



PROPERTY OUTLOOK REPORT



2018



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Outlook Report 2018 Overview

The PropertyGuru Outlook Report 2018 is a summary of events over the past 12 months of 2017 based on the PropertyGuru Market Index (PMI), PropertyGuru Consumer Sentiment Survey Report 2017 and transacted price data of residential properties in 2017.

It takes into account the macroeconomic influences of 2017 and how they will affect the market moving forward. Based on the findings, this report will offer valuable insights on the Malaysian property market moving forward.

2017: Year at a Glance



- According to Bank Negara, despite tighter loan guidelines, loan approvals rose 3 percent as of March 2017 compared to preceding years
- The unemployment rate as of August 2017 was 3.4 percent, showing a drop of 0.1 percent compared to August 2016
- The last 12 months showed further decline of the Malaysian property market from 2016



- Property prices remain unaffordable at 4.4 times the annual median income of Malaysians
- Increased cost of living with CPI rising by 4.3 percent between September 2016 and September 2017 and inflation have affected property buying power
- Malaysia's real estate market is still correcting itself, evidenced in the slow but steady downward moving asking price trend line





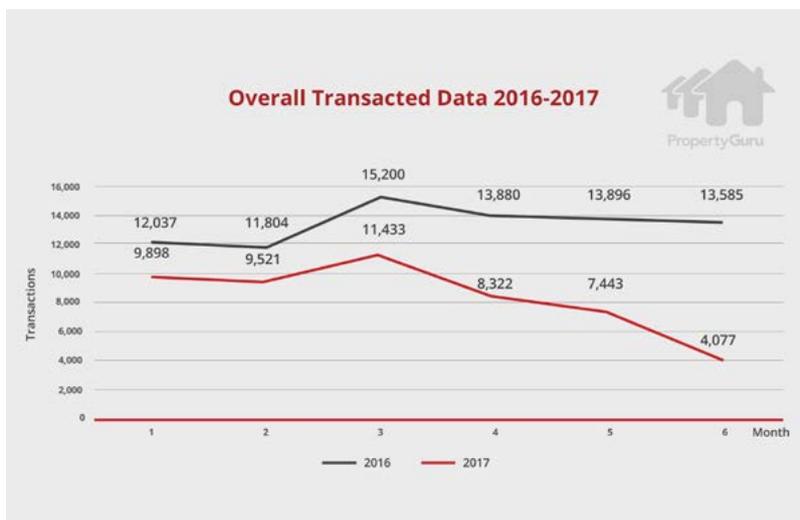
PropertyGuru Market Index 2017

The PropertyGuru Market Index (PMI) is an analysis of over 250,000 property listings, aggregated and indexed to show the movement of supply side pricing. Shown in the graph below is the Malaysian price trend which has reflected a downward movement since Q1 2015.

The quarter-on-quarter trend follows the same movement as Kuala Lumpur, Selangor and Penang, with a decline of 1.4 percent, 0.3 percent and 0.6

percent respectively. Johor showed an increase of 1.7 percent, between Q2 and Q3 2017.

The trend has shown a steady decline of 2.3 percent since the beginning of 2017. The key states leading the decline are Kuala Lumpur at 2.3 percent, Selangor at 4.6 percent and Penang at 3.4 percent year-on-year. Only Johor showed an upward movement of 7 percent within the same period.



The increase in property supply and decline in asking prices is an indication of the Malaysian property market levelling out.

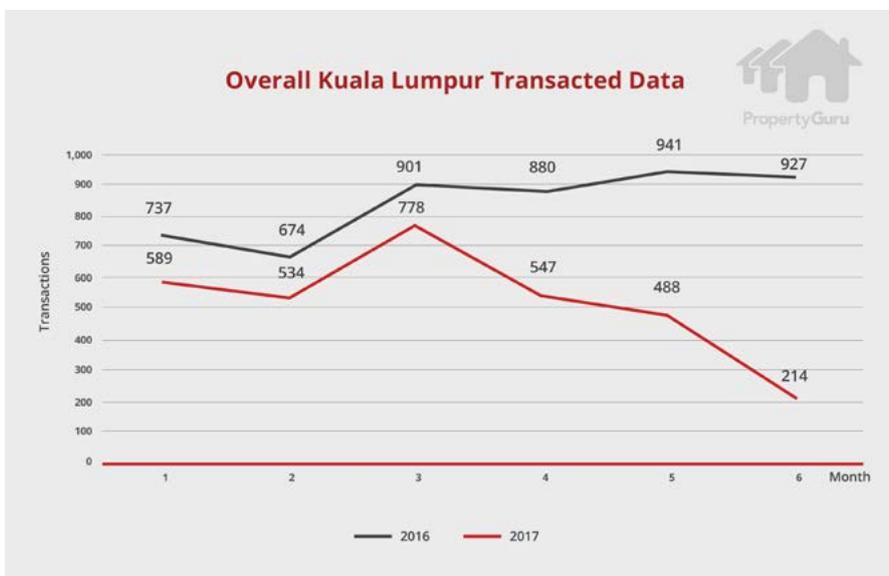




Kuala Lumpur



The Kuala Lumpur trend line shows steady downward movement, with asking prices declining by 2.3 percent year-on-year, from 3Q2016 to 3Q2017.



