'Cautiously optimistic'

Rehda finds hope in housing market outlook despite negatives

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KUALA LUMPUR: The Real Estate and Housing Developers' Association Malaysia (Rehda) is "cautiously optimistic" of the housing market outlook in the first half of next year despite a marked increase in building material and labour costs as well as a slowdown in economic activity.

A Rehda survey found that 41% of the developers who responded were optimistic of the first six months of 2012 compared with the second half of this year, where 48% said they were optimistic.

Most respondents in the survey said prices would likely rise by up to 20% in the second half of this year, with 47% of respondents planning to increase selling prices by at least 15%. The survey showed that launches in the period were equally split between strata-titled and landed properties.

Speakers at the Rehda update on the property market for the first half of the year said a number of factors, including government policies and the overall volatility of global capital markets, made developers cautious of the outlook.

The briefing also included the participation of RAM Holdings Bhd group chief economist Yeah Kim Leng, who gave an overall view of the global and local economies.

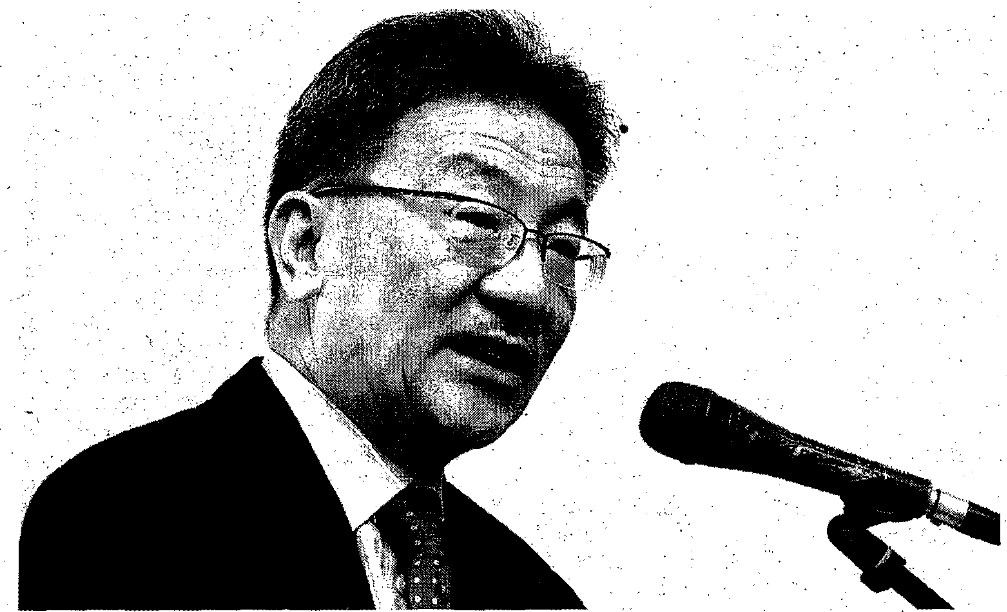
Rehda president Datuk Seri Michael Yam said the industry was concerned about how the local economy would be affected by external forces including the pressure on the sovereign debt ratings of Malaysia's developed market trading partners.

He said there were also concerns about the proposal to assess housing loans based on net income rather than gross income.

"We appeal to the Government not to tinker too much with regulations concerning the industry as this will cause more uncertainty," Yam said.

Rehda KL chairman N.K. Tong said the more cautious outlook could be due to the timing as developers could not tell that far ahead how the property market would be performing.

"There's more uncertainty, so the respondents are not as optimistic compared with the second half of 2011, with the percentage of those who responded they were neutral on the outlook for the first half of 2012 rising to 39%," he said.



Yam: 'We appeal to the Government not to tinker too much with regulations concerning the industry as this will cause more uncertainty.'

Yam said that based on the survey findings, property launches of the second half of the year so far remained "business as usual" compared with the first half of the year where launches continued to be healthy with encouraging demand.

