Press Release

Malaysian Property Market 2007

Malaysian economy recorded the highest growth since 2004 at 6.3% due to robust domestic demand, driven by strong private consumption spending and investment activities as well as increased in public sector spending. In 2006, the economy expanded by 5.9%. Services sector remained as the main impetus to the GDP growth backed by both intermediate and final services. Manufacturing sector reflected strong expansion in the domestic-oriented industries and improvement in the electronics and electrical (E&E) sector. Agriculture sector continued to expand, supported by higher output of food commodities. Construction sector on the other hand, was boosted by the scheduled implementation of Ninth Malaysia Plan (9MP) projects and improvement in the property market.

Malaysian property market remained buoyant in 2007. The overall market strengthened with increases in both transaction volume and value, improved sales performance for the newly launched housing units and reduced numbers of property overhangs. However, property construction activities moderated with increased newly completed units but decreased construction starts and building plan approvals.

The market recorded 309,455 transactions valued at RM77.14 billion during the year. The transaction volume recorded a 9.0% increase (2006: 283,897 transactions) whilst value grew by 25.2% (2006: RM61.60 billion) against 2006. Residential property sub-sector remained as the most dominant sub-sector comprising 64.5% of the total volume and 47.3% of the value of transactions. Agricultural property was the second most active forming 19.4% of the market share. Commercial property, development land and industrial property sub-sectors followed at 9.0%, 4.5% and 2.6% of the total transactions respectively.

Most states recorded growths in the market activity with the exception of Negeri Sembilan (-11.2%) and Pulau Pinang (-1.7%). Kelantan recorded the highest increase of 48.1% in the transaction volume, followed by Selangor at 23.1% and Perlis at 12.7%. In Kelantan, the increase in market activities for all sub-sectors contributed to the positive growth. Meanwhile, the growth in Selangor's market volume was due mainly to the increase in the residential market activity, which saw a 27.2% increase.

Residential Property

The residential property sub-sector remained the leading market contributor accounting for 64.5% and 47.3% of the transaction volume and value, respectively. There were 199,482 transactions worth RM36.49 billion recorded in 2007 against 182,555 transactions worth RM29.45 billion in 2006. The transaction volume and value increased by 9.3% and 23.9% respectively. However, the performance of the states was mixed. Most states recorded promising growths in the market activity with Kelantan leading the highest increase of 46.3%, followed by Perlis 35.3% and Selangor 27.2%. Selangor was the most active state capturing 30.8% (61,364 transactions) of the residential market share followed by Johor 12.0% (22,963 transactions) and Perak 11.1% (22,239 transactions).

Prices of residential properties were largely mixed with most states recording increases in preferred or choice locations. The Malaysian All House Price Index, the All House Price Index for the country was at 124.0 points for 2007. Compared to 2006, the index point increased by 4.8% (2006: 118.3 points). Correspondingly, the price of the “average” all houses increased but at a slightly lower rate of 2.2% from RM170,158 in Q4 2006 to RM173,998 per unit in Q4 2007. Kuala Lumpur had the highest price level in the country at RM393,211. Selangor and Sabah followed at RM253,225 and RM236,804 respectively.

By price range, houses priced below RM150,000 continued to be the most sought after comprising 61.5% (122,820 transactions) of the total market volume. It was observed that houses priced at RM500,000 and above appeared to be popular since 2004. Houses in this category recorded upward trend in the transaction volume from 5,491 transactions in 2004, 5,735 transactions in 2005, 7,274 transactions in 2006 to 9,661 this year. Selangor accounted for almost half (4,786 transactions) of this price category and followed by Kuala Lumpur at 30.0% (2,856 transactions).

