



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

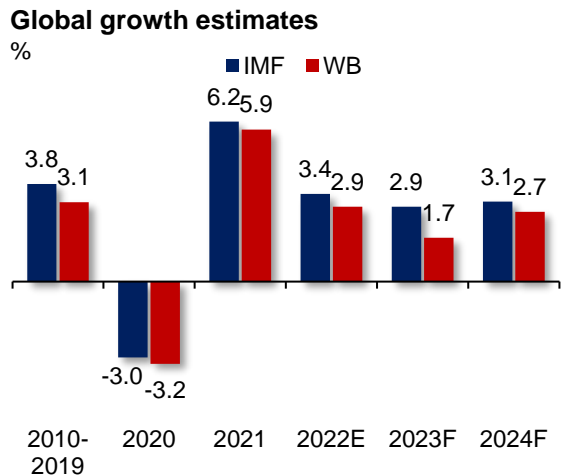
**KSI-FIABCI 2023 Malaysian Housing and Property Summit**

# **How the Economic Outlook for 2023 will Impact on the Housing and Property Industry?**

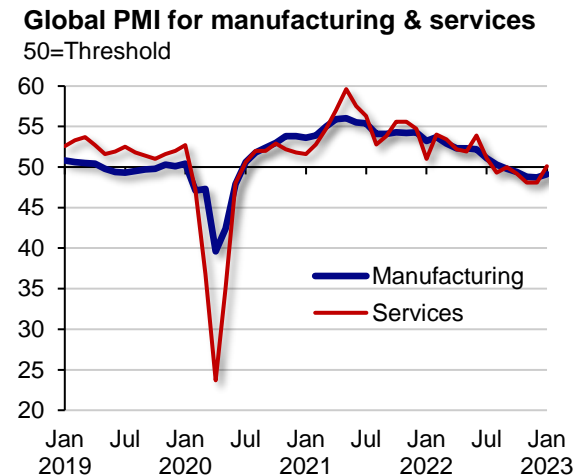
**Lee Heng Guie**  
**Executive Director**  
28 February 2023

# Global recession fears receded ...

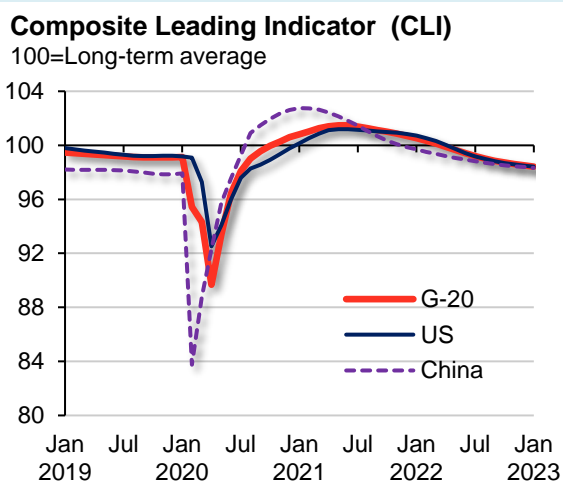
## 2023: Weaker global economic growth



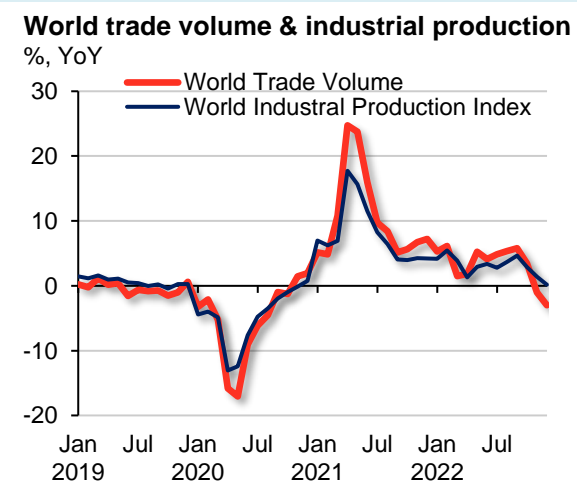
## Manufacturing & services activities appears stabilising



