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ARTICLE ON REASONS FOR DELAY OF THE REAL ESTATE PROJECTS

Mumbai is commercial capital of India and it is said to be a cosmopolitan city because from all over India people come here in Mumbai to search his / her bread and butter.

Therefore, there is always Housing demands in Mumbai. Developer's preferred destination to have a project is Mumbai.

However for last 3 years and specifically after 04-01-2012, the Real Estate in Mumbai has gone back foot and having number of hurdles while creating housing stock for Mumbaikar.

Some of the Real Estate projects such as New development as well as Re-development are either not started inspite of agreements in hand with developers or projects started but in between they were stopped. Why is this situation seen in this sector? Let us evaluate the scenario.

1. Re-development projects u/s. 33/7 – cess building
 - a) Once the agreement is entered with landlord, it takes lot of time to obtain consent letter's from tenants and also, to obtain N.O.C. from competent Authority i.e. M.B.R.R.B., sometimes it is taking 1-2 years after acquiring the plot, more over builders tries to acquire adjoining plots and another 1 ½ years are wasted in obtaining consent. If new plot and again N.O.C. from M.B.R.R.B. is required. Proposal cannot be submitted without N.O.C. from M.B.R.R.B. for the cessed plots. Finally, plans gets approved in the span of 6 month to 1 year by following pre-submission preparation, obtaining various N.O.C.'s and getting principal sanctions for full F.S.I. potential. Thereafter tenants take another 3-6 months to vacate the premises. Nearly 3 to 4 years are required in this lengthy process of negotiation and approvals.

If market conditions are conducive, builder starts for commencement of construction. Now, after Maha Rera came into force, investors are totally wiped out. Now, builder either has to sale the flats / premises or invest his own capital to proceed for further construction.

Another reason is that of bad market condition. Liquidity is affected to those builders whose primary customers were investors.

Most of the projects were stalled after 04/01/2012 because then M.C. brought modified D. C. Regulation restricting flowers beds, balconies and lily pools, parking on habitable floors, pocket terraces, etc. free of F.S.I.

Now, in new Regulation all these areas are counted in F.S.I. in turn M.C.G.M. has introduced 35% Fungible Premium F.S.I. to be loaded on plot.

Those proposals started in 2010 and are incomplete and are affected worst in city because of these modified Regulation.

Even, Suburbs & extended Suburbs are affected and all the builder had to re – negotiate with tenants / society's due to change in Regulation. Most of the work have came to halt due to these modified Regulation.

2. As regards M.H.A.D.A. owned plots in Suburb's, big layout's like Kannamwar Nagar, Subhash Nagar, Gandhi Nagar, Kherwadi layouts are affected due to change in policy by MHADA. Earlier, Premium in lieu of additional F.S.I. was allowed instead MHADA has demanded housing stock because of this change most of the MHADA layouts came to halt. Offcourse because market did not support the additional burden by way of Housing stock to be given to M.H.A.D.A. Buildings which are demolished were worst sufferer of their policy for few years.

As per New DCPR 2034, in Areas like Bandra (West), Khar (West), Khar (West), Bandra (East), Mahim macchimar colony. The provision of development of Mhada layouts are financially feasible in terms of giving stock to Mhada.

As regards, slum Re-development projects :-

Slum Re-Development schemes are running over from minimum 7 years to 15 years to develop the 100 Tenement plot size 2000 Sq. Mt. This is the reality.

Bigger the size of the Tenement more number of years are required. Main reason to complete the project is financial crunch and litigation and complaints.

Market conditions are not conducive because of lot of initial investment is required. Now-a-days customer wants the sale flats ready with Occupation Certificate.

Maha Rera a statutory authority has now controlling and monitoring the development in Maharashtra. All disputes, complaints of purchaser's regarding delays, no progress relating to development is now monitored and addressed. All the Developer are required to be registered along with their project with Maha Rera. Detailed project is required to be published including completion date and plans.

Due to G.S.T. levied by Government of India cost of flats have also been increased and it has definitely affected the sale of under construction projects. Overall scenario is those projects which are in big size and which are under construction and having cash crunch after the Maha Rera had to sale the whole project. There will be an improvement in completion of project in time bound manner. Builder's cannot divert funds to any other investment without completing the Project from where payments have been received. The good news is that it is the effect of Maha Rera.

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