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Price correction in local property market in first-half 2020

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KUALA LUMPUR: The property market experienced a correction in terms of pricing with more affordable housing launched in the first half of 2020 (H1'20).

National Property Information Centre (Napic) director Aina Edayu Ahmad said half of the new launches in H1'20 comprised houses priced at RM300,000 and below (6,657 units), while the RM300,001-RM500,000 houses accounted for 28.9% (4,476 units) and houses priced over RM500,000 accounted for 21.1% (2,161 units).

"So we see that the market has done its own correction. In the past years, we have seen more of new launches in the higher range but now we are seeing more new launches in the range of RM300,000 and below," she said in her presentation on the Overview of the Malaysian Property Outlook at the 13th Malaysian Property Summit here yesterday.

She was representing Napic director-general A'zmi Abdul Latif.

Aina Edayu said new residential launches, however, recorded a substantial drop of 43.6% to 13,294 units in the H1'20 from 23,591 units in H1'19.

She said all property market activities across the board had decreased, leading to a major decline in the overall property sector.

"Residential sector remains as a major contributor to the property sector, accounting for over 65 per cent of the volume and nearly 55 per cent in terms of value," she said.

Aina Edayu said Selangor and Johor have the highest concentration of properties in the residential, commercial and industrial sectors.

"In terms of pricing, properties priced RM300,000 and below in the residential segment are still capturing most of the market demand, which is why we should focus on having more affordable houses in this price range to allow the national aspiration to be achieved," she said.

However, Aina Edayu said

although demand for the affordable range is higher, affordability is another matter as it is subject to loan approvals.

She said Napic is not expecting prices to drop significantly despite the declining price in the second quarter (Q2) of 2020 against Q1 2020 as prices seem to be holding up based on the Malaysian House Price Index (MHPI), which showed a gradual upward movement in price for the past five years.

On the overhang in residential units, she said that in H1'20, the number of unsold residential properties rose to 31,661 units worth RM20.03 billion, compared with 30,664 units worth RM18.82 billion in H2'19, most of which were high-rise residential properties.

Of the overhang units, 21,683 were serviced apartments worth RM18.64 billion, an increase of 26.5% in volume and 32.8% in value from 17,142 units worth RM15.04 billion in H2'19.

Aina Edayu noted that the

overhang in serviced apartments kept escalating over the years.

Units priced over RM1 million accounted for nearly one third (28.2%) of the overhang units, while those in the range of between RM600,000 and RM900,000 accounted for 47%.

"Nearly 16,000 of the total number of unsold serviced apartments are in Johor, whereby 34.3 per cent of them are priced over RM1 million," she said, adding that Selangor has 2,400 unsold units - 40.8% of which are priced from RM500,001 to RM600,000.

"Data also showed that properties over the RM500,000 price range accounted for about 69 per cent of the overhang service apartment units," she said.

On outlook, Aina Edayu expects the property market to be influenced by the high level of uncertainties surrounding it, including the pace of the economic recovery, political stability and Covid-19. - Bernama