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Developers remain cautious on 4Q performance

8 of the top 10 property firms listed on Bursa Malaysia posted a net profit increase in 3Q on a QoQ basis

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DEVELOPERS remain cautious of their financial performance outlook for the final quarter this year (4Q20) on the back of slow conversion rate and the reintroduction of the Conditional Movement Control Order (CMCO) across most states during the period.

Data compiled by Bloomberg showed that eight of the top 10 property firms listed on Bursa Malaysia posted a net profit increase in 3Q on a quarter-on-quarter (QoQ) basis, signalling a gradual recovery in the property market. The only two companies which recorded a QoQ loss were Sime Darby Property Bhd (SDP) and SP Setia Bhd.

SDP saw its net loss widen to RM355.26 million in its 3Q20 ended Sept 30, 2020, from a net loss of RM81.77 million in 2Q20, mainly due to share of impairment loss from Battersea Project Holding Co Ltd, which owns 40%. SP Setia also saw its net loss extended to RM263.43 million from RM141.55 million over the same period, hurt by impairments.

SDP said the group is mindful of the challenges presented to the Battersea Power Station rejuvenation



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project in the UK as a result of Covid-19 and Brexit. The group is also closely monitoring its investment and is cautiously optimistic of this iconic project's long-term potential. "The final quarter of the year is therefore expected to be challenging," the company stated in a filing.

Meanwhile, SP Setia president and CEO Datuk Khor Chap Jen said the group's key focus in 4Q20 would be on the swift conversion of its secured bookings amounting to RM1.67 billion as at Oct 31, 2020.

"The Overnight Policy Rate cuts, which totalled to 125 basis points year-to-date to an all-time low of

1.75%, provided the much-needed cushioning and support to the housing demand, particularly in the primary market.

"We can see a relatively stronger recovery in the loan application growth for residential property purchases that are mainly owner-occupied, and in the mid and affordable market segment," he said in a statement.

On a year-on-year (YoY) basis, only three of the top 10 companies had registered higher profits, namely IOI Properties Group Bhd, UOA Development Bhd and Matrix Concepts Holdings Bhd.

IOI Properties' net profit was up

40.6% YoY in 1Q21 to RM192.11 million against RM136.64 million in 3Q19 on higher sales contribution from its operations both in Malaysia and China.

Despite posting growth in earnings during the quarter, the company expects the operating environment to remain challenging and uncertain moving forward.

"The recovery of the property investment and hospitality segments have been impacted by the reinstatement of the CMCO by the government in light of the resurgence in Covid-19 cases.

"Nevertheless, the group will continue with its prudent and professional management approach to ensure the delivery of satisfactory performance in the coming quarters while consolidating its market position and strengthening its competitive edge to seize any opportunity which may emerge when the situation improves," the developer stated in a recent filing.

It added that the retail and office segments will continue to adopt active and pragmatic tenant retention strategies to maintain occupancy rates and to support the tenants as business partners.

With regards to the hospitality and leisure segment, the group will maintain its aggressive marketing and promotion packages, while implementing cost-optimisation strategies by progressively right-sizing the workforce in

preparation for medium-and long-term recoveries.

Meanwhile, UOA, another developer which posted earnings growth during the July to September 2020 period, stated that the group will maintain its focus on developments at targeted geographical locations while exploring strategic development lands that meet the objective of the group.

Its net profit more than doubled to RM208.93 million in 3Q20 compared to RM101.91 million last year, mainly due to the fair value adjustment on investment properties of RM114 million with the revaluation of UOA Corporate Tower.

The developer's revenue in the three months, however, more than halved to RM134.34 million from RM288.44 million in 3Q19 due to higher progressive recognition in the corresponding quarter of the previous financial year in respect of United Point Residence and Sentul Point Suite Apartments in Kuala Lumpur, and higher sales of stocks.

Yesterday, Eco World Development Bhd announced that its net profit for 4Q20 was down 18.4% YoY to RM66.46 million from RM81.46 million a year ago despite posting its highest profit this year.

The company said the improved turnover signifies a healthy rebound in both sales and construction progress, following a gradual relaxation of the MCO from 3Q onwards.