

## 2018 Malaysian Property Market – Crash or Not Crash?

If it is a crash, is it a beginning of the crash or end of the crash? If not, then where is the property market heading to? The hottest topic in the beginning of the year is always Outlook, Outlook, and Outlook. Do we need the crystal ball from the Gypsy fortune teller to answer the question? Fortunate for us, we are on the age of Internet era, and getting information is just by the touch of fingers and the click of buttons. Let us review the performance of the Malaysia Market in year 2017.

In 2017, Malaysia has surprised the market with upside economic growth which driven by the strong domestic demand and high exports. This strong domestic demand was due to the improvement in both investment and consumption as private consumption grew 7.1 percent and private investment grew 7.4 percent in Q2 2017. The exports growth was supported by petroleum products and manufacture of metals, total export was RM83.5 billion in November 2017.

Meanwhile, even though the unemployment rate stabilized at 3.5%, taking into consideration of population growth, the number of unemployed person for the past few years has been on the increment. Unemployed person in 2014, 2015 and 2016 was 411,100, 450,300 and 509,500 respectively. There were 511,600 unemployed person in Q2 of 2017. The retrenchment totaled to 18,539 persons in the first half of 2017.

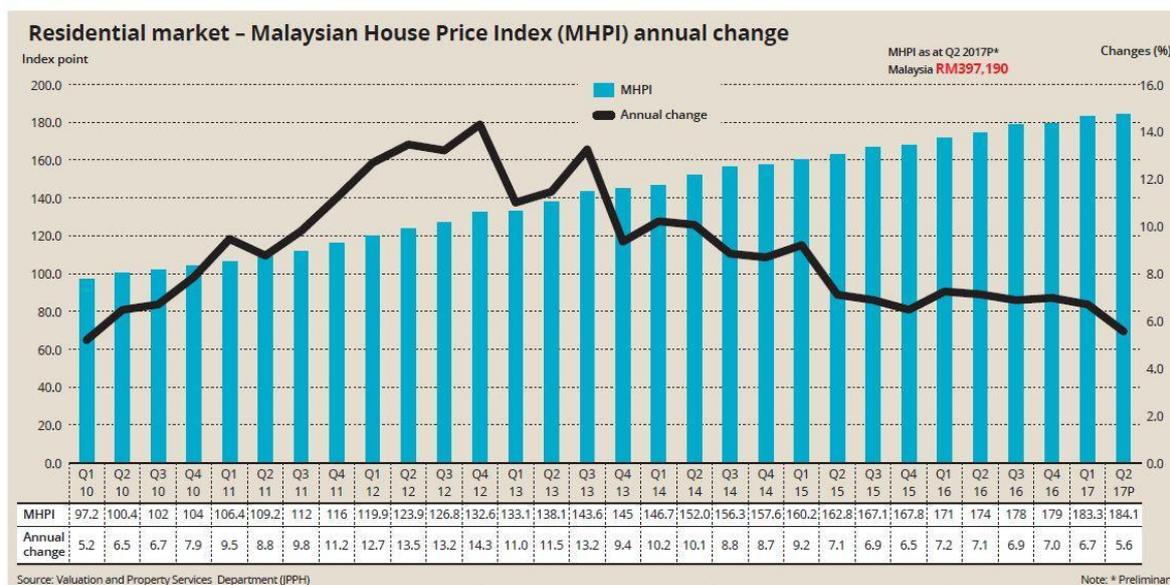
Another important indicator of Malaysian Economic is the New Vehicle Sales. Data below shown the summary of new passenger and commercial vehicles registered in Malaysia for the year 2006 to November 2017.

Year	Passenger Cars	Commercial Vehicles	4x4 Vehicles	Total Vehicles
2006	366,738	90,471	33,559	490,768
2007	442,885	44,291	-	487,176
2008	497,459	50,656	-	548,115
2009	486,342	50,563	-	536,905
2010	543,594	61,562	-	605,156
2011	535,113	65,010	-	600,123
2012	552,189	75,564	-	627,753
2013	576,657	79,136	-	655,793
2014	588,341	78,124	-	666,465
2015	591,298	75,376	-	666,674
2016	514,545	65,579	-	580,124
YTD NOV 2017	466,603	55,304	-	521,907

(Source: Malaysian Automotive Association)

Total automotive sales volume in November 2017 was 0.2 per cent or 89 units higher than the same month in 2016. The sales was likely driven by the year end promotions and incentives drive among car brands, according to Malaysia Automotive Association (MAA). The vehicle industry has experienced the first declined in 2016 after experiencing four years of growth from 2012. In 2016, it was 13% year on year (YoY) dropped as compared with 2015. This shows that consumers have been very cautious on their spending. The slowdown had hit not only auto sales but also the housing sector.

