JRY	Jawahar Rozgar Yojana
KESNIK	Kerala State Nirmithi Kendra
KHB	Kerala Housing Board
KHHP	Kerala Housing and Habitat Policy
K-RERA	Kerala Real Estate Regulatory Authority
KSDCSCST	Kerala State Development Corporation for Scheduled Caste and Scheduled Tribes
KSHB	Kerala State Housing board
KSPCB	Kerala State Pollution Control Board
LIFE	Livelihood Inclusion and Financial Empowerment
LIG	Low Income Group

LSGI	Local Self Government institutions
MoF	Ministry of Finance
MoHUR	Ministry of Housing and Urban Affairs
MIG	Middle Income Group
MIS	Management Information System
MRTS	Mass Rapid Transit Systems
NBO	National Building Organisation
NBO	National Building Organisation
NGO	Non-Governmental Organisation
NHB	National Housing Bank
NHP	National Housing Policy
NHP	National Housing Policy
NOC	No Objection Certificat
NREP	National Rural Employment Programme
NSSO	National Sample Survey Organisation
NUHHP	National Urban Housing & Habitat Policy
NURHP	National Urban Rental Housing Policy
OBC	Other Backward Classes
PMAY	Pradhan Mantri Awas Yojana
PMAY-R	Pradhan Mantri Awas Yojana (Rural)
PMAY-U	Pradhan Mantri Awas Yojana (Urban)
PPPP	Public Private People Participation
PSUs	Public Sector Undertakings
PURA	Provision of Urban Amenities in Rural Areas
RAY	Rajiv Awas Yojana
RBI	Reserve Bank of India
RE(R&D)	Real Estate (Regulation and Development) Act
RERA	Real Estate Regulatory Authority
RLBs	Rural Local Bodies
RLEGP	Rural-Landless Employment Guarantee Programme
ROMHS	Rajiv One Million Housing Scheme
RTI	Tight to Information
SC	Scheduled Castes
SECC	Socio Economic Caste Census
SRH	Social Rental Housing
ST	Scheduled Tribes
TDR	Transferable Development Rights
TH	Total Houses
TOD	Transit Oriented Development
ULBs	Urban Local Bodies
UN	United Nations
UT	Union Territory

EXECUTIVE SUMMARY AND RECOMMENDATIONS

The real estate sector in India is expected to reach US\$ 1 trillion in market size by 2030, up from US\$ 200 billion in 2021 which is driven inter alia by growth of industrial and service sectors, improving income levels, and the migration driven growth of population in the urban areas.

For Kerala the real estate-based building sector, whose growth has been fuelled to a great extent by remittances, is shown to be in sync with the economic, ecological and demographic characteristics of the state. From the perspective of public services, the economies of scale and scope associated with provisioning of public services are better harnessed in the real estate based high rise buildings. Further, the GST potential is better realised from real estate-based building construction as compared to the houses built by the individuals. Given this untapped potential, the real estate sector is perceived as the future growth pole of Kerala Economy.

However, there has been a growing concern that the sector suffers from lack of transparency, including in funding sources. It was alleged that the flat owners (consumers) and those who sold the lands became victims of exploitation. The consumers rarely got their agreed product despite much delay. Due to lack of regulatory oversight, this sector has failed to satisfy the expectation of the consumers. Many of the issues remain unaddressed given the curative nature of the Consumer Protection Act that prevailed. It is in this context that Real Estate (Regulation & Development) Act, 2016, was passed by the Parliament in March 2016. As per the provision of this Act, Kerala Real Estate Regulatory Authority (K-RERA) was established in 2020.

There are a number of issues that need to be addressed to help RERA to be a catalyst in the regulated development of a vibrant, competitive, and sustainable real estate sector that contributes not only to the overall development of the state but also to meet the housing needs of all, including the less privileged. Hence the present study, initiated at the instance of K-RERA and motivated by need to facilitate the growth of real estate-based building construction sector, that meets the requirements of both the consumers (flat/home buyers) and producers (builders/developers), has the following specific objectives

- 1) To analyse the evolving policy framework and its effectiveness in promoting the real estate-based building construction sector in Kerala.
- 2) To analyse the trends and patterns in the development of building construction, both residential and commercial, so as to discern the growth of the real estate-based building construction sector in Kerala.
- 3) To appraise the compliance level of the real estate sector, which comes under the purview of the Real Estate (Regulation and Development) Act 2016 as

well as the Kerala Real Estate Regulatory Authority (General) Regulations, 2020

- 4) To locate the factors that set limit to the emergence of vibrant real estate-based building construction sector, from the perspective of both consumers and developers

Major Findings

The study observed that in the national and regional context there has been a number of proactive policy interventions, especially with focus on housing in general and that of the weaker sections in particular, with rich dividends. However, viewed from the perspective of the real estate sector that goes beyond the needs of the weaker sections, there appears to have been a policy deficit. This has been with respect to harnessing the growing private sector in addressing the housing needs while helping evolve a real estate-based building construction sector. Provisions of rent control Act were not subjected to amendments towards the evolving rental based real estate sector as has taken place in other states.

Although affordable housing aims at enlisting the engagement of the private sector through Public Private Participation (PPP) mode, there are a number of concerns that make it unattractive to the private sector. The affordable housing policy, for example, defines a dwelling unit in terms of its size rather than the maximum price of the unit leading to a situation wherein the developer could fix the price at any level, provided the size is within 60 sq. metres. Private developers in Kerala largely stayed away in promoting affordable housing because of thin margins, mainly due to higher cost of land and also the need for multiple approvals from the government even for affordable housing (Chapter 2).

The Real-Estate (Regulation and Development) Act with provision for Real Estate Regulatory Authority in all the states and union territories of the country could be construed as an attempt in addressing the policy deficit.

Analysis of the growth of real estate sector with focus on the emerging trends and patterns (Chapter 3) to discern whether a real estate-based building construction sector is in the making, which is highly conducive for the state of Kerala given its economic, ecological, demographic and governance related aspects, observed the following.

To begin with, the building construction industry has become more vibrant in recent years. During 2015-16 to 2019-20, the annual addition in the total number of buildings is estimated at 3.95 lakh as compared with annual addition of 1.4 lakh buildings during the first decade of this century. The annual addition of buildings for non-residential purpose has been 0.87 lakh during the last five years as compared to only 0.23 lakh per annum during the first decade of the century indicating the growing demand for non-residential buildings on account of the emergence of vibrant service sectors like IT and tourism-induced hotel industry.

More importantly, there is an emerging trend towards real estate based high rise buildings in the urban areas; while 2.5 lakh new buildings were added per year during 2001-11, the corresponding number turned out to be only 0.86 lakhs during the last five years indicating the growing size of the buildings at the instance of the emerging real estate sector (chapter 3).

Further exploration of this issue by using building level Sanchaya data for Thiruvananthapuram corporation (Chapter 4) concluded the following:

First, there is a firm trend in the real-estate sector towards high-rise buildings indicating the preference of the people for living in flats promoted by the real-estate sector in the high-rise buildings with over 50% of the newly added dwelling units in Thiruvananthapuram corporation are in the vertical structures. The study further observed that in 2021 the share of vertical structures that come under RERA accounted for 40% of the dwelling units in all the vertical structures and 85 percent of them are for residential purposes. Thus, the empirical evidence tends to suggest the predominance of the real-estate sector in addressing residential demand on the one hand and the key role of the real-estate sector coming under RERA in addressing such a growing demand.

Being a land scarce state, this study underscores the need for the creation of a policy framework that facilitates the growth of real estate based high rise buildings in the semi urban areas of the state.

The study also noted certain general concerns which may be of interest to K-RERA (Chapter 3). To begin with, Kerala has emerged as the state with the highest per capita plinth area in the country on the one hand and a very high incidence of unoccupied houses. The proportion of unoccupied houses increased from 7.8% in 2001 to 10.6% in 2011 which may be compared with a much lower share of 7.5% in the country as a whole.

It was observed that the price recorded in all the categories of buildings appears to be higher than that of the general price level in the State. While the influence of higher dependence on imported inputs cannot be ruled out, the observed higher growth in price, despite an apparently competitive market, warrants more detailed enquiry and could potentially be an issue of concern for RERA. The bearing of higher stamp duty, which is the highest in the country, on the observed prices also deserves policy attention by which the stamp duty is brought down to the range of 3-5% while correcting the anomalies in fair price.

While a significant part of the houses remains unoccupied, homelessness and housing shortage persist. Only 46% of the SCs and 38% of the STs have access to good housing and the proportion of SCs and STs living in dilapidated houses is as high as 11% and 16% respectively.

Since RERA has a proactive role in promoting and sustaining the emerging trend towards the preference for living in real estate based high rise buildings, the study

examined the extent of compliance by builders/developers with the RERA regulations.

Our analysis of the issue of compliance (chapter 5), using the data from SUVEGA Software in operation in Kozhikode Corporation, concluded that almost all the large companies who obtained permits from the corporation have also registered with K-RERA indicating very high level of compliance.

Examining the question of compliance from the perspective of consumers, the study found the evidence for consumers remaining unsatisfied on account of (a) delays in project completion along with delay in handing over the delivery of possession, execution of sale deeds, transfer of ownership and payment of statutory dues even after collecting the entire amount towards such dues (b) absence of regulatory mechanism to ensure the quality of construction and the materials used (c) lack of transparency in the allotment letter with respect to built-up area of the apartments in terms of plinth area, carpet area, super built up area and saleable area (d) delay in forming Apartment Owners Association and transferring the common areas and amenities to the Apartment Owners Association (e) un-authorised collection of GST and other taxes without raising proper bills /invoices (f) reluctance in providing after sales services even for the warranty items of electrical and sanitary equipment and fittings in the event of repair (g) absence of satisfactory waste disposal mechanism (h) failure in providing all common amenities promised in the marketing brochure (i) absence of internal mechanism for the speedy disposal of grievances other than the adjudication mechanism provided in the RERA regulations for settlement of disputes

Examining the concerns of producers (Chapter 6), the other side of the real estate coin, the study observed the following:

For a country like India, since a one size fits all approach is not effective, there is a need to re-examine current regulatory framework duly recognizing the diversity of our country. The agenda of affordable housing designed at the national level may not be in sync with the context of Kerala wherein the land price is manifold the national average. Further, the focus is only on Low-Income Group (LIG) and the Middle-Income Group (MIG) is completely neglected bypassing a considerable deserving segment and forgoing a significant growth opportunity for the real estate sector.

Kerala has many schemes for affordable housing undertaken as part of social housing for the weaker sections. But the government is yet to evolve an affordable housing scheme catering the needs of the lower middle income and middle-income groups in a public private participation mode by making available the needed land.

Kerala's tax structure stands as a bottleneck in the way of the emergence of a vibrant estate sector. The stamp duty in the state, for example, is the highest in the country calling for urgent policy attention.

Kerala's Buildings (Lease and Rent control) Act, 1965, with limited scope for long term lease and its registration, stands in the way of the emergence of a rental based real estate sector as in the case of other states.

At the core of the issues is that the regulatory framework is not very conducive for the development of a real estate sector in a way that multi-storied buildings or apartments that are coming up in other parts of the country.

There are technical and administrative issues in the government level itself in terms of the multiple approvals needed for the builders to comply with. As of now there are 16 permits and approvals needed from different departments concerned. The inevitable outcome is time and cost overrun resulting in unsatisfied consumers. It is important to sort out these issues so that the sector can grow at par with other states.

Except Kozhikode corporation, the file management system in all other local bodies is not automated to deal with the issue of building plan submission. Hence the human intervention in the entire process of building plan approval is very high leading to associated problems and delays. Hence the need of the hour is to change from the system of file management with human intervention to a system of licensing through automated software.

Another issue is with the one-time building tax clearance from the revenue department. Issuance of door numbers is delayed due to one-time building tax payment. It takes more than a year to complete the entire process.

Although much useful data is being generated by different departments, their validation is rarely made and they are not consolidated digitally to serve as important input for informed policy making. The absence of adequate data about the real estate sector makes informed decision making almost impossible.

Case has been made for initiating appropriate measures for the registration under Apartment Ownership Act (AoA), 1983 for enabling the surrender of areas/ property and common amenities in the name of Apartment Owners Association which warrants appropriate directions to the Registration department.

Another hurdle is the absence of a master plan, which is needed for real estate development. For example, the approved Trivandrum master plan that is currently in use came out in 1971 and remains outdated.

There is the need for evolving a workable model for Kerala's Unique Scenario at the instance of K-RERA by bringing together all the departments concerned to ensure their collective involvement.

To sum up, from the study it is evident that there is an emerging trend in Kerala's real estate sector wherein the revealed preference of the people is for living in high rise buildings. Based on the detailed analysis of the data from Thiruvananthapuram Corporation it was found that 50.2% of the new dwelling units in 2021 were in high rise buildings of which 40% were accounted for by structures coming under RERA and 85% of such dwelling units are for residential purposes.

This emerging trend, we argued, is in sync with the economic, ecologic and demographic characteristics of the state, helping reap the economies of scale and scope associated with provisioning of public services and help ease of GST collection.

Hence it needs to be encouraged as it would provide a boost to the real estate sector which is an emerging growth pole of Kerala Economy.

However, we are inclined to infer that at the current juncture, the sector is faced with the human intervention induced “regulatory curse” which in turn contributes to time overrun and cost overrun coupled with the “physic cost” for the producers that result in higher price, delayed delivery of apartments, partial or no delivery of the amenities offered in the brochure by the builders and ultimately the unsatisfied consumers.

Thus K-RERA is faced with a major challenge of straightening and smoothening the curly-rocky road through which the real estate is passing through by facilitating a shift from “Regulatory Curse” to a “development-oriented regulation” of the sector.

Recommendations

At the core of the findings of the present study are the following; there is empirical evidence to suggest the emergence of a vibrant real estate sector with the growing preference of people to live in high-rise buildings. This is considered as in sync with the economic, ecologic, demographic and social characteristics of the state and hence needs to be promoted. This also helps the better provision of public services by reaping the economies of scale and scope therein. This is also shown to help the collection of GST and thus improving the tax base of the state. However, the consumers/ flat owners have raised a number of concerns. The builders are also confronted with a number of issues that make it difficult for them to cater to the needs of the consumers on the one hand and enabling the sector to grow as a major growth pole of the economy on the other. The major recommendations of the study are the following.

Kerala’s housing policy calls for a revisit to help evolving a vibrant real estate sector. This would involve complementing the present focus on social housing for the less privileged with initiatives for addressing the housing needs of lower middle income and middle-income groups in *inter alia* by public private participation mode within the framework of affordable housing and providing the needed land at lower cost.

To the extent that the higher price of dwelling units, which adversely affects the consumers and hinders the growth of the real estate sector, is linked to the greater dependence on building materials from other states and the highest stamp duty in the state, the study recommends for a) reducing the stamp duty to 3-5% and b) the targeted initiatives for development the building material industry in the state such that the strong backward linkage is reaped within the state.

Being a land scarce state, this study underscores the need for the creation of a policy framework that facilitates the growth of real estate based high rise buildings even in the semi urban areas of the state.

Given the increasing incidence of unoccupied houses, devising appropriate strategies for their effective use by networking them and converting to office spaces as part of work near home strategy could be explored.

Appropriate amendments in Kerala Buildings (Lease and Rent control) Act, 1965, which regulates the leasing and rent of buildings, to facilitate the development of rental based real estate sector as taking place in other states.

The current RERA limit of more than eight units meant for sale for coming under RERA regulation may be revisited because nearly 60% of vertical structures are having eight units or less. There is no reason why such units are not coming under the RERA.

There is an urgent need to address a number of concerns raised by the consumers/flat owners with respect to delay in project completion and associated processes like handing over the delivery of possession and formation of Apartment Owners Association and transferring the common areas, lack of transparency in the allotment letter with respect to built-up area of the apartments in terms of plinth area, carpet area, super built-up area and saleable area, among others. These issues need immediate attention.

Given the absence of a regulatory mechanism to ensure the quality of construction and the materials used, the study calls for appropriate institutional mechanisms for quality certification.

To ensure transparency in the compliance level of RERA provisions, the study recommends certain changes in the existing forms in which the builders need to provide information with respect to various aspects of the projects.

Address the concerns of developers calls for reforms in the regulatory framework to improve the ease of doing business in this sector *inter alia* by facilitating the uploading of plans in CAD through an online system and thus get rid of human intervention; Check the plan for compliance with the building rules through an AUTO DCR software. If there is any non-compliance, the system will reject the plan. The accepted plan could proceed for online permit fee remittance. GPS enabled site inspection should replace the physical inspection system.

The fire NOC applications may also be processed through file management system and be replaced with AUTO DCR checking system. Likewise, KSPCB processes also should be replaced with AUTO DCR checking system or checklist enabled processing system.

The mandatory registration stipulated under Apartment Ownership Act (AoA), 1983 may be monitored effectively for enabling the surrender of property and common amenities in the name of Apartment Owners Association.

The issues emerging from the absence of a master plan calls for the preparation of a master plan that takes into account the specific character of the state with the active involvements of various line departments. This could be undertaken at the instance of RERA as it could help provide a facilitating environment for the growth of the Real estate sector.

As of now, the plot development taking place under the local bodies is rarely undertaken with their approval and not reported to RERA which makes its tasks of

regulation of plot development an uphill task. Hence the local bodies may be instructed to ensure that the plot development takes place with their approval and gets reported to RERA.

The relevance of a reliable database for informed policy making is yet to be appreciated. While different sets of highly useful data are generated by different departments, they are rarely consolidated for effective use by all concerned due to the absence of coordination between different departments concerned. Attempts are also needed to check the reliability and correctness of the data being generated. RERA, with its mandate to facilitate the regulated development of the real estate sector, could play this important role in an effective manner.

Last but not the least, it is recommended that the Government may consider strengthening the institutional support system for RERA at all levels for enabling RERA for addressing the “deficit in real estate development” and the challenge of “Regulatory Curse” for accomplishing an environment of “innovative development-oriented regulation” of the sector.

CHAPTER 1

Introduction

1.1 Real Estate: The Untapped Potential

The real estate sector is the major segment of the construction sector, which employs about 61 million people¹. According to India Brand Equity Foundation, the real estate sector is expected to reach US\$ 1 trillion in market size by 2030, up from US\$ 200 billion in 2021 (IBEF). A growing share of real estate in the GDP is driven *inter alia* by the growth of industrial and service sectors, improving income levels, and urbanisation, with the number of Indians living in urban areas expected to reach 525 million by 2025. With globalisation, the construction/real estate sector has emerged as the third-largest sector in terms of FDI inflow. IBEF² estimates indicate that the government of India's 'Housing for All' initiative is expected to bring about \$1.3 trillion in investments in the housing sector by 2025. Apart from this direct contribution to GDP and employment, it generates strong forward and backward linkages on account of thriving sectors derived from it like the construction material industry, construction machinery industry, retail, hospitality and entertainment industries, economic services and Information Technology (IT)-enabled services etc., among others. With the growing population and the culture of nuclear families coupled with rapid urbanisation associated with the growth of industrial and service sectors and rising per-capita income, all the segments of real estate are expected to provide growth stimulus to this sector. Thus viewed, the real estate sector, which covers residential, office, retail, hotels, leisure parks etc., has enormous potential yet to be fully tapped.

¹ The construction sector, accounting for 7.8 percent of the GDP and about 11.7 percent of the labour force, is more labour intensive as compared to manufacturing and services (RBI, 2022).

² See for details: <https://www.ibef.org/industry/real-estate-india>

Traditionally the Indian real estate sector has been dominated by a number of small regional players with relatively low levels of expertise and/or financial resources (Barthwal & Singh, 2013). Hence, this sector has not benefited much from institutional capital. Instead, the sector tapped high net-worth individuals and other informal sources of financing, resulting in the increased role of the private sector and transparency related issues. However, over time it attracted large players and has become more corporatized, especially after the liberalisation of the economy in the early 1990s. At the same time, it is imperative to maintain a competitive environment that pre-empts exploitative practices, which calls for an appropriate institutional/regulatory architecture to eliminate the impediments on its growth path.

1.2 Real Estate Sector: The Potential Growth Pole of Kerala

Episodes in economic history indicate that a vibrant economy often precedes a boom in housing/building construction with a higher rate of economic growth. However, scholars have noted the emergence of a boom in Kerala's house construction despite the economy being shown to be recording very low levels of economic growth. The observed boom began in the late 1970s, wherein the last three years of the 1970s recorded an annual growth rate of 5.8% compared to 0.85% during the first seven years (Gopikuttan, 1990). The observed boom in housing construction was shown to have minimal backward linkage, as much of the input was imported from other states. At the same time, the boom-induced rise in the price of land has made housing highly costly and inaccessible to the poor.

In light of the findings of later studies on migration Zachariah and Rajan (2004), the observed housing boom could be attributed to migration-induced remittances. With remittances flowing in, given the lack of an industrial base and entrepreneurial base, there were hardly any options for its productive use other than investing in real estate and housing, which were perceived to be financially less risky and socially valued. According to the 2011 census, the average urbanisation rate in Kerala has been nearly 48 per cent, with a range of 53–68% in the three cities Kochi, Thiruvananthapuram, and Thrissur. The rapidly growing IT and business sector, along with the tourism-led hotel industry in the state, have triggered a sudden splurge in real estate investments.

IT sectors like Info Park, Techno parks and Smart City development have caused more and more people to settle down in the cities. In general, with the turnaround in Kerala's economic growth led by the service sector since the late 1980s (Harilal and Joseph, 2003) and the continued inflow of remittances, the construction sector driven by the real estate sector emerged as one of the leading sectors of Kerala economy contributing as high as 15% of GSDP. In contrast, the construction sector's share in the national GDP was only around 8%. However, the returns accrued to the economy from the sector seem to be limited, at least for two reasons. In the absence of any industrial base for providing the required inputs, much of the backward linkage of the real estate/construction sector is being accrued to other states. Going by the available evidence, almost 25 per cent of Kerala's total import of 1.5 lakh crore is related to construction-related material (GIFT 2020a, 2020b). Secondly, although the sector is highly labour-intensive, most of the workforce is migrant labour, again leading to a substantial drain of resources (GIFT 2013). It has also been argued that with the growing construction sector, the gap between the demand and supply of suitable areas for residences and commercial real estate projects has led to ecologically unsustainable development (Raj and Azeez, 2009).

At the current juncture, viewed from the specific characteristics of Kerala, it could be argued that the development of the real estate sector is very much in sync with the context of the state. To begin with, in Kerala, with about 18% of the population being aged, real estate-based high-rise buildings provide a social environment for comfortable living for the aged population with the assured security and other required services along with hassle-free maintenance, unlike individual houses. Secondly, Kerala being a land-scarce state with growing demand for residential and commercial space, real estate-based high-rise buildings exert less demand on land and thus become more environmentally sustainable. Thirdly, from the perspective of public services, many economies of scale and scope are associated with providing public services like electricity, gas, water and waste management. Such economies are better reaped when services are provided in the real estate-based high-rise buildings compared to individual houses. Finally, and importantly, from the perspective of GST revenue, the government's tax from organised real estate-based construction is likely

to be much higher than the houses constructed individually. The real question, however, is whether such a real estate-based high-rise building construction sector is emerging. If yes, what policy interventions are needed to sustain it within the policy environment of regulation and development as envisaged in the Act? Exploration of such an issue assumes importance in a context when the construction sector recorded an annual growth rate of only 3.7 per cent during 2011-12 to 2019-20, and it lagged even behind the aggregate GSDP growth of 5.4 per cent- making a case for exploring and addressing the factors hindering its growth.

