



社会经济研究中心
**SOCIO-ECONOMIC
RESEARCH CENTRE**

CBRE | WTW 2023 Malaysia Real Estate Market Outlook

Uncertainty Ahead for the Real Estate Sector

Lee Heng Guie
Executive Director
11 January 2023

Global Economic Outlook

- Feel like global recession...
- A “mild and shallow’ recession in the US and Europe
- China’s better growth comes spring as zero COVID-19 strategy ends
- Global inflation may have peaked
- Central banks’ subtle monetary shift, not pivot to rate cuts

Navigating the Malaysian economy in 2023

- *The interplay of weakening external environment, new government's narratives, domestic inflation, and interest rate will ultimately shape Malaysia's economic growth outlook for 2023*
- *Weaker economic growth estimated 4.1% in 2023 vs. estimated 8.5% in 2022*
- *Moderating exports, the normalization of domestic demand and high base affect*
- *Inflation and cost of living pressures as well as the lagged effects of higher interest rate will weigh on domestic demand*

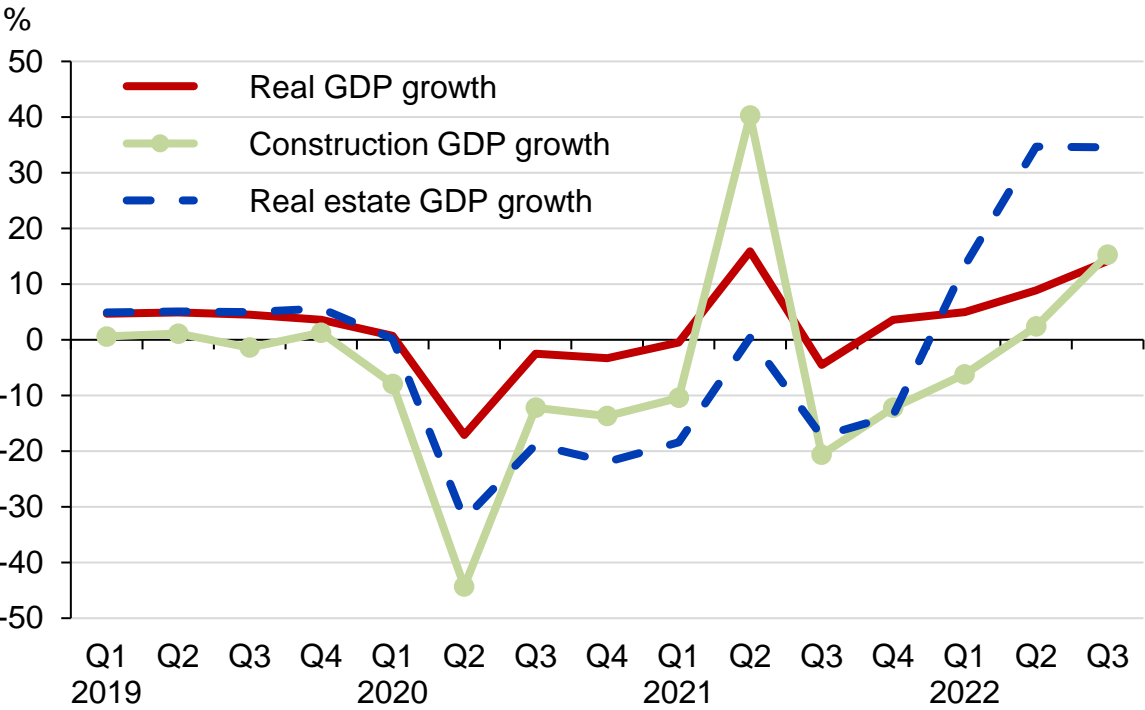
Uncertainty Ahead of the Real Estate Sector in 2023

- *Weakening domestic economic and business sentiments*
- *Moderate income growth, cost of living pressures as well as the lagged effects of higher interest rate will weigh on consumer sentiment*
- *But, expected increase in prices of new property launches; inflation hedging; and property incentives (stamp duty exemption) could induce potential buyers' interest*

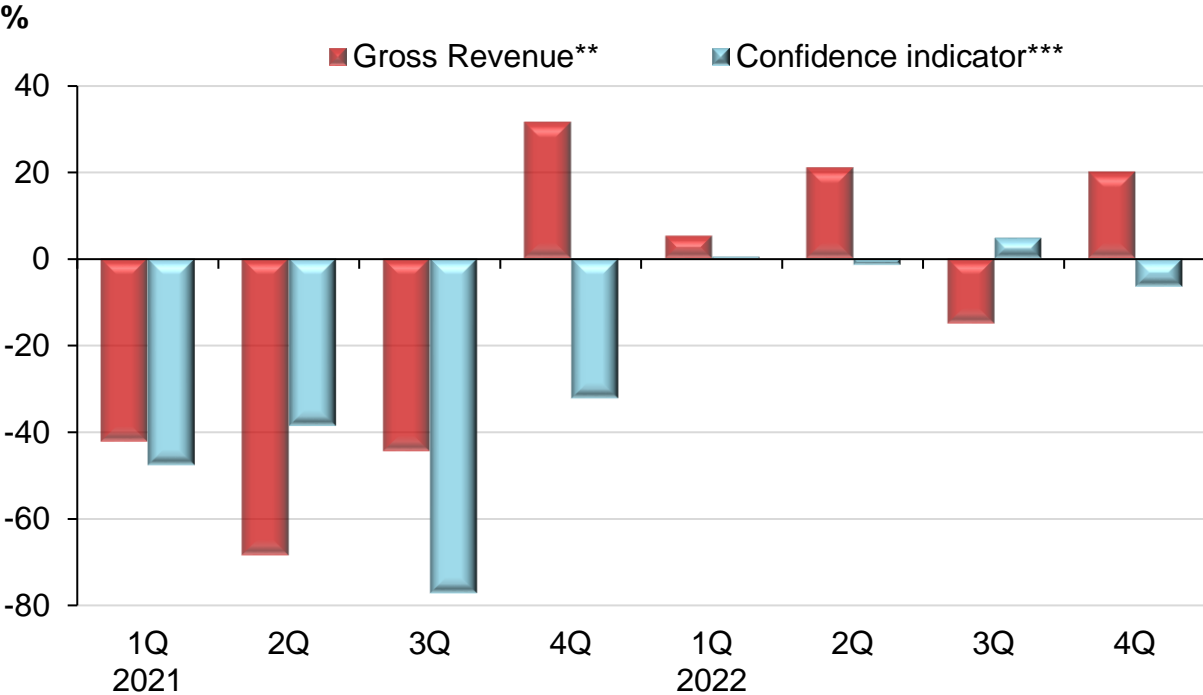
Current state of the real estate industry

- Gradually returned to positive trajectory -- low-base effect; the endemic phase of COVID-19; and the reopening of the international borders.
- Higher interest rate, inflation and cost of living pressure have dampened buyers' sentiment.
- Anticipate slower growth in 4Q 2022.