"Property prices have been rising partly due to the roll-out of Economic Transformation Programme projects," he said, adding that the costs of building materials and labour continued to be major challenges for the industry.

Yam said although the 70% loan-to-value ratio for a third residential property purchase had had minimal impact, it was now taking from nine to 12 months to sell up to 70% of launched properties compared with before the imposition of the ruling.

Meanwhile, Yeah said that despite the evidence of weaker forward economic indicators, the economy was facing a slowdown and not a recession.

"However, this is on a baseline assumption that there will be no synchronised slowdown in the developed economies. If only one or two regions face a slowdown then the local economy will be able to sustain growth at the lower end of the Government's 5%-6% target," he said.

Yeah said there would likely be more volatile fluctuations in the commodities and capital markets. "It will be prudent to factor into corporate planning that growth in the developed economies will be slow in the next three to five years while Asian economies will still be growing although growth have been revised downwards," he added.

Yeah said that while banks had not tightened sufficiently in lending, there were expectations that they would be more selective going forward. "A few indicators suggest that we're still relatively resilient in terms of consumption with non-residential loans still very strong," he said.

Yeah said rising household debt levels remained a concern as it could expose households to further shocks and systemic problems.

Director not in favour of takeover offer for EPIC

By THOMAS HUONG
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PETALING JAYA: A director of Eastern Pacific Industrial Corp Bhd (EPIC) is not in favour of the takeover offer for the group.

In a recent independent advice circular to EPIC shareholders, it was highlighted that as at Sept 19, EPIC independent non-executive director Wan Salleh Mohd intended to reject the unconditional takeover offer by the oil and gas service provider's major shareholder, namely the Terengganu state government, to acquire the remaining 32.76% in the group for RM3.10 per share cash.

The offerors are Lembaga Tabung Amanah Warisan Negeri Terengganu (LTAW) and its unit, Pembinaan PTB Sdn Bhd.

LTAW and the parties acting in concert with it have a statutory obligation to undertake a mandatory takeover offer for all remaining EPIC shares for RM3.10 cash each.

There will also be a cash compensation scheme to EPIC shareholders, whose names appeared in the register of shareholders as at Dec 10 last year, who had sold their shares between 9am on Dec 10 last year and 5pm on Aug 23.

The offerors will offer cash compensation equivalent to the difference between the offer price of RM3.10 and the price at which the claimants' shares were sold below the offer price.

According to a Bursa Malaysia filing, the percentage of public shareholding of EPIC was 24.24% as at Sept 22.

The offerors do not intend to maintain the listing status of the group in the event EPIC does not comply with the public shareholding spread requirement as a result of acceptances received under the offer.

EPIC will apply to Bursa Securities for an extension of time to comply with the public shareholding spread requirements until the delisting date of the group.

In the circular, Wan Salleh, who has 100,000 shares in EPIC, stated that the offer price should be higher in view of the favourable prospects of the group, as it intended to expand on its port and supply base facilities as well as the development of Pulau Kuching, Terengganu for the fabrication and engineering business.

He added that EPIC, being a player in the oil and gas industry in the East Coast region, would benefit from opportunities arising from Government initiatives to boost the sector under the 10th Malaysia Plan.

Wan Salleh said that EPIC, as a listed entity, would be in a favourable position to negotiate loans with better terms from financial institutions and had the option of raising funds via the capital market from shareholders.

However, the other EPIC independent non-executive director, Moktar C. Ngah, was in favour of accepting the offer.

EPIC managing director and chief executive officer Ramli Shahul Hameed, chairman Datuk Mazlan Ngah and non-independent non-executive director Datuk Mustapha Ahmad S. Marican have abstained from deliberations in relation to the offer as they are deemed to be persons acting in concert with the offerors.

Mazlan is also the deputy chairman of LTAW.

Alliance Investment Bank Bhd, the independent adviser for the offer, has recommended shareholders to accept the deal.

The closing date of the offer is 5pm on Oct 5.

EPIC shares closed unchanged at RM3.09 yesterday, and volume traded was 768,100 shares.