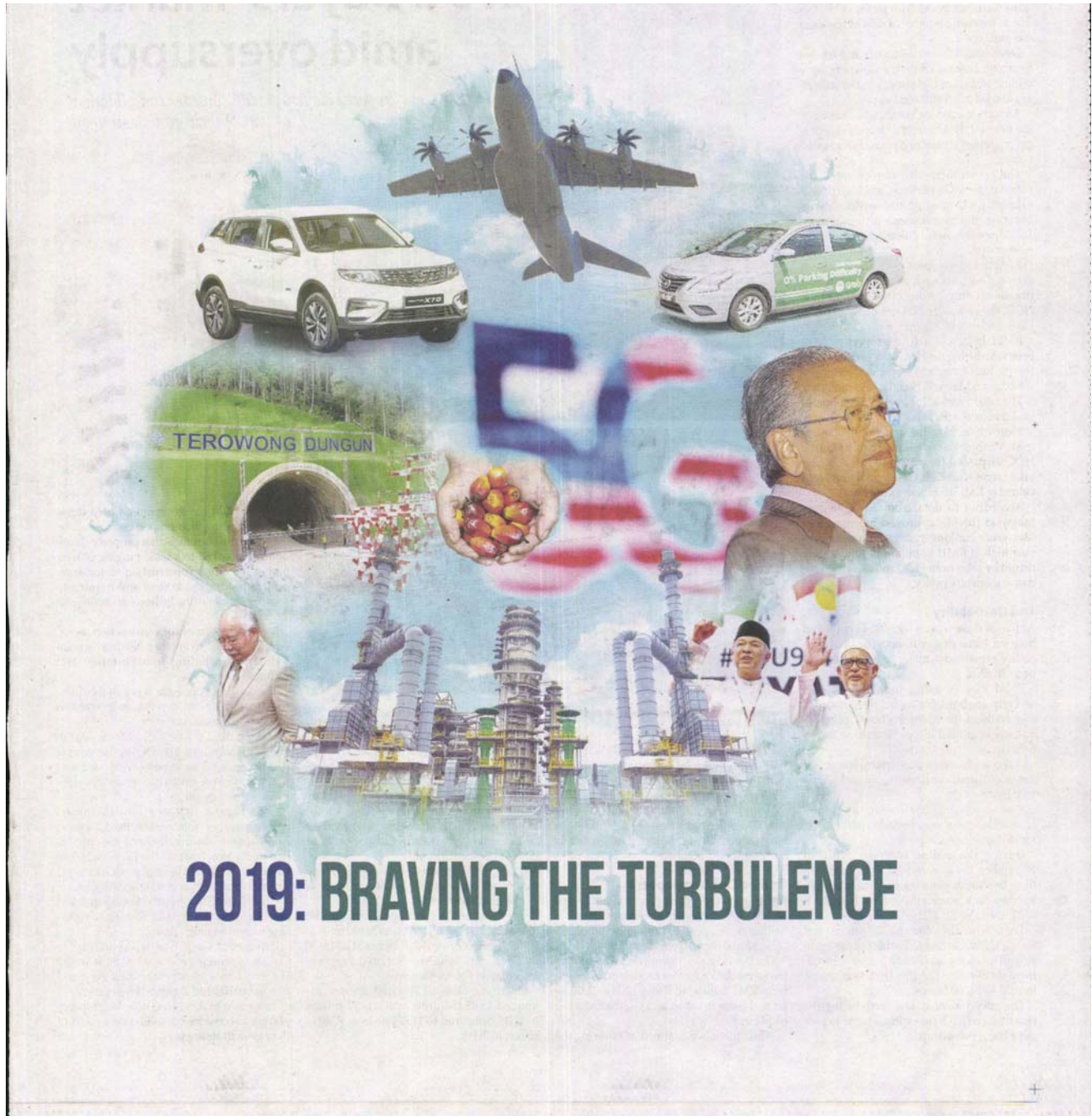


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by FARA AISYAH

IT WAS a buyers' market this year, as Malaysians were pampered with plenty of choices due to the rising number of unsold homes in the country.

Developers offered discounts and rebates to attract buyers, while homeowners were willing to reduce their prices in the secondary market amid stiff competition.

As such, auctioning homes was tougher in the oversupplied market as buyers can now get properties at the same prices as auctioned homes.