Overview of construction and real estate



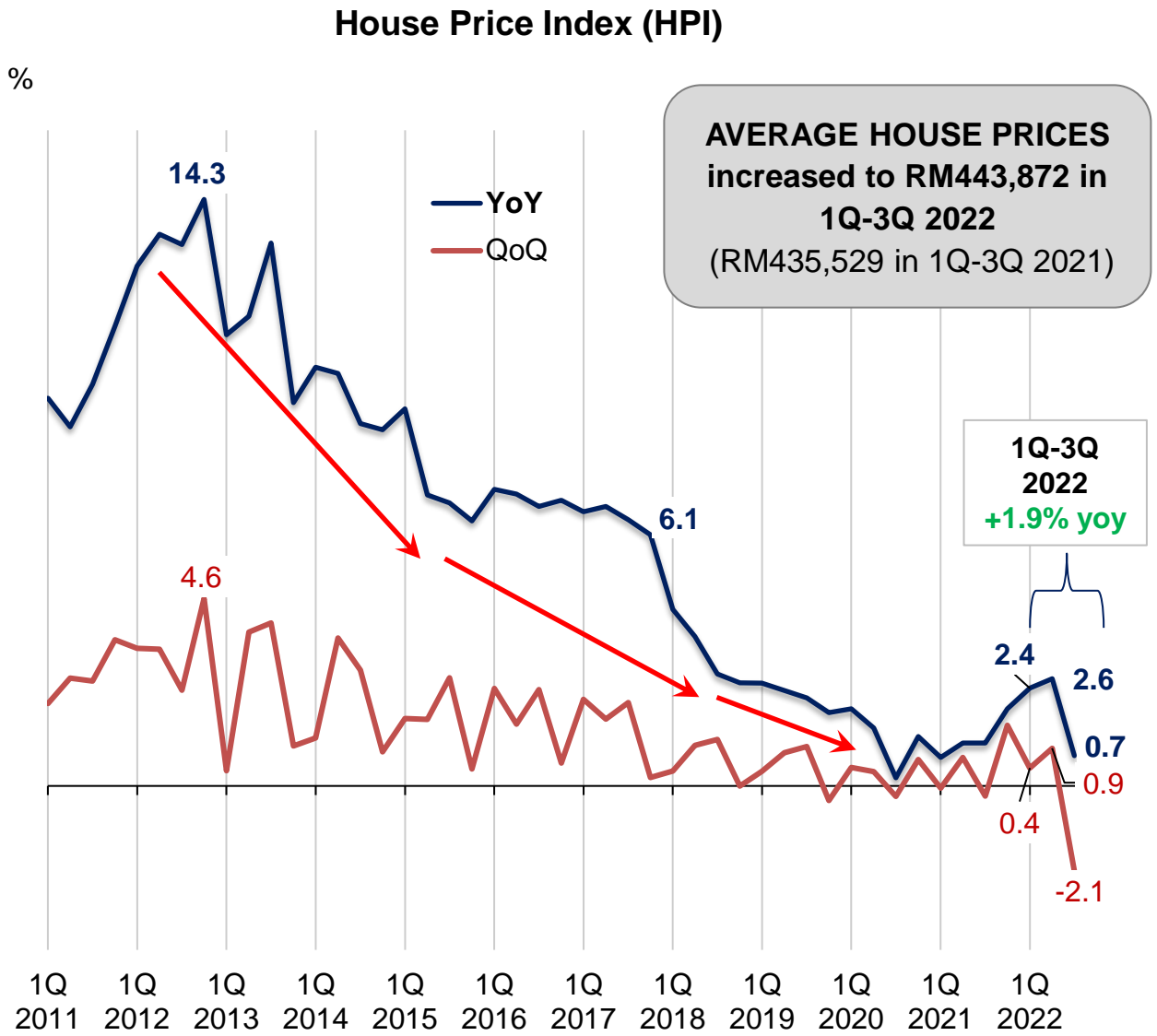
Business tendency* in real estate industry



