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Is it time to stop building?

There is a growing fear that the current overhang of over 30,000 units, according to official figures, doesn't represent the true picture on the health of Malaysia's property market.

Many are convinced that the overhang situation is just the tip of the iceberg as the National Property Information Centre (NAPIC) doesn't take into consideration unsold units that are under construction and those yet to be built.

The 30,000-odd figure was also based on the old property overhang definition. According to that definition, a unit has to be unsold for nine months after receiving the Certificate of Completion and Compliance (CCC) and Temporary Certificate of Fitness for Occupation (CFO) before it is classified as an overhang unit.

While NAPIC has announced that the definition has been revised to six months, it has not readjusted the 30,000 figure.

Unsold properties are divided into two categories based on the stage of construction.

The first is for units with building plan approval that have yet to begin construction, but remained unsold nine months after the official launch.

For the second category, where construction has proceeded beyond the nine-month period with the units still unsold, they are classified as 'unsold units under construction.'

NAPIC doesn't fully disclose the number of units that do not yet fall under either category. The question is whether these uncategorised units have been counted.

That is a big concern.

REI Group of Companies CEO and co-founder Daniele Gambero says if the unsold units under construction and the units yet to be constructed were added, the figure could balloon to 126,437 as of 3Q18.

"If the units under construction are unsold now, how many will be left once the projects have been completed?"

"How many of the unsold yet to be built units will be left unsold," he asks.

He says that unless there is a sudden rise in demand, the unsold units would eventually be added to the overhang figure.

"There is an overhang of over 30,000 units. There are over 19,000 unsold units under construction.

'Stop building'

There are over 76,500 unsold units of those that are yet to be constructed. What does this tell you? Stop building!" he stresses.

Gambero points out that developers need to find out why their units are unsold and, in the meantime, stop launching more units that will only serve to add to the worrying property overhang figure.

He says a major reason for the overhang and unsold units is the mismatch of demand and supply.

"There is a demand for property but you need to see what kind of property," he points out.

"I am a numbers man. Everything falls back to figures. Malaysia has a population of over 32 million.

"There is an existing stock of 5.5 million homes. Do the math. We are still short of three million homes."

- **The property overhang Malaysia is experiencing is just the tip of the iceberg as NAPIC doesn't take into consideration unsolds under construction and yet to be built units**

- **There is a time lag before unsold units are categorised as overhang units**

- **Hence, the overhang issue may be worse than previously believed to be**



Stop launching more units that will only serve to balloon the overhang figure, says Gambero



See says the real solution is to have sustainable demand by raising the country's productivity and people's wages

See Kok Loong, executive director of Metro Homes Realty Bhd and deputy president of the Malaysian Institute of Professional Estate Agents and Consultants (MIPEAC), not only agrees but takes the argument a step further.

There is a mismatch of the type and price of housing, he notes.

"Personally, I appreciate the initiatives by the Pakatan Harapan government to resolve the mismatch and oversupply issues but these may not solve the home ownership problem for the B40 and M40 groups (bottom 40% and middle 40% of the income scale).

"To me, the initiatives are merely to push up demand so that the buyers will make their decision earlier, because of the incentives, in the immediate and short terms," he opines.

See says the real solution is to

create sustainable demand by raising the country's productivity and that the people's wages increase.

The real reason why the B40 finds it difficult to own a home is that they earn less than RM2,000 a month according to Khazanah Research Institute's findings, he says.

Affordability issue

Gambero also questions whether the overhang units are affordable.

According to news reports, there are RM22.5 bil worth of property - comprising over 22,000 units by 180 developers - which would be offered at a discount at a property expo to be held on March 1-3.

"If you take RM22.5 bil and divide it by 22,000 units, that's an average price of over RM1 mil per home. That's not affordable," he contends.

Even with a discount, it



by Joseph Wong



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Selangor saw fewer launches in Q1 2018

appears that many of the property will remain unaffordable to the people that require homes, he says.

"The answer is simple. Stop building if there is no demand," he insists.

This has not entirely fallen on deaf ears. Some property developers have slowed their property launches and others have postponed their projects from as early as 2017.

The number of launches was further reduced in 2018.

