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MIEA PROPERTY MARKET SENTIMENT REPORT 2017/18

President's message



On behalf of the MIEA Board of Directors and Research Committee, I would like to present to you MIEA Member Survey Report on the Budget & Malaysia Property Outlook 2018. We strongly believed that our members and real estate practitioners on the ground will be the best people to understand the market behavior and able to gauge the feedback and response from the public on the property market. We are pleased and appreciate the feedback from 370 of our members and practitioners who responded to this survey.

Despite a challenging market for 2017, we saw an improvement of volume and value for properties transaction for 1H 2017. There were over 153,000 transactions worth RM67 billion, a slower decline of 6% compared to 12% decline in the previous corresponding period. In terms of value, it increases by 5% compared to 1H 2016. The market is still dominated by residential sector which contributed 61.8% in terms of volume and 48.4% in terms of value to the overall property market for 1H 2017.

Malaysian economy has done reasonably well and recorded a growth rate of 5.7% for the 1st half 2017 with a low unemployment rate of only 3.4%. Generally, this should augurs well for the property market but this have yet to translate into property demand or growth. The prudent policy adopted by the respective financial institutions under the Responsible Lending Guidelines issued by Bank Negara has a great impact on the property market. Most purchasers are very careful in making their decisions and securing a loan is almost a pre-requisite before making their commitment.

Except for some minor spillover from the government initiative on the 50% tax exemption on rental income received, we do not foresee the budget to have an impact on the property market arising from budget 2018. However, many feel that the infrastructure projects initiated by the government including MRT 2, MRT 3, LRT 3, HSR and others will mainly benefit and impact on development and properties which are located within close proximity to the stations and not the entire neighborhood or township.

Moving forward, MIEA members and practitioners have portrayed a positive market sentiment that the property market will remain stable and continue to grow in 2018 despite the challenges ahead. For the mid and near term, the property industry is expected to be healthy, supported by the young demographics, growing population and low unemployment rate. The long-term demand for property would also continue to grow steadily while the rental market will remain stable although albeit challenging. I believe many new opportunities will unfold in year 2018 and I hope this survey studies will provide the needed insight and information to all fellow members and practitioners in achieving greater laurels in your business.

Thank you.

Regards,

Eric Lim
President
Malaysian Institute of Estate Agents

INTRODUCTION

Every year, the Finance Minister will announce the government budget, which is an annual financial statement presenting the government's projected revenues and proposed spending for a financial year. The annual budget, which will need to be passed by the Parliament before being implemented, will include introduction of new projects and other measures that will have considerable impact on the country's economy, including the property market.

The budget needs to be passed by the Parliament before being implemented. On 27th October 2017, the Finance Minister and Prime Minister of Malaysia, Dato' Seri Najib Tun Razak presented the 2018 Budget with the theme of "Prospering an inclusive economy, balancing between worldly and hereafter, for the wellbeing of rakyat, towards TN50 aspiration".

This year's budget, which is also deemed as Mother of all budgets by our prime minister, is unique because this is the last budget before the country heads for the 14th General Election (GE14). Malaysian Institute Of Estate Agents (MIEA) is pleased to present to you our MIEA Survey, which aims to gauge our members' pointers towards the 2018 Budget and Malaysian economy.

We would also like to extend our appreciation to CCO & Associates (CCO) for accepting our appointment to be the research partner in this MIEA Survey.

We would also like to extend our gratitude to the 370 of MIEA and non MIEA members that have spent their times to participate in this survey.

Executive Findings

Most participants have indicated strong economic growth will lift the overall property market sentiments. Supported by strong economic growth, the Malaysian property market is not expected to experience hard landing however most participants concur specific property sectors at certain locations in the country are expected to undergo corrections, where property prices and new supply are expected to consolidate until demands for properties start to improve again.

The overall Malaysian property market is expected to remain stable and favourable market outlook is observed for the affordable residential properties, mid-range landed residential properties and hospitality property sector. On the other hand, over half of the participants have portrayed poor market outlook for the retail property sector and high-end serviced apartments, condos and SOHOs in 2018. Cautious outlook is observed for the purpose built office sector and highly priced properties.

