

Malaysia's Property Market

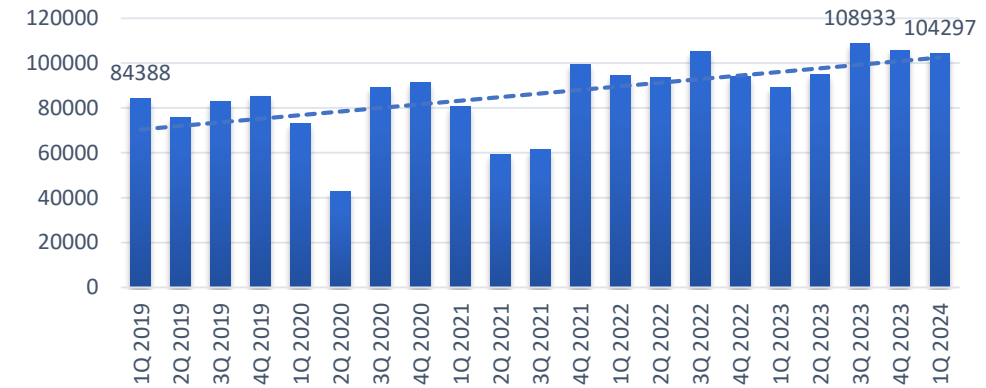
So far, so good

Despite the rise in cost of living, elevated level of interest rate and heightened economic uncertainties, the Malaysia's property market continue to prevail. In year-on-year (y-o-y) terms, total property transaction increased by a double digit pace of 17.2% to 104,297 units during the first quarter of 2024. In ringgit terms, total property transaction stood at RM56.5 billion, representing 34.3% increment against the first quarter of last year.

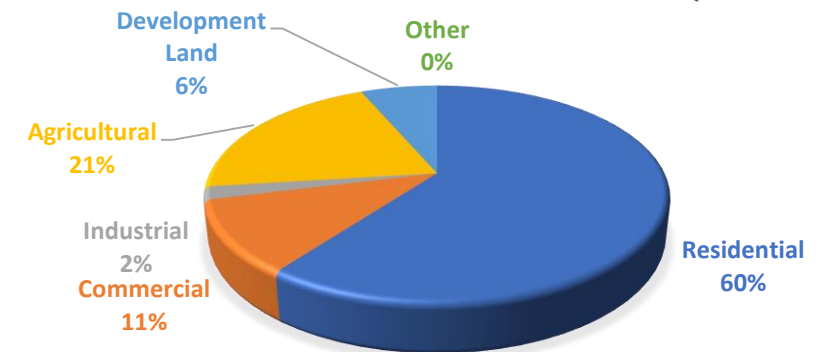
As in the past trend, residential property accounted for the lion share, constituting 60.2% of total property transaction in the 1Q2024. This was higher compared to 16.6% in the same period of 2023. This followed by Agricultural, Commercial, Development Land, Industrial and Other which formed 20.5%, 10.9%, 6.4%, 1.9% and 0.0% respectively. These properties have also risen by a double digit pace in y-o-y terms during January to March 2024.

On that note, the property market has been quite resilient despite having to contend with the economic challenges.

PROPERTY TRANSACTION IN UNIT



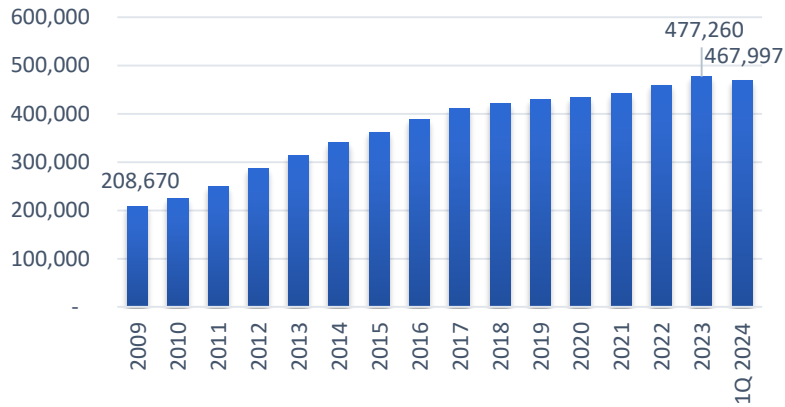
BREAKDOWN OF PROPERTY TRANSACTION IN 1Q2024



