REVIEW OF JPPH'S PROPERTY MARKET REPORT FOR 2024

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Overall

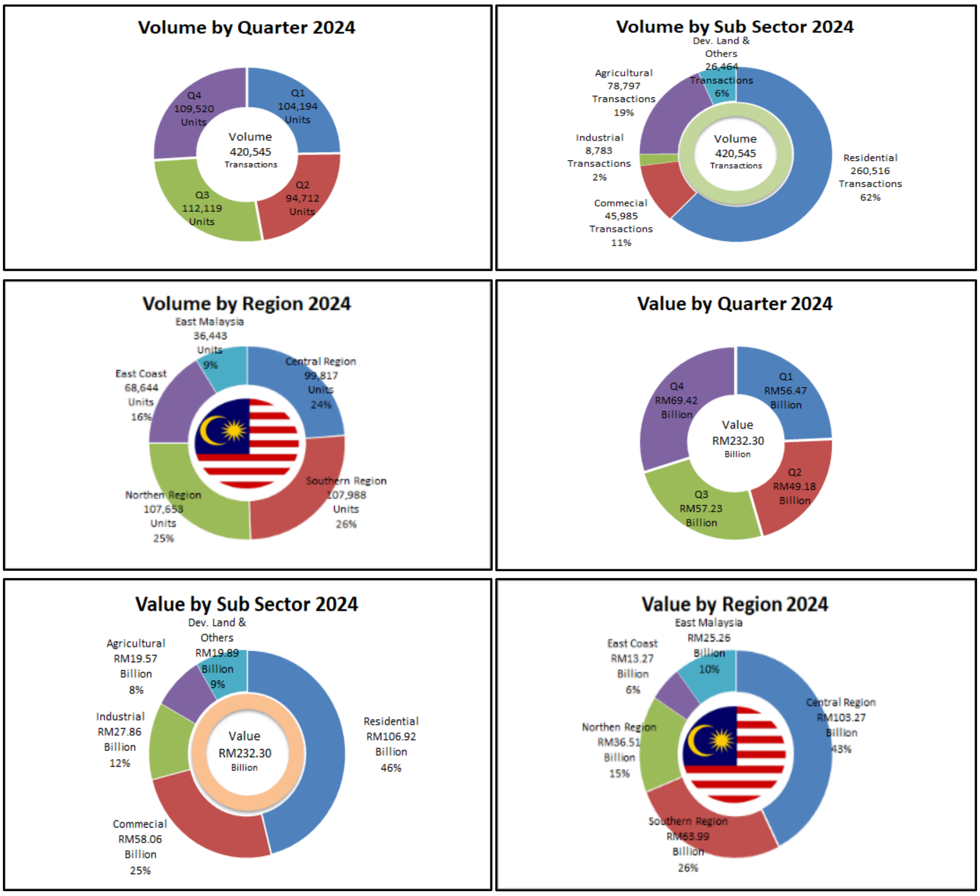
The Property Market Report 2024 recently released by JPPH reported that the volume and value of transactions recorded in 2024 were the highest in the past decade, driven by robust activities in all sub-sectors. The volume of transactions increased by 5.4% whilst the value of transactions jumped 18.0% compared to the previous year. This has certainly brought joy to all the stakeholders in the property industry as the direct message from that headline is that all is well in the property market and it has achieved the best performance in the past decade. Nevertheless, as always, it is prudent for different stakeholders to study the report in greater detail to understand and decipher what the statistics and commentaries mean for their individual areas of interest.

On further study of the data provided, we noted that whilst Q3 2024 recorded the highest volume of transactions followed by Q4, in terms of value, it was Q4 which recorded the highest, followed by Q3. This would imply that more properties of higher value were transacted in Q4 compared to Q3.

The Southern region contributed 25.7% of the total number of transactions whilst the northern region had a share of 25.6%. Although the Central region only came in third at 23.7%, in terms of value, the region contributed the largest share of 44.5% vs 27.5% for the Southern region and only 15.7% for the Northern region. This indicates that property values in the Central region are very much higher than those in both the northern as well as Southern regions.

