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Cautious optimism towards better property outlook in 2021

KUALA LUMPUR: The property market remains soft this year despite the cautious optimism towards the nation's projected gradual economic recovery.

With the resumption of market activity under the Recovery Movement Control Order and the proposed measures under the National Economic Recovery Plan (Penjana).

The pace of improvement will be dependent 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.

According to the National Property Information Centre (Napic), the property market's performance recorded a sharp decline in the first half (1H) of 2020, in consonance with the Malaysian economic performance, which contracted by 17.1 per cent in the second quarter (2Q) of 2020.

However, Malaysia's Gross Domestic Product in the third

quarter of 2020 (3Q20) decreased at a slower pace of 2.7 per cent from the double-digit decline of 17.1 per cent in the Q2 2020.

For the 1H 2020, the property sector recorded 115,476 transactions worth RM46.94 billion, a decrease by 27.9 per cent in volume and 31.5 per cent in value compared with 1H 2019, which recorded 160,165 transactions worth RM68.53 billion.

While in 3Q20, Napic said the volume of transactions and yearly change recorded an improvement with 89,245 units from 83,085 units in 3Q19, with 7.4 per cent from 5.5 per cent in the same quarter last year, respectively.

This was led by the residential sub-sector, followed by agriculture, development land and others, commercial and industrial.

Transaction value in total for 3Q20, however, declined to -2.4 per cent from 4.6 per cent year-on-year with RM33.78 billion



The property market's performance recorded a sharp decline in 1H, in consonance with the Malaysian economic performance, which contracted by 17.1 per cent in 2Q. — Bernama photo

from RM34.62 billion previously.

To encourage homeownership, the government has reintroduced the Home Ownership Campaign (HOC) under Penjana, which will attract more first-time buyers

into the market in the 2H 2020, said market players.

They said the move would make it easy for buyers to get into the property market and would alleviate the current oversupply of unsold properties

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in the market.

Under the HOC, stamp duty exemption would be given on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 and RM2.5 million subject to the developer providing at least a 10 per cent discount.

The exemption on the instrument of transfer is limited to the first RM1 million of the housing price while full stamp duty exemption is given on loan agreement effective for sale and purchase agreements inked between June 1, 2020 and May 31, 2021.

In short, this would allow a much lower payment or even no stamp duty at all for property purchase.

Besides, Bank Negara Malaysia's decision to maintain the overnight policy rate at 1.75 per cent in September as global economy continued to improve, coupled with strong policy support, is also an attraction for

house seekers, as a low interest rate would give a head start in interest rate savings.

Backed by these efforts, the Real Estate and Housing Developers' Association Malaysia is cautiously optimistic about the outlook for the property sector, and hopes for a better improvement in the 1H 2021, provided there is no new community transmissions of Covid-19 in the country.

On another note, the property market has experienced a correction in terms of pricing with more affordable housing launched in the 1H 2020.

According to Naptic director Aina Edayu Ahmad, half of the new launches in 1H 2020 comprised houses priced at RM300,000 and below (6,657 units), while the RM300,001-RM500,000 range of houses accounted for 28.9 per cent (4,476 units) and houses priced over RM500,000 accounted for 21.1 per cent (2,161 units).

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