By type, housing units formed 86.3% (172,207 transactions) of the total residential property transactions while another 13.6% (27,058) were vacant plot transactions. From the housing unit transactions, terraced units were the most favoured comprising 44.5% (88,765 transactions) of the total volume. Condominium/apartment and low cost houses followed at 10.1% (20,202 units) and 8.4% (16,812 units) respectively. Landed housing units dominated the residential market activity in most states except Kuala Lumpur and Pulau Pinang. In Kuala Lumpur, high-rise units comprising condominium/apartment, flat and low-cost flat captured 62.2% (9,380 transactions) of the market share. Whilst in Pulau Pinang, these properties collectively made up 50.7% (7,413 transactions) of the total residential property volume. Meanwhile, in Kelantan and Terengganu, vacant plots were the most prevalent forming 81.0% (2,280 transactions) and 65.7% (5,445 transactions) of the respective state’s market share.

The primary market was encouraging to record higher newly launched units as well as improved sales performance. There were 52,664 new housing units offered for sale of which 23,749 units were taken up, achieving an average sales performance of 45.1%, which is better than 40.6% recorded in 2006. Since 2002, the sales performance had been on a declining trend from 54.7% to 52.3% in

2003, 48.0% in 2004, 46.2% in 2005 and 40.6% in 2006: The improved market absorption indicated a growing confidence in the housing market. Selangor had the most number of new units offered for sale (13,723 units). Johor and Perak followed with 9,037 units and 6,668 units respectively. Combined, the three states accounted for 56.0% of the country's new units launched. By type, terraced units comprising 13,264 single storey terrace and 13,992 units of two to three storey terrace formed 51.8% (27,256 units) of the new launches. About 44.4% (23,384 units) of the total terraced units were priced at RM150,000 and below. Perlis recorded the highest sales performance at 86.6%. Terengganu and Negeri Sembilan followed each at 65.8% and Pahang at 62.6%. However, the numbers offered for sales in these states were relatively small i.e. Perlis at 591 units; Terengganu at 412 units, Negeri Sembilan at 3,005 units and Pahang at 2,865 units. After Kedah (32.9%), Johor and Perak recorded the second and third lowest sales performance at 34.1% and 34.6% respectively.

Along with the encouraging performance in the primary market, the number of residential overhang decreased by 6.9% to 23,866 units against 25,645 units recorded in 2006. Correspondingly, the overhang value reduced by 8.8% to RM3.82 billion (2006: RM4.18 billion). Johor (6,941 units), Selangor (4,053 units) and Sabah (2,447 units) were the three main states with higher numbers of overhang. By type, two to three storey terrace and condominium/apartment formed the biggest share in the overhang numbers. These property types contributed 26.2% (6,242 units) and 25.7% (6,142 units) of the residential overhang respectively.

On the supply side, the construction development of residential property was more cautious with reductions in starts and new building plan approvals albeit an increase in completions. The number of completed units increased by 4.2% from 171,448 units in 2006 to 178,608 units. Housing starts on the other hand, reduced by 7.2% to 133,866 units against 144,268 units recorded in 2006. Likewise, new building plan approvals decreased by 10.3% from 154,703 units in similar period to 138,822 units. As at year-end, the total existing housing stock in the country stood at 4,043,040 units, incoming supply at 574,841 units and planned supply at 647,615 units.

Shops

Shops sub-sector was the main contributor of the commercial sub-sector activity accounting for 66.7% (18,607 transactions) of the volume and 46.2% (RM7.56 billion) of the value of transactions. Compared to 2006, the volume of shop transactions increased by 19.5% (2006: 15,568 transactions) and value grew by 27.3% (2006: 5.94 billion).

Almost all states registered increases in market activity except Terengganu (-13.7%) and Sabah (-5.6%). Selangor, Johor and Perak were the three most active states comprising almost half (49.5%) of the market share. Selangor led by capturing 18.0% (3,341 units) of the market share, followed by Johor 16.9% (3,150 units) and Perak 14.6% (2,716 units). Similarly, Selangor registered the highest value of RM2.0 billion, followed by Kuala Lumpur at RM1.20 billion and Johor at RM1.03 billion. By type, two to two and a-half storey shops were the most favoured comprising 36.3% (10,117 transactions) of the market share. Three to three-and-a-half storey shops followed at 17.0% (4,734 transactions) and retail shop lots 13.0% (3,615 transactions) of the total shop transactions.

