

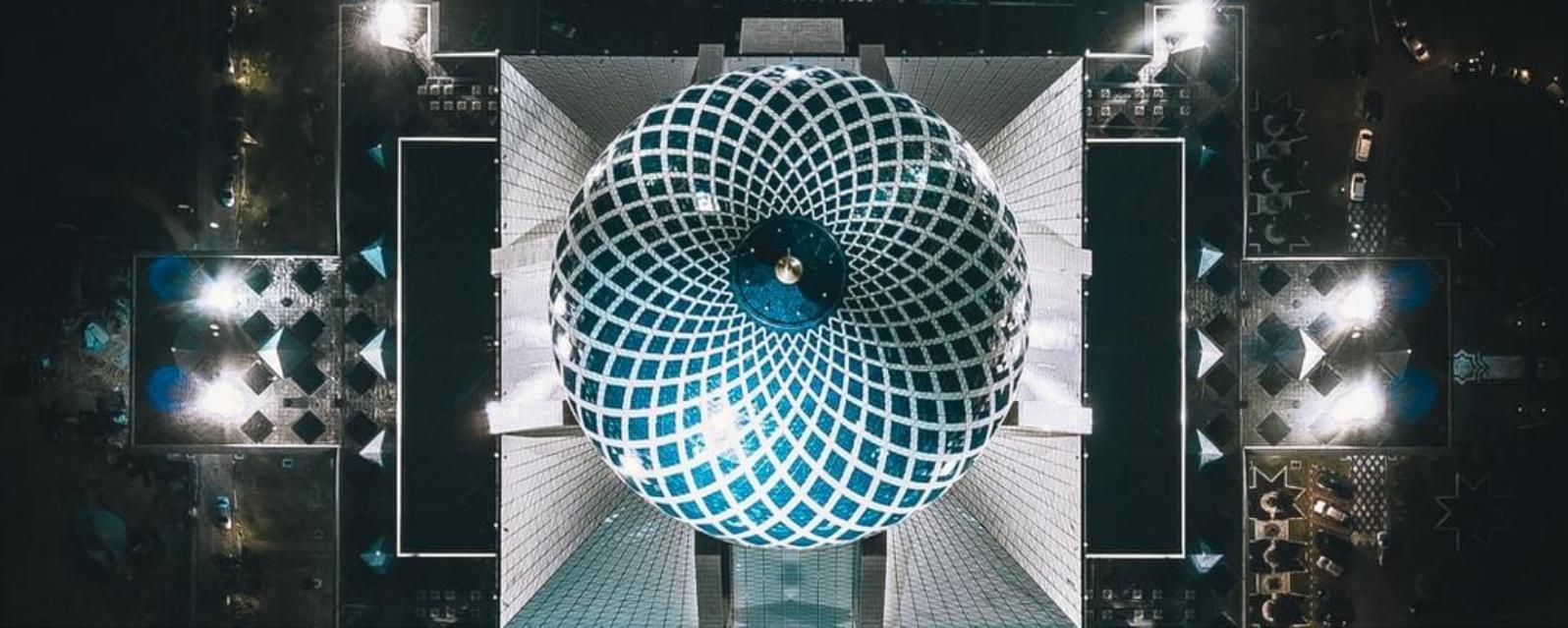


Malaysia Property Market Index

Q4 2020



PropertyGuru



 **88.60** (Down 1.34%)
Q4 2020 Price Index

 **360.68** (Up 19.80%)
Q4 2020 Supply Index

Executive Summary

The continued impact of COVID-19 made its presence felt in the third quarter of this year, with the Malaysia Property Market Index (MPMI) registering a drop in asking prices across key markets.

A fresh wave of COVID-19 infections in Kuala Lumpur and Selangor have put these districts under strict new restrictions of the Conditional Movement Control Order (CMCO). This is likely to impact commercial activity further towards the end of the year.

On the upside, as prices are likely to move downward further in the coming months, this may unlock pent-up demand for more affordably priced homes – especially in this low-price low interest rate climate – which in turn could generate enough demand to slow the rate of declining prices.

Meanwhile, overall supply saw sharp spikes in Q3 2020. This was expected as the period in the study corresponds with eased commercial restrictions. While there are new restrictions in play this quarter, the government also seems keen to allow economic activity to continue.

As such, supply is expected to increase in the final quarter, adding more stock to an oversupplied market. With buyer appetite low, the market will have to be cautious that this does not unduly add further downward pressure on prices.

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Lower property prices were witnessed throughout the country

Consumers tighten their belts and sellers re-evaluate asking prices to reflect a gloomy economic outlook.



Property market continues to show resilience

Despite price drops, a relatively low rate of decline suggests that the property market continues to show resilience. This lower price environment may tap into pent-up demand among millennials looking to get into the market at an affordable rate.



Increased interest for properties priced below RM700,000

PropertyGuru data identifies increased interest for properties priced below RM700,000, suggesting that some buyers are looking to acquire more spacious abodes following the discomfort of the lockdown period.



Supply is not expected to be majorly affected

Supply in this current quarter is not expected to be majorly affected as enhanced restrictions, resulting from a recent spike in COVID-19 cases, allow for continued commercial activity on production and manufacturing fronts.

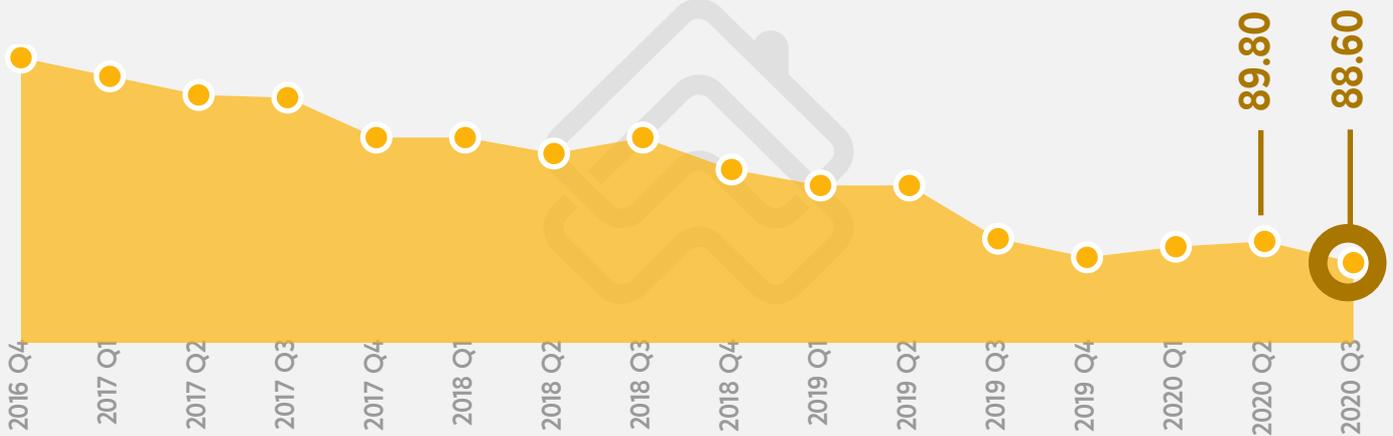


Concern about negative impact of surplus stock on property values

With the property overhang still a key issue in Malaysia, and prices trending downward, there is concern about the negative impact surplus stock may have on property values going forward, especially if buyer interest remains low and the economy is in a volatile position.