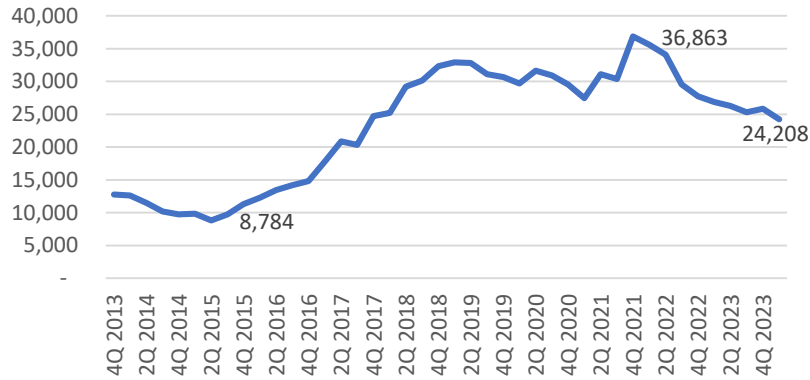
Sources: NAPIC & CEIC

House prices are at elevated levels but risk of property bubble is rather low presently

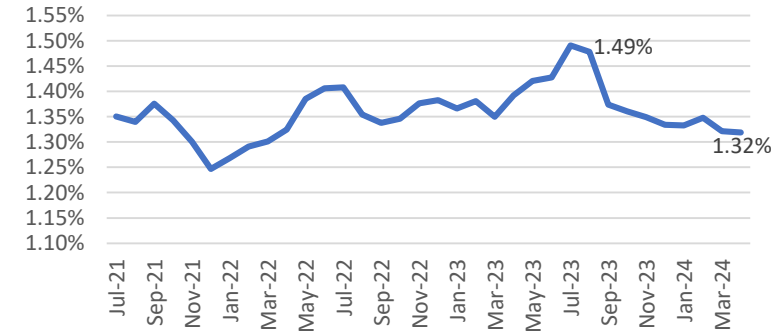
AVERAGE HOUSE PRICES (RM)



RESIDENTIAL UNSOLD UNITS



GROSS FINANCING IMPAIRED RATIO (GFIR) FOR RESIDENTIAL PROPERTIES (%)

