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Residential market to pick up in 2021

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Expected to make slow comeback, driven by rosy economic forecasts and promising developments on Covid-19 vaccine front

PETALING JAYA: The residential property market is expected to make a slow comeback in 2021 following the opening of the economy, according to Nawawi Tie Leung Property Consultants.

With the economy on the right track and better economic growth projected by the government, market sentiment is anticipated to improve.

"With the latest positive development of Covid-19 vaccines and adapting to the new normal, the residential market is gradually picking up as people gain confidence. Nevertheless, the resurgence of Covid-19 cases may lead to potential containment measures that may hinder the recovery," Nawawi Tie Leung said in its February 2021 *Real Estate Times* that published a report on Kuala Lumpur Q4 2020.

It said the demand for high-end properties is expected to remain soft as prolonged sluggish market sentiment led to a wait-and-see attitude, while affordable properties continue to dominate the market.

Commenting on the market, Nawawi Tie Leung said the residential market in the city centre remained soft with no completion registered in the last quarter of 2020, despite initial anticipation about 700 units to enter the market in the quarter.

Battling the pandemic and sluggish market sentiment, developers have delayed new launches and revised their development strategies. Some new launches have been rescheduled to later dates.

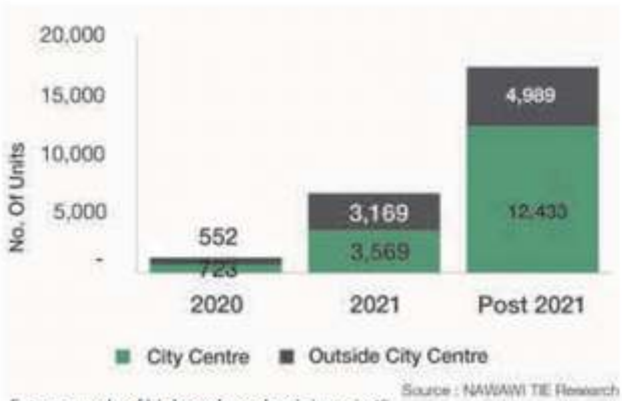
After the expiry of the loan moratorium on Sept 30, 2020, Bank Negara Malaysia (BNM) extended it to a targeted group for another three months to ease the burden of borrowers affected by the economic slowdown. BNM also introduced loan repayment assistance to ease the financial burden of borrowers. About 700,000 borrowers opted for the moratorium and 98% were approved.

The Malaysian economy is expected to grow between 6.5% and 7.5% in 2021. Despite a rosy outlook, the government will continue the financial relief until Q1 2021.

Under Budget 2021, the government outlined several measures that include stamp duty exemptions, allocations for public housing and rent-to-own (RTO) scheme to increase home ownership, especially among first-time buyers. The stamp duty exemption targets first-time home buyers for houses priced up to RM500,000. It is applicable to sale and purchase agreements executed between Jan 1, 2021 and Dec 31, 2025.

The RTO scheme will be available until 2022, and it will involve 5,000 units under the 1Malaysia People's Housing Scheme. Meanwhile, about 14,000 low-cost housing units under the People's Housing Programme and 3,000 units of Rumah Mesra Rakyat will be built for the low-income segment.

In its latest release, the National Property Information Centre showed properties priced below RM300,000 anchored the new residential launches of 50.5% of the total 6,087 units in Q3 2020. With the sluggish demand for higher range properties, the pandemic has shifted developers' strategy to look into more affordably priced houses, capitalising on the mass market.



Future supply of high-end condominiums in KL

On residential demand, a growth of 5% year-on-year registered in Q3 2020 with 55,845 properties changing hands compared to about 53,147 properties during the review period in the previous year. While, on quarter-on-quarter, a growth of 97% was recorded involving 55,845 properties after a sharp decline in Q2 2020 of 28,284 units. The rebound was potentially attributed to the reopening of business activities, measures under the economic recovery plan as well as developers' creative sales strategies.

Meanwhile, it noted that the office market continues to be favourable towards tenants, and landlords' negotiation power could further decline. The outlook of the office market will remain challenging, further exacerbated by huge incoming supply.

On investment sales, it is optimistic that notwithstanding uncertainty in the coming quarters, slower growth, as in transaction volume, has reached its worst extremes this year.

"Investors continue to be cautious as they assess the new landscape and unresolved political instability. Anticipate cash-rich investors to continue bargain hunting in the near term," it said.