

Year of turmoil for developers

2009
IN REVIEW

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IT WAS probably a year to forget for the property industry.

After a lacklustre 2008, where developers were hit by higher raw material costs, 2009 was a time when the global financial turmoil hurt recovery efforts.

A global recession spooked consumers into keeping their wallets closed and this meant developers had to do more to promote their properties.

For residential property, builders focused more on selling existing units and most were forced to reschedule new launches.

Still, the sector was able to benefit from government efforts to spur the economy as the central bank kept borrowing costs low.

For most developers, it was about being creative with how they sell their products.

YTL Land & Development Bhd executive director Datuk Yeoh Seok Kian said the industry was able to get by this year mainly because most players had a sound pricing strategy and careful selection of projects.

Developers introduced incentives to boost sales, although it meant less profits for them. Some launched products in small numbers to ensure success.

SP Setia Bhd, the biggest developer, was also the first mover as it created the 5/95 home loan package where buyers only need to pay half of the downpayment. It will bear other costs until the property is handed over to buyer.

A slew of marketing promotions followed as developers sensed that



SP Setia president and chief executive officer Tan Sri Liew Kee Sin showing off a model of the 39-storey Setia Sky Residences project earlier this year. The company had introduced the 5/95 home loan package as part of an incentive to woo buyers.

people can be persuaded to buy with the right incentives.

Mah Sing Group Bhd's group managing director cum group chief executive Tan Sri Leong Hoy Kum said the low- and high-end property markets saw less demand in 2009.

The low-end market had to deal with perennial oversupply issues. It was also a market where buyers are faced with problems like inflation and job losses, Leong said.

"The high-end market suffered from a contraction in foreign demand for high-rise projects as well as a target market which was potentially more exposed to the global financial crisis," he said.

Ireka Development Management Sdn Bhd president and chief executive officer Lai Voon Hon said commercial office and industrial properties have also lagged the residential sector in 2009.

These segments will remain soft for the next 12 months unless business confidence returns.

The market was also rocked by a government announcement in October to reintroduce the Real Property Gains Tax (RPGT) at 5 per cent in 2010.

(This was then reversed on December 23 when the government said the tax will only apply to properties sold within five years of purchase)

TA Global Bhd spokesperson Datin Alicia Tiah, who spoke to Business Times before the RPGT was reversed, said the market was moving until the RPGT was announced in October.

"This move is a dampener because foreign investors are weary of the flip-flop policy as it was just abolished in the year 2007.

"We do not have asset bubbles here. The launches before the announcement of the RPGT were doing well. We have to now focus on the local market and to owner-occupier as the RPGT is a deterrent to those who want to invest in property," she said.