

❖ **Importance of Real Estate Sector:**

- India is witnessing rapid urbanisation. According to Census 2011, India's urban population was 37.7 crore, which is projected to grow to about 60 crore by 2030. According to UN, more than 40% of country's population is expected to reside in urban areas by 2030. Urbanization in India has become an important and irreversible process, and it is an important determinant of national economic growth and poverty reduction.
- Real Estate is an important sector with strong forward and backward linkages, particularly with the core sectors of the economy, such as steel, cement and other buildings materials. It directly/ indirectly impacts 270 different industries. Apart from real economy, an upswing in Real Estate Sector has strong implications for other sectors as well, especially the financial sector.

In addition to above, **Central Government has taken several measures for the Real Estate Sector in last 5-6 years**, including regulatory, programmatic, fiscal and financial measures. Amongst many such steps taken, the key steps are:

❖ **REGULATORY MEASURES:**

- **Real Estate (Regulation and Development Act) [RERA]:** In pre-RERA era, Indian Real Estate sector was largely unregulated till the year 2016, which led to many anomalies resulting in various unfair practices, which ultimately affected the homebuyers adversely. Therefore, a need was being felt for long time to regulate the sector in such a way so as to ensure transparency and accountability.
- **RERA** marked the beginning of a new era in the Indian real estate sector and a step towards reforming the real estate sector in India, encouraging greater transparency, citizen centricity, accountability and financial discipline.
- The core objective of this transformative legislation is to ensure regulation and promotion of real estate sector in an efficient and transparent manner and to protect the interest of the home buyers.
- **RERA Implementation Status (as on 26th June, 2021):**
 - **34** States/UTs have notified **Rules** under RERA.
 - **30** States/UTs have set up Real Estate **Regulatory Authority**.
 - **28** States/UTs have set up Real Estate **Appellate Tribunal**.

- **27** Regulatory Authorities have established their **Websites**.
 - **65,387** Real Estate **Projects** and **51,536** Real Estate **Agents** have registered under RERA.
 - **68,535 Complaints** have been disposed-off by Real Estate Regulatory Authorities.
- Recently, on 4th May, 2021 Hon'ble Supreme Court has struck down West Bengal's Housing Industry Regulation Act, 2017 (HIRA) being unconstitutional. Hopefully, soon RERA will be implemented in West Bengal also.

Model Tenancy Act:

- Under the visionary leadership of Hon'ble Prime Minister has been implementing the Housing for All- Pradhan Mantri Awas Yojana (Urban) with an aim to provide every family with a roof over their head with basic civic and social amenities when the Nation completes 75 years of its Independence. To reinforce this vision, the importance of rental housing cannot be ignored.
- Nearly 110 lakh houses were lying vacant in urban areas as per Census- 2011 because of unwillingness of landlords to give their premises on rent due to existing rental laws of States/UTs, which discourage renting and restrict growth of rental segment. Accordingly, rounds of consultations and deliberations with all the States/UTs, other stakeholders and the public have been conducted before finalization of MTA.
- Rental housing is preferred option for different segment of society such as poor migrants, labour, young workers, working professionals and especially students. Therefore, time is opportune to take progressive and urgent action to encourage growth of rental housing for every class including migrant workers and student.
- As per the terms of Memorandum of Understanding for Pradhan Mantri Awas Yojana- Urban signed by the States/UTs with this Ministry, States/UTs have committed to either legislate new rental laws or amend existing one on the lines of Model Tenancy Act to be circulated by the Ministry.
- Union Cabinet in its meeting held on 2nd June 2021 approved the Model Tenancy Act (MTA) for adoption by either enacting a fresh legislation or amending the existing rental law suitably.

- MTA envisages to balance the interests and rights of both the owner and tenant in accountable and transparent manner.
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- **Presently, every state has its own Rent Control Act, wherein:**
 - The existing rent control laws are restricting the growth of rental housing and discourage the owners from renting out their vacant houses due to fear of losing repossession. As a result, stakeholders have led towards black and uncontrolled rental housing markets.
 - Fixation of standard/ fair rent is a major disincentive for those wanting to invest in rental housing as it gives a very low rate of return as compared to other assets.
 - The low rate of return also leads to rapid deterioration of existing rental stock, as landlords have no incentive to invest any funds in the upkeep of their apartments.
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Acknowledging the importance of requirements of rental housing, the Ministry of Housing and Urban Affairs, Government of India prepared Model Tenancy Act to balance the interests and rights of both landlords and tenants to promote rental housing.

