PRESS RELEASE
MALAYSIAN PROPERTY MARKET 2015

Property Market Activity

Market volume recorded at 362,105 transactions worth RM149.9 billion in 2015, down by a marginal 5.7% in volume and 8.0% in value against 2014. Residential sub-sector continued to lead the overall market, with 65.2% contribution in volume and 49.0% in value. The sub-sector recorded a slight downturn by 4.6% in volume and correspondingly down in value by 10.5%. The commercial, industrial, agriculture and development land sub-sectors were also on moderating path, down by 10.6%, 13.0%, 7.5% and 2.4% respectively.

Residential Property

There were 235,967 transactions worth RM73.47 billion recorded in the review period, declined by 4.6% in volume and 10.5% in value. Performance by states was generally on a low tone. Major states namely Johor and Pulau Pinang recorded mark declines in market activity, down by 20.4% and 16.9% respectively whilst Kuala Lumpur and Selangor recorded moderate declines of 8.3% and 5.1% respectively.

In line with market softening and bleak households’ sentiment, the primary market reacted accordingly as the number of new launches reduced to 70,273 units, down by 19.2% against 2014 (86,997 units). Most states particularly the major ones namely Johor and Pulau Pinang saw substantial declines in their new launches, each down by 42.8% (9,428 units) and 47.5% (2,348 units). The overall sales performance for the country hovered at 41.4% (29,089 units sold), lower than 45.4% (39,491 units sold) performance in 2014.

The residential overhang situation took a downturn as more units were recorded. There were 11,316 overhang units worth RM5.9 billion, up by 16.3% in volume and 56.0% in value. Johor which held 21.9% of the national overhang, saw its overhang increased to 2,483 units, up by 8.5% due to higher unsold in terrace and service apartment types. On similar trend, the unsold under construction recorded an increase of 28.6% to 68,760 units due to large numbers of unsold condominium and service apartment units. The fewer number of new launches partly helped contain the unsold not constructed, down by 20.5% to 10,704 units.
Construction activities were generally on a low tone with the exception of starts. Completions were down by 25.0% (80,850 units) whereas starts recorded a 10.3% increase (188,757 units) over 2014, as higher numbers of service apartments in Johor Bahru (20,914 units) and Kuala Lumpur (13,197 units) commenced construction. On the contrary, new planned supply was on a four-year low at 139,189 units, down by 31.8%. As at end-2015, there were 4.93 million existing residential units with nearly 0.89 million in the incoming supply and 0.64 million in the planned supply.

The Malaysian House Price Index sustained its moderating trend. As at Q4 2015, the Malaysian All House Price Index stood at 227.5 points (at base year 2000), up by 5.8% on annual basis. The annual rate of increase for MHPI has been on a decelerating trend since Q4 2013, resulting from the various cooling measures to contain the spiralling prices. On quarterly movements, the index points contracted by 0.8% against Q3 2015.

**Commercial Property**

There were 31,776 transactions worth RM26.4 billion recorded, down by 10.6% in volume and 17.1% in value. Major states recorded lacklustre performance with Johor recording the highest decrease of 21.9%, followed by WPKL at 15.0%, Selangor at 11.1% and Pulau Pinang at 10.7%. In terms of transactions value, only Pulau Pinang held strong with an increase of 19.0% despite fallen market activity whilst the other major states succumbed to double-digit declines.

**Shop**

Shop sub-sector recorded 17,181 transactions worth RM13.31 billion in 2015, dominating 54.1% of the commercial property transactions and 50.4% of the total value. Its market activity was on similar down trend, reduced by 14.7% in volume and 11.2% in value.

Pulau Pinang and Selangor contributed higher market volume to the national total, each with 18.8% and 16.9% market share. Performance-wise saw Johor recorded a downfall of 29.3% whilst Selangor saw a 10.0% fall. .

The shop overhang recorded 4,972 units worth RM2.25 billion, up by 15.0% in volume and 50.1% in value. Similarly, the unsold under construction and not constructed were also on uptrend, nearly double the amount to record at 12,882 units and 2,459 units respectively. The dwindling business confidence which in turn influenced the purchasing propensity could have thwarted the situation.

