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Housing Property Investment Opportunity in Malaysia: Things that New Investor Should Know

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Abstract

This paper aimed to review things that new investors should know in Malaysia housing property investment. Housing property prices tend to rise over time, so a house is one of the best investments. However, don't be influenced by people telling you that since prices have dropped now, it is a great time to buy a house. There are several perspectives viewed in this review such as how properties can make money for the investor, things that need to be considered in selecting a property for investment and the risk in property investing. All information is gathered from previous research articles and property news, feedback and discussion from properties and real estate websites. There are tons of information shared by "PropertyGuru" on the website which uses as guidance for the investor. There is a big opportunity for the investor to invest in housing property in Malaysia, as housing property development in Malaysia growing very well over the years. This paper could clear some of the concerns and aid the new investor in their investments. This paper begins with a review of housing property investment in Malaysia, making money from the properties, and the consideration in selecting a property for investment. Next, this paper discusses the risk in property investment.

Keywords: Investment, Opportunity, Housing, Housing Property, Investor

Introduction

For a long time, real estate has been a favourable investment option for many people in Malaysia. As more and more people seek a better financial future for themselves, the number of real estate investors in the country has been growing for the past two decades. It provides generous returns (in most cases), a moderate level of risk, and stable passive income. However, like all good investments, they also have their own risks. The advantage of real estate investment in Malaysia is that the price does not fluctuate like the stock market or other high-return investment tools, and the risk for owner-occupiers is low (Khong, 2018). Lim Boon Ping (2018), President of the Malaysian Institute of Real Estate Agents (MIEA), believes that buying property is the best way to accumulate wealth because it can provide a return on rent and capital appreciation. Property in the Klang Valley could fetch an average of around 3% rental return yearly and a minimum of 5% capital appreciation annually, which comes up to an investment return of about 8%. Compared with other low-risk wealth

accumulation tools, such as fixed deposits, which provide around 3% to 4% returns, a property would be a better choice to preserve one's wealth (Lim, 2018). MIP Properties senior negotiator Freeman Woo (2018) points out that the current oversupply in the market of certain property types might put pressure on price growth in the secondary market. Woo, however, also believes that land scarcity and the growing population will provide the fundamental support for price growth in the long run. On average, properties in the Klang Valley can earn an annual rental return of about 3% and an annual capital appreciation of at least 5%, that is, an investment return of about 8%. Compared with other low-risk wealth accumulation tools (such as time deposits that provide about 3% to 4% return), real estate will be a better choice for wealth preservation (Lim, 2018). Freeman Woo (2018), the senior negotiator of MIP Properties, pointed out that the current oversupply of certain types of real estate markets may put pressure on price growth in the secondary market. However, Woo also believes that in the long run, scarcity of land and growing population will provide basic support for price growth. Therefore, this research aimed to review things that new investor should know in Malaysia housing property investment. This research discussed a few considerations that are important in housing property investment which includes financial consideration, location, type of housing, title tenure, developer track record, under construction vs resale/ completed property and the risk in property investment.

Literature Review

In recent years, the price increase in the Malaysian housing property market has continued to increase particularly for the individuals staying in major cities, including Penang, Johor Baharu, and the Klang Valley (Hassan, et al., 2021c). Buying and owning real estate is a satisfactory and profitable investment strategy. Investors buy housing property for financial returns, and they focus on rental yields and capital appreciation (Sean et al., 2014). Speculators are those who enter the market in a short period of time and expect huge capital profits. The appreciation of house value creates a good opportunity for investors to buy housing property as an investment method to increase their wealth creation ability. There are two potential returns for buying real estate, namely, rent payment and capital gains from property appreciation. Tan (2008) stated that homebuyers believe that they will get considerable returns through rental income and capital growth. Facts have proved that buying housing property is a good form of investment to hedge against inflation.

Entering real estate is a popular middle choice for aspiring investors. The housing property market indeed has its own challenges, that is, residential properties are pending. However, if individuals purchase the right housing property products that suit their purchasing power and needs, they can provide a healthy return on investment (ROI), whether in terms of rental income or capital gains. According to data from the National Real Estate Information Center (NAPIC), house values continue to appreciate every year, and the Malaysian House Price Index (MHPI) has risen from 100.00 in 2010 to 197.5 in 2019, as shown in Figure 1. Housing supply is affected by land costs and uses, planning policies, and construction costs (Hassan, et al., 2021c). High housing prices are often attributed to the cost of land. This phenomenon leads to an increase in land prices because the price developers are willing to pay for new land increases with the increase in housing market prices.

Finding the right property for investment requires a lot of knowledge, and without this knowledge, the investment may cost investors a high price (Sean et al., 2014). Investors have many different strategies on how to choose the best investment property. For example, some people look for yield or cash flow, while others look for long-term capital growth potential.

According to PropertyGuru Malaysia, like other investments, real estate is not without risks. The return on investment can never be truly guaranteed, so it is important to understand the types of investment risks in the market. In recent decades, Malaysia's housing property investment has created some impressive success stories, and the market offers a wide range of favourable opportunities, especially in the flexible housing sector. However, the purchase of investment properties is not certain.