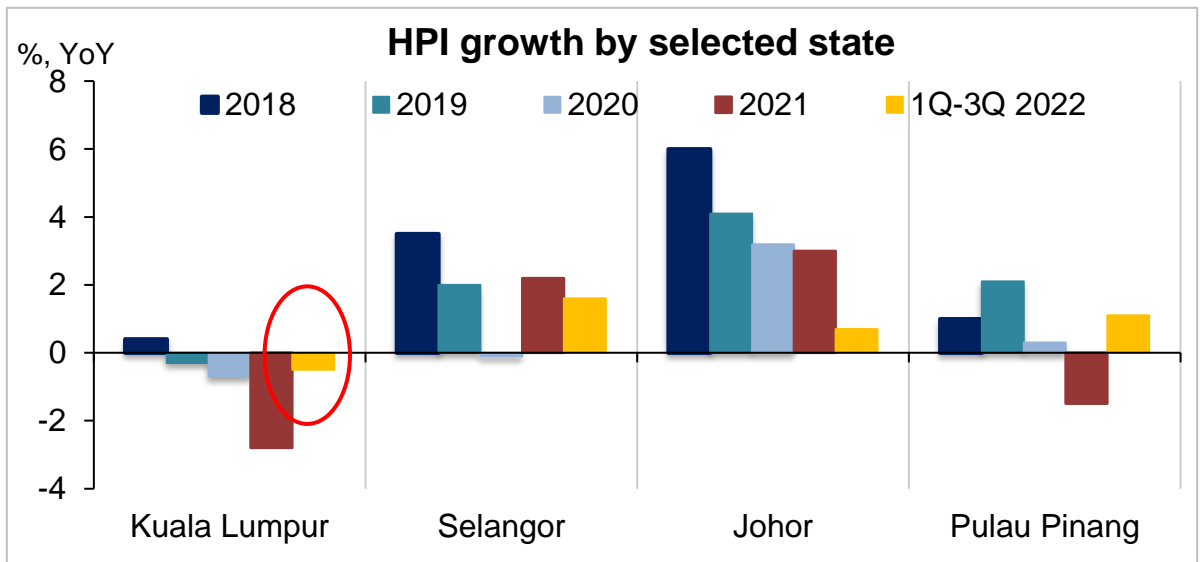
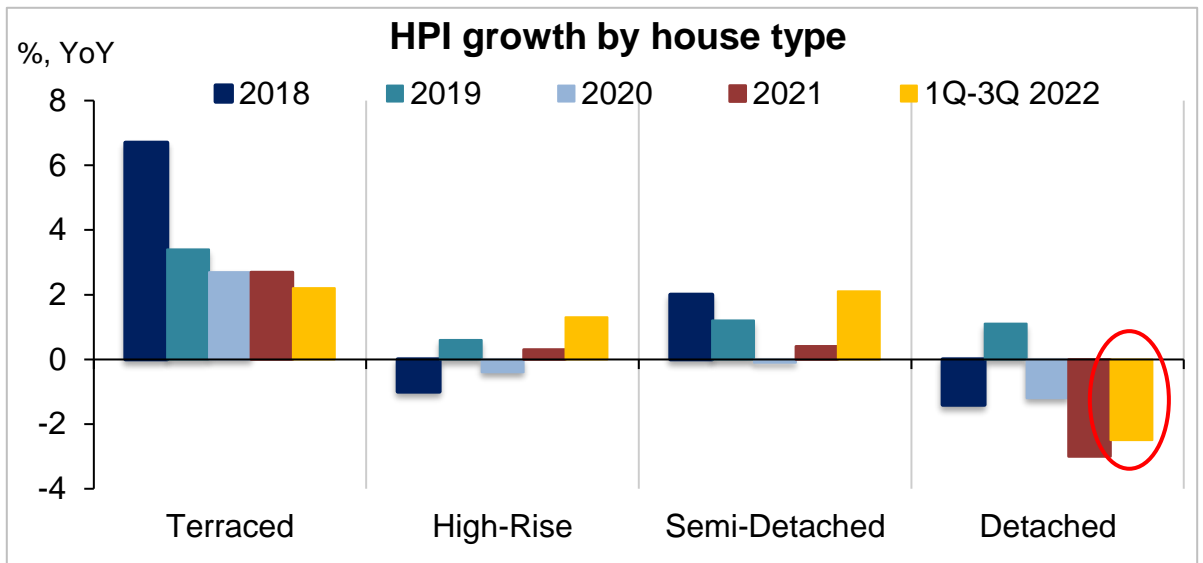
* Calculated by net balance (difference between the percentage of respondents with favourable and unfavourable)
 ** 1Q 2021 to 3Q 2022 is the present tendency while 4Q 2022 is future tendency (3 months ahead)
 *** Confidence indicator = [current business situation + present tendency (volume of demand) + future tendency (volume of demand)] / 3

Source: Department of Statistics, Malaysia (DOSM)

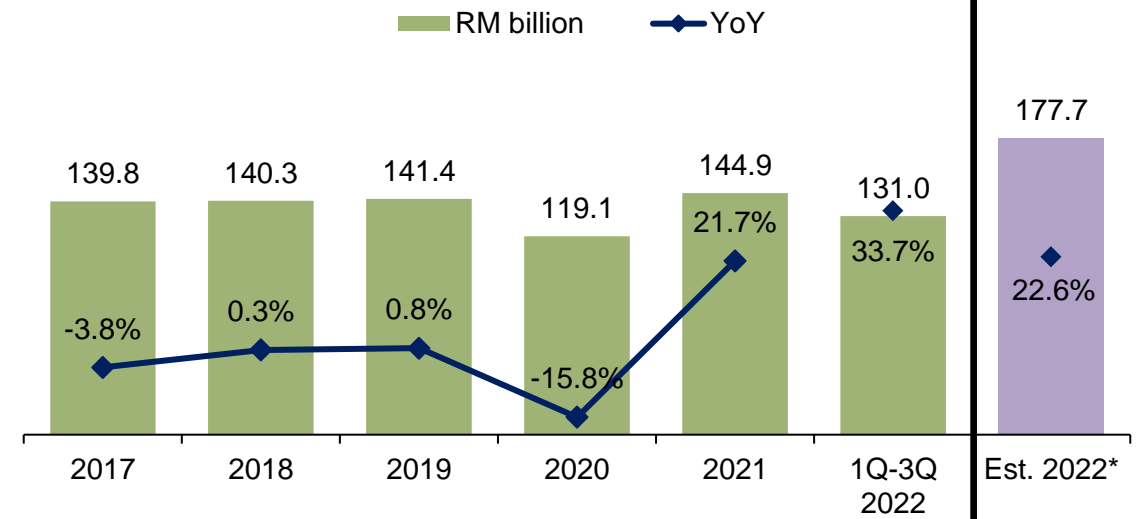
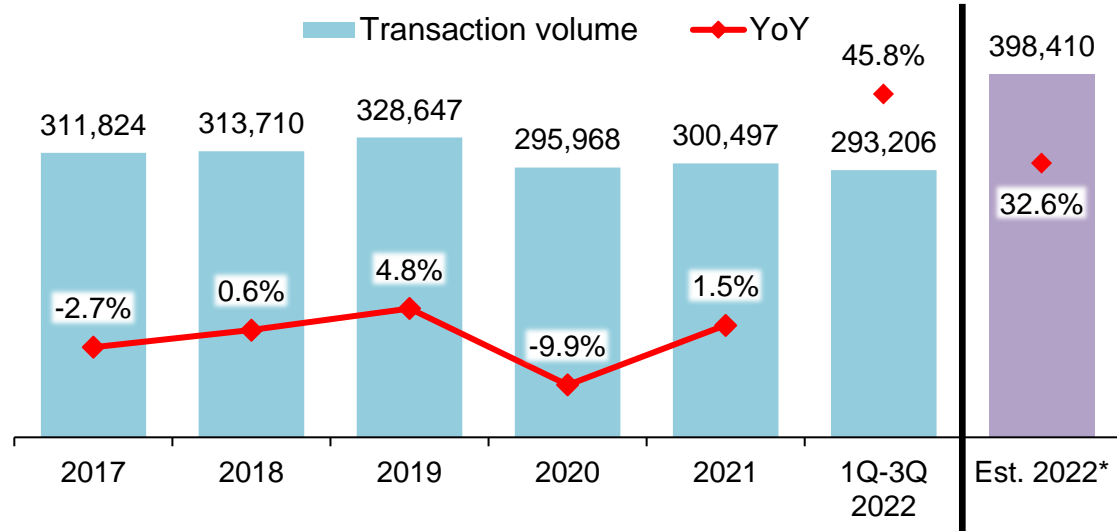
House price index continues to moderate ...



