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Property sector big beneficiary of Penjana

But analysts say outlook remains largely neutral

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PETALING JAYA: Incentives introduced under the fourth Covid-19 stimulus package, dubbed Penjana, will help boost investor sentiment towards the property sector.

Nevertheless, analysts in general remain largely neutral on the sector, citing subdued prospects due to the challenging economic outlook.

For instance, CGS-CIMB Research said it expected the property sector to trade higher in the short term due to the "feel-good factor" from the positive measures announced.

"However, we stay sector neutral given the weak macro outlook, affordability issues and expected lower property sales, even though the KL Property Index is currently trading at 0.4 times price-to-book-value (P/BV), which is around two standard deviation below its historical 10-year valuation of 0.75 times P/BV," the brokerage said in a note.

TA Research pointed out that the measures introduced under the recently unveiled short-term economic recovery plan were "wishes come true" for the property sector.

"Developers' wishes have finally come true with the government announcing the Home Ownership Campaign (HOC) 2020, along with real property gains tax (RPGT) exemption and removal of 70% loan-to-value (LTV) ratio on third housing loan," the brokerage wrote in its report.

"Home buyers and investors are expected to be the biggest beneficiary from Penjana, as measures unveiled would help to reduce their entry and exit cost.

"We believe all private developers will also benefit from Penjana, as the measures should help absorb developers' unsold stocks and boost sales of new property launches," it said.

TA Research noted that while the current

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accommodative interest-rate environment would continue to bode well for the housing market, it reckoned the loosening policy alone would unlikely revive the overall housing market.

This is because weak consumer sentiment and stringent lending practices remained key reasons for the lacklustre property sales.

It maintained its "neutral" stance on the property sector.

"Although we believe property buying interest will increase with Penjana incentives, the property sector outlook remained clouded by key challenges such as uncertainty of Covid-19 containment, the gloomy economic outlook, cautious spending due to job loss anxiety, unresolved overhang issues and strict lending policy," TA Research said.

"Depending on the effectiveness of the government's efforts on restoring businesses and employment, increasing people's purchasing power as well as discovering new economic opportunities, we expect a gradual recovery in the second half of 2021," it added.

Last Friday, the government unveiled several positive measures for the property sector under Penjana.

The HOC, which would run from June 1, 2020, to May 31, 2021, would see the implementation of a minimum 10% discount on residential properties, stamp duty waiver of up to RM1mil on instruments of transfer for properties priced between RM300,000 and RM2.5mil, and stamp duty waiver of up to RM2.5mil on loan agreements for properties priced between RM300,000 and RM2.5mil.

The RPGT exemption for individuals would be effective June 1, 2020 to Dec 31, 2021. This would be limited to disposal of three units of



residential homes per person. The removal of 70% LTV ratio on third housing loan was for property priced RM600,000 and above.

"We believe these measures are positive for developers but the impact could be largely mitigated by an anticipated contraction in Malaysia's gross domestic product and potentially higher unemployment rate due to disruption from the Covid-19 outbreak," CGS-CIMB said.

"It remains uncertain whether people will purchase big-ticket items during challenging times despite incentives given and low interest rates (2%), as property prices have more than doubled from 2009," it added.

Meanwhile, Public Investment Bank Research (Public Invest) said it remained "neutral" on the measures announced for the property sector under Penjana.

"We believe that in the short term, stresses due to the slowing economy could take centre stage with recovery longer than expected owing to the potential hike in unemployment that could deter big-ticket buying such as properties," it said.

"While the tax reliefs are positive, consumer sentiment is still scarred by the Covid-19 pandemic and impact from the movement control order," it noted.

In addition, Public Invest said the ongoing political uncertainties and high property overhang could also dampen property demand albeit the undemanding valuations. Hence, it maintained its "neutral" call on the sector.