Price Index Overview



Base index: 100 | Units on y-axis are in % | Source: PropertyGuru

Asking Price Change

QoQ: ▼ -1.34%

YoY: ▼ -1.49%

There is little doubt that COVID-19 has had a pronounced effect on the economic outlook of the property market, and the latest Malaysia Property Market Index (MPMI) for Q3 2020 accurately reflect that with downward trending prices in all four key markets in the country.

The MPMI, a study which tracks the asking prices of properties in the primary and secondary markets on a quarterly basis, found that overall asking prices edged downwards in Q3 following two consecutive quarters of marginal gains this year.

Dipping slightly by 1.34% QoQ (quarter-on-quarter), this is in contrast to the 0.38% QoQ increase registered in Q2 and 0.63% QoQ increase in Q1 this year.

Signalling that this could be more than a momentary dip is the fact that for the first time this year, all key markets saw a fall in prices, even during a period of relatively low Movement Control Order restrictions (between July and September).

Price Index Overview (cont'd)

	State	Price Index	QoQ		YoY	
1	Kuala Lumpur	94.09	-1.35%	▼	-2.24%	▼
2	Selangor	93.20	-1.04%	▼	1.85%	▲
3	Penang	94.50	-0.64%	▼	-1.30%	▼
4	Johor	95.48	-2.97%	▼	-5.58%	▼

The sharpest decline was registered in Johor, where asking prices fell by 2.97% QoQ and 5.58% YoY. In Kuala Lumpur, prices dropped by 1.35% QoQ and 2.24% YoY, while Selangor saw reductions of 1.04% QoQ and 1.85% YoY. Penang saw the least movement in prices, registering 0.64% decrease QoQ and a contraction of 1.30% YoY.

The downward trending prices captured by the MPMI correlate with the latest numbers from the National Property Information Centre (NAPIC). In its H1 2020 market report, it found that the Malaysian House Price Index saw a marginal quarterly decline of 0.7% from the first quarter.

From an annual perspective, the index may have moved up by 0.4%, but that figure also represents the lowest rate of growth since 2010, and NAPIC has yet to factor in the performance of Q3.

Sheldon Fernandez, Country Manager, PropertyGuru Malaysia points out that as this period of pandemic uncertainty draws out further, there will likely be more intense downward pressure on prices, as sellers will feel compelled to do more to entice buyers.

As the economic impact of COVID-19 begins to significantly hurt business earnings and livelihoods, we could also see a greater impulse to ease financial burdens by cashing out on property investments or offloading unsustainable housing loans through sale. The urgency to do this could further influence asking prices moving forward.



Price Index Overview (cont'd)

“The impact of the COVID-19 outbreak is undeniable, and it will take time to get the economy back on track as many Malaysians struggle with loss of income and employment. However, for those with financial buffers, this is the most conducive lending and policy environment that we have seen in recent years,” said Fernandez.

The flipside of the current scenario, he explained, is that those who had previously been saving to purchase a property in a high-price environment could now find themselves in a position to make a bargain buy while the Overnight Policy Rate is currently at 1.75%.

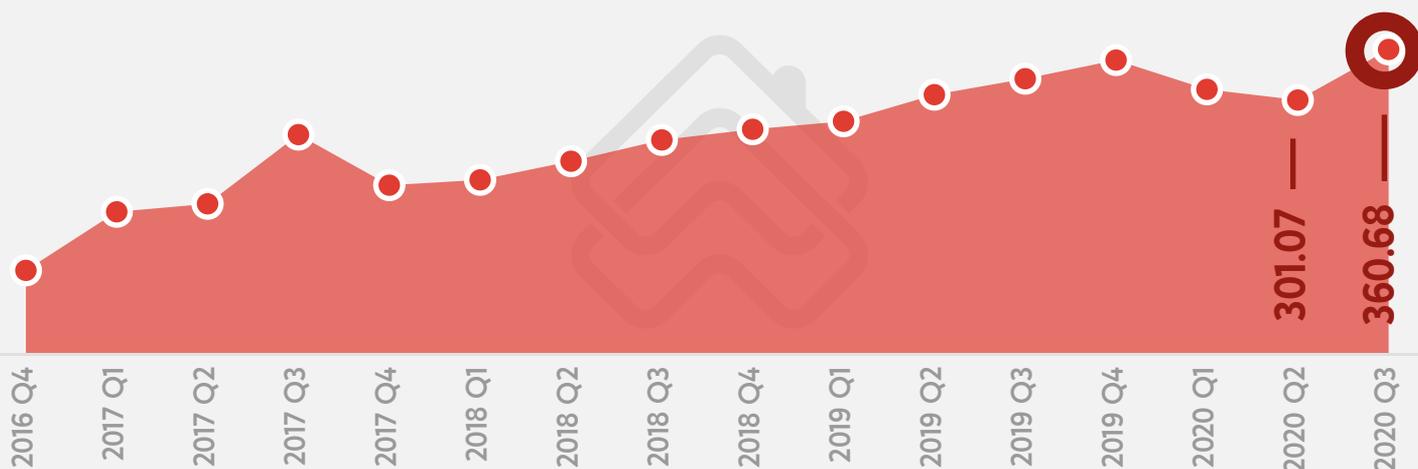
With incentives such as Real Property Gains Tax exemption and stamp duty exemption still in play under the National Economic Recovery Plan (PENJANA), home seekers who have been waiting in the wings for more favourable conditions, armed with investment cash, will be looking for low-price opportunities to reduce their risk with sizeable downpayments, smaller loan margins and cheaper monthly repayments.

Explained

PENJANA (Pelan Jana Semula Ekonomi Negara)

PENJANA is a short-term economic recovery plan encompassing 40 different initiatives aimed at providing aid to Malaysians, while the country copes with COVID-19 pandemic.

Supply Index Overview



Base index: 100 | Units on y-axis are in % | Source: PropertyGuru

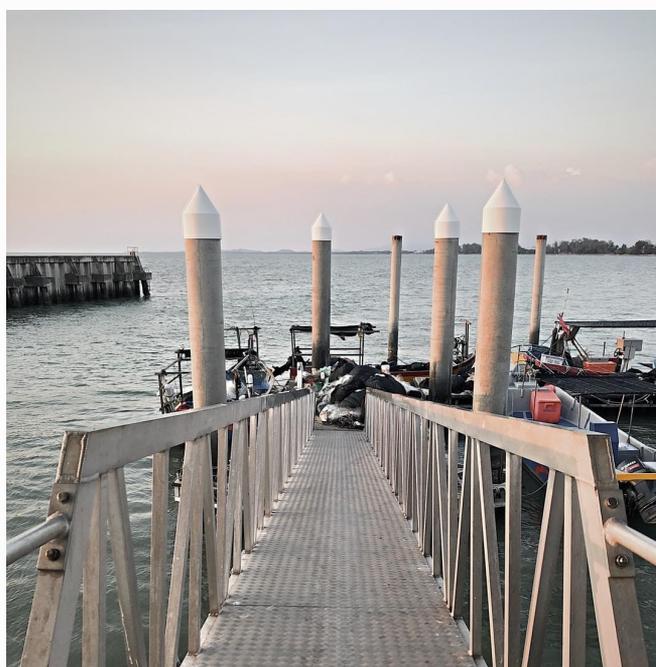
Asking Price Change

QoQ: ▼ 19.80%

YoY: ▲ 10.14%

Supply rebounded in Q3 following the easing of MCO restrictions towards the end of the first half of 2020. However, the sharp rise should be viewed in the context of a return to commercial activity after a period of inertia, rather than a seismic jump in supply growth.