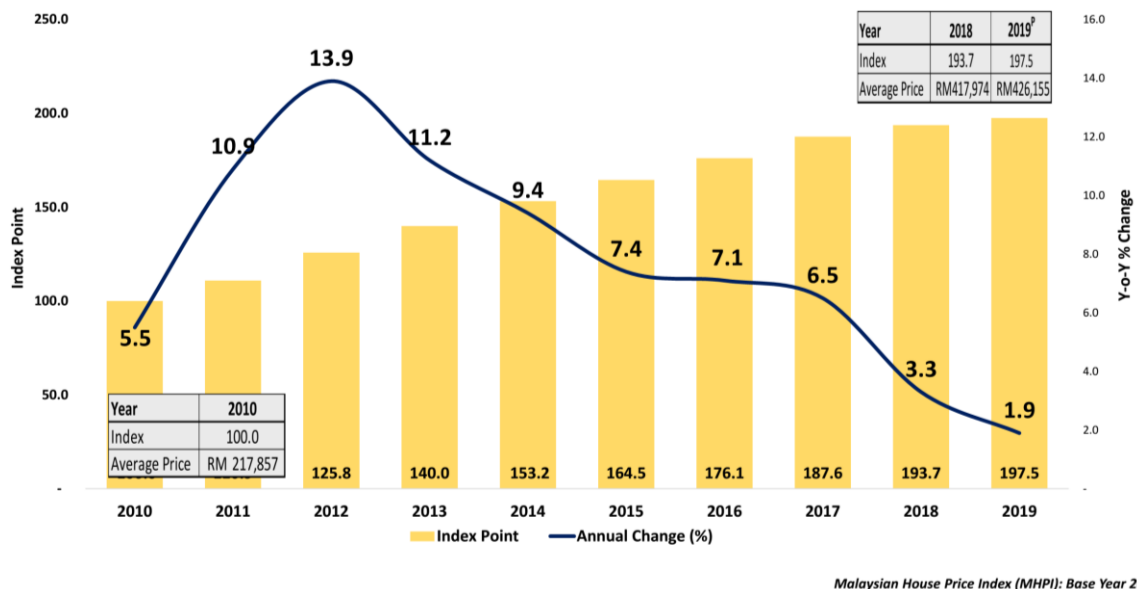


Figure 1. MHPI and Annual Changes 2010 – 2019^P by National Property Information Centre (NAPIC) from Valuation & Property Services Department (JPPH), Putrajaya, Malaysia.

Becoming a housing property investor is a great way to obtain short-term or long-term financial returns. Finding the right property for investment requires a lot of knowledge. Without this knowledge, the investment may cost investors a high price (Sean & Hong, 2014). According to Haughwout et al (2011), an "investor" is defined as a property buyer who owns a portfolio of residential properties, which consists of multiple properties but does not live in all properties. There are several reasons that motivate investors to invest in housing property. Seelig (2009); Tan (2009) stated that almost all investors report high levels of satisfaction and have a "successful feeling". Acceptance conditions capital appreciation and good rental yield. Through housing property investment, investors can earn passive income by charging rent or housing property value over time (Hutchison, 1994).

Even if real estate brings economic benefits, investors should not buy things they cannot afford (Sean & Hong). Housing property investment requires a lot of capital, but it still attracts a large number of investors. Despite the high capital requirements, many people still believe that real estate is a viable way to generate income. One way is through housing property appreciation-buy low and sell high. This will require a lot of errands and a keen understanding of the housing property market. Collecting rental income is also an appropriate strategy, usually used as a means for the asset to pay for itself-offsetting the loan taken for the purchase (if any). Both strategies have their own advantages and disadvantages, and inherent risks.

Methodology

This study is in the archival category, with its outline functioning as a review of the empirical literature on the housing property investment opportunity in Malaysia. Relevant data in this study were obtained through secondary sources, namely academic journals, conference papers, articles, textbooks and etc which gathered from the expert in housing property and investment in Malaysia.

Discussion

Consideration in Selecting Property for Investment

1) Financial Consideration

As mentioned by Reed and Mills (2006), several key areas related to finance have been identified. These include mortgage interest rates, household income, housing prices and the ability to obtain financing. As an investor, financial status may be the most important of all factors. This is because financial institutions usually involve funds that investors want to profit from their investments. Even if real estate brings economic benefits, investors should not buy things they cannot afford. It is important to stay within the budget to ensure that even if there are no tenants, they can still pay the monthly payment (Sean & Hong, 2014). For investors, it is best not to over-borrow, as financing for acquisition and holding of real estate needs to be considered (Sean et al., 2014). Property is expensive, and in most cases, it may require a loan to purchase it.

Buying a house is a major decision and one of the biggest ticket purchases in a person's life (Hassan, et al., 2021b). Buyers who buy with emotion, after purchasing such a huge amount of tickets, often find themselves heavily in debt. In addition, usually in this case, the buyer has already paid a non-refundable deposit. In order to avoid this kind of unreasonable trouble, it is recommended that buyers obtain the bank's approval in principle before deciding to buy a house. In Malaysia, the bank will provide up to 90% of the funds for your first two properties, and only 70% for the subsequent properties. Regardless of the final loan amount or percentage, investors need to budget for down payment, legal fees, stamp duty, Real Property Gains Tax (RPGT), and other administrative expenses that investors may ultimately bear. If the investor chooses not to purchase a new property, the investor must also consider any renovation/refurbishment costs.

