

Press Release
Property Market Report
First Half of 2007

The Malaysian economy grew steadily at 5.6% in the first half of 2007 (H1 2006: 6.0%) led mainly by strong performance in the service, mining and construction sectors. The service sector grew at a significantly higher rate of 9.4% (H1 2006: 6.8%) and the mining sector expanded at 3.5% (H1 2006: -2.0%). Meanwhile, the construction sector expanded at a notable 4.4% against the contraction of 1.2% recorded in H1 2006. The growth in the construction sector was supported by the implementation of infrastructure projects under the Ninth Malaysia Plan. Notwithstanding this, the residential and non-residential sectors continued to be the prime mover of the construction industry.

Along with the steady economic growth, the Malaysian property market performed favourably. A total of 142,963 transactions worth RM33.34 billion were recorded in the first half of 2007. Compared to H1 2006, the volume of transaction increased by 3.4% (H1 2006: 138,311 transactions) and decreased slightly by 1.8% against H2 2006 (145,586 transactions). Nevertheless, the value of transactions increased by 11.7% and 5.0% against H1 2006 and H2 2006 respectively (H1 2006: RM29.84 billion; H2 2006: RM31.76 billion).

Compared to H1 2006, all sub-sectors recorded increases in market activities with development land sub-sector registering the highest increase of 16.0%, followed by industrial and agricultural sub-sectors at 8.3% and 5.0% respectively. In terms of value, commercial sub-sector recorded the highest increase of 28.0%, followed by industrial (15.0%), residential (10.5%) and development land sub-sector (9.1%) except for agricultural sub-sector, which registered a decrease of 6.9%. Compared to H2 2006, agricultural and development land sub-sectors recorded increases in volume and value of transactions (agricultural: 7.5% in volume and 18.5% in value; development land: 15.4% in volume and 29.0% in value). Meanwhile, residential and industrial sub-sectors recorded decreases in both volume and value of transactions (residential: -5.3% in volume and -1.5% in value; industrial: -3.7% in

volume and -10.1% in value). Commercial sub-sector, on the other hand, experienced a 3.7% decrease in the volume and 9.0% increase in the value of transactions.

However, the performance of the states varied. Compared to H1 2006, most states recorded increases in volume of transactions except Perak and Sabah, each decreased 9.4%, Pahang (-2.8%), Kedah (-1.9%), Melaka (-1.6%) and Pulau Pinang (-0.9%). Kelantan recorded a substantial increase of 34.9% from 2,847 transactions in H1 2006 to 3,841 transactions in H1 2007. The notable increase was due to the increase in demand for residential and agricultural property. Selangor and Johor, the two most active states in the country registered a 10.7% and 8.7% increase in volume of transactions comparing with H1 2006.

Residential Property

In the first half of 2007, residential property dominated the property market capturing 62.6% of the volume and 45.8% value of transactions registering 89,561 transactions worth RM15.34 billion. Compared to H1 2006, the volume increased by 1.7% whilst, value grew by 10.5%. However, the volume and value of transactions decreased by 5.3% and 1.5% against H2 2006 respectively.

Affordable houses priced below RM150,000 were most favoured comprising 64.5% (57,664 transactions) of the total residential transactions. Houses priced between RM100,001 and RM150,000 formed the biggest share at 17.7% (15,820 transactions) followed by those in the range of RM150,001 to RM200,000. Nevertheless, in Kuala Lumpur and Selangor, houses priced between RM250,001 and RM500,000 were most sought after, forming 20.1% (1,320 transactions) and 19.6% (4,871 transactions) of the total transactions in the states respectively.

By type, terraced units captured 43.4% (38,876 units) of the residential transactions followed by low-cost units 13.4% (11,960 units) and condominium/apartment 9.2% (8,282 units). Nonetheless, high-rise units comprising condominium/apartment and flats formed the bulk in Kuala Lumpur and Pulau Pinang whilst vacant plots were most prevalent in Terengganu and Kelantan.

In the primary market, response for new housing units was encouraging. From the 21,905 new units offered for sale, 8,832 units were taken up. The units accounted for 40.3% average sales performance, which was higher than 18.0% recorded in H1 2006 and 36.5% in H2 2006. Eight states achieved average sales performance above the national average except Kelantan (40.0%), Sarawak (20.6%), Johor (18.4%), Sabah (13.4%), Kedah (13.0%) and Melaka (7.3%). Negeri Sembilan led with the highest sales performance at 66.1%, followed by Selangor (56.2%), Terengganu (54.1%) and Kuala Lumpur (51.3%). Selangor offered the most number of new housing units for sale, accounting for 22.6% (4,947 unit) of the national total, followed by Kuala Lumpur (2,978 units), Kedah (2,845 units) and Johor (2,798 units).

