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West Asia war: Pressure builds on developers to hike prices as costs rise

Rising construction costs raising margin pressures; timelines maybe pushed by 3-6 months; mid-to-small scale developers more impacted



Representative Picture

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Realty developers are cautiously evaluating whether to raise prices for ongoing and upcoming projects, as they face margin pressures amid rising input costs and supply disruptions due to the ongoing West Asia war.

With apartment prices locked in at the time of sale, developers say input and labour cost increases of 5 to 12 per cent are directly squeezing margins. This is particularly seen in under-construction projects.

“Revenues in sold projects are fixed, so any increase in input cost goes straight to the margin,” said Parveen Jain, president of realtors’ body National Real Estate Development Council (Naredco).

“Developers with stronger balance sheets and procurement strategies are better placed to absorb shocks, but sustained volatility could narrow margins across the sector,” another developer said. He added that mid and small scale developers might feel the squeeze more compared to larger players, and so, might be the first ones to raise prices.

While core construction timelines remain largely intact, the finishing stages are beginning to experience delays due to supply disruptions.

Industry estimates suggest project timelines could stretch by 5 to 10 per cent in some cases, with delays of several months possible if disruptions persist.

“Timelines are likely to see moderate pressure due to supply chain disruptions and labour availability challenges. Imported materials are facing delays, and execution has slowed in some pockets,” said Pratik Tiberwala, head of corporate finance at M3M India.

Ravi Kant, chief executive officer (CEO) and cofounder of Bengaluru-based realty consultancy firm Elegance Enterprises, said the impact is not limited to developers alone. “It is beginning to reflect in buyer behaviour as well. As channel partners, we are seeing slower decisions, tougher negotiations and increased dependence on us to keep sales moving,” he added.

Steel, metals drive sharp escalation in construction costs

Driven by higher crude prices and freight costs, primarily due to a partial blockage of the Strait of Hormuz, overall construction costs may rise by an estimated 3 to 5 per cent in 2026, realty consultancy firm Anarock said.

This could cause timeline delays of around three to six months, depending on the project stage. Marine fuel prices are at ₹1 lakh per tonne, steel prices have jumped 20 per cent to ₹72,000 per tonne, while metals like aluminium and copper as well as tiles and fittings have risen by 10–15 per cent. These add around ₹50 per square feet to highrise construction costs for over 10,000 luxury units in a market like Mumbai.

Somesh Mittal, cofounder of Delhi–NCR-based One Prasha, said that bricks were also seeing a cost surge in some regions, with kilns seeing a fuel cost rise due to the conflict.

“Cement prices have remained relatively stable overall, though regionally they are now expected to rise by ₹50 to ₹100 per bag due to supply disruptions,” said Pyush Lohia, managing director (MD) of Moradabad-based Lohia Worldspace.

At the same time, the ongoing conflict has started to impact labour availability. “Migration trends emerging due to LPG shortages can also slow down construction activity and increase costs,” said Shailendra Sharma, chairman of Renox Group.

Lohia added that while large developers mitigated risks through advanced procurement and diversified sourcing, persistent disruptions might continue to affect delivery timelines.

“In some markets, overall housing prices may rise by 6 to 8 per cent if cost pressures persist. However, the luxury segment continues to demonstrate resilience, driven by strong end-user demand and premiumisation trends,” Lohia said.

The price shock is expected to be reflected significantly on construction sites in Mumbai, Delhi–

To tackle this, developers are looking to shift towards greater self-reliance and local sourcing. “Developers are increasingly exploring domestic alternatives and strengthening supply chain resilience, which are helping cushion cost pressures,” said Aniruddha Mehta, chairman and MD of Umiya Buildcon.

Growing burden

- Input, labour costs up 5-12%, squeezing margins on under-construction projects
- Supply disruptions push up steel, metals, import costs
- Fuel-linked pressures raise bricks, cement prices across regions
- Project timelines may stretch by 3-6 months amid supply, labour constraints
- Developers weigh cautious price hikes for upcoming launches

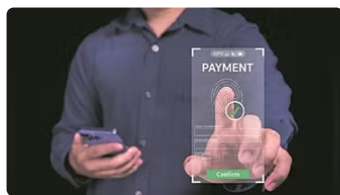


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