

# Overview of Property

## Overview of 2013

The Property Market Report 2013 issued by the Department of Valuation and Property Services (JPPH) on 22 April 2014 revealed that Malaysia's economy continued to record positive growth, although at a slower pace, backed by improved global economic activity and supported by domestic demand. The Malaysian property market also followed a similar tone for the year 2013 with 381,130 transactions against 2012 which recorded 427,520, a contraction of 10.9% in volume. However, in terms of value, there has been a marginal increase of 6.7% at RM152.37 billion compared to RM142.84 billion in 2012.

## Residential Property

In terms of volume, most states recorded negative growth in the market activity, except for Johor (16.6%), Perlis (21.1%), Kedah (4.8%) and Melaka (1%). Selangor led other states in terms of market share contributing 26.1% (64,269 transactions) of the national residential transactions trailed by Johor at 13.7% (33,651 transactions), Perak 11.4% (28,123 transactions), Pulau Pinang 7.2% (17,700 transactions) and Kedah 6.0% (14,844 transactions).

Market activities softened across the board with all sub-sectors recording decreases in transaction activity. The residential sub-sector continued to retain the biggest share in the property market activities at 64.6% of the total share, followed by agricultural (18.5%), commercial (9.0%), development land sub-sectors (5.6%) and industrial (2.2%). The year registered 246,225 residential property transactions worth RM72.06 billion which recorded contraction of 9.7% and an increase in value of 6.3%.

The domestic property market was supported by the prevailing low interest rate environment with the base lending rate (BLR) of commercial banks sustaining at 6.53% and weighted average lending rate (ALR) to 5.4%. Nonetheless, Bank Negara Malaysia's (BNM) pre-emptive strategies to preserve household sector resilience through application of 70% loan-to-value ratio on third housing loans onwards as well as guidelines on responsible lending have had impact on the housing market. Housing loan approvals reduced

substantially by 22.5% compared to 47.4% expansion last year. Total loans disbursed for purchase of residential properties however, increased to RM74.40 billion from RM64.10 billion in 2012.

Market segments by price in 2013 indicated softening of transactions of properties in the RM100,000 to RM200,000 price range. Against last year, transactions of houses within this price range declined by 26.6% and 17.9%, whilst transactions of houses in the price bracket of RM200,000 to RM250,000 increased by 7.3%. Market activities for houses priced between RM250,000 and RM500,000 were the most active, capturing the largest share at 27.30% or 67,237 transactions.

On a similar upward trend, for the past four consecutive years, the demand for high-end units priced above RM500,000 continued to expand in 2013 at 31,857 transactions (2010: 16,782 transactions; 2011: 21,905 transactions; 2012: 26,484 transactions). This, however, represents only 12.9% of total residential transactions in 2013.

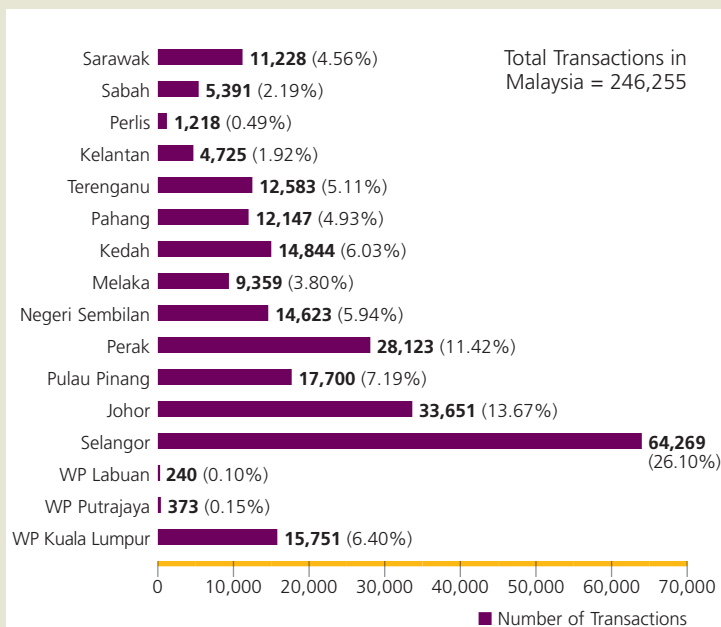
Terraced houses continued to top the list with 38.8% of the market share registering 95,536 units of transactions while condominium/apartment units were the next sought after with 33,510 units (13.6%).

