

# Property prices to rise significantly in 1H24

## Construction costs expected to increase by 15%

### PROPERTY

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**PETALING JAYA:** The Real Estate and Housing Developers Association (Rehda) expects property prices to rise significantly in the first half of 2024 (1H24) on the back of building material cost hikes.

Speaking at Rehda's Property Industry Survey for 2H24 and Market Outlook for 2024, president Datuk N.K. Tong said construction costs are expected to increase by 15% in 1H24.

He said this is as developers have reported more than a 10% annual increase in average price for sand and concrete as at Dec 31, 2023.

Additionally, 91% of the survey respondents had observed a higher increase in building material prices in 2023, as compared to previous years.

"Building materials are always a concern and it continues to rise in terms of costs.

"We hope that this issue will be addressed effectively and that all industry players will play their roles to ensure Malaysians are not further affected by the increase," he said.

On that note, Tong revealed that property players remain neutral about the economic and business outlook for 1H24, with a more optimistic view for 2H24.

"This is understandable considering the challenges that the industry faces, but the higher optimism for the second half of the year shows that respondents and developers at large are still confident that the market will improve," he said.

This outlook was said to be in line with the rising optimism in the domestic economic environment, business prospects, consumer's purchasing power and residential sector growth.

He went on to say that the optimism shown by developers for 2H24 is encouraging for the market and that Malaysia would continue to have a robust real estate sector, as long as both the global and Malaysian economies remain stable.

Property developers saw a notable increase in sales overall in 2023. However, over 60% of the units were unsold, compared to 39% of newly launched units sold in the second half of 2023.

It was revealed that 52% of the respond-

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Datuk N.K. Tong

ents had reported unsold completed residential units as at Dec 31, 2023, with serviced residences comprising a majority of the unsold units, followed by terraced houses and condominiums.

As the number of unsold units continued to rise, the survey showed that 55% of developers reported that there will not be any new project launches in 1H24.

In fact, the overall residential unit launches witnessed a 23% drop from 14,392 units in 1H23 to 11,032 units in 2H23.

The main reasons for the unsold completed residential units, according to the respondents, were attributable to buyers unable to get end-financing (65%) followed by high pricing of properties at 41% and low demand at 39%.

Thong said developers will continue to focus on selling off unsold units to avoid it becoming a cash flow trap.

"However, when it comes to situations where unsold units continue to have no demand, then the developer has to move on and launch other projects," he said.

Tong expressed concerns as the survey disclosed that 11% of residential units within the RM300,001 to RM400,000 price range were unsold.

"We find it particularly concerning that homes considered to be within the affordable homes range were not sold, when these houses are much needed by the lower income groups," he said.

He stated that as much as this could be a sign of unaffordability among the B40 and lower M40 groups, this issue also affects developers that have taken up the cross-subsidy method to build these affordable houses.

"Hence, not only are sales affected due to the higher price, but so are the sales of the developers' affordable units that they had to cross-subsidise for," he added.

When asked about the impact of the

overnight policy rate being kept at 3% on the property industry, Tong said the stable rate is positive for the sector as well as the country, especially in achieving Malaysia's home-ownership aspirations.

He believes that a stable rate will also allow property developers to continue to operate business as usual in a stable environment.

"Obviously it's very good for the sentiment of buyers as they pay less in terms of the interest for loans, so that is positive for the property industry and I think it is positive for a country that has home-ownership aspirations for the rakyat," he added.

Commenting on the proposed Urban Redevelopment Act, Tong highlighted that the insinuation to enable developers to seize land for profits is misplaced.

In contrast to redeveloping existing buildings, he stated that Rehda members have many alternative possibilities as responsible developers can acquire development properties elsewhere, which may be constructed with ease.

"However, as a strategic initiative, Rehda applauds the Housing and Local Government Ministry's vision to continue enhancing the urban fabric of cities, to ensure they remain competitive and attractive globally for the benefit of the rakyat.

"We are waiting for more specific details so we will be to engage with the ministry, but we believe that they have carefully studied similar models in the region that have operated well for many decades," he said.

The Property Industry Survey for 2H24 and Market Outlook for 2024 report collected data and responses from 152 Rehda members in Peninsular Malaysia.