



# 10<sup>th</sup> NAPREC CONFERENCE

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## **Tender Price Movements in the Malaysian Construction Industry, With Specific Reference to Housing Projects in the Klang Valley**

by

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# Introduction

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- On-going debates on the continuous and upward increase in the prices of houses
- Very little has been said about construction costs of houses
- Are trends in the construction costs of houses moving upward in similar patterns too?



# Problem Statement

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- The study endeavors to seek answers to the following key questions:
  - Is the construction costs of houses moves in similar pattern with the movement of house prices; and
  - Is construction costs of houses moves in similar pattern with the movement in the economy?



## Literature

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- One way to examine such trends is through studying the tender price index of housing projects and comparing it with the index of selling price.
- Tender price index representing the cost of construction
- House price index representing the price of newly built houses



## Aim

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- To improve key stakeholders' understanding of the nature and extent to which future cost movements are likely to affect the overall costs of carrying out housing projects in the Klang Valley over the next short to medium terms

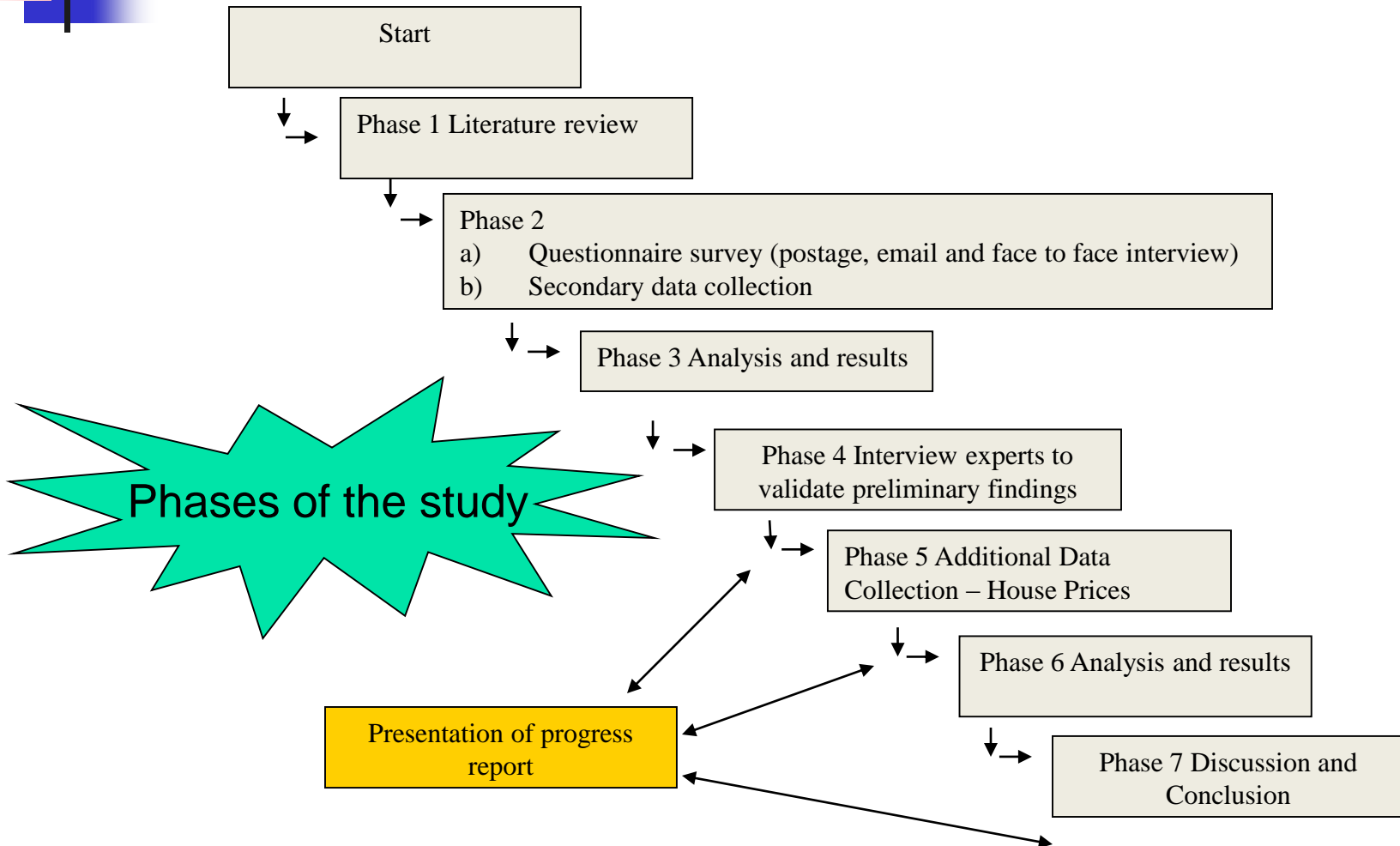