2018 Budget has introduced new measures as well as infrastructure projects located all over the country. Overall, over 90% of the responses from the participants have shown all the infrastructure projects are expected to contribute positively to the local property market.

Railway based public transportations such as MRT 2, MRT 3, HSR and LRT 3 are popular infrastructure projects that are expected to create high impact on the local property market. The survey also shows that Impact of infrastructure projects located at rural areas are not expected to create greater impact than the impact created by infrastructure projects located in urban areas.

2018 Budget has also introduced several measures that will benefit the property market, namely tax exemption on rental income until 2020 is expected to improve rental of residential properties in the market while the incentives to promote the tourism sector augurs well for the tourist related developments, namely hospitality and recreational sectors.

Despite being the last budget before the 14th General Election (GE14) with various incentives and handouts, majority of the participants remain neutral on the 2018 Budget. This could be attributed to the lack of new and significant incentives to stimulate the Malaysian property market and lack of measure to address the property financing issues.

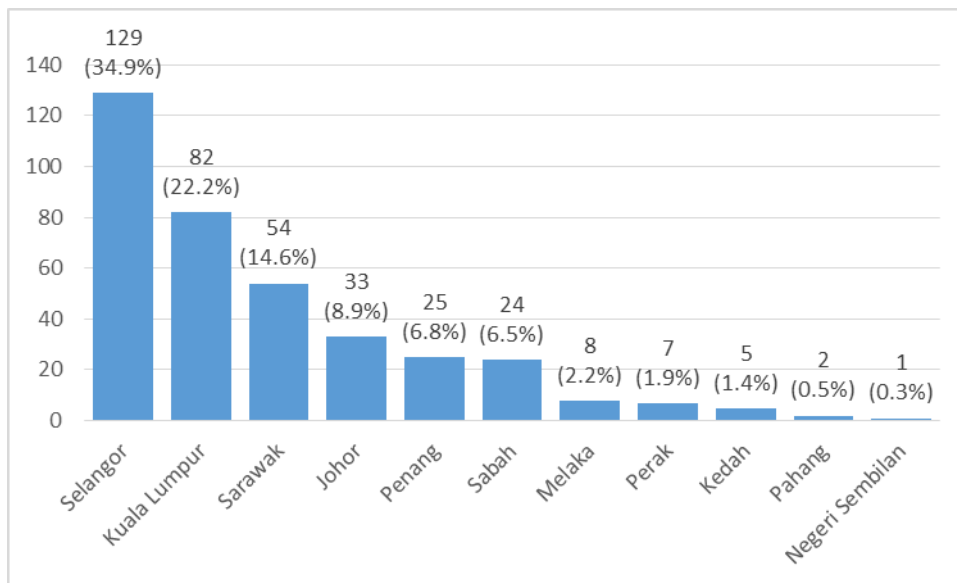
In spite of the challenging market condition, the overall market sentiments in the Malaysian property market is expected to remain stable in 2018 supported by favourable economic growths.

Participants

370 Real Estate practitioners, comprising Registered Estate Agents, Certified Real Estate Negotiators, Valuers, Probationary Valuers and Probationary Estate Agents, participated in this survey. All the participants are Real Estate Practitioners in Malaysian property market in various locations in the country.

The following graph shows breakdown of the participants according to their practising locations.

Breakdown of the participants according to their practising locations

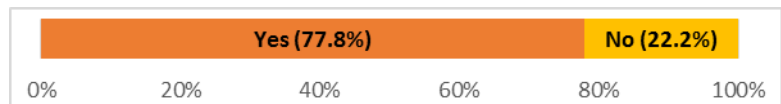


Economic Outlook

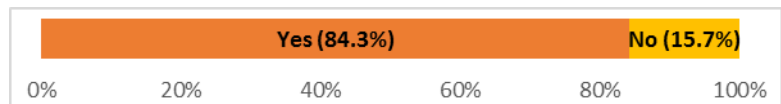
The Malaysian economy has recorded high growth rate of 6.2% in third quarter of 2017 (2017-3Q), which is the highest since 2014-2Q. Based on the favourable economic performances, the government has projected the Malaysian economy to record growth rate of between 5.2% and 5.7% for the whole of 2017 and 5% to 5.5% in 2018. The projected growths are considerably higher than the 4.2% recorded in 2016.

