

Ref. No.: MCHI/PRES/16-17/089

February 3, 2017

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Prakash Baviskar

To,  
**Hon'ble Shri Devendra Fadnavis**  
Chief Minister,  
Government of Maharashtra,  
Manatralaya,  
Mumbai - 400 032.

2/3/17  
मुख्यामंत्री सचिवालय  
महाराष्ट्र शासन  
मंत्रालय, मुंबई ४०० ०३२  
दिनांक २/३/१७

Sub. : MCHI-CREDAI's plea to reduce Ready Reckoner Rates across MMR and to Re-Calibrate Land ASR rates

Respected Sir,

At the very onset, we take this opportunity to congratulate you and your government, and the Union Government to have rolled out some of the most radical reforms in the past few months which are likely to propel India on the high growth trajectory in the long term. As is the case, all radical reforms have short term pains. The combined effect of GST, RERA and demonetization are going to organize the Real Estate sector and herald an era of transparency and enhanced regulatory compliance, there are likely to be some short-term pains which may take 2~3 years in the short term to stabilize. The time has come to take a hard look at reviewing some policy decisions of the past, like that on ASR (Annual Schedule of Rates, popularly known as Ready Reckoner Rates) which may further dampen the industry prospects and prolong the recovery period for the Real Estate Sector.

Sir, for the past few years, we as an Industry Body have been trying to bring to the notice of your administration, the ever-increasing ASR (Ready Reckoner Rates) and its impact on the cost of projects and thereby the landed price in the hands of the end buyer. The situation has already come to a point beyond which it shall become untenable for the industry; it is the end buyer who suffers the most. The ASR (Ready Reckoners) have become a kind of a vicious cycle - as the government increases the ASR (Ready Reckoner Rates), the market is forced to correct itself to at least match the increased rates thereby increasing the median rate of the market, in the absence of any other economic or civic factor to drive prices upwards. We would sincerely like to bring to your notice the following burning issues with respect to ASR (Ready Reckoner).

#### 1. Land ASR cannot be more than 25% of Residential Unit Sale ASR

Sir, land rates are the most impacting component in a project's costing. Gone are the days when land rates in MMR were pegged at 70% of the project cost; they at best today are range bound from 20%~25% of sales. However, for some very strange reasons, despite there being no land transactions to support the basis, IGR has been fixing land rates arbitrarily at 50% of the residential sale rates across MMR.



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Various analysis and reports have clearly brought out the fact that the current day premiums and charges payable to the government (all linked to land ASR) are around 30%~35% of the residential sale value. Another 25%~30% of the sale price goes towards the construction cost. **Accounting for other administrative, marketing and finance costs, the land rates cannot under any scenario, be more than 20%~25% of residential sale rates.**

**Under The Right To Fair Compensation And Transparency In Land Acquisition, Rehabilitation And Resettlement Act, 2013 (27<sup>th</sup> Sep, 2013),** for any land acquisition undertaken by the government, the fair market value of land as determined needs to be multiplied by a factor of two (2) plus a solatium equal to 100 percent of the market value of the property including value of assets as the fair compensation to be dispensed to the land owner. In effect, the government ends up paying 3 times the ASR of the land, at the bare minimum. A high land ASR thereby implies a very high premium that the government needs to pay towards land acquisition, which may be unnecessary and avoidable.

While it may be perceived that a high ASR would generate higher revenues to the state exchequer vide stamp duty, what needs to be taken cognizance of is the fact that while on one side for acquisition, the government ends up paying 3 times the premium, vide stamp duty it is able recover only 5%. In a city like Mumbai, where land transactions are bare minimal, it brings the potential of such recovery down manifold. The total stamp duty recovered by the state government would not exceed Rs.100 Crores.

Lastly, with high land ASR and all premium and charges linked to Land ASR, only has a domino effect on the landed cost of the residential unit in the hands of the end buyer. It is pertinent to note here that ASR across MMR has been increased approximately 300% over the past five years. It is this one single factor that has created unaffordability in the markets, making it highly difficult and beyond financial reach of the common man to seek housing within MMR limits. We at CREDAI-MCHI therefore very strongly request you to kindly:

- **Make IGR take a hard look at the way land rates are fixed; and**
- **To re-calibrate the land rates to upto 25% of Residential Sale Rates across MMR**

**2. Market Slowdown**

Over the past few months, many industry reports have been reporting of market slowdown, piling inventories and negative consumer sentiments. This situation was only magnified by the impact of demonetization. Please find attached two recent media reports that very clearly outline the impact of demonetization. In a nut-shell, property registrations have fallen by approximately 8.8% across the state. While all the radical reforms of the past few months are likely to take at least three years before bringing stability in the market and smoothening the consumer sentiments, what the markets need the most at this point in time is some relief that could bring their financial burden down. While the reduction of bank rates in December has come as big relief to prospective home buyers,



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In order to bring back some sanity into the markets and to help restore some consumer sentiments, it is the collective earnest plea of the members of CREDAI-MCHI :

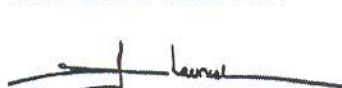
- To freeze the ready reckoners for the next three years at the least.
- Given the current market indicators, there are very strong indicators that real estate prices across Mumbai have corrected in time by an average 4%~30%. As such, we strongly request you to effect this into the 2017 ASR thereby effectively reducing ASR by an average of 20% across MMR.