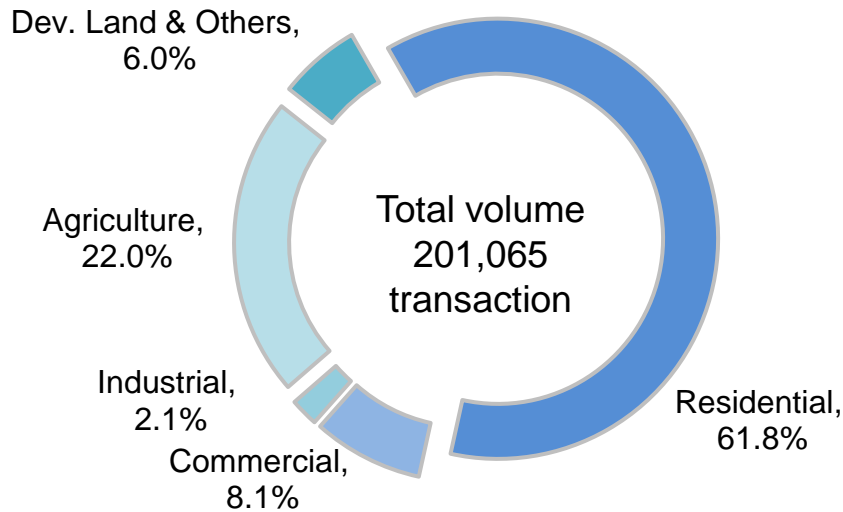
Source: NAPIC



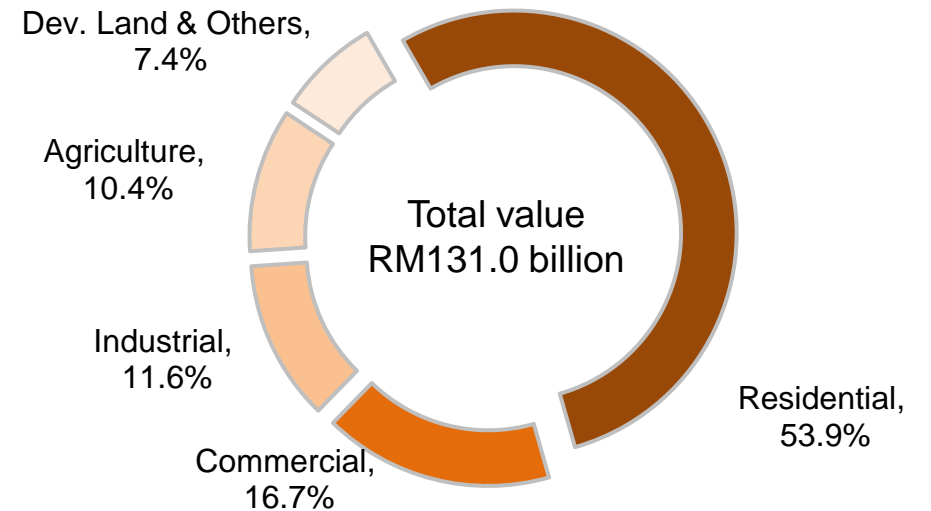
Amid continued increases in property transactions (volume and value) in 9M 2022



Transaction volume in 1Q-3Q 2022 by sub-sector (% share)



Transaction value in 1Q-3Q 2022 by sub-sector (% share)



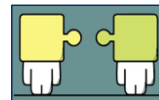
Source: NAPIC *Assume 4Q is same as per 3Q