77.8% of the respondents agree that the favourable economic growth will lift up the Malaysian property market while 84.3% believes the newly launched Digital Free Trade Zone (DFTZ) will be the new economic catalyst for Malaysia.

Do you think the favourable economic growth will lift up the Malaysian property market?



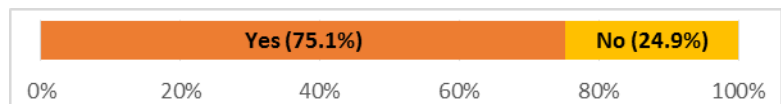
Do you think DFTZ will be the new economic catalyst for Malaysian economy?



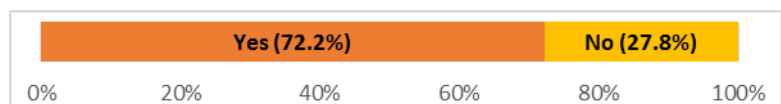
14th General Election

Most respondents feel political stability is important to ensure improvements in the Malaysian economy and property market. 75.1% and 72.2% of the respondents agree that Malaysian economy and property market will show improvement after 14th General Election (GE14).

Do you think the country's economy will improve after the general election?



Do you think the Malaysian property market will improve after the GE14?



2018 Budget

Key infrastructure projects

The government will introduce various infrastructure projects during the annual budget announcements. In the past, some projects have brought significant improvements to the local property market, especially immediate surrounding areas of the infrastructure projects. During the 2018 Budget, the government has introduced various infrastructure projects.

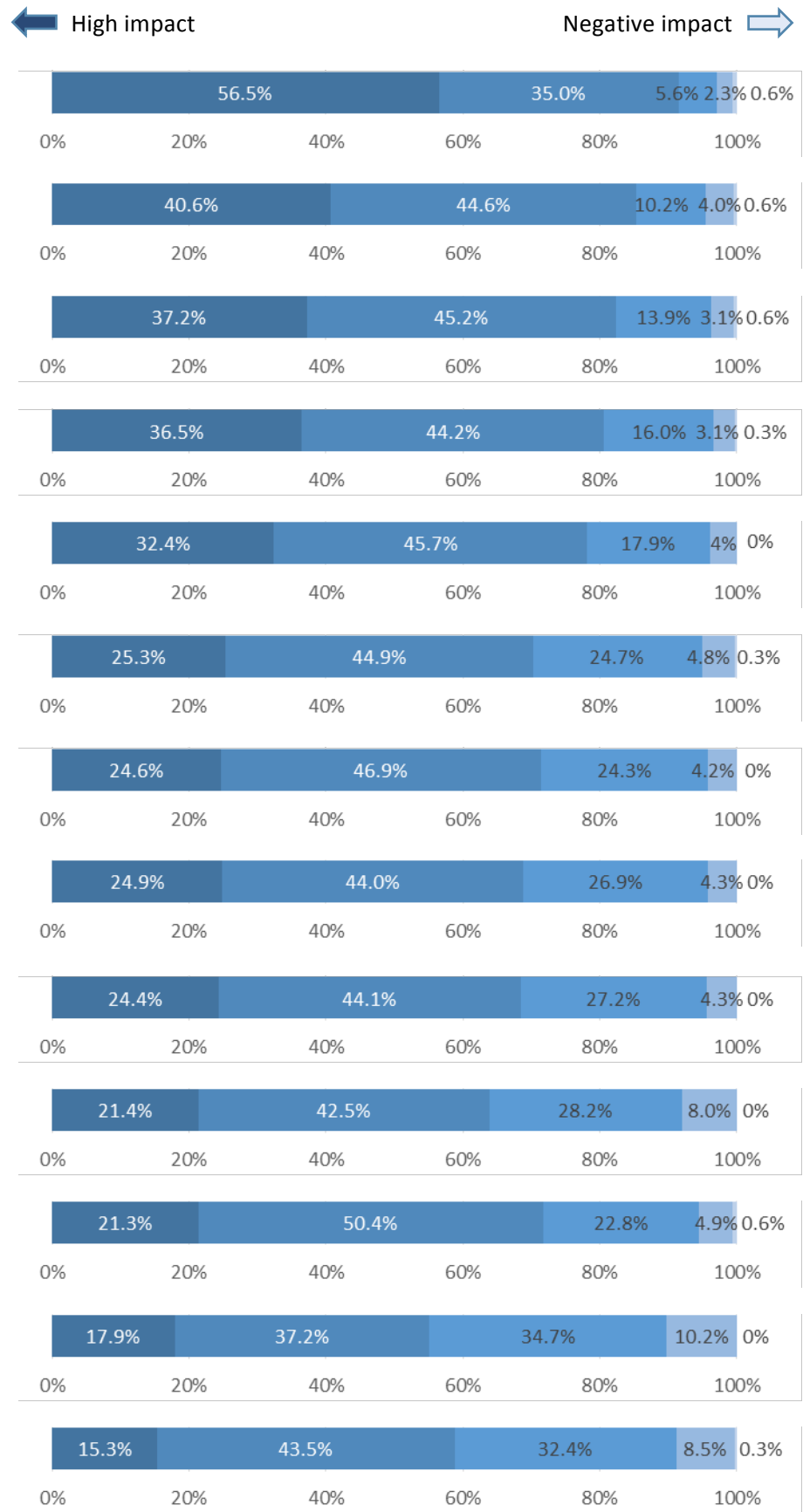
Generally, all the infrastructure projects highlighted in 2018 Budget have attracted favourable reviews by the respondents with 92.1% of the overall responses show the demand and prices of the local property market will improve amid at different magnitudes. 7.3% indicated no changes are expected in 2018 while only 0.6% indicated prices and demand will decline.