1.3 The Limits to Growth

High potential for the real estate sector, both at the national and state level, notwithstanding growing concern that the sector suffers from a lack of transparency in various dimensions, including funding sources. It was alleged that the flat owners(consumers) and those who sold the lands became victims of exploitation. The consumers rarely got their agreed product despite much delay. Due to a lack of regulatory oversight, since the existing consumer protection laws were curative, this sector has not adequately succeeded in catering to an entire array of demand segments. In other words, the real estate sector remains limited to serving very high-end consumers for domestic commercial or institutional purposes. Instead of the broad-based development of a welfare-enhancing competitive market, the growth of this sector is seen as synonymous with the growth of particular business houses operating as *de-facto* monopolies in respective regions resorting to predatory strategies to remain dominant players in the market. In the absence of regulatory oversight, the flow of institutional capital to the real estate sector has also been adversely affected.

In this context, the National Housing/Urban Development and Municipal Administration Ministers Conference held in 2009 focused on “Affordable housing for all”. The conference underlined the need for urban land-use policies, roadmaps for slum-free cities, managerial and financial strengthening of local public bodies, and creation of a model Real Estate Regulation Bill by the Government of India. After prolonged discussions on this, the Parliament passed the Real Estate (Regulation & Development) Act 2016 in March 2016.

1.4 Real Estate (Regulation & Development) Act, 2016

The constitutional powers in India on real estate are distributed across the Union List, State List, and Concurrent list. Land is the subject of the State as per entry 18 of the State List (List II) of the Seventh Schedule of the Indian Constitution. Whereas the transfer of property other than agricultural land, registration of deeds and documents (Entry 6) and contracts other than agricultural land (Entry 7) fall in the concurrent list (List III). Based on this constitutional disposition, in 2013, a need for a comprehensive regulatory body on real estate was felt due to the lack of regulations in this sector, which led to the introduction of the Real Estate (Regulation and Development) Bill. To the extent that the Bill focuses on both Regulation and Development, it is also important to recognize that the bill also intends to address various issues addressed by the builders as regards the development of the real estate sector. After detailed discussions and necessary amendments, the bill was passed both in the Rajya Sabha and Lok Sabha in 2016 as The Real Estate (Regulation and Development) Act, 2016 [RE(R&D) Act 2016]. This Act came into force on May 1, 2016, by notifying 59 of 92 sections and the remaining sections were notified on May 1, 2017.

The Act comes under the governance of the Ministry of Housing and Urban Affairs, Government of India. The RE(R&D) Act intends to protect and promote the interests of the buyers and, along with that, help increase investments in the real estate sector.

In order to regulate the real estate sector and protect the consumers, the RE(R&D) Act 2016 envisages the following:

- a) Establishment of the Real Estate Regulatory Authority (RERA).
- b) Regulation and Promotion of the Real Estate sector, such as the sale of plots, apartments, buildings, and real estate projects efficiently and transparently.
- c) Establishment of an adjudicating mechanism to speed up the dispute redressal and Establishment of an Appellate Tribunal.

As discussed in detail in Chapter 5, the Real Estate (Regulation and Development) Act 2016 intends to address matters about price, delays, quality of construction, title, and other issues. Delays in projects are the most significant issue faced by purchasers. Since the last decade, many projects have faced deferrals of up to seven years. The underlying factors included, but not limited to, the diversion of funds to other ventures and changes in regulations by authorities (the environment ministry, national green tribunal and other bodies like those involved in infrastructure development and governing transport. In many instances, even land acquisition itself became an issue. Builders often pitch projects to investors or buyers without the approval of plans or with bad quality of construction; projects stuck in litigation etc. With RERA, these issues were expected to be addressed.

The Act clearly lays down the criteria for coming under its purview in terms of the purpose of the project, number of units and the area developed. The Act also envisages to bring the plot development also under its purview. It lays down a number of specific clauses to ensure financial discipline and prevent exploitative practices.

All Real Estate Agents are also expected to register under this Act. It stipulates that “no real estate agent shall facilitate the sale or purchase of or act on behalf of any person to facilitate the sale or purchase of any plot, apartment or building, as the case may be, in a real estate project or part of it, without obtaining registration under this section”.

1.4.1. K-RERA

As per sections 84 and 85 of the Act, the Government of Kerala enacted Kerala Real Estate (Regulation and Development) Rules 2018 and Kerala Real Estate Regulatory Authority (General) Regulations 2020, respectively. In sync with the Real Estate (Regulation and Development) Act, K-RERA aims at providing greater accountability, citizen centricity, and transparency by ensuring the regulated behaviour of the real estate developers, as elaborated in chapter 5³.

³ For more details please visit; <https://rera.kerala.gov.in/system/files/2020-01/rera-at-a-glance.pdf>

The initiative of the Central Government and the State Government to create an institutional architecture for a regulatory framework, which is preventive in nature, for the real estate sector at the national and state level is highly laudable. However, to the extent that the construction industry, in general, and the real estate segment, in particular, are the barometers of the growth dynamics of the economy, there is a reason to believe that one size may not fit all in a diversified economy like ours. In Kerala, unlike at the national level, the construction sector plays a prominent role in the growth dynamics of the economy. With its share being almost twice at the national level (13.8 % compared to 6.8 %), the sector is a significant source of employment and one of the most attractive investment avenues. However, the distinctive role of this sector in the Kerala economy and its bearing on the growth dynamics is not confined to its higher share. The nexus between the construction sector and the regional growth dynamics of Kerala is a case that warrants detailed exploration, as indicated by Prof. K N Raj in the landmark study on Kerala, which highlighted Kerala's unique development experience (CDS/UN 1974). In this context, establishing K-RERA in 2020 has to be seen as an important and timely initiative. There is indeed the need for detailed enquiries to help redefine the role of K-RERA in the long run, such that it could play a proactive role in the region's development dynamics as a regulator and promoter of the real estate sector.

1.5. Research Agenda

There are a number of issues that need to be addressed to help RERA to accomplish its mandate to facilitate the regulated development of a vibrant, competitive, and sustainable real estate sector that contributes not only to the overall development of the state but also to meeting the housing needs of all including the less privileged. Within the true spirit of Regulation and Development, as envisaged in the RE(R&D) Act 2016, this will involve ensuring a highly facilitating environment for the developers while not compromising on the requirements of the consumers. Hence there is a need to locate the factors that stand in the way of addressing the needs of both consumers (flat/homeowners) and producers (builders/developers).

Within two years of its operation, K-RERA has made its presence felt in the real estate sector by initiating various action points to safeguard the interest of the consumers and pre-empted the unguided development of this sector in Kerala. However, our understanding on the stakeholder's compliance level with K-RERA remains, at best, rudimentary. Moreover, K -RERA is also constrained by the lack of a database for informed decision-making.

This study is premised on the ground that the real estate-based building sector, apart from being the future growth pole of Kerala's economy, is in sync with the economic, ecological and demographic characteristics of the state while being eminently suited for reaping the scale and scope in the provisioning of public services. Hence the present study, undertaken at the instance of K-RERA, is motivated by the need to facilitate the growth of the real estate-based building construction sector that meets the requirements of both the consumers (home/flat owners) and the producers (builders/developers).

1.6 Specific Objectives

- 1) To analyse the evolving policy framework and its effectiveness in promoting real estate-based building construction sector in Kerala
- 2) To analyse the trends and patterns in the development of building construction, both residential and commercial, to discern the growth of the real estate-based building construction sector in Kerala
- 3) To appraise the compliance level of the real estate sector, both residential and commercial, which come under the purview of the Real Estate (Regulation and Development) Act 2016 to suggest an agenda for a 'detailed database' for the concurrent appraisal
- 4) To locate the factors that set limits to the emergence of a vibrant real estate-based building construction sector from the perspective of both the developers and consumers

1.7 Data Sources

This study made use of all the available administrative and survey-based data sources. This included Census data, data published by the Department of Economics and Statistics, the Government of Kerala, and other relevant data published by the Kerala State Planning Board. The analysis using secondary data has been supplemented by a dataset derived from the IT-based tax collection and registration of buildings in the State called Sanchaya, which is an e-governance application software suite for the Revenue and Licence System developed by Information Kerala Mission (IKM) at the instance of the Local Self Government Department of Kerala. For examining the issue of compliance, we have made use of the data obtained from the SUVEGA monitoring cell of Kozhikode corporation. The nature of the issues this study addresses is such that the inquiry would remain incomplete unless we directly engage with the key actors such that the inferences drawn truly reflect the ground-level reality. Hence, we have conducted stakeholder consultations with stakeholders like CREDAI, Builders Association, and senior officials from different Government Departments concerned with the active involvement of K-RERA. We have also visited different real estate projects, including projects involving plot development, and had discussions with office bearers of different Flat Owners' Associations, land providers and the Flat Owners' Association of Kerala.

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Chapter 2

Evolving Policy Paradigm for the Real Estate Sector

2.1 Introduction

Ever since independence, there is hardly any sector in India whose development has not been shaped by the policies formulated by the state. Although the state is said to have taken the backseat under the liberalised policy regime followed during the last three decades, state policy does play a significant role when it comes to core issues of development. The real estate sector has been no exception. To the extent that real estate development involves land and developments therein, this sector is governed by a series of rules and laws enacted and policies formulated from time to time by the central government, the state government and the local bodies concerned. As already indicated, this is because as per the article 246 of Indian constitution land is a subject that comes under the state list wherein state has the power to make rules, laws and policies by itself or by the local bodies, whereas transfer of property other than agricultural land and registration of deeds and contracts other than for agricultural land are under the concurrent list.

Within this perspective the important Acts that govern the real estate sector in the country *inter alia* include the following;

- Transfer of Property Act 1882, which is a Central Act and provides general principles of movable and immovable property such as sale, exchange, mortgage, lease and gift of property and that all the states are expected to adhere to it.
- Registration Act 1908 and Indian stamp Act 1899 which govern laws relating to payment of stamp duty and requirements for registration of various deeds, documents and instruments relating to transfer of immovable property.
- Indian contract Act 1872, which governs laws related to contracts in India including the execution and implementation thereof and breach and remedies available to the parties thereto

- The Kerala Buildings (Lease and Rent control) Act, 1965 which regulates the leasing and rent of buildings
- Land revenue codes enacted by various state governments, including Kerala, which governs the laws relating to agriculture land holding, land revenue, types of tenancy and related matters
- Foreign Exchange Management Act 1999, which governs the purchase of immovable property in India by foreign entities or persons not resident in India and various aspects related to foreign investment in real estate sector in India in accordance with the guidelines laid down from time to time by the Department of Industrial Policy and Promotion (DPIP) and Reserve Bank of India (RBI).
- Right to Fair compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013, which governs the acquisition of private lands by the government for certain public purposes or by a company and the compensation and rehabilitation of measures to be followed by the parties concerned.
- Real Estate (Regulation and Development) Act 2016 (already dealt with in the previous chapter) which was enacted primarily with a view to protect the interest of consumers in the real estate sector. This Act provided for an adjudicating mechanism for speedy dispute redressal by establishing the Real Estate Regulatory Authority at the state level and the Appellate Tribunal. The Act has been adopted by all the states and the Real Estate Regulatory Authority was established to ensure effective implementation of the Central Act at the local level. This Act which is conceived as preventive, is complimentary to the consumer Protection Act, which is curative in nature.

In addition to the above, real estate sector is also governed by various state/local rules and policies relating to, among others, urban development, slum rehabilitation, apartment ownership, building codes, property tax, benami transactions, environmental protection (including Air and water Act), land pooling policies, land ceiling policies, land use, conversion and zoning norms. To this we may add policies relating to water supply, sanitation and fire protection.

Given the plethora of Acts, laws and policies that directly or indirectly influence the development of the real estate sector in India, a detailed exploration of the evolution of all of them is beyond the scope of the present study. In what follows we shall focus on the policies towards addressing the issue of housing as it could have significantly influenced the growth of this sector since building construction for the residential purpose is a major segment of the real estate sector. For the sake of space, we shall focus on the policies at the state while recognising that these policies are crucially influenced by central policies. However, we present an annexure to this chapter highlighting evolution of policies at the national level.

2.2 Kerala's Strategy Towards Addressing Housing Demand

In sync with the national policy environment, the public housing schemes in the state started from the 1950s with the Village Housing Scheme implemented with the support of the Community Development Programme (CDP) sponsored by Government of India. Kerala, being a state with high density of population, substantial investment was needed to tackle the housing shortage. Also, house construction was mainly a private sector activity and government participation was marginal. The majority of the houses constructed every year were by individual families without any active involvement of the government. The widening gap between actual demand and supply houses along with the exorbitant prices and shortage of house sites in urban areas accentuated the housing problem in the state.

2.2.1. Housing for the Economically Weaker Sections: One Lakh Housing Scheme

Though the government was not in a position to undertake a massive housing programme due to its limited financial resources, there has been substantial investment in housing through a number of housing schemes to help Economically Weaker Sections (EWS) since the mid-1970s. Kerala State Housing Board was established in 1971, which took many loan-subsidy linked housing programs for EWS and accelerated the tempo of building activity in the state. 'One Lakh Housing scheme' was started for the poor landless agricultural labourers, who have not

received homesteads under the Kerala Agrarian Relations Act. This marked a remarkable change in the low-income housing situation of Kerala and was considered as quite a successful programme during the 1970s.

Though the 'One Lakh Housing Scheme' as such was discontinued by the late 1970s, the government was prepared to give the necessary timber and tiles at free of cost to the panchayat/ any other organisation willing to take up the scheme. In addition to this the Government had a number of continuing schemes such as Low-Income Group Housing Scheme, Middle Income Group Housing Scheme, Village Housing Project and the Industrial Housing Scheme funded by the Government and implemented by the Revenue Board. The Rental Housing Scheme was another project by the KHB to provide housing facilities to police personnel and other government servants. There are many other novel schemes such as the EWS Housing Scheme in 1976, Direct Loan Scheme, among others undertaken by the KHB. Housing schemes for SCs and STs associated with the centrally sponsored employment generating schemes such as NREP, RLEGP also played a major role in solving the housing shortage. The housing policy during that time evolved by taking consideration of four categories of people such as, those who own neither a house nor a site, those who have sites but no house, those who have substandard houses and those who are victims of the acute shortage of rental housing. Of these four categories, landless agricultural labourers and other EWS of the society were given greater weightage.

2.2.2. Strategy during 1980s and Beyond: Involvement of New Actors

According to the Employment and Housing Survey carried out by the Department of Economics and Statistics in 1980, the total houses in the state was 40.66 lakh consisting of 23.8% huts, 4.6% old and dilapidated houses and 71.6% semi pucca and pucca structures. Of this, only 24% had electricity, 18% had water sealed latrines, 39% had water scarcity issues. Also, 20% of semi pucca houses had no separate kitchen. Of the total 3.24 lakh of houseless families, 0.52 lakh families alone had house sites

(Economic Review, 1980)⁴. In this context, there has been tremendous expansion in housing activity with a number of schemes undertaken by both the public and private sector during the 1980s. There were 22 agencies including government departments and autonomous bodies engaged in housing scheme implementation. On this, KHB alone was implementing 11 housing schemes during 1987.

Kerala State Nirmithi Kendra, established in 1987, pioneered many innovative experiments in the development of cost effective and environment friendly building technology. Kerala has been a pioneer state in introducing cost effective housing and appropriate technologies in housing contribution with many innovative technologies, pioneered by Padmashri Laurie Baker. This has been taken forward through many technology transfer initiatives through the network of Kerala State Nirmithi Kendra (KESNIK), COSTFORD, IRTC, Mitra Niketan, KSHB among others. The need for redefining and restructuring the role of Kerala State Housing Board has to be considered in the context of the large-scale facilitation role played by KSHB for weaker section housing as an intermediary institution. In 1989, Jawahar Rozgar Yojana (JRY) was introduced and replaced RLEGP and NREP. But the housing programmes under these two schemes for SC/ST's continued.

2.2.3. Strategy beyond 1990s: Involvement of LSGs

The census 1991 showed that there was the need for 9 lakh houses in the state (Government of Kerala, 1993)⁵. More than 20 agencies including government departments and autonomous bodies such as KSHB, Kerala State Development Corporation for Scheduled Caste and Scheduled Tribes (KSDC) and Kerala State Co-operative Housing Federation undertook various projects to this need during that period. The Board implemented various land development schemes aimed at all sections especially middle-income groups. Especially notable was the massive housing programme -Rajiv One Million Housing Scheme (ROMHS)- launched by the Housing Board in 1991 catering to all sections of the society. The first Housing Policy of Kerala was brought out in 1994 with focus on development of fiscal incentives and

⁴Economic Review, 1980, page 118

⁵ Economic Review, 1993, Kerala State Planning Board, Thiruvananthapuram Page 132

concessions, accelerated flow of housing finance and promotion of environment-friendly, cost-effective and pro-poor technologies.

The flagship housing scheme of Government of India, Indira Awas Yojana (IAY) was launched along with the Mythri Housing Scheme for EWS in 1996 targeting the housing needs of the EWS of the society. It was proposed to construct 1,00,000 houses per annum. The Ninth Five-Year Plan gave priority to repair, renovate and construct houses for EWS. From the Ninth plan onwards, along with the 73rd and 74th Constitutional amendments and the revision of Panchayat Raj and Municipal Acts, the mandate for implementation of housing schemes to EWS shifted to the LSGIs in the State. The participatory planning process launched in 1996 made substantial contributions in meeting the demand-supply gap in the housing sector for the poor by the active involvement of Local Self Governments (LSGs). The Bhavanashree component under the Kudumbshree program has been successful in providing EWS housing and small loans for repair, renovation of housing units. Given the urban-rural continuum in Kerala, the state Government encourages Public-Private-Peoples-Partnership (PPPP) to undertake Integrated Housing and Township Projects in the semi urban areas.

2.2.4. Strategy Beyond 2000: Towards a Habitat Approach

The census 2001 indicated that 68% of the total households live in permanent houses and 21.6% live in semi-permanent houses, which is against the all-India levels 51.8% and 30% respectively. The growth in the number of house buildings was 16% during the decade 1991-2001 as against the population growth of 9 percent (Economic Review, 2004)⁶. The census figures for 2001 showed that there was a need of 10 lakh houses in the state (Economic Review, 2006). The housing programmes and schemes launched and implemented in the state could succeed to achieve the objective and ensure that around 80% of the total housing support was given to EWS of the society.

The 59th round of NSS results testified this achievement by stating that Kerala has gone much ahead in solving the housing problems in comparison with the other

⁶ Economic Review,2004, Page, 312

states. As per the survey result, 75% of the households in Kerala were living in pucca houses as against 63% in the all-India level in 2003. These figures in rural areas changed to 66% for Kerala and 44% for all-India. In the case of ownership, 86% of the households in Kerala were living in their own houses against the all-India level of 78%. One of the notable changes happened in the new millennium was decline in the use of traditional materials like mud, stone, thatch, bamboo etc. which were replaced by modern materials like cement, mosaic, floor tiles etc.

As per the data from Land Revenue Commissioner, the number of landed but houseless were 3.72 lakh, and the landless and houseless were 3.33 lakh⁷(Government of Kerala, 2007). (It is in the light of the housing condition in Kerala, that the Kerala Housing and Habitat Policy 2007 was drafted It aimed at facilitating accelerated supply of serviced land and housing with particular focus to EWS and LIG categories. The policy document put forward an integrated 'Habitat' approach to address the issues like spatial planning, water supply, sanitation and waste disposal. The policy therefore has been to promote sustainable and inclusive development of habitat in the state, with a view to ensure equitable supply of land, shelter and services at affordable prices for all groups in rural and urban areas, with special focus on the needs of the poor, marginalised and disadvantaged (Government of Kerala, 2007)⁸. By considering the continuing problem of housing among the poor, the State brought a major Flagship programme during the Eleventh Plan for ensuring 'Housing for All' to be implemented by the LSGD as EMS Housing and the Housing Department as M. N. *Laksham veedu Punarnirmana Padbathi*.

A number of emerging issues, in the context of rapid urbanisation induced service led growth pattern of the economy, came into force; These included, but not limited to: the inadequate supply of the land to meet the growing demand, vital role of the local bodies consequent to the 73rd and 74th Constitution amendments, weak regulatory structure in the housing sector, distinct problems of the marginalised sections of the society, , growth of the informal labour market and the livelihood concerns and the

⁷ Kerala Housing and Habitat Policy, 2007, Annexure II

⁸Government of Kerala, Kerala Housing and Habitat Policy, 2007, page 5

ecological and environmental sensitivity of the development activities. Towards addressing these issues, the state came up with the Kerala Housing Policy, 2011⁹ with focus on specific areas such as land, finance, legal and regulatory reforms, technology support and its transfer, infrastructure, sustainability concerns, employment, issues in the building sector and slum improvement and upgradation (Government of Kerala, 2011).

2.2.5 Affordable Housing and the Real Estate Sector

At the national level in 2015, Pradhan Mantri Awas Yojana (PMAY), was initiated to promote affordable housing in India that subsumed all the existing urban housing schemes and with the overarching objective of 'Housing for All' by 2022. There are different Public Private Partnership Models for affordable housing in India provided by the scheme (please see the annexure 2.1).

The Affordable Housing has been designed for income groups such as EWS (Economically Weaker Section), LIG (Low Income Group) and MIG (Middle Income Group) with a provision for basic amenities, low-cost EMI/rent and reasonable maintenance cost. The Minimum Super Built up Area for EWS is 300 sq. ft., LIG is 500 sq. ft. and MIG is in between 600-1200 sq. ft. Basic amenities like sanitation, adequate water supply and power, provision of community spaces, amenities such as parks, schools and healthcare facilities within project area or neighbourhood depending upon the site and location of the housing project are also provided for along with housing. EMI should be in between <30-40% of gross monthly income of the buyer and maintenance cost should be at a reasonable rate.

The hurdles that Kerala is facing in the path of housing are; the shortage of surplus land, suitability of the location of the available land for the livelihood activities of the beneficiaries, lack of planning in habitat development and provision of infrastructure facilities, lack of coordination between various departments, lack of skilled workers and insufficient financial support by public agencies (Government of Kerala, 2017)¹⁰.

⁹ Kerala Housing Policy, 2011, page 2

¹⁰ Government of Kerala (2017a). Thirteenth five-year plan (2012-17), State Planning Board, Govt. of Kerala, pp. 28-31. Co-chairs: P H Kurian and R. Shankar

2.2.6. Concerns about Affordable Housing

Private developers have largely stayed away from this segment because of thin margins, mainly due to the high cost of land and finance and high taxes, which makes the project unviable. One of the major loopholes in the affordable housing policy is that it defines the restrictions by the size of the unit rather than by the maximum price of the unit. This means that a developer could sell the unit at any price if it is under the size of 60 sq. metres. This defeats the purpose of affordable housing because developers could make use of all benefits of the scheme and fix a price which is beyond the purchasing capacity of the buyer.