All sub-sectors recorded year-on-year growth in the volume of transactions with the highest increase being recorded by the commercial sub-sector (13.6%) whilst development land and others came in second at 9.7%. The industrial sub-sector also grew at a faster pace of 7.7%, whilst the residential and agricultural sub-sectors grew more moderately at 4.0% and 4.1%, respectively. In terms of value, all sub-sectors recorded increases, led by the commercial sub-sector (51.6%), followed by development land and others (32.7%), industrial (16.4%), residential (5.9%), and agricultural (4.8%). From these statistics, it is clear that not all sub-sectors enjoyed the same high rate of growth.

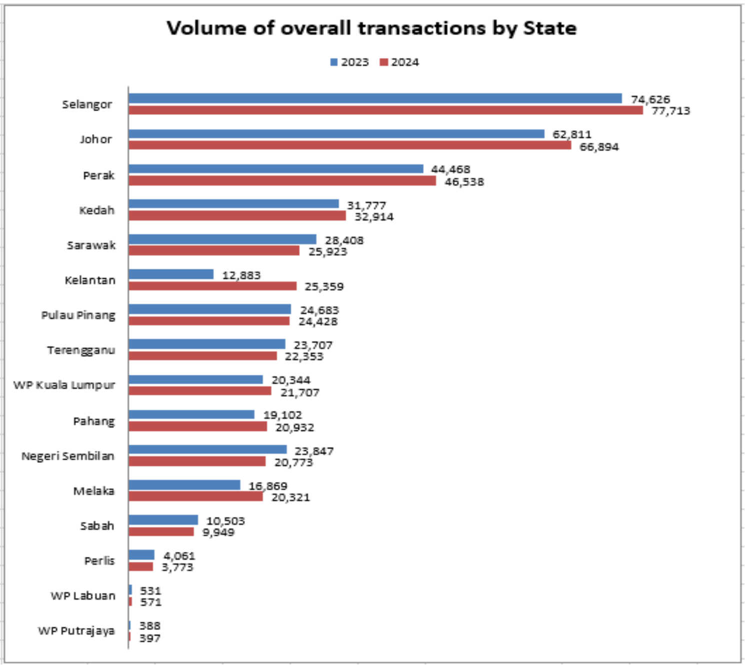
Property Transactions in 2024

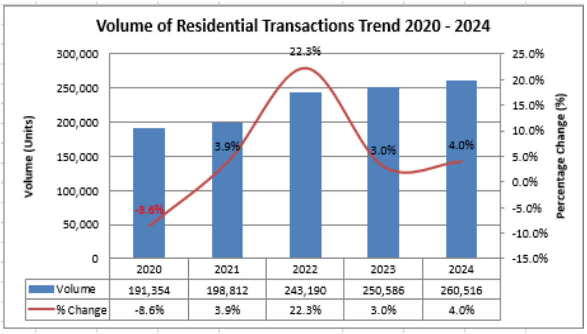


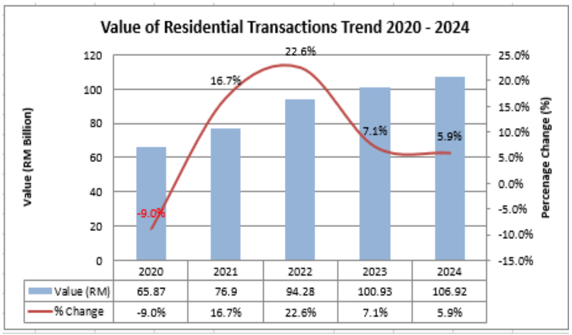
Residential Sub-Sector

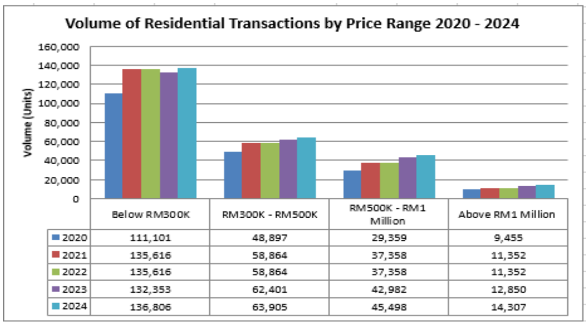
The residential sub-sector provided the largest contribution to the volume of transactions with 62% (similar to last year) but in terms of value, its contribution came up to only 46%, a drop from the share of 51.3% for 2023. Although commercial properties made up only 10.9% of the total number of transactions, they contributed a 25% share in terms of value (up from 19.5% in 2023). Industrial properties on the other hand made up only 2.1% of the volume of transactions but contributed 12.0% of the value of transactions whilst the agriculture sub-sector made up 18.7% of transactions but only contributed 8.4% in terms of value.

