

# REHDA Property Industry Survey H2 2015

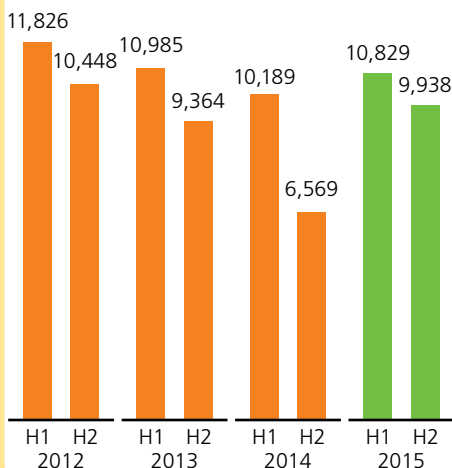
**The** REHDA Property Industry Survey H2 2015 was conducted from July till December 2015 to assess the property market performance and gauge the future outlook sentiment. A total of 159 members from all states across Peninsular Malaysia responded and shared their perspectives on the current market condition, the challenges faced and its prospects. The results of the survey were presented by REHDA President and Chairman of the Communication, Public Relations and Publication Committee, Datuk Seri FD Iskandar during the REHDA Media Briefing held on 9 March 2016 at the Sunway Hotel Resort and Spa. The survey findings are summarised as below.

## Launches and Performance in H2 2015

The number of respondents with projects and units launched in H2 2015 has reduced compared to the preceding period as there were only 42% respondents with 9,938 units launched. (H1 2015: 48% respondents; 10,829 units). Nevertheless, in terms of sales performance, respondents with launches indicated better overall sales with more than half of their units launched (52%) sold. 2-3 storey terrace houses garnered the highest sales followed by apartments/condominiums.



**Total Units Launched**  
(commercial & residential)

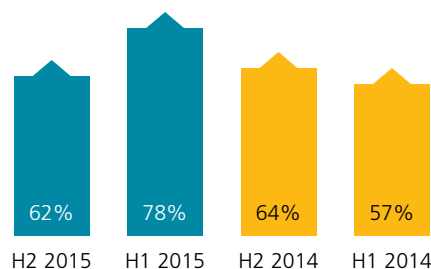


Property Type	H1 2015		H2 2015	
	Units Launched	Units Sold	Units Launched	Units Sold
Low Cost House/Flat	650	466	914	601
Single Storey Terrace	706	300	1,050	616
2-3 Storey Terrace	3,918	2,385	2,509	1,365
Semi-Detached	480	179	640	237
Bungalow/Garden Villa	24	9	312	158
Serviced Apartment	513	100	352	216
Apartment/Condominium	4,259	779	3,830	1,844
Shop House/Office	279	153	331	158
<b>Total</b>	<b>10,829</b>	<b>4,371</b>	<b>9,938</b>	<b>5,195</b>

Residential properties continued to dominate the market albeit at a slightly reduced number. An equivalent number of landed and high rise properties were launched during the period where majority of the strata units launched were in Selangor and Kuala Lumpur. In terms of selling price, the most launched residential price range was between RM200,000 to RM500,000 and RM500,000 to RM1 mil.

## Unsold Units

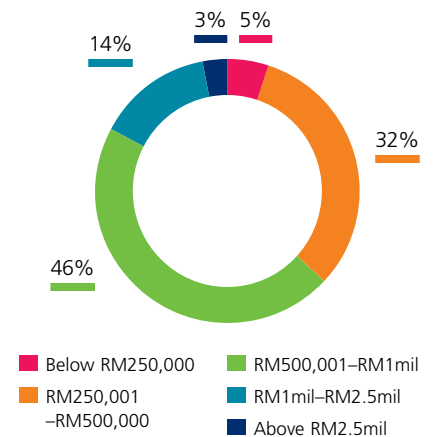
**62%** of respondents reported having unsold units, mainly from Selangor, Johor and Pahang.



62% of the respondents reported having unsold units, mainly from Selangor, Johor and Pahang. Majority of the affected respondents cited that their unsold properties were still manageable with 30% and below of unsold units in stock. Close to half of the unsold units fell within the RM500,000 to RM1 mil price range, located mostly in Selangor and Johor followed by properties in the price range of RM250,000 to RM500,000, largely contributed by Pahang, Perak, Penang (mainland) and Kedah.

## Unsold Units by Price Range

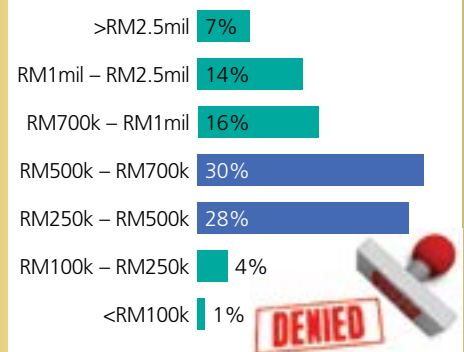
(% of Respondents)



End-financing and loan rejection have elevated to the top position for main reasons of unsold units, followed by credit history/CTOS/CCRIS, ineligibility of buyers' income, lower margin of financing, banks requesting for more documentation and limited quota for low cost/affordable housing. The findings also found that majority of loan applications rejected by banks were properties within the price range of RM250,000 to RM700,00.

