



# Property prices to fall

*Market will surely suffer a price decline, but still too early to predict quantum and full impact as pandemic still ongoing, says consultant*

by FARA AISYAH

PROPERTY prices are expected to drop as the country braces for recession and consumers tighten their spending over worries of possible job losses.

Malaysia's GDP is expected to shrink 2% this year as it tries to contain the coronavirus pandemic, which has already crippled many sectors of the economy.

Bank Negara Malaysia (BNM) has projected the global economy will register a negative growth as the world battles to prevent the plague that has killed more than 54,000 people in the last four months. The country's one-month Movement Control Order (MCO) has already slowed economic activities, especially in non-essential sectors.

Even without the pandemic, the property sector is already struggling with overhang.

VPC Realtors (JB) Sdn Bhd's Asia-Pacific property consultant Bruce Lee said the market will surely suffer a price decline, but it is still too early to predict the quantum and full impact as the

pandemic is still ongoing.

"Generally, the property prices will decrease sharply during and after the Covid-19 crisis. For those properties that are suffering mismatch in demand and supply, the situation will only get worse.

"After the Covid-19 crisis, people will definitely change their lifestyles, which will directly and indirectly affect the property prices (demand)," he told *The Malaysian Reserve*.

He added that speculative property purchases for investments will no longer work.

Lee said Malaysian property prices in the secondary market have been stagnant in the past

three years, while primary units have registered sharp decreases, particularly for high-rise homes in the states facing oversupply.

Data from the National Property Information Centre (Npic) showed that residential property overhang as at the third quarter of 2019 (3Q19) stood at 31,092 units compared to 30,115 units in the previous year, although the value dropped from RM19.54 billion in 3Q18 to RM18.77 billion.

As for the commercial property segment, the overhang volume in 3Q19 was 24,820 units valued at RM19.81 billion, against 15,600 units worth RM11.64 billion previously.

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TEST, TEST, TEST: Health Ministry staff screening for Covid-19 among Selangor Mansion and Malayan Mansion residents after the govt imposed EMCO following 15 positive cases there. Ismail Sabri says foreign embassies are responsible for providing the necessary essentials including food for their citizens living at Selangor Mansion dan Malayan Mansion, as 97% of the estimated 6,000 residents of both buildings are foreigners.



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CBRE-WTW (CBRE Group Inc and CH Williams Talhar & Wong Sdn Bhd) MD Foo Gee Jen said the property market is expected to face a challenging period in the future.

"Property prices may not fall immediately, but we will see more imminent impacts on take-up, occupancy and rental rates, especially for commercial properties.

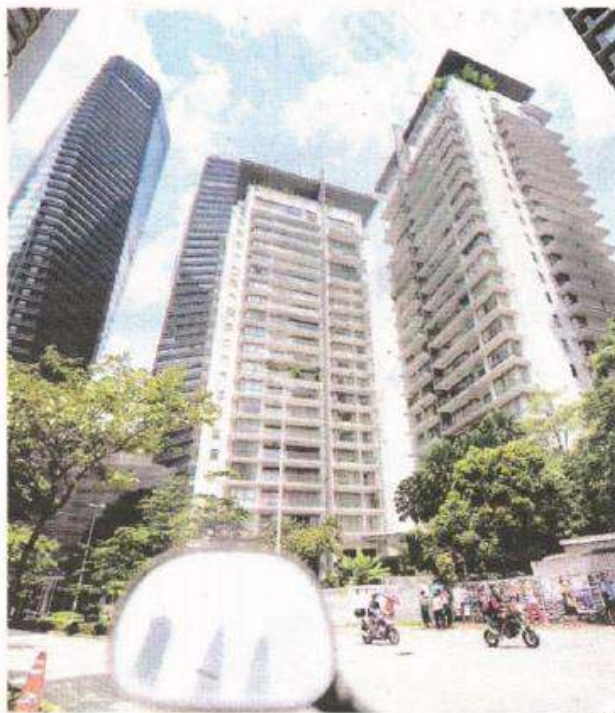
"Property market tends to be lagging behind economic developments. So, it is expected to remain unchanged in the first half of 2020 (1H20) as the market is still contemplating. Any impacts will be more evident in 2H20," he said, adding that new development launches would slow down this year as developers would focus on clearing their inventories.

For the residential market, Foo said property appreciation values are expected to be flat and there will be impact in the short term to medium term.

He also said the current threats of Covid-19 pandemic are not entirely founded on market or economic pitfalls like in previous crises.

"To a certain extent, we are battling (negative) sentiments and confidence," Foo said.

Institute for Democracy and Economic Affairs senior fellow



Ferlito says a more conservative mood will emerge in the property market, but the extent of the 'industry freezing' will depend on the duration of the medical emergency.

Dr Carmelo Ferlito expects property prices to further slow down, more than the already slow pace registered in the past years.

"However, I do not expect a massive price drop. There is the big uncertainty played by the duration of the Covid-19 emergency; the

longer it last, the more the industry will suffer and we could experience price reductions.

"But if the phenomenon will be contained within four to six months, I think we will only observe a slowdown, but not a massive drop," he said.

Ferlito said historically, Malaysian property market rebounded positively not too long after the emergence of the 1998 Asian financial crisis and 2008 global financial crisis, as it is a good time to invest when the economic cycle goes down.

However, he said, the two previous crises were "systemic", coming from within the economic system, while the present one is partially induced by the pandemic and mostly induced by the MCO implemented to fight Covid-19.

Ferlito said a more conservative mood will emerge, but the extent of the "industry freezing" will depend on the duration of the medical emergency.

He added that once the economy restarts, the Malaysian property market will come back to face the structural problems it was facing before the Covid-19 emergency, including the mismatch in demand and supply.

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