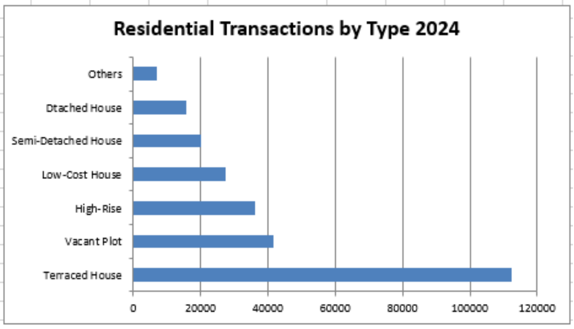
By state, Selangor was the largest contributor in 2024 with 77,713 transactions which was a 4% jump over that of 2023 whilst Johor placed second with 66,894 transactions, a 6.5% increase over 2023. Perak was third with 46,438 transactions (4.6% increase) whilst Penang ranked only 7th whilst recording a 1% drop in the number of transactions. Perlis, Sabah, Negri Sembilan, Terengganu and Sarawak were the other states which recorded a decline in volume of transactions. Kuala Lumpur ranked 9th but recorded an increase of 6.7% whilst Kelantan recorded the biggest jump in volume of transactions (96.8%) followed by Melaka (20.4%). From this, it can be seen that although overall the country recorded an increase in the volume and value of residential transactions, the appreciation was only in the single digits and not all states recorded an increase in both volume as well as value of transactions.











By price range, the residential segment of above RM1 million recorded the highest growth at 15.0%, while residences in the other price ranges showed more modest increases. As expected, affordable houses priced at RM300,000 and below continued to see strong demand, making up 52.5% of total residential transactions whilst the RM300,001 to RM500,000 sub-segment ranked second at 24.5%, followed by the RM500,001 to RM1 million category at 17.5%, Houses priced over RM1 million contributed a share of only 5.5%.

By property type, demand was the strongest for terraced houses, accounting for 43.1% of total residential transactions, followed by vacant plots at 16.0%, high-rise units (13.9%), low-cost houses/flats (10.5%), semi-detached houses (7.7%) and other property types making up the balance. This reconfirms the preference of Malaysians for landed residences, if they can afford them and where they are available, not too far from their workplaces in the cities/towns.

We also noted that the secondary market (sub-sales) continued to contribute the largest share of transactions with 83% whilst primary market transactions (purchases directly from developers) made up 17%. The performance of the primary market was reported to have improved, spurred on by an increase in the number of units launched across all states except for Perlis. In 2024, a total of 75,784 units were launched, compared to 56,526 units in 2023 (up 34%).

Selangor led in the number of new launches, accounting for 19.6% of the national total, and registering a sales take-up of 35.1%. Johor followed closely with 18.7% and a better sales performance of 53.2% whilst WP Kuala Lumpur came in third with 10.3% and a sales performance of 38.0%.

Terraced houses continued to be the dominant property type in new launches. Single storey and two to three storey terraces collectively made up 52.9% of the total units launched, with the majority located in Johor. Condominium/apartment units meanwhile came in second, contributing another 31.7% and located mostly in WP Kuala Lumpur and Selangor.

The residential overhang situation improved in 2024 in line with the better sales performance. There were 23,149 overhang units worth RM13.94 billion recorded, a drop of 10.3% and 21.2% in volume and value respectively compared to 2023. For 2024, WP Kuala Lumpur recorded the highest number of overhang units in the country, accounting for 18.3% of the national total followed by Johor, Perak and Pulau Pinang. This is a change from the previous year where Perak led in the number of overhang units, followed by Johor, WP Kuala Lumpur, Selangor and Pulau Pinang. In terms of value, WP Kuala Lumpur topped the list with RM3.38 billion, followed by Johor (RM 2.89 billion), Pulau Pinang (RM 2.09 billion) and Selangor (RM 1.59 billion). As in previous years, condominiums and apartments accounted for the largest share of the national residential overhang, accounting for nearly 60.0% of the overhang, followed by terraced houses, (23.5%).

By price range, houses in the affordable price range of below RM300,000 contributed 32.9% of the total residential overhang (largest share) whilst houses within the price range of between RM300,001 and RM500,000 came in second, accounting for 28.4%. Meanwhile, those houses within the price range of RM500,001 to RM1 million contributed another 28.1%, followed by those priced above RM1 million (10.6%). In comparison, for 2023, the price category of RM500,001 to RM1 million came in second whilst houses priced between RM300,001 and RM500,000 placed third.

