

HARTAMAS NOTES FOR THE WEEK

-Make Real Estate A Breeze-

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By **Hartamas**[®]
Research

“Life shrinks or expands in proportion to one’s courage.”

Anais Nin

(an American author)

What you need to know this week:



01 Rising housing demand despite uncertain global outlook



02 Selected high-rise residences show an upward trend



03 Bank Negara expected to further tighten policy

Housing demand *on a rise*

What's going on here?

PropertyGuru Group's real estate intelligence revealed that Malaysia and neighbouring Thailand and Indonesia are showing increasing housing demand despite global outlook uncertainties.

What does this mean?

The residential markets in Malaysia, Singapore, Indonesia, and Vietnam reported an increase in prices in 2Q22. The contributing factors include the return of confidence following post-Covid-19 lockdowns, the easing of restrictive measures, and strong labour markets leading to better financial positions that in turn facilitated the maintenance of mortgage payments as well as raising asking prices. The steady flow of foreign direct investments into Southeast Asia also served as a buffer against market uncertainties caused by the pandemic and war.

Why should I care?

The economic growth in Malaysia and other Southeast Asia countries are expected to moderate in 1H23, while the residential markets in Malaysia is expected to experience price appreciation but lower sales volumes next year.

Upward trend in *high rise residences*

What's going on here?

Prices of some high-rise residences in upmarket locations such as Kuala Lumpur, Selangor, and Penang have shown an upward trend despite continuous economic challenges.

What does this mean?

Although the Malaysian House Price Index (MHPI) climbed moderately by 0.5% on a year-on-year basis in 1H22, high-end residential real estate transactions between RM500k to RM1 million and above experienced a significant 36.3% surge in the same period. Based on PropertyGuru Malaysia's list of top performing high-rise properties in different states, in Kuala Lumpur, South Brooks Desa ParkCity has the highest capital increase at 10.3%. Two hillside properties in Selangor, Koi Kinrara Suites in Puchong and Venice Hill Condominium in Cheras, gained the highest capital growth in the state with 16.1% and 15% respectively. In Penang, All Seasons Park in Ayer Itam achieved the highest growth with 19.7%.

Why should I care?

With a focus on luxurious living coupled with factors such as excellent architectural design, lush landscaping, strategic location, good connectivity and proximity to reputable hospitals and education institutions, certain upmarket high-rise properties are ideal for long-term investments.

Further rate *hike expected*

What's going on here?

The rising trend in Malaysia's core inflation is expected to drive the interest rate even higher in 2023.

What does this mean?

The core inflation reached a new peak in October at 4.1% year-on-year (y-o-y), even though the country's headline inflation has been moderating to 4% in the same month. Economists anticipate Bank Negara to further tighten its monetary policy in response, potentially through two more rounds of overnight policy rate (OPR) hike in 1Q23. With the recent appointment of a new government, inflation containment efforts are expected to continue in line with the pledge given to prioritise in addressing the rising cost of living.

Why should I care?

Domestic demand will remain the key driver for growth next year, supported by the continued recovery in the labour market and improvement in local currency. However, notable price pressures and tightening of monetary policy will likely dampen consumer spending.

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