Headline	Huge impact of Covid-19 and oil prices on property		
MediaTitle	The Star		
Date	12 Mar 2020	Color	Black/white
Section	StarBiz	Circulation	175,986
Page No	3	Readership	527,958
Language	English	ArticleSize	322 cm²
Journalist	Thean Lee Cheng	AdValue	RM 7,728
Frequency	Daily	PR Value	RM 23,184

Huge impact of Covid-19 and oil prices on property

Kong: Developers giving freebies to boost sales

By THEAN LEE CHENG
starbiz@thestar.com.my

PETALING JAYA: The novel coronavirus disease (Covid-19) coupled with the fall in oil prices over the weekend and other issues are affecting an already-weak property sector, according to property consultants and sources.

"The impact on the overall Malaysian economy and its trickle-down effect on the overall property market is very, very huge," said Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector, Malaysia president Michael Kong.

"If the country's economy is not good, it would not be any better in the property sector," Kong said.

He expected house prices, which have already dropped between 10% and 30% depending on locations, to go down further.

"There are developers who are selling 20% to 25% below launching prices by giving a lot of freebies. So prices have dropped, although indirectly," he said.

"That's why I said earlier there is no point doing launches now," he said.

"Office rent was stagnant for a while. Now, there is the additional pressure of Covid-19. Rental rates may drop further by 5% to 10%," he said.

Office rental for Grade A offices has dropped to about RM6 to RM6.50 per sq ft (psf) from RM7 to RM7.50 several years ago, due mainly to the high vacancy in the office space sector. Landlords are giving longer rent-free period and paying for tenants' fit-out bills to attract tenants.

Super Grade A offices include the Petronas Twin Towers and office space in that location command about RM12 psf, according property consultancy Rahim & co Property Market Review 2019/2020.

CBRE|WTW's Real Estate Market Outlook 2020 said average office rental is at RM6.95 psf. They said more top grade offices are entering the Klang Valley, which will add further pressure coupled with the volatility today. CBRE|WTW said the Klang Valley has a cumulative office space totalling some 112 million sq ft, with vacancy rising.

The completion of 17 purpose-built offices or 10.23 million sq ft could push vacancy rate higher to between 19.9% and 21.5% in the next three years, the report said.

Eight office developers with an estimated net lettable area of 5.34 million sq ft are expected to enter the market this year, the largest being Exchange 106, in Tun Razak Exchange (TRX).

Amid this scenario, Kong said Covid-19 and its possible trigger of a global recession, coupled with the oil price fall and other issues will result in less trade which means less need for office space.

On the private consumption, he said in the event of a recession, people would start tightening their belts and reduce consumption, he said.

As for the industrial sector, the only little bright spark in the property market, global uncertain may cause a slowdown in consumption, which will affect the logistics warehousing sector.

Falling traffic at malls is one thing, but with falling sentiment, online sales which need huge logistics warehousing, may be impacted, he said.

Kong said there is a need to make independent market and feasibility studies a criteria when developers apply for financing and when applying for development orders from the various state and local authorities.

Independent market and feasibility studies was mandatory some years ago but this was watered down subsequently with developers seeking information from "friendly valuers".