a) Housing Loan

Housing loans refer to the generation of debts that are mortgaged on the property in which the debts are generated. Therefore, a housing loan is a kind of credit provided by a bank to an individual to purchase a self-owned house by using the specific house as a deposit for the loan amount. Generally, in Malaysia, buyers can get a mortgage of up to 90% when buying the first two properties, and 70% when buying the third and above properties. The ratio of loan approvals to applications reached its highest in 2014, but began to decline in 2016. The minimum ratio is 41%, and the number of loan approvals in 2016 was 41579 (Bank Negara Malaysia, 2016). This ratio shows that Malaysians are experiencing difficulties in obtaining and obtaining bank loans. When measuring financial capabilities, the ability to repay loans is also an important consideration. Common reasons for rejecting housing loan applications are i) the borrower is already heavily in debt; ii) the borrower's remaining income is very small after taking into account the monthly living expenses and existing financial obligations; iii) the borrower's credit history is poor, and iv) Documents are not sufficient to support the ability

to repay loan obligations. There are a few financing schemes in Malaysia named as i) Basic Term Loan; ii) Semi-Flexi Loan; iii) Full-Flexi Loan; iv) Islamic Loan, and v) Fixed Rate Loan.

Basic term loan is the most basic and traditional type of housing loan. Because of its simplicity, most people will choose this type of loan. Basic term loans usually mean that individuals will pay a fixed amount of instalment throughout the loan period, and cannot flexibly reduce loan interest at any point in time. For example, suppose that the monthly loan installment for a 30-year loan period is RM1,000. This is the exact amount that an individual will pay in the next 30 years. If an individual has extra money in a certain month and wants to pay the extra money, this extra money will only be regarded as an advance payment for the next few months, and will not be regarded as an advance payment that helps reduce loan interest. In short, there is no flexibility in this type of housing loan.

Compared with basic term loans, semi-flexible loans are more flexible in reducing loan interest. The difference here is that if an individual has excess cash and wants to deposit it into the down payment portion of a housing loan, the individual can do so to reduce loan interest, thereby saving money in the long run. Unlike basic term loans, the borrower does not need to notify any additional payments. However, there is a restriction that individuals will not be able to withdraw advance payments for emergency purposes without any consequences. Doing so will incur penalty charges.

A full-flexi loans have the same characteristics as semi-flexible loans, but individuals can now withdraw advance payments without additional fees or penalties. Individuals will get a checkbook and an associated current account so that they can withdraw money at any time at their convenience, in case they need to use it to deal with emergencies. Assume that the loan amount is RM500,000. At some point in the future, the individual has accumulated some savings and hopes to pay RM300,000 to a home loan account. If an individual uses a semi-flexible loan or a fully flexible loan, the personal loan interest will be reduced according to the amount of advance payment already paid. The new loan interest will be calculated as RM500,000 minus RM300,000, which is equal to RM200,000 instead of the original RM500,000.

Islamic loans operate based on interest-free transactions. It uses the *Murabahah* concept under the principles of Sharia law, the most famous of which is to prohibit the charging of interest or *riba*. Therefore, while traditional loans charge interest and compound interest on late payments, Islamic loans are not. Islamic loans apply to buying and selling or joint partnership agreements, where the bank buys a house and leases it back to individuals in installments over a period of time. Of course, the "resale" price is higher than the initial current market value of the property. As an example of this joint partnership, the bank will initially hold a 90% stake in the property. But as time goes by and payments increase, it will reduce its shareholding ratio to 80%, 70%, etc., until the entire loan is paid off. This is called a *Musarakah Mutanaqisah* type of Islamic loan. Another common option is the Bai *Bithamin Ajil* financing where the bank buys the property and sells back to individual at an agreed price and agreed profit mark up.

For fixed-rate loans, the interest rate of the loan is fixed for the entire term; banks usually provide this package under Islamic loans. Interest rates are much higher than traditional loans. Some insurance companies also offer similar packages at lower interest rates, but not as Islamic loans. Those who are worried about interest rate fluctuations will choose this product. All government officials are eligible to apply for a government housing loan with a fixed interest rate of 4.00% from "*Lembaga Pembiayaan Perumahan Sektor Awam*

(LPPSA)". The approved loan amount is based on loan eligibility / house price / application amount / outstanding bank loan / market value, whichever is lower.

b) Legal Fees

The designated lawyer will prepare all necessary documents and contracts to facilitate the transfer of the property. The legal fees for the preparation of the sale and purchase agreement are calculated as a percentage of the purchase price, depending on the value of the house, ranging from 0.25% to 1%. Lawyers in all states in Peninsular Malaysia have the same rates, but the legal profession in Borneo is regulated differently among lawyers in each state. Table 1 shows the legal fee rate in Malaysia.