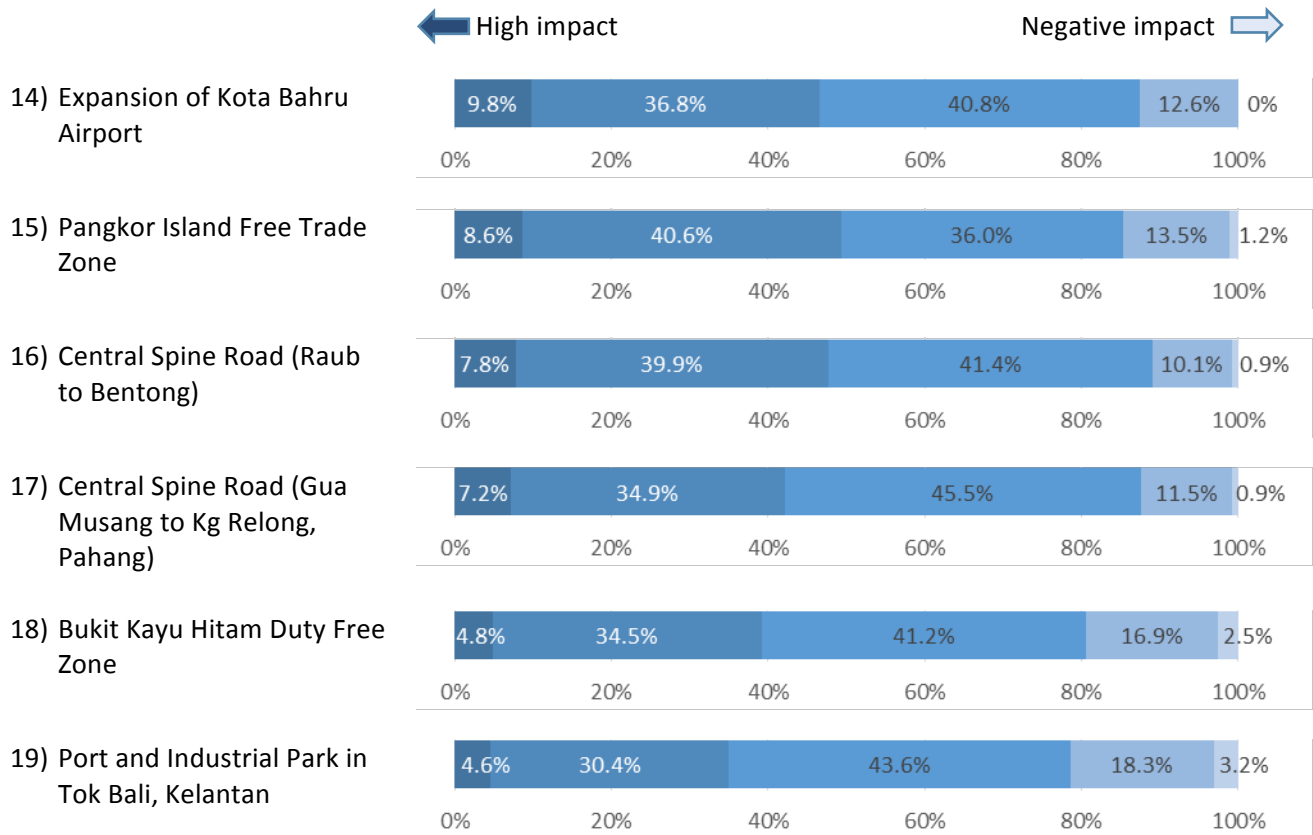
Following shows key findings of the survey:

- ✓ Many respondents indicated that mega railway projects such as HSR (Kuala Lumpur and Singapore), MRT 2 (Sungai Buloh, Serdang and Putrajaya), MRT 3 (Circle line) and LRT 3 (Bandar Utama and Klang), are expected to create high impact on the local property market in 2018.
- ✓ Notwithstanding the above, respondents are less confident on the impact of ECRL with only 15.3% and 43.5% feel the project will bring high impact and medium impact on the local property market, respectively.
- ✓ Other top ten high impact projects include upgrading of Penang International Airport, futurise Cyberjaya as one stop center to develop prototype products, Digital Free Trade Zone (DFTZ) and Pan Borneo Highways in Sabah and Sarawak.
- ✓ Based on our analysis, impact of the infrastructure projects on the local property market in rural areas will be lower when compared with the impact created in the urban areas.

Respondents of this survey have gauged the potential impact of the infrastructure projects on the local property market in 2018 based on the following parameters.

High impact	: Prices and demand will improve by over 30% in 2018
Medium impact	: Prices and demand will improve by 10% to 30% in 2018
Low impact	: Prices and demand will improve by less than 10% in 2018
No impact	: No impact in 2018
Negative impact	: Prices and demand to drop in 2018

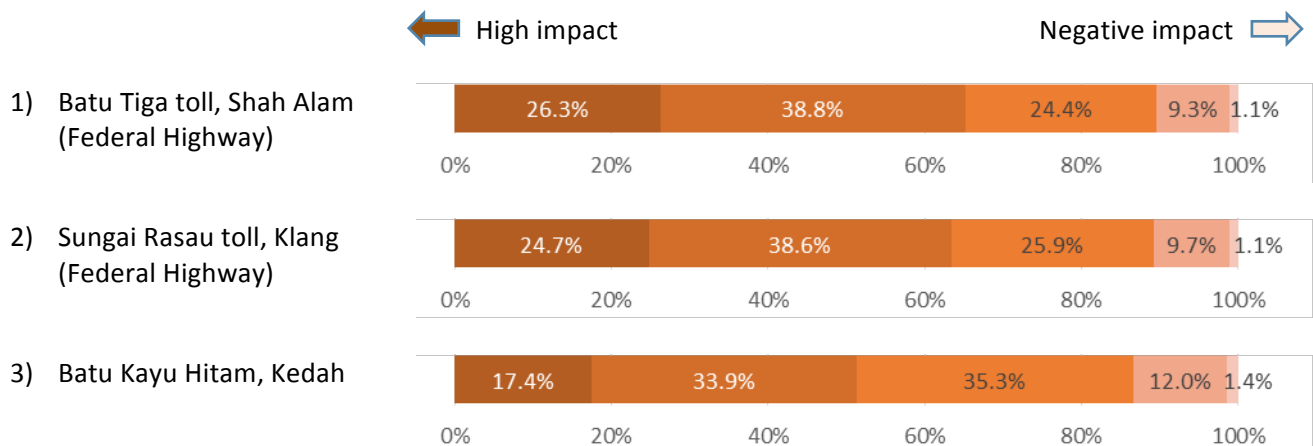


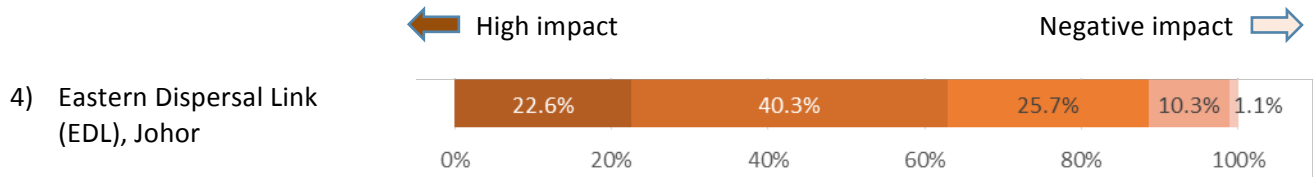


Abolishment of toll collections

Under Budget 2018, the government plans to abolish toll collects at four (4) locations in Selangor, Kedah and Johor effective 1st January 2018. Reductions in the toll collections will reduce the cost of traveling as well as ease the traffic congestion in the surrounding areas.

