

■ SPECIAL REPORT ■

MALAYSIA

MARKET SHOWING SIGNS OF REVIVAL

Unrest at home is driving a surge in buying activity by Hongkongers in a sophisticated but affordable market, writes **Peta Tomlinson**

Green shoots of recovery are being spotted in the Malaysian residential property sector. According to one experienced real estate professional, the market is on track to record the highest number of home transactions since 2016. And while various government stimulus measures are credited with incentivising local buyers, fresh activity from international buyers – particularly from Hong Kong – is pushing sales figures upwards.

In the first half of 2019, 99,922 residential property transactions worth RM34.65 billion (HK\$65 billion) were recorded, a rise on the 94,200 transactions worth RM31.66 billion in the same period last year.

Official figures for the second half will not be available until February or March, but property veteran Michael Geh, senior partner at Raine & Horne

International Zaki + Partners Sdn Bhd and current president of the International Real Estate Federation (FIABCI) Malaysia, forecasts a full year tally of 204,840 transactions.

Geh, who bases his prediction on current trends and 10 years of tracking data, also expects the total value of these transactions will rise from RM68.75 billion in 2018, to an estimated RM71.03 billion this year. Not since 2016, when 203,064 units valued at RM65.57 billion changed hands, has the market approached this level.

Geh expects the primary market to record around 35,188 transactions valued at RM14.27 billion – an increase on the 31,993 transactions, valued at RM12.91 billion in 2018 – and the secondary market to record 169,652 transactions valued at RM56.76 billion, up from last year's 165,392 transactions



An 8 Conlay living/dining room by Steve Leung of design partner YOO8.

worth RM55.83 billion. He attributes this growth to the many positive policies introduced by both the Housing and Local Government Ministry and the Finance Ministry.

"Positive policies to spur the housing industry have been effective in moving the market in the first half of the year and this trend is expected to continue for the rest of this year," Geh says.

He adds that the recent budget unveiled concerted efforts by the government to assist developers to clear unsold stock including the recommended reduction of threshold prices for foreign purchasers from RM1 million to RM600,000.

Notably, Geh has seen an increase in international buyers over the past three months. "Definitely, not only interest, but actual transactions," he says. These buyers are mainly from Hong Kong, as well as mainland China, and they mostly buy in the major cities of Kuala Lumpur, Penang, Sabah, Kota Kinabalu and Johor Bahru.

With housing more affordable in Malaysia compared

to elsewhere in Asia, pricing is just one advantage for international buyers. "They come for the lifestyle," Geh says. Especially because of the unrest in Hong Kong, he adds, buyers are "suddenly more motivated to make the purchase".

He also notes the growing sophistication of residential developments in Malaysia, offering high-end buyers more choice.

Newly launched 8 Conlay, for instance, an ultra-luxury mixed-use development in Kuala Lumpur, incorporates two branded serviced residences created in collaboration with design partner YOO. Known as YOO8, it brings to Malaysia the talents of celebrated interior designers Steve Leung in one tower, and Kelly Hoppen in the other, together with a five-star hotel and lifestyle retail podium.

While much has been written about housing oversupply in Malaysia, Geh maintains that well-located properties are still selling well, adding his opinion that unsold inventory is mainly in projects in less saleable locations that are some distance



8 Conlay in Kuala Lumpur incorporates two branded serviced residences. Photos: Handouts

away from town and suburban areas, lacking in connectivity and public transport. "If such properties continue to be built in less desirable locations, they will not be sold even in the next two to three years as people do not wish to buy and live in these places," he says.

Geh adds that there are "lots of incentives" to buy in the primary market right now, including discounts and stamp duty exemptions for first homebuyers, as well as the lower threshold for foreign investors. He also believes that his growth projections are on the conservative side. "On the ground, I believe the figures are slightly better than that," he says.

Geh says it is too early to call a market turnaround. "A lot of

people say a lot of things – real proof of the market is transactions," he says, adding that it appears to be "healthier and stronger" than last year.

Datuk Sr. Paul Khong, managing director of Savills Malaysia, agrees that 2019 has been a "relatively better year" with "nominal improvements" in the property market.

While the reported figures for the first half are "quite encouraging", Khong notes that latest overhang statistics "are still high for residential". Construction has ploughed on despite the softened demand, leaving a legacy of 32,810 residential units worth RM19.76 billion left unsold – a 1.5 per cent increase year-on-year, according to latest statistics

from the National Property Information Centre.

"Most of the property sectors are showing double-digit growth in overhang figures," Khong says. And there is "still another new supply of 81,627 and 34,267 units under construction from the two main residential and serviced flat sectors", he adds.

But Khong does expect that lowering the foreign ownership threshold to RM600,000 will help address overhang units.

On the upside, conditions are good news for buyers. "It is still a good time to shop for a property given the current sluggish market conditions and the toppish overhang numbers," he says, adding that landlords and developers are offering hefty discounts to conclude sales.

BUYING GUIDE

What you can buy for US\$542,000-US\$1.11 million:

A branded flat in YOO8 at 8 Conway. Situated between Kuala Lumpur city centre and the Golden Triangle neighbourhood, with interior design by Steve Leung and Kelly Hoppen, the flat offers residents luxury with access to the five-star hospitality of Kempinski Hotel.

What you can buy from US\$124,227:

The starting price for a unit in Centra Residences, the first phase of a new integrated development to be rolled out at Nasa City, Johor Bahru. The 428 serviced flats across two 25-storey towers range from 786 sq ft to 2,002 sq ft. All feature privacy, security and intelligent design.