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**Datuk Soam Heng Choon**  
President,  
REHDA Malaysia



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Deputy  
President,  
Master Builders  
Association  
Malaysia



**Datuk Ezumi Harzani Ismail**  
President,  
Pertubuhan  
Akitek Malaysia

# How hard is this hit?

- Will MCO 2.0 send a death knell to the Malaysia property sector?
- How many jobs are on the line?
- Will property prices fall?
- Read what industry experts say on **Pages 4 to 7.**

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IMPACT OF  
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ON THE MALAYSIAN  
PROPERTY SECTOR

# Impact of MCO 2.0 on the property market

BY RACHEL CHEW AND CHELSEA J. LIM

As the Covid-19 pandemic continues to ravage Malaysia, the government took to imposing the Movement Control Order (MCO) 2.0 to curb the deadly coronavirus nationwide, except for Sarawak, until Feb 4, 2021.

The first announcement came on Jan 11, 2021, with six states – Penang, Selangor, Melaka, Johor, Sabah, Kelantan and three Federal Territories (Kuala Lumpur, Putrajaya and Labuan) placed under MCO from Jan 13 to Jan 26. It was then extended to Feb 4.

On Jan 18, Seremban and Port Dickson in Negeri Sembilan also had MCO enforced from Jan 19 to Feb 1.

As the number of cases continued to rise, the next day saw Perak, Kedah, Perlis, the whole of Negeri Sembilan, Pahang and Terengganu being placed under MCO from Jan 22 to Feb 4.



LOW YEN YING | EdgeProp.my

To recap, Malaysia was first put under a lockdown on March 18, 2020. As the first wave of the virus spread was gradually pushed back, restrictions were correspondingly eased, and the economy saw hopeful recoveries.

However, subsequent outbreaks, worse than the first, have struck the nation, and for many sectors, whatever recoveries they made are now being erased.

The building and development industry is among the many hard-hit sectors, but gritting their teeth through it, its key stakeholders concur MCO 2.0 is necessary.

This was voiced by Rehda Malaysia president Datuk Soam Heng Choon, Master Builders Association Malaysia (MBAM) deputy president Oliver Wee Hiang Chyn and Malaysian Institute of Architects (PAM) president Datuk Ezumi Harzani Ismail, in the EdgeProp

Malaysia Virtual Fireside Chat held on Jan 19. The Facebook Live session entitled "Impact of MCO 2.0 on the Malaysian Property Sector" discussed various issues that resonate not only with the industry players, but property investors too.

## Will property prices fall?

One of the issues raised by many viewers was whether property prices would go down in the light of current uncertainties.

On this, Soam said the current prices have "hit rock bottom." He does not foresee prices dipping further.

"The selling price now is the result of the input cost made up of the spiking building material price and additional cost incurred due to the pandemic. All developers want a quick sale so that they can pay the contractors and so on to move the business," he explained.

Nevertheless, he also highlighted

that developers have gone back to the drawing board as far as launch projects and pricing are concerned as they want to minimise more losses or additional holding cost at this point in time.

"With the Malaysia My Second Home (MM2H) programme put on hold and MCO reinstated, the developers have no other choice but to price the new projects at a very competitive price to survive the pandemic," he noted.

MM2H is a government programme aimed at promoting Malaysia as an ideal place to stay and invest in. Interested foreign applicants who fulfil the criteria will be offered 10-year renewable visas. The programme raked in RM40.6 billion in total from its introduction in 2002 until 2018, from 21,841 approvals. However, the scheme was temporarily frozen to enable the Ministry of Tourism, Arts and Culture to conduct a comprehensive study and reevaluation.

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Ezumi concurred that current property prices are affordable as the pandemic has already adjusted the market.

"Whatever that is overpriced will not work anymore. The pandemic has adjusted the market and what we have now in the market is affordable and matches the income level of the local buyers," he shared.

Wee stressed that the property price may not reduce to the level which the market wishes for, as the indirect construction input cost has increased, such as temporary shutdown of construction sites, lack of skilled workers and higher standard of workers' living and working facilities.

"The selling price is a reflection of the additional construction cost due to the pandemic," Wee said.

As for secondary market properties, Soam noted it is not surprising the traditional property hot spots remain popular even during an economic downturn. Land scarcity is one of the reasons that supports the price and popularity - for instance, demand for landed residential properties near the Mid Valley (Kuala Lumpur) area will remain intact as there isn't any suitable land left for development, he explained.

