

# Property Industry

The REHDA Property Industry Survey 2H 2013 was compiled from 150 respondents from all 12 states across Peninsular Malaysia. The survey results, presented at REHDA's Media Briefing held on 10 March 2014, indicate a downward trend for project launches during the period under review. However, the situation is expected to improve in 1H 2014, as project launches are forecasted to be on the upward trend. Properties in the price range of between RM200,001 to RM500,000 are leading the market, mainly dominated by apartments and condominiums. Respondents also reported higher cost of doing business and cited unreleased Bumiputra lots and financing being the main problems affecting developers. The survey also sought views from respondents on the impact of the cooling measures on the real estate industry. Detail findings of the survey are presented as follows:

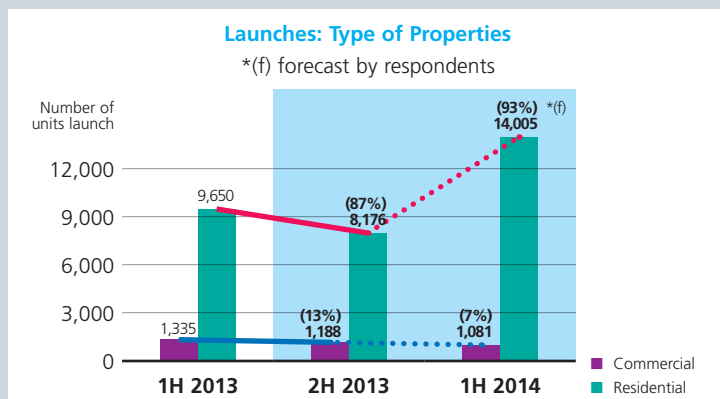
## Project Launches Trend: Downward

The number of launches and total units launched in 2H 2013 recorded slight decrease compared to 1H 2013. Launches were more active in the first half of the year with 10,985 units and reduced slightly to 9,364 units in the second half. In terms of residential units by type, 2-3 storey terrace remained the top choice for 2H 2013. Local buyers (96%) continued to lead the market with self-dwelling being the main purpose of property purchase (78%).



## Launches in H1 2014: Upward

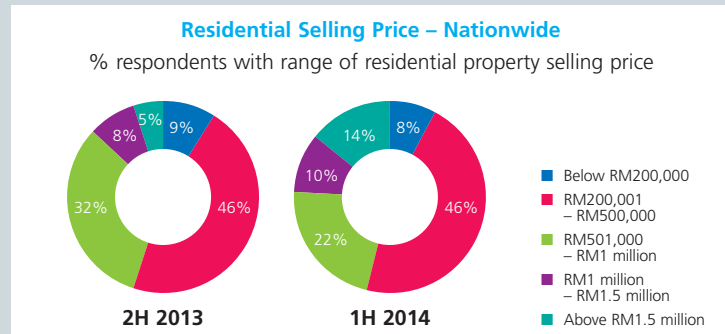
The survey findings revealed that more units were expected to be launched in the next six months, majority being in the price range of RM200,001 – RM500,000 mostly in Johor and Selangor. The findings also revealed that apartment and condominium were the top residential units by type for 1H 2014. For commercial units, a slight reduction in the total number of units launched (1,081 units) was reported with SoHo/SoFo/SoVo leading the launches.



## Property Prices

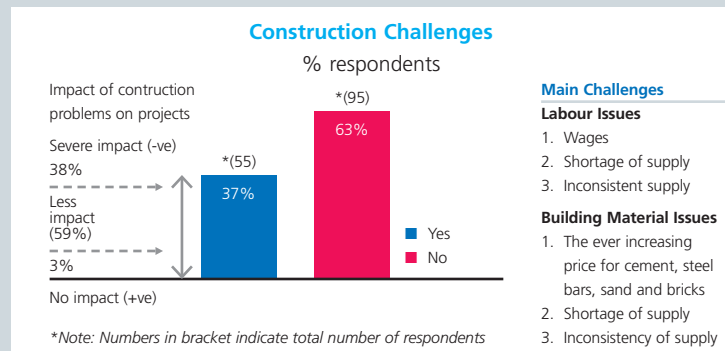
Property prices in the range of RM200,001 – RM500,000 dominated the market (46% respondents) in 2H 2013, mostly located in Johor (Kulai, Johor Bahru, Kluang, Endau, Desa Tebrau & Pulai), Penang (Bertam, Butterworth, Balik Pulau and Raja Uda) and Pahang (Sungai Karang, Bukit Setongkol, Sungai Soi, Kuantan and Maran). Similar trend was expected in 1H 2014.

