



## 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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