

# Architecture Fees

Are Architecture Fees in Malaysia Competitive or Driven by Market Forces?

PERTUBUHAN AKITEK MALAYSIA (PAM)

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# An Overview

## Governing Framework:

- Architects Rules 2010 prescribe a Scale of Minimum Fees (SoMF).
- PAM Ready Reckoner makes the scale accessible for architects.

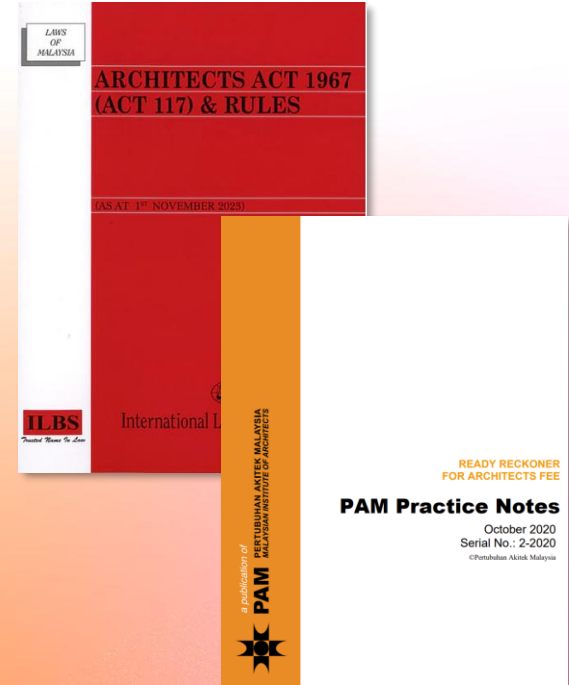
**Practice vs. Prescription:** A diverse and evolving fee environment.

## Small-Scale / Bespoke Projects (e.g., renovations, custom homes):

- Fees often charged **at or above** the SoMF.
- Common with discerning clients or for specialised buildings.

## Medium to Large Scale Developments (e.g. >USD10M, multi-residential):

- Fees frequently **deviate from and fall below** the prescribed scale.
- Fee compression is driven by:
  - Partial design work undertaken by developer 'in-house'.
  - Developer liaison involved in facilitation of submissions.
  - Client procurement



# Scope Creep: Hidden Expansion, Fee Compression

## Definition:

The expansion of an architect's involvement beyond the original agreement without a corresponding increase in fees.

## A Growing Concern:

Recent survey shows clients (especially new or under-resourced developers) rely heavily on architects for unpaid early-stage advice and strategy.

## The Problem with Early-Stage Work:

It is often loosely defined, poorly compensated, or entirely unpaid.



FLOAT-BOX HOUSE BY MK LOOI ARCHITECT

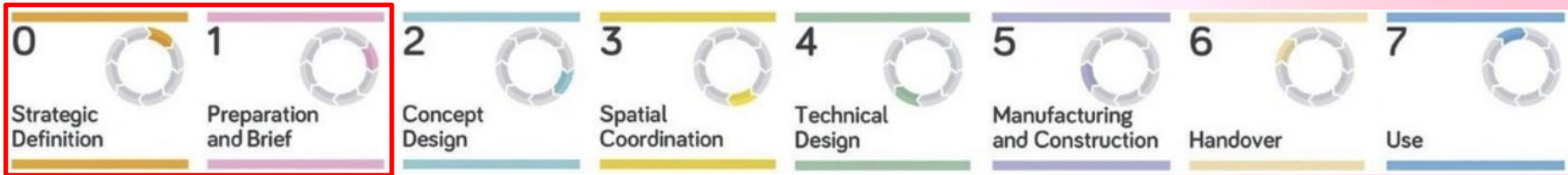
# Scope Creep: Hidden Expansion, Fee Compression

## Common scenario:

- Work (equivalent to RIBA Stages 0–1) is treated as:
- "Proposals" or "pitch work."
  - "Marketing exercises."
  - Undertaken without a formal appointment.

## Consequences:

- Devaluation of architectural expertise.
- Appointed architects are expected to absorb prior unpaid work.
- Only 26% of claims for abortive/unpaid design work were accepted by clients.
- Leads to fee erosion, overwork, and staff burnout.



# Recent economic & regulatory challenges

## Global Economic Instability:

Creates uncertainty in project funding and timelines.

Increases pressure on architects to provide upfront design work "at risk."

## SST on Construction Services (6%):

Increases total project costs for non-residential buildings, leading clients to seek savings by compressing consultancy fees.

## Mandatory E-Invoicing (from Aug 2024):

Poses adjustment challenges for firms to comply with

## Occupational Safety and Health CDM 2024 Regulations:

Gazetted without sufficient guidance, leading to scope creep as architects are asked to assume additional safety responsibilities.



