SNAPSHOTS of the auction property market in 2018

BY TAN AI LENG

The total number and value of auction properties in Malaysia is on an upward trend lately. In 2016, there were 26,101 cases worth RM9.836 billion which was a 9.2%, decline from 28,750 cases with a total reserve value of RM7.632 billion in 2015.

However, since then, the number of auction properties spiked to 32,611 properties with a total reserve value of RM15.56 billion in 2018, according to AuctionGuru.com.my's 2018 Auction Report.

The online auction listing platform's executive director Gary Chia says the elevated number of foreclosure cases recorded in the last quarter of 2018 could mainly be due to the aggressive loan recovery efforts adopted by financial institutions.

"A high proportion of high value properties was put under foreclosure," he notes.

In the report released mid-March, Malaysia was divided into five main regions – Northern (Perlis, Kedah, Penang and Perak), Central (Kuala Lumpur, Selangor, Putrajaya and Negeri Sembilan), Southern (Johor and Melaka), East Coast (Kelantan, Terengganu and Pahang) and East Malaysia (Sabah and Sarawak). Here are five interesting facts gleaned from the report about the auction market in 2018.

1 How many properties were put up for auction last year in Malaysia?

A total of 32,611 properties with a total reserve value of RM15.56 billion went under the hammer last year which means around 2,717 properties were put up for auction monthly.

That works out to about 90 properties a day.

According to AuctionGuru.com.my's 2018 Auction Report, the number of foreclosure properties in 2018 increased by 15.4% in volume and 27.6% in value from 28,262 cases worth RM12.2 billion in 2017.

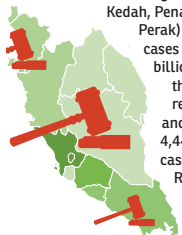**Total properties auctioned in 2018**
32,611

2 Where do you think most of the auction properties were?

The country's Central region, comprising the states of Kuala Lumpur, Selangor, Putrajaya and Negeri Sembilan, accumulated 17,712 foreclosure cases (reserve value of about RM9.7 billion), making it the region that contributed 54% of foreclosure cases in the country.

No surprises here since the Central region is the most densely populated area and the focus of commercial activities in the country.

The Northern region (Perlis, Kedah, Penang and Perak) had 6,860 cases worth RM1.9 billion while the Southern region (Johor and Melaka) saw 4,444 foreclosure cases valued at RM2.3 billion.

3 Which was the most common auction property?

About half (51%) of the foreclosure residential properties were landed houses with a total reserve value of RM6.2 billion which means that last year, an average of 1,180 landed houses went under the hammer per month.

Of that, about 80% were terraced houses. Last year, 11,247 terraced homes worth RM3,444 million were put up for bidding.

Semidees recorded the second highest number of foreclosure cases in the landed housing segment with a total of 1,492 cases valued at RM1.056 billion.

There were also 1,021 bungalows worth RM1.556 billion that went under the hammer last year as well as 394 townhouses with a total reserve value of RM151 million.

Although terraced houses made up the highest number of foreclosed landed homes, terraced houses remain the most highly sought-after landed residential type as they appeal to house buyers or investors due to their relative affordability and foreseeable market demand in future.

Chia notes that semi-detached houses and bungalows will take longer to be disposed due to the low yield they generate, especially during existing market conditions.

"From our data, we noticed several semi-detached houses and bungalows have, from initial market value, dropped significantly and are yet to be sold. Buyers for these high-value properties are mainly concerned with the time taken to realise capital appreciation and rental yield returns," says Chia.
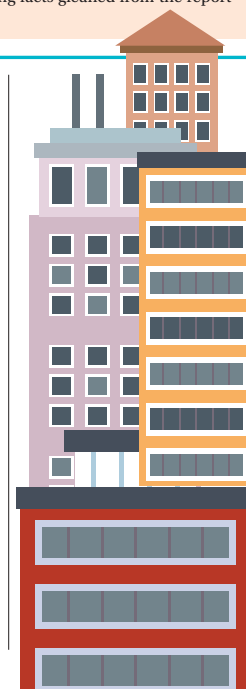
4 What was the total worth of homes that went under the hammer?

All property types have seen a number of auction properties increase in 2018. The residential segment recorded 27,877 cases with a total reserve value of RM10.02 billion; an increase of 13.7% in volume and 30.8% in value year-on-year (y-o-y). Residential property makes up 85.5% of total auction cases.

The commercial segment saw 3,663 properties worth RM4.024 billion go under the hammer last year. Compared with 2017, the number of cases and their value surged 26.7% and 31.6% y-o-y respectively, which was the highest growth recorded among all segments.

As for land plots, a total of 1,071 tracts worth RM1.517 billion were up for bid in 2018, an increase of 24.5% in volume and 2.4% in value from 2017.

Chia adds that the abundant supply and the low rental yield for residential properties may be two key factors that have forced more and more owner-investors into abandoning their loan repayment obligations.

"Moving ahead, we expect the excess in the market to persist, which will pose further downward price pressure on the overall residential property market," he says.

Total reserve value
RM10.02 bil
(Residential segment)

5 How many condos were up for auction last year?

There were a total of 13,723 high-rise residential properties with a reserve price of RM3.8 billion that went under the hammer last year. On average, around 1,144 high-rise residential units were put up for auction every month.

Apartment properties were the bulk of them with – 6,863 apartments worth RM1.36 billion, followed by flats, with a total of 2,656 cases worth RM239 million.

For condominium properties, 2,407 cases worth RM1.389 billion were recorded, the highest total value amongst all high-rise residential segments.

Meanwhile, the market has also seen 1,797 serviced apartments or suites worth RM826 million being put up for auction last year.

The report notes that high-rise residential property more easily finds its way to a new owner in the auction market, due to its low entry cost, facilities and higher rental yield — compared with landed residential property.