

The property values
in malaysia
economics essay



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First of all, the location itself is the main factor that will affect the property values in Malaysia. If a property is close to school, shopping mall, bank, transportation facility, hospital, restaurant, church, temple, airport or any other places that can provide convenience to the people staying at that area, that particular property will definitely has a high property value that will attract more people than any property.

When it comes to real estate, the principle of supply and demand refers to the ability of people to pay for real estate coupled with the relative scarcity of real estate. The property values will be driven up by the condition of high demand coupled with a certain purchasing power and a short supply due to the scarcity of land. In contrast, the property values will experience a drop when people demand less of it while more supply enters the market.

Let's take for example Penang, being the second smallest state in Malaysia just after Perlis in terms of geographical coverage yet is the eighth most populous with 1.56 million of residents according to the population and housing census, Malaysia 2010 which is conducted for every ten years.

Penang which has an average of 1,490 persons per square kilometer is the second most densely populated states after Kuala Lumpur. This high level of population density puts competing pressure on land use which results in the rise of property prices as developers will put more expensive price tags on their projects due to the high-land costs. Besides, the lure as a tourist destination and a second home for foreign retirees is also one of the factors that results in a greater demand of Penang property. As a result, the short supply due to scarcity of land and the high demand from both foreign and

local buyers is the main reason why Penang properties price are high as compared to say, Kelantan.

Apart from supply and demand, the Feng Shui and Vasthu Sastra which is known as the “ science of construction” also have to do with property values in Malaysia. Regardless of you believe or not, many recent studies have shown that the property price will still be affected by Feng Shui. A property placed near a body of water can fetch you a handsome price compared to a property which is not. A property faced with a road junction or built at a dead-end road can have a lower price as compared to another property in the same area which is not. Many people trust Feng Shui because they consider that keeping things related to Feng Shui will bring steady growth, prosperity, good luck, good health, happiness and positive energy to the house, office or to the being. In this way, people will consider carefully the position and placements of the property which in turn makes a well placed or well designed property more attention-getting and favorable.

Next, inflation also has an impact on property values in Malaysia. At its most basic level, inflation is simply a rise in prices and a fall in the purchasing value of money. Let’s take an example; again using Penang where there is latest news announced that “ the selling price of properties in Penang will soon surge by 5%-10% following the recent move by Lafarge Malayan Cement to raise cement prices by about 6%”, according to the Penang house developers. A hike in cement price simply means the price of concrete roof tiles, cement sand bricks and all the other cement-related products will rise. On average, 50% of building materials used in property development comprises cement and cement related products. Therefore, such inflation will

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leads to an increase in construction costs and the buyers are the one who ultimately bears the cost. Besides, the inflation also has been caused by the transportation and labor costs that are increased nationwide. The rise in cost of labor is particularly due to the labor shortage as many Indonesian have gone back to Indonesia and are facing with stricter laws and standards when they wish to come back to Malaysia.

The government's introduction and revision of its property related policies also played a key role in determining the value of properties. The exemption revision of real property gains tax (RPGT) has increased the interest of a small group of people on the property market. Additionally, Malaysian government is pushing out a series of incentives to make its property market more attractive to foreign investors who will eventually bring in external cash flows. Both of these actions have enhanced the property values. In addition, the build then sell (BTS) concept has been revised. It has increased the confidence of buyers and created developers who are more conservative leading to higher value of property.

Furthermore, the existences of property agents and Internet such as auctions websites and real estate agent websites help ease the process of selling the properties nowadays. It has made the property investment more easy, convenient and favorable. In this way, there is an increase of interest in property investment thus further lifting the value of properties.

Moreover, the mortgage rate that also plays an important role in influencing the property value should never be forgotten. A mortgage rate is commonly known as Base Lending Rate in Malaysia (BLR). BLR is a term refers to the

minimum interest rate used by banks. It is defined by the central bank of Malaysia. BLR will get lower when the global money market down turn and get higher when the money market is on uptrend. Whenever the housing demand is weak, lower mortgage rates will help to improve the access to property financing while reducing the monthly payment for housing loan. So, these circumstances will aid in strengthen the housing demand and then the property value will increase over time.

Last but not least, the vacancy levels will also have a significant contribution towards the property values in Malaysia. For illustration, when the unemployment rate is high, the buyers and investors will not have enough capital to invest in a property creating a situation of strong rental sales. In contrast, the low unemployment rate will motivates the buyers and investors to involve themselves in property investment activity leading to high property values.

Above are some of the factors that will affect the property values in Malaysia. However, there are still some other relevant and important factors out there that are worth seeing.