Despite an encouraging market performance, the number of overhang increased by 2.7% to 4,951 units from 4,819 units in 2006. Likewise, the overhang value grew to RM1.36 billion from RM1.27 billion in the same period.

On the construction front, the construction starts grew by 10.8% (10,614 units) during the year as compared to 2006 (9,582 units). However, there were slight reductions in completions and new building plan approvals. The number of newly completed units decreased by 4.6% to 10,949 units (2006: 11,477 units), whilst new building plan approvals shrunk by 6.7% to 13,423 units (2006: 14,390 units). As at end-December 2007, there were 328,047 units (2006: 317,098 units) of existing completed shops in the country together with 45,754 units (2006: 46,098 units) in the incoming supply where construction works are on-going and 54,771 units (2006: 51,962 units) where building plan approvals obtained but construction not commenced.

Shopping Complex

The performance of shopping complexes remained steady in 2007. The national average occupancy rate increased marginally from 80.0% to 80.4% with annual take-up difference increased to 430,748 s.m. from 388,844 s.m. last year. Performance of states was mixed. Nine states witnessed improved occupancy rates whilst the remaining five states experienced otherwise. The nine states were Kuala Lumpur together with W.P. Putajaya, Selangor, Johor, Negeri Sembilan, Melaka, Kedah, Pahang and Kelantan. Conversely, Pulau Pinang, Perak, Perlis, Sabah and Sarawak recorded decreases in occupancy rates.

Kuala Lumpur and Selangor were the two main providers of shopping complex in the country, offering 2.13 million s.m. (24.9%) and 1.92 million s.m. (22.4%) of retail space respectively. Both enjoyed sustainable demand achieving slightly better occupancy rates with Kuala Lumpur at 84.9% (2006: 83.5%) and Selangor at 89.9% (89.2%) despite increases in new retail space. Pulau Pinang and Johor, being the third and fourth retail space providers in the nation, recorded the lowest occupancy rates in the country at 65.6%.

The year saw a substantial supply of new shopping complexes. Last year, 579,826 s.m. of new retail space came on-stream and this year another 531,966 s.m. of newly completed retail space entered the market, resulting in a total existing stock of 8.563 million s.m. Almost all states had additions of newly completed space except Negeri Sembilan and Kedah. There were 31 new shopping complexes (531,966 s.m.) completed across the country. Johor had the most new completions with nine complexes, four in Sabah, three each in Kuala Lumpur and Pulau Pinang, two complexes each in Perak, Melaka, Pahang and Terengganu and one each in Selangor, Kelantan, Perlis, and Sarawak.

Meanwhile, 17 shopping complexes started construction this year offering 302,566 s.m. of retail space upon completion (2006: 346,284 s.m.). There were four complexes in Perak (49,734 s.m.) and Negeri Sembilan (47,210 s.m.), two complexes in Pahang (28,167 s.m.) and Sabah (88,501 s.m.) as well as one each in Johor (5,855 s.m.), Pulau Pinang (45,590 s.m.), Kedah (11,442 s.m.), Terengganu (8,067 s.m.), and Kelantan (18,000 s.m.).

Purpose-Built Office

The purpose-built office sub-sector performed favourably in 2007 to achieve an average occupancy rate of 85.0%. The occupancy performance continued its upward trend from 2004 at 82.2%, 2005 at 84.4% and 2006 at 84.7%. Across the country, the performance was mixed. Eight states recorded occupancy rates above the national average whilst the remaining six states below the average. The six states were Kuala Lumpur (83.2%), Selangor (84.3%), Johor (72.6%), Pulau Pinang (74.4%), Negeri Sembilan (84.6%) and Sabah (82.3%). Notwithstanding this, the demand for office space was encouraging in Kuala Lumpur. Despite having 114,774 s.m. of new office space entering the market (2006: 80,113 s.m) the occupancy rate in Kuala Lumpur improved from 81.8% in 2006 to 83.2%.

