



# MALAYSIA PROPERTY INSIGHT

January 2023

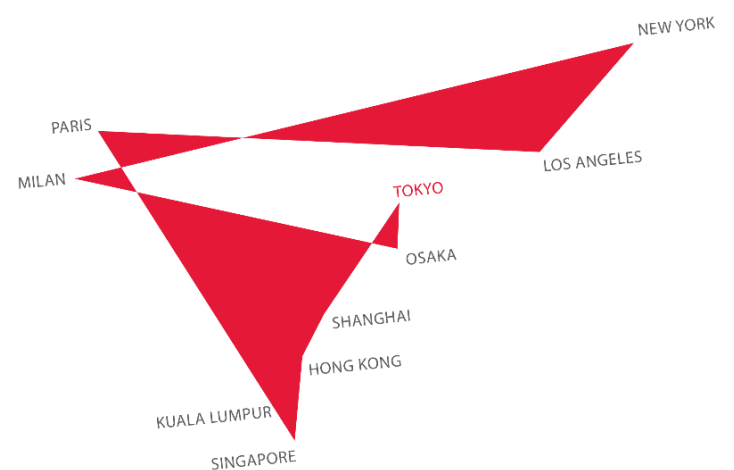


TABLE OF CONTENT

**01** MARKET OVERVIEW  
HISTORICAL TREND & STATISTICS

**02** SALES PERFORMANCE & TREND  
(POST COVID-19 PANDEMIC)  
HISTORICAL TREND IN MALAYSIA PROPERTY MARKET

**03** BUYER'S SENTIMENT POST PANDEMIC  
BASED ON PROPERTY GURU MALAYSIA

**04** GOVERNMENT MAJOR POLICY UPDATES  
TO ASSIST PROPERTY SECTOR RECOVERY

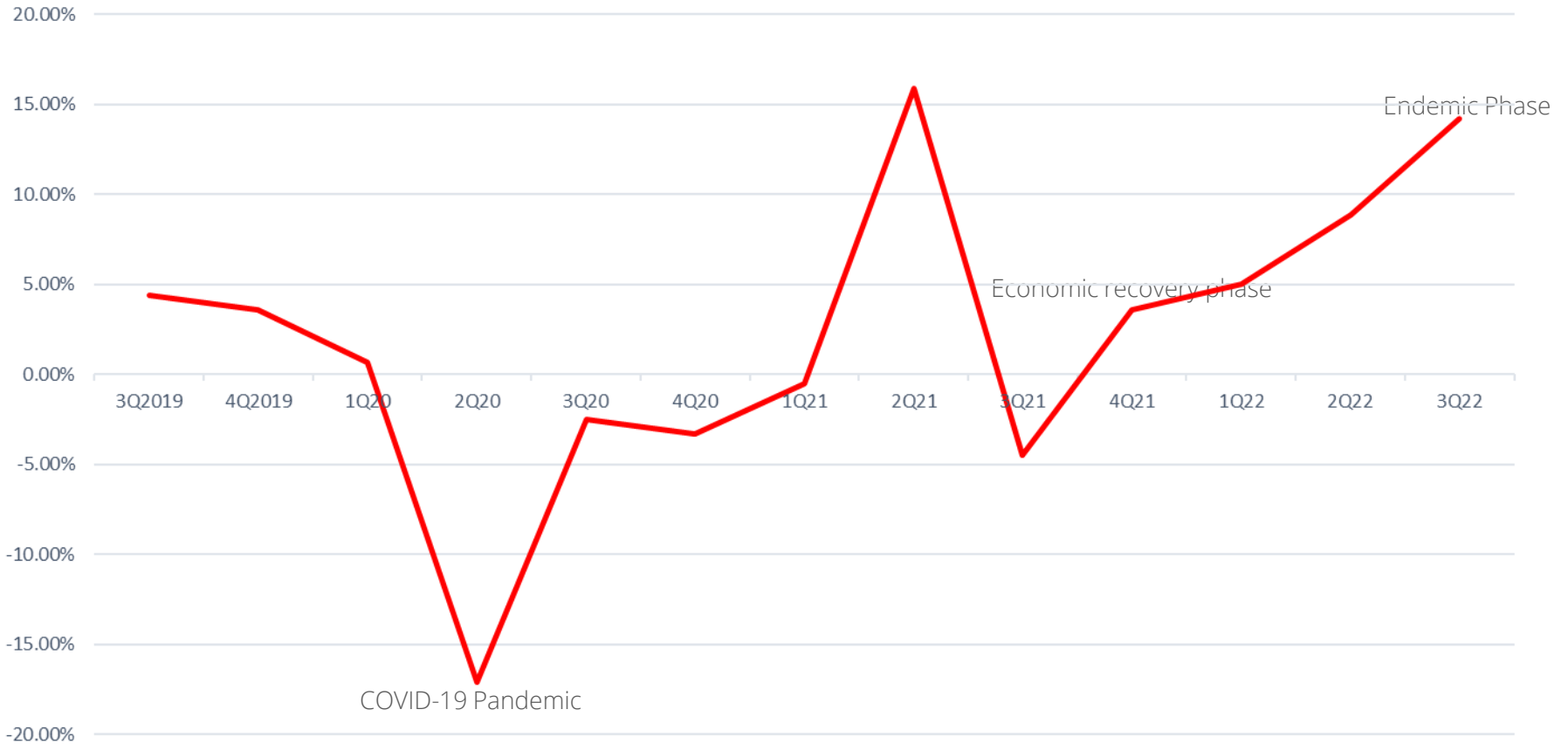




**MARKET OVERVIEW**  
HISTORICAL TREND & STATISTICS

**01**

**Real GDP Growth**

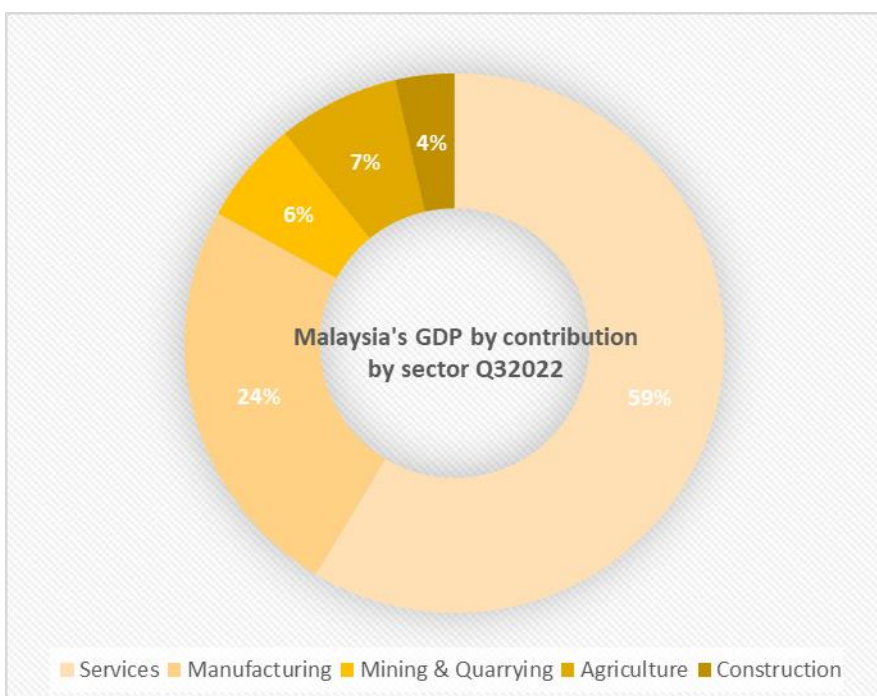


Source: Bank Negara Malaysia (2023)

In the past 25 years, Malaysian economy has experienced two economic downturns. The first was due to the Asian financial crisis back in 1997, where Malaysia’s GDP dropped to negative 7.4% during that period. Again in 2008, when the financial crisis (Global Financial Crisis 2008) hit western countries, affecting Malaysia’s economy in the midst as well (GDP dropped around -1.5% during period).

Since then, the country has managed and maintain the GDP growth rate for more than ten years, until 2020, due to the Covid-19 pandemic. Malaysia’s GDP growth rate for 2020 was -5.65%; a 10.09% decline from 2019.

Malaysia’s economy continued to build on the momentum of economic recovery, delivering even faster growth of 14.2% in the Q32022 compared to 8.9% in the Q22022 and 5% Q12022. The strong GDP growth was contributed by robust domestic and external demand as well as improved labour market. Overall, the GDP expanded by 9.3% during the first nine months of 2022. Source: Ministry of Finance (2023)



Source: Department of Statistics Malaysia DOSM (2023)

Malaysia’s main contributor (production output) of the economy being services sector, further increased by 16.7% as compared to 12% in Q22022.

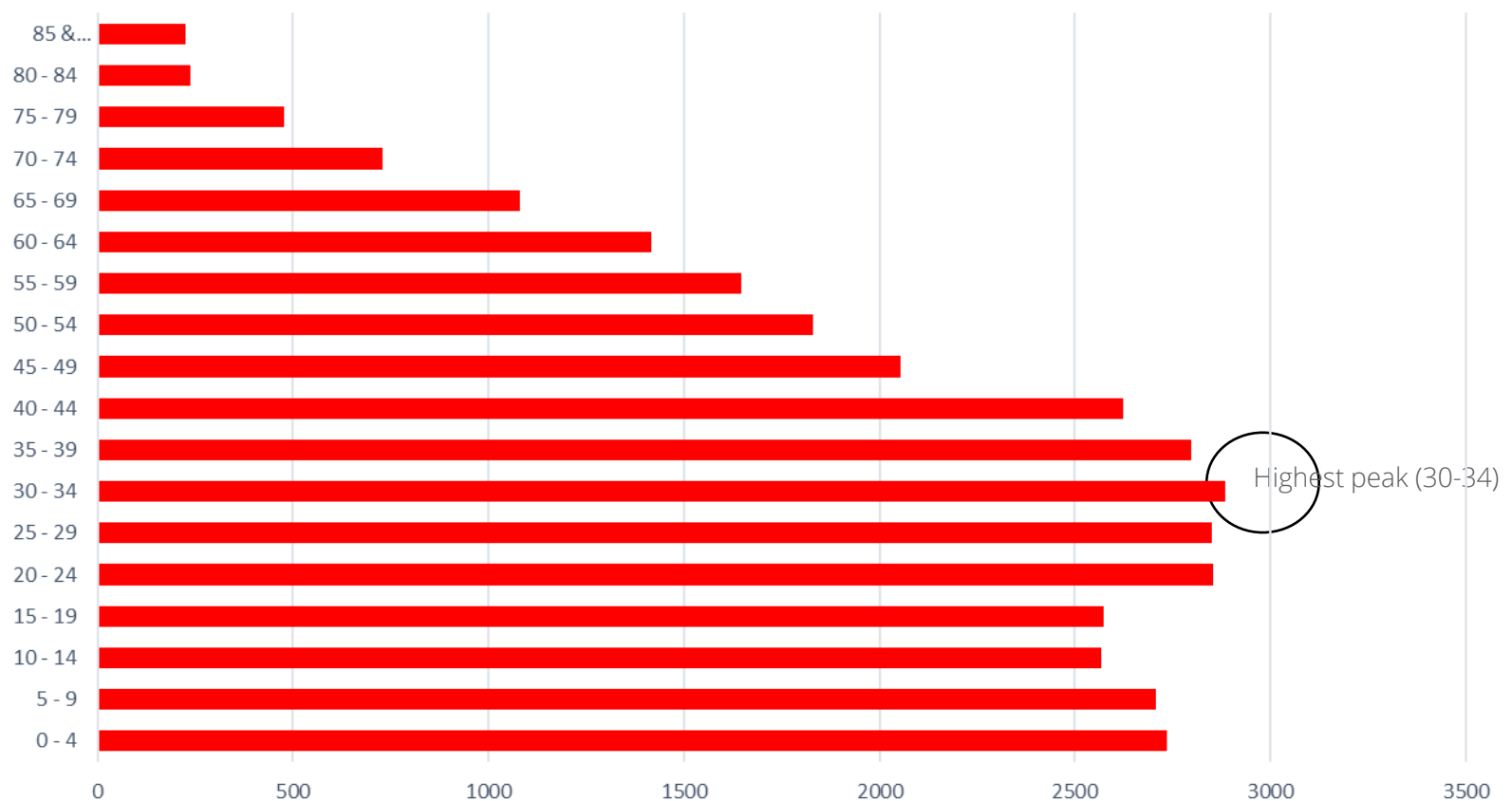
Manufacturing sector accelerated to 13.2% as compared to 9.2% in Q22022.