Property overhang eases moderately in 3Q 2022

Factors contributed to a massive property overhang since 2015



House prices rose beyond the affordability level



Supply-demand mismatch



High cost of living and stagnant income growth



Lack of timely and accurate data

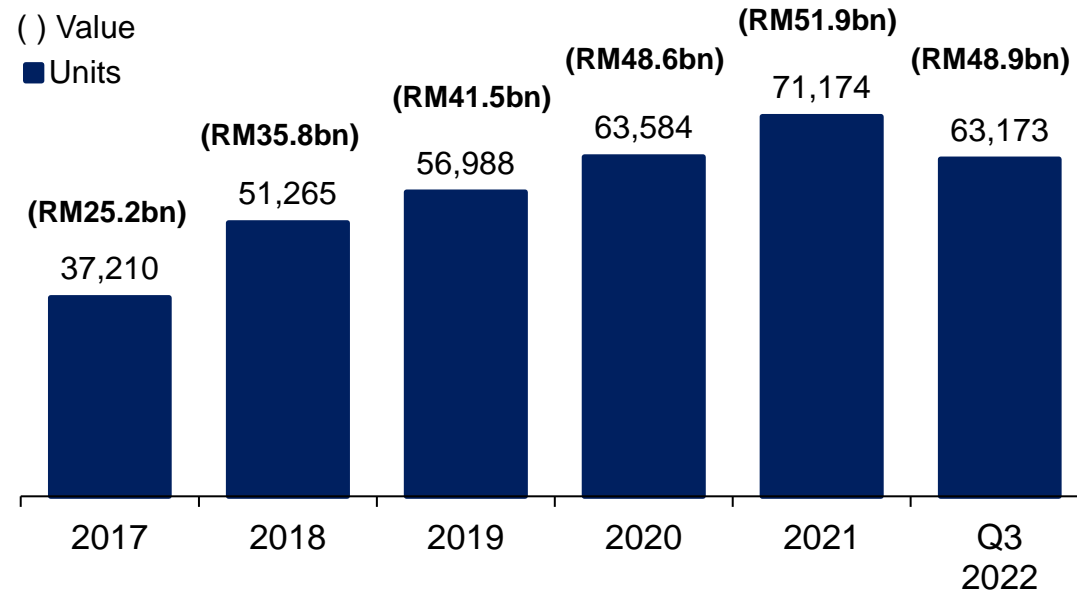


Property cooling measures



Property boom lost its steam

Trend of Overhang



	Unit			RM bn		
	2021	Q3 2022	% Share	2021	Q3 2022	% Share
Residential	36,863	29,534	46.8	22.8	19.9	40.8
Service Apartment	24,295	23,688	37.5	20.5	20.2	41.4
Commercial	6,612	6,636	10.5	5.8	5.8	11.9
SOHO	2,274	2,260	3.6	1.3	1.4	2.9
Industrial	1,130	1,055	1.7	1.6	1.5	3.0

Source: NAPIC

REHDA's survey: Property sector is neutral in 2H 2022

New property launches:

- Nearly 50% of respondents do not plan to have any launches in 2H 2022.

Top reasons of not launching new property



31% Unfavourable market condition



25% Others (delay in approval from authorities & project in planning stage)



11% Lack of suitable product/land bank location



9% Higher number of unsold stocks/units

Unsold units:

- 55% of respondents reported unsold residential units, of which 86% had unsold residential stock that make up 30% and below of their units launched.

Top 3 reasons for the unsold residential units



Rejection of end-financing loan



Unreleased Bumiputera lots



High price/low demand or interest.

Expectations for 2023:

Less new property launches + persistent unsold residential units = Lower affordable housing supply

Source: REHDA

REHDA's survey: Outlook for property sector remains neutral in 1H 2023

Persistent inflation led to higher cost of business and an unhealthy trend for the overall property market

- 31 out of 150 (30.7%) respondents had 21-30% of loan rejection over sales – developers need to sell a unit up to three times before it was finally sold.
- Top 3 reasons for loan rejection: **ineligibility of buyers' income**; **lower margin of financing**; and **adverse credit history**.
- **More than 20% increases in average prices** of aluminum, glass, steel, metal products, copper and crusher in 1H 2022.

Top measures taken to address increase in building material costs:



Increase property selling prices



Use more cost-effective materials

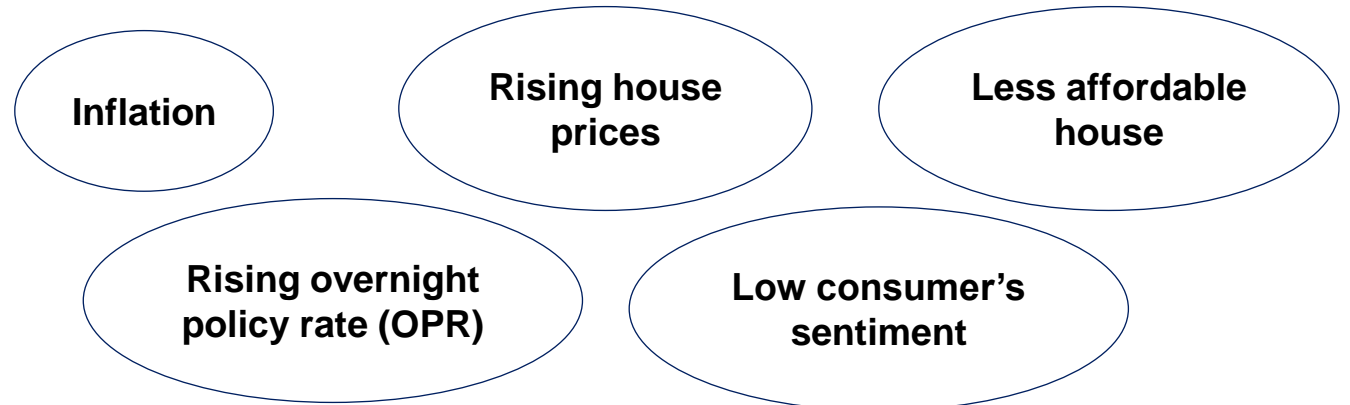


Low profit margin

Home prices to increase in 2023 amid rising business costs

- Developers remain **neutral** on the property sector's outlook in 1H 2023, albeit **44%** are **pessimistic** about consumer's purchasing power.

To conclude, factors that influence the property market in 2023:

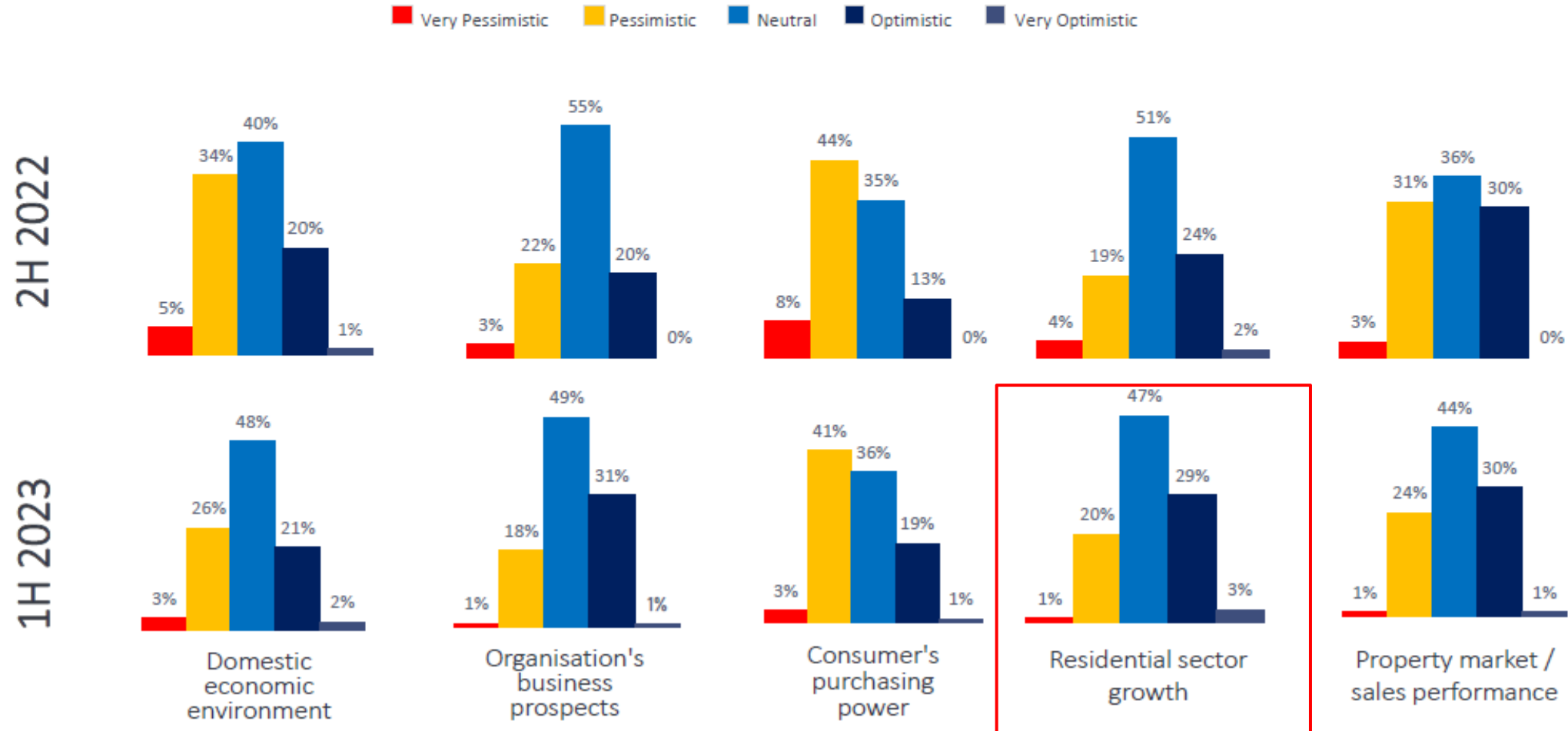


Source: REHDA

REHDA's survey: Outlook for property sector remains neutral in 1H 2023

INDUSTRY OUTLOOK

Survey conducted by REHDA in September & October 2022 to assess market performance for 1st Half 2022, outlook for 2nd Half 2022 and 2023 (total respondents 150).