Last year appears to be a period where housing developers in Kuala Lumpur adopted a more cautious approach in launching new projects, according to real estate consultancy Henry Butcher Malaysia.

"Based on the data compiled by us, there was a significant dip in the number of new projects launched in the first nine months of the year compared to the same period the year before.

"Our records show that there was a total of 36 new projects launched in the first nine months of 2017 but for 2018, there was a drastic decline of about 42% to just 21 new projects.

"In terms of the number of

units, the drop was even more pronounced. Our records showed that there were 27,693 units launched in the first nine months of 2017 but the number declined to a mere 10,745 units in the corresponding period in 2018 (a drop of about 61%," it says.

However, the drop in the number of new launches was expected as there was much uncertainty in the first half of the year leading to and immediately after the 14th general election (GE14) in May last year, which saw a change in government.

In addition, market sentiment was weak and developers were still trying to clear the unsold units carried forward from projects launched in the previous years.

"New projects launched in land-scarce Kuala Lumpur are typically strata residential properties with condominiums and serviced apartments forming the bulk of them.

"For Q1 to Q3 2017, our data reveals that all the 36 projects launched were strata properties.

"The same pattern was observed in 2018 although interestingly there was one terrace

house project launched during that period.

"In terms of residential types, condominiums and serviced apartments, not surprisingly, featured prominently for developers in both 2017 and 2018," says the real estate consultancy.

No SoHo, SoFo, SoVo

A total of 33% of the new projects were condominiums and 43% were serviced apartments in 2018 while in 2017, it was 38% and 44% respectively. Interestingly, no small-office-home-office (SoHo), small-office-flexible-office (SoFo) or small-office-versatile-office (SoVo) projects were launched last year.

Henry Butcher Malaysia says that in 2018 the number of new project launches declined from January to February, and then spiked in March, making it the most active month with six project launches.

"Nevertheless, this was short-lived as developers took a step back for the next two months as the number of launches plunged in April and May, possibly due to the general lack of interest to make substantial financial commitments prior to GE14.

"Developers came back to the market with five new launches in June to latch onto the feel-good factor after the election which unexpectedly resulted in a change of government.

"The pace of new launches however was not sustained and

slowed down through July and August," it says.

Last year, the most number of new projects was launched in March. Most of them have built-up areas of between 800 and 1,200 sq ft and were aimed at smaller families or as investment given the projects' locations within the city centre.

"In terms of pricing, our data revealed that approximately 42% of the new projects launched in the first nine months of 2017 offered units priced at RM600,000 and less whereas the figure dipped to only 28% in 2018. (About) 20% of the projects were available within the RM800,000 to RM1,000,000 and RM1,000,000 and above brackets, respectively.

"We also noted that a bigger number of projects launched in 2018 were at higher price points of RM1,000,000 above (31% in 2018 vs 20% in 2017).

"At the same time, 19% of the projects had units within the RM800,000 to RM1,000,000 price bracket and 22% within the RM600,000 to RM800,000 bracket.

"This comes as a surprise as the market sentiments were generally still weak in 2018," it says.

Overhang & unsold units status as at 3Q 2018 - source: NAPIC

MALAYSIA	OVERHANG (COMPLETED AND DELIVERED PROJECTS)	UNSOLD (PROJECT UNDER CONSTRUCTION)	UNSOLD (PROJECT NOT YET UNDER CONSTRUCTION)	TOTAL
RM0 to RM300,000				
Launched units	36,611	17,910	72,076	126,597
Unsold units	10,410	11,554	32,250	54,214
RM300,001 to RM500,000				
Launched units	25,060	11,067	49,994	86,121
Unsold units	7,561	4,875	20,886	33,322
RM500,001 to RM1,00,000				
Launched units	35,710	5,226	43,038	83,974
Unsold units	7,778	2,825	18,925	29,528
RM1,00,000 and above				
Launched units	15,082	1,108	8,456	24,646
Unsold units	4,366	527	4,480	9,373
TOTAL FOR MALAYSIA				
Launched units	112,463	35,311	173,564	321,338
Unsold units	30,115	19,781	76,541	126,437

Source: REI Group of Companies