Mining and quarrying sector rebounded to 9.2% as compared to -0.5% in Q22022.

Construction sector expanded 15.3% from 2.4% from previous quarter.

Agriculture sector turned around to 1.2% from a decline of -2.4% from Q22022.

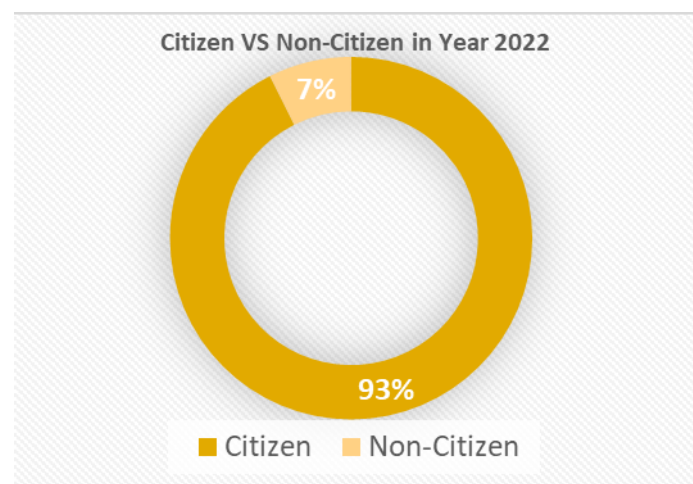
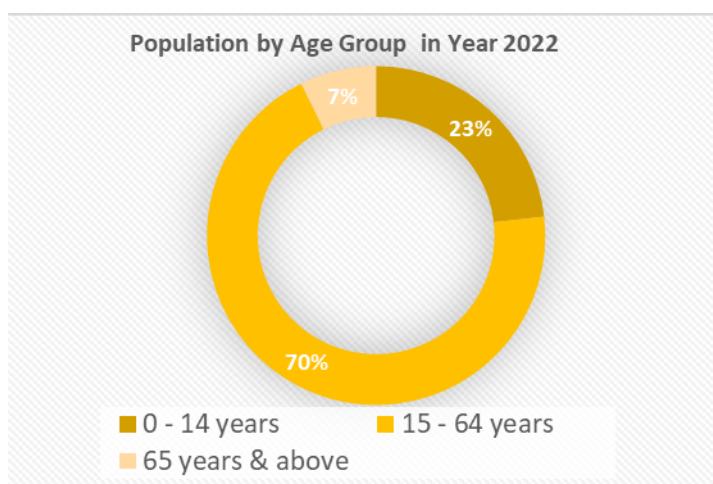
## 2025 Population Distribution Projection



Source: Department of Statistics Malaysia (2023)

According to Department of Statistics' projection, Malaysia will have a **population of about 34 million** by 2025.

Historically, the country's population grew at a slower rate of **1.7%** a year for the period of 2010 and 2020 as compared to **2.2%** a year for the period 2000 and 2010. It is worth noting that as at Q32022, Malaysia's total population stands at **32.9million**.



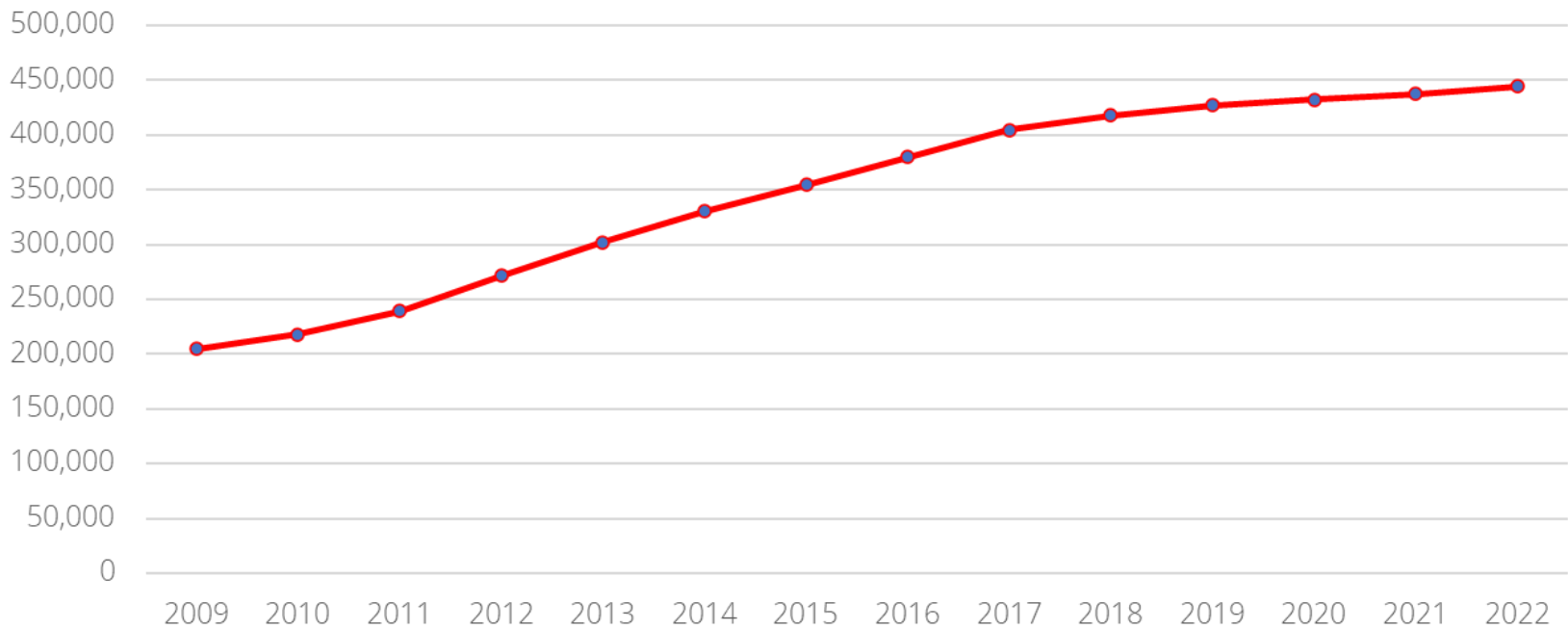
Source: Department of Statistics Malaysia DOSM (2023)

Malaysia has a young and productive population with a **median age of 30.4 year old**. Citizen aged 25-39 years old made up **24.8%** of the total 2025 population projection.

The composition of the population aged 15 – 64 years (working age), made up **70%**, followed by 0 – 14 years, with **23%**, and lastly 65 years and above with **7%** in 2022. It is observed that majority of the total population is (working age).

The non-citizen numbers has been in decline since 2020, due to Covid-19 pandemic. This is in line with the restriction on international travel by countries during the spread of the Covid-19 pandemic worldwide in 2020 and 2021. However, recent normalisation of economic activities, coupled with reopening of the country's international borders and the return of expatriates, we anticipate figures to rise.

## Malaysia House Price Index Base year 2010 = 100

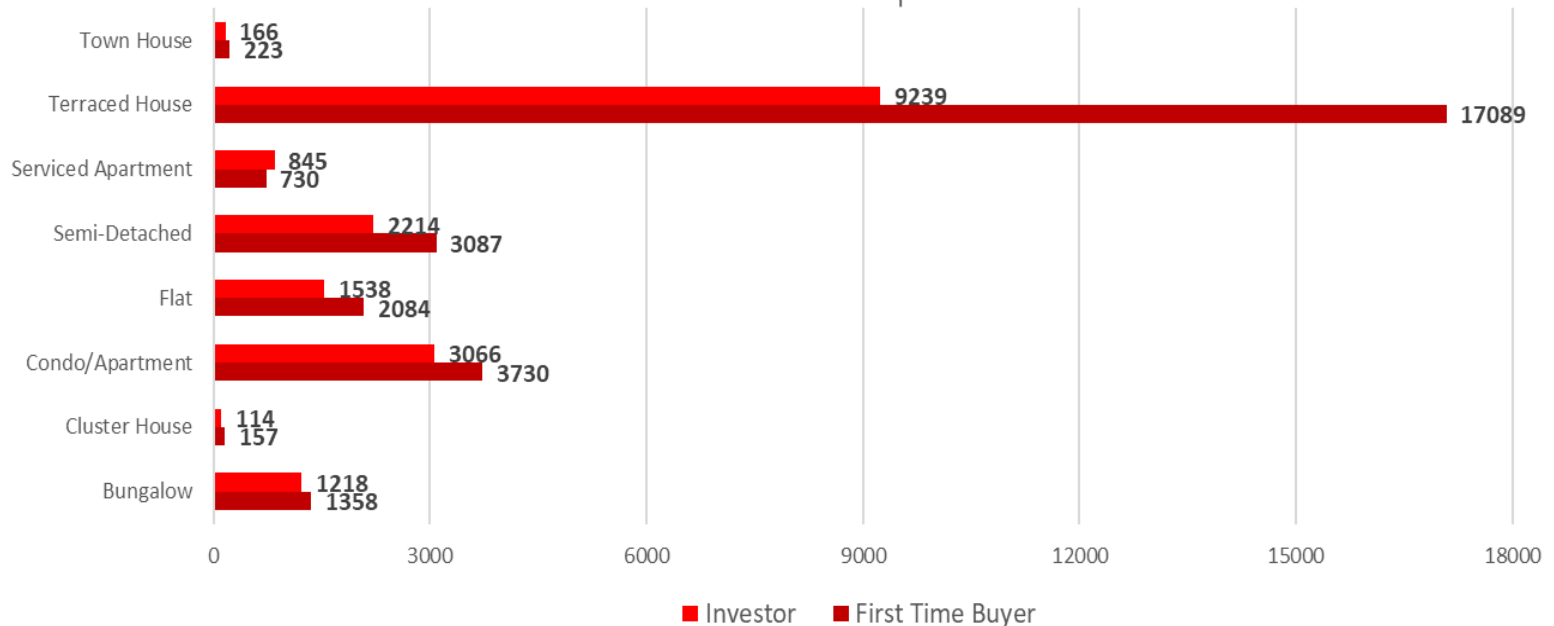


Source: NAPIC (2023)

For the past 13 years, house prices in Malaysia are on a steady path of growth with highest growth in 2012, and slowing down in the last few years due to Covid-19 pandemic. Entering the Endemic phase in 2022, it grew by 1.6% compared to 2021.

