Headline	Property market likely to stay flat Residential overhang up 3.3percent in first half		
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Property market likely to stay flat

Napic says Home Ownership Campaign has helped the sector

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PROPERTY

PUTRAJAYA: The Malaysian property sector, which saw a slight increase in the level of residential overhang in the first half of the year, is expected to remain soft for the remainder of 2020 in light of the economic uncertainties created by the global Covid-19 pandemic.

The National Property Information Centre (Napic), in its report on the Malaysian property market for the first half of 2020, said the rate of recovery will depend on both local and external factors.

"Despite cautious optimism in the nation's projected economic recovery, with the resumption of market activity under the recovery movement control order and the proposed measures under Penjana, the property market is more than likely to remain soft for the remaining half of 2020.

"The pace of improvement will depend on both domestic and external factors such as political stability, global oil and commodity prices as well as further developments related to the Covid-19 pandemic."

One property consultant expected the property market to remain flat this year.

"I think the performance of the market would be worse if not for the Home Ownership Campaign (HOC), which has given the industry a much needed boost in light of the global turmoil," he said. The government reintroduced the HOC in June to boost the local property sector.

"With the HOC, I think the property market will be quite flat compared with last year," he said. At the 2020 National Housing and Property Summit last week, KSI Strategic Institute of Asia Pacific president Tan Sri Michael Yeoh said the property sector needs to embrace innovation including artificial intelligence, big data and robotics. "Today, we are seeing virtual property fairs and new property technology being introduced. The property sector needs new investors and foreign investments. The sector also needs new incentives to reignite growth and be a key engine for the economy."

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Residential overhang up 3.3% in first half

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According to Napic, the residential overhang in the country increased by 3.3% to 31,661 units valued at RM20.03bil in the first half of 2020, compared with 30,664 units valued at RM18.82bil in the previous corresponding period, due to slow market absorption of the primary market.

The number of new launches in the first half of 2020 dropped 43.6% to 13,294 units, compared with 23,591 units in the previous corresponding period.

Sales performance was poor at 3.3%, considerably lower compared with the first half of 2019 (30.9%).

Napic said the fewer new launches could be attributed to the implementation of the movement control order on March 18.

Newly-launched houses priced between RM100,000 and RM500,000 dominated the market in the first half of 2020, with the RM200,000 to RM300,000 price segment leading supply with 4,022 units (30.3%).

Meanwhile, sales concentrated on units priced RM400,000 and below constituted 92% of total sales.

By property type, terraced houses dominated new launches.

Single-storey and two- and three-storey terraces contributed 55.6% (7,389 units) in total, followed by condominium/apartment units (29.7%; 3,951 units).

Additionally, Napic said, the Malaysian House Price Index (MHPI) continued to grow moderately.

As at the second quarter of 2020, the MHPI stood at 198.3 points (base year 2010), up by 0.4% annually, the lowest annual growth recorded since 2010.

However, on a quarterly basis, the index points decreased marginally by 0.7% against the first quarter of 2020 (199.7 points).

Meanwhile, the serviced apartment segment, which falls under commercial property despite its usage as residential units, recorded 1,433 transactions worth RM0.97bil in the first half of 2020.

This formed 17.7% of the commercial property transaction volume and 11.5% of total value.

Its market performance recorded a decrease of 24.2% in volume (first half 2019: 1,891 transactions) and 25.3% in value (first half 2019: RM1.3bil).

The serviced apartments overhang continued to increase, accumulating a total of 21,683 units valued at RM18.64bil, up by 26.5% in volume and 23.9% in value.

The number of unsold under construction and unsold not constructed increased to 35,720 units and 10,874 units, up by 5.6% and 42% respectively.

The overall property sector meanwhile recorded 115,476 transactions worth RM46.94bil in the first half of 2020, a decrease of 27.9% in volume and 31.5% in value compared with the first half of 2019, which recorded 160,165 transactions worth RM68.53bil.

Maybank Investment Bank Research in a recent report cautioned that a much weaker economy due to rising job cuts and business closures, as well as more auctioned properties, may stifle the effects of the stimulus.

"The end of the six-month loan moratorium at the end of this month could lead to more business closures and a number of auctioned properties.

"Higher non-performing loans could prompt banks to be more selective and careful in approving loans.

"Hence, this might affect the demand for properties," it said.