On the supply front, the year saw 22 buildings completed offering 286,427 s.m. of new office space thus making the total supply of existing space in the nation reaching 14.78 million s.m. (2006: 14.50 million s.m.). On a similar note, construction starts increased to 330,781 s.m. (2006: 167,836 s.m.), leading to the increase in incoming supply to 1.76 million s.m. (2006: 1.72 million s.m.). Kuala Lumpur had the most construction starts at 108,943 s.m. (2006: 106,408 s.m.), all of which were located in the suburban area. The remaining construction starts were found in Kedah (64,995 s.m.), Melaka (64,462 s.m.), Johor (28,493 s.m.), Perak (20,685 s.m.), Pahang (14,356 s.m.), Negeri Sembilan (10,896 s.m.), Pulau Pinang (7,437 s.m.), Kelantan (7,012 s.m.), Sarawak (2,882 s.m.) and Perlis (620 s.m.). Similarly, new building plan approvals recorded a significant increase from 50,954 s.m. in 2006 to 2.09 million s.m. in 2007.

Industrial Property

The industrial sub-sector was the least significant sector in the property market accounting for 2.6% and 9.2% of the volume and value of transactions respectively. There were 7,919 transactions worth RM7.08 billion recorded. Compared to 2006, the volume increased by 10.2% (2006: 7,186 transactions) whilst value rose by 17.3% (2006: RM6.04 billion). Terraced factory/warehouse was the most favoured property type capturing 39.3% (3,114) of the market share, followed by vacant industrial plots 29.6% (2,347). By price, industrial property priced between RM250,001 and RM500,000 were the most sought after comprising 30.6% (2,421) of the total transactions.

Most states registered increases in the number of transactions except Kuala Lumpur (-2.9%), Labuan (-5.0%), Melaka (-7.8%), Kedah (-10.1%) and Perlis (-33.3%). Terengganu experienced the biggest increase with volume of transactions doubled from 33 units in 2006 to 70 units. However, the number was minimal. Selangor was the most active state with 3,097 industrial property changed hands capturing 39.1% of the market share, followed by Johor (1,064 units) and Perak (638 units).

Along with the improved market activity, the number of industrial overhangs in the country decreased by 15.8% from 789 units in 2006 to 664 units. Correspondingly, the value of overhang decreased from RM386.94 million in 2006 to RM339.05 million, down by 12.4%. Selangor had the most industrial overhang (242 units), followed by Johor (154 units) and Terengganu (65 units). Terraced factory was prevalent in the industrial overhang, comprising 72.1% (479 units) of the category's total.

The construction of industrial property was rather active in 2007. With 625 new industrial units completed, the existing industrial stock in the country stood at 89,160 units. Sarawak had the most new units completed in 2007 (137 units) followed by Johor (115 units) and Perak (111 units). The substantial increase in starts resulted in the increase in the country's incoming supply by 7.0% to 6,806 units (2006: 6,362 units). The new building plan approvals also recorded an increase of 6.9% to 1,208 units (2006: 1,130 units). Sabah led by having the most building plan approvals (357 units) followed by Johor (274 units) and Pahang (161 units). The planned supply in the country stood at 22,510 units (2006: 22,371 units) as at end-2007.

Agricultural Property

Agricultural sub-sector remained as the second largest sector of the property market comprising 19.4% of the volume of transactions. However, in terms of value of transactions it ranked last and accounted for a mere 9.0% of the transactions value. There were 60,155 transactions worth RM6.91 billion recorded in 2007. Compared to 2006, the volume of transactions increased by 6.2% whilst value grew by 11.2% (2006: 56,624 transactions worth RM6.21 billion).

Most states recorded increases in market activity except Labuan (-55.4%), Melaka (-21.6%), Kedah (-11.6%) and Negeri Sembilan (-5.5%). Conversely, Kelantan witnessed the biggest increase at 45.8% with number of transactions increasing from 3,080 units in 2006 to 4,491 units, followed by Sabah 15.3%, Pulau Pinang 13.3% and Perak 11.0%.

Perak and Johor dominated the agricultural sub-sector accounting for 20.6% (12,406) and 17.6% (10,577) of the market share respectively. Johor on the other hand led with 19.9% contribution (RM1.38 billion) to the value of transactions, followed by Selangor 14.1% (RM972.63 million) and Sabah 13.4% (RM927.64 million).

