



Optimism building up in sector

With vaccine rollout, most expect a better sales outlook for 2021

PROPERTY

PETALING JAYA: Property developers are turning more positive, as sales continue to recover from the impact of the Covid-19 pandemic despite the movement control order (MCO) earlier this year.

Maybank Investment Bank Research (Maybank IB) in a report yesterday said most developers expect a better sales outlook for 2021, adding however that it may come at the expense of lower margins due to reduced pricing.

"Sales-wise, there was quarter-on-quarter growth in the fourth quarter of 2020 property sales, due to the pent-up demand post-lockdown as well as attractive marketing packages offered.

"Both Tambun Indah Land Bhd and Sime Darby Property Bhd's 2020 actual sales were above expectations, while S P Setia Bhd and Mah Sing Group Bhd met their targets."

Based on the sales momentum in the first two months of this year, coupled with the vaccine rollout, Maybank IB said developers are turning more positive on their 2021 sales outlook.

"Sales-wise, there was quarter-on-quarter growth in the fourth quarter of 2020 property sales."

Maybank Investment Bank Research

"Nevertheless, we expect margins to continue to stay subdued as competition continues to rise. Also, margins are coming under pressure due to developers' higher involvement in the affordable housing segment."

Separately, AmInvestment Bank said new sales in 2020 were generally lower year-on-year.

"Developers generally reported lower new sales year-on-year, by about 24.5%, due to the lacklustre market and the impact of the MCO and Covid-19 pandemic. Hence, we do not expect to see surprises in earnings over the next 12 to 18 months.

"Developers are more aggressive in clear-

ing 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."

AmInvestment Bank added that consumer sentiment still remained weak.

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

"We believe that consumer sentiment shall remain weak for the time being with spending mainly focused on necessities, while big-ticket items such as properties will take a back seat for now."

The research house is maintaining a "neu-

tral" call on the sector as it does not anticipate earnings surprises in the short to medium term.

"We have 'buy' calls on IOI Properties Group Bhd which is banking on the strong contribution from its property development projects in China; and Mah Sing, underpinned by the strong take-up rates of its recent launches and its upcoming rubber glove business.

"We may upgrade our stance for the property sector to 'overweight' if banks are to ease lending policies on properties or if consumer sentiment improves significantly," said AmInvestment Bank.

Separately, Maybank IB said earnings of property developers were mixed in the final quarter of 2020.

"Despite the re-imposition of the conditional MCO in the fourth quarter of 2020, core earnings improved quarter-on-quarter on the normalisation of construction works and strong pick up in sales, driven by pent up demand.

"Net gearing remained healthy, ranging from 0.83-times (Tambun Indah) to 0.6-times (S P Setia) in the fourth quarter, as developers continued to manage their inventories and cash flow carefully."