Table 1: The legal fee rates in Malaysia

Price Tier	Legal Fee (% of property price)
First RM500,000	1%
Next 500,000 (RM500,001 – RM1 million)	0.8%
Following RM2,000,000 (RM1,000,001 – RM3 million)	0.7%
Next RM2,000,000 (RM3,000,001 – RM5 million)	0.6%
Thereafter (> RM5 million)	0.5%

c) Stamp Duty

Stamp duty is an unavoidable cost in real estate purchases. It is a tax levied on real estate documents during the sale or transfer of real estate according to the provisions of the First Schedule of the Stamp Duty Act of 1949. This tax includes stamp duty on the sale and purchase agreement (SPA) and stamp duty on the memorandum of transfer (MOT), both of which are calculated based on the purchase price. Investors also need to pay stamp duty on your loan agreement at a flat rate of 0.5% of the total loan amount. The sale or transfer of real estate subject to stamp duty in Malaysia must be stamped within 30 days from the date of execution (real estate transaction). During the 2019 budget period, the government announced a stamp duty on properties worth more than RM 1 million, and the tax rate was increased from 3% to 4%. This took effect on July 1, 2019. The latest stamp duty rates for SPA and MOT are calculated in layers, as shown in Table 2.

Table 2: Stamp Duty in Malaysia

Property Purchase Price	Stamp Duty
For the first RM100,000	1.00%
RM101,000 – RM500,000	2.00%
RM501,000 – RM1000,000	3.00%
Above RM1000,000	4.00%

However, home buyers can enjoy some stamp duty exemptions. Prime Minister Tan Sri Muhyiddin announced at the PENJANA briefing on June 5 that the government will reintroduce Home Ownership Campaign (HOC). The HOC that previously ended in December 2019 will now be available from June 1, 2020 to May 31, 2021. Buyers of newly launched properties with a price between RM300,000 and RM2.5 million will be exempted from stamp duty. See Table 3 for details of exemption from stamp duty.

Table 3: Stamp Duty Waiver in Malaysia

Property Purchase Price	Terms	Stamp Duty Exemption
Properties purchased under the HOC, RM300,000 < PPP ≤ RM1 mil	<ul style="list-style-type: none"> i. SPA Date: 1 June 2020 – 31 May 2021; ii. Malaysian citizen; iii. Purchase of residential property – Does not include SOHO, SOVO, SOFO & serviced residences built for commercial use. iv. Residential properties in the primary market (homes that have been launched or completed). 	Full stamp duty exemption on both Instrument on Transfer (14A/DOA) and Instrument on Loan Agreement
Properties purchased under the HOC, RM1 mil < PPP ≤ RM2.5 mil	<ul style="list-style-type: none"> i. SPA Date: 1 June 2020 – 31 May 2021; ii. Malaysian citizen; iii. Purchase of residential property – Does not include SOHO, SOVO, SOFO & serviced residences built for commercial use; iv. Residential properties in the primary market (homes that have been launched or completed). 	For Instrument on Transfer – Adoption of old stamp duty rate of 3% (not 4%) for the “Thereafter (> RM 1 million)” tier. For Instrument on Loan Agreement – Full stamp duty exemption
RM300,000 < PPP ≤ RM500,000	<ul style="list-style-type: none"> i. SPA Date: 1 July 2019 – 31 December 2020; ii. Purchase 1 residential property (house, condo unit, apartment, flat); iii. Malaysian citizen & first time home buyer. 	Full stamp duty exemption on transfer instrument and loan agreement for the first RM300,000 only. The remaining amount will be subjected to the prevailing rate of stamp duty.
PPP ≤ RM300,000	<ul style="list-style-type: none"> i. SPA Date: 1 January 2019 – 31 December 2020; ii. Purchase 1 residential property (a house, condo unit, an apartment, a flat); 	Full stamp duty exemption on transfer instrument and loan agreement (14A/DOA)

iii. Malaysian citizen & first time home buyer.

d) Real Property Gain Tax (RPGT)

RPGT is levied by the Inland Revenue Department or Lembaga Hasil Dalam Negeri (LHDN) and is a tax on the proceeds from the disposal of real property. Simply put, it is a tax on the net profit from the sale of property. For example, "A" bought a property in 2000 for RM500,000. Subsequently, "A" sold the property to "B" at a price of RM700,000, and received RM200,000 from the sale of the property. RPGT is calculated as RM200,000. Those who wish to invest or purchase real estate in Malaysia should have a clear understanding of the application and calculation method of the Real Property Gain Tax (RPGT). RPGT was first introduced in 1976 under the Real Property Gains Tax Act 1976. It was introduced as a means for the government to curb property speculation in an effort to avoid/ prevent property bubbles from forming.

Ultimately, RPGT is the government's source of revenue for the development of the country, so its fluctuation depends on the country's economic needs. Therefore, taxes can be increased or decreased when necessary. As a real example, the government lowered the RPGT from April 2007 to December 2009 to encourage investment. Fast forward 10 years later, Malaysian citizens or permanent residents who dispose of their property within the first five years of acquiring the property must pay RPGT. In addition, with the new RPGT tax rate announced in Malaysia's 2019 budget, Malaysian citizens will now also pay 5% property tax after the fifth year, compared to 0% in the past. On the other hand, non-citizens and companies that dispose of property after purchasing property more than five years ago will be charged a 10% RPGT. It must be noted that the tax rate payable depends on the entity that collects the RPGT and the holding period of the property. Meanwhile, the holding period is subject to the date of signing of the sale and purchase agreement (SPA) and the date of disposal. RPGT is supplemented by allowable losses. This means that losses will occur after the disposal of the property. If the disposal price is lower than the purchase price or the disposal price is equal to the purchase price, tax reduction or exemption shall be granted.