If the builder gets involved in the affordable housing scheme, at least 90% of the units shall be of 60 sq. metres or less. Going by this rule, the builder will not be able to achieve the complete Floor Area Ratio (FAR) as the maximum units can only be 366 since the size of 330 units has to be smaller than 60 sq. metres. In such a context, the local authority may consider granting higher density to the affordable housing projects, so that builders could build more units in the same area and achieve higher FAR. By not achieving complete FAR, the project viability of the builder becomes negative in most cases. This issue shall receive the attention of both central and state governments to make affordable housing viable for the developer.

Affordable housing, as per the GST Council, include those properties that cost up to 45 lakhs and the carpet area in the metro cities should be 645 sq. ft. and in non-metro areas 968 sq. ft. GST for the Residential Real Estate Project for affordable residential flats has been reduced from eight percent to one percent while for commercial properties the rate has been reduced from 12 percent to five percent. In both cases, the builders are not eligible to claim an input tax credit. GST, however, creates a hurdle for the affordable housing segment. Currently the developer gets abatement in service tax to the tune of 75% considering the cost of land in the final product price. However, GST does not currently provide for abatement for land. As a result, the cost of housing will go up for the buyer, as the GST will have to be paid for the entire consideration amount.

To overcome the above challenges, the government needs to provide single window clearance for affordable housing projects and keep the price under control. Currently the various approval authorities of state governments cause long delays in completion of projects due to which the cost of the project goes up. The high cost of land is one of the major deterring factors in providing low-cost houses. The state governments need to increase the FAR for the plots under the affordable housing scheme. By increasing FAR, the cost of Floor Space Index (FSI) will go down drastically for the developer. More FAR means saleable area or higher turnover for the developer. If this is implemented then the developer can earn his share of profits through higher turnover even with lesser margins per unit.

The government may also consider providing more benefits to the segment by exempting affordable houses from stamp duty which ranges anywhere from 5%-7%. Stamp duty is a state subject, with the state government fixing the rate and collecting the duty. If the state governments agree to such changes, then it will be a game changer as it will drastically reduce the final cost of the product to the buyer. . All these issues are to be seriously considered to make affordable housing attractive for real estate developers which in turn set the stage for the development of the real estate sector in PPP mode.

Sarkar et al (2016) observed that affordable housing policy should aim at two things such as improving the reach of the formal market and removing procedural bottlenecks for construction. To improve the reach of formal market, the authority has to increase land supply by using the vast amounts of land with the governments, by resolving land title issues, by increasing FAR/FSI and by modifying building bye-laws/ sanctions that are archaic in nature and make them more functional and efficient. Procedural bottlenecks for construction can be removed by issuing tenure rights (sometimes transferable) to squatters, by directly subsidising those who cannot afford a housing in even the most efficient markets and by non-taxing non-poor and non-rich segments and reducing house taxes across the board for all income groups¹¹.

¹¹ Sarkar, A., Dhavalikar, U., Agrawal, V. and Morris, S. (2016). Examination of Affordable Housing Policies in India, IIM, Ahmedabad, W.P. No. 2016-03-33, pp.11-12

These recommendations appear to be highly relevant in the context of Kerala.

2.2.7. A Strategic Consolidation: Life Mission Kerala

During the 13th plan the Government of Kerala announced an ambitious social housing cum livelihood project 'LIFE' (Livelihood Inclusion and Financial Empowerment) in 2016. This was intended to rehabilitate the houseless and landless by providing all basic facilities in sync with the affordable schemes of the Central Government. The beneficiaries of the scheme are the homeless with land, the homeless without land, those with unfinished/uninhabitable housing, and those with temporary housing in the outskirts, coastal areas or plantation areas. This scheme is envisaged to bring together all other existing housing schemes of other departments together. LIFE Mission, along with Haritha Kerala Mission based on Sanitation, Water and Agriculture, Aardram Mission for Health, is a major flagship programme under the Nava Kerala Mission. A State Level Housing Commission has been constituted for the implementation of the scheme with the Chief Minister as the Chairman and the Minister of Local Self Government as the Co Chairman. A gross amount of Rs.16000 crore has been estimated to be incurred for this purpose during the five years of its implementation (Government of Kerala,2017)¹²

The key objective of the Comprehensive Housing Scheme - LIFE - is to provide safe and dignified houses to all the landless and homeless in Kerala within a period of five years (2017-18 onwards) to enable them to earn their own livelihood, to participate in social processes with dignity and to provide focused social welfare schemes including financial services. In the housing sector a two-pronged strategy is envisaged for achieving the objectives of the comprehensive housing project known as LIFE mission. The LIFE mission, along with ensuring a complete housing security plan, provides for strengthening livelihood along with better housing, facilities for children's study and special training, self-employment training, elderly care, savings and loan facilities and other aids and services to improve life and quality of life.

¹² Government of Kerala (2017b), Budget Speech 2017-18, Department of Finance, Thiruvananthapuram.

The main tasks of the LIFE Mission are ensuring availability of land, streamlining resource mobilisation, determining criteria for the selection of beneficiaries, conducting supervision and formulating public policy proposals at the same time. The beneficiaries of LIFE Mission scheme - landless/homeless persons are identified based on the Socio-Economic Caste Census (SECC) conducted by the Central Government in 2011. The local bodies concerned are also having the responsibility of identifying the beneficiaries. Kudumbashree teams are involved in the supervision and inspection of the schemes.

2.2.8. Status of LIFE Mission

LIFE Mission covers the schemes under EMS Housing Scheme, Indira Awas Yojana (IAJ), Pradhan Mantri Awas Yojana (urban) (PMAY urban), Pradhan Mantri Awas Yojana (rural) (PMAY rural), Rajiv Awas Yojana (RAY), Basic Services for Urban Poor (BSUP), Integrated Housing and Slum Development Programme (IHSDP).

Table 2.1: Life Mission Implementation Status –No. of Completed Houses as on 16-12-2021

District	Phase 1	Phase 2	Phase 3	PMAY(U)	PMAY(R)	Others*	Total
Thiruvananthapuram	6049	15170	624	10437	3077	4206	39563
Kollam	3617	8453	1058	5555	1477	2854	23014
Pathanamthitta	1176	1987	438	1403	800	1446	7250
Alappuzha	2728	9210	389	4343	796	2292	19758
Kottayam	1102	4222	777	2050	617	1613	10381
Idukki	3129	9989	1261	1722	783	1501	18385
Ernakulam	1059	5411	906	9147	799	2583	19905
Thrissur	2997	4939	729	6984	1666	2648	19963
Palakkad	7611	11936	517	5737	2149	3429	31379
Malappuram	2729	6232	863	9265	2436	3757	25282
Kozhikkode	6483	4945	266	5541	1212	1996	20443
Wayanadu	8440	3680	356	2513	934	3037	18960
Kannur	2644	2572	252	4113	708	1684	11973
Kasaragod	2871	3451	440	1644	639	944	9989
TOTAL	52,635	92,197	8,876	70,454	18,093	33,990	2,76,245

Source: LIFE Mission portal, Government of Kerala

*Others includes SC Dept.,ST Dept.,Fisheries Dept.,Minority Dept and Additional List(Houses Less With Land)

Table 2.1 presents a succinct picture of the accomplishments across districts till the end of 2021. Under the LIFE Mission Scheme, as on 16th December 2021, 2.76 lakh (65 percent of the estimated) houses were built by the Government. It is imperative to note that after the initiation of the LIFE Projects, Government of Kerala was confronted with Okhi cyclone, two devastating floods in 2018 and 2019, spread of NIPAH virus and outbreak of COVID-19 pandemic. In spite of all these adversities, the state managed to achieve more than 65 percent of the target of LIFE Mission by completing the construction of 2.76 lakh houses. The remaining houses are expected to be completed in coming years.

2.3 Concluding Observations

On the whole, it is evident that with respect to the issue of housing, there have been proactive policy interventions along with appropriate institutional architecture designed and implemented both at the national and regional level. The focus of the policy and institutional architecture did not remain unchanged both at the regional and national level. Instead, they have undergone changes in accordance with the changing needs of time and space. No wonder, these policy initiatives, with its focus mainly on social housing, have helped address the housing needs especially of the poor.

At the same time, it is to be noted that the focus of policy and the institutional architecture has been to ensure growth of the sector in such a way as to meet the growing housing demand both in the rural and urban sectors especially the weaker sections., Viewed from the perspective of real estate sector that goes beyond the needs of the weaker sections, there appears to have been a policy deficit. There has not been any explicit policy to harness the growing private sector in addressing the housing needs and help evolving a real estate-based building construction sector. Further, in the absence of appropriate amendments in the Kerala Buildings (Lease and Rent control) Act, 1965 which regulates the leasing and rent of buildings, a rental based real estate sector is yet to emerge in Kerala unlike in other states.

Although affordable housing has been an attempt in enlisting the involvement of the private sector through Public Private Participation (PPP) mode, there are a number of concerns that make it unattractive to the private sector. To begin with, the affordable housing policy defines a dwelling unit in terms of its size rather than the maximum price of the unit. This leads to a situation wherein the developer could fix the price at any levels, provided the size is within 60 sq. metres. Private developers largely stayed away because of thin margins, mainly due to the high cost of land, finance and higher rates of stamp duty and registration and GST related issues. Hence a case could be made for providing single window clearance for affordable housing projects, provision of land along with exemption from stamp duty to keep the price under control. There is also the need to address the delay in various approvals by authorities to get rid of delays in completion of projects and the resultant cost/price escalation. With these measures, affordable housing could be more attractive for real estate developers which in turn could set the stage for the development of the real estate sector in PPP mode.

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CHAPTER 3

Performance of Real Estate Sector in Kerala: Trends, Patterns and Concerns

3.1 Introduction

In the previous chapter we have concluded the prevalence of policy deficit for the development of a vibrant real estate sector which could be instrumental in helping address the housing needs of the poor apart from contributing towards the growth and development. It is presumably in this context that the Real-Estate (Regulation and Development) Act was passed with provision for Real Estate Regulatory Authority in all the states and union territories of the country. The present study is premised on the ground that a real estate-based development is highly conducive for the state of Kerala given its economic, ecological, demographic and governance related aspects. The question of concern is the growth and development of the sector given the policy environment and the new directions needed in the policy paradigm such that a development trajectory for the sector that satisfies the concerns of the key actors' builders/developers and consumers ensured. In this direction, the present chapter examines the development of the sector since 2000 by highlighting the trends, patterns in the sector and emerging concerns.

We shall begin with an analysis of the growth of the real-estate sector during the first decade of the century by making use of the Census data for the years 2001 and 2011. Here, our special focus shall be on different categories of construction e.g. residential and non-residential along with its rural and urban distribution. (Since the data for the year 2021 is not yet made public, we have made use of building statistics data published by the department of economics and statistics government of Kerala. Since this data is available only for the years 2015 to 2020, analysis of the recent trends is confined to five years ending in 2020. Here, in the analysis for later period, apart from examining building characteristics on the basis of its pattern and rural urban distribution in terms of the number of buildings, we draw preliminary inferences

regarding the question whether a real-estate-based building construction is emerging in the state. Drawing from the analysis, we also highlight certain concerns that deserve

The remainder of the chapter is organised as follows. Section 3.2 examines the trends in the building construction sector, both residential and non-residential, and its rural urban distribution during 2001-2011 using the census data. Section 3.3 by making use of the building statistics published by the Department of Economics and Statistics, Government of Kerala examines the growth trends and patterns and highlights the growing importance of non-residential construction on the one and indications of the growing preference dwelling units in the real estate based high rise buildings. Section 3.4 highlights certain emerging concerns with respect to the real estate sector followed by the last section wherein the concluding observations are presented

3.2 Trends during 2001-2011: Growth and Composition

It is evident that as per the census statistics, the total number (stock) of occupied house buildings increased from 86.3 lakhs in 2001 to 100.3 lakhs in 2011, recording a growth rate of 16.3 % during the decade under consideration (Table 3.1). This implied an average annual addition (flow) of 1.40 lakh occupied houses¹³.

The total number of occupied buildings could be broadly divided into (a) those used for residential purposes and (b) those used for non-residential purposes like shops, offices, hotel, guest house, educational institutions, hospitals, factory workshops and others. The total occupied residential houses increased from 64.9 lakhs in 2001 to 74.4 lakhs in 2011; recording a growth rate of 18% during the decade, implying an annual addition of 1.17 lakh units during the first decade. In the case of buildings meant for non-residential purposes the recorded growth was at a lower rate of 8.3%, implying an annual addition of only 0.23 lakh units.

It is also evident that the houses for residential purpose accounted for 75.3% of the total buildings in 2001 and its share marginally increased to 76.4% in 2011. Thus

¹³ If we consider the total houses built (occupied and unoccupied) the annual addition has been higher: 1.86 lakhs.

viewed, almost 2/3 of the total number of buildings/real estate are meant for residential purpose

Table 3.1: Composition and Growth of Total Occupied Housing Stock in Kerala (000')

No.	Particulars	2001		2011		Growth Rate (%)
		No.	%	No.	%	
1	Residence	6491	75.2	7659	76.4	18.0
2	Residence- cum Other Use	50	0.6	45	0.4	-10.0
3	Shop, Office, Hotel, Lodge, Guest House, etc.	939	10.9	1017	10.1	8.3
4	School, College, Hospital, Dispensary, etc.	100	1.2	107	1.1	7.0
5	Factory, Work Shops, Work Sheds, etc.	152	1.8	166	1.7	9.2
6	Worship Places	101	1.2	106	1.1	5.0
7	Other Non- Residential Use	793	9.2	836	8.3	5.4
8	No. of occupied locked Houses		0.0	94	0.9	
9	Total	8626	100.0	10030	100.00	16.3

Source: Census Data 2001 and 2011

3.2.1 Rural Urban Distribution

When it comes to the rural urban distribution, we have seen that the total number of rural houses declined from 63.9 lakhs in 2001 to 52.7 lakhs in 2011 (Table 3.2). This involved an annual decline of 1.1 lakh houses per annum. The number of urban houses more than doubled from 22.4 lakh in 2001 to 47.6 lakh in 2011, indicating an annual addition of 2.5 lakh houses per annum. This reveals that during the first decade of the current century much of the increase in housing demand has been from the urban areas. Needless to say, the above trend indicates the fast urbanisation that Kerala has been undergoing. As per census 2011, 52.3% of the total population are located in rural and 47.7% in urban areas

In the case of residential houses, the number of units in rural areas declined from 48.7 lakhs units in 2001 to 40.01 lakhs in 2011; implying an annual reduction of 0.87 lakh houses plausibly consequent on the rural areas getting redefined as urban areas. Hence their share declined from 75% in 2001 to 53.1% in 2011. Correspondingly, the units

in the urban areas more than doubled from 16.2 lakhs in 2001 to 35.9 lakh in 2011 implying an annual addition of 1.97 lakh units.

On the whole, the buildings for the residential purpose were the driving force of the building construction sector and much of it has been taking place in the urban areas. The greater focus of RERA on the housing consumers needs to be seen in the above context of growing residential construction and its implications for the consumers.

Table 3.2: Growth and Composition of Total Occupied Housing Stock in Kerala across Rural and Urban Areas ('000)

No	Particulars	2001						2011						Growth Rate	
		Rural			Urban			Rural			Urban			Rural	Urban
		No	%	%	%	%									
1	Residence	4871	76.3	75.0	1620	72.4	25.0	4066	77.1	53.1	3592	75.5	46.9	-16.5	121.7
2	Residence- cum Other Use	34	0.5	68.0	16	0.7	32.0	23	0.4	51.1	22	0.5	48.9	-32.4	37.5
3	Shop, Office, Hotel, Lodge, Guest House, etc.	601	9.4	64.0	338	15.1	36.0	444	8.4	43.7	574	12.1	56.4	-26.1	69.8
4	School, College, Hospital, Dispensary, etc.	71	1.1	71.0	29	1.3	29.0	55	1.0	51.4	52	1.1	48.6	-22.5	79.3
5	Factory, Work Shops, Work Sheds, etc.	92	1.4	60.5	60	2.7	39.5	74	1.4	44.6	92	1.9	55.4	-19.6	53.3
6	Worship Places	81	1.3	80.2	20	0.9	19.8	62	1.2	58.5	43	0.9	41.5	-23.5	115.0
7	Other Non- Residential Use	636	10.0	80.2	156	7.0	19.7	504	9.6	60.3	332	7.0	39.7	-20.8	112.8
8	No. of occupied locked Houses	0	0.0		0	0.0		44	0.8	46.8	50	1.1	53.2		
9	Total	6386	100.0	74	2239	100.0	26	5272	100.0	53	4757	100.0	47	-17.4	112.5

Source: Census Data 2001 and 2011

3.3 Recent Trends (2015-2020)

Based on the data provided by the Department of Economics and Statistics for the last five years on building statistics, it could be inferred that the real estate sector has become more vibrant in recent years. During the period 2015-16 to 2019-20, the annual addition in the total number of buildings is estimated at 3.95 lakh. (Table 3.3). This has to be compared with the annual addition of 1.4 lakh buildings during the first decade of this century. In the case of residential buildings, the annual addition during the last five years is estimated at 3.1 lakh units as compared to 1.17 lakh units during 2001 to 2011. According to the Department of Economics and Statistics, the highest numbers of dwelling houses were built in Malappuram district (39143) followed by Trivandrum district (38013) and least in Wayanad district (10260) followed by Pathanamthitta district (10635).

It is also evident that the addition of buildings for non-residential purposes has been at a much higher pace; 0.87 lakh during the last five years as compared to only 0.23

lakh per annum during the first decade of the century. The observed higher increase in the number of buildings meant for non-residential purposes point towards the vibrancy especially in the service sector economy which generates the demand for the non-residential houses/buildings. At the same time, it is to be noted that the share of residential houses is around 75%. This indicates that, although the building construction sector has become more vibrant in the recent past, the structure of residential and non-residential buildings remained unchanged.

Table 3.3 : Annual Growth Rate of Buildings in Kerala								
Year	Residential			Non-Residential			Total	
	Nos.	Share (%)	Growth Rate (%)	Nos.	Share (%)	Growth Rate (%)	Nos.	Growth Rate (%)
2015-16	283702	77.9		80485	22.1		364187	
2016-17	301897	77.5	6.5	87647	22.5	8.6	389544	7
2017-18	283027	76.3	-6.3	87913	23.7	0.4	370940	-4.8
2018-19	323540	77.0	14.3	96642	23.0	9.9	420182	13.3
2019-20	346677	77.7	7.4	99497	22.3	2.3	446174	6.2
Average	305175	77.3	5.5	89618	22.7	5.3	394793	5.4

Source: Building Statistics Data, Department of Economics and Statistics, Govt. of Kerala, Various years

It is evident that the recorded annual average growth rate in the total number of units is 5.4%. Interestingly the recorded growth in both components is also more or less similar; 5.5% and 5.3% for the residential and non-residential respectively.

The data provided by the recent report by the Department of Economics and Statics reveals that during the last five years 3.95 lakhs buildings were built per annum (Table 3.4), of which, 78% were in the rural areas and the remaining in the urban areas.

It is also evident from table 3.4 that during the last five years (2015-16 to 2019-20) buildings for residential purposes accounted for around 2/3rd of the total number of buildings in both rural and urban areas. However, as would be expected, the share of non-residential buildings in the urban areas (period average 25%) is found marginally higher than what was observed in the rural areas (period average 22%).

Table 3.4: Rural- Urban Distribution of Buildings in Kerala (in %)

Year	Rural			Urban			Total
	Residential	Non-Residential	Total	Residential	Non-Residential	Total	
2015-16	62	16.7	79	16	5.5	21	100.0 (364187)
2016-17	60	16.3	77	17	6.2	23	100.0 (389544)
2017-18	60	18.2	78	16	5.5	22	100.0 (370940)
2018-19	60	17.6	78	17	5.4	22	100.0 (420182)
2019-20	62	17.2	79	16	5.1	21	100.0 (446174)
Average	61	17.2	78	16	5.5	22	100.0 (394793)

Source: Building Statistics Data, Department of Economics and Statistics, Govt. of Kerala, Various years

With respect to growth, it is evident that in both rural and urban areas, the annual growth rates recorded during the last five years have been significantly higher than what was recorded during the first decade of the century. As compared to the negative annual growth rate of (-1.7%) recorded during 2001-2011 in rural areas, the growth rate recorded during the last five years has been as high as 5.9%. **(Table 3.5)**

Table 3.5: Growth and Distribution of Newly Built Buildings in Rural Area (in %)

Year	Growth rate			Share		
	Residential	Non-Residential	Total	Residential	Non-Residential	Total
2015-16				79	21.1	100.0 (287287)
2016-17	3.7	4.5	3.9	79	21.3	100.0 (298395)
2017-18	-5.1	6.2	-2.7	77	23.2	100.0 (290465)
2018-19	14	9.6	13	77	22.6	100.0 (327321)
2019-20	4.8	-0.2	9.7	78	21.7	100.0 (359190)
Average	4.3	5	5.9	78	22	100.0 (308575)

Source: Building Statistics Data, Department of Economics and Statistics, Govt. of Kerala, Various years

In the case of urban buildings, the last five years recorded a remarkable turnaround wherein the recorded annual average growth rate was 4.7% as compared to 1.2% recorded during the first decade of the century.

However, in terms of the annual addition of buildings, while 2.5 lakh buildings were added per year during 2001-11, the corresponding number turned out to be only 0.86 lakhs during the last five years. (Table 3.6)

Table 3.6: Growth and Distribution of Buildings in Urban Area (in %)

Year	Growth rate			Share		
	Residential	Non-Residential	Total	Residential	Non-Residential	Total
2015-16				74	25.8	100.0 (76900)
2016-17	17.6	21.3	18.5	74	26.4	100.0 (91149)
2017-18	-11	-15.1	-12	75	25.4	100.0 (80475)
2018-19	16.9	10.9	15.4	76	24.4	100.0 (92861)
2019-20	-3.5	-3.2	-3.4	76	24.5	100.0 (89630)
Average	5.1	3.5	4.7	75	25.3	100.0 (86217)

Source: Building Statistics Data, Department of Economics and Statistics, Govt. of Kerala, Various years

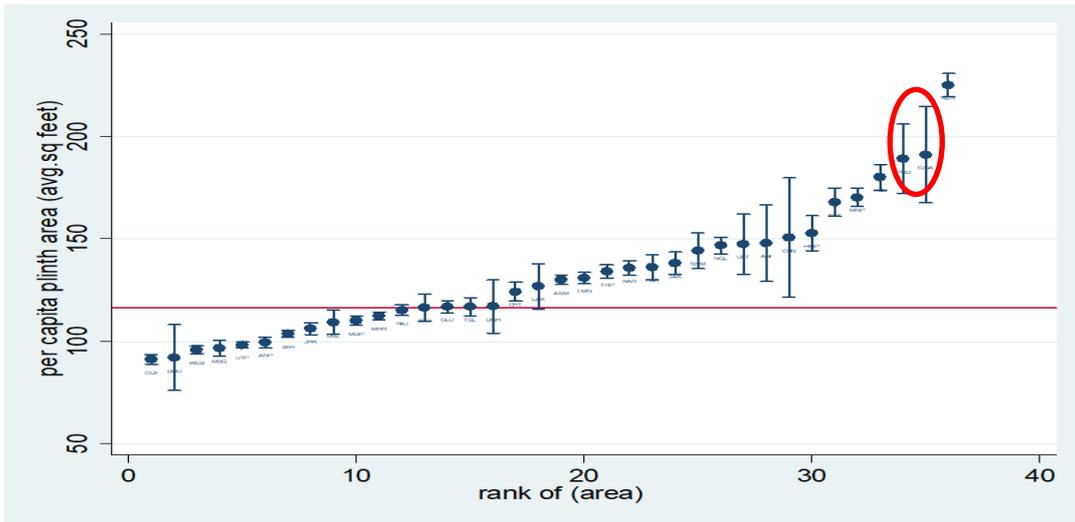
Such a drastic decline in the annual addition of urban buildings points towards the inevitable change in the kind of buildings, especially in the form of high-rise buildings. This could be seen as an offshoot of the interplay of various factors including the land constraint and growing demand for residential houses associated with urbanisation and emergence of real estate and housing as an attractive investment option. This, indeed, has set the stage for RERA. We shall take up this issue for further exploration in the next chapter through a more detailed analysis of the nature of buildings by taking the case of Thiruvananthapuram corporation.