# Objectives

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- To examine trends in tender prices of construction projects in Malaysia, specifically for housing projects in the Klang Valley
- To determine the extent to which tender prices of construction projects, specifically for housing projects in the Klang Valley have moved overtime
- To examine trends in the prices of houses (newly built) in Malaysia, specifically for houses in the Klang Valley
- To determine the extent to which prices of houses (newly built), specifically for houses in the Klang Valley have moved over time
- To determine the extent to which tender prices of construction projects, specifically housing projects in the Klang Valley varied with the movement in the economy.
- To determine the extent to which prices of houses (newly built), specifically housing projects in the Klang Valley varied with the movement in the economy.

# Methodology





# Sampling – Respondents

Table 1 Responses to questionnaire surveys and interview

No. of questionnaires sent out (snail and email)	No. of Questionnaire returned (postal and email)	No. of interviews	Total
Quantity Surveying firms	13	10	23
Contracting firms (CIDB G7)	3	1	4
TOTAL	16 (2.97%)	11 (2.04%)	27 (5.01%)





# Sampling – Types of housing projects

Table 2 Types of housing projects (n=90)

State	Terrace	Detached	Semi-D	High Rise (Low)	High rise (Med)	Con do	Town house	Total
Kuala Lumpur	5	4	0	0	4	2	3	18
Selangor	43	7	10	2	7	1	2	72
<b>TOTAL</b>	<b>48 (53%)</b>	<b>11 (12%)</b>	<b>10 (11%)</b>	<b>2 (2%)</b>	<b>11 (12%)</b>	<b>3 (3%)</b>	<b>5 (6%)</b>	<b>90 (100%)</b>