Table 4: Real Property Gains Tax (RPGT) Act 1976 in Malaysia

Year/ Citizen	Malaysian	Companies	Foreigner
1 st	30%	30%	30%
2 nd	30%	30%	30%
3 rd	30%	30%	30%
4 th	20%	20%	30%
5 th	15%	15%	30%
6 th year onwards	5%	10%	10%

There is some good news here, as owners may benefit from the exemptions provided by RPGT. They are i) life-long exemption from the income generated from the disposal of a residential property; ii) exemption from disposal of property among family members (between parents and children, husband and wife, grandparents and grandchildren); iii) equivalent to each transaction The exemption of 10% of the taxable income of the transaction or RM10,000 (whichever is higher) is not tax. RPGT can be paid by filling out the Real Property

Disposal (CKHT 1A) form. This form is accompanied by a sale and purchase agreement (SPA) and other documents that support the individual plan's deduction from the RPGT. Those who apply for an RPGT exemption should also complete the notice in accordance with section 27 of the RPGTA 1976 (CKHT 3) form. Make sure that the buyer completes the Real Estate Acquisition (CKHT 4) form, which should be accompanied by a sale and purchase agreement. Submit the form and other supporting documents to the nearest IRB (LHDN) branch within 60 days. In the most recent 2020 budget, the government revised the RPGT. Starting from January 1, 2020, for the disposal of old properties purchased many years ago, the base year for calculating the real estate profits tax levied on its sales profits is January 1, 2013.

Previously, January 1, 2020 was used as the initial point (base year) for the valuation. The 2013 base year amendment is good news for homeowners because they will now pay less taxes when they sell their properties. At the same time, on June 5, 2020, the Prime Minister announced that the government will implement RPGT exemptions for the sale of residential properties from June 1, 2020 to December 31, 2021. The exemption is limited to the sale of houses for three persons. However, it is not clear whether the exemption applies to all disposals or only to the disposal of property in the sixth year of ownership and beyond.

e) Property Agent Fees

Never underestimate the power of a good property agent. The right broker can do miracles and reduce the pressure on homeowners and investors. The property agent provides expertise and contact information that the homeowner may not have. They make work easier and can sell/rent properties faster. A good broker can help find the ideal property based on the established needs, and they will help the negotiation process to obtain a favorable price. As for rental properties, they can help find and screen potential tenants. It is always good to maintain a healthy relationship with the agent to ensure that both parties can benefit from each other's sponsorship. The maximum charge for the sale of any land and building services provided by an agent is usually 3%, although many brokers and agents charge lower than case-by-case charges.

f) Property Valuation Fees

Unless the investor pays for the property in cash, the investor may seek a home loan from the bank to fund the purchase. Financial institutions usually require a valuation of the property before approving the loan amount, and most banks charge a fee for these valuations. Similar to legal fees, the real estate appraisal fee is calculated as a percentage of the purchase price, that is, the first RM100,000 = 0.25%, and the remaining up to RM200,000 = 0.2%.

g) Home Insurance

Most banks will require buyers to purchase insurance for their homes as part of a home loan program to protect the value of the property. This type of insurance is usually called Mortgage Reducing Term Assurance (MRTA), and its cost depends on the age of the borrower (usually the older the borrower, the higher the MRTA) and the total mortgage loan of the property (usually estimated to account for the total mortgage 3% to 5% of the loan). MRTA is not the only option, however, homeowners can also consider the Mortgage Level Term Assurance (MLTA), which provides repayment of the outstanding home loan amount and a guaranteed cash value returned at the end of the plan.

2) Location Consideration

No matter which type of housing property investor chooses, location may be one of the most important considerations (Hassan, et al., 2021a). Kauko (2003) found that location has a strong correlation with the increase in housing property value and property investment behavior. If location becomes more sought-after, then well-located properties will show good returns (Sean et al., 2014). Observe whether the population of the area you want to buy is on the rise. The larger the population, the greater your chances of getting higher returns from real estate investment. Of course, prime locations are expensive, so many real estate investors turn to looking for potential locations that are about to be developed. Good location attributes are usually related to the distance and accessibility of local amenities such as schools, shopping centers, and transportation centers (Tan, 2011b, Sean et al., 2014). Elder and Zumpano (1991) believe that the prices of land and houses are reflected in good locations or areas close to schools, shopping centers, and public transportation. Olock et al. (2013) also reveals that the maximum rent payment capacity that appears through location as an intermediary factor is also accompanied by an excellent location advantage that affects the purchase decision of investors or buyers. Regardless of how the housing property market fluctuates in the future, a superior geographic location will still be an asset. "You can make an ugly house attractive, but you can't make a bad location great." A well-located property will still be a profitable investment. Choose popular areas in Malaysia, such as Kuala Lumpur, Selangor, Johor Bahru, Penang or Perak^{1, 2}

Kuala Lumpur has the most expensive house in Malaysia, with an average price of RM785,214, followed by Selangor at RM489,171. Savills Malaysia Managing Director Datuk Paul Khong said that as land becomes scarcer and population continues to grow, housing prices will continue to appreciate. Therefore, most people believe that housing property investment can be a good hedge against inflation. According to data, if the house is sold in 2010, it will probably get an average price of RM237,500, which means that the capital appreciation is close to 40%. Table 5 shows the range of all house prices in Malaysia's various states from 2017 to 2019 in the Malaysia House Price Index by the Putrajaya Valuation and Property Services Department (JPPH).