Marginally higher impacts are anticipated from the abolishment of toll collections at Batu Tiga and Sungai Rasau in Klang Valley when compared to Batu Kayu Hitam and Eastern Dispersal Link. Batu Tiga and Sungai Rasau are busy tolls in Klang Valley and have affected many people in Klang Valley.





50% tax exemption on rental income

To promote rental of residential homes, the government is offering 50% tax exemption on rental income received by resident individuals not exceeding RM2,000 per month. The exemption is given from 2018 to 2020. 66.8% of the respondents agree that the exemption will improve the rental of residential properties.

Will this improve rental of residential properties?



Overall 2018 Budget

In 2018 Budget, the government has rolled out various projects, incentives and handouts to various groups of populations, ranging from developments of affordable homes and various measures to improve financial positions of Malaysian, namely BR1M, reduction in the income tax, special payments to the civil servants and others. The overall allocation for 2018 Budget increased to RM280.25 billion from RM260.8 billion in 2017 while budget deficit is expected to reduce to 2.8% of GDP in 2018 from 3% in 2017.

In spite of the generous handouts, improving economic outlook and reducing budget deficit, 66.5% of the respondents are feeling “Neutral” on the overall 2018 Budget. Being directly involved in the Malaysian property market, the respondents feel that 2018 Budget did not address major issues that directly affect the Malaysian property market, e.g. low loan growth in property financing and lack of incentives to stimulate Malaysian property market.

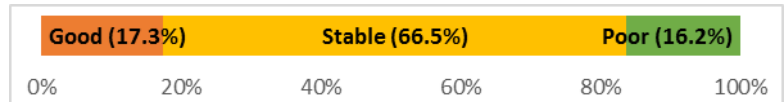
Overall, what is your take on 2018 Budget?



