



Stalled Real Estate Projects in India

For Prelims: [Real Estate \(Regulation and Development\) Act, 2016](#), Model Package for Stalled Projects

For Mains: Problems Associated with Real Estate , Impact of Stalled Real Estate Projects in India.

Source: [IE](#)

Why in News?

Recently, a committee chaired by former [National Institution for Transforming India \(NITI Aayog\)](#) CEO Amitabh Kant, formed by the **Ministry of Housing and Urban Affairs (MoHUA)**, has put forward a series of recommendations to address the **issue of stalled legacy real estate projects in India**.

- The committee's formation was recommended by the **Central Advisory Council under the [Real Estate \(Regulation and Development\) Act, 2016](#)**.
- According to the Indian Banks' Association, more than **4.12 lakh "stressed dwelling units" exist across India**, of which around **2.4 lakh units are located in the National Capital Region (NCR), mainly in Noida and Greater Noida**.

What are the Key Recommendations?

- **Model Package for Stalled Projects:**
 - Introduction of a "**model package**" designed for stalled projects in specific regions, starting with Noida and Greater Noida.
 - Other states are encouraged to develop similar packages tailored to their respective stalled projects.
 - The key components of the **model package may include:**
 - **Zero Period:**
 - The concept of a "zero period" that takes into account disruptions caused by factors like the **Covid-19 pandemic** and court orders.
 - During this period, **developers would be exempted from interest and penalty payments, acknowledging the unforeseen challenges that led to project delays**.
 - **Partial Surrender Policy:**
 - Inclusion of a **partial surrender policy within the model package**.
 - Developers were granted the **option to surrender a portion of the land associated with the project**.
 - Aims to offer flexibility in project planning and execution while optimizing resource utilization.
- **Subsidized Interest Rates:**
 - Suggestion of a "subsidized interest rates or guarantee scheme" similar to those benefiting the MSME sector.
 - Designed to incentivize financial institutions to provide funding for stalled real estate

- projects.
- Aims to **improve liquidity and funding access for developers** struggling with stalled projects.
- **Establishment of a "Guarantee Fund":**
 - Proposal for the creation of a dedicated "guarantee fund" analogous to the one established for the MSME sector.
 - Aimed at **enhancing financial support and investor confidence in the real estate sector.**
 - The MoHUA is tasked with drafting the fund scheme and forwarding it to the Ministry of Finance.
- **Expansion of Fast-Track NCLT Benches:**
 - The committee has also suggested the creation of **five additional fast-track benches** at the [National Company Law Tribunal \(NCLT\)](#) so that all pending [Insolvency and Bankruptcy Code \(IBC\)](#) **real estate cases** can be disposed of on a **"priority basis"**.

Real Estate (Regulation and Development) Act, 2016:

- **Real Estate Regulatory Authorities (RERAs):**
 - The Act establishes RERAs in each state, serving as regulatory bodies and dispute resolution forums.
- **Mandatory Registration:**
 - All real estate projects with a **minimum plot size of 500 sq.mt or eight apartments must be registered with RERAs before launch.** This aims to enhance transparency in project marketing and execution.
- **Transparency and Database:**
 - RERAs maintain a public database of registered projects on their websites. This includes project details, registration status, and ongoing progress, providing transparency to buyers.
- **Funds Management:**
 - Promoters are required to **deposit 70% of the collected funds in a separate escrow account** for the specific project's construction and land costs, preventing fund diversion.
- **Time-Bound Adjudication:**
 - Appellate Tribunals are mandated to adjudicate cases within 60 days, while Regulatory Authorities must resolve complaints in the same timeframe, ensuring faster dispute resolution.

What are the Challenges Related to Stalled Real Estate Projects in India?

- **Funding Shortages:**
 - Lack of timely funding due to **high-interest rates and strict lending norms.**
 - Reduced **cash flows and revenues from low demand in the real estate market.**
 - Difficulty in **securing funds from alternative sources like private equity or foreign investors.**
 - Results in project delays, **cost overruns, compromised quality, and dissatisfaction.**
- **Regulatory Complexities:**
 - The multiplicity of **regulations and approvals at central, state, and local levels.**
 - Time and cost escalations, uncertainty, litigation, and barriers to entry.
- **Legal Disputes:**
 - Boundary disputes **affecting land ownership and sovereignty.**
 - Land acquisition and compensation conflicts with stakeholders.
 - **Project disruptions, damages, judicial interventions, and trust issues.**
- **Market Slowdowns:**
 - Economic downturns affect buyer's purchasing power.
 - Disruption due to the **Covid-19 pandemic** and lockdowns.
 - Policy changes create market uncertainty.
 - Resulting in **low demand, unsold units, falling prices, and reduced investments.**

Way Forward

- Exploring innovative financing models, such as **real estate investment trusts (REITs)**, and **peer-to-peer lending**, can provide an alternative source of funding. These models can democratize investment and inject capital into projects.
- Incorporate **sustainable and green building practices** to attract **environmentally conscious buyers and investors**. These designs not only resonate with modern preferences but also lead to **long-term cost savings**.
- Leverage the potential of **Public-private partnership (PPPs)** to revitalize stalled projects. Collaborating with **government entities can provide access to land, infrastructure, and regulatory support**.
- **Repurpose stalled projects into multifunctional spaces**. Transform vacant buildings into creative hubs, cultural centers, or community spaces that thrive on versatility.
- Develop regulations that adapt to **changing market conditions and technologies**. This flexibility prevents projects from becoming outdated due to evolving trends and demands.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Mains

Q. “The growth of cities as I.T. hubs has opened up new avenues of employment, but has also created new problems”. Substantiate this statement with examples. **(2020)**

Q. Discuss the various social problems which originated out of the speedy process of urbanization in India. **(2013)**

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