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Industry players more optimistic about 2H2019

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While the property market remains challenging, developers are more optimistic about the second half of the year (2H2019) than the first half, the Real Estate & Housing Developers' Association (Rehda) Property Industry Survey 2H2018 and Market Outlook 1H2019/2H2019 reveal.

Of the 121 Rehda members (the majority are from Selangor and Johor) who took part in the survey, 27% are optimistic the property market will do well in 2H2019, compared with only 6% who think it will do so in 1H.

Present at the media briefing on March 14 were Rehda president Datuk Soam Heng Choon, deputy president Datuk Khor Chap Jen and secretary general Tiah Oon Ling.

Some 41% of the respondents have plans to launch 8,991 units in 1H2019, comprising 3,637 strata, 5,210 landed, and 144 commercial units, said Soam. However, 78% expect sales of the new launches to be below 50%.

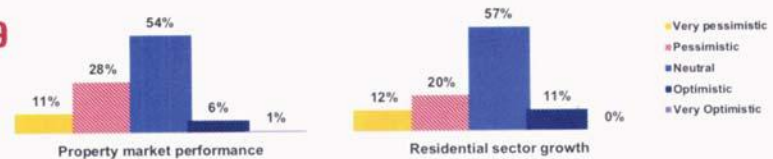
Penang, Johor, KL and Selangor have the highest launch prices of RM500,001 to RM700,000; followed by Kelantan and Negeri Sembilan at RM250,001 to RM500,000 and Terengganu, Melaka, Pahang, Kedah/Perlis and Perak at RM100,001 to RM250,000 in 2H2018.

"I think if developers launch properties that do not meet the market's need, they will have problems. Hence, most of them are responding to the market by coming up with prices that buyers can afford," said Soam.

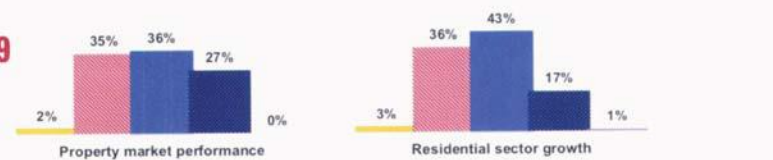
50% of the respondents had launches in 2H2018 (compared with 40% in 1H2018), offering a total of 11,964 units, of which 43%, or 5,179 units, were sold. The main property types sold were apartments/condominiums (2,023) and 2 to 3-storey terraced houses (1,793).

Property industry outlook

1H 2019



2H 2019



Residential products accounted for 95% to 97% with the rest being commercial units, and this trend has remained the same for past few years.

There was not much difference in the property types launched and selling prices in 1H and 2H2018. The most launched property types in 2H2018 were apartments/condominiums, followed by 2 to 3-storey terraced houses and serviced apartments.

The survey showed that 53% of [residential] properties launched were priced at RM500,000 and below in 2H2018, compared with 65% in 1H2018.

The majority of buyers were first timers who were buying for their own occupation.

45% of the respondents said they had affordable housing components (RM100,000 to RM500,000) in their projects in 2H2018.



Soam: Loan rejection was more or less equally distributed among houses priced from RM250,001 to RM2.5 million

Reduction in development cost

"Over the years, most local authorities and state governments have kept on increasing development charges. When they impose these additional charges, they are indirectly taxing the house buyers ... the developer has no choice but to pass on the cost to the house buyers," said Soam.

According to him, most states have increased the conversion premium as it is their main source of income. However, this is an input cost for developers and a major contributor to increasing property prices.

Soam pointed out that development charges, land conversion premiums, infrastructure improvement funds and utilities contributions are major factors affecting developers' cash flow.

Furthermore, land prices are also increasing. "In order to address this issue, the authorities have to increase the plot ratio density per acre so that the unit cost per plot of land is reduced," he added.

Meanwhile, the number of respondents with unsold units improved slightly to 62% for 2H2018 from 75% in 1H2018. The number of unsold stocks also improved — 20% of the respondents reported more than 30% of their units were unsold in 2H2018, compared with 25% in 1H2018. The bulk comprised terraced houses (33%), semidees and bungalows (26%) and apartments/condominiums (25%). Of the unsold units, 59% (residential and commercial) were priced from RM500,001 to RM2.5 million.

End financing remains the main reason units remained unsold, with inadequate income, lower margin of financing and adverse credit history the most common reasons for rejecting loans, according to Soam.

"We hope banks can consider people who are creditworthy. Some 54% of the respondents experienced more than 30% loan rejection while some said it was as high as 50%," he added.

Loan rejection was more or less equally distributed among houses priced from RM250,001 to RM2.5 million, he said.

Soam noted that 69% of the respondents reported there were no changes in business costs in 2H2018, compared with 55% in 2H2017. However, 27% said overall business costs had increased by 10% while only 4% said costs have decreased.

Respondents who said they were affected by the current economic scenario dropped from 93% in 1H2018 to 87% in 2H2018. Some of the cost-cutting measures undertaken by them included freezing of new recruitments, reducing staff benefits or perks, delaying the launch of new projects and reducing the size of launches.

Overall launches and sales performance

- 50% of respondents had launches in 2H 2018 (1H 2018: 40% respondents)
- A total of 11,964 units were launched with 43% sales performance reported.



1H 2019 anticipated sales performance

39 (78%) respondents with future launches are anticipating their sales performance* to be 50% and below (2H 2018: 47 respondents, 66%)

* for the first 6 months