Lastly, let us examine the Malaysian House Price Index (MPHI) and the House Sales Volume. The Malaysian House Price Index (MPHI) was 5.6% at second half of 2017 has been viewed positively as it shows a gentle rise in price for overall housing in the country.



(Source: The Star Graphic)

However, the rise of increment was unsustainable due to the variable factors. The factors of price increment could be marketing strategies by developers, interest bearing schemes as well as rebates. Even the price has increased, but the sales volume has continued declined which lead to the completed and unsold residential market – an overhang. The total of overhang unit in first half of 2017 was 20,876 units and the overhang value was RM 12,260.32 million. The rise of unsold units grew 20% between 2016 and 2017.

**Residential market - Overhang status**

Price Range	Overhang unit					Overhang value (RM mil)				
	2013	2014	2015	2016	H1 2017	2013	2014	2015	2016	H1 2017
RM50,000 or less	1,411	454	414	456	603	56.13	18.01	15.77	18.55	24.04
RM50,001 - RM100,000	3,157	1,833	1,348	1,299	1,067	263.76	149.09	108.60	81.41	86.33
RM100,001 - RM150,000	1,293	1,246	603	822	885	161.55	161.25	78.19	102.49	124.93
RM150,001 - RM200,000	1,128	825	907	975	1,664	199.20	145.29	157.53	166.87	307.29
RM200,001 - RM250,000	828	822	888	920	1,326	190.77	183.35	201.48	192.41	302.34
RM250,001 - RM300,000	872	844	1,213	1,358	2,000	240.04	234.46	342.22	303.69	546.62
RM300,001 - RM400,000	786	524	1,006	1,472	3,556	279.82	190.11	369.51	469.92	1,216.57
RM400,001 - RM500,000	529	851	846	1,438	2,494	234.36	388.82	388.35	604.91	1,148.29
RM500,001 - RM1,000,000	506	1,027	1,967	3,943	4,753	344.37	693.33	1,311.80	2,643.54	3,435.80
More than RM1,000,000	1,239	413	971	2,109	2,518	2,153.91	852.92	1,945.13	3,976.64	5,068.11
<b>Malaysia</b>	<b>11,749</b>	<b>8,839</b>	<b>10,163</b>	<b>14,792</b>	<b>20,876</b>	<b>4,123.92</b>	<b>3,016.62</b>	<b>4,918.56</b>	<b>8,560.43</b>	<b>12,260.32</b>

Source: JPPH

(Source: The Star Graphic)

So how was the performance of the property market in 2017? Has it met the expectations of investors and homebuyers? What's next for house prices and what will happen to the property market in 2018?

After the Q3 report of the Property Sales was published, various cooling measures has been implemented by Malaysian Government. The property project that are RM1 Million and above have been put on hold. To address this issue, many developers have changed their strategies and turned the focus on to the affordable housing segment. On the other hand, it is also about income-price affordability. According to the report in 2016, household with the mean income of RM6,502 can only afford to buy houses costing below RM400,000. Hence, buyers remain cautious.

Our domestic economy is expected to grow decently by 5.1% in 2018 with supports of the 2018 budget based on investment and consumption measures and initiatives. As the export sector is growing, we are hopeful for more job opportunities created in order to help the issue of high unemployment rate in Malaysia. On the property supply side, it is expected to have lower cost of development in the property market due to the changes of strategies by the developers. Besides, it is more likely to have demand on affordable homes with two main reason: the cooling measure implemented by government and increased awareness on spending of the buyers.

In conclusion, Property Market may see minor correction in the first half of 2018 due to the effect of the cooling measures by Authorities and Banks. Certain area, especially the upcoming township or rather new developed area is experiencing correction. Overall property market is quite stagnant as buyers and investors remain cautious. Given some time for the market to absorb the overhung stocks, performance of Q1 and Q2 will determine the outlook of 2<sup>nd</sup> half of 2018 Property Market as the recent property transactions rely heavily on the previous transaction price.

On the other hand, this is the good time for buyers and investors to look into sub-sales market. There are REAL good deals in the market waiting to be discovered. Subscribe to our newsletter to find out more. **DON'T WAIT TO BUY PROPERTY, BUY PROPERTY AND WAIT!**