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Property outlook challenging but bright spots emerge

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PETALING JAYA: The outlook for the Malaysian property sector in the next 12 months remains challenging although most developers have achieved their new sales targets, according to AmResearch.

It noted that in the first nine months of 2020 (9M'20) sales fell by an estimated 22% compared with the previous year on the back of a lacklustre market and the impact of the Covid-19 pandemic.

"Instead, developers are more aggressive in clearing unsold units by offering discounts with the inventory level on a declining trend. We believe that this is a positive move to realise cash flow," the research house said in a report.

Against such a backdrop, it expects certain segments to outperform in the current market condition, particularly those with overseas exposures, especially in China and Singapore, will do better in the medium term.

In this area, AmResearch said Sunway and IOI Properties are well positioned as their property launches have been generally well received both locally and overseas.

It also foresees some landbanking activities, especially in small pockets of land with good location, such as proximity to Kuala Lumpur city centre, major expressways and the MRT/LRT.

"We believe high-rise development around these areas provide good connectivity, hence convenience, for home buyers."

In the coming year, AmResearch expects the affordable segment to perform well, driven by resilient demand, especially from young professionals and families. The shift in focus to this segment by the majority of local property developers reflects this resilience.

It pointed out that Mah Sing has begun building residential properties under RM600,000 for more than three years, Scientex is offering residential properties (landed and high-rise) between RM200,000 and RM350,000 in the southern region of the peninsula and Crest Builder has plans to build residential apartments in Klang with starting prices below RM300,000.

Nonetheless, AmResearch noted that most developers remain cautious, and are still assessing the economic

situation before deciding to continue or defer future launches.

AmResearch believes consumer sentiment will remain weak for the time being with spending mainly focused on necessities while big-ticket items such as properties will take a back seat.

On a positive side, it expects the reintroduction of 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 to generate buying interest.

On the whole, the research house maintains a neutral view on the sector, as it does not expect to see surprises in earnings over the next 12-18 months.

It may upgrade the property sector to overweight, should the banks ease lending policies on properties or the consumer sentiment to improve significantly. The sector may be downgraded to underweight should the bank tighten their lending policies on properties or consumer sentiment is to deteriorate further.

AmResearch's top picks for the sector are Sunway, Scientex and Mah Sing.