New launches in the primary market contracted after experiencing three consecutive years of growth recording 48,617 units with sales performance down to 45.1% (2010: 47,698 units, 45.7%; 2011: 49,290 units, 46.3%; 2012: 57,162 units, 47.7%). Meanwhile, the residential overhang scenario improved with reduction in volume and value. The overhang volume reduced to 13,547 units as compared to 2012 at 15,091 units, down considerably by 10.2% but value increased marginally by 1.3% to RM4.80 billion (2012: RM4.74 billion). States leading overhang numbers were Johor, Pulau Pinang, Negeri Sembilan, Terengganu, Perlis and Sabah whilst other states posted lower overhang numbers against 2012.

On the supply side, the number of completed units increased by 8.3% from 72,247 units in 2012 to 78,265 units in 2013. Likewise, new planned supply grew by 5.8% to 151,339 units from 143,025 units in 2012.

As at year end 2013, there were 4.72 million of existing residential units with another 696,557 units in the incoming supply and 615,815 units in the planned supply categories.

## Property Transactions by State (2013)



## Supply of Residential Units in Malaysia

State	Existing Stock			Completions		
	2012	2013	% change	2012	2013	% change
WP Kuala Lumpur	423,043	424,324	0.3	4,590	1,281	-72.1
WP Putrajaya	4,708	4,834	2.7	67	126	88.1
WP Labuan	11,737	11,761	0.2	0	24	ND
Selangor	1,339,051	1,358,054	1.4	19,027	19,003	-0.1
Johor	693,527	705,929	1.8	10,790	12,402	14.9
Pulau Pinang	365,359	377,942	3.4	9,371	12,583	34.3
Perak	398,419	407,185	2.2	8,846	8,766	-0.9
Negeri Sembilan	236,058	238,931	1.2	2,157	2,873	33.2
Melaka	159,697	162,539	1.8	820	2,842	246.6
Kedah	272,121	276,316	1.5	5,493	4,195	-23.6
Pahang	220,432	224,400	1.8	3,983	3,968	-0.4
Terengganu	79,161	82,856	4.7	1,059	3,695	248.9
Kelantan	57,414	58,693	2.2	539	1,279	137.3
Perlis	21,566	21,859	1.4	680	293	-56.9
Sabah	150,304	151,079	0.5	316	775	145.3
Sarawak	207,672	211,832	2.0	4,509	4,160	-7.7
<b>Malaysia</b>	<b>4,640,269</b>	<b>4,718,534</b>	<b>1.7</b>	<b>72,247</b>	<b>78,265</b>	<b>8.3</b>

Note: The Property Market Report 2013 is summarised for members' ease of reference. Members are advised to

# Market Report 2013

## Shops

This sector registered a lower volume of transactions at 20,185 worth RM14.11 billion in 2013. The volume decreased by 9.8% as compared to 2012 at 22,389 transactions whilst value increased slightly at 3.2% (2012: RM13.67 billion). The overhang scenario in the shop sub-sector slightly improved with volume and value declined to 4,676 units worth RM1.39 billion as compared to 2012 at 4,849 units worth RM1.40 billion.

Kuala Lumpur registered 87 overhang units after registering zero overhang in 2012 whilst Putrajaya, Terengganu and Perlis continued to record overhang-free since the past two consecutive years whereas Johor topped with 44.2% at 2,068 units of total overhang.

The supply front looked promising with starts and completion showed double digit growth at 15.2% and 18.2% respectively, whilst new planned supply saw a contraction of 3.4% at 16,848 units.

## Shopping Complex

The retail sub-sector registered a lower volume and value of transaction of shopping complex with slight improvement of occupancy rate at 79.5% (2012: 78.9%) due to the imbalance in completions and the take-up rate of these new spaces. 20 new shopping complexes were completed in 2013 offering a total of 362,738 square meter of space which were mainly contributed by Sarawak, Pulau Pinang and Perak forming 83.2% of the country's newly completed retail space.

As at December 2013, retail space throughout the country totalled 12.39 million square meter of retail space with more than 2.53 million square meter of retail space available for occupation. Another 457,440 square meter of retail space is being planned while 1.25 million square meter is at various construction stages.

## Purpose-Built Office

The year 2013 saw 29 transactions of purpose-built office worth RM1.27 billion against 24 transactions worth RM1.32 billion last year. Despite an increase of 20.8% in the volume, value of transaction decreased slightly by 3.5%. WP Kuala Lumpur recorded the highest transactions with 11 transactions valued at

RM1.03 billion in 2013, taking up major share of the market at 37.9% of the national total transactions.

