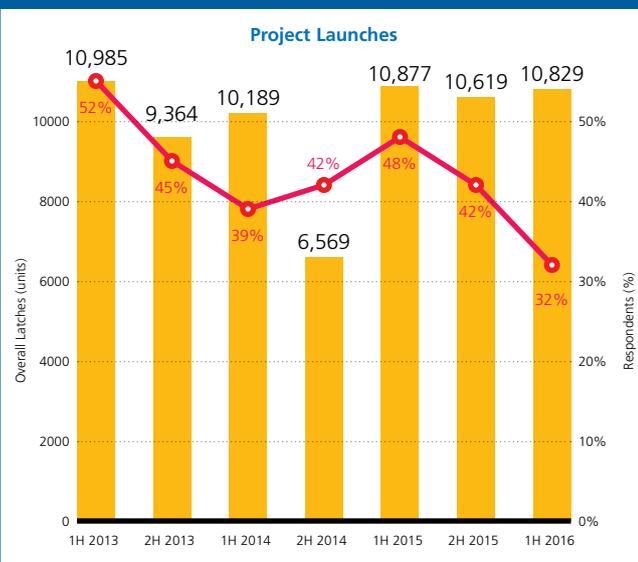


Property Industry Survey

The REHDA Property Industry Survey is conducted bi-annually to assess the current market performance. Highlights of the Property Industry Survey 1H 2016 findings

Launches and Performance in 1H 2016

The number of respondents with launches during the review period has reduced significantly, dropping by 26% (2H 2015: 68 respondents, 1H 2016: 50 respondents). A similar contraction was reported in the number of units launched, decreasing 28% to 7,172 units (2H 2015: 9,938 units). In terms of sales, less than 40% of the units launched were sold, corresponding to the overall subdued market condition. Nevertheless, 2-3 storey terrace houses continued to garner encouraging sales followed by apartment/condominium with 1,473 and 548 units sold respectively.



Property Type	2H 2015		1H 2016	
	Units Launched	Units Sold	Units Launched	Units Sold
Low Cost House/Flat	914	601	1,022	0
Single Storey Terrace	1,050	616	357	78
2-3 Storey Terrace	2,509	1,365	2,345	1,473
Semi-Detached	640	237	405	153
Bungalow/Garden Villa	312	158	361	194
Serviced Apartment	352	216	899	267
Apartment/Condominium	3,830	1,844	1,550	548
Shop House/Office	331	158	233	116
TOTAL	9,938	5,195	7,172	2,829

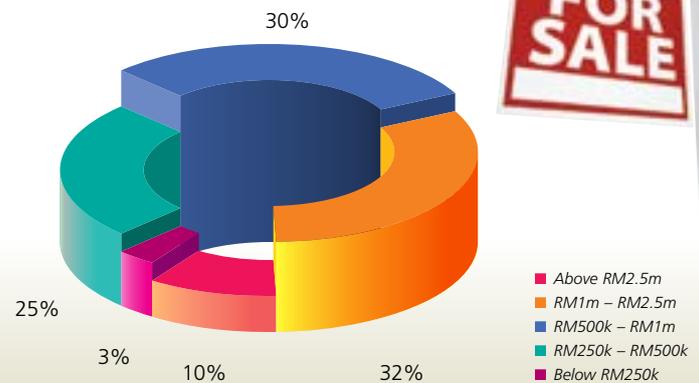
Launches Profile

Residential properties continued to drive the market with landed residential properties dominating respondents' launches, placing it as the most preferred property type in 1H 2016. Majority of the launched landed properties were in Selangor and Johor. Commercial properties, which contributed 3% of the total units launched, experienced a decrease of 30% from the preceding period (2H 2015: 331 units; 1H 2016: 233 units). In terms of selling price, 51% of the residential properties were mostly launched with price below RM500,000 while 42% were between RM500,000 to RM1mil.

Unsold Units

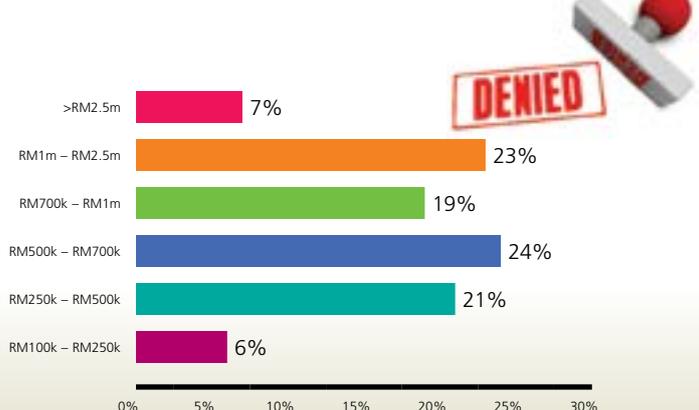
71% of the respondents reported unsold units, an increase from 63% in 2H 2015. Most of the affected respondents had 30% and below of unsold properties. 30% of the unsold units fell within the RM500,000 to RM1 mil price range, located mainly in Kuala Lumpur, Selangor and Johor while 25% of the properties were in the price range of RM250,000 to RM500,000, largely contributed by Melaka, Penang (mainland) and Kedah.