This is a result of the average Malaysians' inability to afford the asking prices of properties in Kuala Lumpur. As a result, subsale property sellers in Kuala Lumpur have been reported to drop their asking prices by as much as 20 percent to 30 percent according to property field agents.

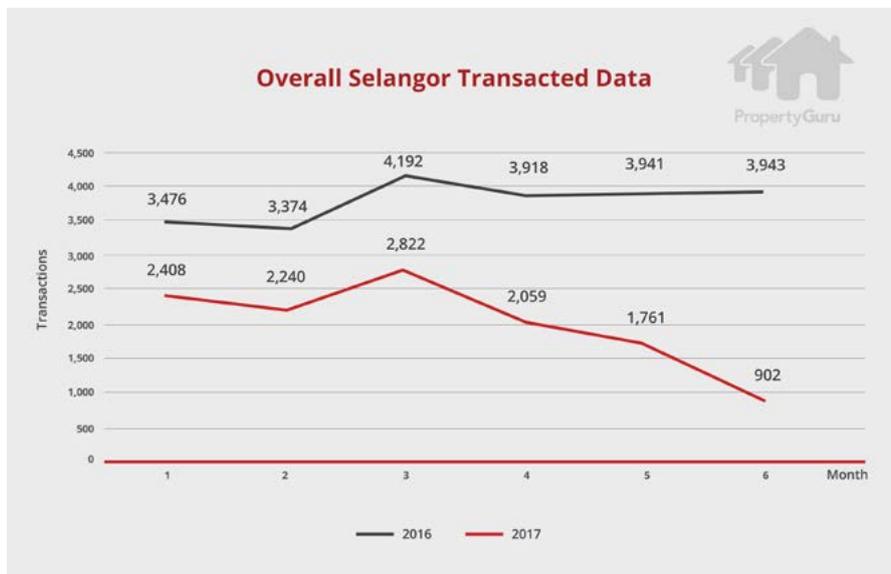




Selangor



The Selangor property market movement may see a decline in 2018 as asking prices in Selangor have shown a steep decline of 4.6 percent between 3Q2016 and 3Q2017. This similar inclination was seen in Kuala Lumpur in 3Q2015 and has remained on a comparatively stable trend since.

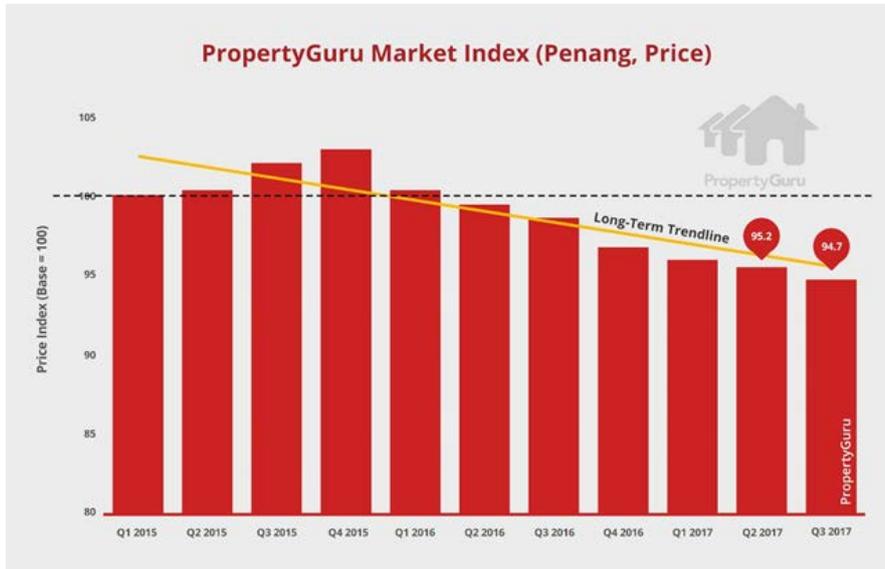


Transacted prices have also been declining in Selangor as property owners who have finished paying their mortgage loans come to terms with the current market and reduce their asking prices to cash out on their property returns.