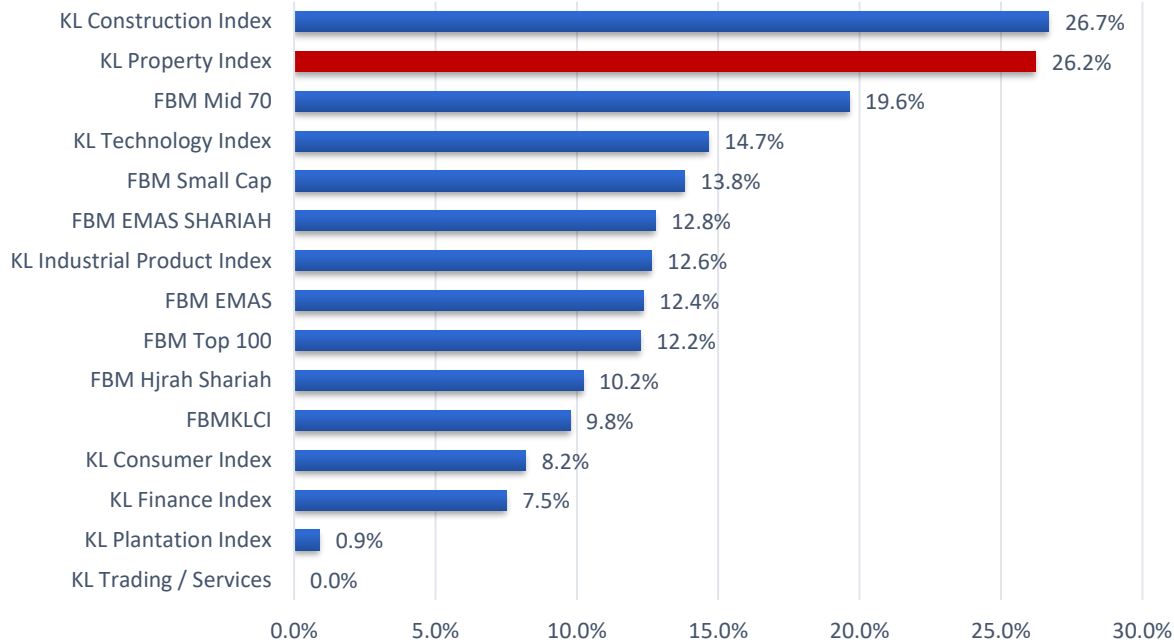


The average house prices have remained at an elevated levels of RM467,996.94 in the 1Q2024 although it was slightly lower compared to the previous quarter level of RM477,260.17. The Compound Annual Growth Rate (CAGR) for the average house prices stood at 6.1% per annum between 2009 to 2023. Put it differently, house prices have been rapidly rising as the value has gone up more than double since 2009 (RM208,670). This could really explain the appeal of residential property market as an asset class given the anticipation of wealth creation from investing in the property market. Given the current market conditions, the risk of a property bubble - where house prices increase exponentially without matching demand or there is an excessive housing supply - remains minimal. This was premised on the unsold units for the completed housing or the property overhang which has been on the declining trend since 4Q2021 (36,863 units) to 24,208 units. Additionally, the Gross Impaired Financing Ratio (GIFR) for the Residential Property market is generally lower with the recent statistics showed the GIFR was remain stable at 1.32% for the month of April (March: 1.32%).

Sources: NAPIC & CEIC

Property sector is among the top performing sector in Bursa

BURSA MALAYSIA INDICES YEAR-TO-DATE PERFORMANCE (%)



BURSA MALAYSIA PROPERTY INDEX



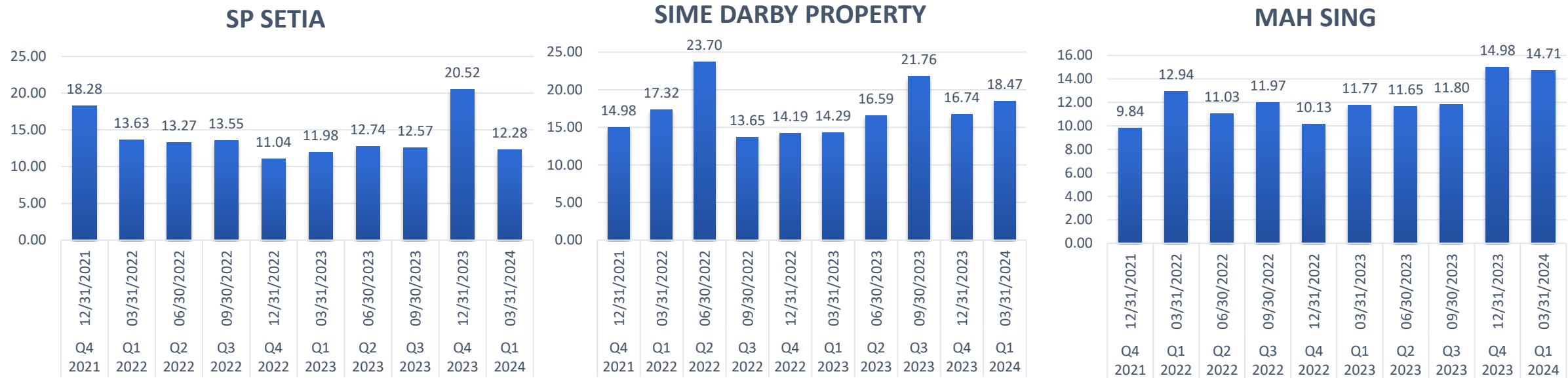
Source: Bloomberg

The Property Index in Bursa Malaysia have gone up 26.2% since the start of the year and it is deemed as one of the best performing sector in Malaysia. Equity investors have been quite sanguine about the sector especially during 2023 following higher number for new property launches. However, equity analysts seems to be quite cautious for this year outlook as some of them have downgraded the sector from Overweight to Neutral as new property launches are expected to slow. Nonetheless, the proliferation of thematic play such as Johore-Singapore Special Economic Zone (JSSEZ), the infrastructure projects rollout and land sales deal would result in greater interest among the investors.

