

PROPERTY SECTOR TO SUSTAIN GRADUAL UPTURN

Here's what to expect from the Malaysian property market in 2020

Much has been said about the property market in Malaysia in the recent years, which has been plagued by various issues such as the housing market overhang as well as oversupply.

This year is no different – it was fraught with challenges with the overhang in the residential sector continuing to cast a long shadow on the industry, alongside other problems such as cancelled or delayed infrastructure projects and affordability.

Despite these challenges, the property market has remained resilient, underpinned by the country's strong gross domestic product (GDP) growth and government-driven initiatives such as the Home Ownership Campaign (HOC) to support the housing sector throughout the year.

In fact, according to Knight Frank Malaysia managing director Sarkunan Subramaniam, the

residential property segment picked up in 2019 with a higher volume and value of transactions recorded as at the first half of 2019 compared to the corresponding half of 2018.

"The market is showing signs of bottoming out, underpinned by government-driven initiatives like the HOC to increase home ownership among Malaysians," he reveals.

While this is the case for residential property market, Sarkunan says looming supply and weak absorption continue to impact the Klang Valley office market, particularly in KL City, although rental and occupancy levels are seen to be holding firm in KL Fringe and Selangor.





Gradual improvement in 2020

With the year drawing to a close, the question on everybody's mind has to be: How will the market perform in 2020?

On this, Sarkunan says while the residential property market appears to be bottoming out, it will take some time before the market sees any significant growth.

"We expect the market to improve gradually with the support from various government initiatives such as the lower price threshold for foreign buyers, Real Property Gains Tax (RPGT) revised base year for asset purchase and the Rent-to-Own schemes," he says.

On the commercial property front, adds Sarkunan, the tenant-led office market is expected to remain challenging in the short to medium term due to the growing pipeline of office space and slower absorption.

He adds investment incentives announced in Budget 2020 to encourage more inbound investment from Fortune 500 companies and global unicorns in the technology, manufacturing, creative and new economic sectors over the next five years – coupled with efforts by InvestKL in attracting more multi-national companies (MNCs) – will stimulate the economy and create a multiplier effect on the KL office market and other market segments.

To date, he continues, InvestKL has attracted 85 MNCs and has created 12,000 jobs and this had had positive spill-over effect on the office market. The government agency remains on track to achieve its mandate of 100 MNCs by 2020.

Moreover, Malaysia is ranked 12th in the World Bank Doing Business 2020 Report, an improvement from the 15th spot in 2019.

Budget 2020 announcements to impact outlook

How will property-related measures were announced by Finance Minister Lim Guan Eng during the tabling of Budget 2020 impact the property market outlook in the coming year?

"Lowering the threshold of high-rise property prices in urban areas from RM1 mil to RM600,000 in 2020 is designed to reduce the current oversupply in the market," iProperty.com Malaysia Sdn Bhd general manager David Mawer explains.



David Mawer

"It can have a positive impact as foreign buyers are a pool of potential investors who can reduce the overhang in this price range. The lowering of the threshold for foreign ownership will result in increased liquidity in the property market."

As for the shift of the RPGT base year to 2013 from 2000, Mawer says: "Revising the base year will allow sellers to pay lower RPGT. We hope continuous improvements to the RPGT policy can be considered to boost more interest and activities in the secondary property market, as many buyers are looking to upgrade after disposing of their older units."

"With the change of the base year, earlier set at 1 January 2000, we believe that this will significantly lessen the burden of homeowners who are planning to sell their houses."

The RTO schemes, meanwhile, are a good measure to continue to trim the oversupply of homes in the market, with Mawer being certain that this will help stimulate homeownership in Malaysia.

"The scheme is best suited for young families and working professionals who do not have the earning power yet to qualify for housing loans. To stimulate first-time homebuyer ownership further, the government could also consider increasing the RTO scheme funds to a higher amount."