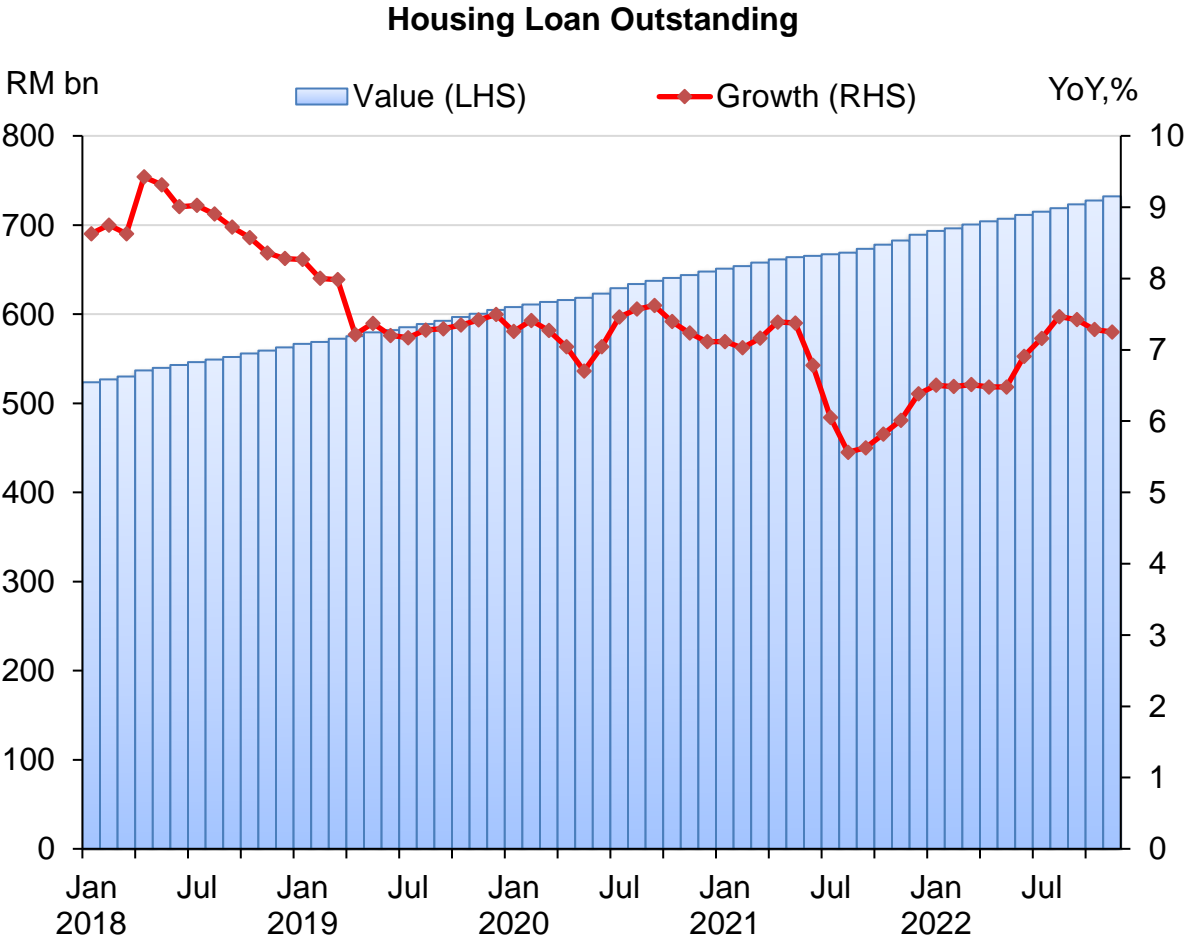
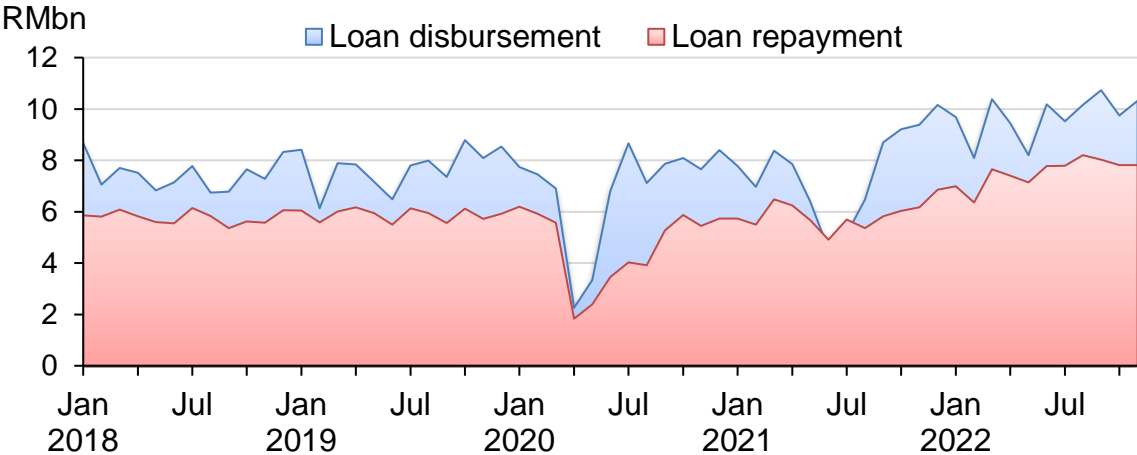
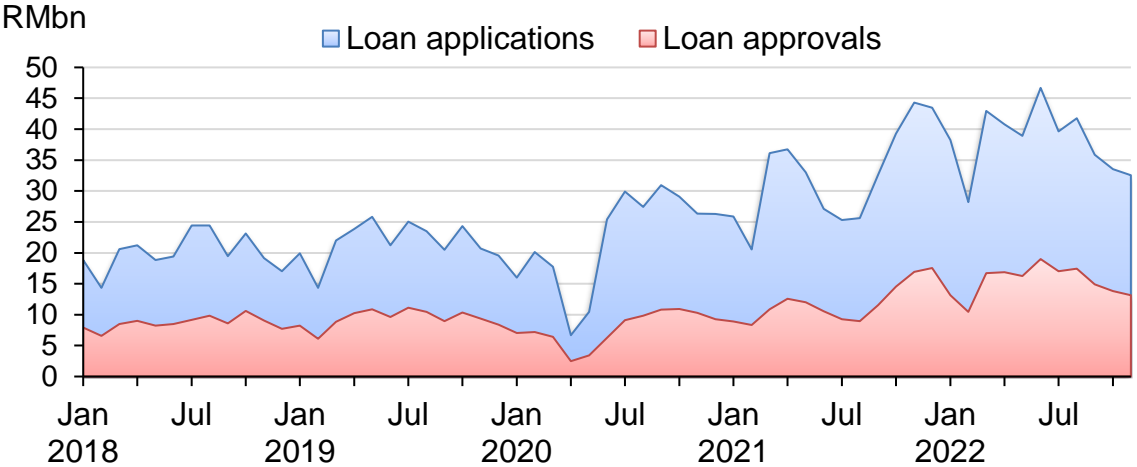


Source: REHDA



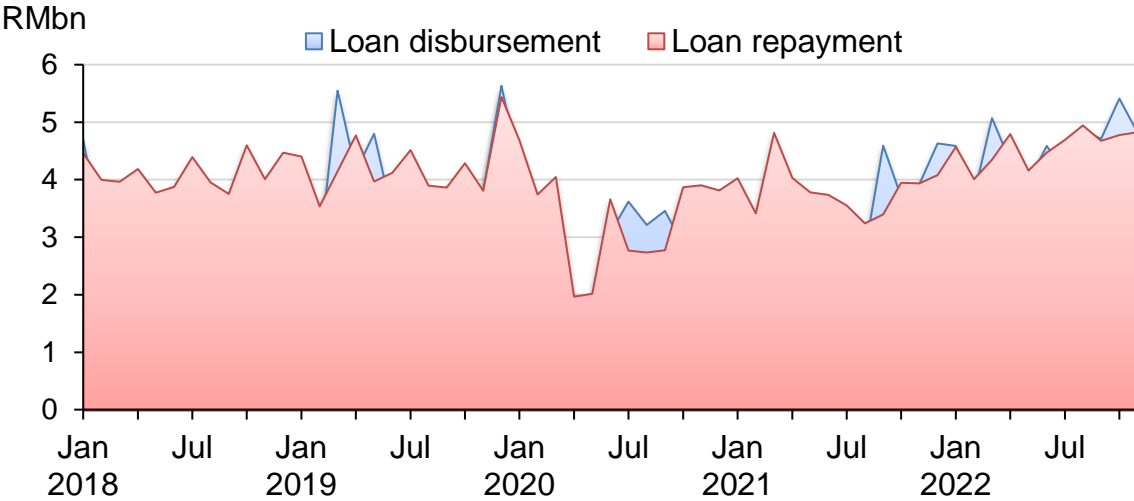
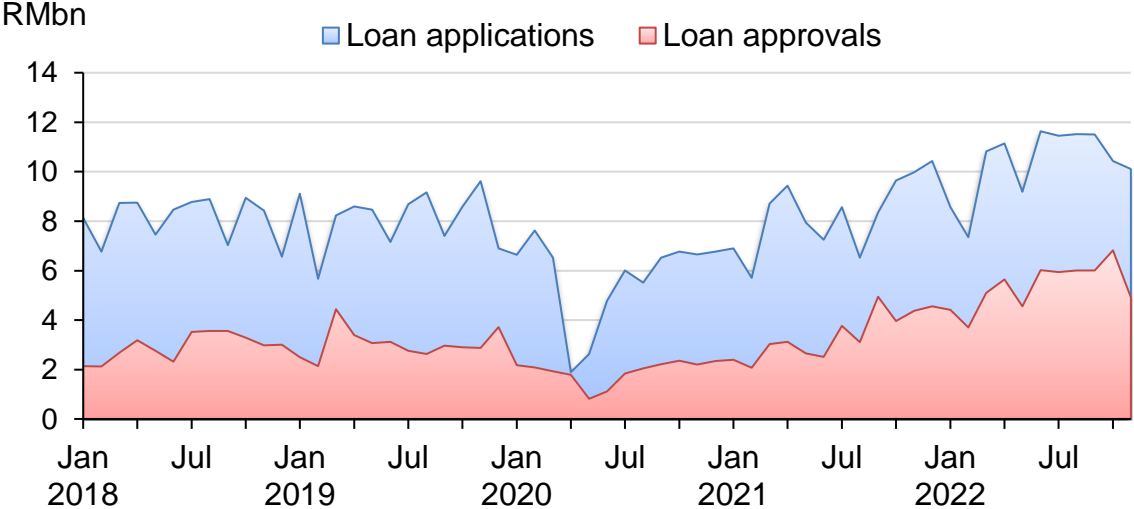
Housing loan growth trend