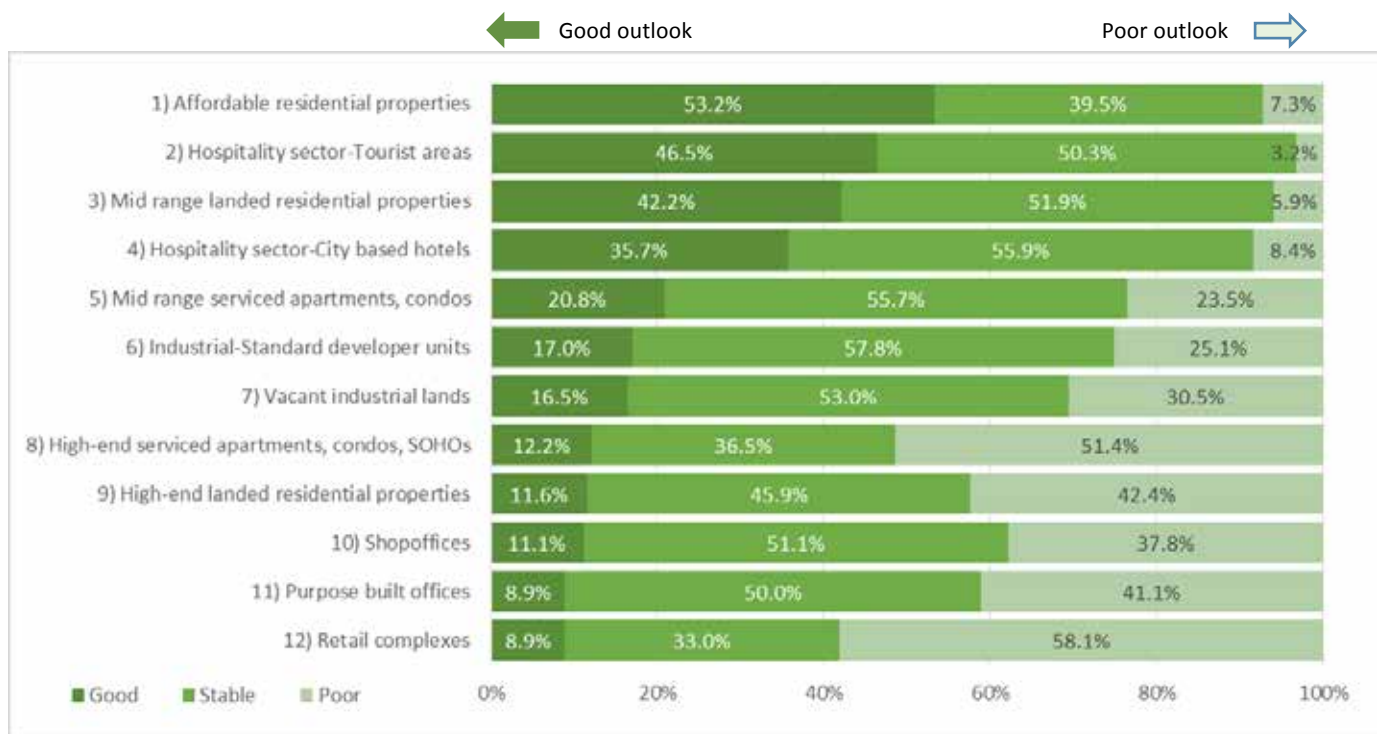
Property Market Outlook

About 66.5% of the respondents feel the overall Malaysian property market will remain stable in 2018, supported by healthy economic growth and healthy but prudent financial system. 17.3% has feel good factor for the property market while the remaining 16.2% expects the market to worsen in 2018.

In your opinion, what is the overall outlook for the Malaysian property market in 2018?



The following shows the responses from the respondents when asked about the outlook of the following property sectors in 2018:



- ✓ Affordable residential properties attracted the highest “Good” rating for the market outlook in 2018.
- ✓ Supported by various measures to promote tourism developments in the country until 2020, which has been declared as the Visit Malaysia Year, “Good” market outlook is noted for the hospitality sector, for both hotels / resorts located within city or near tourist areas.
- ✓ Respondents have also expressed confident over the outlook of mid-range landed residential properties such as terraced houses and semi-detached houses.

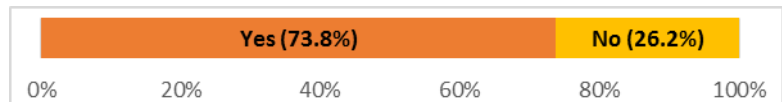
- ✓ Over 50% of the respondents have rated “Poor” market outlook for the retail property sector and high-end serviced apartments, condominiums and SOHOs.
- ✓ Cautious market outlook is noted for purpose built offices and highly priced properties, namely high-end landed residential properties and shopoffices.

Freeze on new developments for retail, office and high-rise residential projects costing above RM1 million

The government has frozen approvals for new office and retail projects as well as high-rise residential projects costing RM1 million effective 1st November 2017. Subsequently, government clarified that approvals for high-rise residential projects costing above RM1 million will be given based on case to case basis.

73.8% of the respondents agree with the new measures introduced by the government.

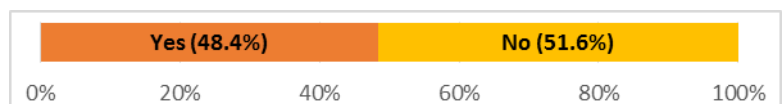
Do you think these measures are necessary?



