

# House buyers body tells developers: You are to blame, too

Robin Augustin | August 25, 2017

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**National House Buyers Association says while regulatory costs affect prices of houses, housing developers are also guilty of pricing units way above the cost of raw materials and labour.**

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PETALING JAYA: Housing developers shouldn't blame the authorities for houses being expensive as they, too, contribute to the inflated housing prices, the National House Buyers Association (HBA) said.

Speaking to FMT, HBA honorary secretary general Chang Kim Loong agreed with the statement of the Real Estate and Housing Developers Association (Rehda) that government intervention was needed to bring down the prices of properties.

Earlier, in a Malay Mail Online report, Rehda president Fateh Iskandar said that prices of homes were unlikely to drop without the intervention of the authorities as developers had to bear the costs of building utilities such as drainage, sewerage and roads.

He also cited regulatory costs such as the new levy imposed on steel and land conversion costs by state governments.

Chang said, to a certain extent, he agreed with Rehda, pointing out that HBA had in the past called for urgent government intervention to help bring down construction costs.

He said this included calls to reduce land premiums and passing the cost to lay the last mile of utilities back to the respective utility companies such as TNB, Syabas, and Telekom Malaysia.

“If the developers have to do this, then the increased costs they take on will ultimately be passed on to the house buyers with such costs factored into the sales price,” he said while thanking Rehda for also raising the issue.

But, Chang said developers must also shoulder a large part of the blame for the problem of expensive properties.

“As property prices started to increase in the urban areas and buyers started to move further away from the city to various sub-urban locations such as Puchong, Semenyih, Kajang and Kota Damansara, housing developers took advantage of this opportunity and began to increase the prices in such sub-urban locations way in excess of the increase in prices of raw materials and labour.”

He said according to Khazanah Research Institute, the prices of homes increased three times more per year between 2009 and 2014 than they did annually from 2000 to 2009.

“It is the sudden spike during these short five years which led to the current problem, where the median property price in Malaysia is now beyond the reach of most Malaysians.”

Chang added that housing developers continued to price new properties in excess of RM500,000 even though they knew that the price that the average Malaysian could afford was RM300,000.

“Even if these projects were sitting on land banks that the housing developers acquired many years ago when land prices were much cheaper, they will continue to sell new properties at current inflated market prices.

“It obviously has to do with maximising profits.”

Chang said if housing developers continued to market overpriced properties and if these properties remained unsold, it would spell disaster for them, too.

Last year, economist Hoo Ke Ping predicted that Malaysia would be hit by a recession in 2018, resulting in, among other things, the prices of medium and high-end properties dropping.

Previously, property expert Ernest Cheong, warned that the glut in unsold luxury properties could result in a financial crisis.

“HBA calls for housing developers not to just give excuses that land prices are expensive or that the cost to lay the last mile of utilities is very high.

“They must also take measures to see how they can build more truly affordable properties to cater to the needs of the majority of population of buyers.”