

# Property Industry

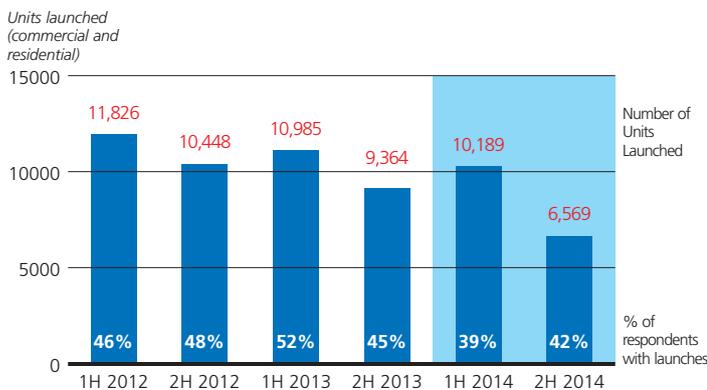
The findings of the REHDA Property Industry Survey 2H 2014, conducted between February to March 2015, was compiled from 132 respondents from all 12 states across Peninsular Malaysia. The survey results, presented at REHDA's Bi-annual Media Briefing held on 19 March 2015, indicated that the property market continued to cool down, not only due to the rising cost of doing business and the impending GST implementation on 1 April 2015 but mainly resulting from buyers' inaccessibility to end-financing.

Also noted were lesser number of respondents launching in 2H 2014 with lower number of total units recorded compared to the previous corresponding period. With regards to affordable housing, the survey found that although the number of developers building affordable housing has increased in Peninsular Malaysia, they continue to face challenges such as increased overall cost of doing business, high land cost and cross subsidies from low cost housing.

The survey findings are summarised as follows:

## Project Launches 2H 2014: Reduced Substantially

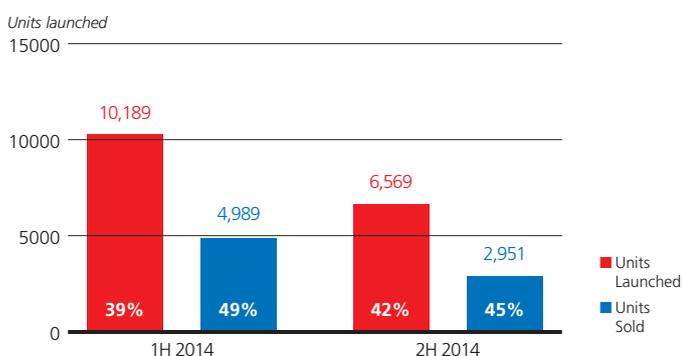
The total units launched in 2H 2014 recorded a substantial reduction compared to 1H 2014. Launches were more dynamic in the first half of 2014 with 10,189 units but reduced substantially to 6,569 units in the second half of the year. Launches continued to be dominated by 2 – 3 storey terrace housing with majority of the launches in the RM200,001 – RM500,000 price range located mainly in Perak and Johor. Sales performance was reported to remain moderate.



Project Launches 2H 2014: Number of units launched reduced substantially compared to the previous half.

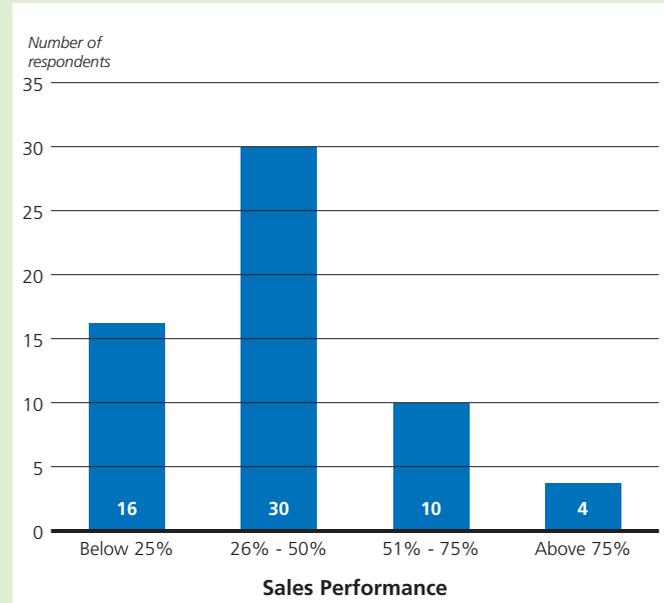
## Sales Performance 2H 2014: Down

In tandem with the reduction of total units launched (1H 2014 to 2H 2014), the percentage of units sold also showed a decrease from 49% to 45%. The most sold property types for 2H 2014 were 2 – 3 Storey Terrace and Apartment/Condominium.



