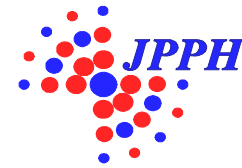




Valuation & Property Services Department
Ministry of Finance Malaysia



Press Release

Malaysian Property Market 2009

The Malaysia economy is on the road to recovery. Gross Domestic Product (GDP) rebounded 4.5% in Q4 2009 (Q3 2009: -1.2%) after recording three consecutive quarters of negative growth. The better-than-expected performance was attributed to higher domestic demand, driven by higher public investment and private consumption. The services sector recorded a growth of 2.6%, accounting for 57.4% of total GDP (2008: 7.2%; 55.0%) driven by the intermediate services group, which grew 3.0% (2008: 6.0%). The manufacturing sector contracted 9.3% in 2009 (2008: 1.3%). Conversely, construction sector grew strongly by 5.7% (2008: 2.1%), mainly driven by the construction of schools and hospitals under the stimulus packages, the on-going construction of purpose-built office buildings and the progress in the implementation of infrastructure projects in the civil engineering segment. The agriculture sector recorded a growth of 0.4% (2008: 4.0%) in 2009, contributed largely by significant improvement in industrial crops such as palm oil and rubber sub-sectors. Meanwhile, the mining sector recorded further contraction by 3.8% (2008: -0.8%) in 2009, due to lower crude oil and natural gas production

The Malaysian property market recorded a modest performance in 2009. Although the overall market was sustained with positive developments in the primary market and construction activities, market volume and value were marginally below that of 2008. Nevertheless, there were clear signs of recovery as market activity and value increased especially in the last quarter of the year to 98,262 transactions worth RM26.91 billion (Q1 2009: 79,024 transactions worth RM16.92 billion; Q2 2009: 76,167 transactions worth RM17.23 billion; Q3 2009: 84,406 transactions worth RM19.94 billion). A total of 337,859 transactions were recorded. Against 2008, volume decreased marginally by 0.7% (2008: 340,240 transactions). However, the volume of transactions

rebounded by 9.2% when compared to 2007 (309,455 transactions). In terms of value, a decrease of 8.3%, from RM88.34 billion in 2008 to RM80.997 billion was recorded.

Across the sub-sectors, market movements were mixed compared to 2008. Residential sub-sector recorded a 2.4% transactions decreased from last year. Development land, commercial and agricultural sub-sectors recorded better performances compared to last year with increases of 6.5%, 5.0% and 0.3% respectively. In terms of transaction value, only residential sub-sector saw an increase of 1.3%.

Residential Property

As the past years, the residential property sub-sector continued to spearhead market transactions. In 2009, the residential property sub-sector contributed 62.6% and 51.7% of the transactions volume and value, respectively. The year recorded 211,600 transactions worth RM41.84 billion against 216,702 transactions worth RM41.30 billion recorded last year. This was lower by 2.4% in volume but higher by 1.3% in value against 2008. The performance of the states was mixed. Nine states recorded positive growths in market activity with Sarawak leading at 32.7% followed by Kelantan at 29.2%. Kedah saw the biggest drop in transactions volume at 30.5%. Other states that saw double-digit declines were Perak at 23.7%, Melaka (-19.2%), Negeri Sembilan (-18.7%), Pahang (-12.6%) and Perlis (-11.7%). Meanwhile both Selangor and Pulau Pinang recorded a marginal increase of 0.9% whilst Kuala Lumpur did slightly better at 7.3%. Notwithstanding this, Selangor retained its market dominance; capturing 30.6% (64,727 transactions worth RM16.83 billion) of the country's total transactions.

On the pricing perspective, The Malaysian All House Price Index showed that, the All House Price Index for the country was 131.8 for 2009. Compared to 2008, the index increased by 1.5% (2008: 129.8). Correspondingly, the price of the "average" all houses increased by 3.2%, from RM178,632 per unit in Q4 2008 to RM184,574 in Q4 2009. Kuala Lumpur had the highest price level in the country at RM381,802. Sabah and Selangor followed with RM292,566 and RM266,686 respectively in the last quarter.

