

Prices likely to increase before year-end

Hike in building material cost will impact industry

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GEORGE TOWN: The selling prices of residential properties in the country will likely increase by 5% to 20% soon.

Real Estate and Housing Developers' Association immediate past chairman Tan Hun Beng told *StarBiz* that a price hike was in the offing and likely to happen before the end of the year, as construction costs had increased substantially.

The price of concrete has jumped 32% to RM258 per cubic metre, while steel bar prices have increased 46% to RM4,100 per tonne.

In addition, the prices of metal roofing and c-purlin have increased by 60% and 95%, respectively.

Tan said developers have yet to pass the higher cost of building materials to customers.

"The steep hike in building material costs will impact the selling price of the incoming supply of properties by at least 5% to 20%, depending on their size and location.

"The hike in selling prices is inevitable as developers are already paying substantially more for their raw materials," he said.

According to Tan, there will also be fewer property launches in 2022 due to high construction costs.

According to the latest National Property Information Centre (Napic) report, some 54,836 houses will enter the Penang property market over the next three to four years.

The Napic report shows that about 79% of the new houses are affordable and high-end, priced from RM300,000 onwards.

Tan said this was a primary concern as Napic has indicated that the unsold houses in Penang from the completed, under construction and not yet constructed categories totalled 11,540 units.

In late November, the state government declared that Penang has the second-highest number of unsold properties in Malaysia, with 4,683 completed housing units

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worth RM3.66bil.

Tan said assuming that developers had sold some 30% of the 54,836 houses, there would still be a leftover of 38,385 units.

"In 2020 and 2021, the residential property transactions in Penang were 11,736 and 13,648, respectively.

"Assuming that the annual consumption stays between 11,000 and 13,000 units per annum, it will take between three and 3.5 years to absorb the excess supply, which doesn't even include the 11,540 unsold units," Tan said.

He added that if the economy remained challenging with high-interest rates, the time required to clear the oversupply would be much longer.

"This is, of course, assuming that no new projects will be approved.

"If there are more houses on the way, the inventory will grow, making it more difficult to clear the glut," Tan said.

Tan added, however, that the incoming supply would mitigate the impact of fewer

property launches over the next couple of years, ensuring that the market would have sufficient stock and variety for consumption.

On the unsold units in Penang standing at 11,540 at the end of December 2021, CA Lim Property Surveyors Sdn Bhd principal Datuk Lim Chien Aun said the state government should view the matter seriously and come up with a strategy to tackle the issue quickly.

"A large number of unsold units is perhaps an indication that we are building houses that are not in demand due to various factors.

"Before outlining the proposed strategies, they should consult with the professional bodies available in Penang, as well as with relevant housing and construction players currently practicing and working in the state."

Lim said the local government should also be included as a source to obtain information and support suggestions to formulate a practical set of strategies to become the recognised policies of the state government.

"The state government should legislate a policy to buffer the impact of rising building material costs.

"They have left the pricing mechanism of certain raw materials to open market forces.

"Possibly they do not accept that the housing construction sector is important, especially the affordable housing programme and policies."

According to property consultant Steven Cheah who helms Property Talk Sdn Bhd, the investments from multinational corporations and local companies into Batu Kawan will create new jobs, driving up the demand for housing.

"We may even see the annual consumption of residential properties in the state increase from 11,000 and 13,000 per annum because of the jobs entering the market.

"The advent of these new houses is timely," he said.

Currently, a condominium with over 1,000 sq ft in the North East and South West district is priced from about RM680,000 to RM800,000 and RM480,000 to RM600,000, respectively.

"We can expect the selling price to increase due to escalating raw material cost and steady demand," Cheah said.

The incoming supply will also provide the market with a wide range of choices, he added.

"What we worry about is a scenario with limited residential property supply. "A limited supply situation coupled with high construction cost will not be healthy, as selling prices will spiral out of control," Cheah said.