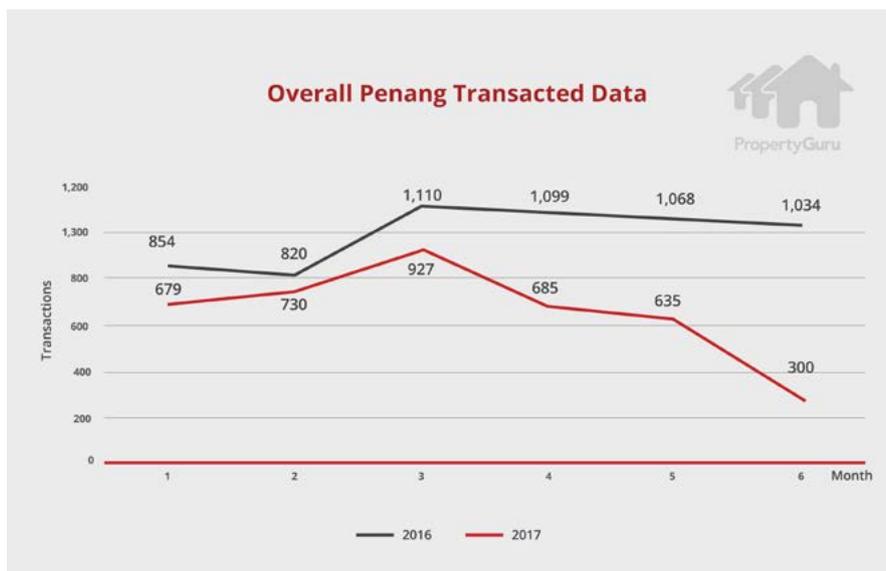


Penang



The Penang property asking prices have seen a steeper, more steady decline than Kuala Lumpur and Selangor. It has been on a downward trend since 2Q2016, declining 3.4 percent year-on-year from 3Q2016 to 3Q2017.

The decline of property asking prices in Penang is orchestrated by the ruling body, to curb foreign speculation, and to stop the property prices from inflating unnaturally. Prior to the minimum purchase price of RM2 million on the island imposed on foreigners, the tier has now been raised to RM3 million as of 3Q2017.



The Penang state government has also been creating more affordable housing for Penangites in lower income brackets via the Penang Affordable Housing Scheme, resulting in a steady decline in asking prices.

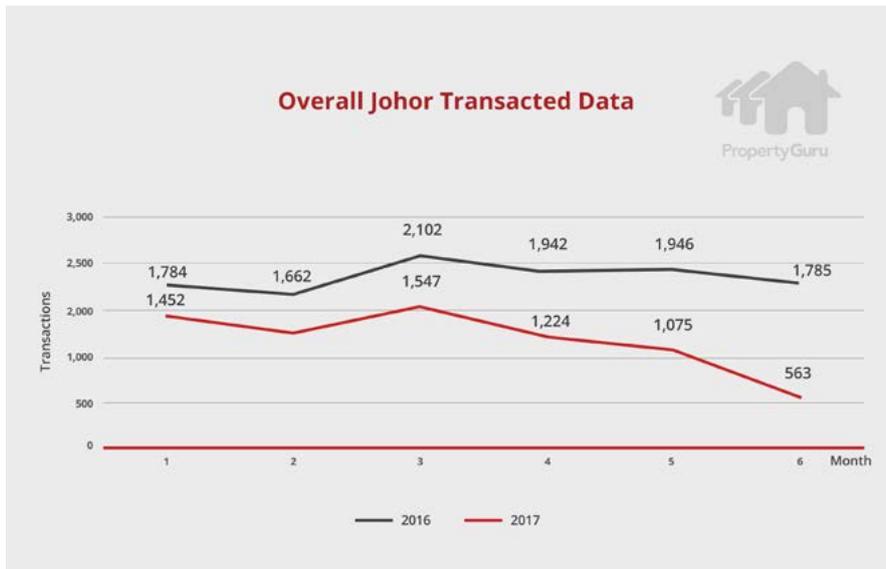




Johor



Similar to the year 2016, Johor is the only state that enjoyed an upward trend in 2017, a trend that angled upward sharply beginning 1Q2017, climaxing in a 7 percent increase in asking prices as of 3Q2017 as compared to 3Q2016 - the highest increment in asking price since Q12015.