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The main industry players margin have been quite commendable

Dr Mohd Atzanizam Abdul Rashid
 Chief Economist



Source: Bloomberg

The financial performance among the top players in the property industries have been decent. Generally speaking, some of the good property companies have been recording double digit in their pre tax profit margin ratio which is exceedingly higher compared to the Construction sector margins. Some of the players are also venturing into Data Center and Renewable Energy as a means to diversify its sector's reach and be able to leverage on their economies of scale. This include Sime Darby Property Berhad teaming up with Pearl Computing Malaysia Sdn. Bhd. to develop hyperscale data center at its flagship Elmina Business Park. Mah Sing Group Bhd is also collaborating with Bridge Data Centres Malaysia V Sdn Bhd to develop the data centre facilities in Bangi. Similarly, UEM Sunrise announced their partnership with Logos Infrastructure Holdco Pte Ltd to explore the opportunity to develop data centre campus in Gerbang Nusajaya, Johore.

Their debt servicing ability is also improving based on the Interest Coverage Ratio

SP SETIA



SIME DARBY PROPERTY



MAH SING



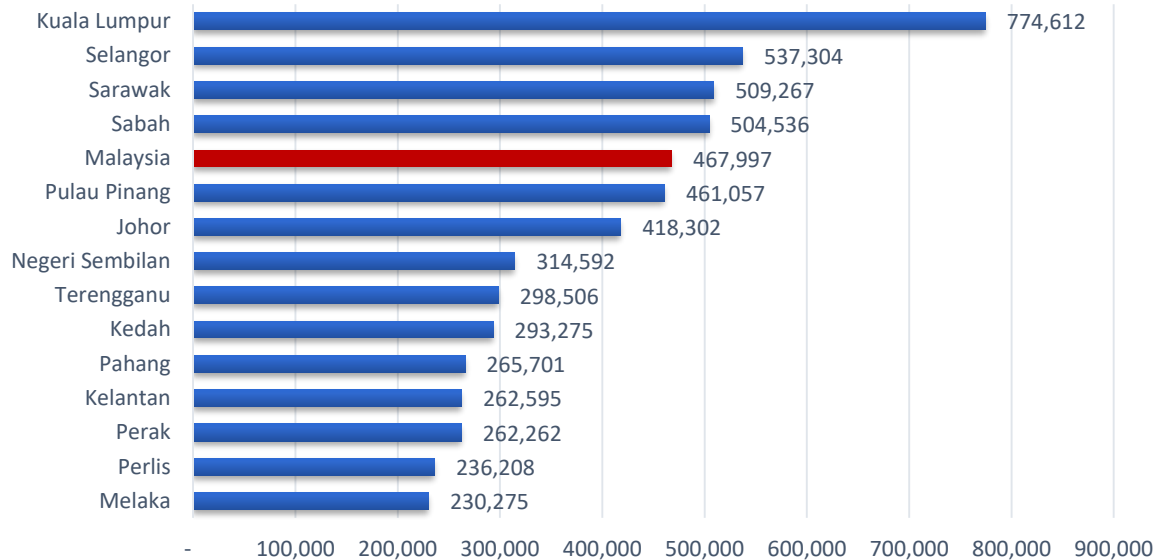
Source: Bloomberg

Apart from better margins, the property players ability to service its debt is also improving. The Interest Coverage Ratio which measures the debt servicing ability has been on the rise for some of the major players. Some property companies have been actively reducing their debt level by way of land sales and improving its properties via Real Estate Investment Trust (REIT). In general, the property players have been quite prudent in their financials as they focus on reducing their inventory and gearing level. This has led the players to have comfortable level of cash balance which allows them for expanding their landbank, venturing into new areas (Data Centre & Renewable Energy) and rewarding their shareholder via dividend. Not to mention the unbilled sales which typically gives them earnings visibility for the next 3 years should give a better comfort from the credit risks standpoint.

