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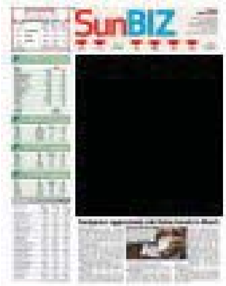

'Start looking, weigh your options, prepare financially'

Buying after MCO and Covid-19 is good for owner-occupiers, long-term investors: PropertyGuru M'sia head

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PETALING JAYA: Buying property post-Covid-19 and the movement control order (MCO) is a good idea, but only for owner-occupiers and long-term investors who can still afford to do so, according to PropertyGuru Malaysia.

Its country manager Sheldon Fernandez *(pix)* said property developers are adding value to properties, asking prices are decreasing and the financing environment is conducive.

In addition, interest rates will be forgiving thanks to Bank Negara Malaysia's (BNM) Overnight Policy Rate (OPR) cuts, compared to 8-9% or double-digit rates in the past.

The numerous financing catalysts which have been introduced recently, including BNM's reduction of the statutory reserve requirement ratio to 2%, BNM's moratorium on financing payments, and revised voluntary Employees Provident Fund contribution guidelines, are further impetuses to buy.

"With more domestic liquidity and a sharp fall in loan applications, banks will be looking for quality borrowers. It's a good time to start looking, weighing your options and prepare financially," said Fernandez.

He noted that the "best" time to buy is when falling asking prices start rising again.

"The right time is when you're trying to bottom up. A year or two later after the crisis, you'll see the rebound happen and you'd want to catch that curve," he said in a live question-and-answer session on Facebook called "To Buy or Not to Buy Property Post-Covid-19?" yesterday.

He said Malaysia is not coming out of a boom market as asking prices have been decreasing since the fourth quarter of 2016, as reported in the PropertyGuru Malaysia Property Market Index Q1 2020 Report, and now the country has been hit with the Covid-19/MCO situation.

"But as seen in historical data, we rebounded quickly in a year or two," he added.

However, Fernandez said, right now it may be a good time for short- and medium-term investors to flip, as current conditions favour speculative investors since they have the option to secure good assets.

"The only risk factors are demand and time. There is no locational or asset risk. Decreasing prices and low interest rates will lead to improvements in rental yield, which will be more pronounced in the industrial space," Fernandez noted.

On how Covid-19 and MCO have affected property developers, he said the immediate impact is on sales and cashflow, as home loan applications decrease.

"Highly geared developers will face operational challenges but unbilled sales will help cushion the short-term impact. BNM's financing moratorium would not impact developer cashflows, as those measures address post-vacant possession instalments. More developers will be looking for online and technology driven solutions, such as virtual tours."

Meanwhile, 25,000 agents nationwide have been negatively impacted since the MCO started as their activities have come to a grinding halt.

Fernandez said the current situation is a short-term slowdown with prospects for recovery in the near future.

During the 1998 recession, in conjunction with the outbreak of the Nipah virus, transaction volumes and values declined 32.3% and 47.6% respectively.

Overall house price growth dropped 9.4% in 1998, detached homes fared worst, with prices shrinking by 13.6%. Terrace homes showed least volatility, with a low of -4.8%. High-rises were nearly as resilient as terrace homes through both crisis and recovery.

On whether the 1997/1998 Nipah virus outbreak and recession is a good model to compare against the Covid-19 outbreak, Fernandez said they serve only as a worst-case scenario for the economy and property.

"It is not an apple to apple comparison as 1997/1998 involved a financial crisis. Malaysia's financial system is still healthy in comparison, buffering the fallout from the Covid-19 outbreak," he noted.