Table 5: Range of all House Price by State in Malaysia from year 2017 to 2019

State	2017		2018		2019	
	Average Price Range (RM)	Index Point	Average Price Range (RM)	Index Point	Average Price Range (RM)	Index Point
Kuala Lumpur	795,524	200.3	788,186	198.5	785,214	197.8
Selangor	472,536	194.9	480,532	198.2	489,171	201.7
Johor	328,171	210.3	340,907	218.5	353,811	226.8
Pulau Pinang	427,138	190.5	429,900	191.7	438,100	195.4
Negeri Sembilan	240,288	179.0	250,851	186.9	255,834	190.6

¹ Propsocail Editor (2016, September 23). Top 7 States In Malaysia For Property Investment. Retrieved April 22, 2020, from <https://www.propsocial.my/topic/790/top-7-states-in-malaysia-for-property-investment-posted-by-propsocial-editor>

² Marcus Sohlberg (2020, January 9). The 5 Best Places To Live & Invest in Malaysia Real Estate Retrieved April 22, 2020, from <https://www.asiapropertyhq.com/best-places-invest-malaysia-property/>

Perak	199,158	174.0	207,542	181.3	218,170	190.6
Melaka	174,173	157.9	183,834	166.7	190,150	172.4
Kedah	206,669	159.0	217,377	167.3	229,571	176.6
Pahang	229,647	174.0	228,495	173.1	233,344	176.8
Terengganu	271,490	172.3	269,861	171.2	272,924	173.2
Kelantan	167,008	145.9	177,149	154.8	192,684	168.4
Perlis	168,620	154.5	182,907	167.5	199,399	182.7
Sabah	433,608	169.1	453,685	176.9	463,483	180.7
Sarawak	432,136	169.4	440,683	172.8	453,152	177.7
MALAYSIA	411,089	190.5	417,974	193.7	426,155	197.5

The capital is of course the first choice for buyers to consider. Kuala Lumpur (KL) and many surrounding areas make up Greater Kuala Lumpur. According to a survey conducted by Internations, Kuala Lumpur was ranked as the fourth most suitable city for foreigners in the world. In 2017, it was also ranked as the second most livable city in Southeast Asia, after Singapore. In addition, according to Nestpick's 2018 Millennial Cities Ranking, Kuala Lumpur was ranked as the second largest millennial city in Asia, after Beijing. Kuala Lumpur is a combination of a modern metropolis and a cultural city, providing all the comforts of city life. Therefore, living near Kuala Lumpur is definitely a great way to experience city life and culture. The capital is close to Kuala Lumpur International Airport (KLIA) and KLIA2, connecting the city with Southeast Asia and the rest of the world. There is also a good road and transportation infrastructure network that connects to other parts of the city and Peninsular Malaysia. Living in Kuala Lumpur does not necessarily mean living in the center of the capital. Other neighborhoods surround Kuala Lumpur itself, offering a more community-oriented lifestyle, such as Bangsar, Sri Hartamas and Mont Kiara. Property prices in Kuala Lumpur are much higher than any other city in Malaysia. However, as more and more residential properties are built, there is concern that prices may fall over time. Housing prices in Kuala Lumpur are among the highest in Malaysia. On average, the price of a housing unit in 2019 is 785,000 ringgits (200,000 US dollars).

Outside the Kuala Lumpur city centre, life is not so busy. Petaling Jaya (PJ) is the most prosperous real estate area in the state, offering a more laid-back and secluded environment and convenient transportation. Due to the low prices, many companies are now headquartered in Selangor instead of Kuala Lumpur city centre. The hot spots in the Selangor real estate development zone are Tropicana, Damansara Perdana, Kota Damansara, Bandar Utama, Puchong, Serdang in Seri Kembangan, Ampang PJ, many international schools, and real estate investment in areas such as Ampang and Seri Kembangan. Although prices in these areas are cheaper than in Bangsar and Mont Kiara, the new housing law's restrictions on foreigners' purchase of properties may offset this. For those who work in the city centre, staying in Selangor will mean the extra hassle of commuting every day, but the Light Rail Transit (LRT) and Keretapi Tanah Melayu (KTM) rail system enable convenient connection to many parts of Kuala Lumpur and Selangor. For those who work in the city centre, living in Selangor means an extra hassle for daily commuting, but the Light Rail Transit (LRT) and Keretapi Tanah Melayu (KTM) rail system can easily connect Kuala Lumpur and many places in Selangor. Johor is located near Singapore and is the third largest state in Peninsular Malaysia. It is expected to soon become a major residential and commercial center. The state offers a good blend of modern, rural and coastal life. The Iskandar development project that started a few years ago is about to change Johor. Many residential, educational and

commercial venues have been built, and countless are underway and planned for the future. The average price of a three-bedroom apartment in Johor starts at approximately RM300,000, but for newly developed areas with more facilities such as golf courses, commercial outlets and security, the price can be as high as RM2.3 million. Johor has more affordable options and lower cost of living than Kuala Lumpur. Many Singaporeans own their weekend homes in the city, which increases the demand and prices of real estate.

