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Spillover effect a plus point for industry

Market's recovery bodes well for media, construction and other sectors

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AT THE Real Estate and Housing Developers' Association's (Rehda) property market outlook briefing earlier this week, the general consensus was that the industry, despite maintaining a cautious outlook, is already anticipating a much needed recovery.

Rehda president Datuk Soam Heng Choon says the recovery will be underpinned by the nationwide vaccine rollout, which will in turn spur the economic recovery and boost sectors such as the property market.

Soam emphasises that the pick-up in the local property market will also have its own spillover effect.

"The property industry has a spillover effect to more than 180 different sub-sectors.

"For instance, when developers start doing well, they will be more inclined to advertise with the media, which would then be a boost to that (media) industry as well," he says during the briefing.

He adds that when property developers start to perform better, concurrently, players within the construction and building materials sector will also start seeing benefits.

"When the broader economy recovers, there will be a spillover effect."

UOB Kay Hian, in a recent report, says the property, construction and building material sectors are set to experience a gradual recovery, in tandem with the positive economic growth slated for this year.

Following a year that has seen businesses being ravaged by the global Covid-19 pandemic, the research house says 2021 has kicked off with pent-up demand for properties, an effective vaccine rollout programme and low interest rates.

All of which are set to bolster businesses that took a hit last year. With the government targeting gross domestic product growth of between 6.5% and 7.5% this year, UOB Kay Hian reckons that economic recovery could catalyse a rotational play, at least in the near term.

It emphasises that the property, construction and building materials sectors had recovered in tandem

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UOB Kay Hian

with the KLCI, in past crises.

Looking forward, it says overall consumer confidence and sentiment could be lifted with the decline in Covid-19 cases and optimism over effective vaccine dispensation.

Still, sentiment at the moment is still leaning slightly towards being more cautious rather than optimistic.

According to Rehda's property industry survey for the second half of 2020 and market outlook for both the first and second half of 2021, just under half (or 49%) of respondents planned to launch projects in the first half of this year.

"The top reasons from the majority of respondents who indicated that they will not be launching in the first half of 2021 are unfavourable market conditions and a high number of unsold stocks," the survey says.

Other reasons include lack of suitable product/landbank location; lack of buyer demand and business constraints caused by financial and/or operational challenges.

One industry observer says the number of respondents that chose not to launch projects in the first half of the year would have been higher if not for the Home Ownership Campaign (HOC), which is currently ongoing and ends on May 31.

"Properties are big ticket items. They are not something you'd buy on impulse. A lot of thought, planning and preparation needs to happen before you decide to buy a home.

"The economic uncertainty, brought on by an unprecedented phenomenon like the global Covid-19 pandemic, doesn't make things easier. Fortunately, the HOC helps spur buying interest, especially with the

current climate."

The HOC kicked off in January 2019 to address the overhang problem in the country. The campaign, which was initially intended for six months, was extended for a full year.

The HOC proved successful, having generated sales totalling RM23.2bil in 2019, surpassing the government's initial target of RM17bil.

The government reintroduced the HOC in June last year under the Short-Term Economic Recovery Plan (Penjana) to boost the property market after it was adversely affected by the Covid-19 pandemic.

At Rehda's briefing earlier this week, Soam revealed that since the HOC was reintroduced last June, a total of 34,354 residential units valued at RM25.65bil have been sold as at Feb 28, 2021.

If not for the reimplementing of the movement control order (MCO) in January of this year, Soam says sales would definitely have been a lot higher.

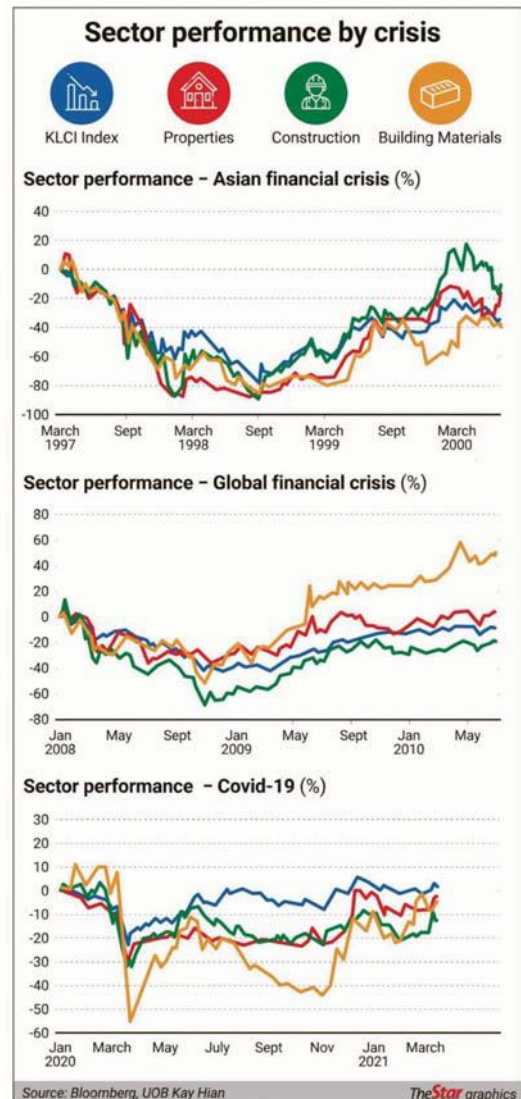
"Because of the MCO, we lost out on two months of potential sales," he says.

Soam says Rehda did not have a sales target for the current HOC.

"We do however hope that the HOC will be extended until the end of the year," he says.

According to Rehda's survey, a total of 13,037 units are being planned for launch in the first half of 2021, consisting of 12,874 residential units (6,998 strata units and 5,876 landed units) and 163 commercial units.

Amongst respondents with future launches, the majority of them (83%) anticipate their sales performance to



be 50% and below for the first six months of this year.

The survey revealed that Kedah, Perlis, Negri Sembilan, Pahang and Selangor planned to launch residential units within the RM250,001 to RM500,000 price range, whereas Johor, Penang and Wilayah Persekutuan aimed to offer units priced between RM500,001 and RM700,000.

Additionally, Rehda says respond-

ents were neutral about the economic and business outlook, as they were concerned about consumers' purchasing power in the first half of 2021.

The same was reported with the property industry outlook, specifically with regards to residential sector growth.

However in both cases, Rehda says there is increased optimism for the second half of 2021.