By type, vacant agricultural plots formed 40.2% (24,206 transactions) of the market share followed by oil palm land 18.3% (11,020 transactions) and rubber land 13.3% (8,012 transactions).

Leisure Property

Riding on the wave of increase in tourist arrivals in conjunction with the Visit Malaysia Year 2007, the hotel sub-sector performed favourably with occupancy rates increasing from 59.9% in 2006 to 62.5%. Up to November 2007, there were 19.09 million tourist arrivals against 16.01 million recorded in the corresponding period, an impressive increase of 19.2% (November 2006: 6.6%; November 2005: 4.3%). The increase in tourist arrivals led to the average occupancy rate of three to five star hotels increasing from 59.9% in 2006 to 62.5% (2004: 62.5%; 2005: 60.3%). Similarly, the average occupancy rate of one to five star hotels also enjoyed increases from 59.8% in 2006 to 63.2% (2004: 61.1%; 2005: 58.5%).

The performance of states varied. Five states experienced a decrease in occupancy rates of three to five star hotels. Pahang recorded the highest occupancy rate of 79.0% (2006: 69.2%), followed by Kuala Lumpur (72.7%), Sabah (69.2%), Kedah (68.6%) and Putrajaya (67.5%). It was observed that Putrajaya witnessed the biggest improvement in occupancy rates from the lowest at 47.0% recorded in 2006 to 67.5% in 2007. Meanwhile, Negeri Sembilan recorded the lowest occupancy rate in 2007 at 51.3% though improving from 45.6% in 2005 and 49.2% recorded in 2006.

The year saw more hotel rooms completed to cater for the needs of the increasing tourist arrivals, whilst construction starts and new building plan approvals also recorded increases. 12 hotels with 1,384 hotel rooms completed in 2007 as against 1,278 rooms in 2006, an increase of 8.3%. Meanwhile, 10 hotels started construction which will provide 1,310 rooms upon completion (2006: 910 rooms) and 13 hotels with 2,075 rooms obtained building plan approvals in the year (2006: 198 rooms). As at end of 2007, the existing supply of hotel rooms in the country stood at 151,904 rooms (2006: 150,578 rooms). Future supply of hotel rooms comprised 16,795 rooms in the incoming supply (2006: 16,869 rooms) and 34,945 rooms in the planned supply (2006: 34,180 rooms).

The newly completed 1,384 hotel rooms were mainly located in Sabah (402 rooms), Melaka (321 rooms), Johor (246 rooms), Perak (155 rooms), Terengganu (111 rooms), Negeri Sembilan (76 rooms), Kedah (53 rooms) and Perlis (20 rooms). In Sabah, the two newly completed hotels are Le Meridien Hotel (306 rooms) and Radius International Hotel (96 rooms). In Melaka, Holiday Inn at Jalan Syed Abdul Aziz offered 273 rooms and Hotel Lisbon 48 rooms. In Johor, 180 rooms are provided by Cinta Ayu (Pulai Spring Resort) whilst the remaining 66 rooms from Muar Traders Hotel. Next, the Grand Kampar Hotel in Kampar, Perak offered 155 rooms. Terengganu on the other hand saw Bukit Kluang Beach Resort (66 rooms) and Tuna Bay Resort (45 rooms) entering the market. Besides, Negeri Sembilan had 76 rooms provided by S2 Hotel in Seremban. Meanwhile, the Landcorn Hotel in Kedah added 53 rooms and Sri Garden Villa Hotel in Perlis added 20 rooms to the hotel scene.

Outlook For 2008

Malaysia's economy is poised to remain robust in 2008 with real GDP expecting to register at 6.0% and 6.5% amidst the possible moderation of the US and global economy spurred by the US sub-prime mortgage crisis in mid 2007. However, the optimistic consumer and business confidence in Q4 2007 suggest that the Malaysian economy would continue its growth momentum in the coming future. Taking into consideration the downside risks of the global economy, the Government had proposed various measures in the 2008 Budget aiming to sustain the country's economy growth and in particular the property industry.