By price range, transactions within the price range of RM100,000 to RM150,000 had the largest market share totalling 38,382, followed by those priced between RM250,000 and RM500,000 (28,600 transactions). Demand for high-end units priced above RM500,000

continued to increase steadily, forming 5.7% of total residential transactions (2007: 4.8%; 2008: 5.2%). Selangor accounted for 5,765 transactions in this price bracket, followed by Kuala Lumpur with 3,543 transactions.

By type, housing units formed 84.6% (179,030 transactions) of market share whilst 15.4% were vacant plots. Terraced houses were the most sought-after capturing 38.7% (81,825 units) of residential transactions followed by condominium/apartment with 13.5% (28,643 units) and low-cost units at 11.3% (23,878 units). Most states were dominated by landed unit transactions except Kuala Lumpur, Pulau Pinang, Terengganu and Kelantan. In Kuala Lumpur, condominium/apartment units formed the bulk of the state's total transactions at 49.1% (9,936 units). On the other hand, vacant plots were the most prevalent in Kelantan and Terengganu, accounting for 76.8% (2,625 units) and 73.7% (7,583 units) of the respective state's market share.

In the primary market, sales performance of newly launched units strengthened slightly, up from 44.5% in 2008 to 48.0% on account of fewer units launched. Nine states recorded better performance in the review year but only Perlis and Kelantan exceeded the 80.0% mark, at 87.3% and 80.8% respectively. Other states that showed commendable increases were Kuala Lumpur (2009: 57.9%; 2008: 42.9%) and Pahang (2009: 51.9%; 2008: 37.4%). Sabah remained the lowest achiever with 27.7% although improving from 20.7% achieved in 2008.

The review year saw 45,909 new units launched (2008: 48,830 units) of which 22,055 units were sold. Selangor led in new launches with 8,430 units followed by Johor (7,099 units) and Perak (4,296 units). Kuala Lumpur launched 57.9% fewer units this year with 4,069 units (2008: 6,794 units). By type, terraced units formed the bulk with 57.6% (26,452 units). Of these, 13,182 units were sold recording a sales performance of 49.8%. Terraced units priced below RM150,000 accounted for 25.8% (11,835 units) of the nation's total in new launches. Condominium/apartment formed another 14.2% (6,507 units) of the new launches with 2,802 units taken, achieving a fairly decent performance of 43.1%. Kuala Lumpur held 34.5% (2,245 units) of the newly launched condominium/apartment units whilst another 24.8% (1,614 units) were in Pulau Pinang. Selangor contained another 17.6% market share with 1,146 units. Of the three states, Selangor noted the best sales performance at 54.9% with 629 units taken up, compared

to Kuala Lumpur at 52.0% (1,167 units sold) and Pulau Pinang at 49.7% (802 units sold). Units priced in the RM150,000 to RM200,000 bracket formed the biggest share of newly launched condominium/apartment with 46.1%. Condominium/apartment units priced below RM200,000 were the most sought after, achieving a sales performance of 46.3%. Service apartments, which formed another 6.6% of newly launched units, showed commendable performance with 56.8% of the units launched sold.

In resonance with the primary market's strengthened position, residential overhang and unsold units scenario improved. Overhang units decreased by 13.2% to 22,592 units from 26,029 units recorded last year. Correspondingly, value decreased by 9.2% (2009: RM3.67 billion; 2008: RM4.05 billion). Overhang remained the highest in Johor (5,415 units worth RM958.34 million), Selangor (3,770 units worth RM608.32 million) and Sabah (3,227 units worth RM453.68 million). Nonetheless, both Johor and Selangor saw numbers diminished by 22.7% and 17.8% respectively. Notable reductions in overhang were also noted in Pahang (42.6%), Kedah (36.4%), Kuala Lumpur (35.9%), Perlis (32.9%) and Melaka (25.3%). By type, condominium/apartment was predominant in the overhang, comprising 25.9% of the total followed by two to three storey terrace units with 22.9%. Units priced below RM150,000 made up 59.4% (13,416 units) of the residential overhang. On a positive note, the unsold units under construction and not constructed category decreased. The unsold under construction fell to 42,814 units (2008: 50,350 units) whilst unsold not constructed units declined to 14,457 units (2008: 15,978 units). Selangor led in unsold under construction with 8,370 units followed by Johor with 8,060 units. In the unsold not constructed category, Johor held the majority with 3,603 units followed by Selangor with 2,614 units. By type, condominium/apartment dominated the unsold under construction units with 26.9% share whilst detached units formed 24.2% of the unsold not constructed units.