Construction activity depicted similar pattern to that of residential. Completions declined by 9.0% to 9,649 units whereas starts recorded a lower increase of 4.1% to 21,345 units. Slightly more than one third of starts comprised SOHO, which were mainly in Selangor. However, new planned supply registered a substantial decline of 42.4% to 16,343 units. As at end-2015, there were 415,754 existing shops with another 96,664 units in the incoming supply and 73,254 units in the planned supply.
Shopping Complex

The retail sub-sector recorded a slight improvement in occupancy from 81.8% in 2014 to 82.4% in 2015, with a take-up amounting to more than 780,000 s.m. Higher take-up spaces were observed in Selangor with more than 200,000 s.m., whilst Sarawak and Pulau Pinang each secured more than 100,000 s.m. Apart from Kelantan which recorded negative take-up, all other states recorded positive.

Occupancy rates remained encouraging with nine states securing above 80.0% mark. W.P. Kuala Lumpur saw a slight decline from 89.8% to 87.4% whereas Selangor improved further from 84.7% to 87.7%. Johor sustained at 74.8% (2014: 74.9%) and Pulau Pinang improved to 71.8% (2014: 66.1%). Construction activity continued to see new entrants in the year. In terms of space, completions declined by 9.2% to record at 645,878 s.m. whereas starts increased by 68.7% to 621,165 s.m. as five complexes in Johor with a combined space of more than 200,000 s.m. commenced construction.

As at end-2015, there were 13.83 million s.m. of existing retail space from 932 shopping complexes. There were another 64 complexes (1.51 million s.m.) in the incoming supply and 38 complexes (1.03 million s.m.) in the planned supply. Selangor dominated the existing retail space whilst W.P. Kuala Lumpur dominated the incoming and planned supply.

Purpose-Built Office

The office sub-sector saw a slight downturn in the overall occupancy rate at 83.7%, down from 84.9% in 2014. The annual take-up though positive at 262,202 s.m., it was lower than 867,979 s.m. recorded last year. Government buildings occupancy rate of 98.7% helped cushioned-off the moderate performance private office buildings at 78.5%. In terms of space, private buildings supplied nearly 75.0% of the national existing space and accounted for 70.0% of the occupied space.

States performance was commendable with 14 states secured more than 80.0% occupancy. Perlis obtained full occupancy and eight other states obtained more than 90.0% occupancy. These states office sub-sector were mostly dominated by Government office buildings.

The new office supply was on an uptrend. There were 27 new completions offering a total space of 520,718 s.m., an increase of 17.3% against 2014 (443,792 s.m.). 16 buildings commenced construction (481,642 s.m.), more than double the space recorded in 2014 (183,395 s.m.). Seven of these starts are in Kuala Lumpur. New planned supply on the other hand recorded eight buildings against 13 last year but did not run far in terms of space. Again, six of these newly approved building plans are in the capital city.

As at end-2015, there were 20.13 million s.m. of existing office space from 2,434 buildings. There were another 62 buildings (1.67 million s.m.) in the incoming supply and 17 buildings (0.41 million s.m.) in the planned supply. W.P. Kuala Lumpur dominated all the three supply categories.
Leisure Property

The average occupancy rates of hotels saw a slight decline from 62.6% (2014) to 61.0% as reported by Tourism Malaysia in tandem with the drop in tourist arrivals for 2015.

The hotel sub-sector recorded 40 new completions (4,716 rooms), down by 29.5% against 2014 in terms of rooms. Starts recorded an increase of 12.3% to 4,340 rooms but new planned supply decreased by 30.2% (4,342 rooms).

As at end-2015, there were 2,857 hotels across the country offering 208,747 rooms. Another 116 hotels (24,069 rooms) were in the incoming supply led by WPKL (5,125 rooms). There were another 85 hotels (16,341 rooms) at the planned supply stage.

Industrial Property

The positive performance recorded in the first half did not sustain till year-end. The industrial sub-sector recorded 7,046 transactions worth RM11.97 billion, down by 13.0% in volume and 17.5% in value. Selangor continued to dominate the market, with 28.9% of the nation’s volume, followed by Johor and Perak, each with 16.1% and 9.6% market share respectively.

