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Rebound seen in second half of the year

Residential segment expected to lead recovery

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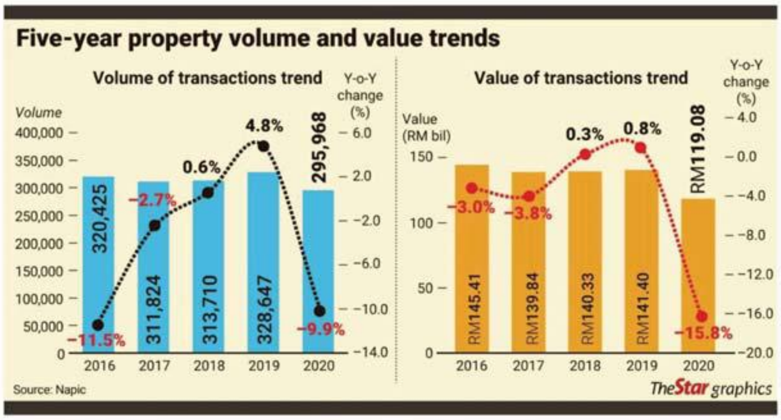

THE National Property Information Centre (Napic) is expecting a soft upturn in the property market in the second half of 2021, with recovery primarily dependent on the country's economic and financial outlook.

In its Annual Market Report 2020, which was officially launched earlier this week, Napic says the availability and rollout of the Covid-19 vaccine throughout the country will play a fundamental role in determining the economy's growth trajectory.

"This will help boost business confidence, household sentiment as well as the general economy," it says.

A property analyst concurs, saying that the property market will, as always, be driven by the residential sub-sector.

"The bulk of transactions will be from the residential sub-sector. While most buyers are cautious about the outlook for now, there is growing optimism, especially with the vaccine rollout.

"We expect property developers to be more aggressive than ever before when it comes to driving sales. For those that have the means, it is certainly a buyers' market this year," he says.

Additionally, he says the Home Ownership Campaign (HOC), which has been extended until the end of May, will also help spur sales within the residential sub-sector.

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.

Last month, at the Real Estate and Housing Developers' Association's (Rehda) briefing on the property market for 2021, its president Datuk Soam Heng Choon revealed that since the HOC was reintroduced last June, a total of 34,354 residential units valued at RM25.65bil had been sold as at Feb 28, 2021.

Kenanga Research in a recent note says that while it expects property sales to rebound this year, the recovery however is not expected to reach pre-pandemic levels.

"While 2021 would be poised for a rebound in terms of sales and earnings due to a low base effect, visibility beyond 2021 remains bleak. In fact, based on targets set by developers under our coverage, the bigger developers like Sime Darby Property and S P Setia are aiming for lower sales compared to pre-pandemic levels, alluding to a lack of conviction for a sustainable rebound.

"Bear in mind, this is backed by accommodative policies providing temporary support. Note that the HOC and relaxed loan margins will end in May, while the real property gains tax exemptions will end in December 2021."

An analyst says an extension of the HOC will help spur the market.

"Many property players are hopeful that the HOC will be extended. Sales were especially impacted earlier this year when the government reimplemented the movement control order in January."

Napic says the residential market is expected to see a slow uptick in the second half of 2021, with focus remaining on the affordable segment.

It emphasises that the government had allocated a total of RM1.2bil in funds under Budget 2021 for initiatives related to housing, especially for the low-income group; as well as various incentives to promote home ownership, especially for first-time buyers.

In light of the Covid-19 pandemic last year, Napic says 2020 was a challenging year for the residential sub sector.

This sub-sector recorded 191,350 transactions worth RM65.87bil last year, a decrease of 8.6% in volume and a 9% drop in value compared with 2019.

Selangor contributed the highest volume and value to the national market share with 23% (44,032 transactions) and 33% (RM37.79bil) respectively.

The primary market saw fewer new launches with 47,178 units in 2020, compared with nearly 60,000 units in 2019.

Napic said the sluggish property market and cautious buyer sentiment contributed to the modest sales performance at 28.7%.

Meanwhile, the overhang situation saw a slight improvement in 2020. Napic said there were 29,565 overhang units worth RM18.92bil last year, which was a decline of 3.6% in volume compared with 2019, although value increased by 0.5%.

Napic said the number of unsold under construction and unsold not constructed units reduced by 1.3% year-on-year to 71,735 units and down 22.6% to 12,975 units respectively in 2020.

Meanwhile, construction activities remained on a low tone as completion, starts and new planned supply declined; each dropping 12.2% to 77,009 units, 18.6% to 82,188 units and 20.5% to 71,725 units respectively.

Kenanga Research says the persistent overhang issues will have an adverse impact on local developers.

"Already faced with stagnating house prices, developers will have to compete with the huge overhang of products available in the market.

"The overhang problems have been gradually worsening and were recently exacerbated by the Covid-19 pandemic. Note that overhang units mainly comprise high rise/serviced residences priced between RM300,000 and RM1mil."

According to Napic, there were a total of 23,606 overhang units of serviced apartments worth RM20.76bil in 2020, up 37.7% in volume and 38% in value compared with 2019.

Additionally, Kenanga Research says key costs are not abating.

Amongst these, land, construction, compliance and capital contribution costs all have remained elevated with little signs of reduction. These are the main costs that determine whether a development is feasible.

"Moving forward, given the plateauing house prices, passing on such costs can no longer be an option for developers and margins will inevitably be squeezed."

According to Napic, the Malaysian House Price Index stood at 199.3 points in 2020 with a low annual growth of 0.6%, the lowest since 2010.

Napic said all states recorded annual growth in 2020 except for Kuala Lumpur (-1%), Selangor (-0.7%), Penang (-0.1%) and Sabah (-1.3%).

According to Rehda, 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.