On the supply side, completions saw a reduction from 28 units in 2012 to 18 units, offering additional 135,828 square meter of office space against 471,773 square meter in 2012.

As at year-end, the total existing supply of office space in the country stood at 18.96 million square meter (2,361 buildings). There were another 101 buildings (2.16 million square meter) in the incoming supply and 31 buildings (499,235 square meter) in the planned supply.

## Industrial Property

The industrial sub-sector was the least active market, contributing 2.2% and 8.1% of the total market share in volume and value respectively. The review period recorded 8,418 transactions worth RM12.33 billion with the volume decreased by 15.7% (2012: 9,984 transactions) whilst value increased moderately at 2.7% (2012: RM12.00 billion). Selangor continued to be the country's largest contributor in industrial transactions with 2,681 units, followed by Johor (1,214) and Perak (1,082).

The overhang situation continued to improve with reduction in volume at 427 units worth RM167.63 million (2012: 617 units worth RM267.19 million). The country's existing industrial unit stood at 95,212 units with 9,112 units in incoming supply and another 17,093 units in planned supply.

## Leisure Property

A total of 2,003 transactions were recorded involving hotels/service apartments worth RM1.95 billion (2012: 2,501 transactions, RM2.33 billion) and 22 transactions involving leisure property worth RM18.17 million (2012: 31 transactions, RM34.02 million). In the new planned supply, Pulau Pinang topped the list with 14 hotels (1,605 rooms), trailed by Johor with six hotels (1,367 rooms).

As at year end, there were 2,689 hotels offering 192,335 existing rooms, another 108 hotels with 20,918 rooms in the incoming supply and 98 hotels with 16,978 rooms in the planned supply.

## Conclusion

In 2014, the Malaysian economy is projected to grow at a stronger pace of between 5.0% and 5.5% driven by the domestic demand and favourable global economy. The residential sector is again expected to be the main player of the property market activity with the focus on affordable housing.

The report also stated that in view of the cooling measures imposed by the Government to curb speculative activity in the property market, it is expected that residential transactions will ease off in the first half of 2014.

In the commercial property sub-sector, the outlook for shopping complex and purpose built office is expected to be challenging with increasing supply of space and slower take-up rate while the leisure sub-sector is expected to benefit from the Visit Malaysia Year programme. In the industrial sub-sector, more investments are expected to flow into the country in 2014 given the number of on-going and upcoming projects.

Considering all the concerted efforts taken by the government to stimulate the national economy which would have direct or indirect impact on the property sectors, the property market on the whole is expected to remain resilient in the coming year.

Incoming Supply			Starts			Planned Supply		
2012	2013	% change	2012	2013	% change	2012	2013	% change
43,936	52,714	20.0	17,156	10,059	-41.4	25,619	22,629	-11.7
1,106	1,452	31.3	208	472	126.9	3,723	3,604	-3.2
433	640	47.8	0	231	ND	244	120	-50.8
135,944	149,644	10	36,009	32,703	-9.2	125,355	116,881	-6.8
101,188	118,191	16.8	20,921	29,405	40.6	154,204	168,371	9.2
62,028	64,482	4.0	9,432	15,037	59.4	54,005	59,137	9.5
37,373	40,201	7.6	11,557	11,594	0.3	25,082	24,668	-1.7
56,431	59,874	6.1	5,542	6,316	14.0	71,509	73,171	2.3
18,806	21,636	15.0	5,118	5,672	10.8	21,256	20,267	-4.7
40,710	43,794	7.6	8,185	7,279	-11.1	30,291	29,089	-4.0
28,116	31,341	11.5	5,297	7,193	35.8	44,268	46,358	4.7
24,494	24,411	-0.3	6,050	3,612	-40.3	19,138	18,070	-5.6
15,075	17,124	13.6	2,621	3,328	27.0	6,376	6,340	-0.6
2,899	3,678	26.9	1,160	1,072	-7.6	2,882	2,536	-12.0
38,751	43,817	13.1	2,888	5,841	102.3	17,231	12,394	-28.1
21,365	23,558	10.3	6,263	6,353	1.4	9,496	12,216	28.6
<b>628,655</b>	<b>696,557</b>	<b>10.8</b>	<b>138,407</b>	<b>146,167</b>	<b>5.6</b>	<b>610,679</b>	<b>615,851</b>	<b>0.8</b>

refer to the full report for details.