Despite the improving primary market, the number of residential overhang increased steadily from 22,185 units in H1 2006 to 25,645 units in H2 2006 and 26,432 units in H1 2007. Similarly, the overhang value moved up from RM1.92 billion and RM4.18 billion to RM4.19 billion respectively. However, on a positive note, the number of unsold property in both under construction and not constructed categories recorded reductions indicating a better planned housing market.

Prices of residential property were on the whole stable with increases recorded in selected areas. The Malaysian Annual All House Price Index in H1 2007 was 122.2 points, which went up by 3.2% from 118.5 points in H1 2006. The price of the "Average" all house was RM168,808. This noted an increase of 3.2% from RM163,648 in H1 2006. By states, Kuala Lumpur had the highest house price in the nation at RM341,968, followed by Selangor (RM248,388) and Sabah (RM237,665).

On the supply front, the construction activity of residential properties was moderate with higher completions but lesser starts and new building plan approvals. Compared to H1 2006 and H2 2006, newly completed units increased by 17.2% and 0.8% respectively to 92,912 units (H1 2006: 79,296 units; H2 2006: 92,150 units). Construction starts on the other hand, decreased by 21.8% from 83,169 units in H1 2006 to 65,045 units. Likewise, building plan approvals dropped by

17.7% from 82,246 units to 67,676 units for similar period. However, starts recorded a 9.8% increase against H2 2006 whilst new planned supply decreased by 6.6%.

Shops

The shops sub-sector dominated the commercial property activities. The market recorded 8,651 transactions worth RM3.39 billion, which represented 67.3% of the volume and 49.1% of the value of the commercial transactions. Compared to H1 2006, the volume of transactions increased by 30.1% and value grew by 24.9%. Likewise, comparing with H2 2006 the volume and value of transactions increased by 4.5% and 5.1% respectively.

By state, Johor had the most number of shop transactions (1,540 units) contributing 17.8% to the market share, followed by Selangor 17.4% (1,509 units) and Perak 14.6% (1,264 units). However, Selangor recorded the highest value of RM872.28 million, trailed by Johor RM504.94 million and Kuala Lumpur RM497.45 million.

Compared to H1 2006, most states recorded increases except Terengganu (-24.5%) and Sabah (-14.8%). However, compared to H2 2006, seven states recorded decreases in activity despite the national increase of 4.5%. Again, Sabah and Terengganu led with the biggest decreases of 32.2% and 25.9% respectively. Of the three most active states, Johor and Perak recorded increases in number of transactions against H1 and H2 2006 (Johor: 26.0% and 16.8%; Perak: 6.3% and 0.2%), whereas market activity in Selangor increased by 17.4% against H1 2006 but decreased by 1.8% comparing with H2 2006.

By type, two-to-two and a-half storey shops were the most preferred in the market comprising 54.4% (4,706 transactions) of the shop market share, followed by three to three-and-a-half storey shops at 25.1% (2,173 transactions). Combined, Johor, Perak and Selangor comprised half of the two to two and a-half storey shops transactions in the country with Johor having 21.4% (1,006 units), Perak 16.5% (778 units) and Selangor 14.2% (671 units). As for three to three-and-a-half storey

shops, Selangor led with the most number of transactions (527 units), followed by Sarawak (353 units) and Johor (325 units).

In spite of the relatively active market, the number of overhang shops increased slightly by 4.0% from 4,678 units in H1 2006 to 4,863 units in H1 2007. The overhang value increased from RM1.13 billion to RM1.28 billion for similar periods.

The construction of shops was comparatively more active in the review period as compared to H1 2006. There were 4,200 newly completed shops in H1 2007 (H1 2006: 4,339 units; H2 2006: 7,138 units). Another 3,995 shops started construction (H1 2006: 3,405 units, H2 2006: 6,177 units) and 6,703 shops obtained building plan approvals obtained (H1 2006: 4,927 units, H2 2006: 9,462 units). Johor and Selangor were the two leading providers of the new supply. By type, two to two and a-half storey shops dominated 52.2% (2,192 units) of completions, 49.5% (1,976 units) of starts and 43.9% (92,945 units) of new planned supply.

