

# Property sector on recovery path

Better economic outlook to buoy buying sentiment 12 0 JAN 2021

## PROPERTY

**PETALING JAYA:** The property sector is poised for recovery in 2021, driven by a better economic outlook and historically low interest rate environment as well as pent-up demand.

Maybank IB Research expects buying sentiment on properties to improve in anticipation of a better economic outlook this year.

It also opined that sales for the first half of this year would perform better than the second half as buyers are expected to make full use of the Home Ownership Campaign (HOC) 2020 before it ends on May 31, 2021.

"Property sales spiked up in May-June 2019 before the government extended the HOC 2019's timeline to end-December 2019 from June 2019.

"We reckon a similar buying pattern may repeat and there could be a rush into buying property before the end of HOC 2020 on May 31, 2021, particularly for properties priced above RM500,000," it said.

Last year was a challenging one for developers as the property sector faced a triple whammy of oversupply, a weak economy and the coronavirus pandemic, which led to various phases of the movement control order (MCO).

During the initial phase of the MCO, construction works were halted completely while sales galleries were closed for months and this led to weak sales and earnings performance in the first half of 2020.

Most of the developers under Maybank IB's coverage had recorded losses in the nine-month period of last year, partly due to huge impairment losses.

While developers acclimatised to the "new norm" through digitalisation and virtualisation and aggressively marketed their products online, the government had also introduced a few policy easing measures during the Penjana last June.

These included stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 and RM2.5mil, real property gains tax exemption for the disposal of residential homes from June 1, 2020 to Dec 31, 2021 and the lifting of the 70% financing margin limit on the third property onwards.

Stamp duty exemption on instruments of

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Maybank IB Research

transfer and loan agreements for first-time home buyers for residential properties up to RM500,000 was also extended until Dec 31, 2025.

These incentives, together with additional rebates offered by developers, will help reduce upfront costs related to property purchases, Maybank IB noted.

"Fiscal policy remains expansionary via Budget 2021 with a record spending allocation of RM322.5bil that includes an all-time high gross development expenditure.

"We also expect Bank Negara to stay accommodative to enable sustainable economic recovery and maintain the record-low overnight policy rate (OPR) of 1.75% until end-2021. Any change in the OPR this year will be cut(s) rather than hike(s), we believe. These will help to entice the potential property buyers into the market due to the cheaper costs for property purchases," the research house added.

Operationally, Maybank IB thinks developers are on "cleaner ground" post-kitchen sinking in 2020. The second MCO is expected to have a lower damage impact on sales.

However, Maybank IB highlighted that there are still risks to the sector, including political stability post-Emergency. Based on its observation, demand for big-ticket items such as properties usually drops around six months before a general election. Additionally, the economic recovery is reliant on the successful rollout of vaccines.

It also cautioned that the recovery in the local property market may be set back by the jump in the number of auctioned properties when the additional six-month targeted repayment assistance scheme expires end-June 2021.

"While demand-supply rebalancing will still take some time, we think the worst is over and homes sales may have hit bottom already and should improve year-on-year in 2021 on the above mentioned factors."