3.4 Emerging Concerns

3.4.1 Highest Per Capita Plinth Area

As we have already noted, the housing construction segment of the real estate sector in recent years has recorded an unprecedented growth in the housing construction sector. This may be viewed in the context of an interplay of host of factors that include but not limited to increasing pace of urbanisation, emergence of a vibrant service sector along with large scale inflow of remittance and housing investment emerging as an attractive new avenue of investment especially given the evidence on higher growth in the prices recorded. The combined outcome has been that Kerala has emerged as the state with highest per capita plinth area in the country (Figure 3.1).

Figure 3.1: Ranking of Indian States based on Average Per capita Plinth Area of Houses with Confidence Intervals (*circled Kerala*)



Source: *Drinking Water, Sanitation, Hygiene and Housing condition in India, NSS 76th round (July –December 2018)*

3.4.2. Unoccupied Houses

Along with the faster pace of urbanisation, which in turn impacted the house building/real estate demand and its pattern, Kerala also witnessed a unique development in terms of increasing stock of unoccupied houses. The proportion of unoccupied houses increased from 7.8% in 2001 to 10.6% in 2011 (Table 3.7); this has to be compared with a much lower share of 7.5% in the country as a whole.

This could be attributed, on the one hand, to the widely acknowledged large-scale migration from Kerala to other states and the rest of the world along with investing in housing emerging as a major form of investment.

Increase in the share of vacant houses in Kerala implies that a part of the huge investment in the real estate sector of Kerala remains unproductive and unutilized. What is rather striking is that when it comes to the unoccupied houses, there is hardly any rural urban difference; While it is 11.3% in the urban areas and 10% in the rural areas in 2011; recording increase of 2.5% in both rural and urban areas, presumably indicating the role of migration in almost all the regions in the state.

Needless to say, addressing the growing number of unoccupied houses and strategies for their effective use shall attract the attention of any future policy initiatives in Kerala. In this context the possibility of networking these buildings and converting them to office spaces as part of work near home strategy could be explored

Table 3.7: Rural Urban Distribution of Unoccupied Houses in Kerala ((000’)

Particulars			Occupied Houses	Vacant Houses	Total Houses
2001	Rural	No.	6386	509	6895
		%	92.6	7.4	100.0
		%	74.0	69.5	73.7
	Urban	No.	2239	223	2462
		%	90.9	9.1	100.0
		%	26.0	30.5	26.3
	Total	No.	8625	732	9357
		%	92.2	7.8	100.0
		%	100.0	100.0	100.0
2011	Rural	No.	5272	586	5858
		%	90.0	10.0	100.0
		%	52.6	49.3	52.2
	Urban	No.	4757	603	5360
		%	88.8	11.3	100.0
		%	47.4	50.7	47.8
	Total	No.	10029	1189	11218
		%	89.4	10.6	100.0
		%	100.0	100.0	100.0
Growth Rate	Rural	%	-17.4	15.1	-15.0
	Urban	%	112.5	170.4	117.7
	Total	%	16.28	62.43	19.89

Source: Census 2001 and 2011

3.4.3. Rising Prices

Price of land and carpet area have increased considerably over the last few years in India in general and Kerala is no exception. As per the Pradhan Mantri Awas Yojana, Housing for All (Urban), Scheme Guidelines, 2015, Carpet Area is defined as the Area enclosed within the walls, actual area to lay the carpet. This area does not include the thickness of the inner walls.

Table 3.8 Trend in the Price of Carpet Area in Thiruvananthapuram and Kochi (Rs.Per Sq.Ft.)				
Kochi				
Year	Composite Price	<=60 sq.mt. (646 sq.ft)	>60 sq.mt.(646 sq.ft) and <=110 sq.mt.(1184 sq.ft)	>110 sq.mt. (1184 sq.ft)
2013	4200.7	4284.7	3924.7	4559
2014	4568.5	4371	4198.8	5120.5
2015	4753.3	4467.5	4424.3	5269.8
2016	5332	4877.8	5200.3	5617.3
2017	5790.3	5144.5	5520.8	6309
2018	5738.8	5061.5	5361.5	6411.3
2019	6087	5251	5619.3	6920.3
2020	6659.5	5833.8	5854.8	7952.3
2021	6896	6281.3	6068.5	8170.8
CAGR	6.4	4.9	5.6	7.6
Thiruvananthapuram				
2013	4121.3	4964.7	3795.7	4243
2014	4278	4771.5	3998.3	4444.8
2015	4486	3557.8	4389.5	4839.3
2016	5153.3	3753.8	5150.8	5533
2017	5166.8	4634.8	5455.5	5000.8
2018	5169	4853.3	5415.3	4990
2019	5909.8	6115	6081.5	5670.8
2020	6263	6779.5	6412.5	6558.5
2021	7070.5	6768.8	7093.3	7126.5
CAGR	7.0	4.0	8.1	6.7
<i>Source: Own estimates based on the data obtained from https://residex.nbbonline.org.in/</i>				

Table 3.8 presents the trend in the price per unit of carpet area in Thiruvananthapuram and Kochi, obtained from National Housing Bank. The composite price along with other three categories is also presented. It is evident that Kochi recorded a higher CAGR in price as compared to Thiruvananthapuram, indicative of higher demand. The table also indicates significant variation in the rate of growth in prices across different categories presented with highest increase being in the last category (>110 sq.mt.) in Kochi and in third category (>60 sq.mt. and <=110 sq.mt.) in Thiruvananthapuram. On the whole, it appears that the price recorded in all the categories appears to be higher than that of the general price level in the State. The observed higher price is indeed a matter of much concern and there are a number of factors behind it. Although a detailed enquiry into these factors is

beyond the scope of this study, there is reason to believe that the higher cost of land along with heavy dependence on construction materials influence the price level.

Since heavy dependence of the state on the imported building materials acts as a factor that cause higher prices, there is the need for developing local productive capacity for building construction materials and thus reaping the backward linkages for generating income and employment opportunities in the state.

Table 3.9: Stamp Duty and Registration Across Major States

States	Stamp Duty Rates (%)	Registration Charges (%)
Andhra Pradesh	5.0	0.5
Bihar	Male to Female - 5.7	2.0
	Female to Male - 6.3	
	Other cases - 6	
Chhattisgarh	5.0	4.0
Gujarat	4.9	1.1
Haryana	Male-7, Female-5	1.0
Himachal Pradesh	5.0	2.0
Jammu and Kashmir	5.0	1.2
Jharkhand	4.0	3.0
Karnataka	5 (above Rs 45 lakh)	1.0
	3 (Rs 21-45 lakh)	
	2 (Less than Rs 20 lakh)	
Kerala	8.0	1.0
Madhya Pradesh	7.5	3.0
Maharashtra	6 for male	1.0
	5 for female	
Odisha	5 (Male)	2.0
	4 (Female)	
Punjab	7 (Male)	1.0
	5 (Female)	
Rajasthan	5 (Male)	1.0
	4 (Female)	
Tamil Nadu	7.0	1.0
Telangana	5.0	1.0
Uttar Pradesh	Male - 7	2.0
	Female - 7	
Uttarakhand	Male - 5	1.0
	Female - 3.75	
West Bengal	Upto Rs 1 crore - 6%	1.1
	Above Rs 1 crore - 7%	

Along with these factors, the issue of higher stamp duty, already highlighted by the scholars Alm et al (2004), deserve attention. As is evident from table 3.9 the stamp duty is higher in Kerala when compared to all the other major states in the country. This, therefore, calls for immediate policy attention such that the stamp duty in the state is reduced to be on par with neighbouring states. Considering the fact that the real estate sector is a growth pole of the regional economy and its growth is constrained by higher cost of land and raw materials brought from other states, a case could be made for bringing the stamp duty lower than that of the neighbouring states. Such a reduction in stamp duty is unlikely to have any adverse effect on state revenue provided the prevailing anomalies in the fair price are addressed and the real estate sector is facilitated to grow to its potential.

3.4.4 Housing Deficit

It is rather paradoxical that while a significant part of the houses remains unoccupied, homelessness and housing shortage persist.

Housing shortage in Kerala during 2001 was estimated as 63,000 units, excluding the number of dilapidated houses, with a projected requirement of 10 lakhs houses for the next five years. The general survey conducted in 2007, estimated an unmet demand of 10.8 lakh housing units. As per the Census data, 0.04 percent of the total households remain houseless, with its prevalence in urban areas being 0.05 percent and in rural areas 0.02% (see Table 3.9).

Table 3.10: Rural Urban Distribution of Households without a House - 2011

Particulars	Normal Households		Houseless Households		Total Households (except institutional HH)		Percentage share of Houseless Households in Total	
	Number	Population	Number	Population	Number	Population	Number	Population
Rural	4141772	17380701	1767	4092	4143539	17384793	0.04	0.02
Urban	3693745	15831379	3992	7761	3697737	15839140	0.11	0.05
Total	7835517	33212080	5759	11853	7841276	33223933	0.07	0.04

Note: Households other than Institutional and Houseless households are Normal households. Institutional household is a legal body for the purpose of long-term inhabitation and provision of institutionalised care given to a group of persons

Source: Census 2011

3.4.5 Exclusion of the Less Privileged

Provision of adequate housing and amenities are major challenges for human development, particularly among low-income urban households in developing countries including India. Often this shortfall is evident from the proliferation of slums and squatters. In Indian cities in 2011, for instance, approximately 20 million households were living in 49,000 slums. These challenges are further exacerbated when social exclusion makes access to adequate housing and amenities difficult among certain communities. In fact, it also contributes to the creation of a housing sub-market, which imbalances supply and demand and ultimately leads to difficulty in accessing affordable housing.

In India, scheduled castes and scheduled tribes — two groupings of historically disadvantaged people expressly recognized in the Constitution of India constitute 22.5 percent of the population in India and 10.55 percentage in Kerala according to the census, 2011. This segment suffers disproportionately from poverty and is faced with poor habitat conditions.

Table 3.11: Housing Condition of Different Social Groups: 2001 and 2011

Condition	All Population		SC	
	2001	2011	2001	2011
Good	55.9	66.41	34.98	45.81
Livable	35.92	28.32	49.04	43.07
Dilapidated	8.17	5.26	15.99	11.12
Total	100	100	100	100
Total Number of Houses	65,53,765	76,58,685	7,09,143	7,51,165
Condition	ST		Others/General	
	2001	2011	2001	2011
Good	29.02	38.38	59.04	69.26
Livable	53.82	45.3	33.94	26.35
Dilapidated	17.16	16.32	7.02	4.39
Total	100	100	100	100
Total Number of Houses	1,16,623	1,36,006	57,27,999	67,71,514

Source: Census 2001 and 2011

Table 3.10 shows that, while only 46% of the SCs and 38% of the STs have access to good housing conditions, 69% of the other/general categories live in houses in good condition. More importantly, the proportion of SCs and STs living in dilapidated

houses is as high as 11% and 16% respectively. When it comes to other/general categories, it is much lower at 4%. This tends to suggest that such deprivation and exclusion with respect to the basic necessities of human life cannot be beyond the purview of a proactive institution like K-RERA in the long run. Here there is an imperative to explore ways and means of harnessing the provisions of affordable housing to address this issue

3.5 Concluding Observations

It was in the context of a policy deficit for facilitating the development of a vibrant real estate sector that the Real-Estate (Regulation and Development) Act was passed with provision for Real Estate Regulatory Authority in all the states and union territories of the country. This chapter analysed the growth of the real estate sector with focus on the emerging trends and patterns. The analysis has been premised on the ground that a real estate-based development is highly conducive for the state of Kerala given its economic, ecological, demographic and governance related aspects along with the ease of providing public services. Hence the basic issue has been to explore whether the observed trend is towards a real estate-based building construction sector and the emerging concerns therein.

This chapter offers certain important inferences of relevance for K-RERA. To begin with the building construction industry has become more vibrant in the recent past driven by the urbanisation driven by non-residential buildings. During 2015-16 to 2019-20, the annual addition in the total number of buildings is estimated at 3.95 lakh as compared with annual addition of 1.4 lakh buildings during the first decade of this century. The annual addition of buildings for non-residential purposes has been 0.87 lakh during the last five years as compared to only 0.23 lakh per annum during the first decade of the century. More importantly, there is an emerging trend towards real estate based high rise buildings in the urban areas because in terms of the annual addition of buildings, while 2.5 lakh buildings were added per year during 2001-11, the corresponding number turned out to be only 0.86 lakhs during the last five years indicating larger number of residential/ non-residential units within a building on

account of the growing number of high-rise buildings. This trend needs to be ascertained with more empirical evidence which is taken up in the next chapter.

This chapter also noted certain concerns which may be of interest to K-RERA. To being with, Kerala has emerged as the state with highest per capita plinth area in the country on the one hand and very high incidence of unoccupied houses; The proportion of unoccupied houses increased from 7.8% in 2001 to 10.6% in 2011 which may be compared with a much lower share of 7.5% at the country as a whole. Devising appropriate strategies for their effective use shall attract the attention of any future policy initiatives in Kerala. In this context the possibility of networking these buildings and converting them to work spaces for the growing service sector could be explored.

It was also observed that the price recorded in all the categories of buildings appears to be higher than that of the general price level in the State. While the influence of higher dependence on imported inputs and higher price of land cannot be ruled out, we have highlighted the needs to reduce the stamp duty to below 5% to make it on par with the neighbouring states. It is rather paradoxical that while a significant part of the houses remains unoccupied, homelessness and housing shortage persist. More importantly, pronounced policy focus on the housing needs of the weaker sections notwithstanding, only 46% of the SCs and 38% of the STs have access to good housing condition and the proportion of SCs and STs living in dilapidated houses is as high as 11% and 16% respectively. This tends to suggest that such deprivation and exclusion with respect to the basic necessities of human life cannot be beyond the purview of a proactive institution like K-RERA in the long run. Here there is an imperative to explore ways and means of addressing this issue by harnessing the provisions of affordable housing with the involvement of the real estate sector.

CHAPTER 4

Emerging Trends in Real estate Sector: Evidence from Thiruvananthapuram Corporation

4.1 Introduction

As articulated in the opening chapter, a real estate-based building construction and residential pattern is highly desirable as it is in sync with the certain basic endowment of Kerala – viewed in terms of economic, ecological, demographic characteristics. Further real estate based residential patterns also leave scope for reaping the economies of scale, scope and efficiency associated with the provisioning of public services and collection of GST. The key issue is whether such a trend exists and how to effectively harness the Real Estate (Development and Regulation) Act to accelerate such a trend and the role of RERA therein while ensuring the interest of all the stakeholders. In the previous chapter, we have seen some preliminary indications to suggest that the growth of the building construction sector is driven by real estate based high rise buildings. This however, needs more careful exploration by ascertaining the changing character of the buildings in terms of vertical versus horizontal. This calls for data at the building level. The problem arises because of the absence of any reliable published data at the level of buildings. In the absence of such data on the population of buildings, drawing a scientific sample for undertaking a primary survey-based investigation to draw inference also becomes difficult. In this context, we made use of the Sanchaya data from IKM for Thiruvananthapuram Corporation.

The remainder of this chapter is presented in the following sections. Section 4.2 presents the data and methodology by discussing the way in which we made use of the Sanchaya data for Thiruvananthapuram Corporation for addressing the issue at hand. Section 4.3 undertakes an analysis of the emerging trends in the structure of the building to ascertain whether the emerging trend is one wherein real estate based high-

rise buildings is becoming the preferred choice for dwelling followed by the last section wherein the concluding observations along with implications for K-RERA interventions.

4.2 Data and Methodology

The dataset used in the present chapter is derived from the IT based tax collection and registration of buildings in the State. This data, called *Sanchaya*, is an e-governance application software suite for Revenue and Licence System developed by IKM at the instance of the Department of Local Self Governments. Although the data is not exactly designed for our purpose, we found some ways in which the data could be made use of to make inferences with respect to the changing nature and structure of buildings in the real-estate sector.

The major advantage of the data is that it covers the entire population of buildings in the State although the data is not readily accessible. Hence at the instance of Chairperson, RERA and ACS (LSGD), we managed to obtain the data for Thiruvananthapuram corporation. The data could be obtained only after a series of communication/meetings, leading to the inevitable delay in obtaining the raw data as the IKM had to honour our request along with their routine commitments. The data obtained has been subjected to substantial processing to draw inferences. Hence a brief discussion of the data and the process adopted is in order.

As already indicated, the core issue that we explore here is whether the building construction/ the real estate activity is giving rise to a vertical or horizontal growth pattern which, as we have argued, is in sync with the endowments of the state. As argued earlier, a vertical growth pattern is more conducive for providing the public services in a more efficient manner and reduced environmental impact and therefore more sustainable. Moreover, it is also conducive for the requirements of the ageing population of the state which is growing in size along with the collection of GST due to the state.

As per the *Sanchaya* data, Thiruvananthapuram corporation has a total number of 3.45 lakh buildings consisting of 4.8 lakh individual dwelling units accommodating a

population of 9.58 lakh. The corporation is estimated to have a density of 4,457 people per sq.km. (see Table 4.1). While the number of occupants per building is estimated at three that of in an occupied unit is only two.

Table 4.1: General Details – Thiruvananthapuram Corporation	
Area	214.86 sq.km.
Population	957730
Population density	4457/ sq.km.
No. of Wards	100
No. of Zones	12
Total Plinth area	53047844.9 sq.m.
Total buildings	345003
Total Individual dwelling units	480813
Population/Building	2.78 ~ 3
Population/Building units	1.99 ~ 2

Source: IKM Sanchaya Data

Sanchaya data for Thiruvananthapuram Corporation divides 100 wards in the corporation into 12 zones for the ease of tax administration. Therefore, we take these 12 zones as 12 regions of the corporation for the purpose of study. The variables we used from the data for our purpose are:

- a. Name of zonal office
- b. Door number of the building
- c. Plinth area of the building
- d. Building usage/ purpose
- e. House building name
- f. Building description
- g. Tax assessment year and
- h. Owner address.

There were no other variables in the data to get the information whether the building is a single or multi storied independent house/building (horizontal structure) or apartments (vertical structure) with multiple occupants/dwelling units. It may be noted that the door number of an independent housing building will have a unique

door number. However, when it comes to apartments (vertical structure) with multiple occupants/dwelling units, for each dwelling unit, the unique door number will be followed by a varying house number. Therefore, we could take the door number as an identifier for ascertaining whether the building is a horizontal or vertical structure. Every door number has two components. The first one indicating the building and second one is that of the dwelling unit. To elaborate, we have classified the buildings into categories on the basis of the number of door numbers therein (example: 1, 2, 3, 4-8 and 9 & above). If the door number repeats more than once in a building, we consider that building as a vertical structure or a high-rise real estate building with more than one dwelling unit. If the building has only one door number, that building could be considered as a horizontal structure.

Our analysis pertains to the period 2014-2021 and the data gives information on the usage of the units; Residential or Non-residential. Since the same building could have both residential and non-residential units, we included a category of 'both residential and non-residential' for the analysis of buildings. The major limitation of this method is that we will not be able to capture the real estate-based villa projects as they will be placed under horizontal structures.

4.3 Characterising Real Estate Growth

Since our focus is on ascertaining the emerging trends, the concept of stock (total number of existing buildings) and flow (net annual addition of buildings) assumes much importance in the analysis as the trend is likely to be different depending on whether one looks at the stock or flow. As we are more interested in the emerging trends, the focus shall be more on the flow, or the net addition of buildings in the real estate sector. In the analysis of growth that follows we shall consider growth in terms of the number of buildings and plinth area.

In 2014 the stock of buildings in the corporation was 2.97 lakh that increased to 3.45 lakh in 2021 (Fig 4.1). This implied an annual average growth rate of 2.1% (see table 4.2). When it comes to the number of building units added in a year (flow), it showed an upward trend up to 2018, (although with a setback during the demonetisation

period) and showed a downward trend thereafter including during the covid-19 period. As is evident from table 4.2, despite the negative growth recorded in four years, out of the eight years under consideration, the average annual growth rate is estimated at 8.6%. This is much higher than the State level performance discussed in the previous chapter.

Figure 4.1: Stock and Flow of Buildings the Corporation

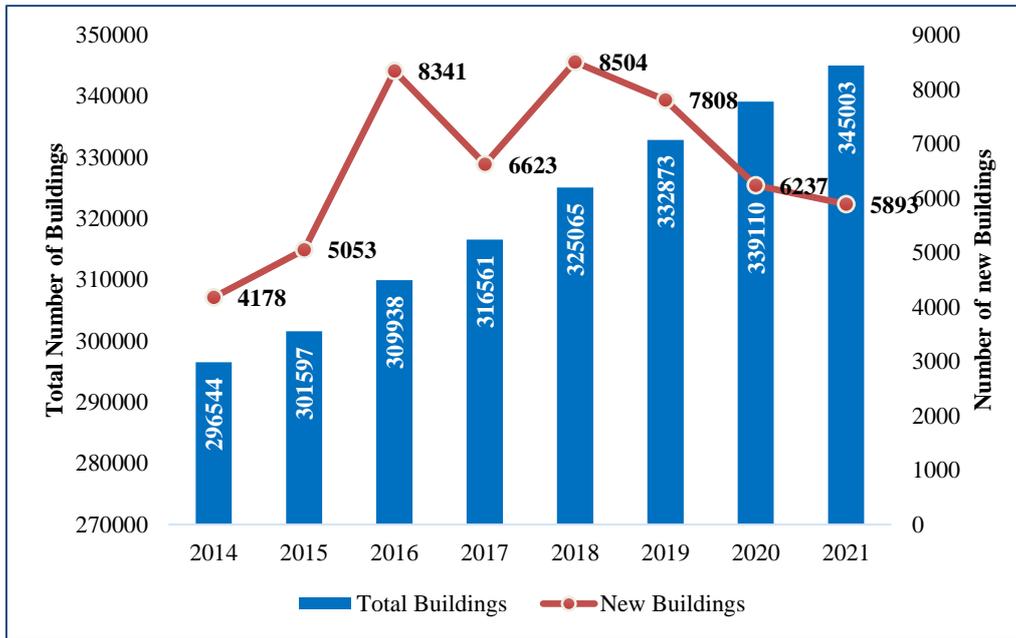


Table 4.2: Growth of Buildings in The State

	2014	2015	2016	2017	2018	2019	2020	2021	Average
Total Buildings		1.7	2.8	2.1	2.7	2.4	1.9	1.7	2.2
New Buildings		20.9	65.1	-20.6	28.4	-8.2	-20.1	-5.5	8.6

Source: IKM Sanchaya Data

4.3.1 Use Pattern: Residential - Non-residential

Following the approach adopted in the previous chapter we have divided the total buildings, based on their usage, into residential, non-residential and both residential and non-residential. Buildings used solely for the purpose of living come under residential category and the buildings used for the purposes like shops, offices, hotel, guesthouse, worship centres, convention centres, industry, school, college, hospitals,

factory and others come under non-residential category. Some units in those buildings used for residential and non-residential purposes come under the category of both.