Shopping Complex

The performance of shopping complexes moderated in H1 2007. The average occupancy rate of shopping complexes reduced marginally from 80.1% in H1 2006 and 79.9% in H2 2006 to 79.7%. This resulted in 1.65 million s.m. of vacant retail space available for occupation nationwide. Kuala Lumpur, the main provider of retail space (23.5%) in the country enjoyed stable demand with occupancy rate improved marginally from 83.5% in H2 2006 to 83.7% in H1 2007. However, Selangor, the second biggest provider of retail space recorded slight drop in occupancy rate from 89.0% in H2 2006 to 88.4% due to an additional 12,454 s.m. of new retail space.

On the construction front, the development of shopping complexes remained steady with increases in completions, starts and new building plan approvals. Newly completed retail space increased from 126,006 s.m. in H1 2006 to 150,281 s.m. in H1 2007. The new space was provided by 12 shopping complexes; four in Johor, three in Sabah, two in Pahang and one each in Selangor, Pulau Pinang and Melaka. The construction starts of commercial complexes increased by 29.2% from

170,198 s.m. in H2 2006 to 175,172 s.m. These starts were found in seven states: Pulau Pinang (45,590 s.m.), Perak (37,001 s.m.), Sabah (35,743 s.m.), Pahang (24,916 s.m.), Kelantan (18,000 s.m.), Terengganu (8,067 s.m.) and Johor (5,855 s.m.). Similarly, retail space that obtained building plans approval increased nearly fourfold from 50,325 s.m. in H2 2006 to 197,873 s.m. New planned supply was confined to Sabah (54,530 s.m.), Perak (44,231 s.m.), Sarawak (32,515 s.m.), Pahang (28,167 s.m.), Kelantan (18,000 s.m.), Terengganu (8,067 s.m.), Kedah (6,508 s.m.), and Johor (5,855 s.m.). There was 8.12 million s.m. of existing retail space in the country as at June 2007, 1.81 million s.m. under construction and 1.71 million s.m. in the planned supply where building plan approvals obtained but construction works not commenced.

Purpose-Built Office

The performance of purpose-built office sub-sector was favourable in the review period. The sub-sector registered an improved occupancy rate from 84.3% in H1 2006 and 84.6% in H2 2006 to 84.9%. Hence, the amount of vacant office space in the nation decreased marginally by 0.6% from 2.23 million s.m. in H2 2006 to 2.21 million s.m. Kuala Lumpur had the most vacant space (1.04 million s.m.) followed by Selangor (294,088 s.m.), Pulau Pinang (264,703 s.m.) and Johor (224,958 s.m.). Combined, the four states accounted for 82.6% of the nation's vacant office space.

At the end-June 2007, the existing supply in the country stood at 14.68 million s.m. The total was contributed by 186,075 s.m. of new office space that came on-stream in the review period. By states, Kuala Lumpur saw the entrance of Plot N, KL Sentral Tower 1 and Menara IGB (North and South Wing) with a total space of 89,464 s.m. Sabah had three new office buildings completed (55,442 s.m.), Pahang two new office buildings (11,127 s.m.), Johor (10,080 s.m.), Negeri Sembilan (9,160 s.m.), Melaka (3,894 s.m.), Perlis (3,734 s.m.) and Kuching (3,174 s.m.).

Meanwhile, office space that started construction increased by 14.7% from 155,427 s.m. in H2 2006 to 178,306 s.m. in H1 2007. Kuala Lumpur continued to have the most construction starts offering a total space of 108,943 s.m. Similarly, new planned supply recorded notable increases indicating improved market sentiment.

New building plan approvals were found in five states namely Johor (99,240s.m.), Kedah (11,333 s.m.), Kelantan (6,324 s.m.), Negeri Sembilan (3,315 s.m.) and Pahang (305 s.m.). At the end-June 2007, the total incoming supply of office space in the country stood at 1.62 million s.m. The market had another 2.23 million s.m. in the planned supply.