"This will allow more urban Malaysians who are first-time homebuyers to own a property in Malaysian cities like Kuala Lumpur and Petaling Jaya where the average purchase price can be higher," Mawer adds, revealing a key area they hope to see improve in 2020 is an increase in education and transparency when it comes to home loans and affordability.

Property seekers can check their Debt Service Ratio (DSR) and maximum home loan eligibility from up to 17 banks using LoanCare, iProperty.com.my's home loan eligibility indicator, which will help them understand what property they can afford and avoid possible home loan application rejection, which can set them back three to six months in applying for another loan.

A macro view on current trends

iProperty.com Malaysia's H1 2019 Portal Demand Analytics was released in August 2019 with the aim of providing



04 DEC, 2019

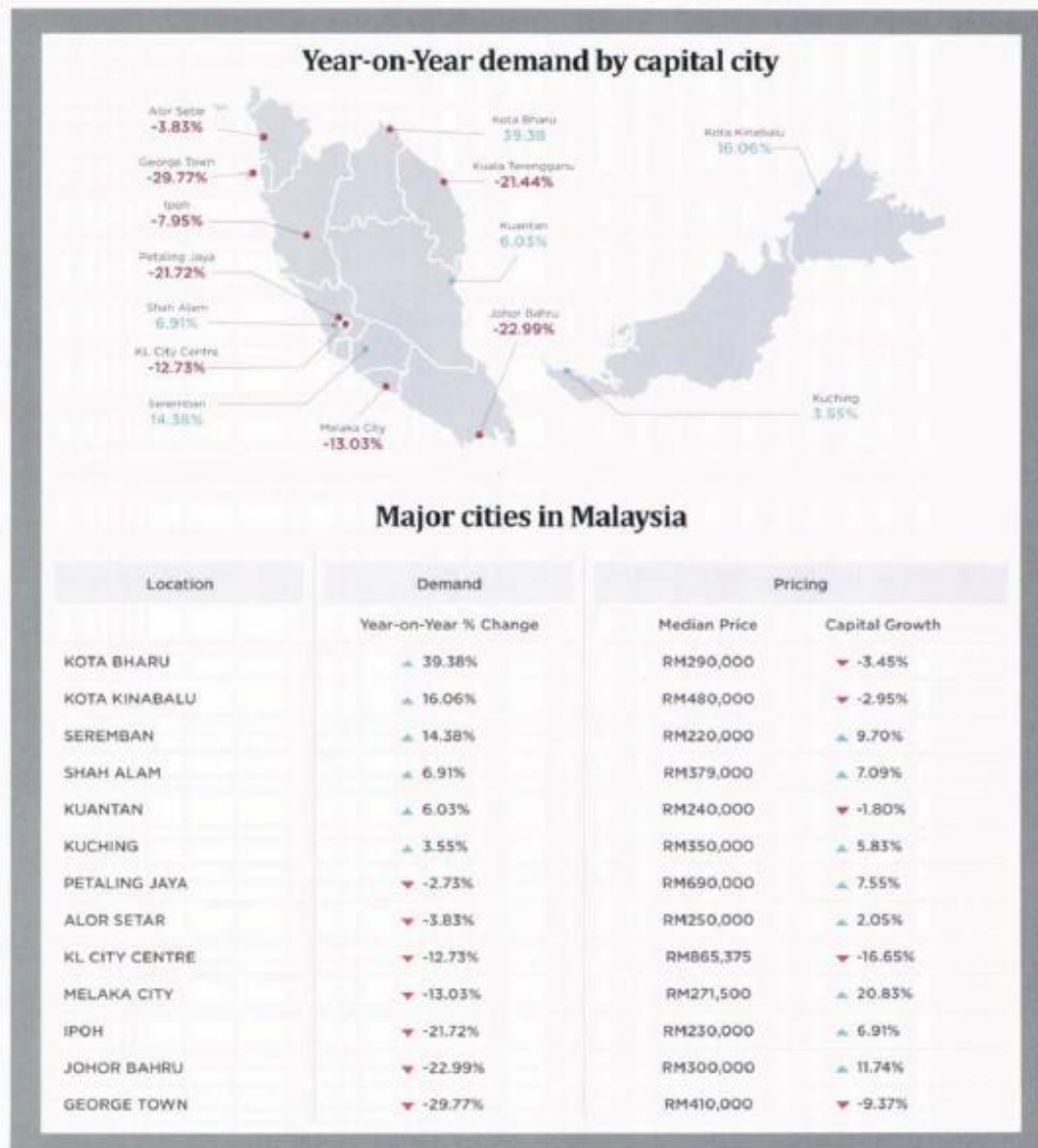
PROPERTY SECTOR TO SUSTAIN GRADUAL UPTURN