Distribution of the stock of buildings in the corporation, based on the usage, remained almost the same for the last 8 years. Around 84 percent of the stock of buildings is used for residential purposes and 13 percent for non-residential purposes (Figure 4.2). The remaining 3 percent buildings that come under the category of both residential and non-residential show an average growth rate of 3.2 percent, which is greater than the average annual growth rate of residential (2.1%) / non-residential (2.2%)/ total buildings (2.1%).

Figure 4.2: Pattern of Building Usage – Stock of Buildings

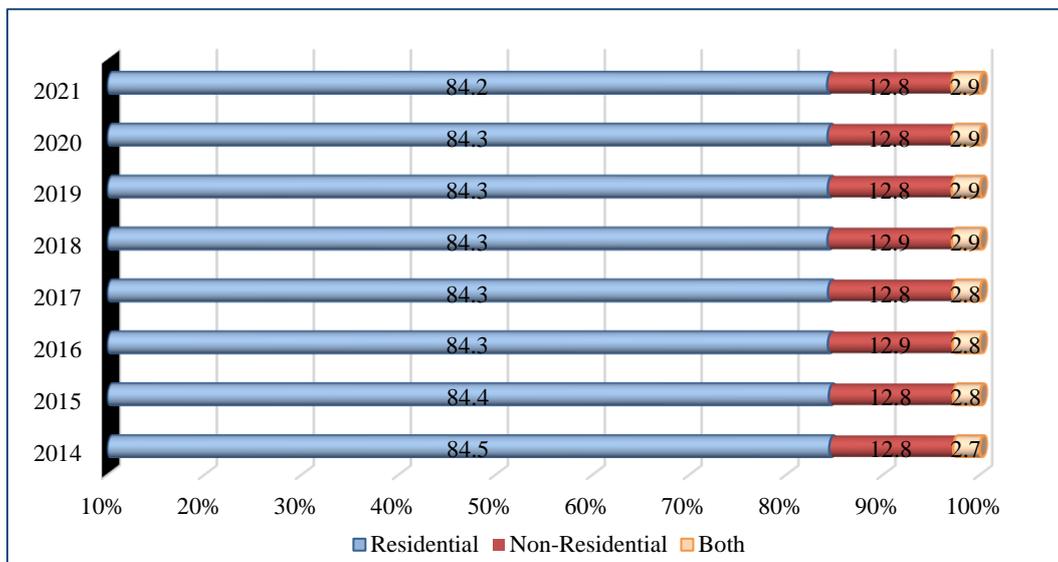
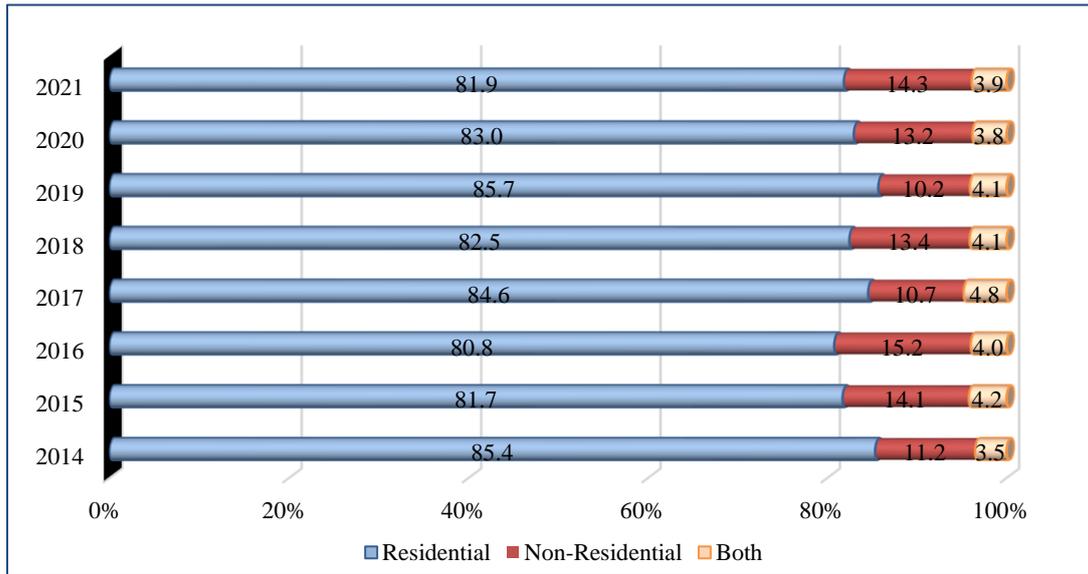


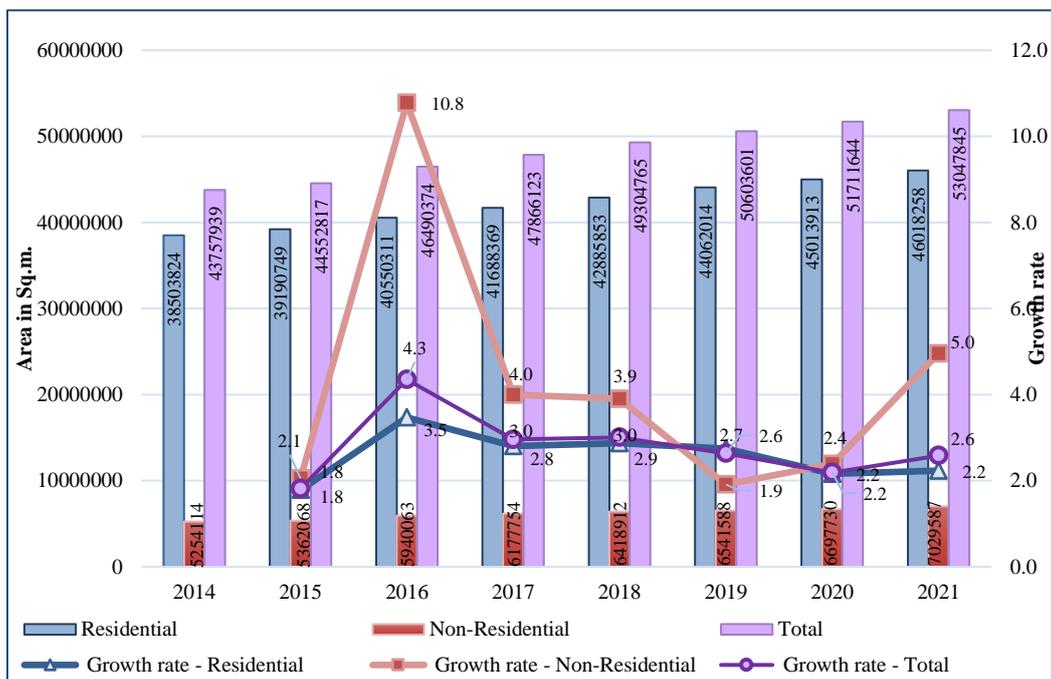
Figure 4.3 presents the distribution of new buildings added. It indicates a different pattern wherein the share of non-residential buildings increased from 11 percent in 2014 to 14 percent in 2021 with an average annual growth of 18 percent. Notably, the observed increase has been at the cost of residential buildings such that their share declined from 85% in 2014 to 82% in 2021 with an average growth of 8 percent. The growing importance of non-residential buildings continued even during the Covid-19 period.

Figure 4.3: Pattern of Building Usage - New Buildings



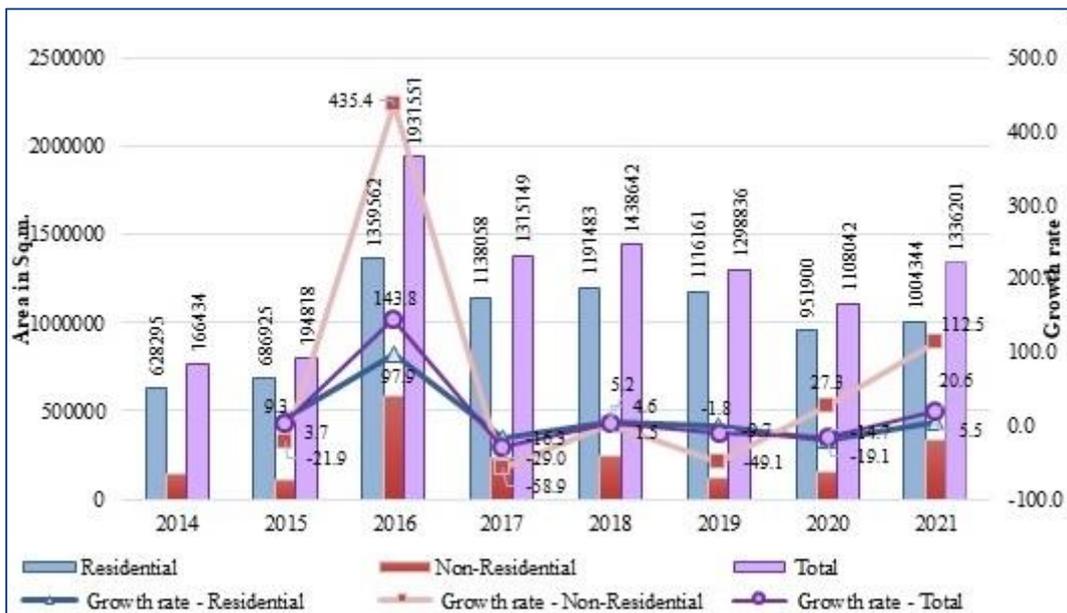
The emerging importance of non-residential buildings is reinforced when we examine the distribution in terms of the plinth area with respect to new buildings added (flow). Average growth of plinth area of stock of residential buildings in the corporation is 2.6 percent. Whereas it is 4 percent for the non-residential buildings, which is greater than the total plinth area growth of 3 percent (Figure 4.4).

Figure 4.4: Growth in the Stock of Plinth Area



The emerging importance of non-residential buildings becomes clearly evident when we examine the recent growth trend in the plinth area of the new buildings (fig 4.5). The estimated average growth in the plinth area of newly added non-residential buildings during the past 8 years is estimated at 64%. We hasten to add that the observed extremely high growth rate could be attributed to the numbers for the year 2016, which appears to be outliers. Even after dropping this number, the growth rate is higher. This has to be compared with the annual average growth rate of 12 per cent for the residential plinth area and 17% for total plinth area.

Figure 4.5: Growth in Plinth Area of Newly added Buildings



On the whole, it is evident from the above analysis that the growth in terms of the annual addition of number of buildings and the growth in plinth area is driven mostly by non-residential buildings. The growth in the number of non-residential buildings and plinth areas has to be viewed against the backdrop of expanding secondary and tertiary sector related activities like IT and tourism driven hotel industry in the corporation.

4.3.2 Horizontal Vs. Vertical Buildings

Here we shall examine whether the observed increase in the number of buildings and the plinth area, mainly driven by non-residential construction, is in the form of real

estate based high rise buildings which is shown to be more conducive given the specific context of Kerala. Table 4.3 presents year-wise data on the addition of new buildings and its distribution in horizontal and vertical categories. It is evident that out of the total number of buildings constructed (52,637) during the last 8 years, 76 percent has been in the horizontal category. Further, such buildings recorded an annual average growth rate of 6 percent. Whereas the vertical structures that accounted for 24% of the total number of buildings recorded a much higher annual average growth rate of 23 percent.

Year	Buildings						
	Horizontal			Vertical			
	Res.	Non-Res.	Total	Res.	Non-Res.	Both	Total
2014	89.7	10.3	3393	66.5	14.9	18.6	785
2015	86.2	13.8	3970	65.1	15.3	19.6	1083
2016	84.6	15.4	5549	73.2	14.9	11.9	2792
2017	89.9	10.1	4844	70.0	12.2	17.8	1779
2018	86.9	13.1	6560	67.4	14.6	18.0	1944
2019	89.8	10.2	6039	71.8	10.2	18.0	1769
2020	86.3	13.7	4820	71.6	11.6	16.7	1417
2021	85.5	14.5	4576	69.2	13.4	17.3	1317
Total	87.3	12.7	39751	70.1	13.4	16.6	12886

Source: IKM Sanchaya Data

Table 4.3 also indicates that out of the newly added horizontal buildings (39,751) 87 percent is being used for residential purposes and 13 percent is used for non-residential purposes. But when it comes to the vertical structures only 70 percent is being used solely for residential purpose and 30 percent is for non-residential purpose (Table 4.3). This has to be seen in the context of a large number of high-rise commercial buildings as a result of growth of the service sector like IT and software along with the tourism driven hotel industry. Further, 17 percent of the total vertical buildings which come under both residential and non-residential categories also play a significant role in the growth of vertical structures in the urban area.

To get a true picture about the preference of people in terms of living in vertical and horizontal structures, our focus of analysis has to shift from buildings to individual

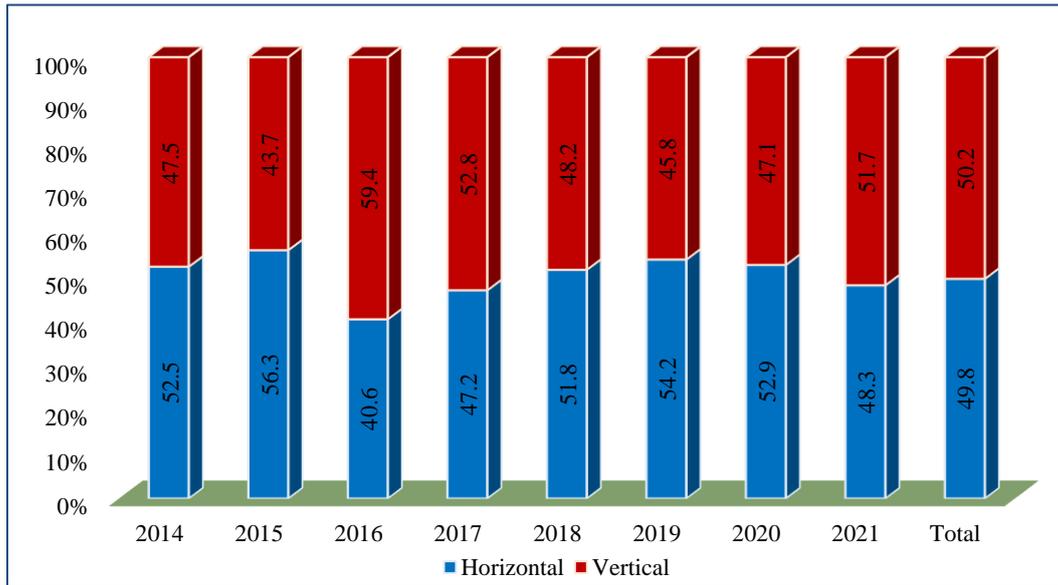
dwelling/housing units. It is evident from table 4.4 that the 39,751 horizontal dwelling units added during the last 8 years accommodated 42485 dwelling units indicating 1.07 dwelling units per building. But when it comes to vertical buildings, the 12,886 buildings added during the last eight years accommodated as high as 42844 housing/dwelling units indicating 3.32 dwelling units per building.

Table 4.4: Distribution of Dwelling Units						
	Individual Housing Units					
	Horizontal			Vertical		
	Res.	Non-Res.	Total	Res.	Non-Res.	Total
2014	87.9	12.1	3574	67.2	32.8	3231
2015	84.0	16.0	4248	76.0	24.0	3300
2016	82.5	17.5	5936	76.8	23.2	8681
2017	87.0	13.0	5248	79.4	20.6	5873
2018	84.8	15.2	7010	74.9	25.1	6514
2019	87.2	12.8	6466	83.1	16.9	5472
2020	84.2	15.8	5132	81.0	19.0	4562
2021	83.4	16.6	4871	79.4	20.6	5211
Total	85.1	14.9	42485	77.6	22.4	42844

Source: IKM Sanchaya Data

As a result, in 2021 with respect to new dwelling units added during the last eight years, the number of units in horizontal and vertical categories are almost the same at around 42500. More precisely, there is a clear indication of the preference for people to live in vertical structures. As a result, a little more than 50% of the new dwelling units of the corporation in 2021 are found to be in the vertical structures (See Fig 4.6; data for 2016 shows an aberration which needs more exploration).

Figure 4.6: Directional Pattern of New Individual Dwelling/Housing Units



4.3.3 Vertical Structures within the Purview of RERA

In what follows, we shall focus on vertical structures, which are shown to be emerging as the major driving force of the real estate sector. The vertical structures could be divided into two categories:

- a) Those with less than eight dwelling units (outside K-RERA) and
- b) Those with more than eight dwelling units (within the purview of K-RERA).

From table 4.5 it is evident that, in 2021, in terms of the stock of buildings, 74281 buildings are vertical (door number repeating more than once). Of which 1115 (1.5%) are the ones having more than eight dwelling units, and hence coming under K-RERA. It is also evident that 41.1% (525 buildings) of those coming under RERA are meant for residential purposes and 44.8% (499 buildings) are used for both residential and non-residential. This implies that only 14% (91 buildings) of the real estate units coming under RERA are meant for non-residential purposes. We shall hasten to add that these numbers are to be taken with adequate caution, because these numbers are based on all the buildings from which tax is collected. This need not necessarily mean that sale or purchase takes place, which is a pre-condition for getting included under

the purview of K-RERA. Further, as we are dealing with stock, some of them would have been built before the Act came into being.

		2017	2018	2019	2020	2021
Residential	2 to 8	54527	55809	57052	58046	58941
	9 & above	430	459	487	508	525
	Total	54957	56268	57539	58554	59466
Non-Residential	2 to 8	3848	4115	4289	4449	4624
	9 & above	61	78	84	89	91
	Total	3909	4193	4373	4538	4715
Both residential and non-residential	2 to 8	8521	8852	9160	9388	9601
	9 & above	447	465	475	484	499
	Total	8968	9317	9635	9872	10100
Total	2 to 8	66896	68776	70501	71883	73166
	9 & above	938	1002	1046	1081	1115
	Total	67834	69778	71547	72964	74281

Source: IKM Sanchaya Data

The above conclusion based on the number of buildings, however, conceals more than what it reveals. To get into the core issue of concern for RERA in terms of the emerging trend, one needs to look at the annual addition therein. As indicated in chapter 4, we have arrived at the number of dwelling units in each building on the basis of the number of times a single door number got repeated in the Sanchaya data. The result of such an exercise with respect to stock is placed in table 4.6A and that of flow (annual addition) in 4.6B.

	Year	2017	2018	2019	2020	2021
Residential	2 to 8	143449	146837	150127	152752	155106
	9 & above	13005	14493	15748	16820	18606
	Total	156454	161330	165875	169572	173712
Non-Residential	2 to 8	15174	16331	17122	17851	18610
	9 & above	3159	3640	3776	3912	4224
	Total	18333	19971	20898	21763	22834
Total	2 to 8	158623	163168	167249	170603	173716
	9 & above	16164	18133	19524	20732	22830
	Total	174787	181301	186773	191335	196546

Residential	2 to 8		3388	3290	2625	2354
	9 & above		1488	1255	1072	1786
	Total		4876	4545	3697	4140
Non-Residential	2 to 8		1157	791	729	759
	9 & above		481	136	136	312
	Total		1638	927	865	1071
Total	2 to 8		4545	4081	3354	3113
	9 & above		1969	1391	1208	2098
	Total		6514	5472	4562	5211

Source: IKM Sanchaya Data

It is evident from 4.6A that 74281 vertical real estate buildings together accounted for 1.96 lakhs dwelling units in the year 2021. Of which 12% of the dwelling units are provided by structures that come under RERA (with more than 8 dwelling units). What is important to note is that their share increased by almost 2% from 10% to reach 12% in 2021. Further it is evident that, out of the 22830 dwelling units in the buildings that come under RERA, 81.5% (18606) of the dwelling units are meant for residential purposes. This indicates the increasing number of real estate units that come under RERA on the one hand and predominance of such real estate units in addressing the growing residential demand in the corporation.

To arrive at a more definitive conclusion based on the recent trends, we need to look at flow as presented in Table 4.6B. It is evident that in 2018 out of the total number of 6514 new individual units added by the vertical structures only 30% (1669 units) were coming under RERA. As we move to 2021, there has been a 10% increase in the share of dwelling units added by those projects coming under RERA. To be more specific, out of 5211 new dwelling units added by vertical structures in 2021, 40% (2098 units) were coming under RERA. More importantly, the share of residential dwelling units coming under RERA, increased from 75 per cent in 2018 to 85 per cent in 2021. On the whole the available evidence tends to suggest predominance of the real-estate sector in addressing residential demand on the one hand and the growing importance of the real-estate sector coming under RERA in addressing such a growing demand. Needless to say, the imperative of RERA intervention in ensuring

a regulated development by addressing varied issues in the real-estate sector is of paramount importance in sustaining the desirable trend that has already set in.

4.4 Concluding Observations

On the whole, the analysis based on the Sanchaya data for Thiruvananthapuram corporation leads to the following two specific conclusions. In 2021 over 50% of the newly added dwelling units in Thiruvananthapuram corporation are in the vertical structures. Needless to say, such a trend is highly desirable considering the specific, economic, ecologic and demographic characteristics of the state, along with the ease of provisioning public services and GST collection.

In Thiruvananthapuram 74281 vertical real estate buildings together accounted for 1.96 lakhs dwelling units in 2021. Of which 12% of the dwelling units are provided by structures that come under RERA. Further, out of the 22830 dwelling units in the buildings that come under RERA, 81.5% (18606) of the dwelling units are meant for residential purposes.

In terms of the annual addition in 2018 out of the total number of 6514 new individual units added by the vertical structures only 30% (1669 units) were coming under RERA. As we move to 2021, out of 5211 new dwelling units added by vertical structures 40% (2098 units) of the units are coming under RERA. More importantly, the share of residential dwelling units coming under RERA, increased from 75 per cent in 2018 to 85 per cent in 2021. On the whole the available evidence tends to suggest predominance of the real-estate sector in addressing residential demand on the one hand and the growing importance of the real-estate sector coming under RERA in addressing such a growing demand.

The sustainability of this highly desirable trend depends to a great extent on how the real-estate sector is able to satisfy the requirements and aspirations of the newly emerging flat living community on the one hand and provision of hassle-free and transparent regulatory framework for the builders and developers on the other hand. In accomplishing the above, which is very much in sync with the RE (R&D) Act, K-RERA has a crucial role to play; an issue which we shall take up in the next chapter.

Chapter 5

RERA and Compliance: A Rocky Road Ahead?

5.1 Introduction

In the previous chapter we have ascertained an evolving trend wherein the real estate based high rise buildings have emerged as the preferred choice of people which is in sync with the economic, environmental and demographic characteristics of the state, along with ease of provisioning public services and GST collection. Hence there is an imperative to ensure that such a highly desirable trend is sustained, which in turn calls for addressing the concerns of the home/flat owners and that of builders/developers. To the extent that the prime focus of the RE(R&D) Act and establishment of K-RERA is to address the concerns of consumers as a conduit for facilitating the development of a vibrant real estate sector, in this chapter we shall examine the extent of compliance by builders/developers with the regulations.

