

Developers hope for a better market next year

- **Rehda** is optimistic, but with several concerns
- **New** moves by government expected to bring positive effects

The worst will slowly be over for the property sector, says Real Estate and Housing Developers' Association Malaysia (Rehda) president Datuk Soam Heng Choon. However, this may hinge on whether several moves by the Ministry of Housing and Local Government to help the property market recover yield the desired results in the coming years.

But Soam remains optimistic. He explains that developers are now heeding the government's call to build affordable homes and most are aligning their business to the market dynamics of supply and demand.

"You can see that the units going up are below RM500,000. We are aligning our business to what the buyers want and what they can afford. So we hope the worst is over," Soam says during the briefing on the Property Industry Survey 1H 2018 and the Market Outlook 2H 2018 and 1H 2019.

The survey, participated by 152 Rehda members from 12 states in the peninsula, reveals that the number of property launches with prices of RM500,000 and below have increased by 65%. This compares with 52% in 2H 2017 and 44% in 1H 2017.

Soam says in most states, except Kuala Lumpur and Selangor, most developers had launched projects with selling prices ranging from RM100,001 to RM500,000. In contrast, prices in Kuala Lumpur and Selangor ranged from RM500,001 to RM700,000.

The survey also reveals that the respondents suggest incentives to encourage the provision of affordable housing, with the top three suggestions being the reduction of development charges, lower land conversion premium and exemption of capital contribution.

Oversupply the biggest hurdle

Despite the increase in more affordable housing projects, Soam admits that property overhang is still one of the biggest problems for developers. Many are having to deal with unsold units. He points to the fact that the number of properties, even after three years of completion, had increased from 66% in 2H 2017 to 75% in 1H 2018.

The majority of these projects had up to 30% unsold units. This, admits Soam, is certainly not a comfortable figure for the property players to deal with.

"Developers' (profit) margin is very low, about 50% over around a seven-year period. So every year, developers will be making only about 3%, so it is a very risky business," Soam says.

He notes that three key factors impacted the increase in the number of unsold units. They are end-financing issues, unsold Bumiputera units and low demand from buyers.

The survey figures show that most of the unsold units appear to be equally distributed within the price range of RM250,001 to RM500,000, which are mostly in Kuantan and Alor Setar; RM500,001 to RM700,000, mostly in Johor Bahru and Shah Alam; and RM700,001 to RM1 mil, mostly in Johor Bahru and Puchong, Selangor.

"End-financing and unreleased Bumiputera units remain the two major issues. Respondents facing end-financing problems increased to 89% in 1H 2018 and 39% of the loan rejections were for properties priced RM500,000 and below," Soam says.

Contributing factors to the financing issue include lower margin of financing offered, ineligibility due to buyers' income and adverse credit history.

Issue of Bumiputera unsold units can be solved

Soam says it is not worrying if the unsold units are due to government restrictions, noting that Bumiputera units in good locations can be sold easily once they are released. The concern is over completed projects that cannot sell.

He says the case of unsold units will be presented to the ministry after more figures are accumulated.

Most of the unsold units appear to be equally distributed within the price ranges of RM250,001 to RM500,000 (mostly in Kuantan and Alor Setar), RM500,001 to RM700,000 (mostly in Johor Bahru and Shah Alam) and RM700,001 to RM1 mil (mostly in Johor Bahru and Puchong, Selangor).

Housing and Local Government Minister Zuraida Kamaruddin says the government will study the Bumiputera quota for affordable housing projects, which will include the standardisation of prices of affordable homes.

Speaking at the press conference during the opening of Rehda's Malaysia Property Expo 2018, she says the ministry will research the matter and obtain feed-

back from developers and home buyers.

Zuraida says assessing buyers' eligibility for affordable housing should not be based on race or religion but on their income.

"If we set the affordable homes for only those earning RM3,000 and below, we will use the guideline regardless of religion and race," she says.

Under the National Housing Policy, Zuraida reveals there will be three categories of affordable housing – homes priced at RM150,000 and below; RM150,000 to RM300,000; and RM300,000 to RM500,000.

She says the plan to make the current five housing entities – Perbadanan PR1MA Malaysia (PR1MA); 1Malaysia Civil Servants Housing Programme (PPA1M); UDA Holdings Bhd; Syarikat Perumahan Negara (SPNB); and the Hardcore Poor Housing Programme (PPRT), under one roof will help in the implementation of the policies.

"This means that the housing entities will use the same design, same pricing and same management," she says.

Zuraida says various arrangements are being made, including discussions with Bank Negara Malaysia, to come up with suitable financing schemes in an effort to narrow the pricing gap between affordable homes and luxury houses.

Focusing on rent-to-own scheme

She also says the ministry is looking into introducing the rent-to-own (RTO) scheme, where tenants will be given time to be financially ready to buy a house.

She says the ministry will be focusing on the RTO scheme and the build-then-sell (BTS) system, which was announced to be made mandatory next year, will not be part of the ministry's agenda for the time being.

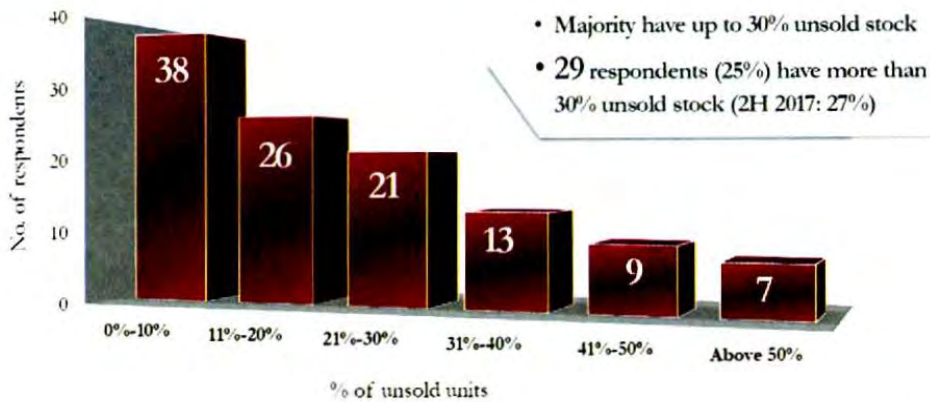
Zuraida announced in June that the implementation of BTS system as a primary method of housing delivery would once again be pushed forward. The announcement was well received by those who have long-championed the move as a more just and responsible system.

On the outlook of the property market, Zuraida says she is optimistic about the market for next year as the government is looking into introducing new policies. She says with all the efforts by several parties in the industry, the market is expected to improve and the rakyat will benefit. **FocusM**



The unsold units in Shah Alam are mostly priced from RM500,001 to RM700,000

PERCENTAGE (%) OF UNSOLD UNITS



Source: Rehda