Compounded annual growth rate (CAGR) is at a healthy level of 6.1% per annum.

## Transactions based on type of development 1H2022 Snapshots



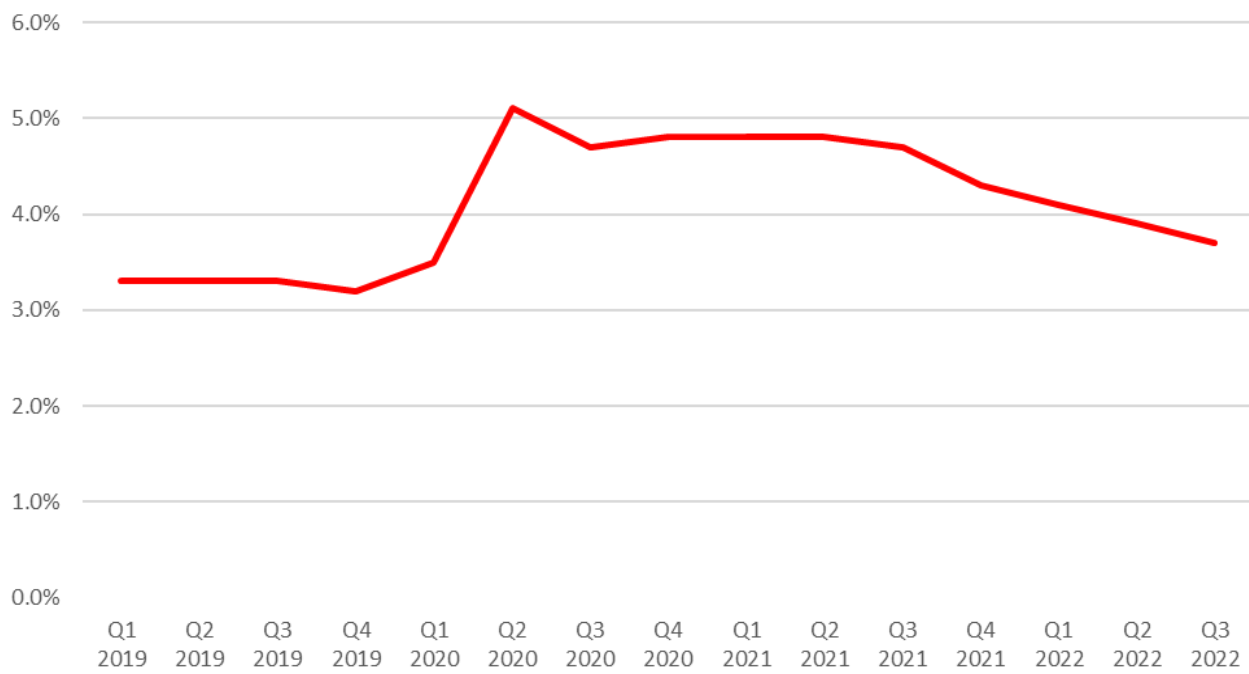
Source: Propertyguru Malaysia Data Sense

Overall, terrace houses remain the most sought after property type in Malaysia. Based on the data, they are predominantly the top selected type of property for both first-time home buyers and investors, representing the largest volume of properties by these two groups.

The strong demand of terrace houses is likely to continue among millennials and is preferred above condominiums.

The preference has been influenced by recent Covid-19 limitations as younger professionals are seeking more space to balance both lifestyle and work needs, since working from home is now become a long term option. Furthermore, homebuyers prefer a home in the outskirts of the city, as it affordable and larger.

## Unemployment Rate



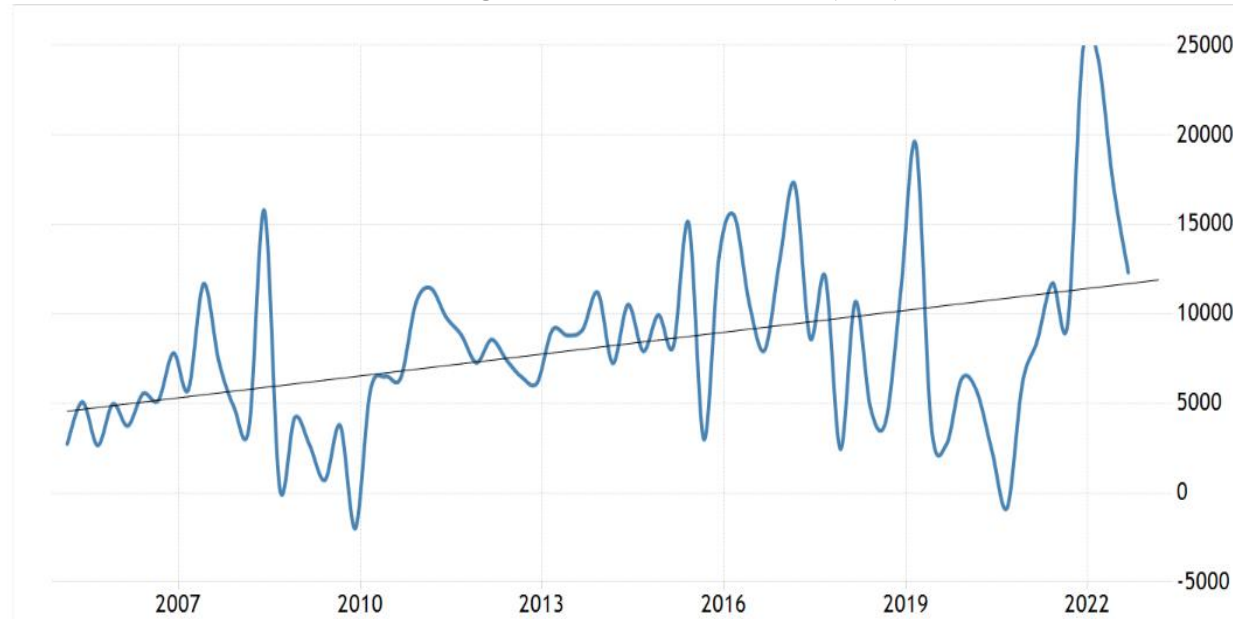
Source: Department of Statistics Malaysia (2023)

Based on our findings, the unemployment rate in Malaysia is on a downtrend.

In 2022, the Statistics Department reported unemployment rate in late 2022 held steady for the third straight month at **3.6%**. Employment rose bringing the country's total employment to a 16<sup>th</sup> month high of 16 million in November 2022.

This is brought about by the continuous operation of all economic and social activities until the end of 2022 has enable the country's economy to continue to grow rapidly. The labour market is also expected to continue to maintain its recovery momentum towards a more stable a labour market and be more favourable in line with current positive economic developments especially in early 2023.

## Foreign Direct Investment (FDI)



Source: Trading Economics, Department of Statistics Malaysia (2023)

FDI is a catalyst for property, with FDI we will see an increase in high-value assets and properties and generate more employment and business in the country.

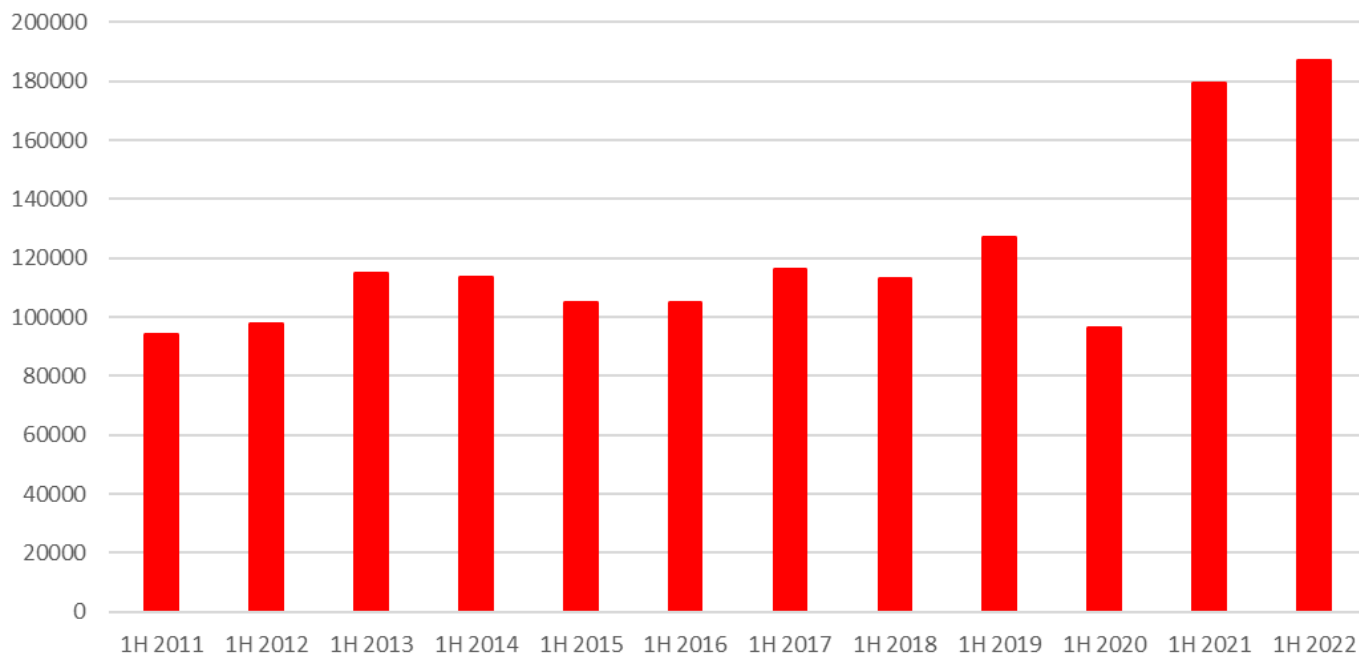
Malaysia's foreign direct investments (FDI) dropped to 12.3bil in Q3 2022 from 17.3bil in Q4 2021. This was the smallest amount since Q3 of 2021, due to the impact of the war in Ukraine.

It is observed that for the last 15 years, (long term), the trend has been increasing (uptrend).

With the general elections over and a new government in place, we should see an improvement in investment sentiments and this could lead to more foreign businessmen travelling to the country in pursuit of business opportunities.

This can foster and maintain strong economic growth for Malaysia.