Industrial Property

The industrial sub-sector was the least active sub-sector contributing 2.6% to the overall market activity. This sub-sector registered 3,663 transactions worth RM3.04 billion in H1 2007. Although, the volume increased by 8.3% against H1 2006, it decreased by 3.7% against H2 2006. Correspondingly, the values increased by 15.0% and decreased by 10.1% against the same period respectively. Terraced factory/warehouse was the most favourite property type with 1,488 transactions worth RM513.96 million recorded. The transactions represented 40.6% of the market share. Industrial vacant plots formed another 30.5% (1,119 transactions) of the total volume. Vacant plot transactions were most prevalent in Kedah and Kelantan. By price, industrial units priced between RM250,001 and RM500,000 were most sought after contributing 30.9% (1,131 units) to the total industrial transactions. Selangor and Johor continued to dominate half of the industrial market activity in the country.

The unsold situation of industrial property improved with decreases in overhang units. As at end-June 2007, there were 671 industrial overhangs worth RM348.90 million in the country. Selangor led by accounting for 39.0% (262 units) of the national overhang. Next, come Johor with 22.2% (215 units) of the national overhang. Terraced factory was predominant comprising 72.1% (484 units) of the overhang.

There were signs of slowing down in the construction activity of industrial property, with reduced number of completions and new building plan approvals. The existing stock stood at 88,743 units including 390 units completed in the review period. Compared to H1 2006 and H2 2006, the number of completion decreased by 32.4% and 34.9% respectively but the units were small. However, starts remained

relatively active with 231 constructions commenced in H1 2007, which increased from 201 units in H1 2006. Meanwhile, the number of new building plan approvals decreased from 321 units in H1 2006 and 809 units in H2 2006 to 244 units in H1 2007. Terraced units dominated 43.7% (101 units) of the starts whilst semi-detached units formed half (128 units) of the new planned supply. As at H1 2007, there were 6,105 industrial units in the incoming supply and planned supply totalled 22,630 units.

Agricultural Property

The agricultural property sub-sector, the second most active sub-sector, registered an improved market activity in the review period. There were 30,077 transactions worth RM3.24 billion recorded. The volume and value represented 21.0% and 9.7% of total property transactions respectively. The transaction volume had increased by 5.1% and 7.5% against the first- and second-half of 2006 respectively. On the other hand, the value decreased by 6.9% against H1 2006 but increased by 18.5% comparing to H2 2006 (H1 2006: RM3.48 billion; H2 2006: RM2.73 billion). Perak and Johor were the two leading players of the sub-sector accounting for 20.7% (6,227 transactions) and 16.1% (4,859 transactions) of the volume of transactions respectively.

By type, vacant agricultural land was most actively transacted dominating 41.1% (12,357 transactions) of the market share, followed by oil palm lands 17.2% (5,174 transactions), rubber lands 13.6% (4,080 transactions) and paddy lands 12.6% (3,796 transactions). Notwithstanding this norm, paddy lands were the main mover of the agricultural market activity in Perlis, Kelantan and Kedah contributing 72.9% (597 units), 44.0% (948 units) and 41.7% (783 units) to the total transactions in the respective states.

Leisure Property

Backed by the various attractive campaigns of the Visit Malaysia Year 2007, this sub-sector recorded promising growth in H1 2007. The average occupancy rate of three to five star hotels increased from 58.4% in H1 2006 and 61.4% in H2 2006 to 62.1% in H1 2007.

Compared to H1 2006, most states recorded increases in occupancy rates for three to five star hotels except for Perlis (-10.8%), Johor (-5.2%), Kelantan (3.8%), Sabah (-3.4%), Kuala Lumpur (-1.0%) and Sarawak (-0.4%). Pahang achieved the highest occupancy rate in the country at 80.6% followed by Terengganu (76.0%) and Sabah (72.7%). Other states that recorded occupancy rate above the national average occupancy rate of 62.1% were Kedah (69.1%), Kuala Lumpur (65.8%), Selangor (65.1%) and Melaka (62.7%).

Along with this, the construction activity of hotel rooms was more vibrant compared to H1 2006 and H2 2006 with higher completions, starts and new planned supply. With the addition of 967 new hotel rooms, the number of hotel rooms in the market totalled 149,820 rooms. The 967 new hotel rooms were offered by eight hotels located in Sabah (402 rooms), Johor (246 rooms), Perak (155 rooms), Terengganu (111 rooms) and Kedah (53 rooms). Meanwhile, positive market sentiment prompted the construction starts of four hotels offering a total of 686 rooms upon completion (H1 2006: 273 rooms; H2 2006: 637 rooms). Besides, new building plan approvals also increased from 198 rooms in H2 2006 to 680 rooms in H1 2007. The incoming supply of hotel rooms in the country totalled 16,172 rooms and planned supply at 33,713 rooms.