MTA has been finalized after several rounds of detailed consultations with all the States/UTs, other stakeholders and the public.

❖ **Key Features of MTA:**

- MTA **has been shared with the States/Union Territories (UTs) for adoption** by either legislating the new law or amend existing rent laws on the lines of MTA.
- As per **MoU** signed by States/UTs **under PMAY-U**, the States/ UTs would either legislate or amend existing rental laws on the lines of MTA.
- After enforcement of this Act, no person shall let or take on rent any premises except by an agreement in writing.
- MTA will is to be implemented with prospective effect i.e. existing tenancies under extant State legislation will not come under the purview of new law unless they choose to do so voluntarily.
- MTA seeks to cover **urban** and as well as **rural areas**.
- Rent and duration of tenancy to be fixed by mutual consent between owner and tenant through a written agreement.
- There is **no monetary ceiling** under MTA, which enables parties to negotiate and execute the agreement on mutual agreed terms. It will give confidence to landlords to let out their vacant premises.
- MTA mandates for **written agreement** for all new tenancies which is to be submitted to Rent Authority.
- A **digital platform** will be set up in the local vernacular language or the language of the State/UT **for submitting tenancy agreement** and other documents.
- MTA would **balance the rights and interest of both** landlord and tenant.
- It would **avoid dispute** by clarifying the roles and responsibilities of landlord as well as tenant.
- **Time bound and robust grievance redressal mechanism** comprising of Rent Authority, Rent Court and Rent Tribunal to provide fast-track resolution of disputes.
- **Disposal of** complaint/appeal by **Rent Court** and **Rent Tribunal** within **60 days**.
- **Subletting** of premises can only be **with the prior consent of the landlord**.

- **No structural change** in the premises by tenant **without the written consent of landlord.**
- Tenant will **continue to pay the rent even during the pendency of a dispute** with a landlord.
- **No eviction of tenant during currency of tenancy period** except in accordance with provisions of the Act.
- In case of *force majeure* event, landlord shall allow tenant to continue in possession till a period of 1 month from date of cessation of such disastrous event on the terms of existing tenancy agreement.
- Jurisdiction of civil courts barred.
- **Security deposit** equal to a maximum of two month's rent in case of residential premises and maximum of six month's rent in case of non-residential premises.
- MTA will **provide the confidence to landlords to rent out vacant premises** with no fear of not getting the premises back post tenancy period and thus it will help in unlocking the potential vacant stock.
- MTA will help in **overhauling the legal framework** vis-à-vis rental housing across the country and is expected to give a **fillip to private participation in rental housing** for addressing the huge housing shortage across the country in different income groups.
- MTA will also **promote growth of rental housing** and investment in the sector and **promote entrepreneurial opportunities** and innovative mechanism of sharing of spaces.
- MTA will **promote vibrant, sustainable, inclusive & formal rental market** and also help in utilizing the potential economic opportunities in rental segment.
- MTA will **attract Real Estate investment** & entrepreneurship in the rental segment and thus boost the real estate sector & cement and steel sector and overall economy.

MTA would ensure formalising the shadow market of rental housing, unlock vacant properties, increase rental yields, ease/remove exploitative practices, reduce procedural barriers in registration, increase transparency and discipline, which would help in reposing confidence of investors in the sector besides improving quality of rental housing stock.

A study by International Monetary Fund (IMF) in 2016 estimated just residential rental market in India to be of the size of US\$20 billion. If we add commercial property rental as well, then at present size of the total rental market in the country would be estimated to the size of nearly ~ ₹ 3,00,000000000 (approximately ₹ 3 lakh crore). Most of these are in the informal market segment due to legislative gap. This will get filled in by the legislation on the basis of MTA. It will open up huge opportunity and various kinds of rental market segment servicing different groups. That will also boost economic activities and State's revenues.

MTA intend to promote growth of rental housing and investment in the sector and promote entrepreneurial opportunities and innovative mechanism of sharing of space. It will attract Real Estate investment & entrepreneurship in the rental segment and thus boost the real estate sector & overall economy.

MTA is transformative initiative in the rental segment which will work as a catalyst in channelizing investments in this segment. It will not only help in realizing the true potential of the rental market but also facilitate productive use of properties currently lying idle. Making the 1.1 Crore vacant houses available on rent will complement the vision of '**Housing for All**'.
