



> Total overhang - defined by Napie as comprising unsold completed houses, shops and industrial units fit for occupation - amounted to RM41.50bil as at Dec 31, 2019. Housing and serviced apartments formed the bulk, at RM33.86bil. The scary part is that the serviced apartment overhang continues to rise. It is up by nearly 51% in volume and 65% in value against 2018. Serviced apartments are built on commercial land, where utility charges are higher. Johor recorded the highest serviced apartment overhang. It also has the highest residential overhang. Together, they total RM16.26bil. The bulk of these units are in the state capital of Johor Baru. This excludes units which are unsold under construction, which will swell the overhang even more. Other states with high unsold completed residential units include Perak and Selangor.

> Residential transactions amounted to 209,295 in 2019, valued at RM72.42bil. This represents a 6% rise in volume and 5.3% rise in ringgit versus 2018. Most of these were direct negotiations between owners and buyers, known as the secondary market. Last year's Home Ownership Campaign (HOC) brought in RM23.2bil. The bulk of these were developers' units, or the primary market. Moving forward, there are talks about bringing back the HOC to cushion the Covid-19 impact. Rebates and freebies were the highlights of the HOC. Having another HOC may mean higher rebates, which brings us to the issue of transparency. Net prices less freebies should be stated in sales and purchase agreements, without which all record-keeping by Napie would be rendered meaningless. When real prices are not stated, buyers may borrow more than the actual house price, which puts bank and lending institutions at risk.

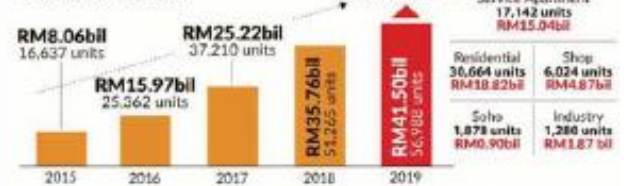
> Although total properties from all segments rose progressively between 2015 and last year, in the residential segment, the overhang dropped in 2019 versus 2018 in both ringgit value and volume. But it is not the time for cheering. It dropped because developers exercised more self-control compared to the heady and exuberant years from 2011 right up to 2014/15. Construction activities remained at a low as completion, starts and new planned supply declined. Nonetheless, many took the opportunity to bring out new products during last year's HOC, besides trying to offload old stock by giving cash-back offers, rebates and other freebies. Of the 60,000 housing units launched in 2019, about 40% were sold with the sale and purchase agreements signed versus 34.6% of the 66,040 units launched in 2018.

> There were a total of 25,654 transactions from the primary and secondary markets worth RM28.99bil in 2019, an increase of 7.2% in volume but value declining by 1.8%. Selangor contributed 25% of the transactions with 6,394 units, followed by Kuala Lumpur (15.5%) and Johor (14.4%). Putrajaya had the least number of transactions, at 23 units (0.09%). Serviced apartments and small office home offices (SoHos) formed the bulk of the transactions, 9,741 units out of the 25,654, or 38%. Property development is such that there is generally a steady stock of units being completed at some future date. These may be work-in-progress and future planned supply. Collectively known as future supply, up to 70% of this future supply are serviced apartments.

> While residential overhang was reduced in 2019, there was a big jump in the commercial segment. A 40% to 50% jump in units and value versus 2018 is worrying. Up to 17,142 units, or 68.45%, are serviced apartments. Developers launch serviced apartments because they pay big money for commercial land. To make these units profitable for themselves and affordable for buyers, they "cut" the built-up areas small, from 500 to 1,000 sq ft. Buyers pay commercial rates for utilities; about 25% to 30% higher than residential rates. Many buy without being aware that there is a huge carrying cost. At the same time, these units fetch a higher rental rate. Owners, therefore, rent these units out on short-term stays via Airbnb to obtain income. Johor leads in the commercial overhang segment with close to 14,000 units. Of this, 12,207 units (87.2%) are serviced apartments. Selangor and Kuala Lumpur come in second and third.

Trend of overhang (2015-2019)

Units/ Value RMmil

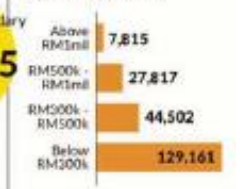


Residential property transactions in 2019

By type (Units)



By price range (Units)

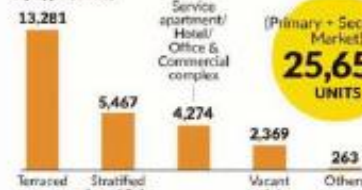


Residential overhang units/ Value RM mil



Commercial property transactions in 2019

By type (Units)



By price range (Units)



Commercial overhang units/ Value RM mil



Source: Napie