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Longer wait due to latest Covid wave, overhang to remain high: Real estate consultancy

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From left: Siva, Rahim and Sulaiman displaying Rahim & Co Research's annual publication

PETALING JAYA: The Malaysian property market is expected to see a further delay in its recovery to 2022 due to the resurgence of Covid-19 cases and the reimplementation of the movement control order (MCO), according to real estate consultancy Rahim & Co International Sdn Bhd.

CEO of estate agency Siva Shanker said real estate analysts predicted last year that 2021 would see a recovery in the property market, not knowing that Covid-19 cases would rise to 4,000 levels.

"Now that it has (reached 4,000 cases) and there is another lockdown, it will affect the market as everything slows down and the ability of people to move around decreases. Because of high numbers and we're back into the peak of the pandemic, that slated recovery of 2021 and projections for 2021 are probably going to be delayed to 2022 due to rising Covid-19 cases and the resultant lockdown," he told a virtual press conference yesterday in conjunction with the release of its publication, *Rahim & Co Research – Property Market Review 2020/2021*.

Director of research Sulaiman Saheh said the property sector's recovery has become stunted as the market became cautious. Property market transactions were down in the nine months of 2020 both in terms of number (-15.8% to 204,721 transactions) and in value (-21.6% to RM80.71 billion) year on year. This stalled the recovery trends in the property sector seen since 2018/2019 after several years of a lagging market. In 2020, buyer sentiments were understandably hampered when Covid-19 swept in with its disruptive effect across almost all sectors.

As the largest segment of Malaysia's property market, the residential sector saw a decline in the first nine months of 2020 by 14.3% in volume and 14.8% in value in spite of a better year-on-year performance in the third quarter when the country entered the recovery-MCO phase. Progress in housing developments was disrupted and ultimately caused delays in completion targets, resulting in completion numbers to be 33.4% lower (at 64,080 units) than in the previous period.

In addition, overhang numbers grew by 14.8% to 57,390 units worth RM42.49 billion of dwelling units (residential, serviced apartment and SOHO combined). While this may be due to the pandemic's effect, the persisting overhang is evident of a problem that is yet to be tackled effectively.

Sulaiman said overhang properties in the market are still unlikely to see a significant drop in 2021 and it will be a mammoth task to reduce them.

"It (overhang) could be stabilising but it is still expected to remain high because of all the other problems like income levels, product, location, price, availability of buyers getting loans and certain aspects of property inappropriate for the target market."

The places with the highest overhang are Johor (23,072 units), Selangor (8,791 units) and Kuala Lumpur (7,863 units). They are followed by Perak (4,015 units) and Penang (3,969 units). Overhang stock comprises more non-landed units than landed units.

Sulaiman said places with the best chance of reducing overhang properties are Selangor and Kuala Lumpur for properties within city areas where there is strong demand by buyers (local market) if prices are adjusted. Developers are giving more and more discounts, on top of the Home Ownership Campaign (HOC), to clear these units.

Siva said the HOC helped to reduce the overhang a bit but what will help is the availability of Covid-19 vaccines and better sentiment in 2021 which will then carry over to 2022.

"We can expect the residential market to recover slightly and perhaps move upwards a bit on the back of successful vaccination and renewed sentiment."

The firm has called for a comprehensive study into the overhang issue, suggesting that, moving forward, new developments must go through a due diligence and prudent decision-making before they enter the market.

It also expects some increase in property auctions as the number of applications to refinance properties has increased.

Executive chairman Tan Sri Abdul Rahim Abdul Rahman stressed that the property sector needs stimulus packages from the government and that the government should extend aid to borrowers in these Covid-19 times, failing which property auctions will increase and create a big problem for the property industry.

"The effect on the property market will be there for another year. The market will continue to be soft," said Rahim.

Hence, for the year ahead, the focus for residential properties strongly remains on the affordable segment as the overhang persists. New launches are also shifting to the affordable price mark with more units within the RM200,000-RM300,000 range. Secondary market sales continue to dominate with price consolidation still going on.