



Property prices to remain stagnant as buyers await incentives

Prices are still growing in nominal terms, but are slowing down in real terms adjusted by the inflation rate, says expert

by FARA AISYAH

MALYSIAN property prices are expected to remain stagnant as a result of lower interest rates and buyers keener to participate in projects that are pegged with government's incentives, including the Home Ownership Campaign (HOC).

Institute for Democracy and Economic Affairs senior fellow and Centre for Market Education CEO Dr Carmelo Ferlito said the trend is expected to continue until the whole of 2021.

"My take is that prices will keep on remaining stagnant, which means moderate nominal growth and moderate decline in real terms.

"Prices are still growing in nominal terms, but are slowing down in real terms adjusted by the inflation rate," he told *The Malaysian Reserve*.

He added that the property price index is going down, which means prices are still growing but at a slower pace or moderately declining in real terms.

In the past few years, Ferlito said house prices grew slower than wages, making them more affordable in relative terms.



The Pavilion Residence in Kuala Lumpur. An expert says there is a correction in pricing in the high-end segment

Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said there are signs that property prices are experiencing some form of correction.

"There was a slight dip in house prices, which is very much in line with the number of unsold units for residential properties, which remain at elevated levels.

"We foresee house prices would be fairly stable going forward

as demand for houses remains resilient, while the recent government measures via the short-term National Economic Recovery Plan (Penjana) should be able to engineer a soft landing in the property markets," he said.

For instance, Mohd Afzanizam said, the average house prices in Malaysia during the final quarter of 2019 (4Q19) stood at RM428,940 from RM430,442 in 3Q19.

Under the new HOC period — from June 2020 to May 2021 — stamp-duty exemption is also given on the first RM1 million of a property's value on the memorandum of transfer for properties priced from RM300,000 to RM2.5 million, and a 100% stamp-duty exemption for the financing agreement.

In July, Bank Negara Malaysia slashed the Overnight Policy Rate (OPR) for the fourth time in 2020 due to concerns over weak economic conditions inflicted by the Covid-19 pandemic.

The OPR was cut by 25 basis points (bps) to 1.75%, the lowest ever on Bloomberg's records dating back to 2004, while the ceiling and floor rates of the OPR were also reduced to 2% and 1.5% respectively.

The central bank had reduced the OPR by 100bps from January to May this year as concerns grew over a sharp slowdown in 2Q20.

"With the stimulus packages and low-interest rates, I don't think the market will crash," CCO & Associates (KL) Sdn Bhd ED Chan Wai Seen said.

"Price correction has taken place even before the pandemic outbreak, but it depends on the property segment and types," he added.

CBRE-WTW group MD Foo Gee Jen said the Malaysian property market is in a consolidated period.

"Property prices continue moving sideways since 2014. There is a correction in pricing in the high-end segment," he said.