The MPMI, which tracks the volume of new supply via listings on PropertyGuru, found that overall supply of new property into the market rose by 19.80% QoQ. It also captured a growth of 10.14% on a YoY-basis, which is a better indication of an upwardly moving trend.



What does this mean for buyers?

“

The impact of the COVID-19 outbreak is undeniable, and it will take time to get the economy back on track as many Malaysians struggle with loss of income and employment.

However, for those with financial buffers, this is the most conducive lending and policy environment that we have seen in recent years.

”

Sheldon Fernandez

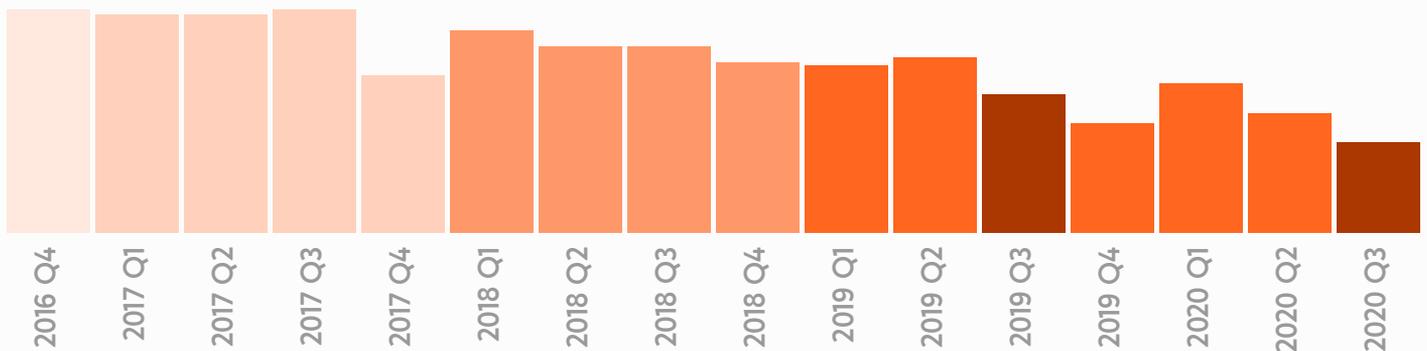
Country Manager
PropertyGuru Malaysia



Region Analysis



Kuala Lumpur: Challenging climate for the capital



PRICE INDEX Base index: 100 | Units on y-axis are in % | Source: PropertyGuru

QoQ: ▼ -1.35%

YoY: ▼ -2.24%

Asking prices in Kuala Lumpur continued on a downward trend that began in Q2 2020, moving from 95.38 points on the MPMI to 94.09 in Q3. The 1.35% QoQ drop was slightly more accelerated than the 1.28% QoQ dip registered in the previous quarter.

From an annual perspective, Kuala Lumpur saw a 2.24% YoY drop in Q3, which is a slight improvement on the 2.25% YoY decline it experienced in the last quarter. Beyond the impact of COVID-19, the capital city has in fact been witnessing an annual trend of gradual declining prices since Q1 2019.

Part of the reason for this has been waning interest among foreign investors that began with poor global economic conditions prior to the onset of the pandemic.



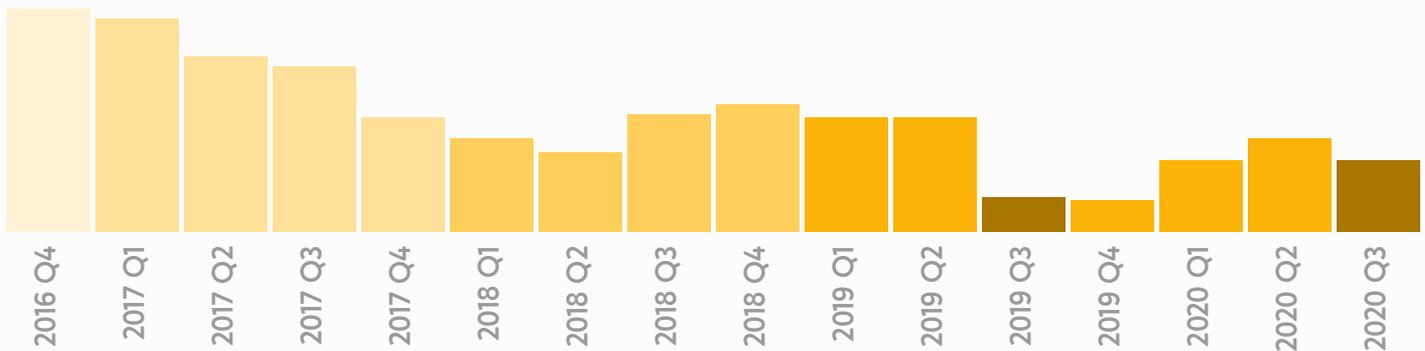
Currently, international attention is at an all-time low while the world deals with COVID-19, leaving Kuala Lumpur with unsold upmarket stock that is mismatched with local appetites and affordability range.

On the upside, shrinking prices may aid in making KL more attractive to local buyers, while the newly appointed Mayor of Kuala Lumpur Datuk Mahadi Che Ngah (appointed on Oct 1st) has recently declared that affordable housing will now be a top priority in the capital.

Region Analysis (cont'd)



Selangor: Looking ahead despite current headwinds



PRICE INDEX Base index: 100 | Units on y-axis are in % | Source: PropertyGuru

QoQ: ▼ -1.04%

YoY: ▲ 1.85%

Although asking prices in the country's most economically vibrant state stayed resilient in the first half of the year, sustained COVID-19 concerns began to take effect in Q3 2020, with prices dipping marginally from 94.18 points on the MPMI to 93.20, or by 1.04% QoQ.



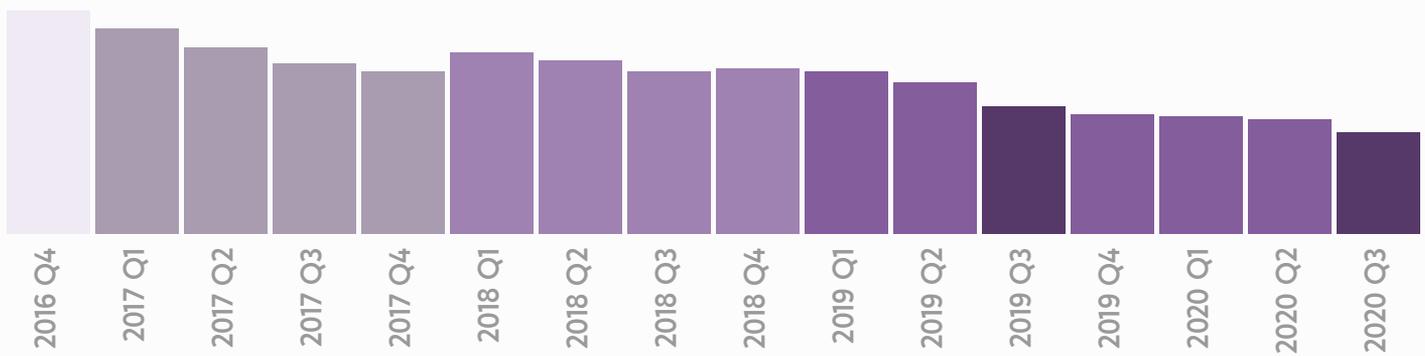
In spite of this, Selangor's strong price performance in the first half of the year helped soften the blow on a year-on-year basis and the state remains in positive territory in Q3 with a 1.85% YoY uptick.