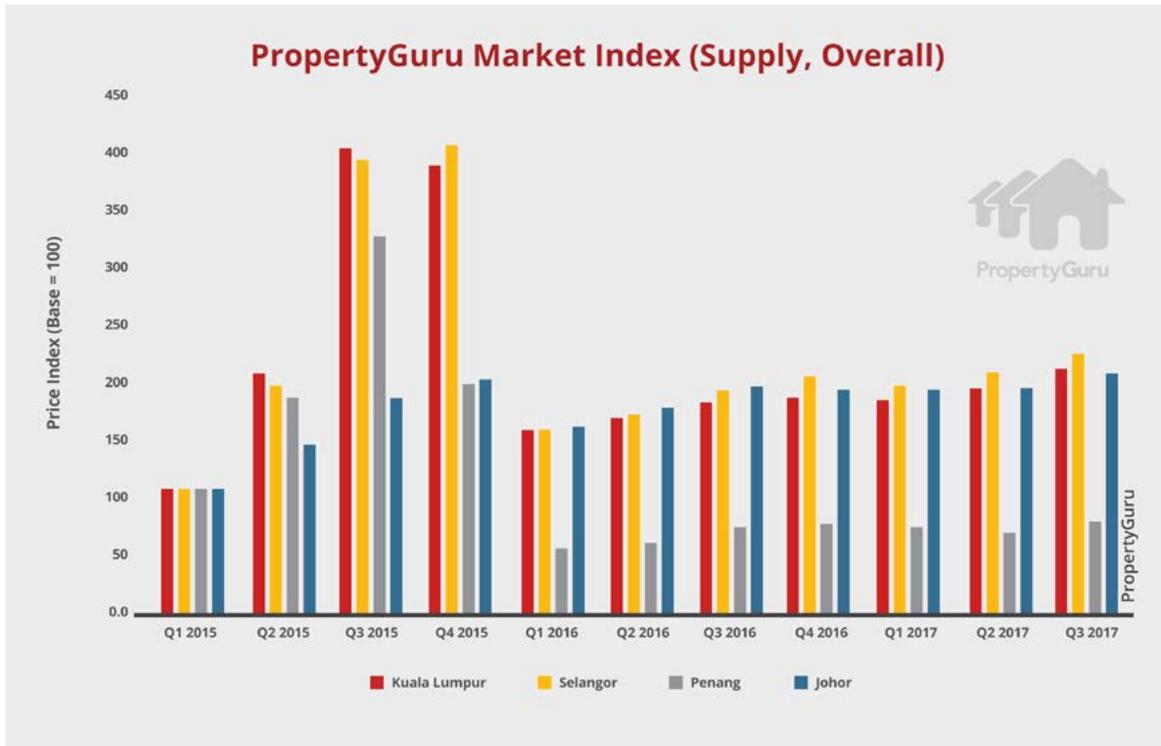


The upward asking price trend is a result of the increasing amount of foreign interest in Johor properties, and the influx of foreign developers coming into Johor.





Malaysian Property Supply Movement 2017



The supply of properties have been increasing in all four states, with Kuala Lumpur and Selangor facing the sharpest increase of 24 percent and 23 percent respectively year-on-year from 3Q2016 to 3Q2017.

Both Penang and Johor faced its smallest year-on-year increment since 1Q2016, at 7 percent from 1Q2016 to 1Q2017 for Penang and 9 percent for Johor from 1Q2016 to 1Q2017.

All four states also experienced a surge in supply, with Kuala Lumpur, Selangor, Penang and Johor increasing in supply quarter-on-quarter by 15.3 percent, 13 percent, 8.9 percent and 12.1 percent respectively.

The hike in supply in all four states may be a contribution of home upgraders. According to the PropertyGuru Consumer Sentiment Survey

Report 2017, 24 percent of those intending to buy a property were home upgraders; which may account for the increasing supply in the market as they sell their old home to purchase a new one.

Another contributing factor to the increase of property supply in the market could be due to investors putting their units up for sale in the market after the 5-year release from Real Property Gain Tax (RPGT) charges. Viewing the property sale numbers in 2012, the numbers took a spike as property investors took advantage of the then weaker market. In order to avoid incurring RPGT charges, hence 2017 was the ideal year to release their properties into the market.

This may also be an indication of an increasing supply of properties to the market in the coming months as more investors with the lack of holding power release their properties into the market.



Property Market Overview

Combining the decline in asking prices and transaction volume, and increase in property supply, the overall trendline indicates that the Malaysian property market is still correcting with a controlled and stable reduction in asking prices with the exception of Johor.