## CLI for G-20 remained below long-term average



## WTO: World trade remains subdued in 2023 (1.0% vs. 3.5% in 2022E)



## Global economy: Slightly less gloomy but headwinds persist

- A “mild and shallow’ recession in the US and Europe
- China’s reopening eases global recession risk
- Global inflation may have peaked but pressures continue
- Central banks’ subtle monetary shift, not pivot to rate cuts

### Upside risks

- 📈 Strong labour market conditions and wage growth
- 📈 China’s consumers release strong pent-up demand
- 📈 Pause in global monetary tightening amid cooling of inflation

### Downside risks

- 📉 Escalation in Russia’s war in Ukraine
- 📉 Higher-than-expected interest rate level
- 📉 Tighter global financing conditions worsen debt distress
- 📉 Significant assets repricing on worse than expected economic slowdown
- 📉 Deepening geopolitical fragmentation

Source: International Monetary Fund (IMF); World Bank (WB); S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands

# The Malaysian economy has risen above pre-pandemic level, albeit slower in 2023

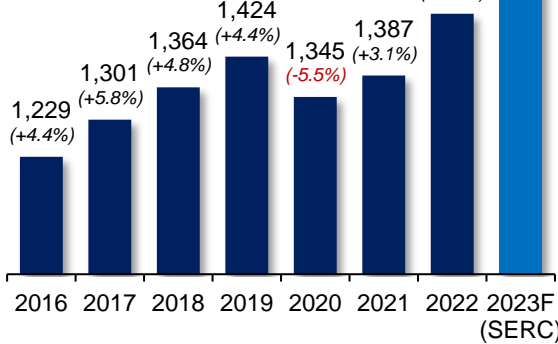
## The Malaysian economy has bounced back but headwinds persist

### Gross Domestic Product

RM billion (2015=100)

2010-19 Avg: 5.4% pa

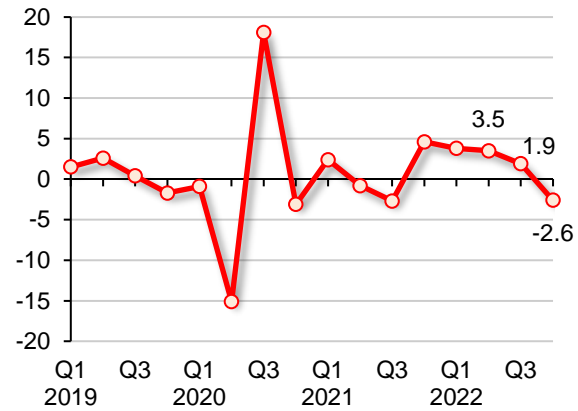
2015-19 Avg: 4.9%pa



## However, the growth momentum has moderated in recent quarters

### GDP growth

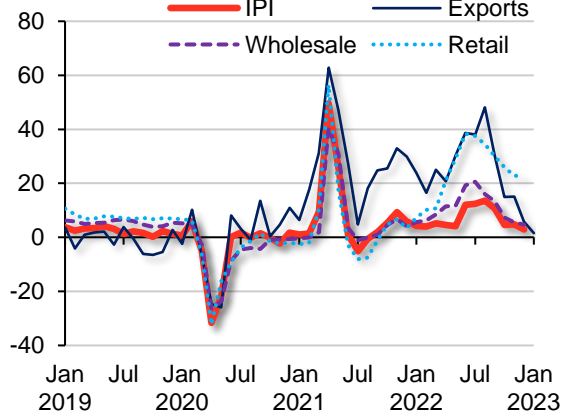
%, QoQ, seasonally adjusted



## High frequency data showed either normalisation or deceleration growth

### IPI; Exports; Wholesale; Retail growth

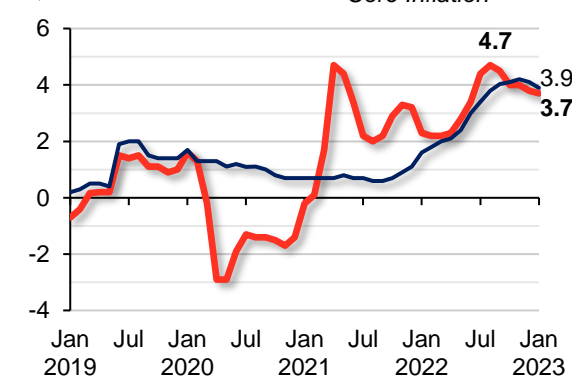
%, YoY



## Headline inflation has peaked but price pressures continue to linger, especially core inflation

### Inflation

%, YoY



## The Malaysian economy

- The economy would continue to grow, albeit slower in 2023 (2023E: 4.1% real GDP growth vs. 8.7% in 2022)
- “Normalisation” of private consumption
- Weaker exports and softening commodity prices