On the supply front, developers showed cautious sentiment towards construction activity of residential properties. Completions totalled 102,411 units, down by 25.2% compared to 2008 (136,881 units). Starts followed a similar downward trend to register 86,763 units, from 298,135 units recorded in 2008. New building plan approvals dropped by 34.5% to register 79,600 units (2008: 121,460 units).

Shops

The shop sub-sector remained the highest contributor to the commercial property activities, as seen in its 66.3% share in the total commercial property transaction volume. In spite of the subdued market sentiment, the year recorded 22,109 shops transactions worth RM9.40 billion. This was an increase of 10.0% in volume and 13.9% in value compared with 2008 (20,096 transactions worth RM8.55 billion). Four states recorded declines in volume of transactions, namely Terengganu (-31.0%), Perlis (-14.1%), Kedah (-10.1%) and Perak (-1.1%). By state, Selangor had the most number of shops transactions, contributing 18.9% to the market share, followed by Johor with 15.5% and Perak with 12.8%.

As at year-end 2009, shop overhang had increased by 10.2%, from 4,776 units in 2008 to 5,265 units. Likewise, the value increased to RM1.82 billion (2008: RM1.43 billion). Meanwhile, the unsold under construction category fell by 4.5%, with numbers down to 4,685 units (2008: 4,907 units). In the unsold not constructed category, the volume increased by 21.5% (2009: 1,072 units; 2008: 882 units).

There were slower construction activities in the shop sub-sector with lower numbers in completions, starts and new building plan approvals. Completions fell to 10,066 units, starts to 5,616 units and new planned supply to 6,974 units. As at end-year 2009, there were 354,522 units of existing shops, 44,862 units under construction and 57,422 units with building plans approved.

Shopping Complex

The performance of shopping complexes remained resilient in 2009. The retail market was steady with take-up space in the positive at 278,546 s.m. even though lower than that of 2008 (929,980 s.m.). All states except Kuala Lumpur recorded positive take-up space. The national average occupancy rate improved to 81.8% from 81.3% (2008). Nine states performed above the national average. The three highest achievers were Perlis with 100%, followed by Labuan (98.0%) and Selangor (89.6%). Johor and Pulau Pinang are amongst the biggest retail space provider in the country. Both states had the lowest occupancy at 71.7% and 70.5% respectively.

On the construction front, 26 shopping complexes made their debut. The completions injected 317,361 s.m. (2008: 472,347 s.m.) of new retail space into the market and increased the country's stock to 10.077 million s.m. The three major contributors were Johor with 80,320 s.m., Pulau Pinang with 70,130 s.m. and Kelantan with 38,943 s.m. Combined, the three states contributed almost 60% of the country's newly completed retail space during the year.

Construction activity moderated further with starts contracted to 305,297 s.m. (19 buildings) against 453,456 s.m. (23 buildings) in 2008. Johor held the bulk of the starts (139,904 s.m.), followed by Kuala Lumpur (100,075 s.m.). On the positive note, new building plan approvals increased to 307,690 s.m. from 178,220 s.m. in 2008. As at year-end, 1.57 million s.m. of retail space from 83 buildings were under construction nationwide. Another 78 complexes with a combined space of 1.99 million s.m. already had building plans approved.