The industrial overhang saw a slight increase to record 243 units worth RM240.57 million, up by 7.5% in volume and nearly triple the value of 2014. The significant increase in value was contributed by cluster industrial property, which accounted for 45.6% of the national overhang value and were solely in Johor. The unsold under construction also observed similar trend, up by 29.7% to 1,731 units, whereas the unsold not constructed reduced to 87 units, down by 41.2%.

The industrial sub-sector’s construction front was sluggish compared to 2014. Completions, starts and new planned supply were down by 11.6% (927 units), 32.7% (2,294 units) and 65.1% (1,104 units) respectively. As at end-2015, there were 103,868 existing industrial units with another 11,206 units in the incoming supply and 9,981 units in the planned supply.

Agricultural Property

Agricultural sub-sector recorded lower market activity, with 66,705 transactions worth RM13.09 billion. Market volume was down by 7.5% but value increased by 2.9%. The sub-sector retained its second ranking in terms of contribution to the overall market with 18.4% share. Sarawak held the highest market volume at 16.7% share followed by Perak with 16.3% and Johor with 13.5%.

Generally, performance by states were on low pace except for Negeri Sembilan and Melaka. By type, vacant land formed the bulk of the transactions with 46.7% contribution, followed by oil palm (15.1%). The market activity for oil palm (-9.5%) and rubber (-16.5%) softened in tandem with volatility of commodity prices.
2016 Outlook

The economic and financial environment, both local and global, will be even more challenging in 2016. This has led to the recalibration of 2016 Annual Budget in order to ensure that our country remain firm to brave the forthcoming uncertainties.

Residential Property Sub-sector

The residential sub-sector is expected to experience further softening in 2016 in view of the various internal and external uncertainties foreseeable in the coming year.

Issues on affordable housing and affordability of home purchasers will continue to top the national agenda. The measure announced in budget recalibration, that states all new housing projects priced up to RM300,000 be limited to first-time house buyers.

Commercial Property Sub-Sector

The commercial sub-sector is expected to be equally or more challenging in comparison to residential sub-sector.

The retail sector is likely to moderate as cautious sentiment on consumers’ spending lingers at the onset of increasing costs of living. The performance of hypermarkets looks more positive due to nature of goods sold in these premises i.e. necessity goods.

The performance of office market is expected to plateau. Downward pressure on rental may be felt by buildings, particularly those with tenants that are related to oil and gas industry. At the same time, the ample office space supply should send some cautionary signals to the authority before approving new developments.

The leisure sub-sector is expected to remain positive. The allocation of RM1.2 billion to the Ministry of Tourism and Culture to implement programmes and events to achieve the targeted tourist at 30.5 million in 2016 may help support the sub-sector i.e. hotel industry.

Industrial Property Sub-sector

The industrial property would remain moderate in the coming year. The establishment of Principal Hub scheme, which offers multiple advantages to MNCs that uses Malaysia as a base for their regional and global business operations, will entail better prospects for the industrial sub-sector. The flexibility of the scheme that allows companies to decide on the locations of their preference is another plus point for the sub-sector.

Agriculture Property Sub-Sector

The agriculture sub-sector is expected to remain stable in the coming year. RM5.3 billion allocated to the Ministry of Agriculture and Agro-based Industry for the proposed 2016 programmes is expected to support the sub-sector.
Conclusion

Property sector will be able to endure this challenging period with adjustments and corrections expected from both the demand and supply side. Although property sector may see moderation in market activity, the slowdown would still be manageable.

Several infrastructure projects i.e. public transport networks are game-changers that would help boost values in areas where the networks run. These are:

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<tr>
<th>Public Transport Network</th>
<th>Completion / Commencement</th>
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<td>Completion March 2016</td>
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<td>LRT line Kelana Jaya – Putra Height</td>
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<td>MRT Sg Buloh - Semantan</td>
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<tr>
<td>MRT II from Sg Buloh – Serdang - Putrajaya</td>
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<td>LRT 3 linking Bandar Utama to Shah Alam and Klang</td>
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National Property Information Centre (NAPIC)
Valuation and Property Services Department (JPPH)
Ministry of Finance Malaysia
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