The Malaysian House Price Index (MHPI) continued to record a moderate annual growth of 3.3% with all states experiencing modest annual growth of between 0.6% and 5.5%. All house types saw positive growth, with semi-detached houses recording the highest increase with 4.1% followed by terraced houses (3.6%), detached houses (2.6%), and high-rises (2.3%).

Commercial Sub-Sector

The commercial sub-sector recorded double digit increases in volume and value of transactions in 2024 and the strong performance of the sub-sector underpinned the record setting performance of the overall property market. In going through the report in more detail we noted that this exceptional performance was achieved through the conclusion of a number of major sales of hotels, office and commercial buildings as well as vacant commercial plots. The volume and value of commercial property transactions expanded by 13.6% and 51.6% respectively to 45,985 transactions worth RM 58.06 billion as compared to 2023 which recorded 40,463 transactions worth RM 38.31 billion.

Based on our analysis of the major sales reported by JPPH in the Property Market Report for 2024, the contributions from large commercial property transactions were as follows:

a) **Vacant Commercial Plots**: 4 properties worth RM3.198 billion
b) **Shopping Malls/Commercial Centres**: 17 properties worth RM2.31 billion
c) **Office Buildings**: 18 properties worth RM1.05 billion
d) **Hotels/Resorts**: 18 properties worth RM948 million

In total, these 57 properties contributed more than RM7.5 billion to the commercial transactions recognised by JPPH for 2024. Although these 57 commercial property transactions made up only 0.12% of the total number of commercial properties transacted, the value of these properties contributed nearly 13% of the overall value of these transactions.

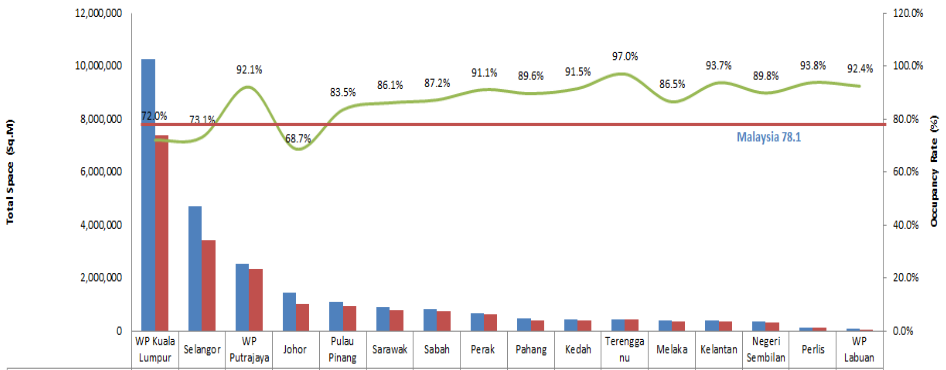
Shopping Complexes & Office Buildings

The performance of shopping complexes continued to improve in 2024, with occupancy rates rising to 78.8%, up from 77.4% the year before. Seven states achieved occupancy rates exceeding 80.0% whilst Melaka recorded the lowest occupancy rates in the country at 64.0%. This indicates a resilient retail sector, supported by stable consumer confidence.

Rentals of retail space were reported to be generally stable, with several complexes, particularly in the Klang Valley recording an increase in rentals. In WP Kuala Lumpur, several shopping centres recorded significant rental appreciation of more than 15.0%. The situation was slightly different in Selangor which has shown more moderate rental increases. In Johor and Pulau Pinang, rentals were also largely stable, with several rental increases noted for several shopping malls at strategic locations due to rental renewals.