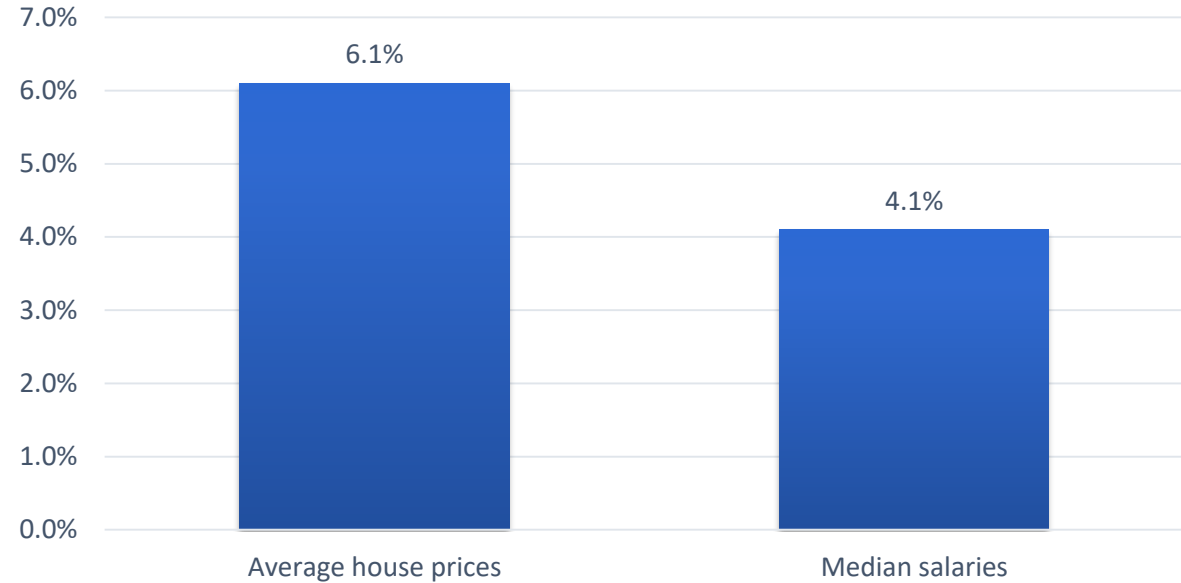
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Affordability is still an issue

AVERAGE HOUSE PRICES IN 1Q2024



COMPOUND ANNUAL GROWTH RATE (CAGR) FROM 2010 TO 2022



Sources: DOSM, CEIC & BMMB's Economic Department

While property is one of the best performing sector in Bursa Malaysia, the fundamental issue surrounding the industry is the affordability among the general population. Based on the National Affordable Housing Policy 2019, the maximum price of affordable housing in Malaysia is RM300,000. However, judging from the average house prices in the 1Q2024, there are only a handful of states in Malaysia that has an average house prices of RM300,000 and below. Major states such as Kuala Lumpur, Selangor, Penang, Johore and even in Sabah and Sarawak have higher average house prices. Looking at the CAGR for the average house prices and median salaries, clearly income growth among Malaysians are not keeping pace with the rise in house prices. The CAGR for average house prices and median salaries stood at 6.1% and 4.1% respectively.

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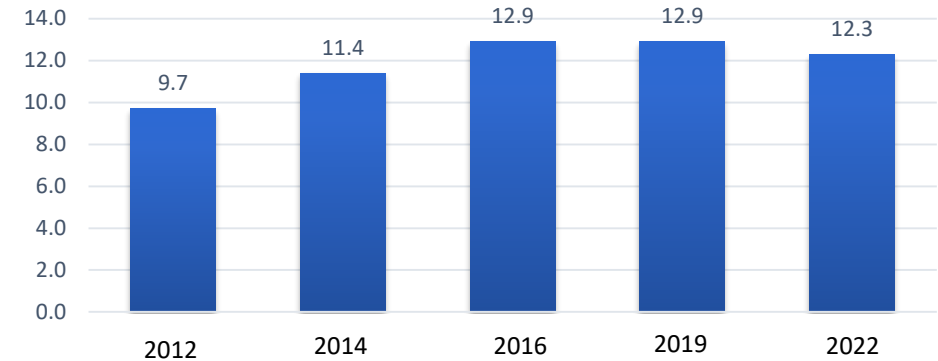
Forward looking view

Residential property is likely to remain an important asset class to Malaysians given its persistent rise in value and the culture of owning a house among our citizen remain prevalent (House ownership rate at 72.5% - source: Khazanah Research Institute). This will create a steady demand for housing, whether its for dwelling or investment. The data indicates that the share of household income from property and investment has risen from just 9.7% in 2012 to 12.3% in 2022.

