News Release

Malaysia's property market showing modest signs of improvement

Stars seem to align for a mild recovery in the overall property market

08 January 2019, Malaysia – The property market in Malaysia experienced a pick-up in activities during the second half of 2018.

Investors' confidence showed some positive signs as the newly elected Pakatan Harapan government starts to provide more clarity and certainty on its fiscal policies following the tabling of Budget 2019.

In 2019, Malaysia's property market is poised to see light at the end of the tunnel barring any external shocks such as a global economic slowdown.

Knight Frank Malaysia launches the latest research report, Real Estate Highlights 2nd Half of 2018 today which highlights the property trends and outlook in key markets of Malaysia. The review period saw several notable commercial investment activities, which is a sign of improving macro trend in the property market.

Industrial Market

Industrial properties are now moving towards sizeable scale and come with higher specifications. Good examples will be Area Logistics @ Ampang at Ulu Kelang Free Trade Zone and Century Logistics' upcoming headquarters at Bandar Bukit Raja in Klang. On the other hand, manufacturing and logistics operators seek to centralise their operations and improve their business capacities. The government is also encouraging further development in Malaysia's industrial property sector in selected strategic locations with focus on developing key industries such as the aerospace sector.

Allan Sim, Executive Director of Capital Markets in Knight Frank Malaysia, says, "In 2019, we anticipate higher level of land banking activities among industrial property developers. This is because strong latent demand continues to be omnipresent especially for industrial properties with high specifications, as occupiers understand the need to jump onto the Industry 4.0 bandwagon in order to future-proof their businesses. This presents a unique opportunity for developers and investors alike to gain attractive monetary returns by providing end-users with the right products.

"Moving forward, we expect to see new large-scale industrial developments taking shape in strategic locations due to robust demand for warehouses. For example, the proposed Free Trade Zone (FTZ) in Pulau Indah, which was recently unveiled by the government, is expected to generate interest from manufacturers and logistics operators alike. As for established industrial parks, we continue to see redevelopment of debilitated factories into multi-storey facilities as a mean to mitigate high land costs.

"All in all, Malaysia's industrial property sector, which has been the silver lining for Malaysia's subdued property market in recent years, is set to continue its resilience."

Office Market

The office market experienced no significant change in rental although certain sub-markets experienced slight decline in occupancy during 2H2018.

Teh Young Khean, Executive Director of Corporate Services in Knight Frank Malaysia, says, "Moving into 2019, occupancies in selected sub-office office markets are expected to be under pressure due to heightened competition from impending and existing office stock while rentals will continue to hold steady as newer buildings tend to command higher rates. We continue to observe active enquiries and leasing activities in the co-working and IT related segments. Also, an increasing number of older buildings are looking into repositioning and refurbishment to meet current occupier needs."

Retail Market

The three-month tax holiday period from June to August have pushed the consumer sentiment index (CSI) to a 21-year high of 132.9 points. Subsequently, while the CSI index have fallen after the 3-month tax holiday, it remains at an expansionary level beyond the 100 points. However, with supply continuing to outstrip demand, the retail market is expected to remain competitive.

Rebecca Phan, Associate Director of Retail Leasing & Consultancy in Knight Frank Malaysia, says, "As the retail market remains challenging, it can be observed that malls are taking proactive measures to create new experiences in order to remain relevant. For example, Fahrenheit 88 recently welcomed the country's very first pop-up Selfie Museum to create a multi-sensorial experience that matches the contemporary "insta-worthy" trend. With modern shoppers becoming increasingly tech savvy, malls are now banking on the use of social media to attract more patrons.

"Vis-à-vis the implementation of The Goods and Services Tax (GST) back in 2015, the introduction of Sales and Service Tax (SST) did not significantly dampen consumer spending, with the CSI remaining at expansionary levels. This serves as a boon for the retail market amidst the current challenging environment.

"Moving into 2019, lesser established and new malls without pre-committed take up will find it challenging to compete in this diluted market. Therefore, rental growth will likely be muted as retailers continue to be spoilt for choice."

Residential Market

Post GE14, confidence levels have improved in the residential sector. In line with improving market sentiment, developers have become more optimistic and we saw more launches during the second half of 2018.

Kelvin Yip, Associate Director of Residential Sales & Leasing in Knight Frank Malaysia, says, "In spite of the challenging market environment, market enquiries and activities have increased. In 2019, we expect to see more motivated sellers and discerning buyers to be present in the residential market. Various policies announced in Budget 2019, which are designed to aid first-time homebuyers, are also expected to kick-start the housing market moving into 2019 and beyond. Malaysia's residential properties will continue to be attractive in the eyes of foreign buyers as a result of our liberal policies, reasonable valuations and coupled with no extra stamp duties.

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To download the report, please visit: https://bit.ly/2Au1xaL

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Notes to Editors

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