



Developers clear inventory to realise cash

Most revised their sales target due to the lack of economic activities

PROPERTY

PETALING JAYA: The outlook for the property sector remains challenging for the next 12 months despite most developers having achieved their new sales target, according to AmInvestment Bank.

Sales for all property transactions for the nine-month calendar year of 2020 dropped by 22% compared with the same period a year ago due to the lacklustre market and the impact of the Covid-19 pandemic, the report said. It is "neutral" on the sector.

"We do not expect to see surprises in earnings over the next 12 to 18 months," AmInvestment Bank said.

For perspective, mid-way through the year, most developers revised their sales target due to the lack of economic activities brought about by the movement control order (MCO) as a result of the Covid-19 pandemic.

The research house is of the view that consumer sentiment shall remain weak for the time being, with spending mainly focused on necessities.

"Big-ticket items such as properties will take a back seat," the report said.

Against the backdrop, developers have been more aggressive in clearing unsold units by offering discounts. This has resulted in declining inventory level.

"We believe that this is a positive move to realise cash flow," the report said.

"Most developers remain cautious, and are still assessing the economic situation before deciding to continue or defer future launches."

The research house expected developers with overseas expo-

sure to do better in the medium term, especially in China and Singapore. Some developers have been buying land the past two years, especially in small pockets with locations close to the KL city centre, major expressways and the MRT/LRT.

"We believe high-rise developments around these areas provide good connectivity hence convenience for home buyers," the report said.

The research house said the affordable housing segment will be the focus going forward.

"The affordable segment is expected to perform well, driven by resilient demand, especially from young professionals and families due to continued urbanisation. This is well reflected by the move by the majority of local property developers to shift their focus to this segment."

Many developers have moved from higher-end products to affordable products priced below RM500,000.

The reintroduction of the Home Ownership Campaign and full stamp duty exemptions on both instruments of transfer and loan agreement for the purchase of property worth up to RM500,000 will help to generate interests.

On Dec 16, RHB research said the fundamentals are not strong for the sector as a result of "the persistent supply glut" of properties, which in turn, is expected to limit demand recovery. RHB is positive about properties located near rail infrastructure.

TA Securities in a Dec 23 report said the Jan-Sept 2020 period saw residential sales for four major states of Selangor, Penang, Johor and the Federal Territories declining 19.3% in volume and 17.9% in value compared to the same period a year ago.