Purpose-Built Office

The performance of the purpose-built office sub-sector remained steady. The year witnessed a lower annual take-up of 446,567 s.m. (2008: 636,795 s.m.) with occupancy rate fell slightly to 84.9%, against 85.2% last year. Nevertheless, all states with the exception of Selangor registered a positive take-up difference. Eight states recorded an improvement in occupancy. Kedah recorded the highest uplift at 92.4% (2008: 85.2%), in line with the three-fold increase in its annual take-up of space. Eleven states performed above the year's national average of 84.9%. Perlis maintained its 100% occupancy for the fifth consecutive year, successfully absorbing the 4,043 s.m. of new office space. Kuala Lumpur, the major office space provider in the country with 40.3% of total stock, enjoyed better occupancy at 83.2% on account of higher take-up of space. At year end, total vacant office space had increased to 2.432 million s.m. (2008: 2.304 million s.m.).

On the supply front, construction activity indicators pointed to an improved sentiment in the sub-sector. Completed office space were up from last year's 315,986 s.m. to 568,244 s.m., likewise, new building plan approvals increased to 328,185 s.m. (2008: 36,060 s.m.). Starts however fell to 142,992 s.m. (2008: 222,436 s.m.). As at end-year

2009, there were 100 buildings under construction, which upon completion would inject 1.71 million s.m. into the office market. More spaces are expected from the 71 buildings in the planned supply to the tune of 2.36 million s.m. The year saw 42 new buildings (2008: 25 buildings) entering the market, increasing the total space to 16.10 million s.m. (2008: 15.53 million s.m.).

Industrial Property

The performance of the industrial property sub-sector sustained at last year's level. The sub-sector contributed the least to the property market, accounting for 2.4% and 8.4% of total volume and value of transactions respectively. The year recorded 8,058 transactions worth RM6.83 billion. The figure decreased by 0.8% in volume and 13.5% in value compared to 2008 (8,126 transactions worth RM7.9 billion). Selangor remained the largest contributor in the total transactions (2,700 transactions) followed by Johor (1,099 transactions). Compared to 2008, seven states registered double-digit reductions with Kuala Lumpur, Perak and Pahang amongst them. By price, industrial property in the range of RM250,000 and RM500,000 continued to be the most sought after, comprising 29.0% (2,336 transactions) of total transactions. Terraced factory/warehouse was the most favoured property type capturing 39.0% (3,145 transactions) of the market share, followed by vacant industrial plots at 28.3% (2,277 transactions).

The industrial overhang situation improved in 2009 but the numbers remained low. There were 641 units recorded compared to 670 units in 2008. Correspondingly, the overhang value fell to RM339.83 million (2008: RM349.10 million). Contrarily, unsold under construction and unsold not constructed categories registered an increase of 11.8% (2009: 759 units; 2008: 679 units) and 12.9% (2009: 803 units; 2008: 711 units) respectively. By type, terraced factory was predominant in the overhang and unsold under construction category, forming 71.3% and 80.8% in the respective category. Detached units were prevalent in the unsold not constructed category, accounting for 42.6% of the total.

Construction activity in the industrial sub-sector was reasonably encouraging and showed signs of recovery. Completions and starts increased 39.8% and 36.4% respectively compared to 2008. There were 1,092 units completed, and 674 units that

commenced construction. However, new planned supply i.e. factories that obtained building plan approvals decreased by 57.3% to 562 units (2008: 1,315 units). Semi-detached units dominated completions forming 54.3% terrace units formed the bulk of starts at 65.6% whilst detached units accounted for 47.2% of new planned supply. As at end-2009, there were 92,416 existing industrial units, 6,798 units in the incoming supply and 23,028 units in the planned supply.

Agricultural Property

Agricultural sub-sector retained as the second largest sector of the property market contributing 20.5% of the volume of transactions. In terms of value, it accounted for 10.3% of total transactions value. A total of 69,187 transactions worth RM8.33 billion were recorded during the year. Compared to 2008, the volume increased marginally by 0.3% whilst the value decreased by 2.1% (2008: 68,954 transactions worth RM8.51 billion).

Six states recorded increased market activity; such as Pulau Pinang (14.2%), Kelantan (11.9%) and Selangor (9.6%). Two states saw volume declined by double-digits i.e. Perak (12.3%) and Melaka (10.4%). In terms of market share, Johor, Perak and Sabah dominated, accounting for 17.0% (11,730 transactions), 16.8% (11,592 transactions) and 15.2% (10,518 transactions) of the transactions volume respectively.

