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Mixed views on property sector

Sales may improve marginally in second half

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PROPERTY

PETALING JAYA: The Malaysian property sector is expected to remain rather insipid for the remainder of 2020, as the compounding effects of the global pandemic outbreak, local economic and political uncertainties will continue to create an air of uncertainty despite the various market-spurring initiatives.

PPC International managing director Datuk Siders Sittampalam feels that the property market in the second half of this year "won't be very much different" then how it was in the first six months of 2020.

"Given the economic and political uncertainties and with a potential election looming, I don't think the various government initiatives will have much of an impact on the property sector. However, I do believe that the market will hold on. There won't be a decline," he told *StarBiz*.

MIDF Research in a report yesterday said it expected new property sales to improve marginally in the second half of this year due to incentives introduced in the Short-Term Economic Recovery Plan (Penjana).

"The incentives introduced are expected to stimulate more buying interest from buyers. Nevertheless, we do not expect the measures introduced in Penjana to boost the property sector strongly as we expect it to only partially cushion the negative impact of cautious

buyer sentiment.

"Buying interest is expected to recover in the second half of 2020. However we do not expect the momentum of recovery to be strong as buyer's sentiment remains cautious due to uncertainty on economic growth."

Siders said the property sector would likely only experience a recovery from next year.

"This year, there won't be much change in the market, unless we get hit by a second wave (of the Covid-19 pandemic). In terms of a potential recovery, we only expect things to pick up from July next year."

Under Penjana, the government announced that the Home Ownership Campaign (HOC) would be re-introduced. Under the campaign, stamp duty exemption will be provided on the transfer of property and loan agreement for the purchase of home priced between RM300,000 and RM2.5mil.

Meanwhile, the exemption on the instrument of transfer is limited to the first RM1mil of the home price, while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between June 1 to May 31, 2021.

In addition, the government has announced real property gains tax exemption for

Malaysians for the disposal of up to three properties between June 1, 2020 and Dec 31, 2021.

Meanwhile, MIDF Research said it expected loan demand to recover in the second half of this year.

"According to statistics released by Bank Negara, total applied loan for purchase of property improved sequentially by 52.9% month-on-month to RM13.1bil in May 2020 after plunging by 64.8% month-on-month in April."

The research house said total loan applications recorded a steep decline in April due to disruptions to business activity following the commencement of movement control order.

"Nevertheless, total applied loans in May was lower by 61.8% year-on-year while cumulative total applied loan in the first five months of 2020 was lower by 33.6% year-on-year, indicating buying interest was subdued. Looking ahead, we expect buying interest to recover in the second half of 2020 due to incentives introduced under Penjana."

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Recovery seen for property sector in fourth quarter

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Separately, TA Securities in a recent report said prospects for developers are expected to remain challenging, particularly for small-cap developers with less flexibility in rolling out attractive product types and pricing for their new launches.

"We expect appetite to buy property to remain lacklustre for the next six months, as households are still concerned over job security as the world is experiencing a severe economic downturn.

Looking beyond the widely expected weak first half, the research house said developers should chart a better performance closer to the final quarter of this year, as the market slowly regain confidence.

TA Securities added that the recovery in the fourth quarter would be supported by factors such as economic recovery and reintroduction of the HOC.

"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."

Citing data released by the National Property Information Centre, MIDF Research said unsold completed residential units in Malaysia eased for four consecutive quarters in the first quarter of 2020 since the second quarter of 2019.

"Latest data as of the first quarter of 2020 saw that unsold completed residential units eased by 3.2% quarter-on-quarter and 9.8% year-on-year to 29,698 units.

"We think that the decline in property inventory was largely due to HOC in 2019 and aggressive efforts of property developers to clear their inventory whereby developers offered discount and attractive package to attract property buyers. Going forward, we reckon property inventory to continue to decline in 2020 due to reintroduction of the HOC."