The issue of compliance arises because, as per the Real Estate (Regulation and Development) Act 2016 the builders, plot developers and the agents are expected to register with the Real Estate Regulatory Authority established at the state/UT level such that the regional authority could monitor and regulate their activities. Analytically, compliance with a piece of legislation quintessentially means that all those parties coming under the purview of the said law shall follow, in letter and spirit, all the stipulations/guidelines laid down in the legislation. From the perspective of the present enquiry, the legislation clearly states that all the actors, coming under the purview of the Act, shall register with K-RERA and follow the clearly laid down regulations; for example, with respect to financial discipline and transparency. Hence, the primary manifestation of compliance in the present context could be indicated by the registration of the builders, plot developers and agents with K-RERA such that their activities could be monitored by the authority to safeguard the interest of the

consumers on the one hand and facilitate the development of the sector on the other. This however, is only a narrow quantitative dimension of compliance. The issue of compliance ultimately has to be outcome based and drawn from the lived experience of the home owners/land providers.

At this juncture, it must be noted that examination of compliance is only with a view to come with the issues being confronted by the home owners/land providers and suggest necessary changes needed in the regulatory framework. This is expected to help the regulated development of the real estate sector by RERA such that the people's revealed preference for living in real estate based high rise buildings is sustained and serve as a boost for the real estate sector.

This chapter is presented in the following sections. Section 5.2 undertakes a narrow approach to compliance (extent registration) by taking the case of Kozhikode Corporation using Suvega data. In section 5.3 we present evidence of qualitative exploration of the extent of compliance based on field visit and discussion with office bearers of different Flat Owners' Associations, land providers and the Flat owners' Association of Kerala followed by the last section where the concluding observations are presented.

5.2 Compliance with RERA: Evidence from Kozhikode Corporation

Viewed from a narrow perspective, compliance with a regulation indicates the extent to which the relevant actors adhere to a particular regulation and its primary manifestation is the act of getting registered with the regulatory authority concerned. To explore the issue in the above manner, one needs to have data on all the individual builders and the scale of their real estate activity. This is because, as per the Act only those builders with more than eight units involving sale need to get registered with RERA. The question is how to arrive at those builders who are expected to be registered under RERA. Once such builders are identified the extent of compliance could be arrived at by examining how many of them are registered with K-RERA.

In arriving at the list of builders coming under RERA, the SUVEGA data of Kozhikode Corporation came handy. With a view to assess the extent of compliance,

we have collected the data on the projects which received approval from Kozhikode corporation that came under the RERA. (Projects with more than units meant for sale). We were provided with 72 such cases from Kozikkode corporation. Out of these 72 cases, 44 cases were undertaken by real estate companies and regarding these projects detailed information was available with the corporation. When this data was compared with the data on registration, it was found that all these companies have been registered with K-RERA. Hence, in a lease, there is complete compliance by companies with the Act.

However, examining the data with respect to the remaining 29 cases brought out some issues for our consideration. To begin with, from the approval data it was not possible to make out whether the dwelling units are meant for sale or not. Further detailed information about these cases including their mobile number was not available. Out of the 29 cases mobile numbers of only 8 cases were available. The study team made an attempt to reach out to all of them but only four of them could be reached. Of these three companies reported that they have registered with RERA, but they were not found in the list supplied by K -RERA. The remaining number was that of an employee in a real estate company.

The above discussion takes us beyond the issue of compliance which is related to the collection and maintenance of data, crucial not only for accomplishing regulated development but also for informed policy making. To begin with as of now it appears that the agency for example the local bodies that gather information/data, as part of their work, is not made aware of the importance and relevance of the data they generate and the need for maintaining the integrity and correctness of the data.

Secondly, the information that they gather is entirely with a view to enable them to discharge their responsibilities without being aware of the importance of such data for other agencies undertaking related responsibilities. For example, from the approval data from the local bodies, it is not easy to make out whether the building under construction is meat for sale, rent or for own use. This could be justified, as it may not matter for the local bodies concerned. But it is a vital information for K-

RERA. Hence there appears to be the need for appropriate modification in the approval form to be submitted by the builders.

This leads us to the core issue of lack of coordinated action between different departments/agencies as they are said to be acting in silos, which in turn adversely affect all the actors involved in the sector. Hence, we make the case for bringing together all the departments concerned at the instance of K-RERA, to evolve a system of information/data sharing, building up of a consolidated database which is an imperative not only for the efficient functioning of all the departments concerned but also for facilitating the regulated development of the real estate sector.

5.3 Compliance with RERA: Consumers' Perspective

As already stated, the Real Estate (Regulation and Development) Act provided for the establishment of a Real Estate Regulatory Authority with its primary purpose being to defend Consumer's interests in the event of an increasing number of complaints against builders/developers in recent years. Most of such complaints are connected with delays in homeowner possession, financial indiscipline, societal flaws, and promoters' failure to adhere with the signed agreement. This transformative legislation, therefore, seeks to address vital issues of fair transactions, timely delivery and quality construction through speedy adjudication of disputes and thus empowering the home buyers.

In this section our focus is to examine the extent of compliance of the builders/developers as evidenced from our field visit and interaction with the consumers (office bearers of different Flat Owners' Associations, land providers and the Flat owners' Association of Kerala). We shall begin by highlighting the relevant provisions of the Act and proceed with the feedback from the consumers.

5.3.1 Highlights of Real Estate (Regulation and Development) Act, 2016

As per the Act, all commercial and residential real estate projects that involve sales are expected to be registered with RERA unless

- the area of land proposed to be developed does not exceed 500 square metres.
- the number of apartments proposed to be constructed does not exceed 8 units in all the phases.
- the promoter has received a completion certificate for a real estate project prior to commencement of this Act (i.e., as on 01/05/2017).
- Plot development projects with a land area exceeding 500 M² are also to be registered with RERA.

All Real Estate Agents are also expected to register under this Act. It stipulates that “no real estate agent shall facilitate the sale or purchase of or act on behalf of any person to facilitate the sale or purchase of any plot¹⁴, apartment or building, as the case may be, in a real estate project or part of it, without obtaining registration under this section”.

With a view to ensure financial discipline, the Act stipulates that a promoter shall not accept more than 10% of the cost of the apartment, plot, or building, as the case may be, as an advance payment or an application fee, from a person without first entering into a written agreement for sale with such person and register the said agreement for sale.

It is also laid down that the developer shall deposit 70% of the amount realised for the real estate project from the allottees in an escrow account to be maintained in a scheduled bank to cover the cost of construction and the land cost and shall be used only for that purpose. Withdrawal from such accounts shall be in proportion to the percentage of completion of the project, which shall be certified by an engineer, an architect and a chartered accountant to ensure that the diversion of funds from the project is pre-empted. The Act also stipulates various measures to ensure transparency

¹⁴ Given the time constraint, this study has not dealt at length with the issue of plot development. However, the study team visited a few plot development projects and made certain preliminary inferences as presented in Annexure 5.1

and pre-empt unguided development of the sector which are taken up later in this study.

The Act strives for greater transparency in the real estate sector by stipulating that the details of all the Registered Projects to be made available online for all those concerned, which include but not limited to;

- Sanctioned plans, layout plans, along with specifications, approved by the competent authority.
- Proposed Plan, Proposed Layout Plan of the whole project and Floor Space Index proposed to be constructed in the whole project, as proposed by the promoter.
- Proposed Number of building(s) or wing(s) to be constructed and sanctioned number of the building(s) or wing(s).
- The stage-wise time schedule of completion of the project, including the provisions for civic infrastructure like water, sanitation and electricity.
- Quarterly update of the list of number and types of apartments or plots, as the case may be, booked.
- Quarterly update of the list of number of covered parking, and garages booked;
- Quarterly update of the list of approvals taken and the approvals which are pending subsequent to commencement certificate;
- Quarterly update of the status of the project; and
- Such other information and documents as may be specified by the regulations made by RERA.

5.3.2. K-RERA

In sync with the RE (Regulation and Development) Act, K-RERA aims at providing greater accountability, citizen centricity, and transparency by ensuring, among others,

- All new commercial/residential real estate projects where the land is not less than 500 square metres or not less than eight apartments, shall be registered with the Kerala Real Estate Regulatory Authority (K-RERA) with effect from 01.01.2020
- On-going real estate projects that have not received Occupancy Certificate before 01.01.2020 shall apply for registration on or before 31.03.2020.
- Citizens should be able to view, on K-RERA website, all disclosures pertaining to registered projects
- Promoter shall make any additions and alterations in the sanctioned plans, layout plans and specifications and the nature of fixtures, fittings and amenities etc. without the previous consent of at least two-thirds of the allottees, other than the promoter, who have agreed to take apartments in such building.
- The developer shall be liable to pay interest for every month of delay in case of the failure to complete or is unable to give possession of an apartment, plot or building in accordance with the terms of the agreement for sale.
- Promoters shall enable formation of Legal Entity like Cooperative Society, Company, Association, Federation etc. within three months from the date on which 51% (Fifty-One percent) of the total number of Purchasers in such a building or a wing, have booked their apartment.
- Promoter shall compensate buyer for any false or incorrect statement with a full refund of property cost with interest.

- Project Accounts shall be Audited and copy to be submitted to K-RERA with a provision for RERA to freeze project bank account upon non-compliance along with financial penalties
- The advertisement of prospectus issued or published by the promoter shall mention prominently the website address of K-RERA, wherein all details of the registered project have been entered and include the registration number obtained from the Authority¹⁵.

Needless to say, these provisions of the Act, if adhered to in letter and spirit, could be instrumental in addressing all the concerns of the consumers and thus help facilitate the emergence of a vibrant real estate sector. In what follows we shall present the experience of the consumers as evidenced from our field visit and interaction with them. We hasten to add that what we present below should not be construed as an *ex-post* evaluation of Act because K-RERA came into being only in 2020 and had to operate under the highly constrained environment with the outbreak of COVID 19. Instead, the reflections from the field should be taken as indicative of how rocky the road being traversed by K-RERA.

5.3.3 Consumers' Concerns: Highlights of Field Visits and Discussions

It is encouraging that all the 12 stakeholders whom we interacted with have shown very high-level awareness about various provisions of the Act and the various initiatives being undertaken at the instance of K-RERA.

Project Transparency

It was generally opined that although the Act strives for greater transparency in the real estate sector by stipulating the uploading of all required details in the website of K-RERA as well the respective website of the registered project developers, there is a widely held inertia in uploading the mandatory quarterly updates. Most of the builders have also not complied with provisions to pay compensation in the event of

¹⁵ For more details please visit; <https://rera.kerala.gov.in/system/files/2020-01/rera-at-a-glance.pdf>

their failure to complete or unable to give possession of an apartment, plot or building in accordance with the terms of the agreement for sale.

Financial Disciple

One of the office bearers of the Association opined that “this is the only business where someone could enter with minimum investment (cost involved in joint venture and printing of brochure). What is more, the Act provides for diverting 30% of the money paid by the home buyers”.

Quality of Construction

At present, there is no regulatory mechanism to ensure the quality of construction and the materials used by the builders in their Project Development. From the field visit the study team noted a breakage in structure and leaky roofs. The complaints raised with the builders ended up in deaf years. A case has been made, within the true spirit of the Act which perceives prevention is better than cure, for initiating the introduction of Quality Certification from competent authorities

Disclosure of Built-up Area

There was a general complaint that hardly any information has been furnished about the break-up of built-up areas of residential/commercial units. Even though the Act mandates for the sale of completed units on the basis of carpet area, most of the sales are carried out on the basis of super built up area which is much more than the carpet area, depending upon the common amenities provided by the builders. Even though it is mandated to disclose the break-up of built-up areas in the modal agreement as well as in the allotment letter, in practice these stipulations are rarely complied with by the Builders.

To ensure the provision of unambiguous information base with respect to built-up area, carpet area /plinth area/super-built-up area and saleable area, a revised format is recommended for reporting the built-up areas for ensuring the equitable sale of apartments to consumers / home –buyers in real estate sector by minimising the possibility of exploitation. This would also enable the home-buyers to ascertain the

percentage of carpet area to Plinth as well as the percentage carpet area to saleable area.

A draft Format (Table 5.1) may be incorporated in the Model Agreement and appropriate amendments may be made in the RERA Regulation.

Table 5.1 Suggested for the Builders for Disclosing the Information regarding the Flats										
Built up area to be disclosed by the Builder (...Floor to Floor)										
Floor details	Type	Category	Carpet area	Plinth Area	Saleable area	Open Terrace /balcony	No. of Flats	Total Plinth area (5+7)	Total Carpet area (4x8)	Total Saleable area (6x8)
1	2	3	4	5	6	7	8	9	10	11
... to .. floor	4BHK	A Type								
.... to.... floor	3 BHK	B Type								
.... to..... floor	3 BHK	C Type								
.... to.... floor	3BHK	D Type								
		Total								
	Plinth area +open terrace as per Builder									

Ambiguity in the Allotment Letter

A related issue pertains to the ambiguity in the allotment letter which in turn defeats the transparency envisaged in the Act. It was told that the builders are free to upload the allotment letter in any format as they deem fit, which in turn calls for a prescribed format for the 'Allotment letter' in the rules. The study team verified some Allotment letters from the RERA website and it is found that most of them are unfilled and incomplete to serve the purpose.

The issue could be addressed by prescribing a uniform format for the allotment letter clearly indicating the key information to be included. A draft for the consideration is given in Table 5.2. This will enable the home-buyers to ascertain the percentage of

carpet area to plinth as well as percentage of carpet area to saleable area. It is expected to help effective monitoring and thus minimise the possibility of exploitation.

Table 5.2: Draft Format for Allotment Letter	
To M/s (Client Name)	
	Amount
Selling Price of the Apartment (Cost of undivided share of land & Apartment Built up area)	
Extra towards Covered Car parking	
Extra towards Terrace, Balcony, share of common area if any	
Extra towards GST, if applicable, one time revenue tax labour welfare cess,	
Extra towards Association Deposit for formulating Core Fund, if Association is formed	
Extra towards statutory deposit for obtaining electricity /water connection	
Extra towards GST if applicable	
Extra towards Installation of lifts, water pumps, water storage tank Fire Fighting Fittings and Equipment as per CFO NOC, Electrical fittings to Common Areas, electro, mechanical equipment, Compliance to conditions of environment /CRZ NOC, Finishing to entrance lobby(s), plinth protection, paving of areas appurtenant to Building/Wing, Compound Wall, solid waste management and all other requirements as may be required to Obtain Occupation /Completion Certificate	
Other Extra cost, if any (please specify)	
Total Selling price of the Apartment:	
Sq. feet rate of above selling price on the basis of Carpet Area	
Sq. feet rate of above selling price on the basis of approved Permit Area	
Sq. feet rate of above selling price on the basis of Super –built up Area	

Delays in the Execution of Project and Documents

Delay in the completion of projects is a common issue. Another point of concern is the delay in handing over the delivery of possession, execution of sale deeds, transfer of ownership and payment of statutory dues even after collecting the entire amount towards such dues from the home owners.

Failure to Provide Amenities as Promised in the Marketing Brochure

Even after considerable delay, instances came to our attention wherein the builders have failed in providing the all-common amenities as promised in the brochure. Cases have been reported wherein the car park was not provided and half complete. Guest parking is a perpetual issue. In one instance the gym and children's play area had to be arranged by the association at their own cost. What is more, in a particular case it was reported that since the builder failed to arrange water connection, the Association has been incurring a monthly expenditure of Rs 35,000 for buying water.

Waste Disposal

The waste disposal mechanisms are not adequate and made without ascertaining the actual requirements in terms of the number of apartments and the number of occupants therein. In some cases, the builders claimed that their projects are eco-friendly but their claims remain only in brochures.

Issues with the Payment of GST

It is reported that the ignorance of the home buyers/land providers with regard to the GST in their transaction with the builder is often exploited to the advantage of the builders. The unauthorised collection of GST and other taxes without raising proper bills /invoices is reported to be prevalent making it an issue to be examined by the appropriate authorities to ensure the due payment of GST.

After Sale Service

The Reluctance of the builders in providing after sales services even for the warranty items of electrical and sanitary equipment and fittings in the event of repair is another major issue highlighted by the flat owners which needs attention of the regulatory authorities by framing adequate regulation in this regard to protect the interest of the home buyers.

Formation of Associations and Disposal of Grievances

There are also instances wherein the builders fail to form Flat Owners / Resident Associations as mandated in the Act to manage and run the common amenities. It is reported that there is no internal mechanism for the speedy disposal of grievances other than the adjudication mechanism provided in the RERA regulations for settlement of disputes

5. 4. Concluding Observations

This chapter is based on the premise that the emerging trend towards the preference for living in real estate based high rise buildings is highly desirable considering the specific context of Kerala and needs to be promoted and sustained. This however calls for ensuring an institutional architecture for addressing the concerns of homeowners, the basic mandate of RERA. The core of this chapter therefore, has been to examine the extent of compliance by builders/developers with the regulations. Since the primary manifestation of compliance in the present context could be indicated by the registration of the builders, plot developers and agents with K-RERA the study came up with the necessary data base for K-RERA to ascertain the present level of compliance. In addition, the issue of compliance has also been viewed from the perspective of consumers derived from the field visit of the study team and discussions with the associations of consumers.

Exploring the question of compliance from the perspective of consumers based on the field visit and discussion with the associations concerned we have come across a number of concerns of consumers that deserve urgent attention of K-RERA. These issues are summarised below.

There is an absence of a regulatory mechanism to ensure the quality of construction and the materials used. The agreement and Allotment letter lack information about the built-up area of the apartments in terms of plinth area, carpet area, super built up area and saleable area. Delays in project completion along with delay in handing over the delivery of possession, execution of sale deeds, transfer of ownership and payment of statutory dues even after collecting the entire amount towards such dues. Delay in

forming Apartment Owners Association and transferring the common areas and amenities in favour of the Apartment Owners Association. Unauthorised collection of GST and other taxes without raising proper bills /invoices. Reluctance in providing after sales services even for the warranty items of electrical and sanitary equipment and fittings in the event of repair. Cases No proper and eco-friendly system for the waste disposal. No transparency in collecting the amount towards the common amenities including car parking. Failure in providing all common amenities promised in the marketing brochure. No proper internal mechanism for the speedy disposal of grievances other than the adjudication mechanism provided in the RERA regulations for settlement of disputes.

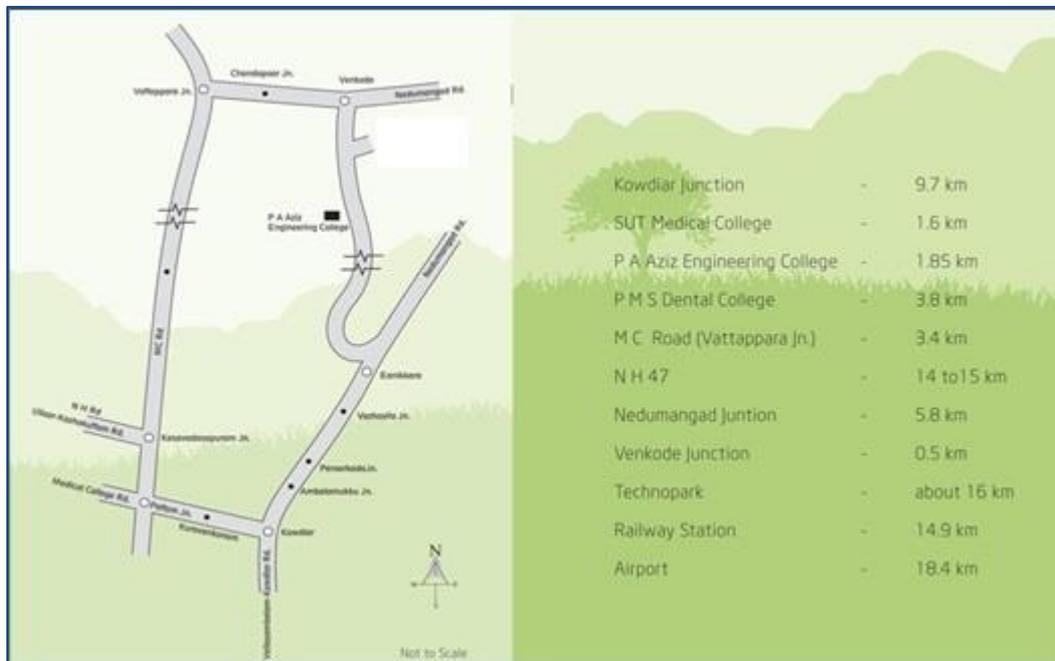
Annexure 5.1: RERA and Plot Development

One of the developments in Kerala economy is the emergence of a vibrant land market, which is often speculative, where land, historically considered as the prime factor of production, has turned out to be a “tradable commodity”. Such a development has been facilitated by a host of factors. To begin with, there has been a drastic decline in the price of some of the important plantation crops like rubber. Historically, plantation agriculture dominated Kerala’s agricultural sector and served as the prime source of prosperity. The decline in price coupled with rise in the cost of production made the plantation agriculture unviable. However, with the growing housing demand fuelled by inflow of remittances coupled with the growing services sector and urbanisation, there has been a growing demand for house plots. As a result, the owners of land who were in crisis could subdivide their land into house plots and get a much higher price as compared to the agricultural lands. Very often the growing real estate sector served as the captive demand. Wetlands were also filled and converted to house plots for sale. In the absence of a vibrant manufacturing sector and other productive avenues for investment, real estate/flat/house and house plots emerged as a major safe source of avenue for investing the remittances.

As a result, large tracts of agricultural lands have been divided into plots and plot development became vibrant not only in the urban and semi urban areas but also in the rural areas. It is often noted that these plots rarely get cultivated and those who invested in the such plots get their return from the appreciated land value, which has indeed been rising.

The most important aspect to be noted from the perspective of the present study is that hardly any such plot developments are undertaken with the permission of the local bodies. As already noted, plot development also comes under the Real Estate (Development and Regulation) Act and it is the mandate of K-RERA to ensure that the plot development takes place under regulation. The study team visited a number of such plot development projects and came to the conclusion that none of them were undertaken by the permission of the local bodies, and therefore registered under RERA. Even some of the well-publicised projects (see fig below) were undertaken without the prior approval of the local bodies. It is understood that none of them are aware of such a provision under the Act. Hence, there is the need for an awareness generation campaign which K-RERA has already started. At the

same time, it is important that the local bodies are to be mandated to ensure that the plot development takes place with their approval and reported to K-RERA such that the process of plot development is subjected to regulated development.



Chapter 6

Limits to Real Estate Development: Producers' Perspective

6.1 Introduction

Having dealt with the concerns of consumers with respect to compliance, we shall now turn to the concerns of producers. Since the producers (builders/developers) and consumers are the two sides of the same coin of the real estate sector, any study from a development perspective remains incomplete without examining the concerns of the builders/developers. Towards this end, jointly with K-RERA, we organised a stakeholder consultation involving different stakeholders like the Confederation of Real Estate Developers' Associations of India (CREDAI), Builders Associations along with senior officials from different Government Departments concerned.