The government also implemented the national Home Ownership Campaign (HOC) in January, a 12-month initiative which allows buyers to purchase houses with a minimum 10% discount, in addition to stamp duty exemptions.

Although developers were and had been giving discounts such as zero deposit and free stamp duty, among others, prior to the HOC, the campaign has definitely boosted the confidence of buyers.

RM21 billion worth of properties have been sold during the HOC as of early November, the Real Estate and Housing Developers' Association Malaysia (Rehda) said recently.

The total value is for about 28,000 homes sold during the period.

Meanwhile, Housing and Local Government Minister Zuraida Kamaruddin said the HOC surpassed the projected RM15 billion sales target with 27,823 residential units sold valued at RM17.66 billion as of Nov 11.

According to data from Bank Negara Malaysia (BNM), approved mortgages in Malaysia's banking system hit a near five-year high at RM11.12 billion in July, largely driven by sales from HOC and an accommodative monetary policy.

Unaffordability

Although there was an increase of approved housing loans this year, housing unaffordability remained a major issue in the property market.

BNM said housing in Malaysia was severely unaffordable according to national standards as the country's house price-to-household annual income increased to 4.8 times in 2016.

A house is deemed affordable if it is priced not more than three times the annual household income.

Due to housing unaffordability issues, several incentives were provided particularly for first-time home buyers.

During the tabling of Budget 2020 in November, the government said it's extending the Youth Housing Scheme administered by Bank Simpanan Nasional from Jan 1, 2020, until Dec 31, 2021.

The scheme also offers a 10% loan guarantee via Cagamas Bhd to enable borrowers to get full financing and RM200 monthly instalment assistance for the first two years, limited to 10,000 homes.

The government is also introducing the rent-to-own (RTO) financing scheme to promote home ownership.



It's a buyers' market amid oversupply

Property players should consider consolidation as part of their growth strategy



Overhang units of serviced apartments jumped to 18,186 units at RM14.6b in 1H19 compared to 11,371 units at RM9.2b in 2H18

Under the RTO scheme, up to RM10 billion will be provided by financial institutions, with the government supporting via a 30% or RM3 billion guarantee.

Hence, it is timely — albeit rather late compared to other countries — for Malaysia to have its own Rental Tenancy Act, which is currently being planned.

Bailing Out Developers?

As the oversupply of houses shows little sign of abating, some say the government is bailing developers out from the problems they created themselves.

The federal government's decision to lower the threshold for foreign property ownership from RM1 million to RM600,000 in 2020 — for real estate in urban areas — created a fair bit of buzz.

While the move is aimed at lowering the

condominiums and apartments supply overhang, and boosting foreign buyer sentiment as foreign ownership of Malaysian properties is still very minimal, many are unhappy about a ruling that appears to favour foreign buyers over locals struggling to own their first homes due to huge disparities between house prices and incomes.

Industry players said they haven't seen any significant impact from the lower threshold as of early December.

Overhang residential properties in the first half of 2019 (1H19) increased to 32,810 units at RM19.76 billion, from 32,313 units at RM19.86 in 2H18, data from the National Property Information Centre showed.

Overhang units of serviced apartments jumped to 18,186 units at RM14.57 billion in 1H19 compared to 11,371 units at RM9.16 billion in 2H18.

Why would the government help developers in selling their properties?

One of the reasons is that property development is linked to a wide-ranging ecosystem in the larger construction sector, from cement production to steel and framing to roofing, generating billions in economic value.

It is a subsector of the construction sector, which is linked to another 140 downstream industries including transportation and communication.

The construction sector is one of the country's major growth drivers, as evident in domestic economic statistics.

Malaysia's GDP rose 4.4% year-on-year in the third quarter of 2019 (3Q19), the slowest pace since 3Q18, as exports weakened and the mining and construction sectors delivered a timid quarter.

Construction industry growth turned negative during 3Q19, contracting 1.5% from a 0.5% growth during the April-June period, due to the slowdown in the non-residential subsector as the commercial properties oversupply began to drag economic activities.

Apart from disposing of non-core land and assets, developers are also turning to recurring income in tough times.

Paramount Corp Bhd is expanding its Co-labs Coworking space, while Sime Darby Property Bhd is transforming itself to expand into industrial and logistics development.

As such, it makes sense now for property players to consider consolidation as part of their growth strategy.