

Rising house prices: 'Don't blame developers'

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By [Khairul Ashraf Kammed](#) - September 7, 2017 @ 10:28am

Developers should not be blamed for rising house prices as in actual fact it represents the appreciating land value with residential planning approval.

However, house prices also rise because of higher cost of construction, as indicated at the recent PropertyGuru Malaysia Real Estate Summit in a forum entitled “The increasing costs of being a developer”.

According to one of the panelists, Binastra Land project director Steven Ooi, the rising cost is due to two main factors — actual production cost and compliant cost.

Besides the changes in financing due to the sales and purchase agreement, he said new regulations such as fire-fighting system have also added to the cost.

“The building industry has not changed that much in the past 10 years, but production and foreign labour costs have gone up,” said Ooi.

With all these challenges, he said developers should think about cutting cost and introducing quality products via the IBS (industrialised building system).

IBS is a technique of construction whereby components are manufactured in a controlled environment either at site or off-site, placed and assembled at construction works. This technique lowers the cost of production.

Affin Hwang Capital equity research senior associate director Loong Chee Wei supports the claim that production cost has risen due to higher cost of construction materials.

According to Loong, the cost of steel has gone up and this was partly because local steel manufacturers have increased the prices led by the cost that had been imposed on them alone.

“Like last year the cost of steel was RM1,500 per tonne and it has gone up to RM2,400 per tonne this year,” he said.

Loong said increasing foreign worker levy has also added to the construction cost.

Scotia Real Estate Group Pte Ltd chief investment officer Francis Tan said the Goods and Services Tax would continue to have a direct effect on developers' overall construction cost.