With commercial activity allowed to proceed – albeit within highly restricted perimeters – we can expect supply to grow beyond the 23.55% QoQ incline it registered in Q3 2020. From a yearly perspective, this represented a 18.43% YoY growth in supply.

While there is cause for concern on the supply front in Selangor, because the state is dealing with the second largest overhang statistic (4,865 units) in the country, market watchers continue to be confident about the long-term prospect of the state.

Region Analysis (cont'd)

Penang: Pearl of the Orient holds steady



PRICE INDEX Base index: 100 | Units on y-axis are in % | Source: PropertyGuru

QoQ: ▼ -0.64%

YoY: ▼ -1.30%

“Stable” is perhaps the best word to describe the performance of the Penang property market so far in 2020. The MPMI found that the state registered the smallest change in asking prices among the four key regions in the country, with a slight dip of 0.64% QoQ and 1.30% YoY.

From a macro perspective, the change is hardly noticeable from the trend of downward ticking prices Penang has experienced in recent years. In fact, asking prices have been on a gradual, but stable, declining trend following an overheated period in 2016.



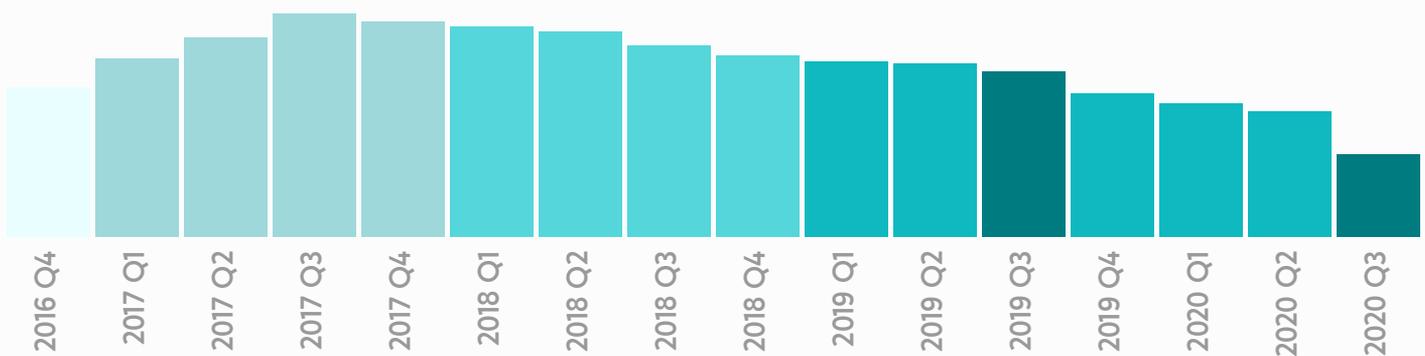
The relative stability of Penang prices in the current climate identifies it as potential safe haven for those who wish to preserve wealth through property investment.

Supply of property in Penang saw a marked increase of 20.30% in Q3, suggesting growing confidence among developers. Previous quarters, dating as far back as 2018, saw many drops in supply numbers with periodic increases that barely surpassed the 10% mark.

Region Analysis (cont'd)



Johor: Low prices could attract fresh attention



PRICE INDEX Base index: 100 | Units on y-axis are in % | Source: PropertyGuru

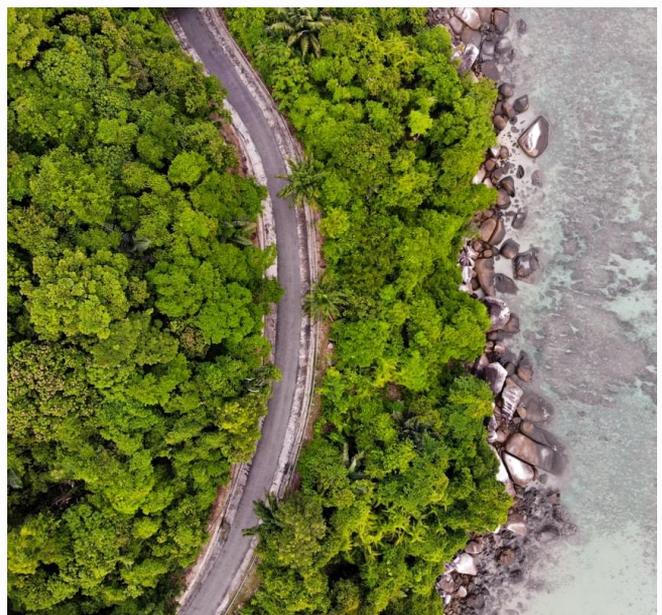
QoQ: ▼ -2.97%

YoY: ▼ -5.58%

The trending downward movement of prices in Johor has only been further exasperated by ongoing COVID-19 uncertainties. In Q3 2020, Johor registered the sharpest decline in asking prices, falling 2.97% QoQ and 5.58% YoY.

Johor also has a large oversupply situation to cope with. It currently has the largest number of overhang properties in the country with 6,166 unsold completed units in the market. The MPPI found that supply in the state continued to grow in Q3, registering a 18.36% QoQ hike and an increase of 3.56% YoY.

Downward trending prices may actually be a boon for Johor in the current climate, putting it on better footing to appeal to the domestic market in the short- to mid-term. Shrinking prices have already brought some attention, as recent quarters have seen an increase of online attention for Johor properties.



Region Analysis (cont'd)

Price Index
88.60

QoQ -1.34%
YoY -1.49%

Supply Index
360.68

QoQ 19.80%
YoY 10.14%

State	Price Index	Q-o-Q		Supply Index	Q-o-Q	
Kuala Lumpur	94.09	-1.35%	▼	338.18	14.39%	▲
Selangor	93.20	-1.04%	▼	378.05	23.55%	▲
Penang	94.50	-0.64%	▼	182.43	20.30%	▲
Johor	95.48	-2.97%	▼	544.81	18.36%	▲

Region Analysis (cont'd)

Top Enquired Projects in Kuala Lumpur in Q3 2020

No	Project Development	Developer
1	OUG Parklane, Jalan Puchong	Akisama Group of Companies
2	M City, Ampang	Mah Sing Group Bhd
3	South View Serviced Apartments, Bangsar South	UOA Group
4	M Luna, Kepong	Mah Sing Group Bhd
5	Parkhill Residence, Bukit Jalil	Aset Kayamas Sdn Bhd

Top Enquired Projects in Selangor in Q3 2020

No	Project Development	Developer
1	Alam Olive Hillpark, Bandar Puncak Alam	MKH Bhd
2	Eco Majestic, Semenyih	Eco World Development Group Bhd
3	Alam Impian, Shah Alam	SP Setia Bhd
4	Country Heights, Kajang	Country Heights Holdings Bhd
5	28 Boulevard, Ampang	Beverly Group Sdn Bhd