In the commercial property segment, majority of respondents with such launches reported selling commercial units mostly in the range of RM500,001 to RM1million.

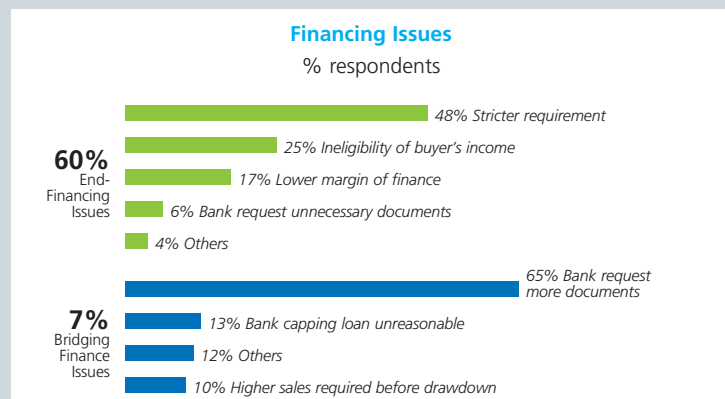


## Issues Affecting Developers

In terms of business operations, more than half of the respondents reported experiencing higher cost of doing business by between 5% – 30% in 2H 2013. Main contributing factors for the increase include labour (wages, shortages and inconsistent supply) and building material issues (continuous price increase and shortage of supply especially cement, steel bars, sand and bricks).



Other main challenges cited by the respondents were unsold units mainly due to unreleased Bumiputra lots and financing issues. More than half of the respondents reported that their buyers faced difficulty in obtaining end-financing, mainly due to the result of financial institutions' stricter requirements arising from BNM's introduction of Responsible Lending Guidelines directive to Banks in late 2012.



# Survey 2H 2013

## Impact of Cooling Measures on Real Estate Industry

Respondents gave the following views when asked on the impact of the cooling measures announced in Budget 2014 on the property industry.

Cooling Measures	Impact Scale	Respondents Result
i) Requirement for developers to disclose all details pertaining to sales pricing	<p>1%      9%      43%      32%      15%</p> <p>Mostly Positive      Somewhat Positive      Neither Positive or Negative      Somewhat Negative      Mostly Negative</p>	47% of respondents cited that it will have negative impact.
ii) Abolition of Developers Interest Bearing Scheme (DIBS)	<p>3%      11%      39%      33%      15%</p> <p>Mostly Positive      Somewhat Positive      Neither Positive or Negative      Somewhat Negative      Mostly Negative</p>	48% of respondents cited that it will give negative impact.
iii) Implementation of Goods and Services Tax (GST) in April 2015	<p>5%      8%      13%      39%      35%</p> <p>Mostly Positive      Somewhat Positive      Neither Positive or Negative      Somewhat Negative      Mostly Negative</p>	Majority of the respondents (74%) believed it will have negative impact.
iv) Increase in foreign ownership threshold from RM500,000 to RM1,000,000	<p>3%      15%      32%      33%      17%</p> <p>Mostly Positive      Somewhat Positive      Neither Positive or Negative      Somewhat Negative      Mostly Negative</p>	50% of the respondents viewed that it will have negative impact.

## Conclusion

- Number of respondents with launches and total units launched have decreased slightly compared to 1H 2013.
- Overall costs of doing business have further increased in 2H 2013.
- Unreleased Bumiputra lots remains the number one reason for unsold units.
- Financing issues are mostly on buyers' difficulty to obtain end-financing caused by stricter requirement by the financial institutions.
- Major issues affecting developers include high wages and shortage supply of labour, and increase price of building materials.
- Major problems with building materials are the continuous price increase and shortage of supply especially cement, steel bars and bricks.
- Among all the cooling measures introduced by the Government, majority of respondents cited the implementation of GST in April 2015 as the major challenge that will impact the real estate industry negatively.
- Generally, majority of respondents are neutral to pessimistic on the outlook of the real estate industry in 1H 2014 and 2H 2014.