## Upside risks

- Continued recovery in labour market and better income prospects
- On-going and new public infrastructure projects
- Higher tourism activity

## Downside risks

- ⚠ Slower global growth; slumping exports
- ⚠ Cost pressures (cost of living and business costs)
- ⚠ Lag impact of higher domestic interest rates

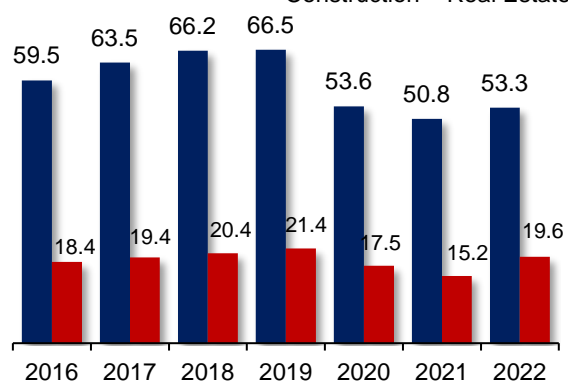
Source: Department of Statistics, Malaysia (DOSM)

# The Malaysian economy – Construction sector and real estate industry

## Construction and real estate have yet to return to pre-pandemic level

### Gross Domestic Product

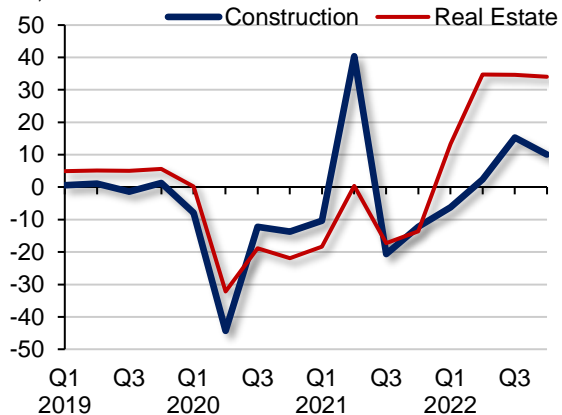
RM billion (2015=100) ■ Construction ■ Real Estate



## The recovery pace was stronger in 2H 2022

### GDP growth

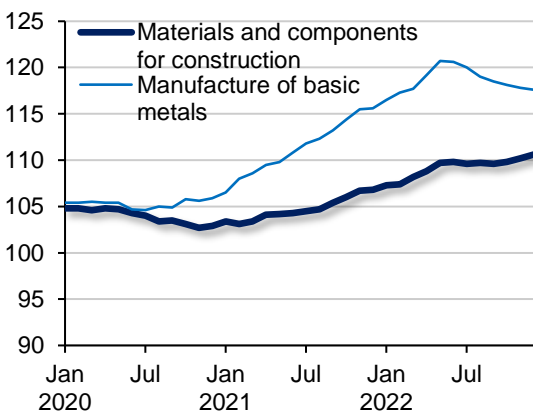
%, YoY



## Building materials prices remained elevated

### Producer prices

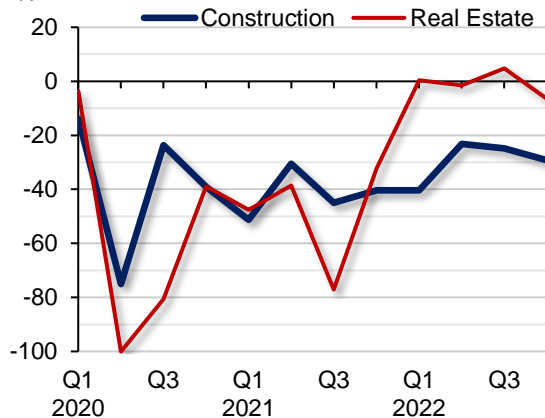
2010=100



## Business tendency (confidence indicator) remained unfavourable

### Confidence indicator

%



## Demand side:

- Pre-existing affordability issues
- Improvements in labour market and income level
- Budget measures continue to support first home ownership
- Interest among buyers and investors seeking good bargain
- Higher interest rate, inflation and cost of living pressure will dampen buyers' sentiment
- Anticipate increases in property prices may prompt buyers to lock in purchase