By type, vacant agricultural land was the most actively transacted dominating 41.6% (28,798 transactions) of market share, followed by oil palm lands with 17.6% (12,147 transactions), rubber lands with 13.2% (9,167 transactions) and paddy lands with 11.8% (8,145 transactions).

Leisure Property

The performance of the hotel sub-sector started to perk up. The MIER's Tourism Market Index stood at 114.1 points in the fourth quarter of 2009 (Q3 2009: 88.7 points; Q4 2008: 94.0 points) indicating that interests in the sub-sector was improving. In tandem, growth in tourist arrivals was steady, increasing by 7.2% this year (2008: 5.1%; 2007: 19.5%; 2006: 6.8%; 2005: 4.6%).

In spite of higher tourist arrivals, the performance of hotels was yet to pick up. Occupancy rates of 3 - 5 star hotels continued to slide to reach 55.6% against 62.1% in 2008 (2007: 62.5%). Nine states with occupancy below the national level of 55.6% as compared eight in 2008. Pahang led with 79.1% occupancy followed by Kuala Lumpur with 65.9%, whilst the lowest was recorded by Kelantan at 38.2%. Likewise, occupancy rate of all stars rated hotels fell to 56.9% (2008: 60.5%).

The construction activities of leisure property sub-sector rebounded, evident by more completions, starts and new planned supply. In the market, 18 new hotels comprising 2,509 rooms were completed (2008: five hotels comprising 933 rooms). Seventeen hotels commenced construction, which upon completion would add another 3,825 rooms to the market (2008: 13 hotels comprising 2,373 rooms). In the new planned supply, 18 hotels (2,320 rooms) obtained building plans approval compared to 10 hotels (1,746 rooms) in 2008.

Market activity likewise improved. The year recorded 1,189 transactions worth RM1.06 billion (2008: 1,017 transactions worth RM1.00 billion) involving hotels and service apartments. More hotels were transacted this year (2009: 17 hotels; 2008: 9 hotels). Combined, the hotels had a total value of RM197.95 million.

Outlook For 2010

The year 2010 would see all sectors of the economy regain strength. On the same positive note, our economy is expected to expand by 2.0% to 3.0% in 2010, led by the growth in the services sector. Malaysia is on the mend.

On a similar tone, the property market is set on the recovery path in 2010, supported by various measures proposed under the recent Budget. Apart from providing new homes for the needy groups, the issue of abandoned housing projects will also be tackled. Additional measures that should further promote home ownership at large is a newly launched scheme, beginning January 2010, that allows prospective buyers to utilise EPF savings in Account 2 to either upgrade to better homes or purchase additional houses. It is foreseeable that take-up of housing units will increase in the medium term as a result, and with it provide a much needed boost for the residential sector.

Budget 2010 also proposed that the cap for individual income tax is reduced further from 27.0% to 26.0% whilst the personal relief be increased from RM8,000 to RM9,000. Subsequently, each tax payer will enjoy an additional RM1,000 in disposable income, some of which may be channelled for big-ticket item purchases such as properties. Radical income tax incentive was also introduced to draw Malaysians and foreign knowledge workers to Iskandar Malaysia. Those who reside and apply to work in the locality before end-2015 will enjoy a much lower income tax rate of 15.0% compared to 26.0% maximum cap in other parts of the country. The extra income will likely find its way into property investment in and around the area, and impel the sector forward.

Another far-reaching step forward is to optimise the income capacity of government assets. To this end, Government agencies are encouraged to rent out their premises, halls, hotels, labs and training equipments to the private sector and the public. Whilst this ensures that assets are fully utilised, the income earned could pay for maintenance, thereby redirecting allocated government funds to further investments in property. As incentive, 50.0% of income earned will be retained by the agencies whilst the remainder shall be remitted to the Government as revenue, effective from January 1 2010. To

capitalise the potential of land and buildings owned by the Government, the Budget proposed that these assets be jointly developed with or sold to GLCs.

