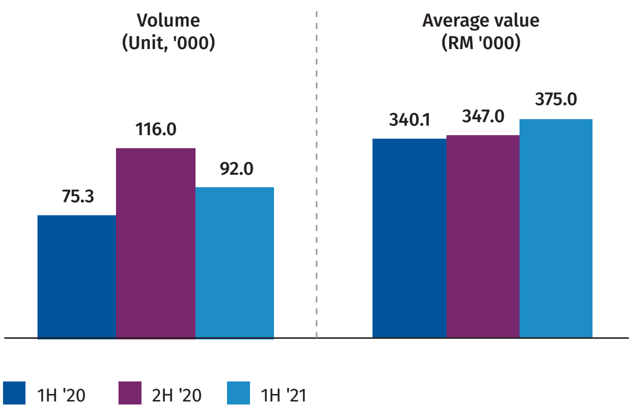
Developments in the Residential Property Market

In the first half of 2021, housing transactions were slower compared to the second half of 2020 as the effects from the positive response to various home ownership incentives introduced by the Government subsided (Chart 1.18). Tighter movement restrictions and operational frictions following a resurgence of COVID-19 cases also weighed on market activity in the second quarter. Despite the moderation in activity, average transaction values grew at a stronger pace. This was supported by transactions for properties priced below RM500,000 which accounted for more than 80% of housing transactions. Housing transactions during the period also continued to be lifted by home purchases ahead of an earlier anticipated expiry of the Home Ownership Campaign in end-May 2021.[32] Demand for financing has recovered to above pre-pandemic levels, with housing loan applications increasing across most price segments compared to the second half of 2020 (Chart 1.19). Approval rates have also broadly recovered closer to levels recorded before the pandemic (overall approval rate in 1H 2021: 73.2%; 2020: 71.5%; 2013-2019 average: 75.5%), except for properties priced above RM1 million where approval rates have continued to reflect the more cautious risk appetite of banks.

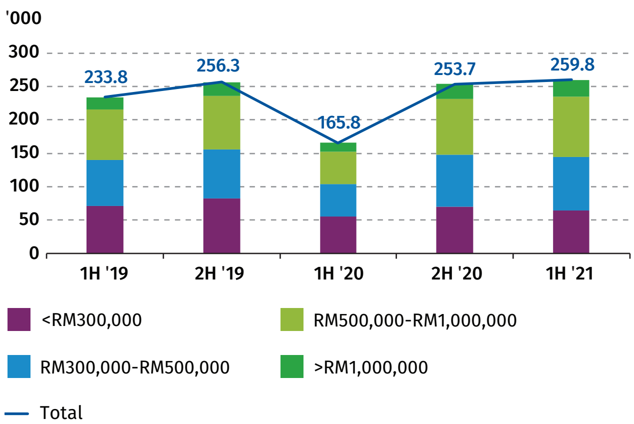
In line with the slower market activity, the number of unsold houses rose to 181,460 units as at the second quarter of 2021 (4Q 2020: 167,104 units), largely driven by houses priced above RM300,000 and serviced apartments that are under construction. Several new housing launches in previous quarters which would have experienced slower sales during this period also contributed to the increase in unsold units. Market observers are expecting activity to pick up with the gradual easing of movement restrictions and recovery in economic activities, as observed in the second half of 2020. Incoming supply of newly-launched residential properties would likely shift towards the mass market price segments, as seen in the higher share of properties priced at RM500,000 and below (1H 2021: 71.6%; 2015-2019 average: 65.9% share). Such adjustments will continue to reduce demand-supply mismatches and improve overall housing affordability. Along with sustained demand among first-time house buyers, this is expected to mitigate risks of a significant house price correction. Based on the latest release of the National Property Information Centre (NAPIC) report for the first half-year of 2021, house price growth is likely to have remained broadly flat in the first six months of 2021 (preliminary estimates of Malaysian House Price Index (MHPI) growth: -0.3%),[33] with market expectations of a recovery heading into 2022.

Chart 1.18: Property Market – Housing Transactions



Source: National Property Information Centre (NAPIC)

Chart 1.19: Property Market – Volume of Housing Loan Applications by Price Segment



Source: Bank Negara Malaysia

[32] The Home Ownership Campaign has since been extended to 31 December 2021 under the Government's PEMERKASA+ assistance package.
[33] Estimated from the average MHPI growth for 1Q and 2Q 2021. It is worth noting, however, that based on historical trends, the final MHPI estimates may likely be revised upwards to reflect additional data submissions for the quarter.