

# More developers to launch new projects in 2H

End of Covid-19 pandemic and the conclusion of the six-state elections to spur fresh optimism in the market

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## PROPERTY

By ELIM POON

elimpoon@thestar.com.my

**PETALING JAYA:** Although the local property sector remains on a steady footing, new growth catalysts are required to give it a shot in the arm, say industry insiders.

A Real Estate and Housing Developers' Association Malaysia (Rehda) survey revealed that respondents (property developers) had a "neutral" view of the business and property industry outlook for the second half of 2023 (2H23), with increased optimism for 1H24.

Rehda president Datuk N.K. Tong said the end of Covid-19 pandemic and the conclusion of the six-state elections could spur fresh optimism in the property market.

"The pandemic is behind us and the elections have concluded without any surprises. I think, going forward, there will be less distractions. Everyone is now focused on moving forward," he said at a briefing yesterday.

Findings from the survey of 148 Rehda members revealed that 53% of respondents intend to launch projects in 2H23. The remaining 47%, however, will opt to do otherwise – with a majority of them attributing their decision to "unfavourable market conditions".

"The notion of 'unfavourable market conditions' seems to largely stem from their perception of the market outlook. Facing rising costs pressures, some developers may feel that the market is not ready to accept the type of pricing they (developers) expect.

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**"One of two things has to happen – either the construction costs come down (as land cost is fixed) or affordability goes up."**

Datuk N.K. Tong

either the construction costs come down (as land cost is fixed) or affordability goes up," Tong said.

On this note, Zerín Properties Sdn Bhd chief executive officer Previndran Singhe said the property market is very much related to the overall sentiment in the economy.

He said as long as there is vibrancy in the property sector, there will be demand for rents and will create attractiveness in terms of purchase.

"There seems to be a lot of activity in the market at the moment. However, we agree that prices will be neutral, with the last

quarter of 2023 and 1H24 (projected) to seeing movement in prices.

"Strong pro-business fiscal policies, including having greater access to flights to and from various international destinations, is vital to create a vibrant economy and investment environment," he told *StarBiz*.

The property sector continues to see cost pressures, with the survey revealing 74% of the respondents indicating the overall cost of doing business has seen an increase of about 15% in 1H23.

Moreover, a total of 87% of respondents observed a higher building material prices

this year compared with the previous year.

As at June 30, 2023, respondents reported more than 10% annual increase in the average price of cement, concrete and sand.

In this regard, Rehda deputy president Datuk Ho Hon Sang said a 15% surge in construction costs is a tall order and as such, property developers need to be mindful in managing this issue.

"Since cost is a challenging factor, property developers need to look into every minute detail. The process begins from the inception of a product, which must not only be sellable but also cost effective.

"Property developers need to pay attention to the design phase, which is engineering inclined.

"For this, there is a need to gather competent stakeholders to review the costs involved critically and streamline the construction processes," he said.

Ho added that businesses with scale can have higher purchasing power, which can help offset cost pressures incurred in projects.

"The timing of project delivery is also very important as financing costs are reduced when the time taken to complete a project is shortened.

"This involves working together with contractors to complete the work at a faster pace," he said.

For 1H23, residential sales in Peninsular Malaysia totalled 11,273 units (from 3,163 units in 1H22), of which 35% were new launches.

Most of the new launches in 1H23 consist of apartments and condominiums at 7,183 units, followed by two and three-storey terrace houses at 3,729 units and serviced residences at 1,223 units.

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## Residential launches soar to 14,392 units in 1H23

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Residential launches in Peninsular Malaysia also jumped to 14,392 units in 1H23 from 7,350 units in 1H22, with close to two thirds or 62% of the launches priced at RM700,000 and below, the survey revealed.

"Residential launches and sales performance increased in 1H23 and the most sellable was within the range of RM300,001 to RM500,000, with serviced residences and apartment/condominium taking the lead," Tong said.

Some 53% of the survey respondents had reported holding unsold completed residential units (as at June 30), with 47% of the stock completed up to 12 months ago and 31% beyond 36 months.

Some 23% of the unsold residential units

were priced above RM1mil while 20% were in the RM400,000 price range and above.

By type, apartment/condominium accounted for 38% of the unsold completed residential units, the survey noted, adding that serviced residences accounted for 28% of the total.

End-financing loan rejection, unreleased bumiputra lots and high pricing were identified to be the top reasons for the unsold completed residential units.

"I would say the situation should be improving. Over the last two or three years, there was a lot of uncertainty and a 'wait-and-see' mindset, so the fact that the market is picking up now is a good sign.

"A lot of projects being launched are also in the price brackets that are within the

reach of a wider audience," Tong said.

The survey revealed that 75% of the respondents face financing issues for buyers and/or projects, with end financing being the main issue.

"Banks continue to take a very cautious stance and homeowners may consider their end-financing applications rejected if a lower loan margin was offered.

"Other reasons highlighted include insufficient income and issues related to debt servicing reports and credit ratings," Tong said.

He added that Rehda is confident the government will introduce new policies and strategies to ensure a thriving economy.

"When the economy thrives, the people thrive and when this happens, the property sector will also thrive," he said.