"The existing landed house prices will be holding up firmly as everyone knows it is a good location and you will never go wrong buying there, so don't expect it to be cheap during a downturn.

"If there is a sudden price drop in a property hot spot, it will mean something is wrong with the country's economy, which we don't want to see happen," Soam noted.

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*"If there is a sudden price drop in a property hot spot, it will mean something is wrong with the country's economy, which we don't want to see happen."*

— Soam



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## Bleak outlook for retail sector



The prospect of the retail sector may look gloomy during the second Movement Control Order (MCO 2.0) period as most retailers are categorised under non-essential industry, therefore has no permission from authorities to operate.

In the EdgeProp.my Virtual Fireside Chat entitled "Impact of MCO 2.0 on the Malaysian Property Sector", which was held on Jan 19, Real Estate and Housing Developers' Association Malaysia (Rehda) president Datuk Soam Heng Choon said it's better for developers and investors to review their decision on whether to open new shopping malls.

He added the retail business would only come back when the MCO is over, based on observation from December last year, when the malls were packed with people.

Soam also mentioned the prospect for office property is uncertain due to the new norm. "Because of physical distancing, people may need a bigger office if they want everybody to be in the office. But working from home is different for everyone. Productivity is different for everyone and it also depends on the [individual] industry."

Meanwhile, Soam said the outlook for industrial and warehouse properties looks promising as investors are keener to explore the sector due to the increasingly high demand in e-commerce.

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## Post-pandemic: What could fuel economic recovery

Political stability is one of the key considerations for investors when deciding whether to put their money in other countries. Hence, it's crucial for the country's leaders to regain investors' confidence in Malaysia.

Speaking at the EdgeProp.my Virtual Fireside Chat entitled "Impact of MCO 2.0 on the Malaysian Property Sector" on Jan 19, 2021, Real Estate and Housing Developers' Association Malaysia (Rehda) president Datuk Soam Heng Choon pointed out that the ongoing political situation in the country could be a reason that has influenced foreign investors' interest in Malaysia.

"I'm surprised we are losing to Indonesia. Amazon and Google have gone there. These are digital companies and do not require affordable labourers, which is Indonesia's strength," he noted.

Soam added that only by addressing the elephant in the room can the economy move forward. "When the economy moves, people will have more income and are more willing to buy property, so that we (developers) can provide more jobs. Because of the political overhang, the economy is not moving and foreign investors are not coming in."

Meanwhile, deputy president of Master Builders Association Malaysia (MBAM) Oliver Wee Hiang Chyn said he is not that worried about the economy post Covid-19 as he believes the people in the industry are experienced, given the past history in excellent economic recoveries.

Instead, he noted that different property industry stakeholders such as Rehda, Malaysian Institute of Architects (PAM) and MBAM should sit down together and reach a mutual agreement on how they should tackle the current industry challenges and problems to mitigate the damage and losses.

"Rather than focusing on what projects we are going to have post Covid-19, this is what we should focus on instead," added Wee.

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### Some 180 industries dependent on property sector

Unlike the first MCO in March last year which caught all Malaysians off-guard and put a halt on almost all business sectors, Soam noted more business sectors, including construction, are allowed to operate in MCO 2.0. This has alleviated the economic impact on construction and property development industries.

"However, since the MCO 2.0 started, there have still been many discussions going on and many of us are still wondering where we are heading to. For example, we need to make sure others in the property industry supply chain are also allowed to operate or the entire development progress will not be seamless... There are areas of doubt that need to be clarified," Soam shared.

He highlighted there are more than 180 industries related to or even dependent on the property industry. "If the property industry goes wrong, 180 industries and 1.4 million people in the supply chain will get affected."

While acknowledging the need to implement MCO 2.0 to flatten the curve, PAM's Ezumi noted it's also important for the authorities to review current policies to regain the confidence of local and international investors and attract them to return to Malaysia.

"Architects rely on investors, regardless local or international. We need them to invest and develop in Malaysia so that we can survive."

"With the daily Covid-19 positive cases spiking up to 4,000 a day, many investors are not sure when the right time to invest is although they know Malaysia is full of potential. Some of the investors have started looking at other markets such as Vietnam and Singapore. We shouldn't let them wait too long," Ezumi said.

Nevertheless, he foresees the impact of MCO 2.0 on the property sector will not be as bad as the first MCO as the duration is much shorter.