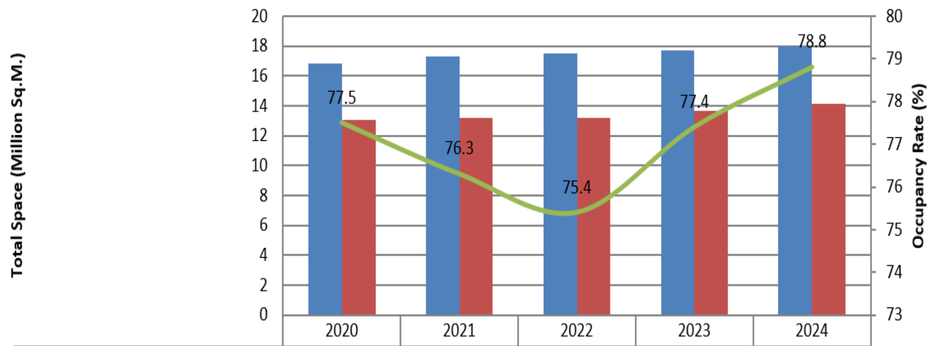
The office segment meanwhile showed a degree of resilience with occupancy rates being maintained close to 2023 levels at 78.1%, compared to 78.5% in 2023. All states managed to register a higher occupancy rate of more than 80.0%, except for Johor, WP Kuala Lumpur and Selangor. As for privately-owned office buildings (PBOs), the average occupancy rates stood at 71.7%. Whilst Terengganu secured a higher occupancy rate at 92.0%, Kuala Lumpur and Johor recorded lower occupancy rates at 70.3% and 57.5% respectively. Putrajaya, where most of the office buildings are government owned and occupied, recorded the lowest occupancy rate for PBOs in the country (52.7%).

Supply and Occupancy of Purpose-Built Office (Private & Government) by State 2024



	WP Kuala Lumpur	Selangor	WP Putrajaya	Johor	Pulau Pinang	Sarawak	Sabah	Perak	Pahang	Kedah	Terengganu	Melaka	Kelantan	Negeri Sembilan	Perlis	WP Labuan
Total Space (Sq. M.)	10,263,84	4,684,373	2,540,853	1,456,997	1,102,189	906,461	831,922	667,897	458,094	432,028	429,000	410,637	391,077	344,041	131,038	67,051
Occupied Space (Sq.M)	7,389,247	3,424,029	2,339,162	1,001,543	920,220	780,876	725,703	608,326	410,344	395,430	416,078	355,203	366,298	308,935	122,900	61,963
Occupancy Rate (%)	72.0%	73.1%	92.1%	68.7%	83.5%	86.1%	87.2%	91.1%	89.6%	91.5%	97.0%	86.5%	93.7%	89.8%	93.8%	92.4%

Supply and Occupancy Rate of Shopping Complex 2020 - 2024



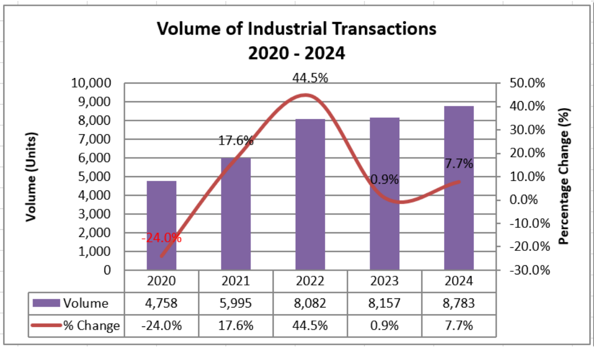
	2020	2021	2022	2023	2024
Total Retail Space (Million Sq. M.)	16.85	17.28	17.51	17.69	17.97
Occupied Space (Million Sq.M)	13.06	13.19	13.2	13.69	14.16
Occupancy Rate (%)	77.5	76.3	75.4	77.4	78.8

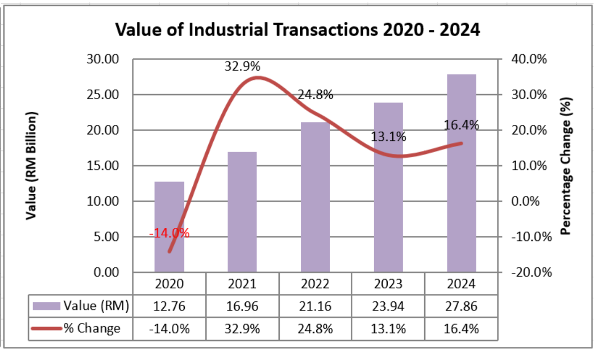
Industrial Sub-Sector

The industrial sub-sector registered a 7.7% rise in volume and a 16.4% increase in value of transactions in 2024 compared to 2023, driven by strong growth in market activity. By type, transactions of vacant plots and industrial units were the most active, registering increases of 19.9% and 20.3% respectively. In terms of state, Selangor continued to lead the market, accounting for 33.3% of the national volume, followed by Johor (18.1%) and Perak (10.5%).