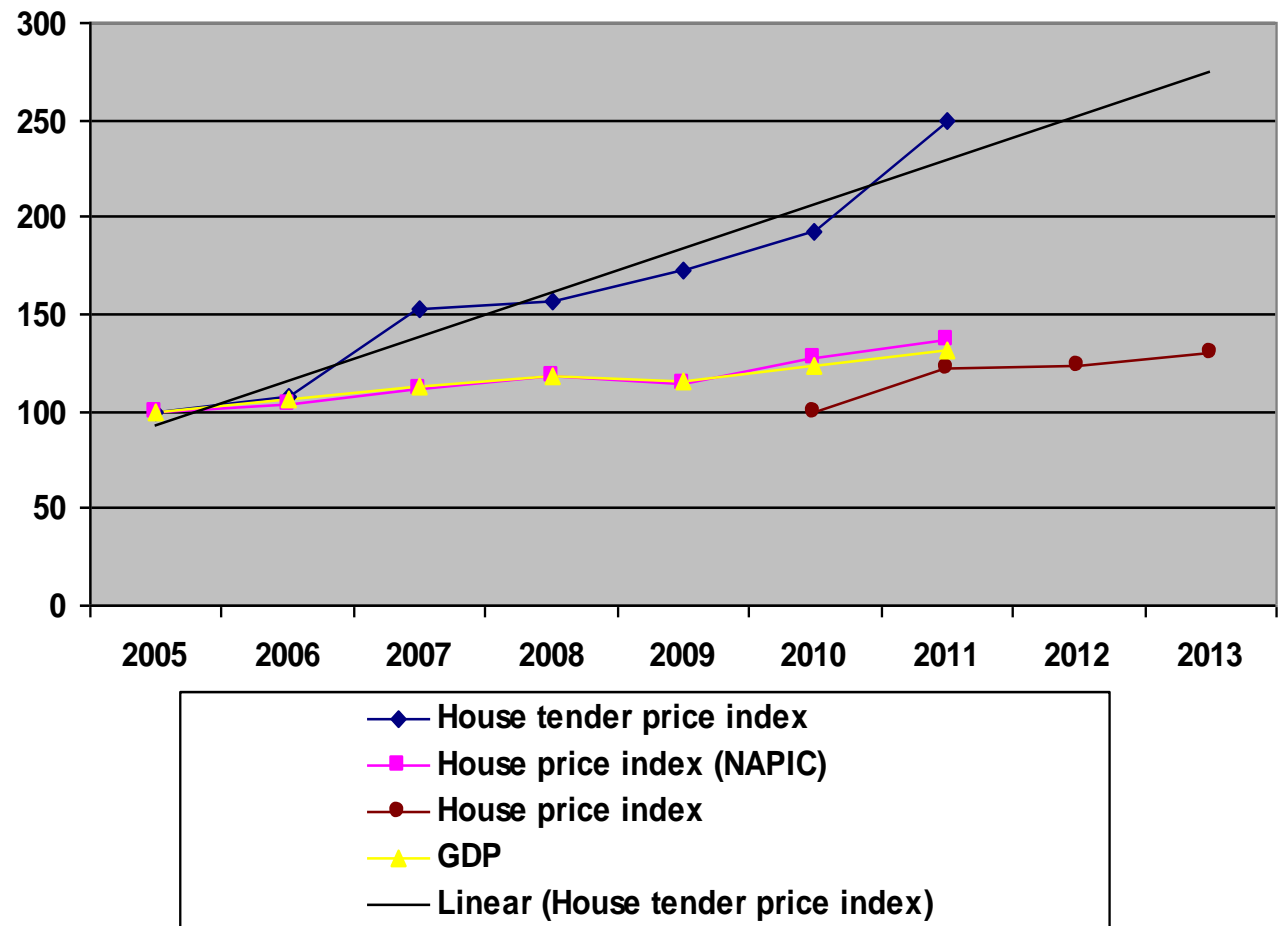
# Analysis & Result

Table 10 Movements in house tender price index, house price index and GDP, 2005-2013 (% year on year)

Indices/ Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
House tender price index	100	108 (8%)	152 (41%)	157 (3%)	172 (10%)	193 (12%)	249 (29%)		
House price index (NAPIC)	100	103 (3%)	112 (8.6%)	118 (5.2%)	114 (-2.8%)	127 (11.2%)	137 (7.6%)		
House price index (based on collected data)	-	-	-	-	-	100	122 (22%)	124 (2%)	130 (5%)
GDP	100	106 (5.8%)	113 (6.6%)	118 (4.70%)	116 (-1.7%)	124 (7%)	131 (5.5%)		

# Analysis & Result

Movements in house tender price index, house price index and GDP, 2005-2013





## Findings & Discussion

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- Tender prices for building works tapering down since 2008 and the movement is closely related to the general movements in the economy
- Data from 27 responding firms – average increase in house tender prices (2005-2011) is 17% (cost of constructing houses – excludes prelims, ext. works, land, etc.)
- NAPIC and collected data from published advertisements suggest upward trend in the prices of newly built houses of all types
- NAPIC : about 5.5% (2005-2011)
- Data from published advertisements : 9% (2010-2013)



## Findings & Discussion

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- The movements in the house price index and GDP appear to be quite consistent
- Consistent upward movement in house tender price index although when economy is negative rate of growth
- Data from NAPIC suggested that the movement of house price is consistent with the economy, upward trend when economy is positive rate of growth and downward movements when economy is negative rate of growth



# Conclusion

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- The study concludes that there is positive relationship in terms of upward movements between construction costs, selling prices and the economy during periods of economic growth.



# Recommendation

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- Index on cost is vital as to understand the actual cost of construction and prices of houses to enable the policy makers to better monitor the supply and demand of housing properties in the market. It is also to ensure the supply of affordable houses and help the buyers and investors in making investment decisions.
- Data collection of this nature requires the effort to be institutionalized for better results.