"The first MCO lasted for three months and many of us were not prepared for that. Moreover, the property market was already in glut pre-pandemic. With the first experience, many companies had reviewed and readjusted their business strategies and managed to survive the first MCO. They are more well prepared now. I think the impact [of MCO 2.0] will also be smaller this time round," he commented.

Nonetheless, MBAM's Wee is more pessimistic as he believes the construction industry has yet to recover from the first MCO and the sector has been neglected since then.

"The announcement of MCO 2.0 is certainly a big slap to the construction industry as it is in the midst of recovering from the first MCO."

"The recovering progress is much slower than many other industries as all the SOPs (standard operating procedures) have lowered productivity and increased direct and indirect construction cost. In short, we now have shorter operation time to make less progress as we do not receive much help from the government," Wee shared.

He reiterated some of the common challenges construction sites are facing now are shortage of manpower, spiking building material price, shorter working time and higher cost on workers' working and living facilities.

"For example, a hostel that used to house six workers, now only allows four; a bus that can transport 40 workers, now only allows 20. These two can affect the cash flow significantly as the construction progress is key to cost controlling."

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— Ezumi



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OLIVER WEE HIANG CHYN



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"And if a certain number are tested positive of Covid-19 in a construction site, the site will be shut down immediately for disinfection. It is just another form of stop-work order to us. I don't see how it is helpful that construction is allowed to operate in MCO 2.0. It makes very little difference from the first MCO to me," Wee lamented.

### Testing is not vaccination

The Covid-19 outbreak on construction sites has made many news headlines in the past few months. According to Rehda's Soam, more than 40 construction sites recorded Covid-19 outbreaks so far.

"In many cases, the developer took the initiative to do the test and the more we tested, the more [outbreaks] we found, which is a good thing to

prevent a bigger spread.

"However, testing is not vaccination. The construction site will be closed for disinfection and patients will be sent for medical treatment or quarantine, but it has no guarantee [against another outbreak] after the site reopens and workers come back. At least we can shut down the site and hostel for cleaning, but the spread in community is beyond our control," Soam shared.

He pointed out the vaccination is cheaper than the Covid-19 test, hence the best way to curb the construction site outbreak is to vaccinate the workers, including the foreign labourers.

"With the government committed to vaccinating foreign labour recently, it is certainly good news to the industry, as all the while, developers are the ones who bear the testing cost and we always wonder how many rounds we can bear the cost," he shared.

## Does the Covid-19 Act help CONTRACTORS?

The government has announced the extension of the "effective period of inability to perform contractual obligations" under the Covid Act to March 31, 2021, which covers sale and purchase agreements, lease contracts and credit sales contracts for those affected by Covid-19.

While MBAM deputy president Oliver Wee Hiang Chyn welcomes the move as it benefits the industry as a whole, he pointed out contractors need more attention and help.

"Actually, the Covid Act has not helped the construction industry that much. In simple terms, it is just temporary suspension of obligations. Once the Act lapses on March 31, our obligation position will bring us back to before March 18 last year and we still need to apply

for the EoT (Extension of Time).

"We (contractors) don't even enjoy the 160 days EoT from KPKT (Ministry of Housing and Local Government) given to developers. We still need to argue for the right, he said in the EdgeProp.my Virtual Fireside Chat entitled "Impact of MCO 2.0 on the Malaysian Property Sector", which was held on Jan 19, 2021.

Wee urged the government to look into the issue and discuss with all the stakeholders, to ensure every stakeholder in the industry, especially contractors, is being taken care of, not to the maximum, but at least a fair extent.

Rehda Malaysia president Datuk Soam Heng Choon and Malaysian Institute of Architects (PAM)

president Datuk Ezumi Harzani Ismail supported Wee's statement, adding that the property industry stakeholders should share the burden and damage due to Covid-19 via a common-sense approach.

"No reasonable developer will let the contractor fall because it will bring more damage to the project and industry. Up to today, we don't see any major issue as developers are holding the hand of contractors and offering as much help as they can to complete a project," Soam noted.

At the same time, Ezumi added it would be helpful if Singapore's property industry Covid-19 regulations could be imposed in Malaysia, such as implementing a four-month time freeze and a clearer indication of pandemic additional costs incurred to make sure no parties take advantage of the situation and share the losses.

"Nonetheless, I am optimistic we would be in a better position in the second half of this year as the vaccine would be here," Ezumi concluded.

