

REHDA Property Ind

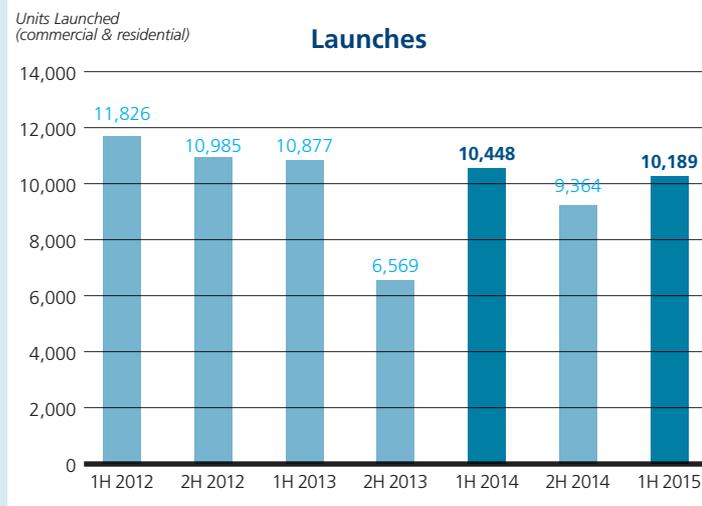
REHDA continued to gauge the property market condition through its half yearly Property Industry Survey. The findings of the 1H 2015 survey was presented by REHDA President and Chairman of the Communications, Public Relations and Publication Committee, Datuk Seri FD Iskandar, at REHDA's bi-annual media briefing held on 11 September 2015 at Wisma REHDA. The event was well attended and covered by major print and electronic media who were all eager to know about the market condition in view of the challenging economic situation.

The survey results indicated that the property market continued to cool down with most respondents recording subdued sales performance for the past one and a half year. Developers also continued to face unresolved challenges namely increasing cost of doing business and compliance costs, slow release of unsold bumiputera units, provision of affordable housing amidst increased overall cost of doing business as well as cross subsidies and many more. Another component which has led to the increased cost is the implementation of the Goods and Services Tax (GST).

We are pleased to publish below the summary of the Property Industry Survey 1H 2015 findings for the information of our readers:

Launches and Sales Performances

Although overall respondents with launches and unit launched in 1H 2015 showed some increase compared to 1H 2014, the number of respondents have dropped as most respondents did not have new launches. Sales performance did not improve much and saw a drop from 49% (1H 2014) to 40% (1H 2015)



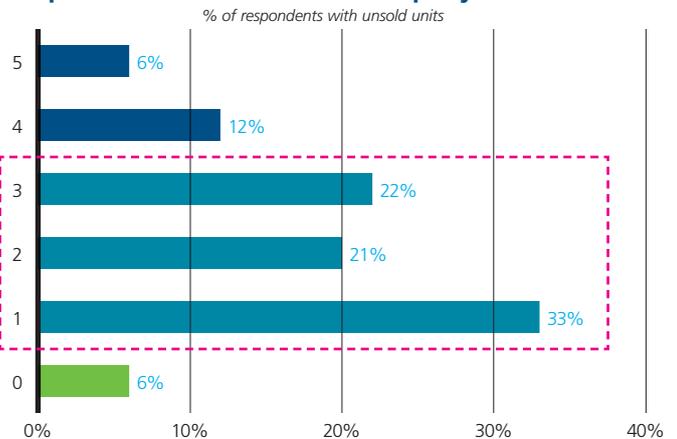
Property Types and Selling Price

Residential properties continued to lead the market with domestic buyers who were purchasing for self-dwelling, driving the residential market. Half of the units launched were priced below RM500,000 and it was also observed that launches of properties below RM200,000 were on the hike. Strata properties are also gaining popularity in 1H 2015, pushing 2-3 storey terrace and single storey terrace to the second and third spots respectively. Launches of strata properties were mainly in Penang, Selangor and Kuala Lumpur.

Unsold Units

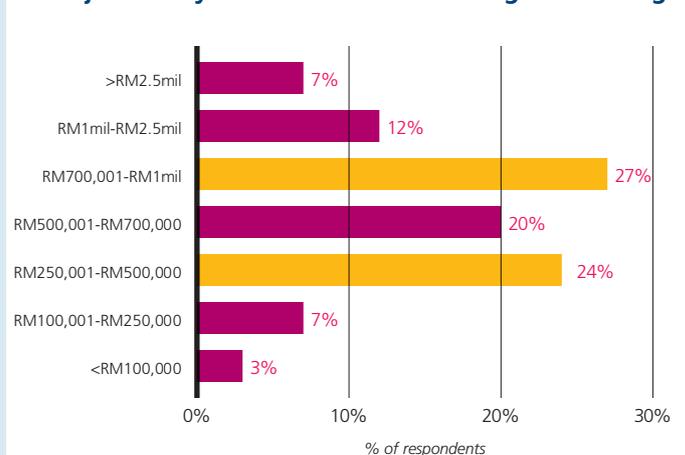
Respondents with unsold units increased from 64% in 2H 2014 to 78% in 1H 2015. 39% of the affected respondents indicated that their unsold properties were unit priced between RM500,000 and RM1mil whereas 23% reported that their unsold stock were in the price range of RM250,000 to RM500,000. In terms of impact on cash flow, 76% of the affected respondents experienced moderate impact.

