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Developers have mixed views on property sector's outlook in 2020

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WITH the final reporting season for 2019 just concluded, most developers were able to provide guidance to investors on the outlook for the local property sector in 2020.

At its briefing on Thursday, Sime Darby Property Bhd revealed that it is setting a conservative sales target of RM2.3bil for 2020, the same amount it had set the year before.

This is despite the fact that the company had surpassed the RM2.3bil-mark last year, having achieved total sales of RM3.1bil.

Sime Darby acting group chief executive officer Datuk Wan Hashimi Albakri expects a tough year for property developers in general this year.

"We anticipate a soft, challenging market. With everything that's happening at the moment, we expect sentiment to be affected," he told a press conference.

Kenanga Research in a report says it expects SimeDarby Property to register sales of RM2.5bil over the next two years, while upcoming launches for 2020 will consist mostly of landed residential projects mostly in townships.

"We maintain our sales targets to RM2.5bil for 2020 and 2021, given the challenging climate and may look to increase our targets once confidence in market conditions improve.

"However, we lower our 2020 dividends to 2.9 sen (from 3.9 sen) and introduce 2021 dividend of 3.1 sen on a lower payout ratio of

30% (compared with 40%), implying yields of 3.8% and 4.1%."

Meanwhile, CGS-CIMB in a recent report said property developers would need to strategise their business plans carefully.

"As the property market could remain soft in 2020 due to the prevailing supply overhang situation, absence of the HOC and recent Covid-19 virus outbreak, we expect Sime Darby Property to keep its 2020 sales target at the same level as last year's target.

"Going forward, the group said it will focus on growing its property development segment by offering affordable and mid-range products, monetise low-yielding assets to unlock value and expand further into the industrial and logistics development segment for recurring income."

To address the overhang problem in the country, the government kicked off the HOC in January last year which is a six-month initiative that eventually got extended until year-end.

A number of initiatives were announced during the period to encourage home-ownership, such as the exemption of stamp duties on residential units priced between RM300,000 and RM1mil.

All the properties at the HOC also came with a minimum 10% discount and stamp-duty waivers on the instrument of transfer and the instrument on loan agreement, as well as additional incentives.

The campaign proved successful, having generated total sales of RM23.2bil in 2019, surpassing the government's initial target of

RM17bil.

Wan Hashimi is hopeful that the HOC would be extended into 2020 as it would benefit local developers.

At a media briefing earlier in the week, UEM Sunrise Bhd chief executive officer and managing director Anwar Syahrin Abdul Ajib said while the HOC was a boost to developers in general last year, he cautioned however that extending it again this year would bring more harm than good.

"We can't keep having HOCs every year as it just won't be sustainable for the market," he says.

UEM Sunrise is nearly doubling its sales forecast to RM2bil for this year, as it anticipates the sluggish property market to improve by the second half of this year. The company chalked up sales of RM1.1bil in 2019.

AllianceDBS Research says UEM Sunrise's net gearing stood at 30% as at the end of 2019, which is also the company's healthiest in recent years due to the completion of its Australian projects.

"Meanwhile, the conclusion of the divestment of RM355mil Aurora Melbourne Central serviced apartment by the second quarter of 2020 will help to further improve its financial position."

The research house however says unbilled sales continued its downtrend to the lowest in recent years at RM1.86bil as at end-December 2019, of which 30% came from its Australian projects.

"This is expected to deteriorate further in the first half of 2020 as most of its unbilled

sales from Australian projects will be progressively settled. Therefore, strong sales replenishment for its Malaysian projects is critical to sustain its earnings momentum going forward.

"UEM Sunrise has set a 2020 sales target of RM2bil, of which 20% will be disposal of industrial land lots in Johor. Nevertheless, we maintain our 2020 sales assumption of RM1bil (excluding land sales) at this juncture."

At a briefing last month, Sunway Bhd announced that would be launching RM3.5bil worth of properties this year.

Of this, RM1bil will be in Malaysia and RM2.4bil in Singapore, in line with the company's geographical diversification.

The company's target for the year marks a 30% jump from the RM1.55bil it achieved in 2019.

At the briefing, Sunway property division managing director Sarena Cheah said there is still inherent demand for properties despite the sluggish property market outlook.

"Looking at the encouraging response that we had last year, there is still inherent demand," she said.

Sunway saw its net profit for the fourth quarter ended Dec 31, 2019 rise 10.52% year-on-year to RM200.31mil. Revenue for the quarter was slightly lower at RM1.35bil from RM1.45bil in the same quarter a year ago.

Kenanga Research in a report earlier this week said it was raising the company's net profit projection by 8% to RM643mil for 2020, with an earnings forecast of RM703mil for 2021.