Top Enquired Projects in Penang in Q3 2020

No	Project Development	Developer
1	Arte S, Timur Laut	Nusmetro Development Sdn Bhd
2	The Tamarind @ Seri Tanjung Pinang	Eastern & Oriental Bhd
3	Skyview Residence, Jelutong	Gema Intan Sdn Bhd
4	Villa Emas, Bayan Lepas	TechWare Enterprise
5	Melody Homes, Ayer Itam	Belleview Group

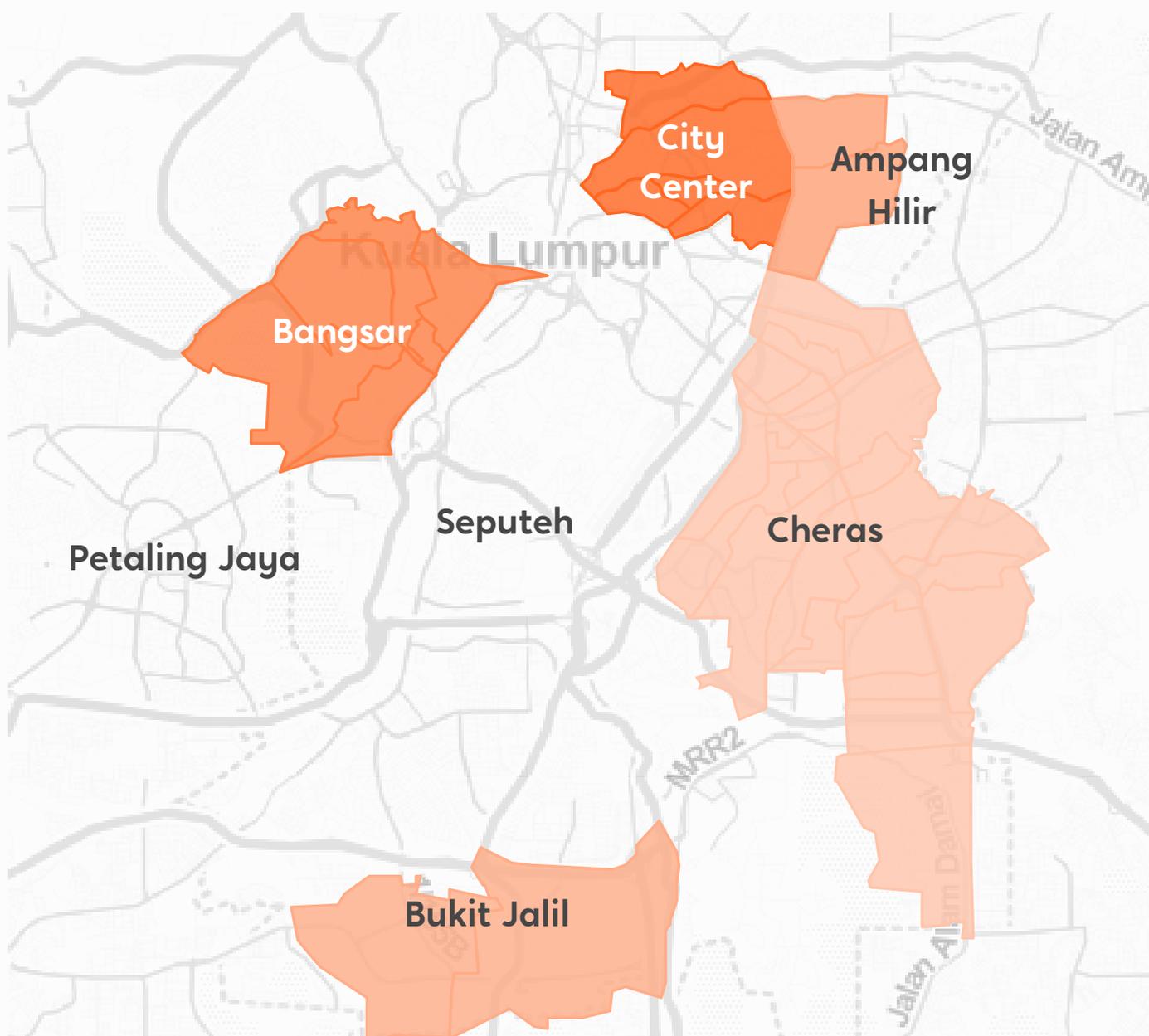
Top Enquired Projects in Johor in Q3 2020

No	Project Development	Developer
1	Horizon Hills, Iskandar Puteri	Gamuda Land Bhd
2	Taman Mutiara Rini, Skudai	Mutiara Rini Sdn Bhd
3	Setia Eco Cascadia, Tebrau	SP Setia Bhd
4	Adda Heights, Tebrau	Adda Heights
5	Taman Mount Austin, Johor Bahru	Erawish Development Sdn Bhd

District Highlights

Top 5 Areas with Highest Median Asking Price in Kuala Lumpur

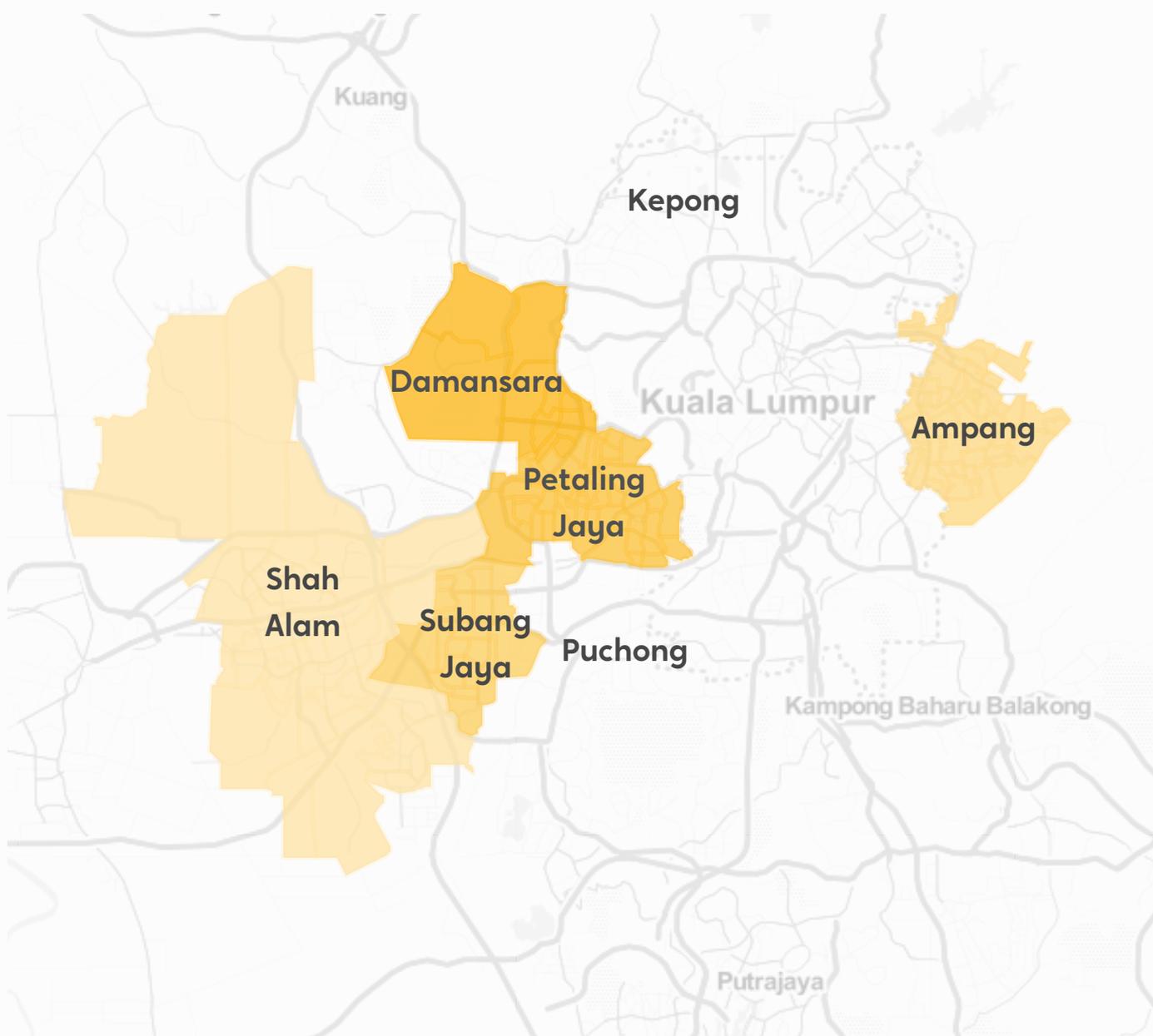
No	Kuala Lumpur Area	Median Asking Price (PSF)	QoQ Change
1	Kuala Lumpur City Centre	RM836	-0.08%
2	Bangsar	RM805	-0.03%
3	Ampang Hilir	RM756	-0.05%
4	Bukit Jalil	RM500	-0.03%
5	Cheras	RM420	0.01%