The on-going development of the five regional economic corridors has generated business and employment opportunities in the areas. With better infrastructures, the areas deemed inaccessible and unattractive before have released its intrinsic value, reflected by higher demand for and capital values of real estate within and in the periphery of the corridors.

On the construction front, RM9.0 billion has been set aside to fund infrastructure projects. In the long term, the property sector should benefit too. As new areas open up, new communities will materialize and with that, push up demand for housing and other facilities. In turn, property values will rise.

A measure that would benefit the construction sector is the launching of Green Building Index (GBI) Certificate, a certification issued for environmentally friendly buildings. To promote green technology, the Government will give income tax relief to building owners with GBI Certificates dated from 24 October 2009 to 31 December 2014, equivalent to the additional capital expended in obtaining the certificates. For purchasers of such buildings, tax exemption on instruments of transfer of ownership is given, equivalent to the cost of obtaining GBI Certificates, and for sales and purchase agreements executed in the same period. The GBI certificates, which act as a marker with regards to the green-worthiness of a building, could be used as a selling point in promoting Malaysian properties internationally. In the long run, this can widen the casting net to tap more green-conscious investors.

The re-imposition of Real Property Gains Tax (RPGT) received mixed responses from the property industry. With effect from 1st January 2010, chargeable gains from the disposal of real properties, which are held for less than five years, will be charged at 5%. The re-imposition augurs well for the property market, in that prices of property will be more stable as a possible cause of a price bubble has been eliminated, whilst more players will venture to invest their capital with less fear of getting their fingers burnt.

The liberalisation measures announced during the year would further enhance the attractiveness of Malaysian properties. Beginning June of 2009, the acquisition of properties by foreigners no longer requires the approval of the now disbanded FIC. MPI's role in promoting properties internationally is made easier for this removal, as the less restrictive measures will lure more prospective buyers to consider Malaysia as their investment destination.

The transformation in the agricultural sector is timely as it has the potential to boost the economic growth of rural areas particularly. Realising this, the Government proposed to intensify activities from cultivation up to the marketing of the agro-based products by allocating RM6.0 billion for this sector.

Leisure sub-sector is expected to benefit from the RM899.0 million allocations provided in the Budget 2010 aimed at intensifying the tourism industry. Among the main programmes to be implemented that can benefit the property sector in the long run are aggressive promotion of the MM2H programmed to attract participants, upgrading the infrastructure in tourism centers nationwide and developing more tourism products including an initiative to redevelop Malaysia's parks and garden. With this measure, the hotel sub-sector should see better occupancy in 2010. To accelerate the rate of growth, concerted effort should be made to develop well-organized programmes with clear packages and initiatives.

Malaysia needs to attract high levels of Fids, as the spill-over benefits impact significantly on the property sector. Expatriate population will increase, demand for housing, office, and retail space in terms of sales and revenue, is generated. The liberalisation measures announced in April 2009 were a good starting point, from where the property sector can profit. Nonetheless, continuous liberalisation of economic policies by the government will enable industry players to compete globally.

The New Economic Model recently launched by the Prime Minister will help to promote higher levels of economic investment in the country. In Kuala Lumpur, several parcels of land in Jalan Stonor, Jalan Ampang and Jalan Lidcol, have been identified to be tendered out to and developed by the private sectors. This initiative will be a good kick-off for more outright sale and joint ventures between public and private sectors in land

development. The Government and EPF will form a joint-venture to promote the development of 3,000 acres of land in Sungai Buloh into a new hub for the Klang Valley. This will lead to over RM5 billion of new investments that will have an immediate effect on domestic growth, with an enormous potential for the private sector to participate in prominently.

The Malaysian property market has shown strength in surviving several financial crises. The prognosis for the property sector in 2010 is positive, especially with increasingly healthier performance of the domestic economy and further stabilization of external economies. Going forward, with all the measures in place and another RM45.00 billion in store under the Second Economic Stimulus Package, and barring unforeseen circumstances, the property market is anticipated to perform better in 2010.

National Property Information Centre (NAPIC)
Valuation & Property Services Department
Ministry of Finance Malaysia
23 April 2010