Impact of Unsold Units on Company's Cash Flow



While unreleased bumiputera units retained the top reason of unsold units, problems of end-financing and loan rejection have become more serious, moving from 5th to 2nd position. Affected respondents revealed that the average loan rejection over sales has increased from 29% to 35% in 1H 2015. Amongst the main problems of end-financing include ineligibility of buyers' income, lower margin of financing, credit history/CTOSS/CCRIS, banks requesting for more documentation and limited quota for low cost/affordable housing. Property price ranging from RM250,001 to RM500,000 and RM700,000 to RM1 million faced highest loan rejection.

Rejection by Banks for End-financing: Price Range



Industry Survey 1H 2015

Costs of Doing Business

Increased costs of doing business remains a problem with 71% of respondents reporting that cost has increased up to 11% from 2H 2014. More than 80% of the respondents also indicated that they were significantly affected by the cost increased.

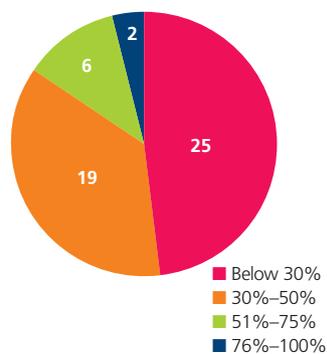
Provision of Affordable Housing

The provision of affordable housing remains a challenge particularly due to the high land cost which has made development of affordable housing unfeasible. This has resulted in lesser number of respondents incorporating affordable housing components in their housing developments.

No. of Respondents with Affordable Housing Components



Percentage of Affordable Housing Components in Housing Development



% of Respondents	Challenges
30%	• Not feasible due to high land price
28%	• Increased overall cost of doing business
18%	• Requires cross-subsidies from higher end properties
13%	• Not consistent with surrounding properties
8%	• Lack of incentive due to low density allowable
3%	• Not consistent with company branding

GST Implementation

The implementation of GST commencing 1 April 2015, as reported by almost all of the respondents, has caused overall cost of doing business to surge upwards with 80% of the respondents citing that cost has increased between 3% to 5%. Two-thirds of the respondents indicated that GST has also affected property price to rise between 3% and 5%. Nevertheless, almost 70% of survey respondents have absorbed the increase caused by GST.

Future Launches in 2H 2015

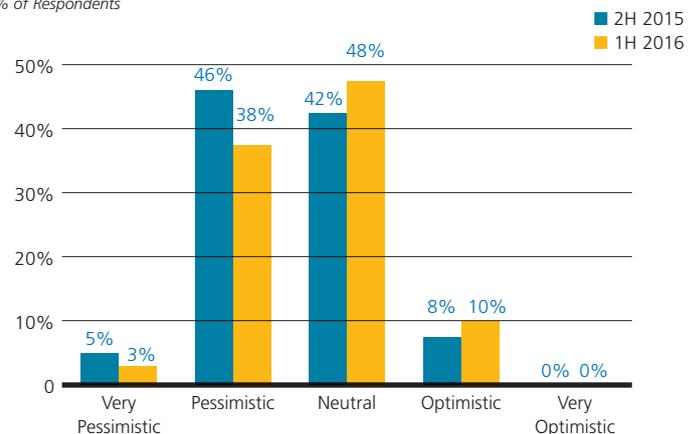
While 50% respondents reported that they were planning to launch in second half of 2015, the other 50% indicated otherwise. Nearly 70% of respondents with planned future launches have anticipated less than 50% sales performance within six months from the launching date. Similar trend was observed in residential selling price of future launches in most states with the exception of WP Kuala Lumpur and Kelantan which showed increased price range from RM500,000 – RM1 million properties to RM1 million – RM2 million for WP Kuala Lumpur and from below RM200,00 to RM200,000 – RM500,000 for Kelantan.

STATE	1H 2015 MOST LAUNCHED PRICE RANGE	2H 2015 MOST PLANNED PRICE RANGE
WPKL	RM500,001-RM1mil	RM1mil - RM2mil
Kelantan	Below RM200,000	RM200,001-RM500,000
Melaka	RM200,001-RM500,000	RM200,001-RM500,000
Pahang	RM200,001-RM500,000	RM200,001-RM500,000
Perak	RM200,001-RM500,000	RM200,001-RM500,000
Kedah	RM200,001-RM500,000	RM200,001-RM500,000
Selangor	RM500,001-RM1mil	RM500,001-RM1mil
Johor	RM500,001-RM1mil	RM500,001-RM1mil
Penang	RM500,001-RM1mil	RM500,001-RM1mil
Negeri Sembilan	RM500,001-RM1mil	RM500,001-RM1mil
Terengganu	Nil	Nil

Property Outlook 2H 2015 and 1H 2016

51% of the respondents are pessimistic on the outlook of 2H 2015, while 42% were neutral. Nevertheless, the outlook for 1H 2016 showed some signs of improvement with reduced level of pessimism.

% of Respondents



Conclusion

- More respondents with launches in 1H 2015 with higher number of units but experienced lower sales performance.
- Residential market still driven by domestic buyers for self dwelling.
- End financing problem on the rise affecting sales.
- Property price ranging from RM250,001 to RM500,000 and RM700,000 to RM1 mil faced highest loan rejection.
- Main reasons for unsold units are unreleased Bumiputera quota and end-financing/loan rejection.
- Feedback indicated that GST has affected both increased in the overall costs of doing business as well as property prices.
- Increased number of respondents providing affordable housing but continues to face challenges such as high land price, increased overall cost of doing business and cross subsidies from higher end segment.
- Developers are pessimistic on the outlook of the property industry in 2H 2015 but expected reduced level of pessimism in the following six months.