District Highlights (cont'd)

Top 5 Areas with Highest Median Asking Price in Selangor

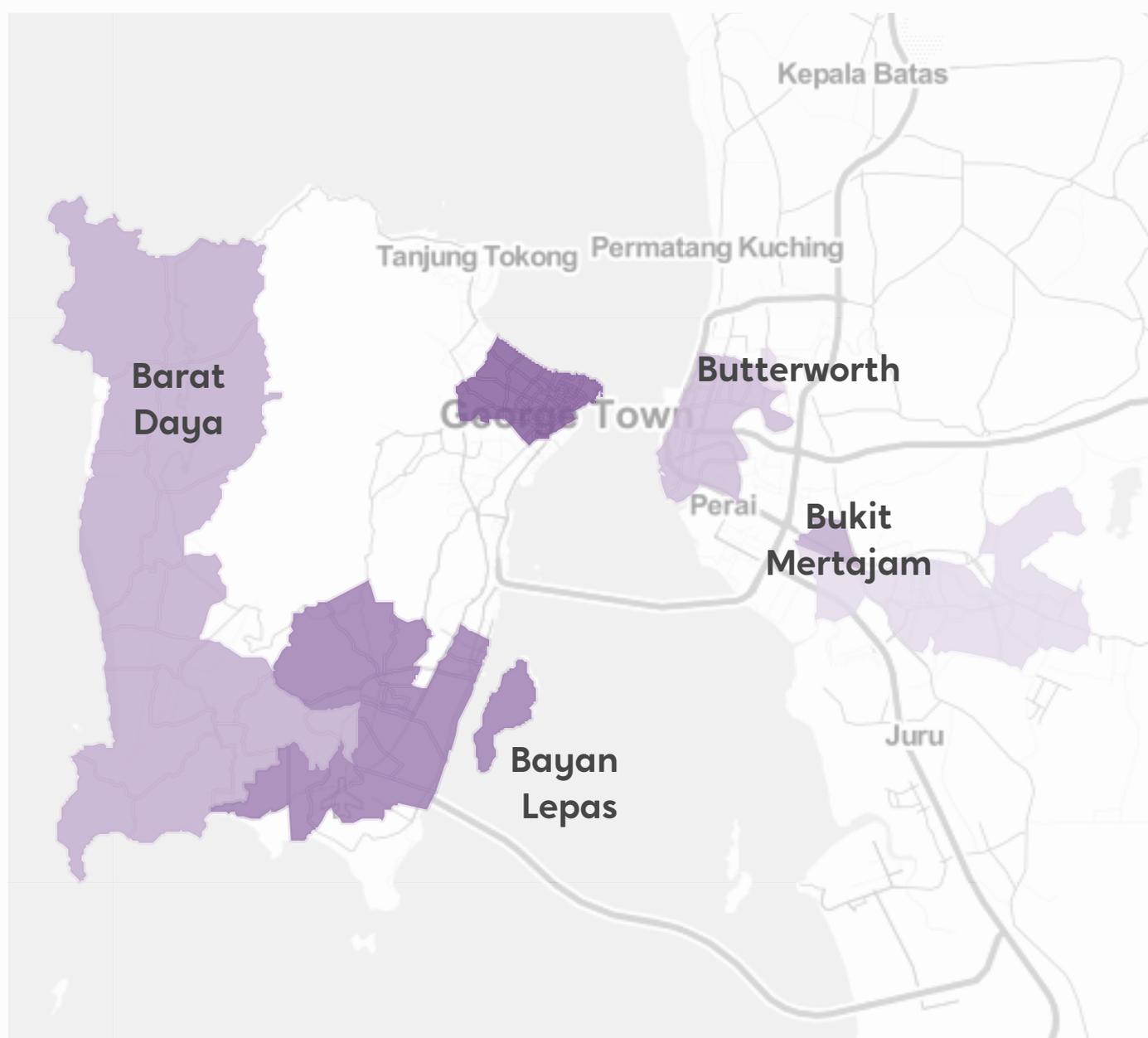
No	Selangor Area	Median Asking Price (PSF)	QoQ Change
1	Damansara	RM504	-0.03%
2	Petaling Jaya	RM492	-0.01%
3	Subang Jaya	RM461	-0.01%
4	Ampang	RM395	0.03%
5	Shah Alam	RM371	-0.01%



District Highlights (cont'd)

Top 5 Areas with Highest Median Asking Price in Penang

No	Penang Area	Median Asking Price (PSF)	QoQ Change
1	Georgetown	RM630	-0.03%
2	Bayan Lepas	RM475	0.01%
3	Barat Daya	RM335	-0.02%
4	Butterworth	RM334	0.02%
5	Bukit Mertajam	RM294	-0.01%



District Highlights (cont'd)

Top 5 Areas with Highest Median Asking Price in Johor

No	Johor Area	Median Asking Price (PSF)	QoQ Change
1	Iskandar Puteri	RM386	-0.02%
2	Johor Bahru	RM343	-0.03%
3	Kulai	RM260	0%
4	Kota Tinggi	RM250	-0.05%
5	Mersing	RM115	-0.60%

