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# Market recovery thrown off by Covid-19



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Fireside Chat

THE MALAYSIAN PROPERTY MARKET PICKED UP IN 2019! COULD THIS BE ITS LAST HURRAH?



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BY RACHEL CHEW

**O**n April 29, 2020, the National Property Information Centre (Napic) of the Finance Ministry's Valuation and Property Services Department (JPPH) released the 2019 Malaysia Property Market Report revealing that the market which has been in a prolonged slowdown, had grown by 4.8% in the volume of transactions to 328,647 units as well as 0.8% increase in value to RM141.40 billion, from 2018.

The residential sub-sector was up 6%, commercial was up 7.2%, industrial rose by 3.8% and agricultural increased by 2%. As usual, the residential sub-sector contributed the most to total transactions at 63.7%.

However, the world in 2020 was greeted by the global Covid-19 pandemic, forcing the temporary shutdown of cities and even entire countries to curb the spread of the coronavirus.

Malaysia was under a Movement Control Order (MCO) period which began on March 18 and after almost two months, most sectors were allowed to resume operations on May 4 on condition that virus-preventive measures are in place in offices/work sites.

For the property industry, like most sectors which were considered non-essential, business came to almost a standstill dur-

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**Soam: We expect that there will be 15% to 20% fewer transactions due to the temporary shutdown. With this, definitely the number (of overhang properties) will go up.**

ing the full MCO period.

If not for the Covid-19 outbreak, the 2019 market performance could have indicated a light at the end of the tunnel for a property market which has been in a slowdown since 2015/16.

"The market was slow since 2015 when the government introduced property cooling measures. The government finally agreed with Rehda to do something to boost the market by introducing the Home Ownership Campaign in 2019

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**Chong: The tip to staying afloat in Johor is to build landed homes that people can afford.**

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**Zulkifly: Selangor Rehda has been engaging with the state government for a faster and more efficient bumiputera units release mechanism.**

hence the improvement we see in 2019 as indicated in the Napic report," Real Estate and Housing Developers' Association Malaysia (Rehda) president Datuk Soam Heng Choon said during EdgeProp.my's Facebook LIVE Fireside Chat titled "The Malaysian property market picked up in 2019! Could this be its last hurrah?"

The FB live event on May 1 also featured Rehda Johor branch chairman Datuk Steve Chong Yoon On and Rehda Malaysia vice president and Selangor branch chairman Zulkifly Garib. The session was moderated by EdgeProp Malaysia managing director and editor-in-chief Au Foong Yee.

All three panelists believe that the national Home Ownership Campaign (HOC) which ran from January to December 2019, providing incentives including stamp duty waivers to certain segments of homebuyers, motivated many to make their buying decisions last year. It is therefore no surprise that developers are clamouring for the return of the HOC - this time to counter the impact of the Covid-19 on the market.

Selangor for instance, had a total of 66,548 property transactions worth RM46.5 billion of which 52,000 units worth RM25 billion were residential property transactions - the highest number of residential transactions among all the states last year.

"According to Rehda records, when the HOC was introduced last year, Selangor Rehda members had successfully achieved sales of 24,000 residential transactions worth RM16 billion last year. That was excluding transactions of properties priced at RM300,000 and below, as well as those from non-Rehda members," said Zulkifly.

In Johor, Chong noted that people still prefer landed homes and last year, 80% of the state's residential property transactions were those priced RM500,000 and below, according to Rehda Johor's research.

"The tip to staying afloat in Johor is to build landed homes that people can afford," he shared.

**Expect at least 15% fewer transactions**

The 2019 Property Market Report also showed that the overhang in properties with residential titles had seen a reduction of 5% in volume and value to 30,664 units worth RM18.8 billion from the previous year. Overhang units are defined as units that have received their Certificate of Completion and Compliance but remained unsold for more than nine months after launch. Under the current Covid-19 situation, will the overhang numbers rise again?

Soam said developers would not have achieved any sale during the MCO period although they may have registered some bookings.

"We expect that there will be 15% to 20% fewer transactions due to the temporary shutdown. With this, definitely the number (of overhang properties) will go up," offered Soam. Furthermore, it must be noted that JPPH does not categorise serviced apartments and SoHos under residential property. In 2019, the number of overhang serviced apartment and SoHo units rose by 51%.

As to when the market will recover, Soam said it will depend on how fast the economy can recover, as well as other economic indicators such as the unemployment rate.

Nevertheless, the actual situation will only be seen six months after the loan moratorium period by Bank Negara effective April 1 ends. "Only then will we be able to tell if the market will come back," he said.

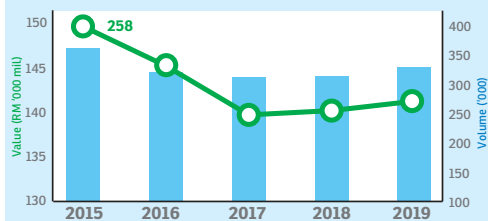
He noted that based on the bookings received by some property developers during the MCO, people are still interested in buying hence there is room to be optimistic going forward.

**Property overhang and bumiputera units**

According to Soam, the residential property overhang comprises three types of properties which he described as:

1. 'Wrong' property type in a 'wrong' or unpopular location;

## Overall transaction value and volume of properties in Malaysia (2015-2019)



SOURCE: NAPIC

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2. 'Wrong' type of property in a good or popular location

3. Unsold bumiputera quota units  
Soam estimated that about 30% to 40% of the overhang properties are unsold bumiputera quota properties which can be cleared more efficiently if there is an efficient automatic release mechanism in the state where they are located.

He stressed that Rehda is not averse to the bumiputera quota housing policy but is asking for automatic release mechanisms to be implemented in every state and for more efficient ones in states that already have such a mechanism, namely Selangor, Perak and Penang.

In Selangor, Zulkifly said Rehda has been engaging with the state government for a faster and more efficient release mechanism.

"For properties, location is a matter of choice. For example, there are places where the Bumiputeras will not choose to live and also places where non-Bumiputeras will not go to. It is tricky to find a balance.

"It is an ongoing issue. To be fair

to the government, they have been looking at ways to tackle the issue but we have yet to reach a consensus over this matter," he said, adding that Selangor also has stopped putting an endorsement on the titles of Bumiputera units.

Meanwhile in Johor, Chong said putting an endorsement on the title of a Bumiputera unit makes reselling of such units difficult.

"Every project we build in Johor, about 40% are reserved as Bumiputera units. An unofficial research has shown that the take-up is less than 3%. Meaning for every 100 units we build, about 37 units are sitting there not productive," Chong noted.

He added that the overhang in Johor was contributed by a supply influx from foreign property players in the state over the past few years.

Meanwhile, for overhang properties in good locations, Soam suggested that developers may perhaps need to cut their losses by bringing their prices down to a level that can attract buyers.