DEWAN KONVENSYEN BUKIT RAJA, BY RAZIN ARCHITECTS

The **Well-being of Malaysian Architects 2024/2025 Survey**, involving 586 respondents, provides critical insight into the realities of practice.



KL SENTRAL MASTER PLAN, KL SENTRAL STATION, PLATINUM SENTRAL,  
PAB ARCHITECTURE SDN BHD

## Compliance with Fee Scale

- 60%** accepted fees below the scale along with reduced scope
- 29%** accepted fees below the scale without reducing scope
- 12%** have accepted non-monetary compensation as part of their fees.

## Payment terms and enforcement

- 38%** paid within 3 months of invoice
- 7%** paid after 6 months of invoice
- 34%** willing to take legal action to recover fees, others reluctant citing cost & risks
- 92%** support 30-day payment enforcement with penalties for non payment

## Top client objections to paying fees according to the scale

- 77%** 'market practice'
- 61%** cost saving to preserve profits
- 56%** undervalue architect's role

## Financial Fragility

- 50%** rely on personal savings for firm's cashflow
- 42%** have no financial buffer
- 28%** have challenges accessing financial aid

## Profitability and Scope Creep

**28%** of jobs charging below the scale were profitable

**53%** broke even

**9%** job done at a loss

**26%** successful in claiming for abortive work

## Practice Health

**53%** low fee environment effects staff salary rates

**69%** linked quality of built environment to low fees

**81%** cited uncompetitive salaries as cause for talent loss

## Talent Drain

**5%** found it easy to employ Part 2 fresh graduates

**47%** struggled with salary expectation of applicants

**42%** of those who have left the profession cited low pay and poor work-life balance

# Fee Stakeholder System (LAM-BOS)

## A Proactive Measure:

Implemented in January 2025 for 'sell-then-build' housing projects led by registered developers.

## Mechanism:

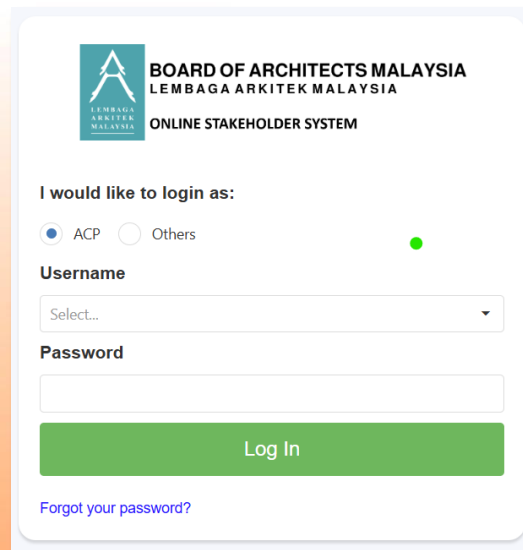
Housing developer projects must be registered.  
Fee payments are processed via a stakeholder-managed account.

## Benefits:

Greater payment certainty and milestone tracking.  
Formalised scope and fee documentation.  
Protection against untracked scope creep.  
Establishes national fee data for benchmarking.

## Significance:

A meaningful structural reform to restore fee integrity.



The screenshot shows the login interface for the Board of Architects Malaysia (PAM) Online Stakeholder System. At the top left is the PAM logo, and to its right is the text 'BOARD OF ARCHITECTS MALAYSIA' and 'LEMBAGA ARKITEK MALAYSIA'. Below this is the title 'ONLINE STAKEHOLDER SYSTEM'. The main content area starts with the text 'I would like to login as:' followed by two radio button options: 'ACP' (which is selected) and 'Others'. Below this is a 'Username' label and a dropdown menu with 'Select...' as the placeholder. Underneath is a 'Password' label and an empty password input field. A large green button labeled 'Log In' is positioned below the password field. At the bottom left of the form, there is a blue link that says 'Forgot your password?'. The entire form is enclosed in a light blue border.

# Moving forward:

## Short-term (2025-2026)

### Research via Focus Group Discussions:

- RIBA Plan of Works equivalent for Malaysia.
- To discuss fee vs. scope deviations and scope creep.
- Will inform new Client/Practice Advisory Notes and contract templates.

### 30-Day Payment Enforcement Policy:

- Advocating for statutory enforcement with interest penalties for delays.

### PAM ESG Guidebook for Architects (by 2026):

- Promote fair employment, work-life balance, and firm governance.

## Long-term (2026-2030)

### Expand LAM-BOS Beyond Housing Developers:

- Explore expansion to public and commercial sectors.

### Establish a National Fee Monitoring Unit:

- A joint PAM-LAM "Fee Trends Observatory" (target 2026) for data analysis and benchmark reporting.

### Public (Client) Education Campaign:

- Highlight the value and responsibilities of architects through awards, events, and a "Client 101" series.
- Client Guides and Fee Literacy Tools

Thank you!