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KUALA LUMPUR: Property consultants have once again proposed for the re-imposition of market and feasibility studies and are calling for the different parties to make this a priority.

In light of the current property market where there is massive oversupply in virtually every segment of the property market – from office to mall space to high-rise housing, the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector, Malaysia (PEPS) said market and feasibility studies have become even more important.

“Developers have to do proper and independent market and feasibility studies in order to discover the viability of a project,” said its president Michael Kong said.

A market study, said Kong, is a survey and research into existing and incoming supply over a certain radius of a developer’s intended project.

It also entails demographic study on buyer profiles to estimate demand. In short, it is a study on both demand and supply.

Kong said most developers do not consult valuers in their pricing strategy. Instead, it is mostly decided internally based on their costs and expected returns.

Developers do not need to provide independent market and feasibility studies when they seek out financing or when applying for development orders.

There was a time some years ago when these were needed by banks but this was relaxed.

In a way, this lack of independent research, coupled with easy credit and other factors, culminated in today’s broken property market.

This lack of a deep and broad study was not

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Group calls for re-imposition of market and feasibility studies



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Michael Kong

an issue during the boom years of the property cycle but it has become an issue today.

“Do not go in blind,” he said.

Kong said that against the current backdrop in the global financial world, the excess supply, which has been growing year-on-year, will result in a lot of pain in the event of a major upheaval, as seen in the global markets last week.

Kong is also mulling the need to have a dialogue with the Zuraidah Kamaruddin who returned as the Housing and Local

Government Minister last week.

With the various uncertainties swirling around today, Kong said he understood the challenges facing developers and buyers.

“The best thing to do is to take a step back. Do not go head on because the market is so volatile.

“Look at things clearly. Don’t just jump in. Look for hidden gems. But do not be gung-ho about investing,” he said.

As for developers going about land-banking, Kong said this is an ongoing activity.

Developers have to actively look for land, adding that there would be opportunities to land good buys.

He said the property market, like any economic cycle, is cyclical and the property has been in a slump for a while.

Khong & Jaafar group managing director Elvin Fernandez said every loan application for project financing must, ideally, be accompanied with an independent market and feasibility study. A second copy must be submitted to the local authorities.

“Whenever the market changes, a new one should be submitted because the scenario has changed,” Elvin said.

He said it is up to the relevant authorities like Bank Negara and the local authorities to push for this.

He said the independently produced market and feasibility studies provided the needed information to lending institutions because developers would need financing. Local authorities will need the information to weigh the relevance and viability of the project.

Developers must also comply with the recommendations instead of relying on their opinions, despite the presence of such a report, he said.

This introduced quality information into the property market, he said.