Loan Application for purchase of Residential Property



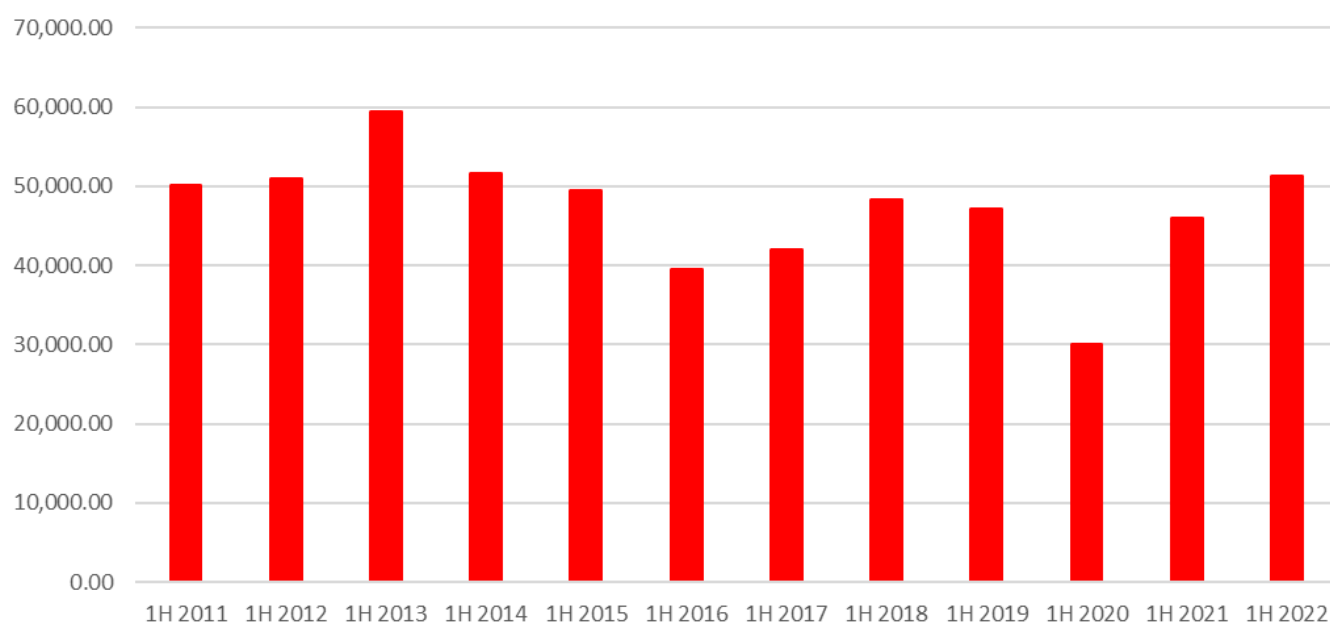
Source: Bank Negara Malaysia (2023)

**Loan Application for purchase of Residential Property**

The amount of loan application of residential property recorded an increase, and is in tandem with the rise of residential property transactions. In 1H2022, loan application had increased about **4.2%** compared with previous year, a smaller increase than in 1H2021, where figures saw a jump of 86% compared with previous corresponding period.

The percentage of loans to total applied residential loans stood at **37.5%** in 1H2022, an increase from 1H2021 (35.3%). This shows a higher approval rate in line with our expectation of a marginal recovery in property sales.

Loan Application for purchase of Non Residential Property



Source: Bank Negara Malaysia (2023)

**Loan Application for purchase of Non-Residential Property**

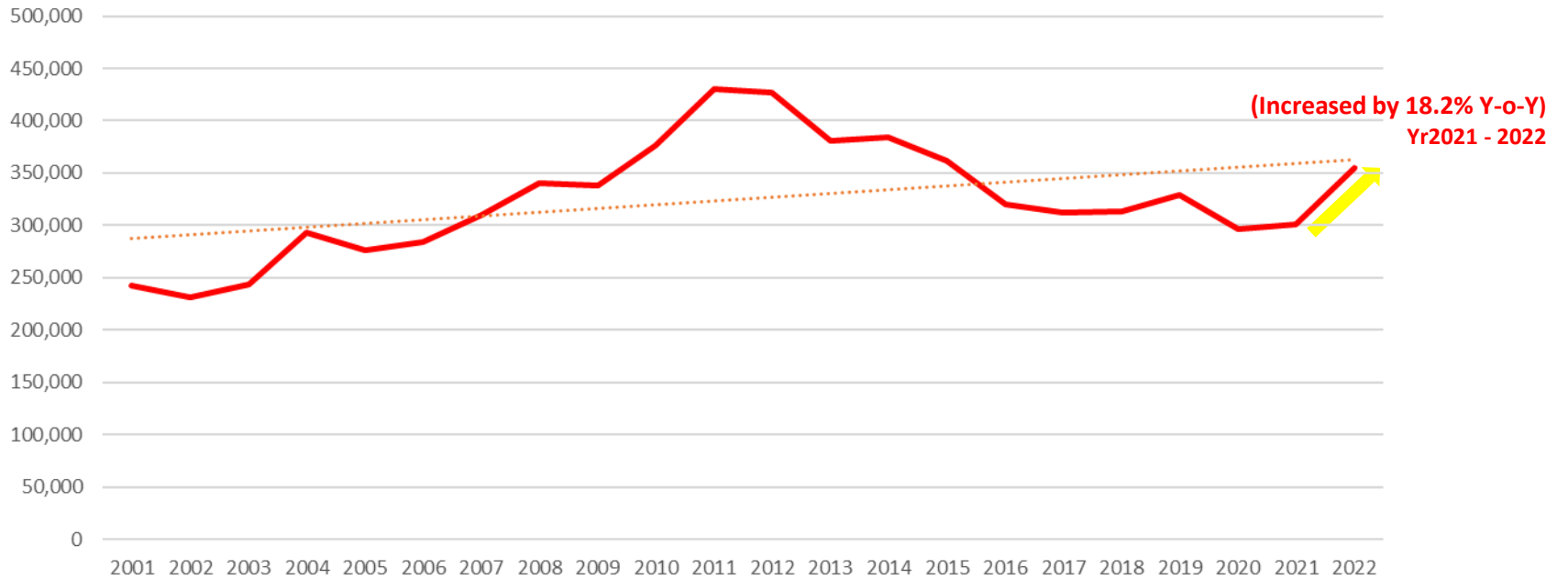
The number of loan application for non-residential property experienced less fluctuations as compared to residential sector as a whole. Due to the prolonged lockdown of COVID-19 pandemic (1H2020), businesses remain cautious which resulted in fewer transactions of commercial and industrial property. This is in line with the lower number of loan applications. As the country moves towards endemic phase and market re-openings, loan numbers have since been on a gradual increase.

In August 2022, **43.6%** of loans applied were approved; up from previous 37.5% in the previous corresponding period. We expect the figures to rise to pre-pandemic levels with Malaysia’s new government in place along with re-opening of China’s borders and international travel restrictions



SALES PERFORMANCE & TREND  
(POST COVID-19 PANDEMIC)  
HISTORICAL TREND IN MALAYSIA PROPERTY MARKET

Overall Number of Property Transactions

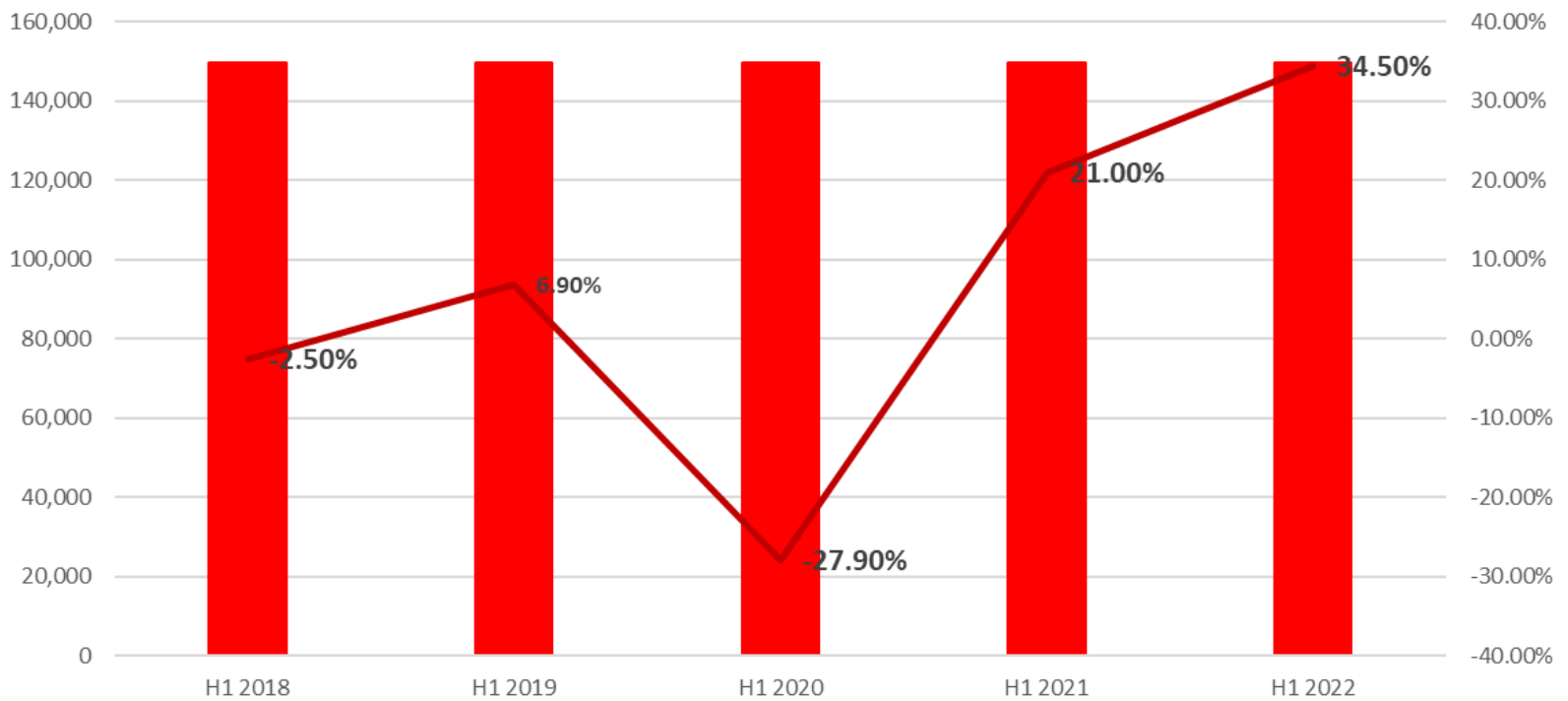


Source: NAPIC (2023)

Overall Number of Property Transactions (long term trend)

The overall property market was able to stage a quick recovery from the pandemic induced slow down in 2020. Based on figures released by NAPIC, the volume and value of property transactions recorded an improvement in 2021 and similar trend continued in 2022. As shown above, an improvement of about 18% in terms of volume as recorded in 2022 as compared to previous corresponding period (2021).