## Supply side:

- Number of unsold properties remained elevated
- Higher construction and operating costs (building materials, electricity tariff hikes, labour cost etc).
- Shortage of workers still persisted

Source: Department of Statistics, Malaysia (DOSM)

Confidence indicator:

Construction:  $[present\ tendency\ (volume\ of\ orders)\ (contracts) + future\ tendency\ (number\ of\ employees)] / 2$

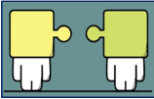
Real Estate:  $[current\ business\ situation + present\ tendency\ (volume\ of\ demand) + future\ tendency\ (volume\ of\ demand)] / 3$

# Some visible improvements in housing market activity in 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



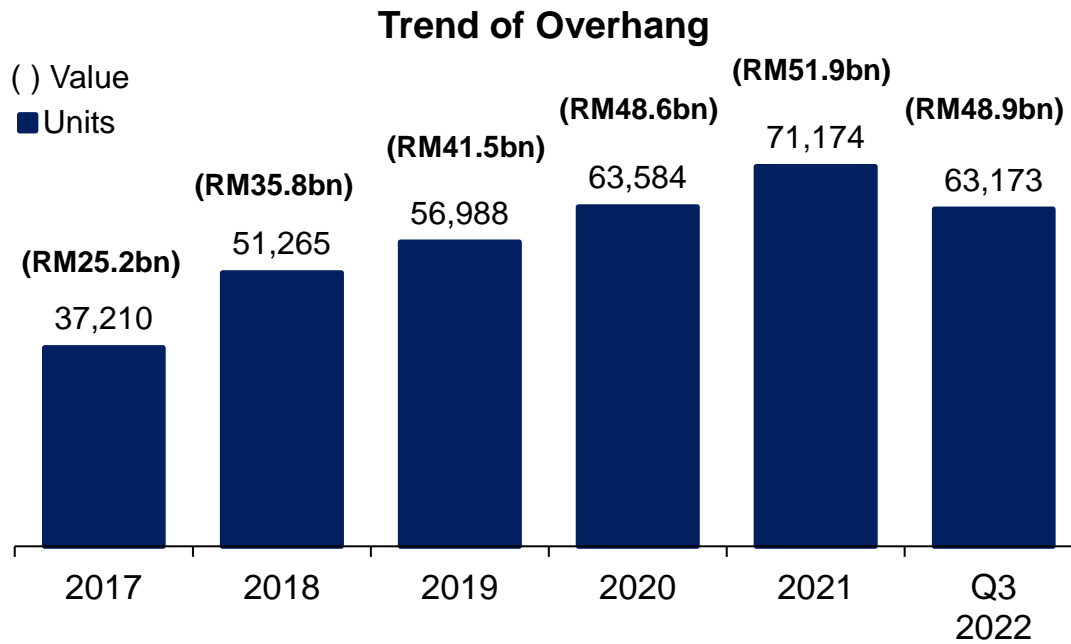
Lack of timely and accurate data



Property cooling measures



Property boom lost its steam



	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: National Property Information Centre (NAPIC)

