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A leaner year ahead for real estate

The Malaysian Reserve, Malaysia



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The dampening factors include the ongoing US-China tensions, which contribute to slowdown effects for countries with high exposure to China

by FARA AISYAH

THE property market is anticipated to remain subdued moving forward as mixed macroeconomic indicators, both internal and external, indicate a neutral outlook for real estate in the next few quarters.

PropertyGuru Malaysia said the dampening factors include the ongoing US-China tensions, which contribute to slowdown effects for countries with high exposure to China such as Malaysia.

Escalating tariffs have hurt global value chains (GVCs) worldwide, with far-reaching consequences for GVC-related economic growth, the property technology company said.

"While the ringgit has strengthened following positive undertones in the recent US-China trade talks and interest-rate environments in general have improved following rate cuts by Bank Negara Malaysia and the US Federal Reserve, the conclusion of the Home Ownership Campaign (HOC), continued application of revised real property gains tax rates and the absence of strong driving provisions for pro-property in the recent budget spell out a leaner year for property ahead," PropertyGuru Malaysia country manager Sheldon Fernandez said in a recent statement.

Internally, the country's demand-supply mismatch for properties in key markets continues albeit at a slower rate, while property provisions under Budget 2020 are targeted primarily at first-

time purchasers and interim measures for the residential overhang.

The PropertyGuru Market Index (PMI) for the third quarter of 2019 (3Q19) showed that homeowners and sellers are adjusting their asking prices downward amid mixed macroeconomic indicators, as the HOC draws to a close.

The overall PMI for the country declined 0.9% year-on-year (YoY) and 1.2% quarter-on-quarter (QoQ), underscoring bearish sentiment among industry stakeholders in both short term and long term.

Asking prices in most major Malaysian markets, including Kuala Lumpur (KL), Selangor and Penang, saw similar QoQ decrease and long-term decline, the index revealed.

However, Johor recorded a marginal growth of 0.3% YoY and sideways QoQ movement in 3Q19.

"With the recent tabling of Budget 2020 and its lack of significant drivers for property, the sideways momentum is likely to continue into 2020," PropertyGuru noted.

Penang

Penang saw the steepest QoQ decline in asking prices, with its price index down 1.5% from 94.8 to 93.4 in 3Q19.

PropertyGuru said the decrease follows on a consistent growth since 3Q18, with its PMI peaking in the 1Q this year at 94.8 points.

The growth over the past year in Penang is likely attributable to increased demand following Budget 2019's stamp duty exemptions and other incentives, as well as increased sentiment concurrent with the HOC, it added.

However, the discounts and other promotional measures associated with the campaign may have had a downward impact on asking prices in the long term.

On a YoY basis, Penang exhibited



Properties in the affordable range are still widely in demand, especially with a highly desired address like KL despite a large portion of mismatched KL properties in the market

a marked decline as the PMI decreased 0.6%, pointing towards a buyer's market moving forward.

"Continued increase in supply was seen in 3Q19 at 22%, a positive turn compared to the previous quarters in 2018, demonstrating that sellers evidently want to let go of their properties, but are still adopting a wait-and-see approach," Fernandez said.

Klang Valley

Asking prices in KL dropped 0.9% in 3Q19 — after a brief spike in 2Q19 — which may be attributed to downward pressure on prices due to the HOC.

The trend can also be seen as a longer-term adjustment, as demand for affordable housing and developer preferences for higher-margin property tiers find equilibrium.

"There is still a large portion of mismatched KL properties in the market, and properties in the affordable range are still widely in demand, especially with a highly desired address like KL.

"It remains to be seen how Budget 2020's revised foreign ownership guidelines will impact these mismatched units," Fernandez said.

In Selangor, asking prices were down 0.8% QoQ in 3Q19, with its PMI falling from 91.9 to 91.1.

At the same time, the state exhibited strong YoY trends in 3Q19 as it was the fourth consecutive quarter with YoY increase.

Despite the longer-term decline,



The Ariza Courtyard Terrace in Seri Tanjung, Penang. The growth over the past year in Penang is likely attributable to increased demand following Budget 2019's stamp duty exemptions

sentiment this year has been consistently better than equivalent quarters last year, PropertyGuru noted.

"On housing loan approvals, the Real Estate and Housing Developers' Association received reports from its members concerning the difficulties the homebuyers face in getting their loans approved.

"However, the loan rejections occur among the lower-end properties, while the middle- and higher-end segments do not face this issue," Fernandez added.

Johor

Johor was the only state among the major markets to show positive trends in 3Q19, with a long-term uptrend in asking prices since 1Q16, PropertyGuru said.

On a QoQ basis, asking prices

remained static in the 3Q, which was an improvement over the decline seen in other states.

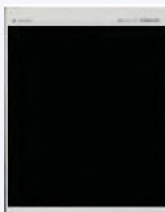
Johor realised investments worth RM172.2 billion in the first six months of 2019, 39% of which comprised foreign direct investments. The positive sentiment is likely to spill over into its property segment.

The state's strong price and transaction momentum are likely to continue into the near future, the property technology firm added.

"Supply volumes, which stood at a 118% increase in 2Q19, maintained an excellent trajectory this quarter with 119% growth, indicating that the state's properties are experiencing good take-up rates, thanks to the demand from both locals and foreigners, thus allowing prices to readjust," Fernandez said.



Medini City in Iskandar Puteri, Johor. Johor is the only state among the major markets to show positive trends in 3Q19, with a long-term uptrend in asking prices since 1Q16



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SUMMARIES

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Medini City In Iskandar Puteri, Johor. Johor to show positive trends in 3Q19, with a long-TERM property market is anticipated to remain subdued moving forward as mixed macroeconomic indicators, both internal and external, indicate a neutral outlook for real estate in the next few quarters.