Smart Investor



a transparent macro view of the current trends and insights using iProperty.com.my consumer visits and property listings data in the Malaysian residential property market across Kuala Lumpur, Selangor, Penang and Johor.

A first of its kind in the country, the analytics indicated there is an increase in both visits and listings at a national level. However, the growth in visits outpaced the increase in listings, resulting in the national property demand to increase by +4.1%.



Change in demand in housing markets for each capital city in Malaysia.

Source: iProperty.com.my



In line with the overall market sentiment on the property market, the theme this year is affordability with more and more serviced residences coming into the market. This building type is slowly gaining ground due to its affordable pricing and its location in strategic areas usually close to public transportation.

In fact, serviced residences experienced the most significant growth in demand at +14.7%, contributed by visits shifting from condominiums. However, serviced residences – with 11% of total visits – have some way to go before catching up to condominiums (with 23% of total visits).

It is further revealed that the attraction of serviced residences goes beyond affordability. The appeal is also having the right address, accessibility to public transportation and the availability of commercial elements such as food and beverage outlets. The recent supply of this building type in the right locations has resulted in increased interest.

Currently, serviced residences represent about 3% of the sub-sale transacted market share. Terrace houses, on the other hand, have seen robust growth in demand by +3.7%. Terrace houses, which consists of more than half the transaction market share in the country, is still the most popular building type.

What to expect in 2020

For Malaysian Institute of Estate Agents (MIEA) president-elect Chan Ai Cheng, 2019 has been quite an interesting year.



Chan Ai Cheng

"It started off with a big push from the Home Ownership Campaign (HOC) for properties in the primary market where buyers enjoy a minimum of 10% discount and stamp duty exceptions under this campaign," she says.

"On the secondary market side, the rental market remains stable, while we have seen the sub-sales market firming up with an increase in volume sales."

In the upcoming year, Chan feels that any further extension of the HOC is unlikely. "However, the stamp duty exemption for first time homebuyers is still on-going, and we foresee that developers will continue to design attractive sales packages to encourage home ownership in 2020."

Meanwhile, from the secondary market perspective, more movements are expected due to the revision of the RPGT imposed on the disposal of properties after a five-year period, by individual citizens and permanent residents.

"As 2013 was a good year for the property market, many are of the opinion that this adjustment is fair," Chan comments.


As to which property sub-sectors are expected to perform better in the upcoming year, Chan says:

"We can see that as usual, landed property – particularly the terrace house sub-sector – has always shown strong and steady growth.

"Interestingly enough, there is big demand for terrace houses particularly in the outskirts of the city where landed property prices are still reasonably within the affordable range."

In the meantime, demand for condominiums continue to grow. In fact, it has been indicated that among the top 10 most in-demand localities, many point towards the outskirts of greater Kuala Lumpur and Petaling Jaya such as Rawang and Kajang as new demand centres.

She notes that the next generation of homebuyers are being less mindful of the long-distance commute – given greater connectivity through better infrastructure projects over the years – if the price is right.

"In conclusion, as estate agents, we are anticipating a robust year for the property market in the year ahead, and we will see an increase in demand for properties." 



Source: iProperty.com.my

Note: National demand is based on all property types other than terrace houses, condominiums and serviced residences, and includes semi-Ds, bungalows, clusters, town houses, flats and apartments.