Pulau Pinang is one of the most urbanized and most densely populated states in Malaysia. The population exceeds 1.75 million. The state is known as the Silicon Valley of the East and has the second highest HDI ranking after Kuala Lumpur. It is also the only state in Malaysia where there are a majority of Chinese, not Malays. Due to its rich cultural heritage, local cuisine and wonderful natural landscape, it has become the first choice for expats over the years. The state's expat community is very prosperous and offers a series of well-known international schools. Pulau Pinang will mainly participate in the Northern Corridor Economic Zone development plan aimed at improving the social and economic levels of the northern states. Many major projects have entered Pulau Pinang. Therefore, it is not surprising that new developments have caused prices in Penang to rise. A three-bedroom apartment in Georgetown sells for 1.5 million ringgits, while the same apartment sells for about 400,000 ringgits in Batu Ferringhi and about 500,000 ringgits in Butterworth.

Ipoh, the capital of Perak, is one of the main towns for foreign and local tourists, with a wealth of local cuisine, cultural products and pre-war buildings. Since Ipoh is listed as one of the most affordable cities in the world, real estate prices are also surprisingly low. The pace of life in Perak is much slower than that in the capital, and you can get a glimpse of Malaysia's past. Ipoh can be easily reached from Kuala Lumpur via the North-South Expressway and ETS (Electronic Train Service), which only takes 3 hours by car or 2 hours by train. Some modern development projects are underway to provide high-end options for home buyers. Compared with Kuala Lumpur and Penang, real estate prices here are lower. But with the recent interest of foreigners and the recovery of Malaysia's economy, prices are rising. The price of condominiums in such developments can start from RM400,000, which is much cheaper than other states in the country. Perak also has one of the lowest minimum purchase prices for foreigners under the MM2H program. According to the MM2H plan, Perak is also one of the lowest purchase prices for foreigners.

3) Type of Property: Landed Vs Apartment

The cost of apartments is lower, and people also choose to rent apartments instead of landed houses because it is generally believed that apartments are much cheaper than townhouses. There is also a fatal problem with apartments, that is, the low resale value. Usually, apartments are for those who are looking for cheap housing and those who intend to engage in rental business. Of course, this is not to say that apartments are worthless as investments. Always live within your means and don't overspend your budget. However, if the investor is a resale tent, landed properties are a good option for resale value. Landed properties are more expensive than apartment units. However, for the same reason, their appreciation is much higher than that of apartments. Even if it is only a single-storey house, it will benefit investors more in the long run

4) Title Tenure: Freehold Vs Leasehold

As far as housing property investment in Malaysia is concerned, freehold ownership is generally considered better than leasehold. Freehold land is just land allocated to the owner

indefinitely, while the lease term is limited, usually not exceeding 99 years. Unlike leasehold ownership, freehold ownership means that the owner of the above-mentioned ownership does not need to worry about the expiration of the right to use his land. Once the lease expires, renewing lease ownership is usually an expensive task. In most cases, although the ownership transfer process may be longer and more cumbersome than freehold ownership, the purchase cost of leased property is lower. The exception is the case of purchasing directly from the developer or in the primary market. Freehold rights are usually much more expensive and have limited availability, which also makes them very popular.

Table 6: Comparison of Freehold & Leasehold Title

Item/ Tenure	Freehold	Leasehold
Ownership	Complete control over the property	Owns the home but not the land
Tenure	Total ownership until owner sell the property or passes it on	Duration restricted to 30-99 years
Approval required	Few limitations on transfer of property	Certain limitation is but not complicated
Documentation	Registered as an owner of the land and house	Act as a lease until the lease terminates
Re-sell	No complications on selling	Takes longer time to sell and value might be lower than freehold
Ease of Finance	Easy to obtain	Financing can be obtained but not easy

5) Reputable Developer

Look for developers with a good track record who are committed to delivering development on time and with high quality. The track record and credibility of the developer who sold the property is very important. The wrong decision to buy a house from a less reputable developer can have dire consequences. In Malaysia, developer branding is regarded as an important consideration for home buyers, as confirmed by a study by Cheng and Cheok (2008). They asked the interviewees about the brand awareness of the properties they purchased. Their research results show that home buyers have brand awareness of real estate developers. In addition, they rank developers based on brand personality, and emphasize that trends, expertise, and investment are the three priorities of real estate brands.

6) Under Construction Vs Resale/ Completed Property

Purchasing a project under construction means getting a brand new property when the key is received. Developers usually provide free gifts, such as free stamp duty, free legal fees, rebates, etc. Combining stamp duty exemption and legal fees can reduce transaction costs. Coupled with a low down payment plan, the initial upfront cost can be lower. This is one of the cheapest options for buying property. Properties that are resold or built are not always old and shabby. In fact, investors should be able to find some newly completed properties. The advantage is that investors can see the actual unit before buying, including the correct layout, quality of furniture, neighbors, residents of the development project, nearby amenities, etc. After the transaction is completed, investors will be able to rent out the unit immediately and get income from the property.

Risk in Property Investment

When investing in properties, investors can choose to buy properties and earn rental income from them. To determine the return on investment (ROI) of a property, investors need to know the type of property they are buying, potential tenants, and the location of the property. Investors may also need to conduct some personal information and background checks on tenants to ensure that they have a secure agreement and visit once a month to avoid any tenant damaging the property or escaping without paying rent. Investors need to calculate the total rental yield. Investors only need simple numbers to calculate the total rental yield, which makes it an inaccurate indicator of future performance. In short, investors only need to know this formula:

Annual Rental Income = Monthly rent x 12

Property Value = Purchase price/ Market Value

The figure as below:

$$\text{Net rental Yield} = \frac{(\text{Annual Rental Income} - \text{Annual Expenses})}{\text{Total Property Cost}} \times 100$$

In short, if the rent charged is higher than the installment and maintenance fees paid by investors, the property will bring you double income, with positive monthly cash flow and positive capital appreciation.

