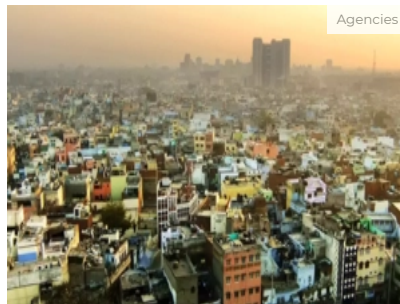


Developers hike prices by 10% in NCR, may have to increase the price again to absorb rising raw material cost

Synopsis

The developers had been absorbing the cost impact until now, but with raw material costs continuing to climb, that won't be possible as margins have plummeted, leaving no room for further adjustment.



Builders also said rising fuel costs and general inflation have also led to cost escalation.

NCR-based [real estate developers](#) have hiked house prices by up to 10% and expect more escalation soon as global supply chain disruptions have led to a significant increase in raw material prices.

Prices of building materials like cement and steel have jumped over 20% annually as of March 2022.

The developers had been absorbing the cost impact until now, but with raw material costs continuing to climb, that won't be possible as margins have plummeted, leaving no room for further adjustment.

"The units we were selling at Rs 3400 sq ft are now being sold at Rs 3800 sq ft. On an average, there is an increase of 8-10% across our portfolio, and we might have to take another hike if the raw material prices continue to soar," said Ankur Gupta, JMD, Ashiana Housing Ltd.

Builders also said rising fuel costs and general inflation have also led to cost escalation.

"We are closely watching the situation and prices may go further north if a correction does not happen within the next 6 months," said [Nayan Raheja](#) of Raheja Developers.

Raheja has already raised prices by 10% across the board, in line with mounting input costs.

"The price rise issue has been an ongoing challenge for the past two years, and the current turmoil has skyrocketed the price of key raw materials such as steel and cement. We plan to increase the price by a nominal amount of 5%," said Santosh Agarwal, CFO and executive director, Alpha Corp.

An analysis of Q3 FY 22 earnings calls of top listed developers showed they hiked the prices of residential units by up to 10%, driven by market conditions.

Developers including Godrej, [DLF](#), Sobha, Oberoi, Lodha and Mahindra have hiked prices Q-o-Q and claimed it has not impacted the sales momentum.

"At Krisumi, we saw an uptick in demand and entered the Rs 400 crore club. The sustained demand momentum has encouraged us to review our pricing strategy, and we plan to increase the prices by 10%," said Mohit Jain, managing director, [Krisumi Corporation](#).

Over the past year, construction costs have spiralled northward by 12–15% with key building materials, wholesale price inflation (WPI), and labour charges witnessing a double-digit surge.

"Developers cannot stop or sway the under-construction work as they have committed timelines for buyers. The rising costs are impacting the overall project viability; we are left with no choice but to make price adjustments against inflation," said [Vivek Singhal](#), CEO, Smartworld Developers.

But market experts say the real estate market in Delhi-NCR will continue to be resilient and growth-oriented despite price hikes.

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