6.2 Consultation with Producers and Regulators

The consultation with producers who are the key actors from the Supply side focussed on issues that include, but not limited to,

- Existing regulatory procedures and the ease of doing business
- State level taxes, duties, fees among others
- Policy approach towards affordable housing and constraints in reaping its potential
- Issues related to Apartment ownership Act, Rent Control Act and other related rules
- Issues in the realm of spatial planning, environmental issues among others

6.2.1 Regulators Perspective

Shri. P. H. Kurian, (IAS Retd), Chairman, K-RERA, while inaugurating the stakeholder consultation said that although K-RERA started functioning during the peak

of the pandemic in 2020, it has been able to address many of the issues confronted by the sector as is evident from the settlement of over 842 cases since its inception. Based on our experience, RERA felt the need for a detailed study on the state of affairs of real estate in Kerala. It is found that there is no other suitable institute in Kerala than Gulati Institute of Finance and Taxation for conducting this study to bring the issues in the sector in a right perspective especially due to its implications on taxes related matters.

Elaborating the factors that induced RERA for commissioning the study, the Chairman said that, in India 90% of the states have a stamp duty of 5% on land and real estate sector. In Kerala's organised real estate sector, there is a need to bring down the stamp duty to 5%, which is good for the overall interest of the government. Kerala is an under-taxed state. Kerala is a rich state in terms of per capita income, which is about 60% more than the national average of income and expenditure. Yet the GST collection is only 3% of the total. Major reasons for this can be leakage, structural problems etc. Our revenue collection from stamp duty and registration fee also is less. Kerala is increasing only the fair value to increase the revenue. But structurally it is not helping us to increase the revenue collection. Real estate sector in states like Maharashtra and others, is well organised and growing. The tax structure is one of the important reasons which hinders growth.

A rental based real estate sector is yet to emerge on account of the outdated provisions of Rent Control Act of Kerala wherein rental agreement is only for 11 months. Whereas in other states, it is the organised real estate leasing – long term lease – which gets registered and the Government gets the stamp duty. For example, all the rent agreements in Maharashtra are long term agreements. But in Kerala, there is no registration needed for the rental agreements for one year and the state will not be able to collect any money in terms of registration charge from such agreements.

In Kerala 95% of the residential buildings are individual buildings built on individual land. In this case, the Government will get stamp duty and registration charges at the time of purchase of land and GST for the material purchase at the time of house construction. But for the constructions in the organised real estate sector like

flats/villas, the government will directly get 12% of the total price of that particular flat/villa as registration charge, GST for the material purchase and 5% GST on the services given by the builder. Kerala is not having an organised real estate sector to tap this potential and thereby the sector is not developing apart from the state not reaping its tax potential.

Major reasons for this could be the flaws in the laws, rules and regulations. Government also is not taking initiatives to protect and explore the huge revenue potential of the organised real estate sector. There is nothing to promote/develop the sector especially vertical structures like flats in Kerala. People are not realising the various benefits of living together in flats and that there is a race for individual plots/buildings and as a result land price in Kerala is increasing. The propaganda like flats are economically unviable and the usage of terms like 'real estate mafia', among others, hinders the growth of the real estate sector. But this approach and attitude towards multi-storied buildings and the sector, in general, has to change and should realise the potential of the sector in bringing positive externality in society.

Dr. Sharmila Mary Joseph IAS, Principal Secretary, LSGD, *while delivering the keynote address*, felt that there are many issues related to the organised real estate sector because land price is very high in our state and individual land holdings are very low. Central issue related with our organised real estate sector is that our regulatory framework is not very conducive towards development of the real estate sector in a way that multi-storied buildings or apartments that are coming up in other parts of the country. Currently, there are a lot of discussions at government level on various issues that are pertaining to reforms in the urban sector such as contradictions between setback and coverage and how to reduce those contradictions in par with our rules and regulations. Also, there are discussions on TDR and TODs and such similar schemes which would enable or facilitate the growth of the urban real estate sector. Discussions are happening on the land pooling schemes and other enabling provisions like local area planning schemes and detailed town planning schemes which would facilitate and enable structured development of an area.

Based on the discussions with the town planning department, it could be said that the state is not able to implement various urban planning reforms in a way that other states have been able to do, mainly due to the small land holding size, high price of land and poor division between urban and rural land. Due to the specific characteristics of the state, the reforms that we can do in green field areas or in unused areas may not be possible in the way that the other states do. Government is looking at ways to bring the urban reforms recommended by the MoHUA in the state and also to ensure that the existing contradictions are minimised to the extent possible.

As far as the builders are concerned there are technical and administrative issues in the government level itself in terms of the multiple approval needed for the builders to comply with construction and the condition set forth by the pollution control board, the other line departments and others. It is important to sort out these issues so that the sector can grow at par with other states.

Kerala has many schemes for affordable housing. But the government is not able to push multi storied construction in the affordable housing sector because of the huge cost involved in it, whereas other states are able to promote affordable housing much more effectively like the lighthouse project in Rajkot.

Shri Binu Francis, Secretary, Thiruvananthapuram Corporation stated that there is no adequate data in the real estate sector. Every year, Thiruvananthapuram corporation gives permits to around 10000 houses. But in the years 2020-21 and 2020-22 the number of houses constructed in the corporation is just 6000. It is mainly due to the Covid pandemic. Total assessment in Thiruvananthapuram corporation is 4.56 lakh and total property tax assessed in the current year is Rs.106 crores. One suggestion to the study team is to look into the data of Kozhikode corporation, since they maintain data from 2016 onwards using suvega software.

Shri. M. P. Mathews, Member, K-RERA, reflecting on the Apartment Ownership Act, underlined the need for amendment. Some projects are registered with RERA, and the formal agreement specifies that this project has been confirmed with Apartment Ownership Act (AoA) of 1983. The builders should get the project

registered with Form A1 with the Sub-registrar, but if they are not ready to do that there will be questions in future, like why they did not approach the one-person authority earlier. From 2016 onwards, there was a one-person authority appointed by the government. Similarly, the registration still needs to be done under AoA, which states that one has to surrender the property. That is, the landowner has to file the surrender of property and common area under the AoA.

The AoA 2010 of Uttar Pradesh suggested that with the registration of the apartment and the registered documents, one has to file Form B. Form B is supposed to be given after the sale of the apartment so that we can ensure that the form will be a part of the registered document. The whole process is simplified, and the form can be filed if the landowner, after obtaining the permit, surrenders the land straight away.

Following the discussion with the IG registration, filing Form A1 is not an issue now because almost all Registrars and Sub-registrars take the form into the file. In Uttar Pradesh, once the registration is convinced to the executor, it can be a part of the registered documents. In Kerala's case, amendment of the existing Act is needed for the incorporation of Form A1 and registered documents. However, on the same day, Form B can be filed to the registrar simplifying the whole process in the existing law itself even though there is a need to incorporate certain amendments in the law. The Real Estate Regulatory Authority plotted the level appendix, and plans are defined under the apartments, shops, commercial establishments etc., are also defined under the apartments law. Thus, there is a need to include the definition of apartments in AoA 1983. The suggestions from CREDAI Kerala are also needed to cover all apartments under the AoA.

Before the RERA execution, a case emerged on the ongoing project between the association and landowners. Only one tower remained to be registered under the Act; thus, they just escaped from the law. Nevertheless, no projects were registered under the prescribed agreement format when RERA came into the picture. Hence there is a need to initiate thinking on the issue before acting on it. Otherwise, similar problems will emerge in the coming future.

A few more additions are brought after discussing the AoA of states like Uttar Pradesh, Karnataka and Tamil Nadu. The Acts are almost similar, but the dates are not registered in Uttar Pradesh. Kerala Real Estate authority can think of registering only the date of convenience. The landowner should file Form A1 to surrender the common areas before the Sub-registrar under the act.

In conclusion, all the recommendations regarding the amendment of AoA should be given to the Government of Kerala under Section 32. The issues like single window clearance and the formation of a mechanism for settlement of the dispute will also come under Section 32.

Shri. Prashanth H., Chief Town Planner, (Planning) reflecting on Master Plans and Spatial Planning for real Estate Development said that there has been a paradigm shift in planning. The conventional planning scenario has a Regional Plan, Development Plan or Master Plan, and Local Area Plan or Town Planning Scheme at different levels of planning. If we look at the Kerala state scenario, on the basis of the Kerala Town & Country Planning Act, 2016 (amended in 2021), at the regional level we have a State Perspective plan and a District plan/ Spatial Perspective plan, both of which are in the initial phases. Corresponding to the Development Plan, in the Kerala scenario, there are Master Plans. Under the Master Plan, there are Detailed Town Planning Schemes and Land Pooling Schemes. These plans are currently underway for implementation and enforcement.

In Kerala, the Master Plans for the Planning Area are actually prepared by the Local Self-Governments themselves. For this purpose, a Special Committee has to be constituted, chaired by the chairman or the mayor, together with political and technical representatives who will act on behalf of the Municipal Council for the preparation of the draft. They may constitute working groups that will include the participation of experts, and departments, and engage in stakeholder consultation. Once the Special Committee prepares the master plan, it is up to the Municipal Council to take the final call. The role of the government here is to sanction the scheme.

In addition, there is also a Master Plan for the Joint Planning Area. If there is more than one local body, a Joint Planning Committee will be constituted of which 2/3rd members will be from among elected representatives of the local bodies with the remaining members being experts, town planners, etc. The District Town Planner will function as its Member Secretary.

A new concept called the Local Area Plan for the Detailed Town Planning Schemes has been evolved which is synonymous with that of Land Pooling Schemes. The Kerala Town & Country Planning Act, 2016 as amended in 2021 has added a provision to include Land Pooling Schemes. The Kerala Town & Country Planning (Preparation and Sanctioning of Master Plans) Rules, 2021, and the Kerala Town & Country Planning (Preparation and Sanctioning of Detailed Town Planning Schemes) Rules, 2021 are in place. A major provision of the Act is that authorization for preparing Master Plans/ Detailed Town Planning Schemes and Land Pooling Schemes can be provided only by Local Self-Governments or Development Authorities.

We can witness a major shift in engagement with the Government of India taking a proactive role in preparing Master Plans by coming up with AMRUT I and AMRUT II when earlier master plans were prepared by State Plan Schemes. Now under AMRUT II, almost 49 towns in Kerala have been approved for 100% financial assistance for preparing master plans from the Govt. of India including the preparation of databases.

By the 100th year of India's Independence (i.e., by 2047), 50% of our population will be residing in urban areas. In this context, the tier 1 megacities should be nurtured while facilitating tier 2 and 3 cities to take on the mantle in the future. The Government of India is also bringing in many urban reforms and more is on the way. Some of the reforms brought in are:

- Modernization of Building Bye-Laws
- Adoption of Transferable Development Rights (TDR): A provision for this has been made in the Kerala Town & Country Planning Act, 2016 but no Rules have been brought in place.

- Implementation of Local Area Plans and Town Planning Schemes: This is to facilitate urban rejuvenation in areas of brownfield development.
- Adoption of Transit Oriented Development (TOD): This helps to facilitate mass transport corridors, maximum mixing of uses and intensity of development, and promote walkability. Urban design aspects should be introduced over a period of time by regulating new constructions since it will take 20-25 years to achieve a full-fledged reality of this development.
- Creation of Sponge Cities
- Removal of Taxation for Public Transport

For realising the first 5 reforms, strong deliberations, interventions, and investments from the Real Estate fraternity are essential.

The typical planning pattern in Kerala involves scattered settlements, highly fragmented land parcels, good physical, and social infrastructure and regional connectivity, high land value, environmental sustainability, and very high social development with community participation. In contrast, the typical pattern in the rest of India involves clustered settlements, large land holdings with greenfield/ vacant lands, poor levels of physical and social infrastructure, poor to moderate regional connectivity, cheaper land, low environmental sustainability, and poor to moderate social development with community participation. Hence the need for drawing up rules and procedures for a) Land Pooling Scheme which is yet to be finalised (b) supporting mechanisms like TDR, Development Charges, and Accommodation Reservation. (c) Amendments of Other Legislations relating to registration, land utilisation among others.

6.2.2 Perspective of Builders/Developers

Shri. M. A. Mehaboob, *Vice - Chairman, CREDAI Kerala*, felt that the officials and ministers always inquired about the needs and wishes of builders and developers. Also, soon after the ease of doing business ranking comes, there would be a rush and discussions for one or two months, to make things in the real estate sector right. After

this, things will remain the same. So the only demand from the part of builders and developers is to get the permit within the government stipulated time of 30 days.

Except Kozhikode corporation, the file management system in all other local bodies is not automated to deal with the issue of building plan submission. Officials and political leaders argue that the system is fully automated without knowing the ground reality. In the file management system, a minimum of eight officials will have to handle the file in a corporation. If one person takes at least three days to see the file, the system will delay for an average of 24 days. In some cases, DTP and CTP offices will also be involved. Files will have to be seen by three-four officials in those offices also. One cannot say that there is a delay in the office, if they are taking 10-12 days, which is understandable. But, together with the repeated plan scrutiny by all the officials, checking of all the original documents for validating PC/ title of ownership by the clerical staff and repeated site inspection by the overseer to the EE, it will take around six to nine months to complete the file processing. NOC from the fire and safety department and pollution control board also will take another four to six months. In short, human intervention in the entire process of building plan approval is very high, which is not needed to run the system smoothly. Hence, it is the need of the hour to change the entire system from human intervention file management system to a system of licensing through automated software.

Suggestions to improve the system is to upload plans in CAD through an online system, check the plan for compliance with the building rules through an AUTO DCR software. If there is any non-compliance, the system will reject the plan. The accepted plan can proceed for online permit fee remittance. PC issued by the Village official directly accessible by Local authority and GPS enabled site inspection can replace the physical inspection system.

Other two major areas that require online licensing system are FIRE NOC and PCB licences. The FIRE NOC applications processed through the file management system should be replaced with AUTODCR checking system. Likewise, KSPCB processes also should replace with AUTO DCR checking system or checklist enabled processing system.

Major Advantage of Online Licensing System are; minimum human intervention which leads to quick and extortion free licensing system. There will be an Improved EODB practice in the State and it will attract new investors into the State.

Shri. S. N. Raghuchandran Nair, *Convener General, CREDAI Kerala & Executive Committee Member, CREDAI National*, argued that the real estate sector is the largest employer in the state, with 25 percent share of total employment in the state. As per the study by GIFT, migrant labour in Kerala is 25 lakh. Out of this, 18-20 lakh people are working in the construction sector. Contribution of the migrant labourers from our state to their parent states is almost Rs.35000 crore. But still, almost 22 lakh of the unemployed population in Kerala, who prefers not to join this industry.

One of the fundamental issues is that there are no statistics. The statistics provided by the departments are not matching with reality. (GIFT can play a role in this). If we have accurate data, the perception level of the people especially of the builders/developers will change. The K-RERA interventions indeed helped increase the confidence of the buyers and builders/developers to invest in real estate as it succeeded in bringing about a total change in the perception of the players. Therefore, the market is improving.

The government itself is the culprit in making the people evade taxes, since the high cost of registration is what induces people to evade taxes. Unless the registration cost is brought down to a reasonable level or tax rate is reduced and the tax mechanism is restructured, Kerala cannot improve the land tax revenue and the sector itself. The contribution of the construction sector in GSDP is 15%, but the government is not considering the importance of the sector while formulating policies.

As per the policy guidelines of the central government, total cost of an affordable housing should be less than 15 lakh; high construction cost of around Rs.3400 per sq. ft. and high land cost and unavailability of land are the main hurdles in providing affordable housing in Kerala. Due to all the schemes and government interventions, EWS of the society is comparatively better off and the middle-income group are the sufferers.

Another hurdle is the absence of a master plan, which is needed for real estate development. For example, the approved Trivandrum master plan that is in current use came out in 1971. All others are Intermediate Development Orders (IDOs).

Based on the general knowledge, the total area of the State is 38,834 sq.km. When put into real terms, Kerala is only 96,00,000 acres. Out of this, 32% is forest, 30% is ecologically fragile land, 594 km of coastal area, 2810 km of river, 1950 km of backwaters, 1,72,000 km of road network etc. According to the statistics of builders/developers, after all the developments, Kerala is left with approximately 12 lakh acres of land for future construction. There is no masterplan for better utilisation of this available land and there is no land bank directory.

Other hurdles that the builders/developers are facing is the delay in processing to get permits along with that created by 'RTI blackmailers' and 'pseudo environmentalists. It is the suggestion to create a complaint portal in which the identity of the person who has complaints should get revealed. Otherwise, anybody can raise anything as complaints. Even if there is a complaint raised by anyone without an identity, the authority will order to stop the work without any enquiry. Surprisingly, such a speedy action is not seen there in giving permits and other processing from the part of the authorities. There are contradictions and interpretation problems with building rules. Cost of doing business is also high in the state, as a result of the aforesaid administrative problems. Fixing a time limit for the permit approval and issuing deemed permits in cases of crossing this time limit for approval is needed.

Zoning maps that come to the town planning department should supersede the revenue map. If you don't supersede the revenue map, then there is no use for the master plans prepared by the town planning departments. Now, it takes 6 months to complete the process and get permits after the complete examination of master plans from the revenue departments.

At present there are 16 permits and approvals needed from fire, PCB, Electrical inspection, navy clearance from civil aviation department, MoF clearance etc. Defence authority has issued circulars mentioning the criteria for buildings around

defence areas. Mining and geology department is the most difficult to get approval from. Removal of construction waste is yet another issue. The LSGD department should issue passes to remove construction wastes. Delay from the departments in connection with power supply, water supply and sewage connections also create significant problems. Another issue is with one-time building tax clearance that should get from the revenue department. Issuance of door numbers are delayed due to one-time building tax payment. It takes more than a years' time to complete the entire process. So, this deters the growth of the industry.

The problems mentioned here are not only confined to the real estate sector but also it affects the entire construction business or any other business planned in sectors like education, health etc. in Kerala.

Shri. Digvijay Singh, *Builders Association, Kerala*: Mr. Singh made a comparative analysis of two cases with respect to GST revenue for the government - (1) A home buyer purchasing a flat (2) An individual constructing a house by his own

If a builder constructs a flat/ villa worth Rs 1 crore, the government gets 5 percent GST, which is Rs.5 lakh. (2) On the other hand, if an individual is building a house, he/ she will assign it to a small contractor who may not be registered under GST, this 5 percent GST will not reach the exchequer.

When you construct a flat – 60% of the total cost will be material cost, and on an average 18 percent GST is to be paid for this by the developer, which is almost Rs.10,80,000/-. In the case of an individual house building, they also will have to spend this 60% for purchasing materials. But it is not mandatory that they are purchasing materials by paying GST, which will affect the GST revenue of the state.

Labour cost involved in constructing a flat is almost 40 percent of the total cost, of which 18 percent GST directly goes to the government, Rs.7.2 lakh/- (2) In case of individual houses, it will not happen because the small contractors will not have registration under GST.

Builders will pay 1% as labour cess as a contribution to the government. (2) It will not happen in individual house constructions. *(It was clarified that labour cess is paid by individual house builders which will go to the Construction labour welfare fund).*

Builders insist the buyers to register the apartment or villa whose 10 percent straight away goes to the government, which is almost Rs. 10 lakh/- (2) For an individual house, consumers will purchase land and 40% of the land cost will come to the government at the time of purchase as registration cost. It will be a very small amount as compared with the flat/villa.

So, the total loss incurred by the government in the case of the construction of individual houses is very high as compared with the real estate projects like flats/villas. Despite the huge revenue potential, the government is not promoting the real estate-based construction by the builders/developers. There is no concession given to the builders.

Also, the stamp duty and registration charges are the highest in Kerala, i.e., 10 percent. Hence, the suggestion is to bring down the stamp duty and registration charges to 3-4 percent on par with other states.

6.3 Concluding Observations and Recommendations

It is important to have a comprehensive understanding of the problems of the real estate sector in Kerala. For a country like India, one size fits all policy is not effective. Hence there is a need to re-examine the current regulatory framework duly recognizing the diversity of our country.

Kerala's tax structure stands in the way of the emergence of a vibrant estate sector. The stamp duty in the state, for example, is much above other states and it needs to be brought down to 5% on par with other states.

A rental based real estate sector is yet to emerge because appropriate amendments in the Kerala Buildings (Lease and Rent control) Act, 1965, which regulates the leasing and rent of buildings, is yet to be made. As per the Act, rental agreement is only for 11 months. Whereas in other states, there is organised real estate leasing on a long-

term basis, which gets registered and the Government get the stamp duty. For example, all the rent agreements in Maharashtra are long term agreements. But in Kerala, there is no registration needed for the rental agreements for one year and the state will not be able to collect any money in terms of registration charge from such agreements.

At the core of the issues related with our organised real estate sector is that the regulatory framework is not very conducive for the development of the real estate sector in a way that multi-storied buildings or apartments that are coming up in other parts of the country.

There are technical and administrative issues in the government level itself in terms of the multiple approvals needed for the builders to comply with. As of now there are 16 permits and approvals needed from different departments for construction and the conditions set forth by the pollution control board, the other line departments and others. concerned. The inevitable outcome is time and cost overrun resulting in unsatisfied consumers. It is important to sort out these issues so that the sector can grow at par with other states.

Except Kozhikode Corporation, the file management system in all other local bodies is not automated to deal with the issue of building plan submission. Officials and political leaders argue that the system is fully automated without knowing the ground reality.

In the file management system, a minimum of eight officials will have to handle the file in a corporation. If one person takes at least three days to see the file, the system will delay for an average of 24 days. In some cases, DTP and CTP offices will be involved. Files will be seen by three-four officials in those offices also. One cannot say that there is a delay in the office, if they are taking 10-12 days, which is understandable. But, together with the repeated plan scrutiny by all the officials, checking of all the original documents for validating PC/ title of ownership by the clerical staff and repeated site inspection by the overseer to the EE, it will take around six to nine months to complete the file processing.

NOC from the fire and safety department and pollution control board also will take another four to six months. In short, human intervention in the entire process of building plan approval is very high, which is not needed to run the system smoothly. So it is the need of the hour to change the entire system from human intervention file management system to a system of licensing through automated software.

Another issue is with one-time building tax clearance from the revenue department. Issuance of door numbers is delayed due to one-time building tax payment. It takes more than a year to complete the entire process.

Absence of adequate data about the real estate sector makes informed decision making almost impossible. One suggestion to the study team is to look into the data of Kozhikode corporation, since they maintain data from 2016 onwards using suvega software.

When we deal with affordable housing, all the discussions will be around Low-Income Group (LIG). In the whole process the Middle-Income Group (MIG) is completely neglected by passing a considerable deserving segment and forgoing a significant growth opportunity for the real estate sector.

Kerala has many schemes for affordable housing. But the government is not able to push multi storied construction in the affordable housing sector because of the huge cost involved in it, whereas other states are able to promote affordable housing much more effectively like the lighthouse project in Rajkot.

Case has been made for initiating appropriate measures for the registration under Apartment Ownership Act (AoA), 1983 for enabling the surrender of property and common amenities in the name of Apartment Owners Association

Another hurdle is the absence of a master plan, which is needed for real estate development. For example, the approved Trivandrum master plan that is in current use came out in 1971.

Kerala is characterised by scattered settlements, highly fragmented land parcels, good physical, and social infrastructure and regional connectivity, high land price, fragile

environment, very high social development with community participation. In contrast, the typical pattern in the rest of India involves clustered settlements, large land holdings with greenfield/ vacant lands, poor levels of physical and social infrastructure, poor to moderate regional connectivity, cheaper land, lower environmental risk and poor to moderate social development with community participation.

