

THE PROPERTY MARKET SENTIMENT

IMPACT OF OVERHANG OF LOCAL HOUSING



Malaysia: Overhang Units by Sub-Sector

Sub-sector	Overhang		
	H2 2017	H1 2018	% Change H1 2018 vs H2 2017
Residential (unit)	24,738	29,227	18.1 ▲
Shops (unit)	4,546	4,348	-4.4 ▼
SOHO & *SA (unit)	6,927	12,771	84.4 ▲
Industry (unit)	999	1,021	2.2 ▲

Source: JPPH Malaysia

Property market trend in Malaysia has been challenging for the past few years with marginal decline in number of residential transaction coupled with gradual increase in numbers of overhang residential units at 30,115 units in Q3 2018 compared to 20,304 units in 2017. Mismatch of demand and supply coupled with rapid increase in property price has also been a concern.

Overhang or unsold completed units is significant in defining the local property market performance. As of Q3 2018, Valuation and Property Services Departments (JPPH) reported future supply of 915,328 units expected to enter the property market.

Moreover, stringent mortgage guidelines which limit the prospect buyers' eligibility has put the slow economic and property market performance under pressure.

In order to resolve the oversupply and overhang issue in the market, the Ministry of Housing and Local Government (KPKT) and Real Estate Housing Developers Association (REHDA) have join forces by introducing House Ownership Campaign which exempt Stamp Duty charges of purchased residential properties within limited period of time. Property hunters can enjoy 100% stamp duty exemption for houses priced up to RMI million.

Developers are also encouraged to further attract the interest of the public by offering more packages with the purchase such as additional provision of furnished units, limited offer discounts and cash rebates. Such initiatives is expected to bring back the confidence of the prospect investors who are seeking for a right time to buy for a property. This will become a solid ground and positive sign for those who are currently in the hunt for a good bargain in the property market to buy their first house.

Despite challenges faced in the property market, the residential market is expected to recover due to initiatives and promotional activities suggested to boost the market performance.

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Government involvement in efforts to resolve the concerns over property supply and demand mismatch in Malaysia is plausible and well received by both developers and investors.

Meanwhile, due to raised concerns over affordability issue, the government proposed to build 100,000 units of affordable housing in the near future under the supervision of a single entity to govern the development of affordability housing which involved the 1Malaysia People's Housing Programme (PRIMA), Syarikat Perumahan Negara Berhad (SPNB), Housing Project for the Hardcore Poor (PPRT) and the Malaysia Housing

Project for Civil Servants (PPA1M); as outlined under the National Housing Policy (2018 – 2025).

Malaysia, being a relatively young and having a growing population is expected to create a latent demand for residential properties. This demand need to be translated into affordable and well-designed units in good locations to cater to the younger generation of ages ranging 20-30.

However, the policy should also include strategic implementation in order to avoid current overhang units undigested with more affordable units coming into the market in the future especially within Klang Valley areas.

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