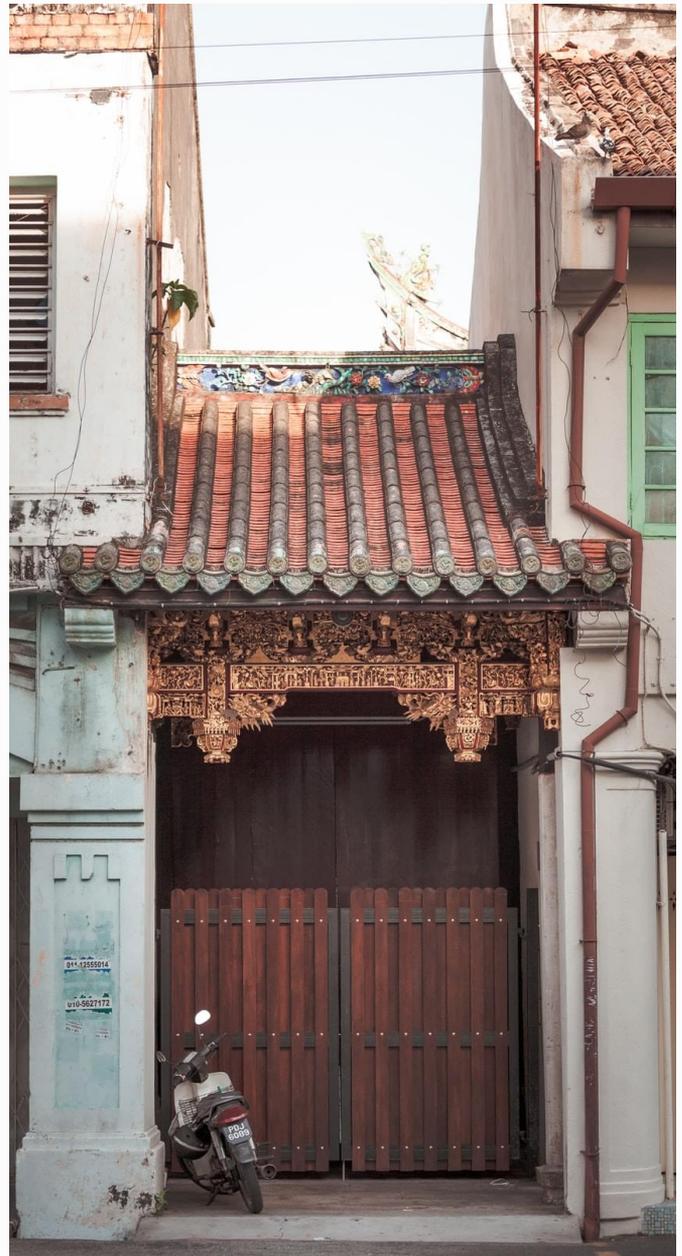


District Highlights (cont'd)

As the overall market sentiment starts its trend towards normalisation, the property sector is also showing signs of improvement, as our data shows. Certain districts in key states have been generating more attention in recent months, according to online search activity at PropertyGuru, resulting in a more positive sentiment of buying a home – as they're coming out of the wait-and-see mentality.

Key areas in KL that have been generating attention in recent months, according to online search activity at PropertyGuru, include Bukit Jalil and Cheras. Property seekers are flocking into these matured neighbourhoods as they fetch a much lower median asking price compared to Kuala Lumpur City Centre.

Selangor is also proving to be the most progressive region, as developers active in the state have been aggressively turning to digital marketing in order to promote their projects.



District Highlights (cont'd)

Key areas that have been generating interest, according to PropertyGuru data include Damansara, Petaling Jaya, Subang Jaya and Shah Alam. There has also been a consistent increase in enquiries for Shah Alam properties with a 158% Month-on-Month (MoM) incline, in terms of volume searches in Q3, making it a more desirable place for property seekers.

In addition, there has been a steady increase of enquiries for Penang properties since Q2 this year, especially in the George Town, Bayan Lepas and Butterworth areas.

Georgetown, the capital city of Penang still dominates the highest in asking prices given its UNESCO World Heritage Site title. However, do note that places like Bukit Mertajam, Barat Daya and Butterworth are slowly rising in prices from its rapid development with new projects.

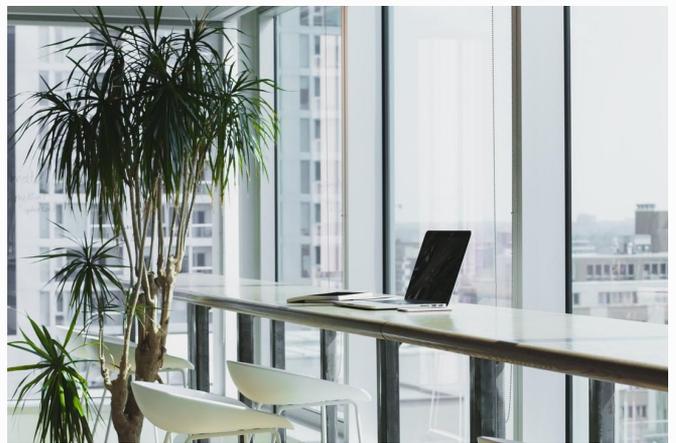
Johor's key areas are also receiving attention in the state, including those located in Johor Bahru City, Pasir Gudang and Iskandar Puteri. Asking prices in Iskandar Puteri dominate the overall city's pricing due to its rapid modernisation and development in the district, luring many foreign investments, but have come under pressure this year.



What does this mean for buyers?

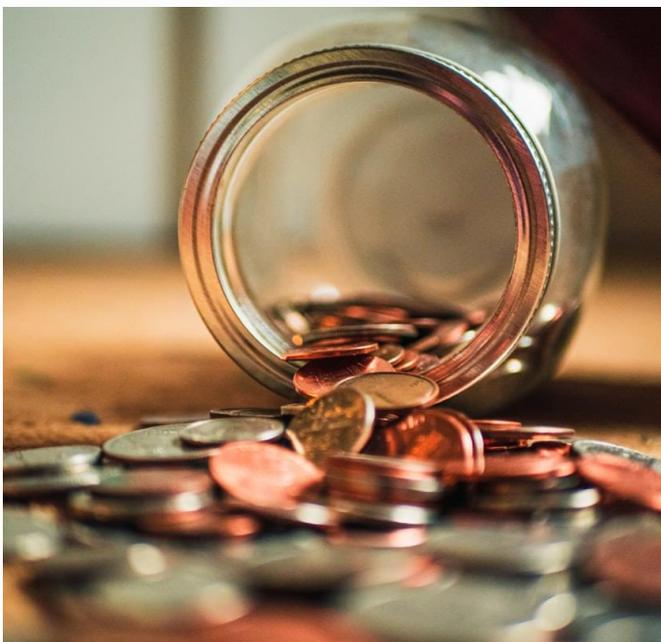
Bank Negara Malaysia (BNM) said overall property transactions fell by more than 25% by volume in H1 2020 and by about 27% in value.

The retail space sector, in particular, had been significantly affected by consumers reaction to the pandemic, and rental rates in the retail property market are likely to remain depressed in the period ahead.

