News Release

Malaysia property market picking up

Activities expected to increase in commercial sub-sectors

26 July 2018, Malaysia – The property market in Malaysia saw a gentle recovery during the first half of 2018.

Following the historic conclusion of Malaysia's 2018 General Election (GE 14) coupled with the strong growth momentum of the economy; there are clear signs of improvement as more clarity in the policies of the newly elected Government unfolds.

Moving into 2H2018 / 2019, the property market is expected to pick up with more enquiries and investment activities.

Knight Frank Malaysia launches the latest research report, Real Estate Highlights 1st Half of 2018 today which highlights the property trends and outlook in key markets of Malaysia. The review period saw some notable commercial investment activities, which will continue to strengthen the property market.

Industrial Market

The active participation of key industrial and logistics players, both local and foreign, bodes well for the local industrial property market, aligning with Malaysia's need for better quality warehouses and state-of-the-art factories. In anticipation of the current Government continuing with the e-commerce initiative, demand for larger Class-A warehouse facilities is expected to increase. Automation is also expected to play a major role in these sophisticated warehouses, as the country moves to embrace the Industry 4.0 revolution.

Allan Sim, Executive Director of Capital Markets in Knight Frank Malaysia, says, "The industrial property sector presents a popular alternative asset class for developers and investors in additional to the traditional residential and commercial (office and retail) markets. Moving forward, we expect to see more township developments with industrial components, business parks and logistics hubs being built.

"Overall, the growth for Malaysia's industrial property sector continues to be promising. The recent report on Airbus SE's agreement in principle to conduct feasibility study for investment to build a final assembly line in Negeri Sembilan is an encouraging evidence of the positive outlook present in Malaysia's industrial sector."

Office Market

The KL Fringe office market was resilient in 1H2018 with both rental and occupancy levels holding firm despite the oversupply of space in certain locations in Klang Valley.

Teh Young Khean, Executive Director of Corporate Services in Knight Frank Malaysia, says, "Completed and on-going rail infrastructure within Greater Klang will continue to drive demand for office space in established and upcoming decentralised office locations. In this tenant-led market, flight to quality continues to impact older and lower grade buildings as existing tenants, particularly big space occupiers, look to relocate to newer, better quality office space with landlords offering competitive rental packages to entice them. We continue to see active enquiries and leasing activities from co-working operators exploring new set-up or expansion in prime office buildings, in tandem with rising demand for flexible work space among a multitude of occupiers."

Retail Market

The 1st half of 2018 continues to see developers and operators of selected shopping centres embarking on asset enhancement initiatives (AEIs) to address challenges in the retail landscape and to continue attracting shoppers and tenants alike.

Rebecca Phan, Associate Director of Retail Leasing & Consultancy in Knight Frank Malaysia, says, "Retailers did not experience a major uptick in their businesses during the 1st Half of 2018 as consumers are still holding back spending due to uncertainties that may impact the economy. Although the zerorisation of GST is good news, the impact is still limited. While consumer goods among the mid to lower end market are showing good movements, it did little to boost up spending in the mid to upper middle lifestyle segments such as fashion, beauty and F&B.

"We expect the retail market to show clear signs of recovery in 2019 provided if the economy performs well in 2H2018. Also, we are not in view that e-commerce will disrupt the retail / shopping mall industry as e-commerce will not be able to offer experiential shopping to consumers like how shopping malls do. This is why mall operators should invest more into entertainment and service related trade, which will enhance consumers' experiential shopping experience. Experiential shopping must be the key catalyst in a mall's concept other than just architecture, design and positioning. Allow this experience to touch on the emotion of the shoppers so that it translates to product purchase."

Residential Market

Market sentiments have improved in the residential market during 1H2018, especially after the general elections. KL, being the capital city, remains one of the well-liked destinations in the eyes of property buyers and investors alike.

Kelvin Yip, Associate Director of Residential Sales & Leasing in Knight Frank Malaysia, says, "During 1H2018, potential buyers or investors are switching away from a "wait-and-see" approach and are now genuinely seeking for good bargains in the market. This trend has reduced the chances of a sharp correction in the residential property market as we expect stronger demand to continue and the oversupply situation to be less severe.

"Also, developers are now getting becoming more aggressive in promoting their products by conducting nationwide roadshows. Based on the current trend, we expect the residential market to record more transactions in 2H2018. Home ownership, which commands a high cultural value among Asian societies, will be another reason why we anticipate more market activity to take place in the residential market.

"The capital city KL will remain as the well liked investment destination among foreigners as prices are still reasonable as compared to other major Asian cities. Unlike cities such as Hong Kong and Singapore, where foreign buyers are subjected to additional buyer's stamp duty, Malaysia's residential market remains relatively investor friendly to foreign buyers."

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To download the report, please visit: https://bit.ly/2OakCnD

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Notes to Editors

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