

Property prices will rise next year as construction materials become more expensive

Homebuyers and investors should buy now because property prices are expected to rise next year due to higher building material costs in most building categories, according to Knight Frank Malaysia deputy managing director Keith Ooi.

Ooi said, rising material costs will eventually have a trickle-down effect on selling prices.

"Any increase in material or construction costs will eventually affect the selling price. The developer will pass on the cost to the respective consumers or buyers in some way," he said.

"The implication is that, with rising costs, I would anticipate a gradual increase in terms of prices moving forward," he said today at the PropertyGuru virtual panel discussion on "Property Market Outlook 2022."

The Building Material Cost Index (BCI) (without steel bars and with steel bars) had increased in October 2021, rising by between 0.1 and 2.3 per cent in Peninsular Malaysia, according to data from the Department of Statistics Malaysia (DoSM).

The rise in the price of building materials, such as cement, steel, and iron, was caused by the global increase in the price of coal and petroleum products.

Building materials became more expensive after construction resumed, according to DoSM, due to the government's implementation of the Movement Control Order in June 2021 and the four phases of the National Recovery Plan.

The government allowed construction-related activities to resume on October 22, 2021.

Ooi believes that, despite higher building material prices and new variants, 2022 will outperform 2021 due to pent-up demand from potential homebuyers and investors.

He believes that the best time to buy a home is when the market is bottoming out, but he advises investors to reconsider their financial situation before entering the market.

"Yes, now is a good time to buy a home because of the deals being offered by developers, as well as the current all-time low interest rate. This is the time to take advantage of the opportunity to purchase. The takeaway here is to not simply buy for the sake of buying. Never overleverage yourself as an investor. During a downturn, the pitfall will be difficult to overcome," he said.

Ooi said that buyers should consider the long term rather than the short term when purchasing a home.

"If you look at it over a long period of time, say 10 years, your property price could easily have doubled. Property is heavily influenced by location, location, location. I am confident that if you had invested in the right location ten years ago, your property prices would have doubled, if not more," he said.

PropertyGuru Malaysia's country manager, Sheldon Fernandez, believes that the new variant, Omicron, will not deter buyers in 2022.

"I don't think Omricon will be the last. Other viruses may emerge in the future, and we will have to deal with them. However, don't let that deter you from making a purchase. The two best pieces of advice I received were to buy now.

"Purchasing a home is based on your wants and needs. If you need to invest in real estate, now is the time. You should not consider future requirements. You make money in real estate when you buy rather than when you sell because you will be purchasing at a low entry price. However, you must consider your financial situation as well as current market conditions. If all of the conditions are met, the time to buy is now," he said.

Fernandez advised buyers to consider market trends if they intend to invest long-term.

Buy based on ability, sell based on demand, says MIEA president

The president of the Malaysian Institute of Estate Agents (MIEA), Chan Ai Cheng, advised buyers to buy a property based on their ability and needs.

"I believe that at the end of the day, property buyers buy based on their ability or needs. Never make a purchase just for the sake of making a purchase. If you are purchasing based on ability or need, take advantage of the low interest rate and adjusted price before entering the market. But don't wait too long or you'll miss the wave," she warned.

Chan also said that buyers should conduct research or conduct surveys to gather all of the necessary data before making a purchase.

According to Chan, those planning to sell their property should consider whether they need to sell or if they can hold out a little longer.

"There are a lot of factors to consider if you want to achieve your optimum price. If you can hold, rising building materials will impact property prices. If the cost of materials increases, so will the value of your home.

"If you don't need to sell it right away, keep it. Don't sell based on gut instinct or hearsay. Always go back to data and facts. Do your research," she advised.

<https://www.nst.com.my/property/2021/12/752472/property-prices-will-rise-next-year-construction-materials-become-more>