



Property developers seeing strong bookings

But conversion from bookings into sales remains a concern

By EUGENE MAHALINGAM
eugenicz@thestar.com.my

PETALING JAYA: Property developers are seeing strong bookings, particularly in June, since the reintroduction of the Home Ownership Campaign (HOC).

However, UOB Kay Hian said the conversion from bookings into sales remains a concern, as evidenced by the lower mortgage loan approval rate by the central bank.

"Mah Sing Group Bhd is the biggest beneficiary of the reintroduction of the HOC as most of its projects are eligible and are in strategic locations. In 2019, 60% its assets were sold under the HOC."

Even though most property companies experienced a surge in the number of property bookings during the second quarter of this year, UOB Kay Hian said the conversion of bookings into actual sales will be less encouraging, given stringent financing by banks.

"Traditionally, companies under our coverage report a conversion rate of between 50% and 70%."

"But due to the pandemic, the conversion rate has been lowered to below 50% on average."

"According to Bank Negara, mortgage applications in June increased significantly to RM25.4bil, which mirrored the amount in May 2019, a month after the first HOC was officially launched last year."

"Furthermore, apart from the HOC, the strong loan applications were also attributable to the back-loading effect due to the movement control order."

The government reintroduced the HOC in June under the Short-Term Economic Recovery Plan (Penjana).

Under the campaign, stamp duty exemption will be provided on the transfer of property and loan agreement for the purchase of home priced between RM300,000 and

"According to Bank Negara, mortgage applications in June increased significantly to RM25.4bil, which mirrored the amount in May 2019, a month after the first HOC was officially launched last year."

UOB Kay Hian

RM2.5mil. Meanwhile, the exemption on the instrument of transfer is limited to the first RM1mil of the home price, while full stamp duty exemption is given on loan agreement effective for sales and purchase agreements signed between June 1 to May 31, 2021.

In addition, the government has announced real property gains tax exemption for Malaysians for the disposal of up to three properties between June 1, 2020 and Dec 31, 2021.

The HOC was kicked off in January last year to address the overhang problem in the country.

The campaign, which was initially intended for six months, was extended for a year.

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

Citing Bank Negara statistics, UOB Kay Hian said mortgage loan approval rates declined to a historic low of 24.5% as at June 2020.

"In absolute terms, out of RM25.4bil of mortgage loans applied in June, only RM6.3bil were approved. This was largely due to the fact that banks are becoming more stringent in dishing out mortgage loans, particularly to

applicants that are employed in sectors affected by Covid-19, such as hospitality, aviation and tourism.

"For perspective, prior to the Covid-19 pandemic, mortgage loan approval rates were at 43.3% and 43.1% respectively for 2018 and 2019."

Additionally, the research house said more companies are diversifying into healthcare.

"In light of the pandemic, there are a handful of local property developers who have recently ventured into the healthcare business."

"We are concerned about this development, especially for property developers with no expertise in either manufacturing or the healthcare segment."

"Our concern is on the grounds of potential oversupply of healthcare-related products, particularly with the massive production in China where the barriers to entry are relatively lower."

Watch the video
thestartv.com

