

Real Estate Regulatory Authority (RERA) Another Regulatory Burden?

Pakistan's real estate has had a significant impact on the country's economy, with a market value ranging from \$300 billion to \$400 billion. Construction output accounts for 2% of GDP in Pakistan, according to the Pakistan Bureau of Statistics, boosts economic growth in terms of output. Despite, it's importance in terms of the economy and labor benefits, many irregularities exist when purchasing a plot of land or a residential property in Pakistan.

To address the market irregularities and lack of regulation in the real estate sector, The National Assembly of Pakistan has passed the “**Real Estate Regulatory Authority Act (2020)**” to regulate the real estate sector in Islamabad. The objective is to regulate mega projects, to protect buyer's interest, bringing efficiency and resolving disputes swiftly through the establishment of Appellate tribunal. In Pakistan, the country where innumerable housing societies are working, do we really need a new regulatory act for the real estate sector? Or it is just another regulatory burden?

The Pakistan Institute of Development Economics-PIDE hosted a seminar on “The Real Estate Regulatory Authority RERA, Another Regulatory Burden?” in which ‘Dr.Nadeem ul Haq’ served as a Moderator along with other speakers to discuss the establishment of the RERA act.

Key Objectives:

- To recognize the importance of RERA in order to eliminate the inefficiencies in the real estate economy

- To examine that whether RERA will address the prevailing concerns of prospective buyers or not?
- Is it another regulatory burden to be imposed on the real sector or it's worthy to be implemented?

Key Messages:

Ahmad Waqar Qasim, Senior Research Economist (PIDE)

- The main inefficiency in the real estate sector is a lack of information about the characteristics of land and its price, in the same way RERA is silent on price and information asymmetry. PIDE's proposal is to include a new clause to address price information.
- According to the act, RERA will host a web page where detailed information about real estate agents and developers will be shared; however, PIDE's proposal is to include the transaction price on the webpage by making it obligatory to put up the transaction price for a certain period before registration of the transactions as well.
- In terms of defined rights, RERA will aid in the digitization of land records by incorporating new technology. Our proposal is that the act go beyond the limits of just record digitization but the recommendation is to use block chain technologies to address vague and unenforced right issues as well.
- The use of technology will not only bring transparency but will also increase the velocity of transactions.
- RERA act has no component regarding the formal training of real estate agents. The formal training of agents will build trust and bring efficiency and transparency to the sector.
- In terms of a regulatory burden on the market; the main source of burden is compliance and administrative cost, as act has made it mandatory for developers and agents to register their projects

with the authority. it is associated with it because agents must obtain registration on their projects.

- RERA will also create financial burden in the real estate market. Act identified that federal government will provide only seed money for the establishment of the authority. RERA will generate its own resources through fees levied by the penalties imposed by the authority and the tribunal.

Shah Jahan, Deputy Secretary Government of Pakistan

- The RERA bill was proposed in the National Assembly of Pakistan to protect the interests of buyers and to keep an eye on the real estate projects beginning in Islamabad. Its shortcoming is that it was unable to include key stakeholders and was prepared without a market survey.
- To address the shortcomings in the rules of the RERA act, the government is working with the World Bank to improve them.
- The CDA is responsible for acquiring all of Islamabad's land to build housing societies, which is supported by the Islamabad Master Plan. Unfortunately, due to inconsistencies in the bureaucratic system, housing societies arose by developing various societies in the city. Different societies' cultures emerged, such as judicial society, interior society, and so on.

Tanveer Mughal, Chairman Real Estate Club

- The real estate community sees this act as a burden as well, because regulatory bodies already exist in the real estate. To establish any housing society, 22 NOC's are required. This is a stumbling block in the development of housing societies.
- The real estate community is opposed to this act because legislators failed to consider the real estate community and its leaders when drafting legislation.

- Another community concern is that the basic and practical challenges that real estate actors face are not addressed in this act, which appears to be a copy paste act.
- It must be a licensing authority that selects professionals to operate in the market through a training program in order to avoid unethical practices and corruption.

Taimoor -ul-Haq Abbasi, Group Director, IMARAT Group of Companies

- This regulation is in fact onerous, since already existing bodies (CDA) perform the same work as the RERA, so there is no need for new powers. Similarly, consumer rights are not discussed in sufficient detail in it.
- RERA act should contain merit, eligibility criteria, centralized repository and access to real estate agent information, which is missing at this stage.

Dr Nadeem-ul-Haq, Vice Chairman (PIDE)

- The culture of Housing societies must be abolished. It's totally a lobbying to cater hefty amounts from customers. It must be consider and shared as a community bond.
- Rather than initiating new regulations for the real estate market, it's best to include the utilization of **Multiple Listing Service**, which is practicing worldwide that's a database established by land brokers to supply data about properties for purchase and sale.

Conclusion:

Real estate is Pakistan's revenue generating industry and is a strong pillar of the nation's economy. Despite its importance, no efficient mechanism is presented apart from market forces. Therefore, in order to protect the buyer's investment, it is necessary for the regulator to have a competitive advantage to protect the rights of buyers and sellers. In this context, the

RERA Law was passed to close the loopholes existing in the real estate regulatory mechanism. The PIDE spokespersons critically analyze this law of the regulator and believe that it is better to use the existing infrastructure than to develop new authorities instead of introducing new bills and laws.

