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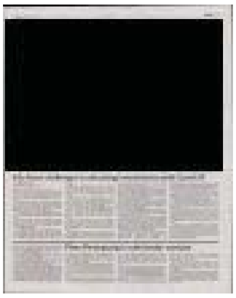

PROPERTY

Property players call for proactive action

Policy measures needed to overcome unresolved issues

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PETALING JAYA: The next six months will shed light as to where the housing sector is heading but analysts and property consultants are not holding their breath, as many structural issues remain unresolved.

Large structural issues aside, the immediate hurdle to cross is the lifting of the banking loan moratorium on Sept 30, 2020, which may see owners offload their units, Kenanga Research said.

"The severity of the situation is only accessible post-Sept 30," the July 8 report said, adding that owners may be competing with developer's sales.

"The supply-demand imbalance is expected to persist. The high levels of inventory - comprising existing stock and incoming supply of unsold units still under construction - will remain elevated in the foreseeable future.

"And demand will likely weaken in the midst of economic uncertainties arising from the Covid-19 pandemic and oil price slump," Kenanga said.

Kenanga said potential buyers might hold off purchases beyond Sept 30 for bigger discounts, a view which lends support to a one-week June 19-26 survey conducted by TA Securities with a sample size of 120.

In that survey, 63% of its respondents think houses are still expensive. More than 50% think prices will decrease over the next six months.

While they agree that the government's reintroduction of the Home Ownership Campaign (HOC) effective between June 1, 2020, and May 31, 2021 will help, 67% of them prefer to park surplus cash in stocks. Only 5% would buy a property.

An industry source said: "Chances of capital gains will be slim.

"There is a lot of competition out there because of the huge overhang.

"The overhang is massive, a result of the bull run on the property market some years ago.

"There was a lot of euphoria then, exacerbated by various factors - a slew of infrastructure projects and other feel-good factors.

"The situation is now different.

"People do not even know what is going to happen next month. Salaries may be cut, they may lose their job and buying a property is a long-term commitment.

"Even if they have money, they are not confident and you cannot flip properties at a time like this," the source said.

TA Securities Research say owners will take the opportunity to sell their units in order to take advantage of the real property gains tax (RPGT) exemption which came into effect on June 1, 2020, till Dec 31, 2021.

For perspective, in order to help the economy to overcome the debilitating effects of the coronavirus pandemic, the government announced different stimulus packages over the period of several months.

The loan moratorium was announced on March 25, 2020, eight days after the MCO kicked in on March 18, to provide temporary relief because economic activities came to a standstill.

On June 5, the government, under short-term economic recovery plan or Penjana, it reintroduced HOC effective between June 1, 2020, and May 31, 2021.

It also allowed 90% loan-to-value ratio for third purchase, compared to the previous 70%, and did away with RPGT.

On the impact of Bank Negara lowering its overnight policy rate (OPR), effectively lowering interest rates for borrowers, TA Securities said the collective loosening of monetary policy is "unlikely to revive" the overall housing market, given the weak consumer sentiment.

Quoting the National Properties Information Centre (Napic), TA Securities said the Malaysian property sector, represented by mainly by Kuala Lumpur, Selangor, Penang and Johor showed widespread sales weakness.

Residential transaction volume for all four dropped 11% year-on-year to 20,075 units at the end of the first quarter ending March 31, 2020.

In ringgit value, it declined 16% compared to the previous year, to RM10.3bil.

Both TA Securities and Kenanga said there are certain structural measures needed, which property consultants agree.

City Valuers property consultant C Y Lim said the government needs to be proactive instead of reactive.

He concurred with Michael Kong Kok Kee, president of the Association of Valuers, Property Valuers, Property Managers, Estate Managers, Estate Agents and Property Consultants in the Private Sector of Malaysia (PEPS) that certain policy measures are needed to overcome long, unresolved issues.

These include:

> having an automated mechanism to release unsold bumiputra units

> lowering high compliance costs imposed on developers by state authorities because ultimately, these costs are passed to buyers

> making it mandatory for developers to do independent market and feasibility studies before development begins.

PEPS president Michael Kong said developers must ensure there is demand for the properties they are planning to build before they start work.

CY Lim said: "Local and planning authorities must exercise proper controls when approving new buildings.

"They must ensure that there is demand.

"This is where these studies, done independently, come in.

"Because these projects have massive outlay, developers are dependent on funding.

"Banks and lending institutions must ensure there is demand for the projects they are funding. They have the most to lose," Lim said.

Both Lim and Kong said because developers want to save costs, they lobbied for this important control to be done away with years ago, which has resulted in over-building at prices beyond the people's effective demand.