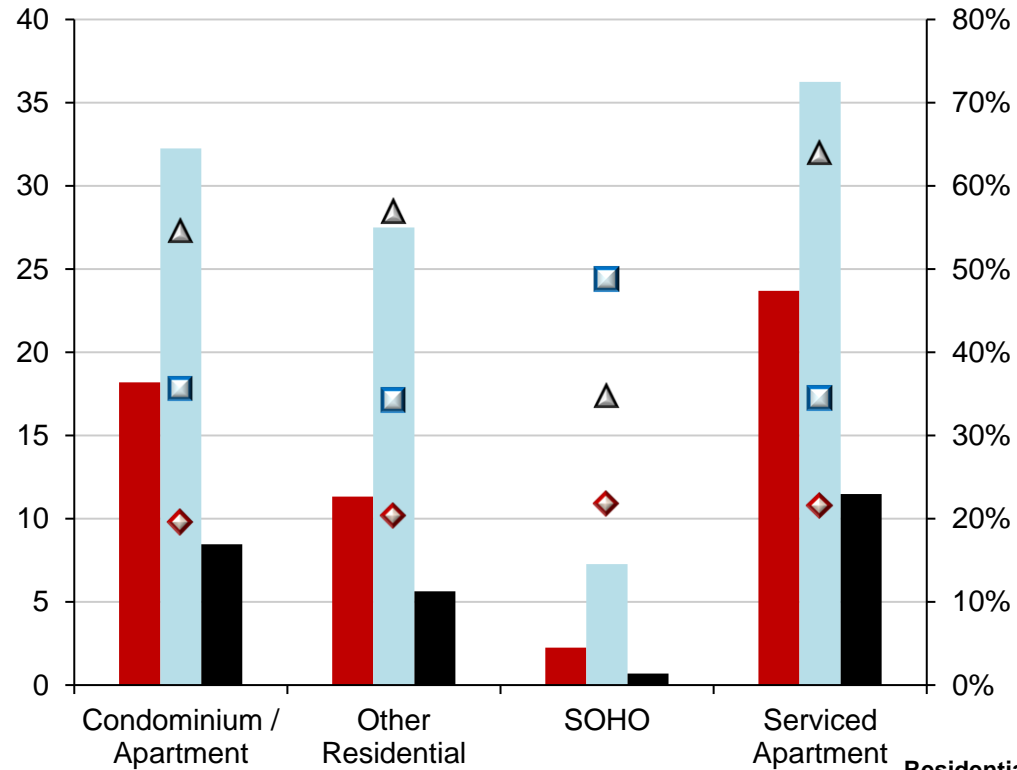
# The unsold houses remained elevated

■ Overhang      ■ Under Construction      ■ Not Constructed  
◆ % (Overhang)      ■ % (Under Construction)      ▲ % (Not Constructed)

Unsold units as at Q3 2022

('000)

% of unit launched



Total for three phases

	Condominium / Apartment	Other Residential Properties	SOHO	Serviced Apartment	Residential + SOHO+ Service Apartment
Unsold units	58,905	44,469	10,224	71,412	<b>185,010</b>
% of unit launched	29.6%	30.5%	37.5%	30.6%	<b>30.6%</b>

- As at Q3 2022, the number of unsold houses (including residential properties, SOHO and serviced apartment, in the phases of overhang, under construction and not constructed) recorded at 185,010 units, 2.4% higher compared to 180,702 units as at Q3 2021.
- 30.0% of the unsold houses (55,482 units) were overhang units, while 55.8% (103,263 units) were under construction and the remaining 14.2% (26,265 units) were not constructed.
- Unsold houses were mainly condominium/apartment and serviced apartment, accounted for 70.4% of the total.
- In terms of overhang units, the total value of residential properties, SOHO and serviced apartments amounted to RM41.6 billion. 76.3% of the overhang units were priced above RM400,000, accounted for 91.5% of the total overhang value.
- Total overhang units in serviced apartment recorded the worst percentage in terms of unit launched (21.6%), and 95.2% of them were priced above RM400,000, bringing a question of the affordability and sellable of the supply of serviced apartment. Most of these overhang units were located in Johor (62.4%), Kuala Lumpur (22.6%) and Selangor (10.9%).

Source: NAPIC

# Budget 2023 – Home for all

## Stamp duty:



- First home ownership – **Full exemptions for homes below RM 500k; 75% exemptions for home between RM500,001 and RM1 million**
- **Exemptions for first RM1 million of value and 50% for remaining value** for an instrument of **transfer based on love and affection**

## Home ownership assistance:



- **Syarikat Jaminan Kredit Perumahan (SJKP)** – Total guarantee value set at RM5 billion, with loan guarantee per application up to RM500,000

