PROPERTY INDUSTRY OUTLOOK

VENDOR DEVELOPMENT PROGRAM

Presentation to MEDAC

An initiative by Ministry of Entrepreneur Development and Cooperatives (MEDAC)

Jointly prepared by:

UDA
UEM Sunrise
Sime Darby Property
PROPERTY SECTOR

Disclaimer: Most of data and information in this presentation are originated from the participant companies and may not represent overall Malaysia Property Industry

A member of UEM Group
The Malaysian construction market is expected to register a CAGR of 4.7% over the forecast period, 2019 – 2024.

The Malaysian construction industry registered an average annual growth rate of 7.9%, during 2010–2016. This growth was supported by the 10th Malaysian Plan 2011–2015, under which the government invested heavily in infrastructure, industrial parks, and residential buildings. In 2010, policies for public-private partnerships (PPPs) eased by the government to attract more investments for the country's infrastructural development. Between 2016 and 2017, the average growth rate was 7.1% per year.

Source from https://tradingeconomics.com/Malaysia/gdp-grow
• 4th Quarter 2019 witnessed the value of construction work done recovered by 1.3% amounting to RM37B.
CONTRIBUTION OF EXPENDITURE COMPONENTS AND GDP GROWTH BY SECTORS

CONTRIBUTION OF EXPENDITURE COMPONENTS TO REAL GDP GROWTH

GDP GROWTH BY SECTORS

Source: Bank Negara Malaysia, CBRE | WTW Research
CONSTRUCTION OUTLOOK 2020 IN MALAYSIA

• The Government’s vision 2020 project will boost the subsector construction projects in the next few years supported by the government’s plan to improve the country’s transport network and tourism infrastructure and increase the volume of renewable projects.

• Moreover, government efforts to address the country’s housing shortage will help the industry to grow over the next five years.
OVERALL PERFORMANCE
MALAYSIA PROPERTY STOCK AS AT Q3 2019

EXISTING STOCK

Residential
5,692,656 Units

Shops
524,555 Units

Service Apartments
240,319 Units

SOHO
38,134 Units

Industry
116,451 Units

Purpose Built Office
2,546 Buildings (22,414,280 s.m.)

Shopping Complex
1,035 Buildings (16,425,184 s.m.)

Hotel
3,225 Hotels (257,195 Rooms)

Further information please refer to Property Stock Table Q3 2019

Source from http://napic.jpph.gov.my
OVERALL PERFORMANCE
MALAYSIA PROPERTY STOCK AS AT Q3 2019 (CONT.)

INCOMING SUPPLY

- Residential: 456,886 Units
- Shops: 38,286 Units
- Service Apartments: 116,211 Units
- SOHO: 26,998 Units
- Industry: 4,722 Units
- Purpose Built Office: 46 Buildings (1,878,726 s.m.)
- Shopping Complex: 39 Buildings (1,524,807 s.m.)
- Hotel: 107 Hotels (23,152 Rooms)

Further information please refer to Property Stock Table Q3 2019

Source from http://napic.jpph.gov.my
Remain soft in 2020.
Slower economic growth
High level of unsold stock

Residential – Landed & High Rise

- More development of landed residential in northern and southern Klang Valley
- High rise residential are in the red area due to issues of oversupply and overhang
- Developers are reducing launches of super high-end product
- Data in Q3FY2019 by NAPIC showed that overall residential property has increased by 2.1% y-o-y. More demands on affordable homes

<table>
<thead>
<tr>
<th>Range Prices</th>
<th>Q3 Year 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM150,000 – RM200,000</td>
<td>Increased by 13%</td>
</tr>
<tr>
<td>RM250,000 – RM300,000</td>
<td>Increased by 6%</td>
</tr>
<tr>
<td>&gt; RM1,000,000</td>
<td>Declined by 16%</td>
</tr>
</tbody>
</table>
RELEVANT GOVERNMENT POLICIES

NATIONAL DEVELOPMENT POLICY (DPN)

• **Execution Strategy**

  - Making science and technology an integral part of socio-economic planning and development in the process of developing a modern industrial economy

  - Environmental and ecological protection in the long run to ensure sustainable development of the country

NEW DIMENSIONS DPN

Focusing on the development of a Bumiputera Trade and Industry Society (MPPB) as an important strategy towards enhancing and further maintaining Bumiputera participation in economic activities
CONSTRUCTION INDUSTRY TRANSFORMATION PLAN (CITP) : 2016 – 2020

• **STRATEGIC THRUST:-**

  ➢ **Quality, Safety and Professionalism**
    • Quality, safety and professionalism are primary prerequisites towards transforming our national construction into a responsible, developed industry.

  ➢ **Environmental Sustainability**
    • Environmental sustainability agenda in the construction industry will be robustly developed and rolled out as a model to the emerging world.

  ➢ **Productivity**
    • Productivity is the primary engine of growth towards Malaysia’s high-income target.

  ➢ **Internationalization & Competitiveness**
    • Internationalisation will drive the Malaysian construction players to gain prominence as global players on the international platform as well as significantly elevate its position on the domestic front.