In terms of property type, terraced factories represented 32.3% of total industrial transactions, followed by vacant plots at 30.5%, semi-detached factories at 21.7%, and other types, which made up 15.5% of the total industrial transactions.

The industrial overhang situation continued to improve in 2024, with a gradual decrease in the number of overhang units and value, declining by 12.7% and 16.6% respectively. In contrast, the unsold under construction and not constructed industrial units increased to 801 units and 202 units respectively.





Observations & Conclusions

On the surface, JPPH's property market report 2024 paints a rosy picture of a buoyant market, with record volume and value of transactions being recorded. Nevertheless, it is always important and necessary to go through the report in detail to fully understand the actual performance and unique behaviour of the different market sub-segments so that decisions that need to be taken are based on analysis and consideration of data which best serves the situation at hand and the decisions that have to be made.

Whilst the overall volume and value of transactions achieved in 2024 may have been the highest recorded in the past decade, this accolade can largely be attributed to lumpy one-off transactions of high value commercial properties and to a certain extent, industrial properties. If the commercial properties that will be transacted in 2025 does not match up in number and/or value to those transacted in 2024, the statistics for 2025 may not match up to the impressive figures presented for 2024 and there may even be a possibility that a drop in the volume or value could be registered. We are nevertheless confident that the property market will continue to enjoy positive growth in 2025 but possibly at a slower pace.

For housing developers, it is pertinent to note that the volume and value of residential transactions in 2024 have not been spectacular, being only single digit increases. In fact, some states including Penang (surprisingly), Perlis, Sabah, Negri Sembilan, Terengganu and Sarawak all recorded a drop in either the volume or value of transactions or both. As such, housing developers should analyse and study the residential sub-sector in greater detail to ensure that they plan and execute their projects with the right understanding of the market situation.

Secondly, whilst everyone would expect the lower priced residential segments to enjoy the best sales take-up rates, it is ironic to note that houses priced at RM300,000 and below continued to contribute the largest share of the residential overhang, followed by houses priced between RM300,001 to RM500,000. Together these two price segments make up 61% of the residential overhang. Some possible reasons for this seeming anomaly could be:

a) Unsold units reserved under the Bumiputera quota.
b) Location of the projects are not convenient to those in the lower income group eg. too far away from their place of work which will mean higher travelling costs.
c) No urgency to buy houses as some within the targeted low-income groups are satisfied staying in their current family owned kampung houses.

d) Some of the targeted buyers in this lower income group may not have the financial means to come up with the downpayment required or have the documentary evidence to support their loan applications to buy the houses.

The government could perhaps try to identify the real underlying reasons for this surprising situation and then formulate policies and strategies to assist the targeted income groups acquire and own the affordable homes intended and built for them eg. rent to buy schemes, zero downpayment schemes, improved public transportation and undertaking more indepth market studies before deciding where and what to build for the targeted lower income groups. Some of these strategies have already been implemented by the government in one form or another and it would be good to continue them, perhaps with some refinements to make them even more effective.

The occupancy rates of shopping malls and office buildings continue to be resilient and sustained through stable economic growth and positive business confidence. Nevertheless, it is important to note that the supply of shopping malls as well as office buildings in some of the major markets will increase substantially in the coming years if all the projects under construction are completed as planned. Unless demand can be raised significantly through the adoption of effective policies and actions by the government and relevant stakeholders, there will come a time when the increase in supply of space, especially in the office sub-sector, will cause the equilibrium to tilt and this will result in the occupancy rate registering a decline and in turn put pressure on rental rates.

With the government's current focus and push for the development of data centres and chip design and manufacturing activities coupled with the roll out of the country's New Industrial Master Plan 2030 as well as the National Energy Transition Roadmap, the industrial sub-sector will likely continue to do well, provided the world's economy does not end up in a tail spin as a result of the sanctions and tariffs imposed by the Trump led US administration and the resultant trade wars that ensue with the other leading global economies.

In parting, we firmly believe that *"true wisdom lies in understanding the underlying meaning or reality behind a situation, rather than just accepting what appears on the surface."*

We are like icebergs in the ocean: one-eighth part consciousness and the rest submerged beneath the surface of articulate apprehension ~ William Gerhardie

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***NB**: All the charts and graphs in this article have been reconstructed based on the original charts / graphs and data in JPPH's Property Market Report 2024.*

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