## Construction and renovation of houses for low-income:

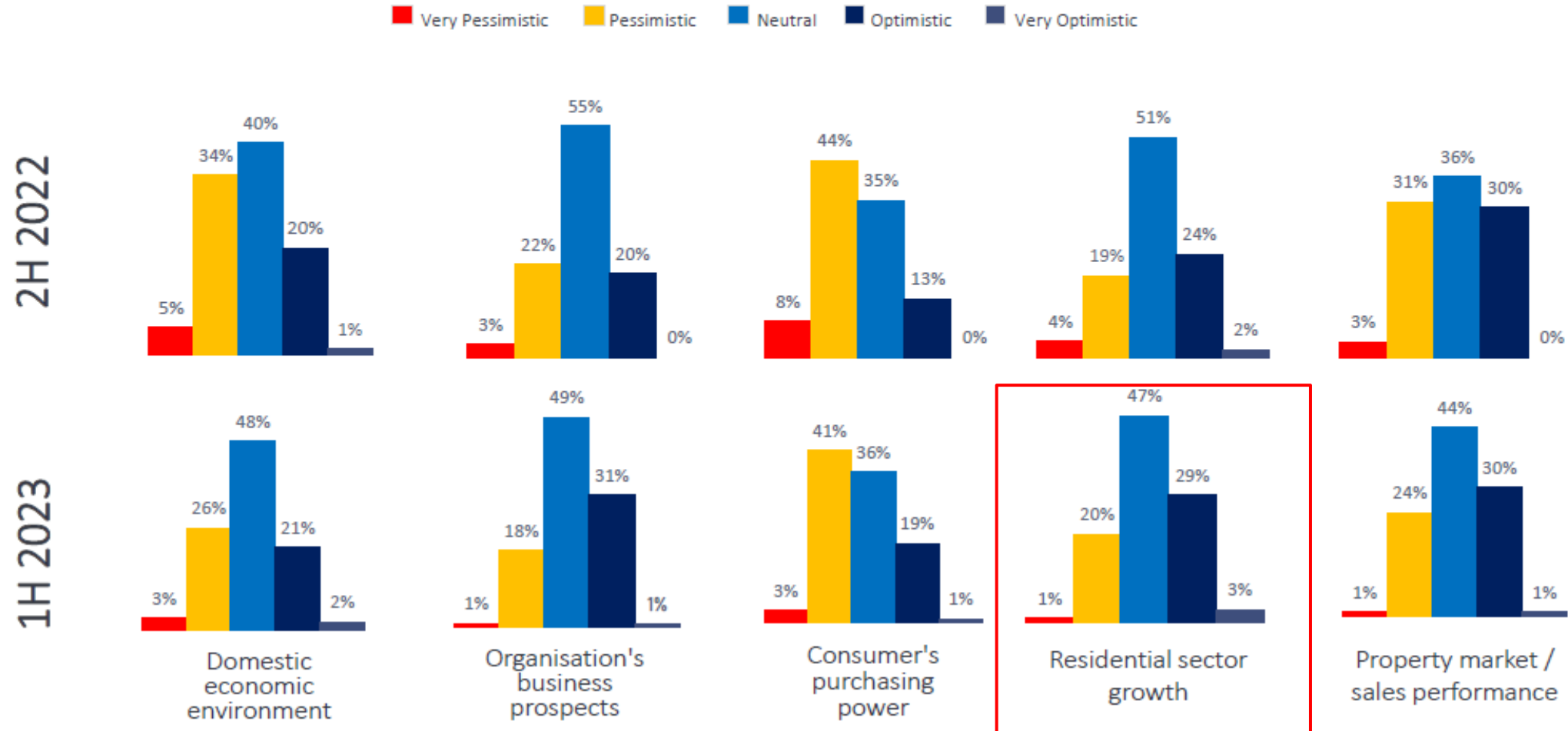


- **Renovation of rural houses** (RM460.2 million): Increase the ceiling rate for **new house building (3,000 houses)** and repair assistance.
- **People's Housing Program (PPR)** (RM367 million) among them in Terengganu, Perlis and Kelantan – 12,400 residents.
- **Rumah Mesra Rakyat Program** (RM358 million) – 4,250 houses.
- **Malaysian Public Housing Projects** (RM463 million) – 23,000 houses.
- **Various public housing maintenance projects**

# 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





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**THANK YOU**

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