Overall Number of Property Transactions H1 2018 – H1 2022

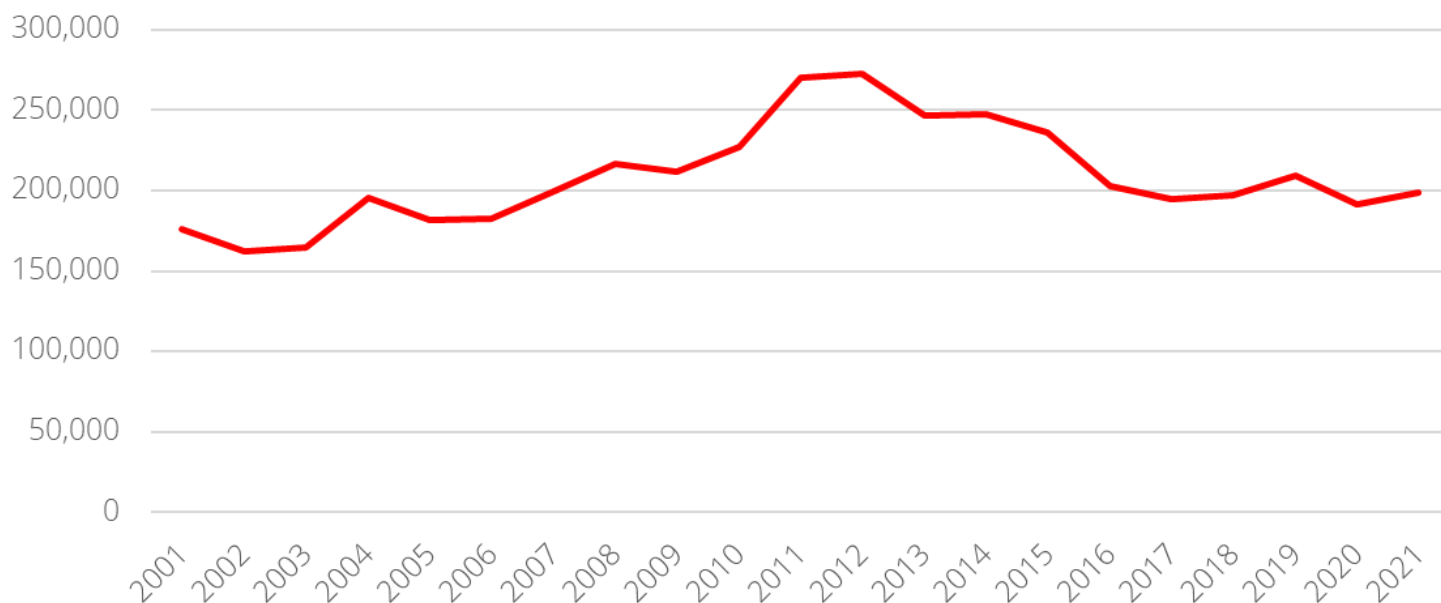


Source: NAPIC (2023)

Overall Number of Property Transactions (H1 2018 – H1 2022) (last 5 year trend)

The overall transactions had improved after a decline in 2020. Based on the figures released by NAPIC, the volume of property transactions recorded an improvement in 2021 and the trend continued in 2022. As shown above, an upward movement in volume of 21% in H1 2021 and 34.5% in H1 2022 were recorded, as compared with their previous corresponding period.

Number of Residential Property Transactions

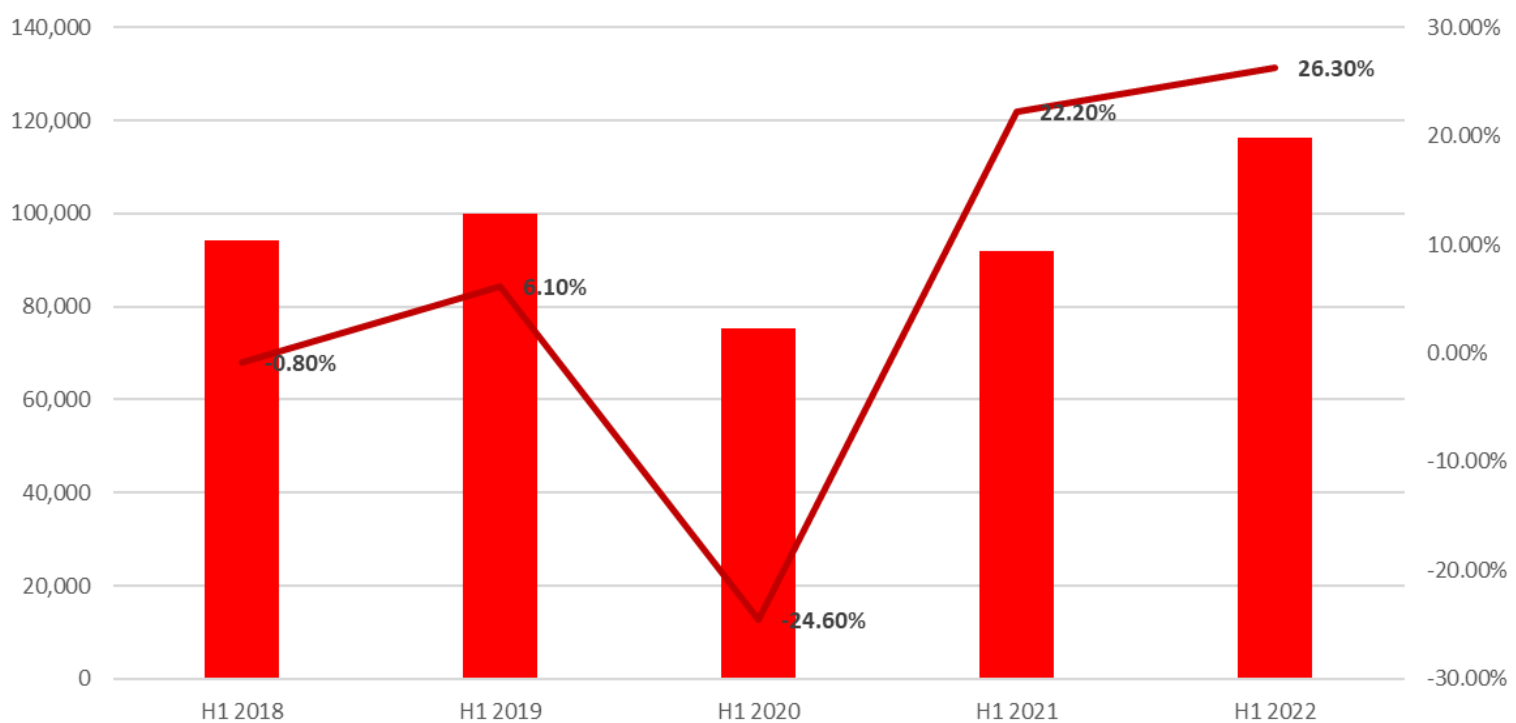


Source: NAPIC (2023)

**Residential Property Transactions (long term trend)**

The residential transactions has improved after a decline in 2020. Based on the figures released by NAPIC, the volume of property transactions recorded an improvement in 2021 and the trend is expected to continue in 2022. As shown above, an improvement of **3.9%** in volume was recorded in 2021 as compared to previous year. The primary market saw fewer new launches in the first half of the year, indicating cautionary sentiment among developers.

Residential Property Transaction 1H 2018 – 1H 2022

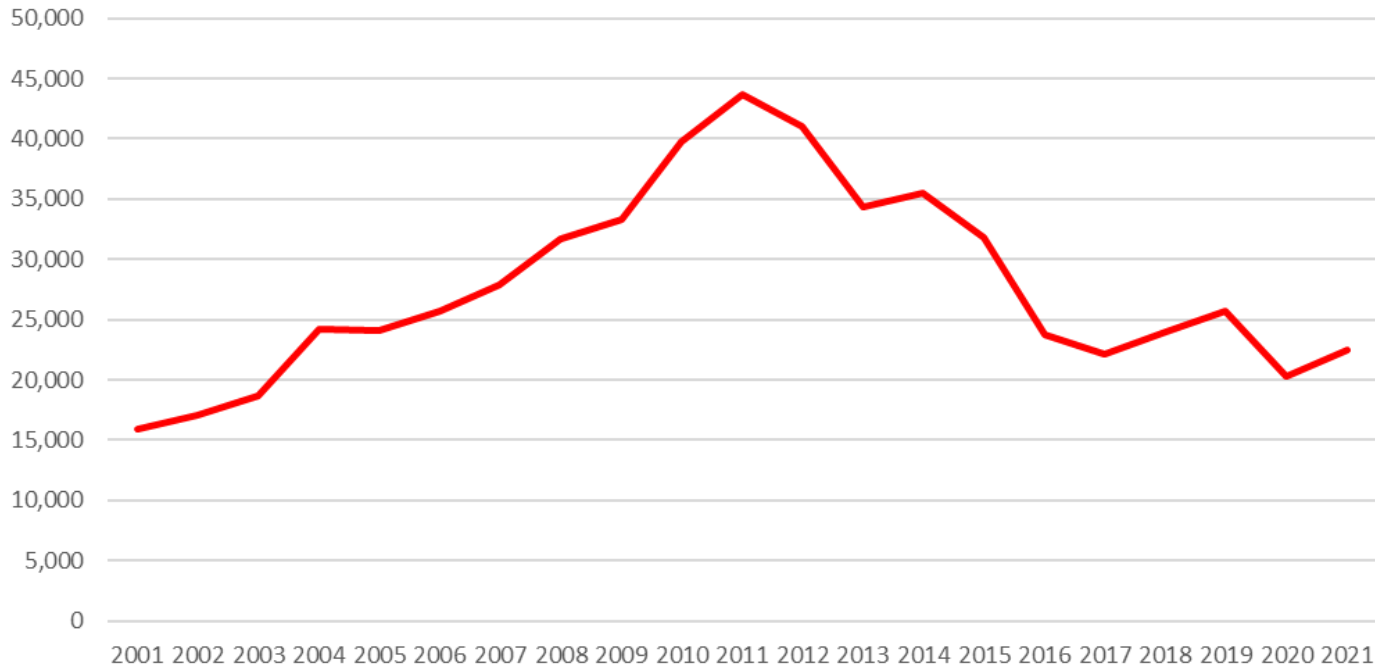


Source: NAPIC (2023)

**Residential Property Transactions 1H 2018 – 1H 2022 (last 5 year trend)**

Based on the figures released by NAPIC, the volume of property transactions recorded an improvement in 2021 and the trend continued in 2022. As shown above, an upward movement in volume of **22%** in H1 2021 and **26.3%** in H1 2022 were recorded, as compared with their previous corresponding period. All states recorded an increase in volume, with Penang, Kuala Lumpur, Johor and Selangor increased by **37.8%, 28.4%, 20.2% and 16.0%** respectively. These states contributed to 47% of the total national residential transactions.

