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Builders can reduce house prices while enjoying profits

➤ Adopting new and modern technology would increase productivity and efficiency

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KUALA LUMPUR: House prices can be lowered without sacrificing profit margins if builders increase productivity and efficiency by adopting new and modern technology.

Khazanah Research Institute (KRI) director of research Dr Suraya Ismail (*pix*) said that inefficiency of construction firms has translated into high costs and subsequently, very high property prices.

Instead of cutting profits, which would result in builders making a loss when providing affordable homes, Suraya said the Malaysian construction industry can benefit from higher productivity.

Citing KRI's case study on a construction firm in Manila, Suraya said construction firms can provide affordable homes and enjoy profits at the same time if they utilise the right technology that is custom-made, and localised equipment and materials rather than spending on expensive imports which add on to the overall cost.

"With custom-made, do it yourself options, the cost of making buildings can go down and this will benefit everybody not just house owners," she said in an interview.

In order to adopt new technologies, a new type of production must be done, which in turn requires new standard operating procedures. For this to happen, Suraya said, a new procurement route is required so that builders can be efficient when adopting these new technologies.

"This way of saying it is very expensive to do



housing and therefore prices cannot be brought down, is a thing of the past. With new technologies, fabrication, proprietary system, the cost per square foot will go down.

"But it will not happen if builders are not going in this direction, if they are still doing things the traditional way...don't even talk about going for industrial revolution or Industry 4.0 if you cannot even get this right," she said, adding that it is important to ensure that firms supplying affordable homes are not shortchanged.

Narrowing down on a specific technology,

Suraya said the Industrialised Building System (IBS) can be a cost efficient way to produce houses, but some construction firms may not be using it the right way.

"For example, you go to Ikea. When you assemble these things yourself, it's not shoddy and it is still good quality furniture. Think about that in IBS. In the US, architects look at the components that are already available and design homes based on these components.

"Therefore, IBS becomes a cost efficient way because each architect is using these produced items which are done in manufacturing. So the design follows the component," she explained.

However in Malaysia, the design is done and IBS components are put in subsequently, which has led to higher cost.

"Because when you design, you didn't design as if you're putting components together. You designed it the traditional way. That's what we found out in our case studies. So of course the cost will be higher," she added.

She said builders and architects must understand the behaviour of the available components before putting them together when designing affordable homes.

Suraya said increasing productivity gains and adopting new technologies such as IBS would also help firms reduce dependence on foreign labour and encourage the recruitment of highly skilled locals.

With all the benefits to be reaped from adopting modern technology, Suraya urged Malaysian builders to get on board or else face competition from international contractors who are already using advanced technology.

"You can only be strong if your productivity is high and you have technology and better productivity. That in and of itself will make you stronger, so when you build expensive houses or lower priced houses, you can still make profit for both; because you have mastered very efficient production technologies," she added.