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# Analysts expect long hard recovery for property sector

by IZZAT RATNA

**ANALYSTS** do not see a fast turnaround in the multibillion ringgit property sector, despite house prices inching slightly higher in some parts of the country.

PropertyGuru Market Index, in its latest report, showed a marginal 0.2% rise in property prices during the January-March 2017 period compared to the final three months of 2016.

According to the portal's data, property in Kuala Lumpur, Selangor and Johor rose 0.3%, 0.3% and 3.4% respectively, indicating the sector could have turned the corners.

But economists and industry experts said it is too early to predict the end of the property doldrum as uncertainties and headwinds remain despite a strong first-quarter (1Q) economic growth.

SERC Sdn Bhd ED Lee Heng Guie said the upcoming general election, policy

changes and uncertain economic indicators are weighing on the country, and dictating the direction of many sectors including property.

He said in such instances, property buyers are reluctant to make "big ticket investments" as the micro backdrop and other economic indicators have always been the catalyst for such purchases.

"Individuals will take into consideration income stability and encouraging signs in the job market before making major purchasing decisions.

"BNM (Bank Negara Malaysia) noted the country is expected to experience higher unemployment rate this year, hovering between 3.4% and 3.8%, higher than the 3.4%-3.5% recorded in 2016," he told *The Malaysian Reserve (TMR)*.

The property sector has been in depression for the last two years with sales slumping and demand thinning.

Unsold properties worth RM8.2 billion had been

recorded at the end of last year, according to official figures.

In addition, although the government does not have to call for a general election until August 2018, speculation is rife that a general election will be called in September this year.

Malaysia will celebrate its 60th Merdeka celebration and host the regional sport event, the SEA Games, in August.

Economic growth will be the main concern. Lee said Malaysia's surprising 5.6% economic growth in the 1Q was good, but worries still lingered on whether the momentum could be sustained for the rest of the year — especially with the various local and global headwinds.

"BNM is targeting the gross domestic product to stabilise at 4.3% to 4.8% in 2017, which will have a spillover effect on consumer confidence and sentiment, as well as reviving interest in property purchases," he said.

Property consulting firm CBRE-WTW Sdn Bhd MD Foo Gee Jen said the overall sentiment in the property sector is gradually improving — especially in the residential market.

"There is still a gap between demand and supply. But developers are now scaling back their projects and regulating their launches to cater to the current demand," he told *TMR*.

However, Foo said developers are facing rising business cost, compliance issues and a lengthy development approval process.

"The cost of doing business is higher now than six months ago, forcing developers to pass the rising costs to house buyers. That is why the existing property supplies now are listed at higher prices.

"But at the same time, developer do not want to weaken the market demand further by pushing prices up to gain higher profit margins," he added.