

<b>Publication</b>	Business Standard
<b>Editions</b>	Bangalore, <a href="#">Ahmedabad</a> , Chennai, Hyderabad, New Delhi, Kolkata, Mumbai
<b>Date</b>	30 April 2024

## Realtors retool pricing strategies amid rising cost of construction

**ANEKA CHATTERJEE**  
Bengaluru, 29 April

Escalating construction costs are forcing real estate players to optimise their expenditures and readjust their pricing strategies to strike a balance between profitability and meeting customer requirements.

A recent JLL report stated that the overall construction cost in the country will experience an average increase of 6 per cent across various sectors in 2023-24 (FY24).

In the report 'Construction Cost Guide India: 2024', among the cities, Mumbai continued to be the most expensive city, with costs higher, while Chennai offers a more cost-effective option. The higher costs in Mumbai can be attributed to the increased prices of essential construction materials like cement, reinforced steel, structural steel, and stones.

"Businesses today are reassessing their real estate choices to optimise spending. Understanding and effectively managing costs are crucial in maintaining budget control and delivering economically viable, high-quality projects," said Jipu Jose James, managing director (MD), project and development services, JLL India.

Pune-based Goel Ganga Developments has increased its real estate property prices by 5-7 per cent, implementing a strategic price hike.



**The higher costs in Mumbai can be attributed to the increased prices of essential construction materials**

Despite this adjustment, the company assures that pricing modifications have been made to ensure maximum benefit for its customers.

"Although the demand for housing has not yet bounced back from the pandemic in many of our markets, market conditions have significantly improved in recent quarters," said Anurag Goel, director at Goel Ganga Developments.

Amidst "skyrocketing" material prices and labour costs, Gurugram's 4S Developers underscored a "renaissance" in the real estate sector. Despite these challenges, prime locations retain their top-tier value and long-term viability, positioning finished

products lucratively in the market.

"The new prices place our developments in a better price range relative to the reserve, materials, design, facilities, and attention to detail," said Sanjoo Bhadana, MD of 4S Developers.

Gurugram's realty developer, MRG Group, has adjusted its property prices to ₹13,500 per square foot from ₹10,000 per square foot. According to the company, the move reflects market dynamics, property enhancement, and the overall value proposition.

"In analysing developers' expenses, it's imperative to consider the project's scale and complexity. For instance, in a project totalling ₹400 crore, construction expenses typically represent a significant portion. Labour costs, influenced by factors such as skill level, market dynamics, and regulatory requirements, constitute a substantial component. Balancing quality, efficiency, and compliance is paramount in optimising these expenses," said Rajiath Goel, MD, MRG Group.

Bengaluru-based Shriram Properties has reported an industry average selling price per unit increase of 5-6 per cent in Bengaluru and 3-4 per cent in Chennai.

"We are focused on moving up the price curve through portfolio enrichment and market price improvements," said Murali Malayappan, chairman and MD of Shriram Properties.