## Rejection by Banks for End-financing

Price Range (% of Respondents)



## Business Operations

61% of the respondents indicated that their cost of doing business has increased up to 10% resulting in nearly half of them implementing several cost cutting measures such as offering less benefits for their employees, freezing recruitment and rescheduling their project launches. In order to boost sales, among the actions taken by the respondents were active participation in property exhibitions and offering freebies. Building materials and labour issues continued to be a challenge to

48% of the respondents, which is an increase of 7% respondents from the preceding period.

### Challenges Faced in Construction

(% of Respondents)



**TOP 3 CHALLENGES**

#### Labour Issues

- High Wages
- Unskilled Workers
- Shortage of Supply

#### Building Materials Issues

- High Price
- Inconsistent Supply
- Shortage of Supply

### Government Policies Impacting the Property Industry

88% of the respondents reported experiencing slowdown in their property sales due to Bank Negara Malaysia's cooling measures implementation which have concurrently impacted the property market. Meanwhile, two-third of the respondents indicated that GST has affected the overall increase in property prices due to the rise in the cost of doing business, of which three quarter of the respondents reported slowdown in property sales due to GST. Nonetheless, majority of the respondents indicated that they have absorbed the price increase either fully or partially.



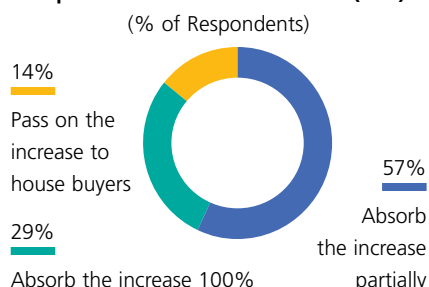
### Cooling Measures Impacting Property Industry

(According to rank)

- Responsible Lending Guidelines
- High Real Property Gain Tax (RPGT)
- Maximum Loan Tenure Cap (35 years)
- 70% Loan-to-Value Ratio

### Impact of Goods & Services Tax (GST)

(% of Respondents)



### Provision of Affordable Housing

The provision of affordable housing continues to remain a challenge with only 43% of the respondents incorporating affordable housing components in their housing developments. The rest cited the following reasons:

#### Challenges in Affordable Housing Provision

31%	Increased overall cost of doing business
28%	Not feasible due to high land price
23%	Require cross-subsidies from higher end properties
9%	Lack of incentive due to low density allowable
8%	Not consistent with surrounding properties
1%	Not consistent with company branding

### Future Launches and Performance in H1 2016

Half of the respondents planned to launch in the first six months of 2016 with an estimated number of 15,047 residential units and 458 commercial units. Slightly more than three quarter (80%) however anticipated their sales performance to be quite slow at below 50%.

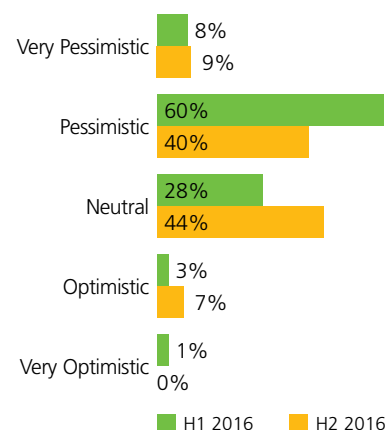
Similar selling price trend is expected in the future residential properties in most states.

State	Most Launched Price Range in H2 2015	Most Launched Price Range in H1 2016
Johor	RM500,001 – RM1mil	RM1mil – RM1.5mil
Kelantan	RM200,001 – RM500,000	RM200,001 – RM500,000
Perak	RM200,001 – RM500,000	RM200,001 – RM500,000
Pahang	RM200,001 – RM500,000	RM200,001 – RM500,000
Kedah	RM200,001 – RM500,000	RM200,001 – RM500,000
Melaka	RM200,001 – RM500,000	RM200,001 – RM500,000
Selangor	RM500,001 – RM1mil	RM500,001 – RM1mil
Penang	RM500,001 – RM1mil	RM500,001 – RM1mil
WPKL	RM500,001 – RM1mil	RM500,001 – RM1mil
Negeri Sembilan	RM500,001 – RM1mil	RM500,001 – RM1mil
Terengganu	RM200,001 – RM500,000	Nil

### Property Outlook 2016

More than half of the respondents are pessimistic in the first six months of 2016 but level of pessimism is anticipated to lessen as more respondents cited neutral sentiments for H2 2016.

#### Property Outlook 2016 (% of Respondents)



### CONCLUSION

- Number of respondents with launches in H2 2015 has dropped compared to H1 2015.
- Domestic buyers purchasing for own occupation are still driving the residential market.
- End-financing problem continues to rise affecting sales.
- Highest loan rejections are for property priced in the range of RM250,001 to RM700,000.
- The main reason for unsold units was end-financing, affecting 67% of the respondents.
- Some operational measures undertaken by developers to reduce cost of doing business include less benefit/perks for staff, freezing of new recruitment, retrenchment and rescheduling launches.
- There was an increased number of respondents providing affordable housing but developers continue to face challenges such as increased overall cost of doing business, not feasible due to high land price and cross subsidies for higher end.
- Only 4% are optimistic on the outlook for H1 2016 but level of pessimism is anticipated to reduce in the following six months, with more respondents being neutral.