- Housing loan applications, approvals, disbursement and repayment had been progressively increasing since COVID-19 pandemic as low overnight policy rate (OPR), albeit a slump in the last few months of 2022.

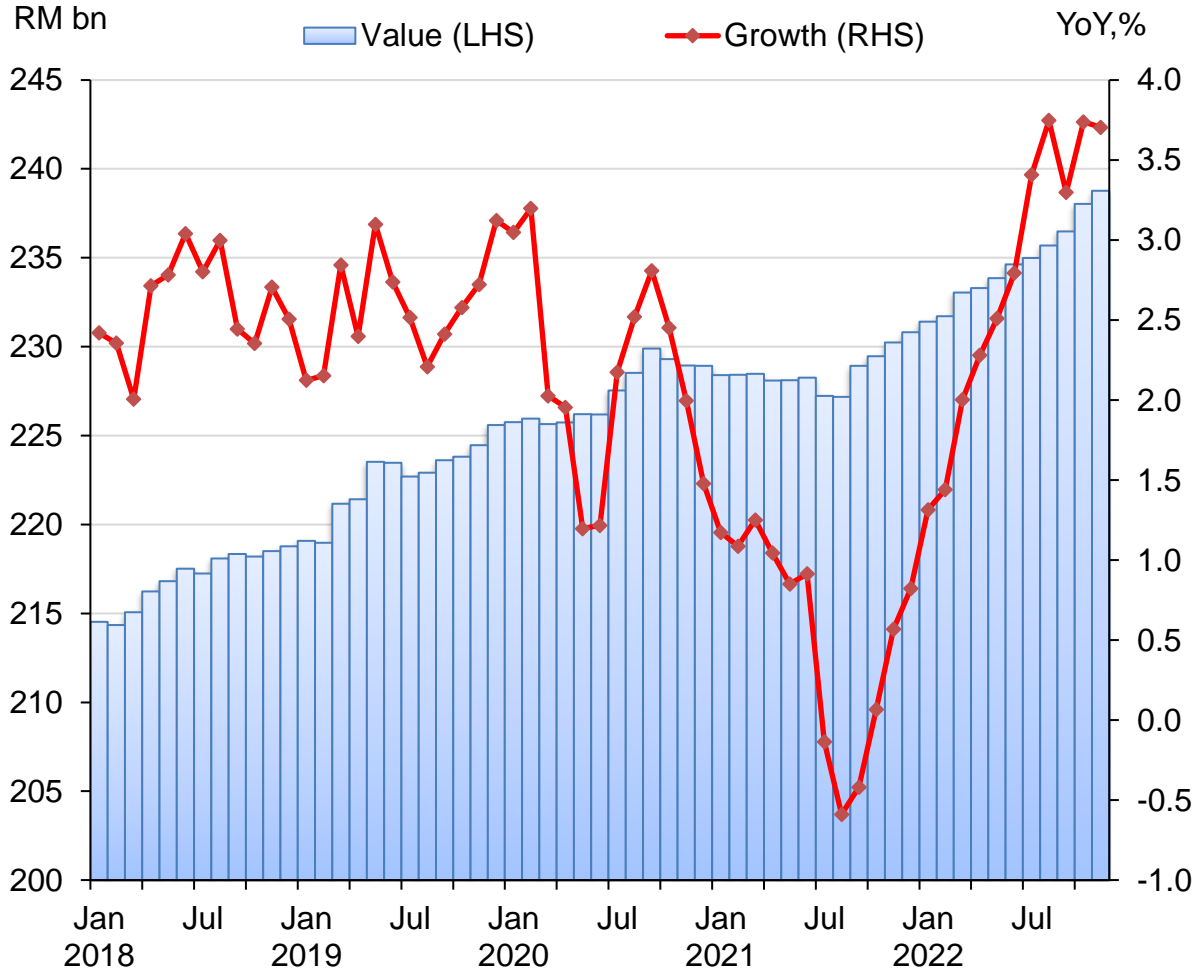


Note: Loan data for July 2022 onwards have been revised and expanded based on the latest requirements with more accurate definition and methodology, which differs to the old data in terms of the value.
 Source: Bank Negara Malaysia (BNM)

Commercial property loan growth trend



Commercial property Loan Outstanding



Note: Loan data for July 2022 onwards have been revised and expanded based on the latest requirements with more accurate definition and methodology, which differs to the old data in terms of the value.
 Source: Bank Negara Malaysia (BNM)



社会经济研究中心
**SOCIO-ECONOMIC
RESEARCH CENTRE**

THANK YOU

Address : 6th Floor, Wisma Chinese Chamber,
258, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel : 603 - 4260 3116 / 3119
Fax : 603 - 4260 3118
Email : serc@accimserc.com
Website : <https://www.accimserc.com>