Overall Price Range of Unsold Units in 1H 2016 (Residential & Commercial)



End-financing and loan rejection remained the top reason for unsold units affecting more than two-third of respondents citing 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 as contributing factors. Almost all price range were affected with 51% of the affected respondents having properties priced below RM700,000.

Rejection by banks for end-financing price range



Business Operations

52% of the respondents indicated that their cost of doing business increase remains up to 10% with nearly half of them implementing several cost cutting measures such as freezing new recruitments and rescheduling their project launches. Respondents, in their efforts to boost sales, have also undertaken measures such as creative marketing strategies, aggressive participation in exhibitions, reviewing selling price as well as introducing financing/easy payment schemes. Nevertheless, construction conditions have improved with respondents reporting lesser challenges in terms of building materials and labour matters.

1H 2016: Survey Findings

performance and challenges faced by members as well as to gauge the future market sentiments. The findings are published below for the benefit of REHDA Bulletin readers.

Government Policies and its Implication on the Property Industry

More than two third of the respondents continued to experience slowdown in their property sales due to Bank Negara Malaysia's cooling measures implementation. The 70% loan-to-value ratio guidelines has caused the most impact on the property market followed by responsible lending guidelines, maximum loan tenure cap (35 years) and high real property gain tax (RPGT). In terms of the Industrialised Building System (IBS), only 20% of respondents have adopted the system in their developments as many still face the following challenges:

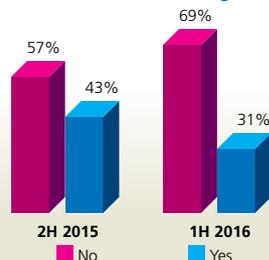
Challenges in Industrialised Building System (IBS)



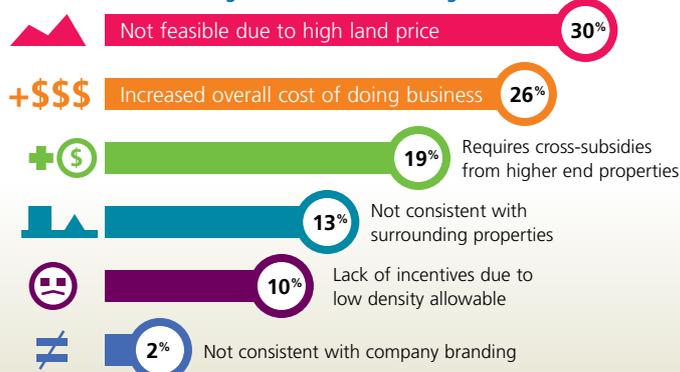
Provision of Affordable Housing

The provision of affordable housing also continued to remain a challenge with increasing number of respondents reporting non-feasibility due to high land price as well as increased overall cost of doing business being the major challenges.

% of Respondents with Affordable Housing



Challenges in Affordable Housing Provision



Future Launches and Performance in 2H 2016

Less than half of the respondents indicated having planned launches in 2H 2016 with an estimated 13,800 residential units (7,613 strata units and 6,187 units) and 811 commercial units. Nearly 70% of the respondents with future launches however anticipated their sales performance to be below 50% within six months of launch. Selling price trend is expected to remain the same for the future launch of residential properties in most states.

States with Most Launched Price Range in 1H 2016

RM200,001 – RM500,000



RM500,001 – RM1 million



States with Most Launched Price Range in 2H 2016

RM200,001 – RM500,000



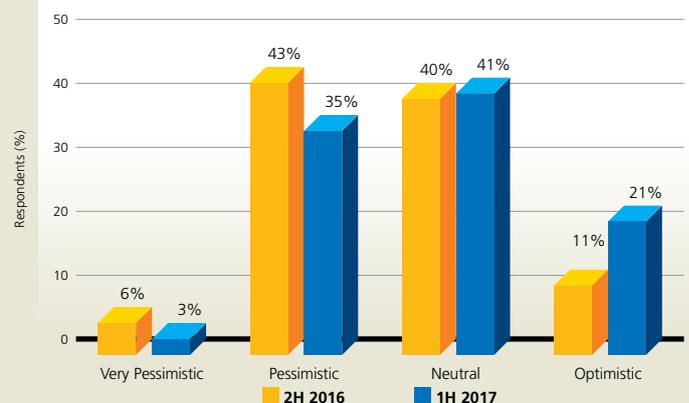
RM500,001 – RM1 million



Property Outlook

Generally survey respondents anticipated the level of optimism to rise in 2H 2016 with further improvements in 1H 2017.

Property Outlook



Conclusion

- Number of respondents with launches in 1H 2016 has reduced significantly compared to 2H 2015.
- Residential market still driven by domestic buyers.
- End financing issue remains a major problem with loan rejections expanding to affect more price range.
- Developers coming up with various measures to boost sales and continue to undertake cost cutting measures to counter the rising cost of doing business.
- Developers continue to face challenges in adopting IBS and affordable housing in their projects.
- The level of positive sentiment is expected to improve in the next six months.