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# Malaysia real estate market outlook for 2017

> CBRE / WTW report on 2016 overview and 2017 forecasts

**H**AVING over the past two weeks written on the global and regional real estate outlook, this week we feature CBRE / WTW's overview of 2016 and what can be expected in 2017.

## 2016 OVERVIEW

Fundamentally, you could say that the property industry runs alongside the economy of the country. As reported in CBRE / WTW's report, domestic consumption rose, driven by spending in areas that include F&B, transportation and communication. Government consumption also grew (according to year-on-year basis) – with expenditure owing to infrastructure.

Net exports saw mixed results – slower demand from China and reduced exports from the US but the weakening ringgit enticing and increasing Malaysian exports even further. The weak ringgit also opened opportunities for foreign investment.

Other than the global rout in oil prices that has led to a significant number of layoffs in the oil and gas sector, the weakening business sentiment and slowdown in the overall trading is also expected to be more apparent, but in the short term.

Looking positive was the growth rate of retail sales which remained buoyant despite softer consumer spending and the rising costs of living. According to the report, strong support was seen from tourists in retail spending from shopping. The weakening ringgit is expected to encourage tourists' spending.

## 2017 OUTLOOK

In the Year of the Rooster, the country's economic growth is expected to be slower due to

the challenging global economic and financial landscape. Domestic demand is said to be the key driver of growth, sustained primarily by economic activity from the private sector. Due to the well diversified nature of our country's exports, positive growth is projected into the year. However, inflation is expected to remain flat although pressured by increase of several price-administered items and the weak ringgit exchange rate.

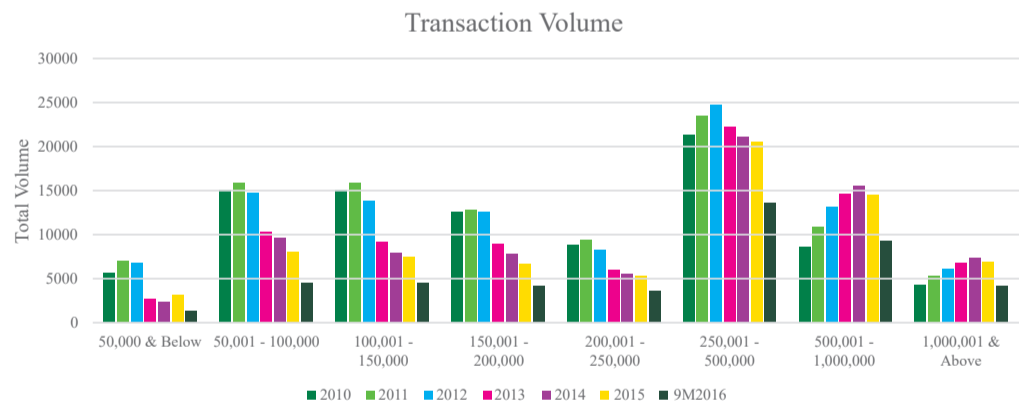
The impact of these cost factors on inflation is expected to be mitigated by continued low global energy prices, generally subdued global inflation and more moderate domestic demand. Supportive fiscal and monetary policies are also expected to help steady the ship for economic growth. GST will strengthen the government's revenue source to accommodate its fiscal measures.

With the overall weakening ringgit, low crude oil prices coupled with worldwide geo-political issues will continue to plague the economy in 2017. No doubt, the year will be a challenging one, but Malaysia's economy is anticipated to remain stable with GDP growth estimated at 4.2%.

## REAL ESTATE MARKET OUTLOOK IN MALAYSIA

As uncertainties and concerns over

## INCREASING SHARE OF UNITS ABOVE RM500K, HOWEVER, UNITS WITHIN RM250K-RM500K PRICE RANGE REMAIN HIGH IN DEMAND



Source: NAPIC, CBRE | WTW Research

the large market supply remains unabated, loan growth is expected to slow further as the weak credit cycle continues.

Apart from the stringent loan requirements from financial institutions that are said to have caused the drop in the number of property transactions, the increasing cost of living and economic uncertainties have led to an upswing in worries about job security, resulting in more cautious consumer spending. These and more will have led the market to

consist of more genuine purchasers with speculative sentiments not as strong as during the boom period.

As such, supply has remained resilient with greater activity in larger cities. The proposal to boost public servants' housing loan

eligibility proposed by the government, may stimulate some residential sales, apart from other plans to increase the number of units of low and medium cost,

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## UNCERTAINTIES AND CONCERNS OVER LARGE MARKET SUPPLY REMAINS UNABATED

	2012	2013	2014	2015	2016
Overview	▲	▶	▶	▶	▶
Landed Residential	▲	▲	▶	▶	▶
High-Rise Residential	▶	▲	▶	▶	▶
Purpose built Office	▶	▶	▶	▶	▶
Retail	▲	▶	▶	▶	▶
Hotel	▶	▲	▶	▶	▶
Industrial	▲	▲	▶	▶	▶

### BOON

- ▶ Property investment will remain one of the safest forms of investment.
- ▶ The demand for affordable housing is likely to become acute.
- ▶ Genuine demand will lead the market.
- ▶ The market is expected to cool down with prices becoming more negotiable.
- ▶ Areas with good transportation connectivity (near MRT I & II, HSR, highways) will continue to be hotspots.
- ▶ Demographic forces will continue to drive underlying demand for residential properties.

### BANE

- ▶ On-going concerns on the overall weak ringgit, low crude oil prices and worldwide geo-political issues will continue to plague the economy.
- ▶ Challenging year for developers.
- ▶ More savvy home buyers.