Number of Commercial Property Transactions

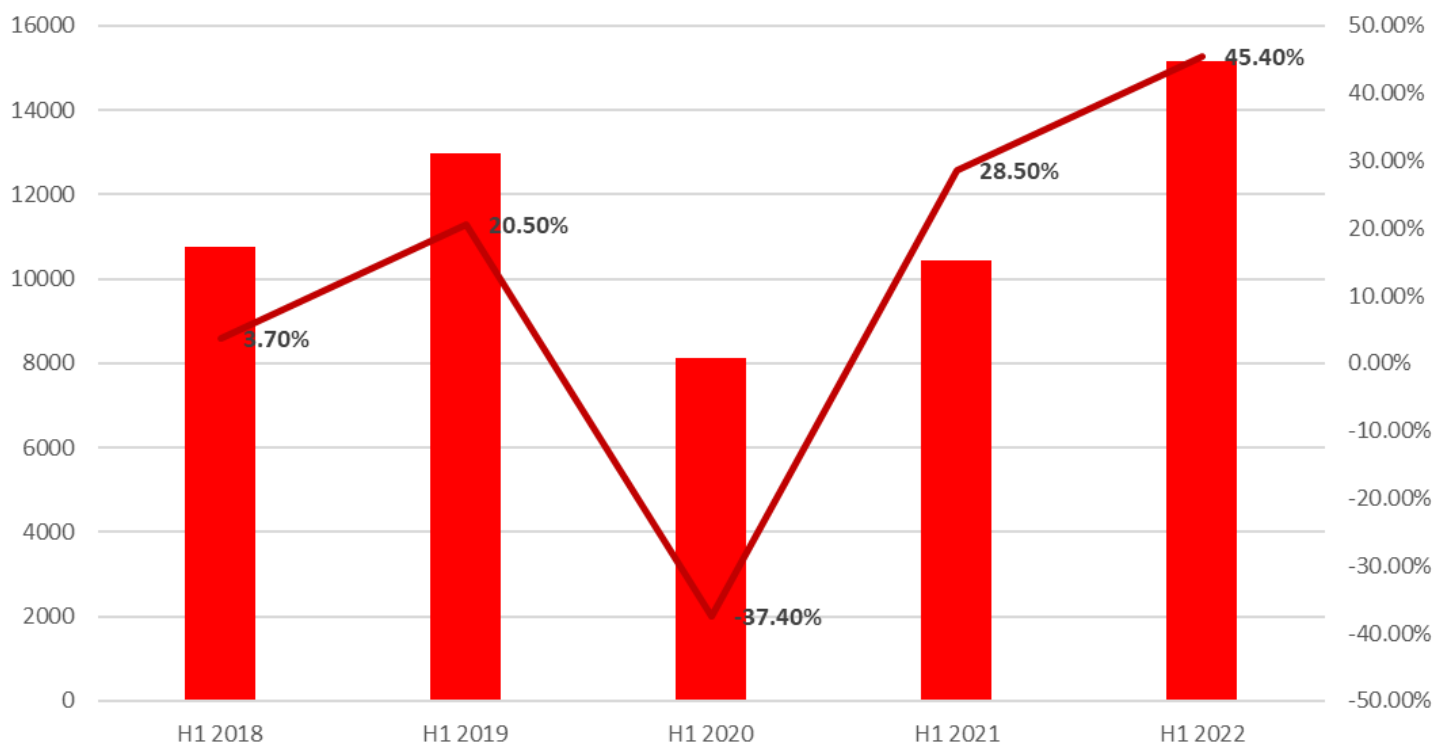


Source: NAPIC (2023)

**Commercial Property Transactions (long term trend)**

The commercial property has made an improved similarly of the residential sector, again recovery from the prolonged covid-10 lockdown, now international travel is allowed, hence occupancy and rental rates have yet to return to pre-covid levels . As shown above, an improvement of **10.7%** in volume in 2021 compared to the previous year.

Commercial Property Transactions 1H 2018 – 1H 2022

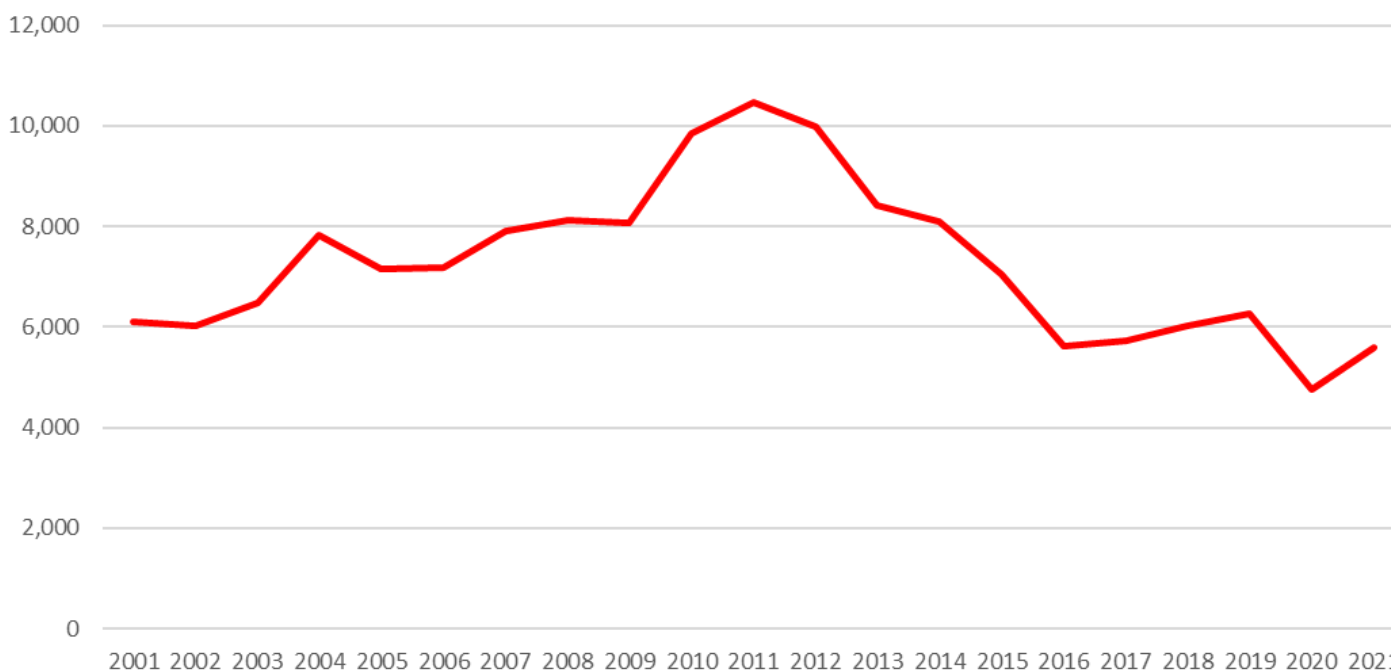


Source: NAPIC (2023)

**Commercial Property Transactions 1H 2018 – 1H 2022 (last 5 year trend)**

The commercial property transaction had moved upwards after a decline in 2020. Based on the figures released by NAPIC, the volume of property transactions recorded an improvement in 2021 and the trend continued in 2022. As shown above, an upward movement in volume of **28.5%** in H1 2021 and **45.4%** in H1 2022, as compared with their previous corresponding period. A huge increase in H12022, was contributed by Selangor as highest volume 26.5% (4,025 transactions), followed by KL 14.5% (2,199 transactions), Johor 15.1% (2,283 transactions).

Number of Industrial Property Transactions

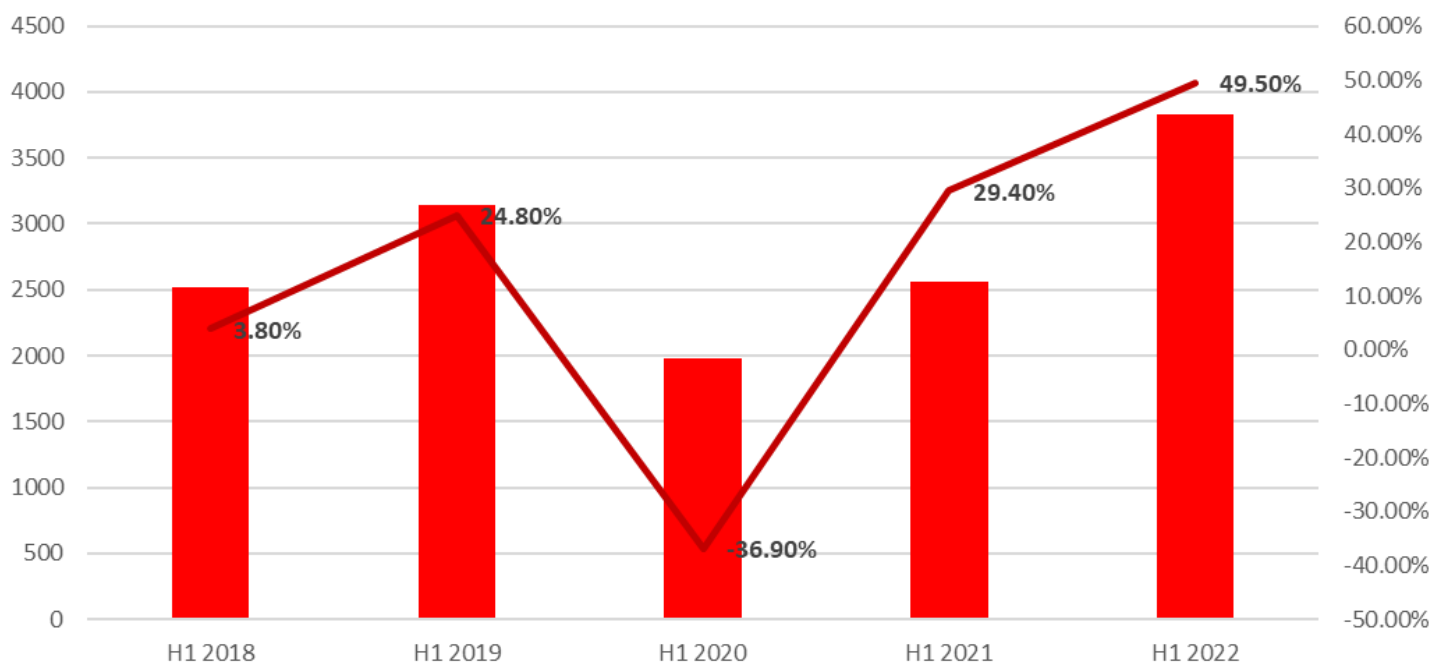


Source: NAPIC (2023)

**Industrial Property Transactions (long term trend)**

The industrial property transactions in Malaysia recorded a sharp and significant increase as compared amongst others. As shown above, an improvement of **17.5%** in volume and **32%** in value of transactions of 2021 compared with previous year. There has been a huge improvement in demand for online transactions since the pandemic has provided a boost in demand for warehousing and logistics facilities. This puts the industrial property sector as the best performing sector.

Industrial Property Transaction H1 2018 – H1 2022



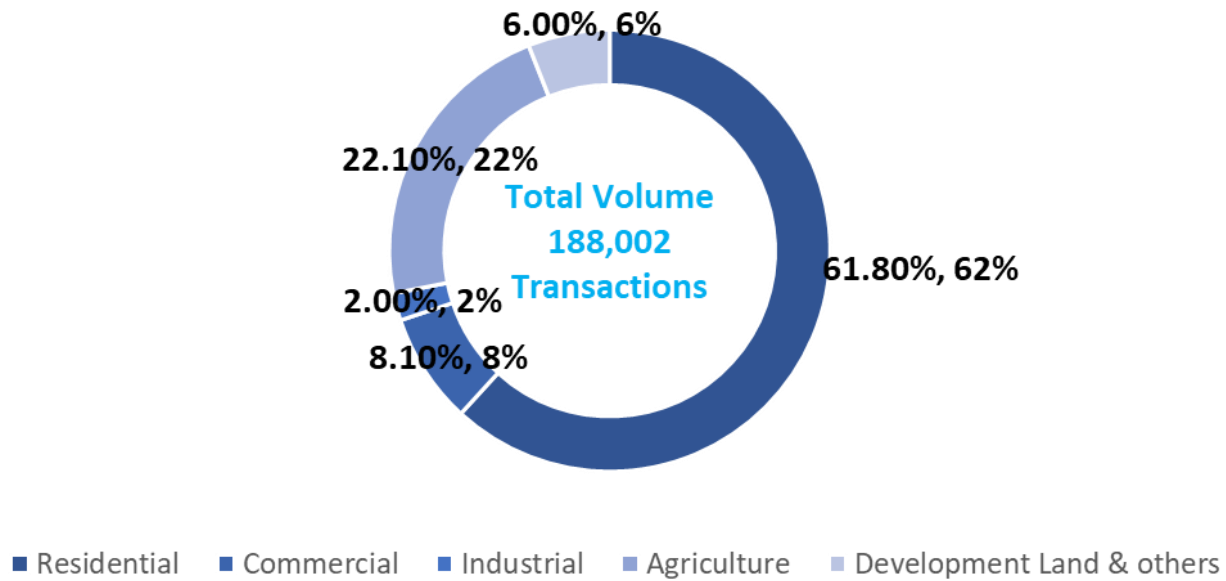
Source: NAPIC (2023)

**Industrial Property Transactions 1H 2018 – 1H 2022 (last 5 year trend)**

The industrial property transactions had huge upward movement, with **49.5%** market activity increases compared to the previous year. Selangor recorded highest volume 31.8% (1,219 transactions), followed by Johor and Perak with 13.8% and 9.0% respectively. Property type of terraced factory made up 31.4% of total industrial transactions, followed by vacant plots 29.5% and semi-detached factory 23.2%. The industrial sector is driven by the e-commerce market which has generated demand for distribution hubs, warehousing, logistics facilities which are strategically located near high population areas and serve by a good network of highways to enable fast point to point delivery to consumers. Huge demand for online transactions since the start of the pandemic.