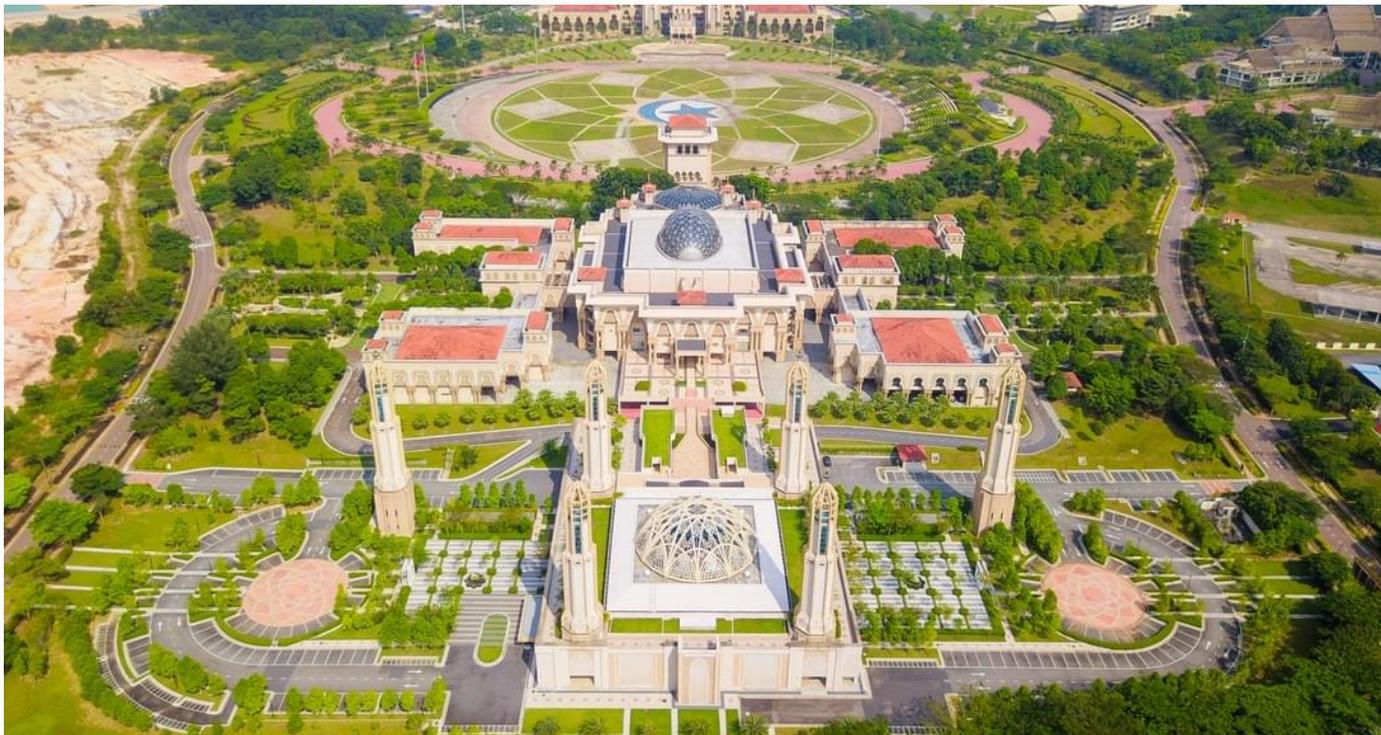


Office spaces have also been impacted. The future may bring a shift towards telecommuting and working from home. This may further depress both office occupancy and rental rates, the central bank said.

On the residential front, this pandemic may increase risks of a broader decline in house prices due to a deterioration in income and weaker demand conditions. This increases risks to financial stability, given that loans for the purchase of residential properties account for the bulk of banks' total property-related exposures.



What does this mean for buyers? (cont'd)



Factors that are currently in place are expected to mitigate this risk, including extending 80% of loans for homes that are owner-occupied which substantially reduces the likelihood of borrowers defaulting on their loans. Incentives under the Home Ownership Campaign (now extended to 2021) and PENJANA, as well as low OPR should continue to provide some support to housing demand, especially in the primary market.

Moving forward, the market will have to be more acutely aware of specific demand to remain relevant to buyers.

“PropertyGuru’s Malaysia Consumer Sentiment Study H2 2020 found that Malaysian home seeker tastes are changing with regard to what they are willing to pay for. Developers hard-hit by the current spate of pandemic-related restrictions should ensure their products take market demand into account, to maintain healthy sales figures and ease the residential overhang,” said Fernandez.

2020 Round-up

Overall, the year has proven to be a turbulent one on all fronts for the property market.

While a pre-existing subdued economic climate set the tone for the beginning of the year, it is clear that the impact of the pandemic has had a marked impact on demand, supply and prices.

A silver lining can be found in the fact that prices has proven to be considerably resilient in the face of unprecedented difficulties.

Asking prices have largely held steady throughout the course of the year, even moving upward in some key markets in the first half, while dropping at a relatively unalarming rate in Q3. This points to a market that is keen to rebound once the dark cloud of COVID-19 has cleared.

It is important to note that a great portion of consumer behaviour this year has been dictated by pandemic fears as well as government implemented restrictions on movement, therefore, it has not been an accurate reflection of actual demand for property.

Despite this, demand has not been completely absent and there continues to be strong interest for properties in select locations, especially in this low-price, low-interest rate climate.

With infection rates still high, all indications suggest that any significant turnaround in consumer sentiment will only occur in 2021, when either the virus has brought under control or we simply become more accustomed to it. Any positive development on the vaccine front, would also be a catalyst for a quicker rebound.

What's next in 2021?

Moving forward in a climate of lower property prices, expect to see **renewed interest and activity among younger buyers** who have been actively saving for a property purchase, but have thus far been priced out of the market.

Also, expect buying interest to continue for terrace homes as starter families may be looking to upgrade to more spacious homes in the prevailing climate of low prices, low interest rates and government incentives.

About this report

Buying a property is one of the most challenging decisions of our lives. It is also likely to be the most expensive one. When committing to a home purchase, it is important to make an informed choice, so that decisions can be made confidently.

At PropertyGuru, we are passionate about helping homebuyers find and secure the home they have always wanted. We created this report to help regular Malaysians understand the movement of the property market better, so that buyers can offer reasonable prices in line with market sentiments or try to time their purchases better.

We look at the property market across Malaysia, in different locations, and across different property types, to provide a comprehensive, insightful overview of home pricing across the country.

As the largest property site in Malaysia, PropertyGuru processes a vast amount of real estate data daily. As such, we are uniquely positioned to bring solid insights about the market. We certainly hope these insights help Malaysians make more confident property decisions.

Methodology

Using a range of statistical techniques, the data from over 450,000 property listings on PropertyGuru.com.my are aggregated and indexed, demonstrating the movement of supply side pricing.

The Malaysia Property Market Index (MPMI) shows seller sentiment and indicates the price level that real estate developers and home owners feel that they can fetch for their respective properties.

Short term increases in the Index demonstrate buoyancy of sentiment while in the long term, the Index indicates which part of the property cycle the market is currently going through.

The Index reflects the most recent (Q3 2020) price trend, relative to a reference period of Q4 2016. This means that aggregated price levels are denominated as 100 at Q4 2016, and all subsequent quarters' pricing are relative to that.

We complement the price with a view on supply volumes in the market through the number of property listings on PropertyGuru.com.my. Our supply volumes not only take into account residential resale supply, but also new launch supply in the Malaysian property market.

About PropertyGuru

PropertyGuru is Malaysia's leading and largest property site. With over 450,000 home choices at PropertyGuru, it has the most properties to choose from. Voted "Best Online Property Portal" by consumers at the BrandLaureate BestBrands Awards, PropertyGuru is the preferred destination for over 3 million property seekers to find their dream home in Malaysia, every month.

The company is also part of PropertyGuru Group, Asia's leading property technology company.

For more information, please visit

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