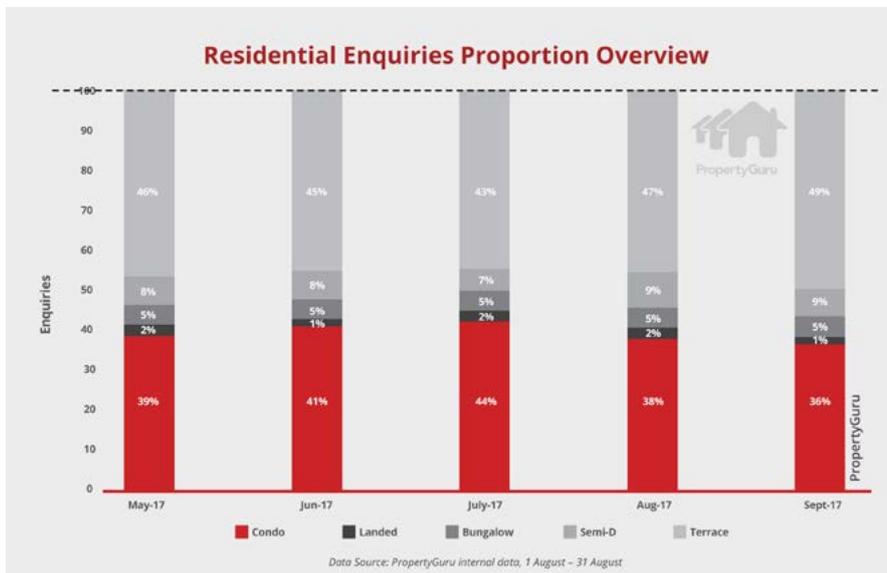
[Links to the download section of PMI in PDF version](http://www.propertyguru.com.my/insights/propertyguru-market-index-malaysia-q3-2017-27)

<http://www.propertyguru.com.my/insights/propertyguru-market-index-malaysia-q3-2017-27>

Buying Trend Preference

According to the search data by PropertyGuru, there has been a decline in interest for condominium developments since May 2017, by 3 percent. The interest seems to have shifted to

semi-detached developments, which experienced an increment of 1 percent in terms of search - the highest since May 2017.



This tallies with the findings from MyProperty Data, which shows that popular landed property locations such as Bandar Baru Sri Petaling and Happy Garden had the highest number of transactions in 1H2017 within Kuala Lumpur. The highest transacted areas in Selangor within the same time frame were Bandar Setia Alam and Taman Sentosa in Klang.

According to them, the highest transacted property price data in Johor were the popular landed property locations of Taman Bukit Indah and Bandar Seri Putra; while in Penang the most popularly transacted areas were Hijauan Hill and Idaman Lavender in 1H2017.





Looking into 2018's Asking Price Movement

The long term trendlines of Kuala Lumpur, Selangor and Penang have been showing a steady decline in asking prices. Based on the movement, the trendline is showing signs of stabilising and bottoming out.

The Johor long term direction, which experienced downward movement from 1Q2015 to 1Q2016 started to experience an incline beginning 2Q2016 since Johor began to attract foreign investors. This trend is expected to further continue in 2018.

Macroeconomic Influences That May Affect Property Prices in 2018

- The Ringgit showed an overall weakening against the USD in 2017, indirectly resulting in higher cost of living
- Loan approval rates high at 74.2 percent with half of them for properties priced below RM500,000. This is an indication that there is a strong demand for affordable homes, hence asking prices may be reduced slightly to match the market's needs
- The government has mandated that the Industrial Building System (IBS), where prefabricated building parts are to be assembled on site during construction, needs to be adopted by 2020. This method of construction is expected to increase productivity 2.5 times. The cost of construction is also expected to reduce by 5 percent to 6 percent.
- Penang: The increasing minimum purchase price for foreign property buyers may further impact asking prices and supply in 2018
- Johor: Jauhar Prihatin, a Rent-to-Own scheme, was conceptualized for Johorians in lower income brackets. This is especially for those who qualify for Johor Affordable Homes (RMMJ) but are unable to secure a loan.





2018 Outlook



Supply Side

- Increase plot ratios so developers can build more units on less land to optimise land usage
- Build bare units to lower cost of development, translating to more affordable buying prices

Demand Side

- It should be made compulsory for developers to make a percentage of every new development into affordable homes - like how it is compulsory for a certain percentage of the units to be Bumi Lots.
- Readjust mortgage interest rates for the lower income bracket to be more affordable

2018 Moving Forward

- The property market is expected to bottom out, as reflected by the stable decline in PMI trend line and increasing property supply
- The property sector may pick up in the coming year, in lieu of a stronger gross domestic product growth forecasted by Bank Negara in 2018
- It is expected that there will be more affordable housing launched in 2018 as more developers move into the affordable housing sector





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