There is the need for evolving a workable model for Kerala's Unique Scenario at the instance of K-RERA by bringing together all the departments concerned to ensure their collective involvement

The suggestions emerged in the consultancy workshop include:

Reforms in the Tax and Registration System to ensure that our tax structure is on par with other states in the country.

Appropriate amendments in Kerala Buildings (Lease and Rent control) Act, 1965, which regulates the leasing and rent of buildings, to facilitate the development of rental based real estate sector as taking place in other states.

Reforms in the regulatory framework to improve the ease of doing business in this sector.

Facilitating the uploading of plans in CAD through online system and thus get rid of human intervention

Check the plan for compliance with the building rules through an AUTO DCR software.

If there is any non-compliance, the system will reject the plan. The accepted plan could proceed for online permit fee remittance. GPS enabled site inspection should replace the physical inspection system.

The Fire NOC applications may be processed through a file management system and be replaced with AUTODCR checking system. Likewise, KSPCB processes also

should be replaced with an AUTO DCR checking system or checklist enabled processing system.

Measures for the registration under Apartment Ownership Act (AoA), 1983 for enabling the surrender of property and common amenities in the name of Apartment Owners' Association for real estate development. For example, the approved Trivandrum master plan that is in current use came out in 1971.

There is an urgent need for preparing a new master plan, replacing the one developed in 1971, by duly taking into account unique characteristics of Kerala.

The key role of K-RERA in ensuring the regulated development of the real estate sector by addressing the concerns of both the consumers and producers by bringing together all the stakeholders and the departments of the governments, currently operating in silos, cannot be overemphasised.

Annexure 2.1

Evolution of Housing Policy: The National Context

The term real-estate sector is of recent origin and the broad discussion till then has been with focus on the housing sector. Hence, in what follows we may use the term housing sector which is broadly in sync with real-estate sector used in the current parlance. The focus on housing is also justified because 2/3 of the buildings that come under real estate are residential construction and therefore related to housing requirements of the people. Moreover, it is understood that the overarching objective of RERA is to protect the consumers (mostly home buyers) of the real estate sector from exploitative practices.

Housing Policy in India

A number of housing programs have been implemented since independence after recognizing the necessity of housing in India when different governments came into power. But the country did not have any explicit national housing policy till 1988. This lack of policy backup was a major challenge for the implemented projects and programmes and suffered by continuity issues and interconnectedness.

This however does not mean that housing has not been an issue of India's policy makers of independent India. The direct or indirect effect of World War II caused acute housing problems in most countries. Partition of the country worsened the situation in India. The huge influx of refugees who preferred to settle down in urban areas caused a serious housing shortage in urban areas. Along with this, when the focus of the planning in the beginning of the economic policy environment was turned to industrialization and the production of capital goods, it challenged the public investment in social goods like housing which was considered as a dead investment with no return. The increase in the employment opportunities in cities/ towns due to the industries led to huge rural–urban migration. Though there was deceleration of industries in some places, it did not serve as a reason to move back to the villages due to deceleration of the agriculture sector and increasing unemployment. This caused high housing demand in urban areas. The available formal and informal housing types like small units (provided by the industrialists), rental units, squatter settlements, etc. were poor in quality with lack of basic amenities like water supply and sanitation. Rise in housing demand increased the price of houses and construction materials negatively affected the private construction industry, the major contributor of housing supply and slowed down the construction sector. This led to an increase in the rent of the existing housing stock. When the government implemented the Rent Control Act in cities as an immediate measure to control this, it further constrained the supply of rental houses. The lack of interest from the employers, private builders, etc. to solve the issue necessitated government intervention. As an initial step towards this, the National Building Organisation (NBO) and housing boards were established during the first plan period.

National Housing Policy 1988

India did not have an explicit National Housing Policy (NHP) until 1988. This does not mean that the issue of housing was not in the radar of India's policy makers. An overview of India's FYPs indicates an overarching importance given to housing, being a basic necessity of life and an indicator of development and wellbeing. The Government of India's approach towards the housing problem through its different FYPs tends to suggest that the focus during the initial plans was to ensure housing support for the industrial labour as a conduit of facilitating the ambitious industrialization program. The focus however, thereafter

changed during the subsequent plans to address the emerging issues of housing shortage both in the rural and urban areas as well as providing affordable housing coupled with due attention to water supply, sanitation and other related issues (for details, see annexure 2.1).

The policy formulation process for the first housing policy was systematically initiated in the mid-eighties, together with preparatory work to set up the National Housing Bank (NHB). As part of the Global Shelter Strategy adopted by the United Nations in 1988, Governments were called to take steps for the formulation of a National Housing Policy (NHP). The draft prepared by the Ministry of Urban Development was tabled in both Houses of Parliament in 1988 and another draft was prepared and discussed by the Urban Development and Housing Ministers' Conference in 1990

Box A2.1 Basic objectives of NHP 1988¹⁶

- *To assist all people and in particular the houseless, the inadequately housed and the vulnerable sections, to secure for themselves affordable shelter through access to developed land, building materials, finance and technology;*
- *To create an enabling environment for housing activity by eliminating constraints and by developing an efficient system for the delivery of housing inputs;*
- *To expand infrastructure facilities in rural and urban areas in order to improve the environment of human settlements, increase the access of poorer households to basic services and to increase the supply of developed land for housing;*
- *To undertake, within the overall context of policies for poverty alleviation and employment, steps for improving the housing situation of the poorest sections and vulnerable groups by direct initiatives and financial support of the State;*
- *To help mobilise resources and facilitate expansion of investment in housing in order to meet the needs of housing construction and up gradation and augmentation of infrastructure; and*
- *To promote a more equal distribution of land and houses in urban and rural areas and to curb speculation in land and housing in consonance with macro-economic policies for efficient and equitable growth.*

In line with the National Housing Policy, the core strategy of the Eighth Plan was to create an enabling environment for the important component of the national economy, housing by eliminating constraints and provide direct assistance to the specially disadvantaged groups including rural and urban poor households, SC/ST, physically handicapped, widows and single women.

The moves to implement housing projects with a policy backup did not add much to the improvement of housing conditions. The integrated approach put forth in the policy, remained ineffective because of the fragmented and overlapping programs administered by different ministries or government departments without much collaboration.

National Housing Policy 1994

With the change of government in 1990, a new National Housing Policy was announced in 1994. It sought to increase supply of land serviced by basic minimum services with a view to promoting a healthy environment.

¹⁶ Eighth Five Year Plan, Vol.II, Chapter 14: Housing, Water Supply and Sanitation, Paragraph 14.4.1-

In sync with the NHP 1994, the Ninth Plan focused on the following (Planning Commission 1997-2002)¹⁷

- *Development of urban areas as economically efficient, socially equitable and environmentally sustainable*
- *Accelerated development of housing for the low income and other disadvantaged groups;*
- *Development and up gradation of urban infrastructure services to meet the needs of a growing population;*
- *Alleviation of urban poverty and unemployment;*
- *Promoting accessibility and affordability of the poor to housing and basic services;*
- *Promoting efficient and affordable mass urban transportation systems in metropolitan cities;*
- *Improvement of urban environment;*
- *Promoting private sector participation in the provision of public infrastructure and of the community and NGOs in urban planning and management of specific components of urban services;*
- *Democratic decentralisation and strengthening of municipal governance.*

Housing and Habitat Policy 1998

The Housing and Habitat Policy 1998, laid greater emphasis on the aspect of “Habitat” as a supplementary focus to housing and it formulated to address the issues of sustainable development of housing infrastructure through strong public-private and cooperative sectors to enhance the capacity of the construction industry to participate in every sphere of housing and habitat. It has specifically advocated that the government should create a facilitating environment for growth of housing activity instead of taking on the task of housing by itself.

Box A2.2: Objectives of the NHP 1998¹⁸

- *Creation of surplus housing stock either on rental or ownership basis*
- *Providing quality and cost effective shelter options to the vulnerable groups and the poor*
- *Ensuring that housing is treated as a priority and at par with infrastructure sector*
- *Removing legal, financial and administrative barriers for facilitating access to land, finance and technology*
- *Using modern technology in the housing to increase efficiency, productivity, energy efficiency and quality*
- *Empowering the Panchayat Raj institutions and village cooperatives to mobilise credit for adding to the housing stock*
- *Addressing the special needs of women headed households, single and working women etc.*

The National Slum Policy in 1999

Department of Urban Employment and Poverty Alleviation in the Ministry of Urban Development prepared a draft of The National Slum Policy in 1999 with a vision to bring an attitudinal change among the authorities and the urban poor and the slum-dwellers, regarding measures to improve their quality of life and make cities free from the worst features of slums.

The post-liberalization period witnessed the devolution of functions and responsibilities of housing such as urban poverty alleviation, housing and slum upgrading, management of

¹⁷ Ninth Five Year Plan, Vol.II, Chapter 3.7: Housing Urban Development Water Supply and Civic Amenities

¹⁸ Economic Survey, 2000-01, Chapter 10, Page:206

urban services, the protection of EWS etc. between the three tiers of government (central, state, and local) with the enactment of 74th Constitutional Amendment, 1992. But the lack of capacity to channelize finances to deliver the services slowed down the project progress. The substantial measures made to strengthen the housing finance sector could not add much in favour of LIGs, but MIGs and HIGs received the benefits by way of accessing homeownership by utilising the liberalised banking and financial policies.

Therefore, housing plans during Tenth Plan period involved among others (Planning Commission, 2002-2007)¹⁹;

In Rural Sector:

- *There is a need to create institutional capability in the rural housing sector with reference to designing of houses, supply of raw materials and construction.*
- *The rural communities have to be involved in the layout and design of the houses.*
- *The houses should have provisions for rain water harvesting, water supply and sanitation.*

In Urban Sector:

- *Provision of land to LIG and EWS at affordable prices*
- *Regularise unauthorised settlements and extend services to them.*
- *The city planning provisions need to be tuned to the requirements of the weaker sections in urban areas through adoption of appropriate and affordable standards and norms, use of cluster housing and 'growing house' concepts.*
- *The feeling that urban planning ignores the needs of the urban poor, must be dispelled through effective action to meet these needs.*
- *Housing and economic activities have to go hand in hand with the provision of housing for the workers close to workplaces.*
- *There is a need to make housing loans available to the EWS in the cities/slums. Credit activity by state agencies and housing co-operatives need to be revived.*

The National Urban Housing & Habitat Policy (NUHHP), 2007

National Urban Housing & Habitat Policy (NUHHP), 2007²⁰ formulated to focus on 'habitat' with a 'Regional Planning approach' was brought out in the 74th Amendment Act. It envisaged to further deepen the role of Government as a 'facilitator' and 'regulator' keeping in view the changing socio-economic parameters of the urban areas and growing requirement of housing and related infrastructure. The core focus of this Policy is provision of "Affordable Housing for All" with special emphasis on the vulnerable sections of the societies such as SC/STs, Backward classes, minorities and urban poor.

The NUHHP, 2007 envisaged that the States would prepare a State Urban Housing and Habitat Policy and also a State Urban Housing & Habitat Action Plan to empower States to pass specific Acts to achieve the housing policy objectives, which is known as Model State

¹⁹ Tenth Five Year Plan, Vol.II, Chapter, Pages: 299, 307, 620-624

²⁰ The National Urban Housing & Habitat Policy (NUHHP), 2007, https://www.nhb.org.in/Urban_Housing/HousingPolicy2007.pdf

Affordable Housing Policy, 2015²¹. Along with the other initiatives taken by the States in housing, the policy was formulated to coordinate and facilitate efforts to provide affordable housing for all. Additional initiatives proposed to be taken by the State are linked with the areas such as land, finance, legal and regulatory reforms, technology support and its transfer, provision of infrastructure, satellite/integrated townships, institutions, capacity building and sustainability Concerns.

Box A2.3: Major Initiatives under NUHHP 2007

- Urban Planning - Promoting balanced urban-rural planning by following the Regional Planning Approach, Planning of Mass Rapid Transit Systems (MRTS) at the city Metropolitan Planning Area and Sub-region levels.
- Affordable Housing - Accelerate the pace of development of housing and related infrastructure, create adequate housing stock both on rental and ownership through appropriate capital or interest subsidies, modernize the housing sector, disseminate technology for preventing and mitigating the effects of natural disasters on buildings
- Increase flow of Funds - Promote larger flow of funds from governmental and private sources, Design suitable fiscal concessions, removing legal, financial and administrative barriers for facilitating access to tenure, land, finance and technology, shift from subsidy-based housing schemes to cost recovery-cum-subsidy schemes through a proactive financial policy.
- Spatial Incentives - Innovative spatial incentives like relaxation of Floor Area Ratio (FAR) for ensuring that 20-25 % of the FAR are reserved for EWS / LIG and issuance of Transferable Development Rights (TDR) for clearance of transport bottlenecks in the inner-city areas and availability of additional FAR in Outer Zones will be promoted with a view to meeting the housing shortage amongst EWS/ LIG.
- Increase Supply of Land - Facilitate accessibility to serviced land and housing, Suitable restructuring for increasing supply of land.
- Special Provision for SC/ST/OBC/Minorities/Disabled, slum dwellers, street vendors, other informal sector workers and other vulnerable sections of the society
- Special Provision for Women - Involve women at all levels of decision making, Addressing the special needs of women-headed households, single women, working women and women in difficult circumstances in relation to housing serviced by basic amenities.
- Employment Generation - Upgradation of construction skills and accelerated development of housing and infrastructure sectors for giving an impetus to employment generation.
- Public-Private Partnerships - Forging strong partnerships between public, private and cooperative sectors
- Management Information System (MIS) for strengthening monitoring of building activities
- Healthy Environment - Promotes a healthy environment in cities/towns, use of renewable energy resources and effective solid waste management, Protect cultural heritage and architecture.

The aims of the Model Policy are:

- To create an environment to provide “affordable housing for all” with special emphasis on EWS and LIG and other vulnerable sections of society (S/STs, OBC, Minorities and senior citizens, physically challenged persons). The policy covers various kinds of housing viz. Ownership, incremental, rental/ social, shelters and other forms of housing.
- To ensure that no individual is left shelter less.

²¹ Model State Affordable Housing Policy, 2015,

[https://smartnet.niua.org/sites/default/files/resources/Model State Affordable Housing Policy Draft.pdf](https://smartnet.niua.org/sites/default/files/resources/Model%20State%20Affordable%20Housing%20Policy_Draft.pdf)

- *To promote Public Private People Participation (PPPP) to address the shortage of adequate and affordable housing*

Housing policy interventions are always oriented towards ownership of the houses. But providing houses to all proved challenging mainly because of the growing population, housing and land shortage.

National Urban Rental Housing Policy (NURHP), 2015

National Urban Rental Housing Policy (NURHP), 2015²² was formulated with a vision ‘to create a vibrant, sustainable and inclusive rental housing market in India’. The policy targets at homeless, street children, destitute and other vulnerable groups of the society, urban poor, migrant labour, working women, working men, students, transgender, single women, widow and rental housing requirement of other categories like middle- and higher-Income Groups (such as employees of Central/State/ULBs/PSUs/NGOs/Corporate houses/industries/private sector institutions).

Box: A2.4 Objectives of NURHP 2015

- *Create adequate rental housing stock by promoting Social Rental Housing (SRH) with direct or indirect support from Government (State) with special focus on affordability of vulnerable groups and urban poor.*
- *Promote Market Driven Rental Housing (may or may not be eligible for direct benefits from government)*
- *Remove legal, financial and administrative barriers for facilitating access to tenure, land, finance and technology.*
- *Enable formalization/regularization of Rental Housing on pan India basis through adoption of Model Tenancy Act, 2015 of Ministry of HUPA.*
- *Facilitate fund flow from government and private sector through innovative financial Instruments to incentivise rental housing.*
- *Promote Public-Private Partnership (PPP) to construct, manage, maintain and operate rental housing stock (Cooperative societies, Neighbourhood Associations, Resident Welfare Associations etc.).*

2.3 Affordable Housing in Real Estate Sector

2.3.1 Meaning and Definition of Affordable Housing

The definition of affordable housing refers to any housing that meets some form of affordability criterion which could be the income level of the family, size of the dwelling unit and affordability in terms of EMI size or ratio of house price to annual income. The Affordable Housing was designed for income groups such as EWS (Economically Weaker Section), LIG (Low Income Group) and MIG (Middle Income Group) with a provision for basic amenities, low-cost EMI/rent and reasonable maintenance cost. The Minimum Super Built up Area for EWS is 300 sq. ft., LIG is 500 sq. ft. and MIG is in between 600-1200 sq.

²² The Draft National Urban Rental Housing Policy (NURHP), 2015, [https://pmay-urban.gov.in/material/component3/National Urban Rental Housing Policy Draft 2015.pdf](https://pmay-urban.gov.in/material/component3/National%20Urban%20Rental%20Housing%20Policy%20Draft%202015.pdf)

ft. Basic amenities like sanitation, adequate water supply and power, provision of community spaces, amenities such as parks, schools and healthcare facilities within project area or neighbourhood depending upon the site and location of the housing project also should be provided along with housing. EMI should be in between <30-40% of gross monthly income of the buyer and maintenance cost should be at a reasonable rate.

Definition of affordable housing as per the GST Council describes it as properties that cost up to 45 lakhs and the carpet area in the metro cities should be 645 sq. ft. and in non-metro areas should be 968 sq. ft. It was mentioned that the rate of Residential Real Estate Project for affordable residential flats has been decreased from 8 percent in the previous regime to 1 percent while for commercial properties the rate has been reduced from 12 percent to 5 percent. In both cases, the builders will not be eligible to claim an input tax credit in the new structure. This move will give a fillip to apartments under construction in the country, and improve the flow of credit to the real estate sector.

Various estimations on the urban housing shortage emphasised on the stark shortage of urban housing facilities in India. The statistics taken from the Report of Technical Group 2012 on Estimation of Urban Housing Shortage 2012 (MoHUA), revealed a total urban housing shortage of 18.78 million in India out of which, 3 percent belonged to the homeless category. The estimation in terms of income group also reveal that 4 percent of the MIG and HIG experience urban housing shortage while the EWS and LIG make up 96 percent of the total experiencing the shortage. The urbanisation in India was discussed using the report put forth by the McKinsey Global Institute that predicts an increase of the urbanisation rate to 40 percent in 2030 from 29 percent in 2008. This increase translates to an increase in demand for urban housing from 19 million in 2010 to 38 million in 2030. The report provides a state wise estimation and projects a 41 percent rate of urbanisation in Kerala for the year 2030.

2.3.2 Concerns about Affordable Housing in India

Despite a widespread shortage of affordable housing in India, private interest in the space has been negligible. Private developers have largely stayed away from this segment because of thin margins, mainly due to the high land and finance costs, and taxes, which makes the project non-feasible for them. The following are various factors affecting the pace of affordable housing development in India and restricting private sector participation:

- (i) lack of suitable low-cost land within the city limits;
- (ii) lengthy statutory clearance and approval process;
- (iii) shortcomings in development norms, planning and project design;
- (iv) lack of participation of large organised real estate players due to low profit margins;
- (v) high cost of funds for construction finance making the projects unviable;
- (vi) lack of suitable mechanism for maintenance;
- (vii) challenges in beneficiary selection; and
- (viii) Capacity constraint or inadequate capacity of the implementing agencies

The introduction of *GST* also creates another hurdle for the affordable housing segment. Currently the developer gets abatement in service tax to the tune of 75% considering the cost of land in the final product price. However, *GST* does not currently provide for abatement for land. Due to this the cost of housing will go up for the buyer, as he will have to pay for *GST* on the entire consideration amount.

One of the major loopholes in the affordable housing policy is that it defines the restrictions

by the size of the unit rather than by the maximum price of the unit. This means that a developer can price the unit at any price if it is under the size of 60 sq. metres. This defeats the purpose of affordable housing because developers can take all benefits of affordable housing and yet price their product at a price, which is beyond the purchasing capacity of the buyer.

Now, if the builder decides to go under the affordable housing scheme, at least 90% units shall be of 60 sq. metres or less. Going by this rule, the builder will not be able to achieve the complete FAR as the maximum units can only be 366 since the size of 330 units has to be smaller than 60 sq. metres. An easy solution for this is that the local authority must grant higher density to the affordable housing projects, so that the builder can build more units in the same area of plot and achieve his total FAR. By not achieving complete FAR, the project viability of the builder becomes negative in most cases. This issue must be resolved between the central and state governments to make affordable housing viable for the developer.

2.3.3 Measures Proposed to Overcome the Challenges

To overcome the above challenges, the government also needs to provide single window clearance for affordable housing projects to keep the price under control. Currently the various approval authorities of state governments cause long delays in completion of projects due to which the cost of the project can go up to as high as 3% per year of delay. The high cost of land is one of the major deterring factors in providing the low-cost homes. The state governments need to increase the FAR for the plots under the affordable housing scheme. By increasing FAR, the cost of FSI will go down drastically for the developer. More FAR means saleable area or higher turnover for the developer. If this is implemented then the developer can earn his share of profits through higher turnover even with lesser margins per unit. Similarly, the government has to make the affordable housing segment more rewarding for private player participation by introducing a slew of measures in the union budget presented this year.

The government may also be willing to provide more benefits to the segment by exempting affordable houses from stamp duty which ranges anywhere from 5%-7% in the NCR region. Stamp duty is a state subject, with the state government fixing the rate and collecting the duty. If the state governments agree to such changes, then it will be a game changer as it will drastically reduce the final cost of the product to the buyer. By providing these exemptions from their end, the states can contribute to the centre government missions.

All these policies are set to make the affordable housing segment very lucrative and exciting for real estate developers, but there are a lot of loopholes in the policy, which need to be taken care of.

2.4 Affordable Housing Schemes in India

Among the initiatives to promote affordable housing in India, Pradhan Mantri Awas Yojana (PMAY), 2015 is the latest that subsumes all the previous urban housing schemes and aims at 'Housing for All' to be achieved by the year 2022. Among the four components of PMAY-U such as In-Situ Slum Development Scheme (ISDS), Credit Linked Subsidy Scheme (CLSS), Affordable Housing in Partnership (AHP) and Beneficiary led Construction or Enhancement (BLC), two components such as ISDS and AHP are the components which is designed to implement with private participation and consider RERA as an important player in this scheme. From the progress made by the PMAY-Urban, it is observed that 40 percent of the

total completed delivered houses have been achieved by states of Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, and Uttar Pradesh.

There are different Public Private Partnership Models for Affordable Housing in India provided by the scheme. PPP models designed on government land are Government-land Based Subsidised Housing (GLSH), Mixed Development Cross-subsidized Housing (MDCH), Annuity Based Subsidised Housing (ABSH), DBFMT-Annuity cum Capital Grant based Subsidised Housing (AGSH), Direct Relationship Ownership Housing (DROH) and Direct Relationship Rental Housing (DRRH). PPP models designed on private land are Private-land based Subsidised Housing (CLSS Scheme for EWS/LIG/MIG) and Private-land Based Subsidised Housing (AHP Scheme for EWS). The sub-scheme started on the backdrop of Covid pandemic to provide affordable rental housing to urban migrants/poor, Affordable Rental Housing Complexes (ARHCs) is designed in a way to provide dignified living environments with necessary civic amenities close to workplaces at affordable rates.



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