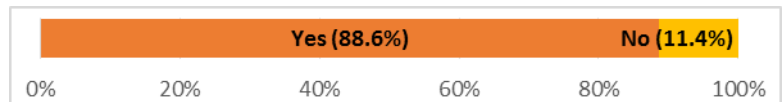
Will the Malaysian property market crashes?

Recently, there are concerns that Malaysian property market will crash, e.g. demand and prices to decline across the board. While responses from the respondents were inconclusive on whether the Malaysian property market will not be affected at all or the prices and demand will decline across the board, 88.6% of the respondents agree only selected property types in certain locations will be affected.

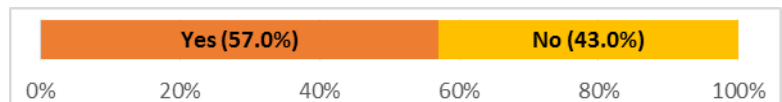
The property market will not be affected at all.



Only selected property types in certain locations will be affected in 2018.



Prices and demand across the board will decline.



Business opportunities

Overall, the Malaysian property market is expected to be stable in 2018 amid challenges in specific property sectors and locations. 58.6% of the respondents think the overall business prospect in Malaysian real estate market will be stable in 2018 while 31.6% feel business prospect in the real estate market is good. The remaining 9.7% is pessimistic about the property market in 2018.

Approximately half of the respondents think the prospect of property rental services is good in 2018 and neutral market prospect for secondary property sales and new launches or project sales.

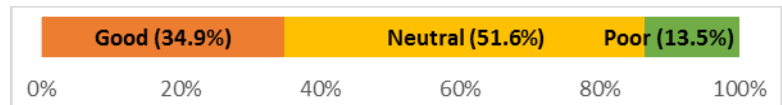
Overall real estate business prospect



Rental services



Secondary property sales



New launches / project sales



DISCLAIMERS

This survey is intended to provide a general overview on the Malaysian property market outlook and is not a reliable indicator for future performances of any specific property or property sector. Under no circumstances shall MIEA, CCO or participants of this survey be held liable for any indirect, incidental, consequential, special or exemplary damages arising from this survey.

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The findings contained herein is based on information made available to us at the time of our survey and have been derived from sources which we believe to be reliable. As such, we cannot guarantee its accuracy or completeness. No liability can be accepted for any loss arising from the use of this report.

Congratulations

to all lucky draw winners!

Winners	Prizes	Sponsors
Max Wong Soon Foong (PEA1642)	1 MAREC'18 ticket	MIEA
Jacob Anak Sab (REN20131)	1 MAREC'18 ticket	MIEA
Jeffrey Bong Soon Leong (REN09053)	Hi-tea Voucher for 2 persons	Armada Hotel, PJ
Kelvin Yip Kwong Wai (E1221)	Hi-tea Voucher for 2 persons	Grand Margherita, Kuching
Seng Kin Yip (REN06796)	Meal Voucher	Sime Darby Convention Centre
Mas Irwadi Bin Mohamad (REN11172)	Meal Voucher	Sime Darby Convention Centre
Malvinder Singh a/I Narjan Singh (PEA0505)	Meal Voucher	Sime Darby Convention Centre
Diana Ting Fong Fong (REN17632)	1 night room stay with breakfast for 2 persons	Mutiara Hotel, Johor Bahru
Stanley Yao Shi Siang (REN17633)	Lunch Voucher @ Café@6 for 2 persons	Tower Regency Hotel, Ipoh
Viki Chan Wen Wen (REN23022)	Lunch Voucher @ Café@6 for 2 persons	Tower Regency Hotel, Ipoh
George Ting Fong-Ziun (REN09061)	Hi-Tea Voucher @ Café@6 for 2 persons	Tower Regency Hotel, Ipoh
Michelle Yong Mei Chun (REN17375)	Hi-Tea Voucher @ Café@6 for 2 persons	Tower Regency Hotel, Ipoh
Alistair Ting Peng Ann (REN22630)	1 night room stay with breakfast for 2 persons	Tower Regency Hotel, Ipoh



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