In order to remain competitive, strengthening the public service delivery system is inevitable. In this regard, the participation of the private sector in PEMUDAH to propose various measures to expedite the transfer of property as well as the participation of the private sector in the implementation of the Certificate of Completion and Compliance (CCC) system is expected to bring forward positive impact to the local property industry.

Besides, various steps were proposed by the Government to stimulate the property sector. Besides the exemption of real property gains tax, the Government further proposes a 50% stamp duty exemption on documents of transfer be given for the purchase of one house of not more than RM250,000 per unit. This measure will reduce the cost of purchasing a house by up to RM2,000.00 and is expected to reduce the overall costs of acquisition of houses. This in turn will enhance further the demand for housing.

Not forgetting the low income group, the Government will continue its effort to provide adequate affordable housing for this group. In line with this, the Government will accelerate the implementation of low and medium-cost housing programmes. A sum of RM 381 million is allocated for the implementation of low-cost housing programmes. Of which, RM 191 million is allocated for the Program Perumahan Rakyat (PPR) Disewa while RM 190 million is allocated for the PPR Bersepadu. Syarikat Perumahan Negara Berhad (SPNB) will also expedite the construction of housing for the various income group, as follows:

First	:	Rehabilitation of 6,000 units in abandoned housing projects;
Second	:	Construction of 36,000 units of affordable homes; and
Third	:	Construction of 4,000 units of Rumah Mesra Rakyat

The Government recognizes the difficulties faced by those without fixed income, such as farmers and small traders, including those who have the capacity to repay their housing loans but are unable to provide proof of their income stream, to obtain bank loans to finance their purchase of low and medium-cost houses. As such, the Government will establish a fund to provide guarantees to banks providing loans to this group. To begin with, RM 50 million is allocated to provide such guarantees to Bank Simpanan Nasional and Bank Islam Berhad, effective 1 January 2008. Through this facility, the government aspires to enable home ownership among the low income group without fixed income.

Realising that housing loan repayment is a major financial commitment for most households; the Government will allow EPF contributors to make monthly withdrawals from the balance in Account 2 to ease the financial burden of house buyers. The scheme will be effective from 1 January 2008 and is for the financing of one house.

As for the tourism sector, Malaysia has succeeded in attracting a large number of tourists during the Visit Malaysia Year 2007. To further increase the country’s attraction as major tourist destination, a fund of RM 858 million has been allocated for the implementation of various programmes, including the provision and upgrading of tourism facilities as well as diversification of tourist products. In addition, an allocation of RM 22 million is provided to increase home-stay activities in 47 selected villages. To generate income for the rural community including Orang Asli, the development of ecotourism projects will be undertaken. All these measures are expected to bring direct or indirect positive impact to the local hotel industry. In addition, increased tourist arrivals leading to increased spending will also benefit the retail industry indirectly.

To further promote MSC internationally, the Government will host the World ICT Week in Kuala Lumpur in May 2008. Furthermore, various international ICT conferences and exhibitions will also be held, including the World Congress on Information Technology 2008, the conference on United Nations Global Alliance on ICT for Development and MSC International Advisory Panel Meeting. More than 5,000 domestic and international participants are expected to take part in these programmes. Besides hoping that more international ICT companies will invest and collaborate with local companies, this measure will indirectly promote the local tourism industry benefiting the hotel industry.

The agricultural property sub-sector is expected to improve along with the government's intention to enable this sector as one of the major sources of economic growth. Government has allocated a substantial amount of fund to finance various programmes for the paddy production, cultivation of floriculture, herbs and spices, livestock industry development as well as fishery industry. In addition, the Government also identifies new sources of growth in the agricultural sector. These include the pioneer project of virgin coconut oil processing, commercializing *nira nipah* products and breeding of Boer goats.

All these efforts initiated by the government aiming to stimulate the national economy on the whole will surely bring direct or indirect benefits to the property sector in particular. Therefore, the various sub-sectors of the property market are expected to stay competitive and grow steadily in the coming year.

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