## Future Launches 1H 2015: Lower Numbers Anticipated

Future launches were anticipated to be lower in numbers in 1H 2015 with three quarters of respondents anticipating less than 50% sales performance within six months from launching date.



Anticipated sales performance (within 6 months of launch).

## Future Launches 1H 2015: Selling Price

Similar trend was observed in the residential selling price of future launches in most states. Only three states showed changes in trend with Negeri Sembilan increasing the price range of RM200,001 – RM500,000 properties to RM500,001 – RM1 mil. Meanwhile, WP Kuala Lumpur as well as Kelantan showed reduction from above RM1 mil to RM500,001 – RM1 mil and RM200,001 – RM500,000 to below RM200,000, respectively.

State	Most launched price range in 2H 2014	Most planned launched price range in 1H 2015	Trend
Negeri Sembilan	RM200,001 – RM500,000	RM500,001 – RM1mil	↑
Selangor	RM200,001 – RM500,000	RM500,001 – RM1mil	↑
Penang	RM200,001 – RM500,000	RM500,001 – RM1mil	↑
Johor	RM200,001 – RM500,000	RM500,001 – RM1mil	↑
Kedah	RM200,001 – RM500,000	RM200,001 – RM500,000	Similar trend observed
Melaka	RM200,001 – RM500,000	RM200,001 – RM500,000	Similar trend observed
Pahang	RM200,001 – RM500,000	RM200,001 – RM500,000	Similar trend observed
Perak	RM200,001 – RM500,000	RM200,001 – RM500,000	Similar trend observed
Terengganu	RM200,001 – RM500,000	Nil	↓
WPKL	Above RM1mil	RM500,001 – RM1mil	↓
Kelantan	RM200,001 – RM500,000	Below RM200,000	↓

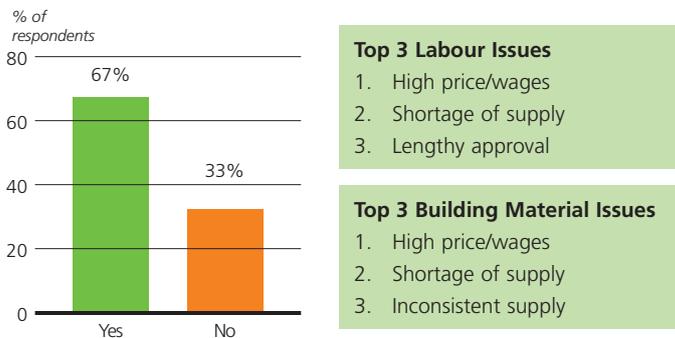
## Issues Affecting Developers

In terms of business operations, 67% of the respondents reported that costs of doing business have increased up to 20% and more than three quarters of the affected respondents reported that they were significantly affected by the cost increased.

# Survey 2H 2014

## Construction Challenges

Construction issues continue to challenge the industry with more respondents facing labour and building materials problems during the period under review as compared to 1H 2014.



