

Headline	Focus towards affordable properties ahead		
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Focus towards affordable properties ahead

KUALA LUMPUR: AmInvestment Bank Bhd (AmInvestment Bank) is maintaining its neutral view on the property sector as the outlook remains challenging in the next 12 months.

"While most developers have achieved their new sales target, the numbers were lower year on year (y-o-y) whereby sales for the first nine months of 2020 were lower by about 22 per cent as compared with the previous year due to the lacklustre market and the impact of the Covid-19 pandemic.

"Hence, we do not expect to see surprises in earnings over the next 12 to 18 months," it said in a sector review. "Instead, developers are more aggressive in clearing unsold units by offering discounts with the inventory level on a declining trend.

"We believe that this is a positive move to realise cash flow."

AmInvestment Bank went on to expect certain segments to outperform in the current market condition, such as developers with overseas exposures doing better in the medium term, especially in China and Singapore.

"We expect there will be some land banking activities, especially in small pockets of land which have good locations such as close proximity to the KL city centre, major expressways and the mass rapid transit/light railway transit systems," it continued.

"We believe high-rise development around these areas provide good connectivity hence convenience for home buyers.

"We expect the affordable segment to perform well, driven by resilient demand, especially



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from young professionals and families due to continued urbanisation. This is well reflected by the move by the majority of local property developers to shift their focus to this segment."

With the consumer sentiment still weak, AmInvestment Bank saw that most developers remain cautious, and are still assessing the economic situation before

deciding to continue or defer future launches.

"We believe that consumer sentiment shall remain weak for the time being with spending mainly focused on necessities while big-ticket items such as properties will take a back seat," it opined.

"On a positive side, we expect the reintroduction of Home Ownership Campaign and full

stamp duty exemptions on both instruments of transfer and loan agreement for the purchase of property worth up to RM500,000 to generate buying interests.

"We maintain our neutral view as we do not anticipate earnings surprises in the short to medium term."

AmInvestment Bank reduced its discount to real net asset value by 10 per cent across the

board to reflect the lower risk premium as the availability of effective vaccines will improve the recovery prospects of the property sector.

"We may downgrade our neutral stance for the property sector to underweight if the banks are to tighten further their lending policies on properties; or consumer sentiment is to deteriorate further."