Source from http://www.cipt.my
# UPDATES ON MAJOR POLICY RELATED TO PROPERTY DEVELOPMENT

<table>
<thead>
<tr>
<th>MAJOR POLICY</th>
<th>DESCRIPTION</th>
<th>AUTHORITY/AGENCY</th>
<th>EFFECTIVE DATE</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fund for Affordable Homes</strong></td>
<td></td>
<td>Bank Negara Malaysia</td>
<td>1 September 2019 to 31 December 2020, or until the fund is exhausted.</td>
<td>Maximum monthly household income increased to RM4,360, maximum property unit price increased to RM300,000.</td>
</tr>
<tr>
<td><strong>Real Property Gains Tax (RPGT)</strong></td>
<td></td>
<td>Ministry of Finance (MOF)</td>
<td>1 January 2020</td>
<td>The base year for asset acquisition revised from January, 2000 to January, 2013.</td>
</tr>
<tr>
<td><strong>Quit Rent</strong></td>
<td></td>
<td>Federal Territories Land and Mines Office</td>
<td>1 January 2020</td>
<td>Quit rent for strata properties will now be payable individually, to be known as Parcel Rent.</td>
</tr>
<tr>
<td><strong>Minimum Value of Property for Foreign Acquisition (revision) in Sarawak</strong></td>
<td></td>
<td>Sarawak Government</td>
<td>23 May 2019</td>
<td>The prescribed amount for foreign acquisition of landed residential property shall be not less than RM500,000 (throughout the State of Sarawak except Kuching), and shall be not less than RM600,000 for Kuching Division.</td>
</tr>
<tr>
<td><strong>Minimum Value of Residential Home Ownership by Foreigners in Sabah</strong></td>
<td></td>
<td>Sabah Government</td>
<td>1 January 2020</td>
<td>The threshold level for residential home ownership by foreigners have been lowered to RM750,000 from RM1 million. Applicable only for residential homes that have been issued with Occupation Certificate and remain unsold for more than 9 months.</td>
</tr>
</tbody>
</table>

*Source from Real Estate Market Outlook 2020, CBRE/WTW/Research/APAC*
# MAJOR INFRASTRUCTURE 20 YEARS PLAN (2020 – 2040)

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>LOCATION</th>
<th>COMPLETION YEAR</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RAIL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Coast Rail Link (ECRL)</td>
<td>Port Klang, Selangor – Kota Bharu, kelantan</td>
<td>2026</td>
<td>Dungun to Mentakab section – under construction</td>
</tr>
<tr>
<td>Rapid Transit System (RTS)</td>
<td>Bukit Chagar – Woodlands, Singapore</td>
<td>Beyond 2024</td>
<td>Revised and subject to the government’s confirmation</td>
</tr>
<tr>
<td>LRT Line 3</td>
<td>Bandar Utama – Klang</td>
<td>2024</td>
<td>Under construction</td>
</tr>
<tr>
<td>MRT 2 (SSP Line)</td>
<td>Sungai Buloh - Putrajaya</td>
<td>2022</td>
<td>Under construction</td>
</tr>
</tbody>
</table>

Source from Real Estate Market Outlook 2020, CBRE/WTW/Research/APAC
# MAJOR INFRASTRUCTURE 20 YEARS PLAN (2020 – 2040)

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<th>COMPLETION YEAR</th>
<th>REMARKS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGHWAY / EXPRESSWAY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Klang Valley Expressway (EKVE)</td>
<td>Sungai Long – Ukay Perdana</td>
<td>2020</td>
<td>Under construction</td>
</tr>
<tr>
<td>Lebuhraya Putrajaya – KLIA (MEX II)</td>
<td>MEX – KLIA – KLIA 2</td>
<td>2020</td>
<td>Contract awarded</td>
</tr>
<tr>
<td>Pan-Borneo Highway</td>
<td>Tawau – Kuching</td>
<td>2022 / 2023</td>
<td>Under construction</td>
</tr>
<tr>
<td>West Coast Expressway (WCE)</td>
<td>Taiping – Sabak Bernam – Banting</td>
<td>2022</td>
<td>Completed section 5, 9, 10</td>
</tr>
<tr>
<td><strong>OTHERS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Port Expansion (380 acres land under the sea)</td>
<td>West Port, Port Klang</td>
<td>2040</td>
<td>Under construction (2 terminals to be completed by 2021)</td>
</tr>
</tbody>
</table>

Source from Real Estate Market Outlook 2020, CBRE/WTW/Research/APAC
PROPERTY MARKET CHALLENGES

1. US – China trade war
   Slower global trade and GDP growth forecast by IMF and World Bank

2. Credit access
   Prudent lending by banks and more scrutiny of applicants

3. Consumption Confidence
   Labour market generally stable but wage growth may be selective to certain work sectors

4. Commodity Prices
   Wobbling palm oil & crude palm oil prices. India being the biggest buyer refused to buy Malaysian palm oil