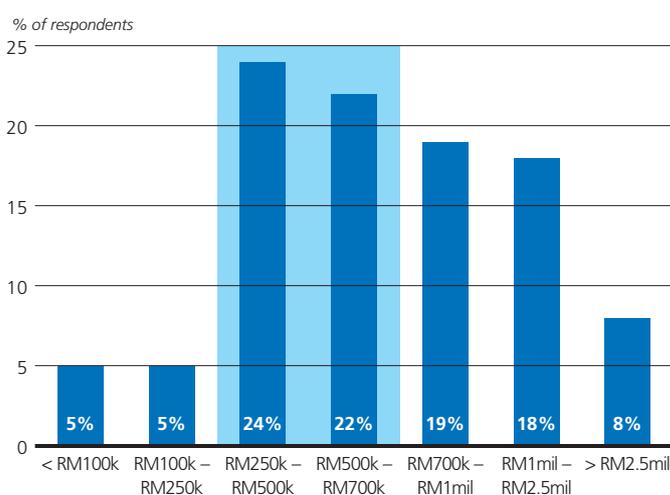
## Cooling Measures

The various cooling measures announced in Budget 2014 continues to affect property sales where close to 90% of the respondents experienced slowdown in property sales. The top measures impacting sales highlighted by the respondents were the GST implementation on 1 April 2015, followed by the 70% Loan-to-Value ratio, responsible lending guidelines and high RPGT.

## Financing Issues

Correspondingly, reports of potential buyers failing to secure end financing is on the rise with elevated numbers of rejections. Affected respondents reported that the percentage of loan rejection over sales has increased from 16% in 2013 to 23% in 2014 with the main problems of end-financing being ineligibility of buyers' income, lower margin of financing, credit history/CTOSS/CCRIS, bank requesting for more documentation and limited quota for low cost/affordable housing. The percentage of respondents reporting their purchasers facing difficulties in securing end financing has increased from 53% in 1H 2014 to 72% in 2H 2014.

The RM250,001 to RM500,000 and the RM500,001 to RM700,000 price ranges appear to be the most vulnerable to end-financing challenges.

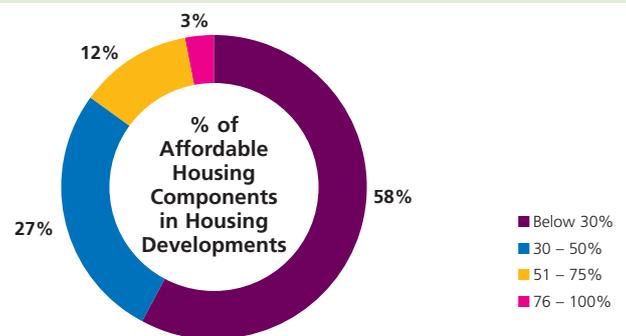
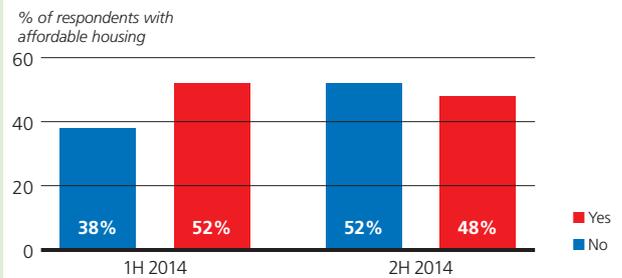


## Outlook 1H 2015: Pessimistic

Almost half of the respondents are pessimistic on the outlook of 1H 2015 and the same sentiment is expected to increase further in 2H 2015.

## Provision of Affordable Housing

Compared to 1H 2014 where only 38% of the respondents incorporated affordable housing components in their housing development, the number has improved in 2H 2014 with slightly more than half the respondents providing affordable housing in their project development.



Nevertheless, developers continue to face numerous challenges in the provision of affordable housing.

**The survey results indicated that the property market continued to cool down mainly resulting from buyers' inaccessibility to end-financing.**

## Conclusion

- Lesser number of respondents with launches in 2H 2014. Lower number of units launched in 2H 2014.
- Residential market still driven by domestic buyers for self dwelling.
- End-financing problem on the rise affecting the market.
- Property price ranges from RM250,001 to RM500,000 and RM500,001 to RM700,000 faced highest loan rejection.
- Main reasons for unsold units are unreleased Bumiputera quota and low demand/interest.
- Majority of respondents reported overall costs of doing business increased up to 20%.
- Almost all respondents anticipated GST will impact overall cost of doing business.
- Increased number of respondents providing affordable housing but continues to face challenges such as increased overall cost of doing business, high land price and cross subsidies for higher end.
- Generally, developers are pessimistic on the outlook of the property industry in 1H 2015 and level of pessimism is anticipated to increase in 2H 2015.