In sum Sir, while the state has taken many measures to ease the doing of business and has brought in many reforms with far reaching impact, ASR (Ready Reckoner Rates) has been one pain area that has been long hitting the industry hard and needs an immediate attention. In order to bring back affordability to this market, ASR could be one single factor with far outreaching and direct effect. In conclusion, the following are our collective prayer for which we seek your kind and immediate perusal :

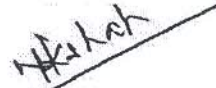
- To review the entire approach and methodology of IGR for affixing ASR for MMR;
- To re-calibrate the land rates to upto 25% of Residential Sale Rates across MMR;
- To freeze ASR for the next 3 year i.e. from year 2017 to 2019; and
- Reduce ASR for residential units by up to 20% across MMR

Therefore, CREDAI-MCHI would like to request your kind intervention in the above issues and an expeditious redressal.

Thanking you.  
For MCHI-CREDAI



**Dharmesh Jain**  
President



**Nainesh Shah**  
Hon. Secretary



**S. S. Hussain (Retd. I.A.S)**  
CEO

C.C. To :

**Hon'ble Shri Chandrakant Patil**  
Minister,  
Revenue & Public Works Department  
Mantralaya,  
Mumbai - 400032.

**Dr. Ramaswami N. (IAS)**  
Inspector General of Registration  
Department of Registration & Stamps,  
Government of Maharashtra  
Pune.

**4 FEB 2017**  
लिपिक  
मंत्री, महसूल, मदत व पुनर्वसन,  
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Industry » Pune property registrations dip money matters currency ban Credai-Pune

# Property registrations in Maharashtra drop by 31% post demonetisation

*Between November 9 and December 9, 1,15, 818 documents were registered.*

TNN | December 10, 2016, 07:54 IST

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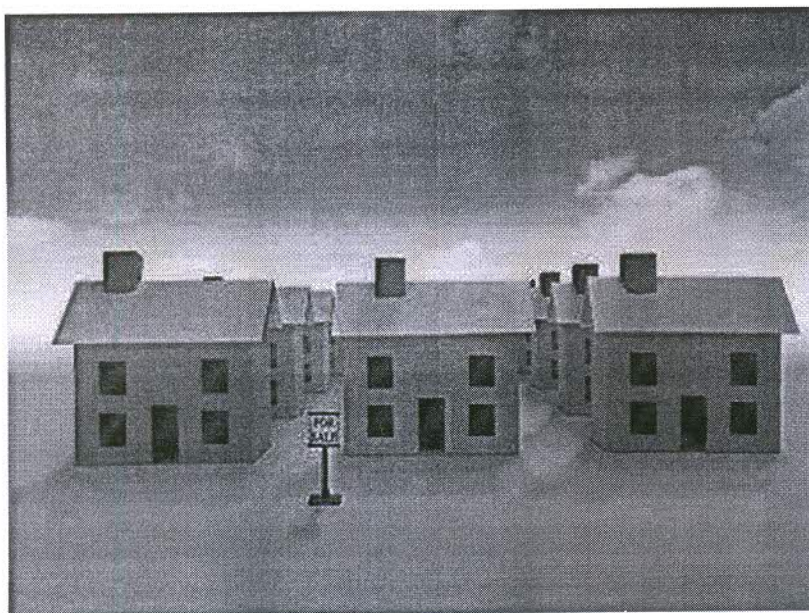
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**PUNE:** The real estate sector has suffered a major jolt with a 31% decline in daily property registrations in the state during the one month period after the demonetisation move.

Between November 9 and December 9, 1,15, 818 documents



were registered. This translates into a daily average of 5,032 documents, which is 31% lower than the daily average of 7,299 seen in the period before the demonetisation announcement, officials from the state registration department told TOI.

As per statistics shared by the department, on an average 4,791 of documents were registered daily in November (since November 9). With 40,145 documents registered in the first nine days of December, the daily average turns out to be 4460.

When quizzed about the decreasing number of registrations, realtors played it down while terming it "to be a temporary lull". They claimed that the volume of sales will pick up eventually, without having a long-term bearing on the prices.

President of Credai-Pune Metro Shantilal Kataria said, "In the aftermath of the demonetisation move, banks will have additional funds. Hence, a fall in interest rates up to 200 basis points is expected. An early sign is seen with India's largest public sector bank SBI cutting its deposit rates by 1.75%. Eventually, we will see home loan rates reduce to less than 7% over the next few months. This would bring down EMI for the ultimate consumers and increase buyers' purchasing power."

The realtors' body has ruled out any adverse impact on the primary real estate market. "In fact, the primary segment is expected to gain at a rate of 15%," Kataria said, adding that even the real estate, housing finance companies, fund managers are expecting boost in the sector in the coming months.