Distribution Transaction by Volume and Value 1H 2022

Distribution Transaction Volume by Sub-sector H1 2022  
Snapshot

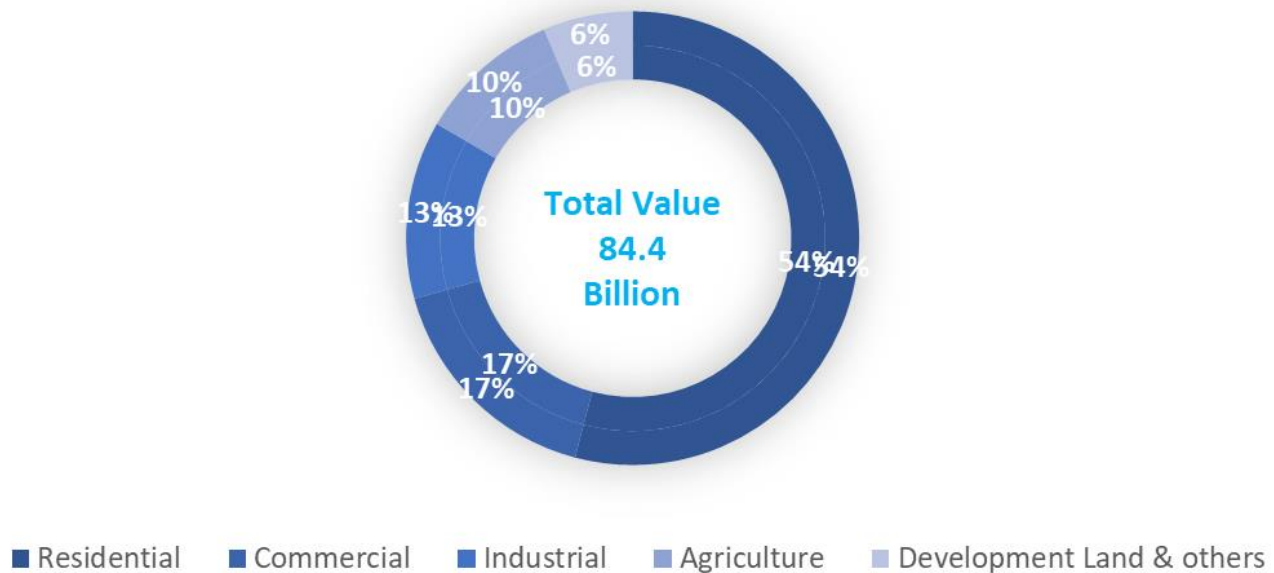


Source: NAPIC (2023)

Distribution Transaction Volume by Sub-Sector

The residential sub-sector had the highest volume, with 61.8% contribution. This is followed by the Agriculture subsector (22.1%), Commercial (8.1%), Development land & others (6.0%) and Industrial (2.0%).

Distribution Transaction Value by Sub-sector 1H 2022  
Snapshot



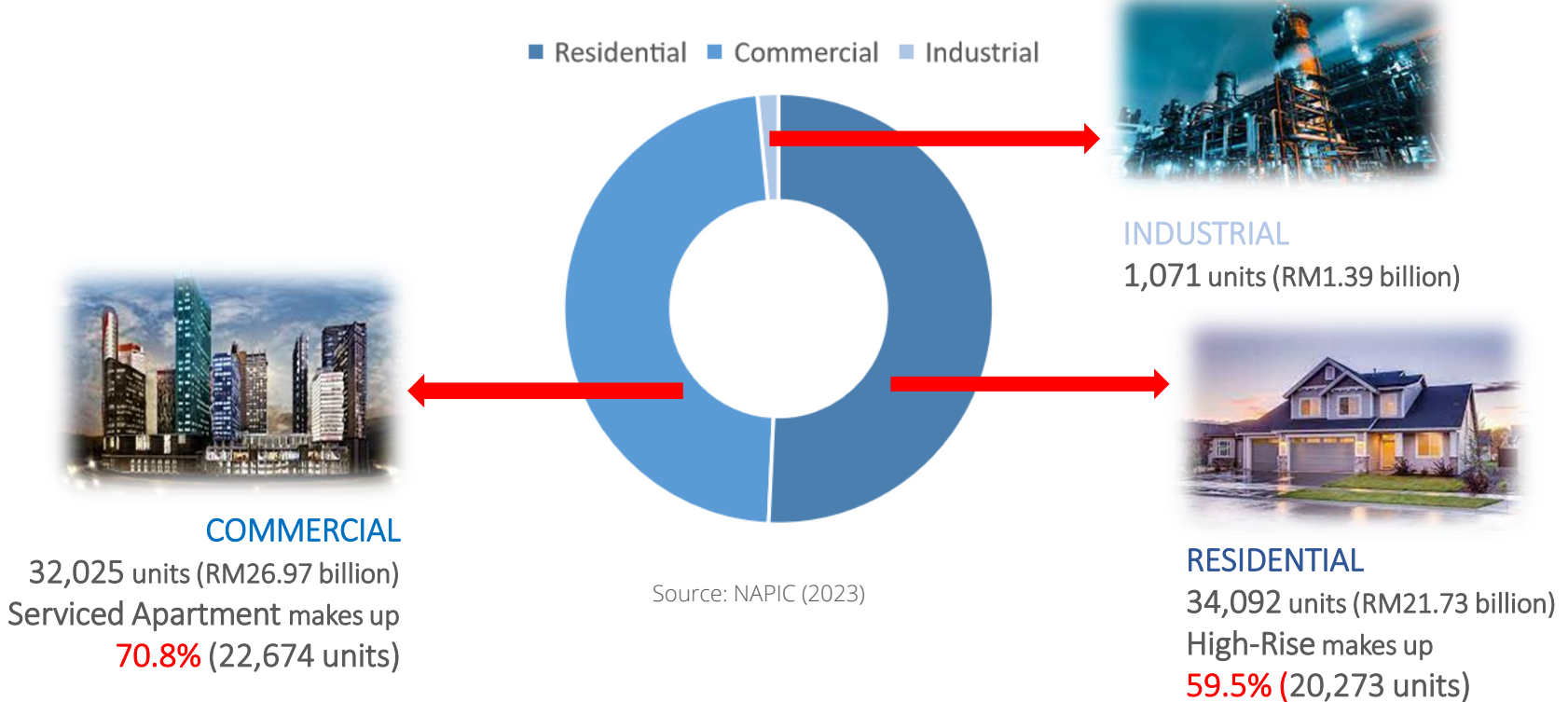
Source: NAPIC (2023)

Distribution Transaction Value by Sub-Sector

In terms of value, residential lead with 54.1% share, followed by commercial with 16.6%, industrial 12.7%, agriculture 10.2% and development land and others 6.4%.

