REHDA

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Over half of developers not launching projects in 2H16

But Rehda survey shows increased optimism about industry's outlook for 1H17

BY KAMARUL ANWAR

PETALING JAYA: About 55% of the 157 property developers surveyed by the Real Estate and Housing Developers' Association Malaysia (Rehda) are not planning to launch any projects in the second half of this year (2H16).

A high rate indeed, but nevertheless it compares favourably with the 1H16 rate of 68%. The percentage of developers opting not to launch projects in 2H15, meanwhile, was 58%.

According to Rehda, the number of units opens for sale in 2H16 will be 14,611, double the 1H16 figure.

Rehda deputy president Datuk Soam Heng Choon said homebuilders will always conduct market research first to gauge take-up rates before launching any property project.

"The property [development] business is one where cash flow is very important; rather than chasing for headline numbers and sales figures, you may end up with not enough money later on to complete the project," he told reporters after a briefing on Rehda's property industry survey for 1H16 and market outlook for 2H16.

"In Malaysia, we do [a] sell-and-build concept. Developers, rather than risking the possibility of being affected by cash flow, would rather not launch the project if research shows the take-up is not going to be good," added Soam, who is also IJM Corp Bhd chief executive officer and managing director.

The findings showed that Rehda members' optimism about the real estate industry's outlook improved for 1H17, where the 38% rate of homebuilders who felt "pessimistic" and "very pessimistic" was lower than the 49% for 2H16. But 41% of them still feel "neutral" about the sector next year, virtually unchanged from 2H16.

It remains to be seen whether this positive feeling will translate into reality. In 1H16, only 39.45% of the 7,172 units of residential and commercial properties launched were sold. There is an asterisk appended to this statistics: the 1,022 units of low-cost houses or flats launched in the period commenced sales only in August.

If the low-cost houses or flats segment was removed from the equation, the sales performance in 1H16 would increase to 46%. But it was still lower than the 52.27% rate achieved in 2H15, when 9,938 units were launched.

The percentage of properties sold in 1H15, meanwhile, was 40.36%, with 10,829 units launched in the period.

Rehda president Datuk Seri FD Iskandar Mohamed Mansor said the real estate business is cyclical, if history serves as an indication. Yet the problem that plagued the current downturn — end-financing and high-loan rejection rates among genuine homebuyers after Bank Negara Malaysia's implementation of the cooling measures — would persist if something is not done to resolve it (*see accompanying story*).

He said demand for properties was still strong, with most successful buyers (90%) using those homes for their own dwelling, or that of family members.

"The problem lies in the interested buyers not being able to get the desired margin of financing," he said.

Homebuilders also switched to lower-value properties as demand for houses worth RM1 million or above waned.

Launches of properties priced below RM200,000 almost doubled from 2H15. And only 7% of the properties launched in 1H16 were sold above RM1 million.

Home prices in Melaka saw an increase in 1H16, where the price range of launched units notched up to the RM500,001 to RM1 million bracket, from RM200,001 to RM500,000 in 2H15.

Greater Kuala Lumpur, which is one of the major areas of demand for homes, would need an average of 200,000 new homes from this year through 2020 to meet the projected growth of another three million in population to 10 million, said FD Iskandar.

But in 2015, residential property launches in the whole of Malaysia amounted to just 20,157 units. "If there is no help for the end-buyers or end-financing, the numbers might go down further," he said.

Most of the houses launched in Selangor and Kuala Lumpur over the past 12 months were priced between RM500,001 and RM1 million, according to Rehda's survey. It might be unrealistic to expect lower prices, as 30% of the respondents said the increasing land prices posed a challenge to providing affordable homes.

Another 26% said there was an increase in the overall cost of doing business, which FD Iskandar said comprised compliance costs such as development charges, land premium charges and so on.