



StarBiz Special

Developers revising sales targets to suit sentiment

Changes could be in store in evolving landscape

PROPERTY

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PETALING JAYA: Most developers have and will revise their sales targets for 2020 as a result of the movement control order (MCO) brought about by the coronavirus outbreak (Covid-19).

Real Estate and Housing Developers' Association Malaysia (Rehda) president Datuk Soam Heng Choon told *StarBiz* that among those with sales target revisions, some have recently revised their figures downward by 20% to 40%.

"The property market is expected to be soft in 2020. The implementation of the MCO has (brought about) various impacts on the industry," Soam said.

From how developers market and sell their properties to how potential buyers view properties as a result of Covid-19, there has been sort of a paradigm shift.

"This time, projects with higher density will be highly affected, as buyers (will) look at new parameters arising from the Covid-19 pandemic," he said.

Essentially, the higher the density, the more people there will be in a particular development.

There will be, for instance, more people using the pool and other facilities.

On developers' sales and marketing activities, he said although most developers have intensified their online promotion drives, sales have been impacted.

At least 90% of its 1,000-odd members had been leveraging on digital marketing even before the MCO, Soam said, adding that they have since "intensified" their online presence through the usage of more platforms.

He said going forward, developers are looking into turning the sales process fully online.

He said property prices "are expected to correct themselves, given the weak economy and poor consumer sentiment due to job losses and salary and income reduction".

"Currently, prices are supported by the six-month moratorium and the quantum of correction will depend largely on unemployment and loss of income in the coming months," Soam said.

On whether the price fall is specific to type and location, he said prices are determined by supply and demand in a specific location, as well as types of products.

"The previous economic crises that we have encountered have shown that landed property prices are the least affected compared to other types," he said.

"Of course, those located in less-favoured areas will be the most impacted, as lack of demand will surely worsen the situation."

To help its members, Soam said Rehda has been engaging with various ministries and government agencies.

Rehda is involved in the government's economic recovery plan.

The recent yearly report by the National Property Information Centre on Malaysia's property overhang totalling RM41.5bil is not lost on Rehda.

Coupled with the global pandemic, Rehda is seeking government assistance.

"We have been continuously seeking government assistance to help developers' cash flow, to lower the cost of doing business and to alleviate the buyers' burden."

Among the measures include further reducing the foreign purchase threshold to RM500,000 from RM600,000 proposed by the federal government in 2019.

A bit of background may be needed here. In February 2014 when the sector was red hot, the Economic Planning Unit in the Prime Minister's Department raised the minimum threshold for purchases by foreigners to RM1mil per unit from RM500,000, effective March 1, 2014. This was to nip speculation.

That same year in September, Selangor raised that RM1mil threshold to RM2mil for most districts.

The sector has experienced a gradual slump and in October 2019, the federal government reduced the foreign buyers' threshold to RM600,000 because of the slump in the sector.

If the government accepts this RM500,000 threshold, it means the country is back to square one of a RM500,000 foreign buyers' cap.

Soam said other measures proposed by Rehda include extending the 2019 Home Ownership Campaign into 2020, or giving stamp duty waivers; zeroing the real property gains tax (this was done in 2007); giving up to 100% loans with flexible monthly repayment with buyers paying less initially and more when income rises; and extending the loan tenure to 40 years, or up to 70 years. Currently, properties below RM300,000 are accorded this condition.