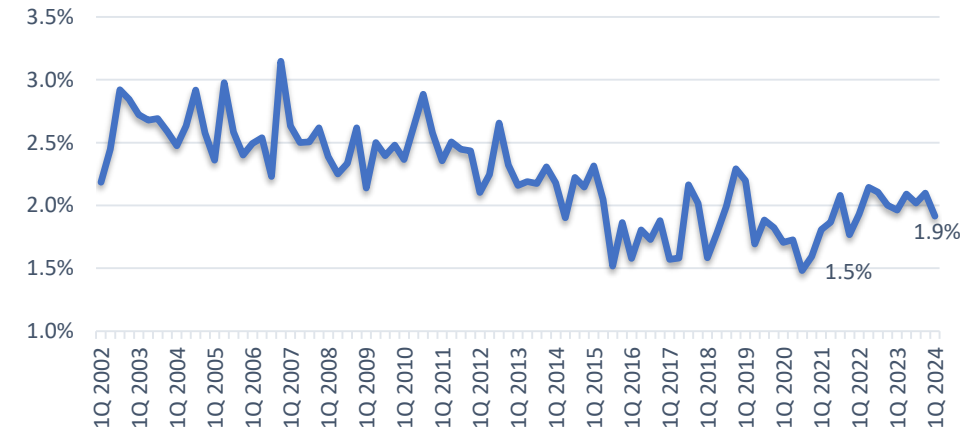
The proliferation of Data Centre and Renewable Energy will create an avenue for the property companies to diversify its portfolio which could result in more exposure towards the industrial sector. Based on the latest data from National Property Information Centre (NAPIC), the share of Industrial Property in the total property transaction has risen from 1.5% in the 3Q2020 to 1.9% in the 1Q2024.

In a grand scheme of things, the issue on housing affordability will continue to be an overarching hurdle as income among Malaysians have not kept pace with the rise in house prices. This would mean promoting housing rental market would be an ideal solution as this would allow the potential first time house buyer to accumulate sufficient funds to purchase their first house. In this respect, having a holistic regulatory environment for the housing market is crucial in order to safeguard the interest of both parties i.e. the landlord and renter. Perhaps, having a tenancy act would be a prerequisite for an effective and efficient rental markets in Malaysia.

SHARE OF INCOME FROM PROPERTY & INVESTMENT



PROPERTY TRANSACTION: SHARE OF INDUSTRIAL



Appendix – snapshot on some development

Companies Name	Period	Land Bank (Acres)	GDV (RM bn)	Unbilled Sales (RM bn)	Sales target (RM bn)	Sales (RM bn)	Remarks
SP Setia	1QFY2024 Ending Mar-24	5,381	105.28	5.38	4.4	1.42	Latest launches Irama Villa IV, Bandar Kinrara, Puchong, Selangor 38 units of freehold, double storey homes Launched on 3 March 2024 Lot sizes 22'x80' and 24'x100' Price range RM1.7 million to RM3.05 million
Sime Darby Property	1QFY2024 Ending Mar-24	13,000	115	3.6	3.0	0.96	Breakdown sales in 1QFY2024 Industrial - 30.2% Residential Landed - 26.7% Residential High-Rise - 24.5% Others (Commercial, Statutory & Agri lots) - 18%
IOI Properties	9MFY2024 Ending Mar-24	5,193	67.3	0.69	2.0	1.59	Property sales by geography Malaysia - 92% China - 7% Singapore - 1%
Mah Sing	1QFY2024 Ending Mar-24	2478	28.4	2.32	2.5	0.99	5M2024 sales at RM992 million. Strong sales on M-series which is the affordable segment Acquired 2 new pieces of land in 2024 (Sepang & JB) Incoming Vacant Possession worth RM500 million that will help improve Free Cash Flow

Source: Companies Announcement

Appendix – snapshot on some development (cont.)

Companies Name	Period	Land Bank (Acres)	GDV (RM bn)	Unbilled Sales (RM bn)	Sales target (RM bn)	Sales (RM bn)	Remarks
Eco World	1QFY2024 Ending Jan-24	3454	na	3.88	3.5	1.26	Sales of RM1.26 bn has been achieved as of 29 Feb representing 36% of full year target. Sales by product: Eco Township: 45% Eco Rise: 18% Eco Hubs: 13% Eco Business Parks: 24%
UEM Sunrise	1QFY2024 Ending Mar-24	na	na	2.61	1	0.23	Inked strategic MOUs on First RE Industrial Park -Potential GDV of over RM300 million in 5 years -Expect to ground break in 2026 -Key growth catalyst of Gerbang Nusajaya

Source: Companies Announcement