All India vice-president of Credai Satish Magar said, "It is a matter of time before property registrations pick up again. The home loan rates will reduce leading to a rise in the affordability index and more sales.

Knight and Frank India's chief economist Samantak Das said that three to four weeks is too short a period to assess overall impact. "Fly-by-night operators will have a tough time since

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# Pune property registrations up 34% in December, Maharashtra sees 29% rise

*The state registration department had witnessed a slump in registrations post-demonetisation in November in all the eight revenue divisions of the state.*

Nisha Nambiar | TNN | January 04, 2017, 10:30 IST

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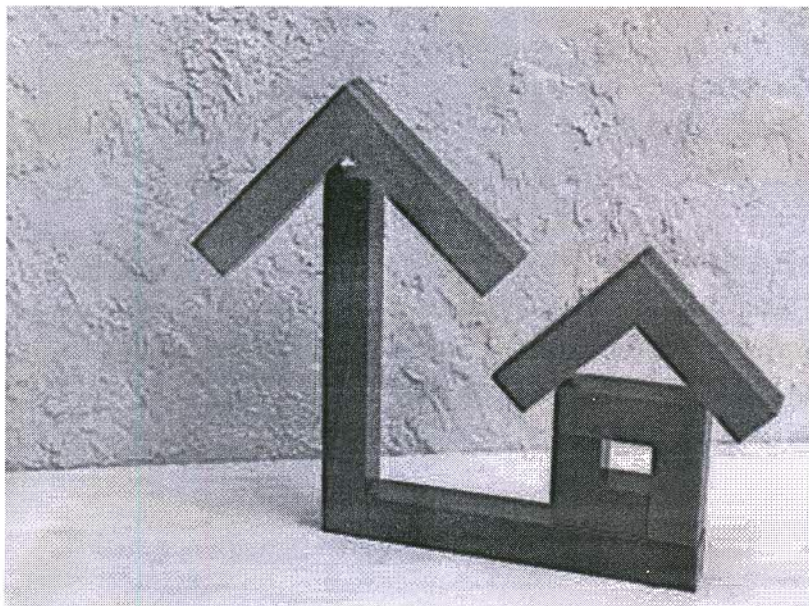
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PUNE: Property registrations across Maharashtra increased by over 29% in December compared to November when demonetisation had put the brakes on real estate deals.



The number of registrations in November was 1,14,632. In December, it shot up to 1,48,305. The state registration department had witnessed a slump in registrations post-demonetisation in November in all the eight revenue divisions of the state.

In Pune city, 15,241 properties were registered in November. The number increased by 33.8% to 20,393 registrations in December.

During the festive season in October, 1,71,396 documents were registered while for September and August the numbers stood at 1,39,879 and 1,77,821 registrations, according to data from the department.

Post-demonetisation, it is only last month that buyers gained confidence to register their properties, officials believe. Revenue collection figure for November was Rs 1,300 crore while December mopped up Rs 1,675 crore.

“While there has been an overall slump in the market, post-demonetisation there was a further dip in registrations only to slightly improve last month. Nevertheless, overall registrations for the period of April-December has seen an almost 8.8% dip as compared to the same period last year,” a senior revenue official stated. Between April-December 2016, 15.38 lakh documents were registered at the department as against 16.73 lakh documents in 2015.

According to officials, while December would earlier see maximum registrations ahead of the announcement of ready reckoner rates, the trend has changed over the last year with the rates being announced on April 1. Considering the new cycle, officials expect the registrations will record a rise in March.

All eight divisions of the state registration department — Amravati, Aurangabad, Latur, Mumbai, Nagpur, Nashik, Pune and Thane — saw more registrations in December as compared with November.

“People were in a state of shock and many, who had planned

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to register properties in November, postponed the registration. The market has recovered slightly and e-transactions are slowly being introduced in all sectors," said a lawyer at a registration office, who saw very few clients in November.

"The per day average post-demonetization was 693 documents in November which improved to 927 in December," said an official from a city registration office. The same was witnessed in the rural areas of Pune, which registered an average of 309 documents daily in November as against 402, per day, in December.

At the same time, November registrations for suburban Mumbai stood at 9,986 as against 13,677 registrations in December, while in Thane city registrations were at 9,002 in November against 11,375 in December.

Credai Pune vice-president Rohit Gera said that things are starting to look up and in the next two to three months will see an increase in registrations. "Post-demonetization, there was a knee-jerk reaction by customers, who decided to postpone their registrations by a month. This will return to near normal in the coming months. People believed in rumours that the prices were to dip. However, when they saw no change, they registered their properties with the department," said Gera. He added that it would only get better for the consumer with RERA coming in.

Ashutosh Limaye, country head (research) of property consultants JLL, said though people may have seen properties during Dassera and Diwali they might have adopted a wait and watch policy when demonetization was announced. However, when they realized that there was no fluctuation in terms of rates, they might have gained confidence to register their properties. "They have realized that there was no further decrease possible, as was suggested through various reports, so they gained confidence to register their properties," he said.

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