

Property Development Costs: A Cost-Effectiveness Study To Apprehend Unaffordable Housing Crisis

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ABSTRACT

Shelter has been predominantly defines as housing needs that is a critical part from the whole Maslow's Hierarchy of Human Needs. In facts, housing development level has been proposed as a scale of country socioeconomic stability. Albeit its importance for human wellbeing, there seems to be an issue on housing affordability. This scenario is convinced to derive from the mismatch between market affordability and housing selling prices. For example, National Property Information Centre (NAPIC) reported the first half of 2020 indicated 61.9% of consumers demand residential with the price below RM 300,000.00, while the current average local house prices is peaking at RM 427,882.00. Thus, this research is set to prepare a Cost Model portraying the breakdown of development costs for a typical Malaysian property development. The property development cost components are unbundled and categorized into hard cost, soft cost and land cost to justify the weightage of respective cost breakdown. The model can be used to quantify the elemental costs within local housing development project within pre and post contract. As the research nature is qualitative laden, the research was carried through case studies document survey and interview approaches which was later analysed via content analysis method through frequency distribution. 57 case studies were collected and the results reflect hard cost element, which consist of building cost and infrastructure cost, carries the largest weightage of Gross Development Cost (GDC). The second weightage goes to land cost and soft cost components subsequently. Interestingly, not only the hard costs are affected by the typical factors that affect project costings. The costings for land and soft cost elements were also found to be influenced by either location, project nature, ownership and undocumented expenses. This research managed to reveal that soft costs mainly in the form of undocumented expenses is the most subjective housing development elements to be quantified and cost. The weightage of this elements varies influenced by locality factors due to different requirements set by the local authorities and project characteristics. Generally, it was observed that the weightage of the development costs distributions reflects the typical components due to the following factors; location, project types and nature (e.g. private or government subsidies). The produced Cost Model has already taken into consideration the aforementioned factors, prorated according to the justified cost index accordingly, to produce a numerical percentage with respective yardsticks that will benefit the industry players in utilising the cost model to produce feasibility study along their residual method valuation.