## Overhang Status By Sector 1H 2022

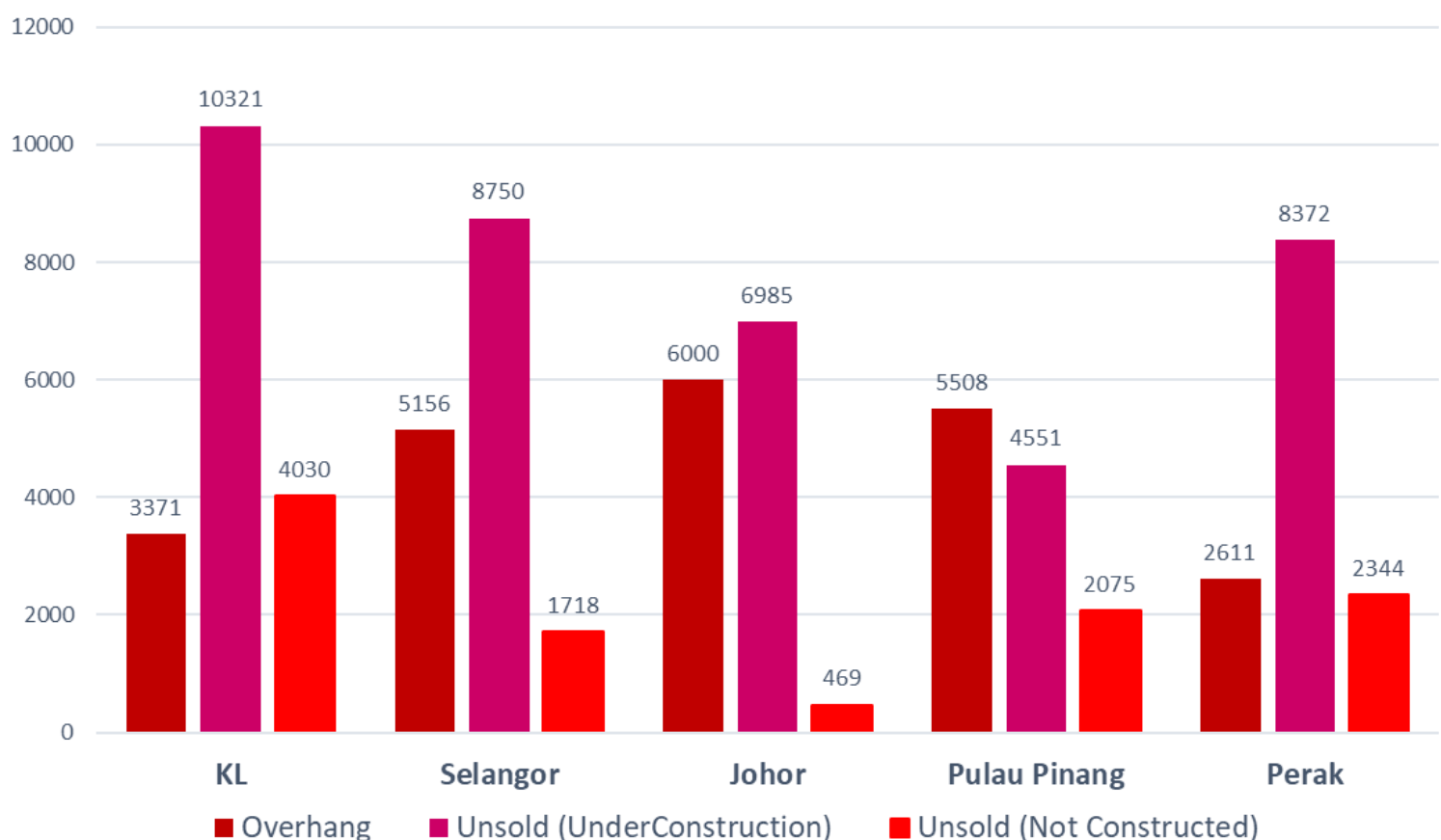
### TOTAL OVERHANG UNITS



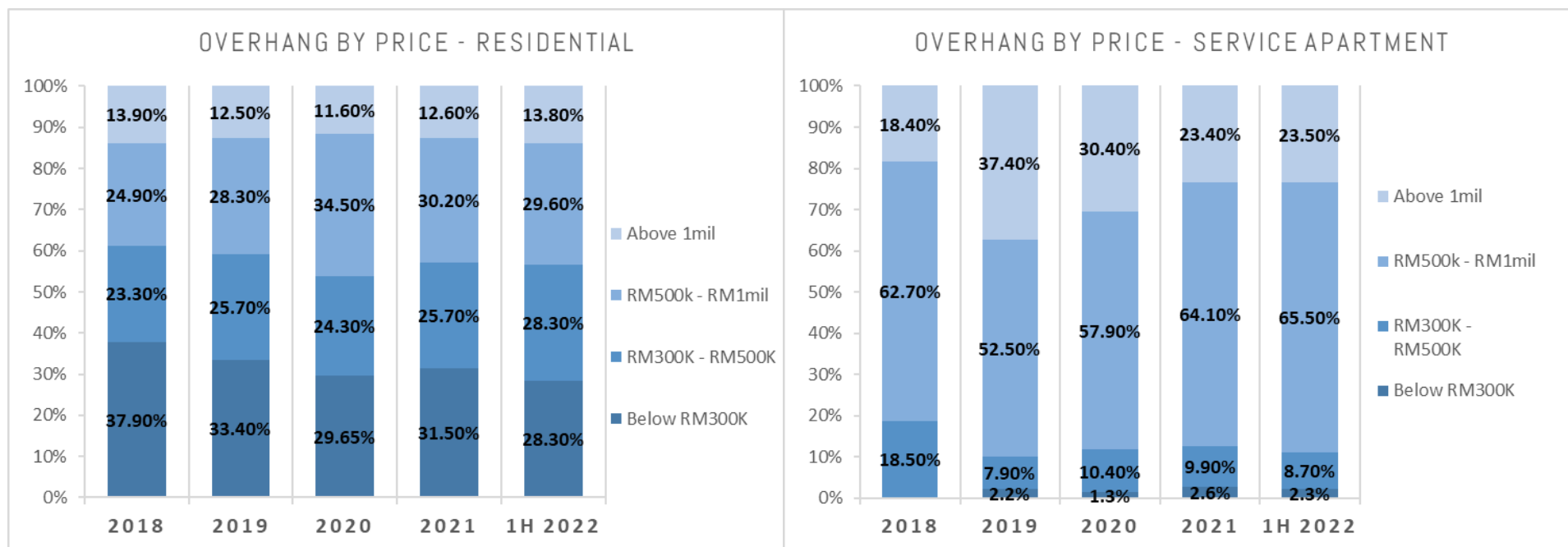
The country's residential overhang situation improved in the first half of 2022 (1H2022), with a drop of **7.5%** to 34,092 units from 2H2021 in terms of volume and a drop of **4.6%** to RM21.73 billion in terms of value, according to the National Property Information Centre's (NAPIC) semi-annual report.

On the other hand, the overhang for service apartments also improved with more than 22,000 units worth RM19.32 billion registered in 1H2022, a **6.7%** decrease in numbers compared to the second half of previous year. While the residential overhang is showing signs of easing, we expect and foresee it will ease further overtime.

### Residential Overhang, Unsold Under-construction and Not Constructed in Major States H1 2022



## Overhang by Price Range 1H2022



Source: NAPIC (2023)

Drilling down further, most of the residential overhang fall within the products priced RM500k and below. This shows that pricing mismatch has contributed less to the issue of residential housing overhang. Instead, it is likely caused by reduced housing affordability due to the depleting household incomes. However, overpricing is still a major cause of service apartment overhangs as majority of them are priced RM500k and above.

An example, high-end serviced apartment launches have sky-rocketed since 2016, with both prices and volume several folds higher than national average. Based on NAPIC data, Johor has the largest overhang in the country with 6,000 units followed by Penang with more than 5,508 units, and Selangor 5,156 units respectively.

To ease the overhang issue, developers should pay more attention to overhang data and ensure properties built were in line with buyer's demand and affordability.

They need to adapt their strategies to the new business environment (post covid-19 pandemic) and go back to the fundamental principles of property development when determining the types of products to be released to their target buyers. They should not rely heavily on market-spurring initiatives.

**“RIGHT PRODUCT FOR THE RIGHT PRICE”**

– to help ease overhang.

## Positives in 2023 Market Outlook

### 1. Focus on residential property market in 2023 will continue

- Landed residential properties
- High rise apartments within the affordable range of around and under RM500,000 in good and popular locations.
- Smaller sized units will bring down the absolute price of the unit
- Niche high-end projects in good and popular locations (prime)

### 2. Removal of strict MCO SOPs and allowing foreigners to enter the country without quarantine to boost all sectors and also property sector

- Revive and recover retail, leisure and entertainment industries
- Property sector revival

### 3. China borders reopen, relax its strict zero covid policy will help to boost the economic growth of the country and this will have beneficial spinoff effects on Malaysia as the country's largest trading partner.

### 4. Data centre and logistics sector will be sought after

### 5. With the general elections over and a new government in place, we will see new investment sentiments and more foreign businesses will be travelling in pursuit of business opportunities.

### 6. MOTAC to implement new plans to promote the tourism industry, including reactivating the shelved Visit Malaysia Year 2020. Government to target new tourist numbers to more than 15mil in 2023.



BUYER'S SENTIMENT POST PANDEMIC  
Based on PropertyGuru Malaysia

## BUYER'S SENTIMENT POST PANDEMIC

mainly based on Property Guru Malaysia –currently the country's leading online property portal

### 69% of respondents plan to buy a house if the HOC (Home Ownership Campaign) is revived

According to the Consumer Sentiment Study, it found that more than 4 in 5 intend to buy a property in Malaysia, with the preference for new projects. It also found that 69% of respondents had the intention to own a house if (HOC) Home Ownership Campaign is revived.

### 58% of respondents have a budget up to RM500k for their property purchase

Based on the survey, 2 in 5 people have saved enough and are ready to buy a home in the next year. 58% of respondents have a budget of up to RM500k for their property purchase.

### 53% of homeowners are looking to buy additional property

According to the biannual Consumer sentiment Study for 2022, 53% of homeowners who are looking to buy additional property in the next one year while keeping their current property stated that the purchase is for investment reasons. It believes that more Malaysians are turning to the housing market which presents a more attractive investment option rather than an uncertain stock market.

### 55% of respondents expect property price to increase post-Covid-19

Also according to the biannual Consumer sentiment Study for 2022, respondents are confident in saying the property prices will increase after the Covid-19 pandemic.

### 55% of homeowners are looking to buy in the outskirts of the city

According to the biannual Consumer sentiment Study it was found that more than half of Malaysian home seekers (55%) are considering properties located away from the city. It was due to the quieter and serene environments, better pricing, more greenery and bigger sized homes, which can be found away from the city.

### 1 out of three 3 of every surveyed Malaysians to continue working from home

This new trend adds value to having a home office space office. The study also showed that majority 79% of Malaysians believed in having an additional room when creating new residences is critical, even after the pandemic. It said people are confident with the flexible working arrangement being here to stay, more Malaysians are open to moving to the suburbs to enjoy larger spaces at lower prices.

"A longer commute to the office is an acceptable compromise for them if they do not have to make the trip daily, as the advantages of living in the outskirts of the city outweighs the drawbacks."

### 53% of respondents want the government to implement extending their home loan tenure (ease for loan approval & margin)

The survey also showed that 53% of Malaysian want the government to help in reducing monthly repayments and allow for higher home loan eligibility. 47% of non property owners encountered challenges in obtaining home loans due to their unstable income and inability to afford the down payment (41%).



GOVERNMENT MAJOR POLICY UPDATES  
TO ASSIST PROPERTY SECTOR RECOVERY

## GOVERNMENT MAJOR POLICY UPDATES

### **Fund for affordable homes**

- RM1.5 billion allocation for affordable homes (Rumah Mesra Rakyat) in Budget 2022.
- RM2 billion guarantee to banks via Housing Credit Guarantee Scheme to gig workers for the purpose of easier access to financing.

Authority: Ministry of Finance (MOF)

Effective Date: 1<sup>st</sup> January 2022

### **Real Property Gains Tax (RPGT)**

- Exemption of RPGT for properties disposal by Malaysian citizen and permanent residents (PR) from the 6<sup>th</sup> year onwards.

Authority: Ministry of Finance (MOF)

Effective Date: 1<sup>st</sup> January 2021

### **Stamp Duty Exemption**

- Exemption on the Peer to Peer (P2P) loan/ financing agreement 1 till 31 December 2026.
- Stamp duty limit of RM200 for each related contract is removed, including for other insurance policies / takaful certificates.
- Several exemptions for Micro, Small and Medium Enterprises (MSMEs).

Authority: Ministry of Finance (MOF)

Effective Date: 1<sup>st</sup> January 2022

### **Quit Rent**

Quit rent for strata properties will now be payable individually, to be known as Parcel Rent. Johor received rebates of 5% and 15%

Authority: Federal Territories Land and Mines Office

Effective Date: 1 January 2020 / 1 October 2020

### **Minimum Value of Property for Foreign Acquisition (revision) in Sarawak**

The prescribed amount for foreign acquisition of landed residential property shall be not less than RM500,000 (throughout the State of Sarawak except Kuching) and shall be not less than RM600,000 for Kuching Division. The amount for Malaysia MySecond Home (MM2H) shall not be less than RM300,000.

Authority: Sarawak Government

Effective Date: 1 January 2020

### **Sarawak Housing Deposit Assistance Scheme (HDAS)**

State government to provide 10% of the house value or a maximum of RM10,000 for first-time Sarawakian homeowners under B40 and M40 groups, for affordable housing deposits.

Authority: Housing Development Corporation (HDC)

Effective Date: 7 February 2022

### **Keluarga Malaysia Home Ownership Initiative (I-MILIKI)**

First-time homebuyers will receive stamp duty exemption for property priced RM500,000 and below and 50% stamp duty exemption for property priced between RM500,000 and RM1million.

Authority: Ministry of Finance (MOF)

Effective Date: 1<sup>st</sup> June 2022 – 31 Dec 2023

### **Premium Visa Programme (PViP)**

A long-term "Residency Through Investment" visa that enables investors and entrepreneurs to live and work in Malaysia up to 20 years.

Authority: Ministry of Home Affairs (MOHA)

Effective Date: 1<sup>st</sup> October 2022

This report is published for general reading only and not to be relied upon in any way. While we believe information contained herein are reliable at the date of publication, we have not verified it and make no guarantee, warranty or representation about it. No responsibility or liability whatsoever can be accepted by GARDE for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of GARDE in relation to particular countries, properties or projects.