

Headline	Fewer auction properties in 2020 but not good news		
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Fewer auction properties in 2020 but not good news

●Text **Tan Ai Leng**

A total of 27,541 properties with an estimated reserve value of RM14.2 billion went under the hammer in 2020, a year-on-year decline of 25% and 28% in terms of cases and value respectively, according to AuctionGuru.com.my data.

Not only did the number of foreclosure properties drop significantly last year, but the total number of auction properties was also the lowest in the past six years. (Read “Zooming into auction market 2020” on Page 11.)

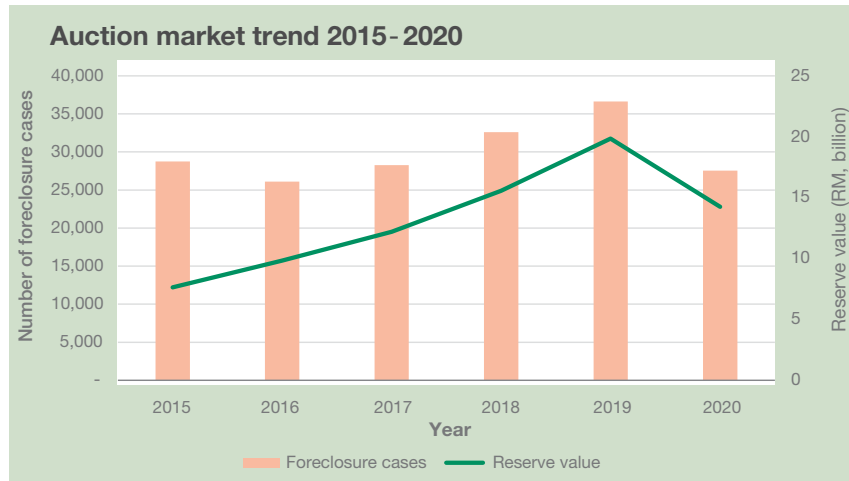
Although Malaysia has recorded the lowest number of foreclosure properties last year, AuctionGuru.com.my executive director Gary Chia says the downtrend did not reflect the real market condition.

“The decline is mainly due to the implementation of movement control order (MCO) and loan moratorium facilities given to housing loan borrowers to cushion the economic impact of the Covid-19 pandemic,” he tells **EdgeProp.my**.

To recap, Bank Negara Malaysia’s six-month moratorium allowed borrowers to delay their repayments until Sept 2020. Those eligible for the targeted moratorium extension enjoyed a deferment period until the end of last year. Both of these initiatives helped delay the impact of the Covid-19 on the property market.

Hence, what’s worrying is when the moratorium ends and borrowers have to start servicing their monthly loan instalments. If the nationwide economic condition remains sluggish and the majority are unable to manage their cash flows, the market will be seeing a rise in the number of foreclosure properties starting next year, stresses Chia.

On the auction market, Chia notes there are always some good deals in established locations which have re-



serve prices of 30% to 40% lower than market prices.

However, the investors’ appetite is not there, as they are either conserving cash or looking at other liquid assets, he says, adding that buyers who are looking for foreclosure properties are those who are looking for properties in their desired locations to own-occupy.

Uncertainties on future capital appreciation and rental yield as well as the property oversupply condition, especially for high-rise residential segments, are the key reasons investors are taking a wait-and-see approach on property investments, he explains.

Although there are keen self-occupiers who are looking for bargain deals in the auction market, he notes that the numbers of concluded deals are not significant.

Moving ahead, it is important for us to take a cue from the upcoming quarterly foreclosure data to form better predictions towards the direction of the local foreclosure market and recovery of the Malaysia property market, concludes Chia.



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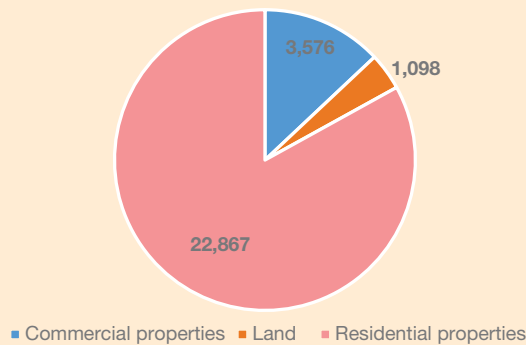
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Zooming into auction market 2020

Amongst the 27,541 foreclosure properties, a majority of 83% or 22,867 residential properties worth RM8.5 billion was put up for auction last year.

Commercial properties consisted of 13% or 3,576 cases, while foreclosure land stood at 4% or 1,098 cases.

Foreclosure property by segments (2020)



Terraced houses take a big chunk

For the residential segment, terraced houses, serviced apartments and bungalows have the highest total reserve value among all property types.

Some 9,077 terraced houses with a reserve price of close to RM2.9 billion went under the hammer last year.

“Notably, this [terraced house] is also the most popular and common property type in primary and secondary markets. This showed quite a number of the terraced house buyers are highly vulnerable and susceptible to economic shock,” says AuctionGuru.com.my executive director Gary Chia.

Meanwhile, there were also 3,132 serviced apartments worth RM1.4 billion and 737 bungalows with a total reserve price of RM978 million being put up for auction last year.

He notes that the impact of the pandemic will persist and is expected to restrain the demand recovery for high-end or luxury property segments.

Overall take-up rate for high-end property segments is expected to be lukewarm due to the unattractive investment value proposition. Moving ahead, the number of foreclosure cases for high-end property segments is expected to increase due to repetitive foreclosure cases.

Residential property segment	Units	Value (RM, million)
Terraced house	9,077	2,879
Serviced apartment	3,132	1,444
Bungalow	737	978
Apartment	4,915	974
Condominium	1,795	972
Semidee	1,329	939
Flat	1,387	149
Townhouse	495	145

Over RM1b worth of shopoffices up for auction

In the commercial property segment, shopoffices, factory or industrial buildings and stratified retail units were the foreclosure properties that had the highest reserve price in 2020.

There were a total of 1,134 shopoffices worth RM1 billion being foreclosed last year. Some 270 factory or industrial buildings with a reserve price of RM659 million and a total of 958 stratified retail units worth RM345 million were put up for auction last year.

Commercial property segment	Units	Value (RM, million)
Shopoffice	1,134	1,003
Factory/industrial building	270	659
Stratified retail unit	958	345
Stratified office unit	703	338
Shopping mall	4	147
SoHo, SoFo and SoVo	441	139
Others (warehouse, showroom or hotel)	38	135
Office building	23	88
Stratified factory lot	5	1

Central region has more auction land

There were a total of 1,098 plots up for auction in 2020, with a total reserve price of RM2.9 billion.

Southern region (Johor and Melaka) saw 165 plots worth RM1 billion go under hammer last year. The region also recorded the highest reserve value in the foreclosure land segment.

The central region (Kuala Lumpur, Selangor, Putrajaya and Negeri Sembilan) had the highest number of foreclosure land cases – 323 plots with a reserve price of RM922 million – put up for auction last year.

“From our observation, the large foreclosure value recorded for both the central region and southern region is mainly due to several big parcels going under foreclosure,” says Chia. 📌

Land segment	Units	Value (RM, million)
Southern region	165	1,071
Central region	323	922
Northern region	212	468
East Coast region	292	276
East Malaysia	106	174