5. Cost of Living
   Big ticket item may not be priority as many people are struggling for living

   It may hit property industry as some building materials are imported from China, affecting delivery of houses.
<table>
<thead>
<tr>
<th>Category</th>
<th>Sub Category</th>
<th>Bumiputera</th>
<th>Non-Bumiputera</th>
<th>Foreign</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No</td>
<td>%</td>
<td>No</td>
<td>%</td>
</tr>
<tr>
<td>CONSULTANT</td>
<td>ARCHITECT</td>
<td>62</td>
<td>49%</td>
<td>53</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>CIVIL &amp; STUCTURE</td>
<td>68</td>
<td>52%</td>
<td>62</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>LANDSCAPE ARCHITECT</td>
<td>28</td>
<td>54%</td>
<td>22</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td>MECHANICAL &amp; ELECTRICAL</td>
<td>15</td>
<td>27%</td>
<td>41</td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td>QUANTITTY SURVEYOR</td>
<td>34</td>
<td>59%</td>
<td>24</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>OTHER (CONSULTANT)</td>
<td>138</td>
<td>48%</td>
<td>132</td>
<td>46%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>255</strong></td>
<td><strong>41%</strong></td>
<td><strong>334</strong></td>
<td><strong>54%</strong></td>
</tr>
<tr>
<td>CONTRACTOR</td>
<td>BUILDING</td>
<td>356</td>
<td>61%</td>
<td>229</td>
<td>39%</td>
</tr>
<tr>
<td></td>
<td>INFRASTRUCTURE</td>
<td>150</td>
<td>46%</td>
<td>176</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td>LANDSCAPE</td>
<td>54</td>
<td>74%</td>
<td>19</td>
<td>26%</td>
</tr>
<tr>
<td></td>
<td>ID WORKS</td>
<td>21</td>
<td>36%</td>
<td>37</td>
<td>63%</td>
</tr>
<tr>
<td></td>
<td>OTHERS (CONTRACTOR)</td>
<td>136</td>
<td>58%</td>
<td>98</td>
<td>42%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>442</strong></td>
<td><strong>49%</strong></td>
<td><strong>467</strong></td>
<td><strong>51%</strong></td>
</tr>
<tr>
<td>SUPPLIER</td>
<td>BUILDING MAINTENANCE</td>
<td>131</td>
<td>84%</td>
<td>25</td>
<td>16%</td>
</tr>
<tr>
<td></td>
<td>CLEANING SERVICES</td>
<td>68</td>
<td>86%</td>
<td>11</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>SECURITY SERVICES</td>
<td>72</td>
<td>91%</td>
<td>7</td>
<td>9%</td>
</tr>
<tr>
<td></td>
<td>OTHERS (SUPPLIER)</td>
<td>1,384</td>
<td>33%</td>
<td>2,652</td>
<td>63%</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1,655</strong></td>
<td><strong>37%</strong></td>
<td><strong>2,695</strong></td>
<td><strong>59%</strong></td>
</tr>
</tbody>
</table>

Source of vendor list from Sime Darby Property, UDA and UEM Sunrise.
GAP ANALYSIS
Local Bumiputera Vendors Gap Analysis

Skills & Capability
- Require improvement on leadership skills, technical, financial and marketing skills
- Enhance long term, short-term strategy and business plan
- Limited number of qualified manpower in finance & administration, heavily focus on technical manpower

Technology
- Limited funding to invest in latest technology or advanced system
GAP ANALYSIS
Local Bumiputera Vendors Gap Analysis

Prices
➢ Inability to supply at competitive prices

Building Material Sources
➢ Sources of supply mainly from Non-Bumi vendor
ISSUE AND CHALLENGES IN VDP

- To get Vendor’s commitment due to limited manpower in the organization
- Absent of succession planning
- Refuse to graduate from VDP and heavy reliance on existing anchor
- No clear vision and mission on company’s direction
- Lack of marketing planning
- Outdated plant and equipment
- No capacity in fulfilling the demand
- Non-competitive price – main resources from non-bumi supplier
- Lack of awareness on importance of R&D
- Lack of fund to invest in technology – AutoCad, Revit, etc
- Lack of financial planning
- No direct contract with 2nd tier – building material suppliers
- To modify GPPV evaluation criteria for construction industry to suit the requirement.
- MEDAC to include technical training such as those conducted by OSHA, CIDB, NIOSH
VDP PRIORITIZATION

- Continuous Professional Development
- Succession Planning/talent management
- Pricing Strategy
- Documentation maintenance
- Compliance with statutory, rules and regulations

- Work Scheduling
- Financial Controlling
- Quality

- CIDB, SIRIM, OSHA, NIOSH accreditation
- Source of Building Materials & equipment
- Adaptation to latest technology
OUTCOME

• Increase skills and competencies to be at par as Non-Bumi vendors
• Enhance competitiveness
• Assist business sustainability
• Increase revenue subject to good performance
• Increase participations in tender
• Assist in retaining talents in the company
• Vendor recognition via customers’ satisfaction and industry certification
Thank You.