Flipping or Buy-To-Sell is to capture the demand for resale property ownership, which has several factors for consumers to purchase resale properties. The main reasons for the demand for resale properties include: i) Mature cities and towns have good public facilities, which makes people confident in the area compared with the period under construction; ii) The high occupancy rate leads to increased consumer confidence in the area iii) Direct ownership and occupancy conditions; iv) The potential for rental returns; v) Good property management. Many buyers still choose to resell properties as they know exactly what they are buying, because compared to properties under construction, this As can be seen. Property is a non-current asset, so putting all funds in it may not be a good idea. The process of selling a property can take six months to a year or more, and even so, the investor may not get a good price. In this case, the investor must have the right to continue to hold the property until it is sold, special time to maintain the condition of the property and take time to find potential buyers. Any failure in the process will only cause financial distress for investors' potential income from real estate investment. A successful real estate investment journey always comes down to the right strategy and getting the right professional help to achieve this goal.

Buying housing property purely for investment purposes may seem intimidating at first. It does seem like a very big financial risk. There are a few major risk in property investment that investor should aware of. Although some people may think that housing property investment is a foolproof success story, multiple factors determine whether this is really the case. Understanding these risks is vital, but they are often complex. Location is a key factor. For example, a single-storey terraced house in Bangsar was priced at RM375,000 in 2001. Due to the growing interest in the area, the value of the house in 2017 was approximately RM 1.27 million, with a capital appreciation of 239%. This kind of return may make investors keen to invest in real estate, but the same return cannot be guaranteed in other areas. (Fernandez, 2018). Conduct research and understand that the risks vary from location to location. Property prices are subject to both economic and political shocks. While the circumstances may show a favourable environment for investment, property investor

needs to take into account wider investment risks when considering the opportunity by understanding the financial capacity to cope with shocks if they occur (Fernandez, 2018). Housing property prices are affected by economic and political shocks. Although the situation may indicate a favourable investment environment, real estate investors need to consider broader investment risks when considering opportunities and understand their financial ability to respond to shocks (Fernandez, 2018).

Historical housing property prices may be a good indicator of returns in a particular area, but it is important not to fall into the trap of assuming that this trend will continue. Fernandez (2018) said that Malaysia is currently experiencing a mild downturn, and housing property prices tend to fluctuate cyclically. The current residential landscape is affected by a significant "property overhang", which mainly refers to houses that have been completed but have not been sold for more than nine months. These cycles are another risk to consider when assessing market exposure.

When assessing the financial viability of many housing property investments, rental returns are an important part of the equation. According to data from the Malaysian Association of Realtors (MIEA), properties in the Klang Valley are expected to have an average annual rental return of approximately 3%. But the average value is not guaranteed. Fernandez (2018) stated that finding tenants is a challenge, and you should take into account the zero rental payback period risk of real estate investors' cash flow. The maintenance and unforeseen costs of the property should also be considered, which can significantly offset the return value of the leased property in a certain period of time. Investors need to take these potential risks into cash flow when considering investment.

According to Fernandez (2018), loan values affecting investor economics is a particularly important risk for home-buying and renting investors who wish to purchase a property through a loan. The same economic factors that affect investors' consideration of real estate investment and rental returns also affect loans. If an investor uses a variable interest loan to purchase a property, the investor needs to be aware of the risk that the loan repayment amount may be higher than the property's income. In addition, Fernandez (2018) reminded investors to always consider the possibility of interest rate changes when calculating the economics of a loan to purchase a property.

Housing property is usually not an easily divested asset. It is usually considered a long-term investment, and a time frame of at least five years is usually quoted to obtain a considerable return on capital. If an investor is looking for a quick return on investment, or imagine a situation where the financial situation requires the immediate liquidation of assets, the investor may find that the funds are locked in a property and face the challenges of the current market environment.

Conclusion

Unquestionably, a good location may mean different things to different people, but there are also objective factors that determine the value of a house. Depending on individual needs and preferences, individuals may not be able to purchase a house with all these factors. However, please make sure that the community is not only attractive to you, but also has objective qualities, such as attractive amenities, safe streets, and quality schools, which will help ensure that your investment grows over time appreciation. Housing property investment can be daunting for laymen, but buying and selling real estate is not a simple process. It requires detailed understanding, comprehensive market research and a lot of effort. Although real estate speculation is a legitimate investment strategy, do not be overly confident or irrational

when making housing property decisions to avoid making costly mistakes. Housing property investment is definitely not a short-term game. Experts believe that depending on the location, it will take at least five years to obtain substantial capital gains from housing property investments. Ensure and understand the risks involved, how to minimize them, and develop any emergency plans.

As we all know, housing property investment is one of the more stable investments. This is because no matter what happens in the market and the outside world, people will always pay for the roof above their heads. Of course, this is not as easy as I said. Housing property investment is a real skill, accumulating experience over time. Investors need to pay attention to properties that are attractive to tenants, they need to know how to obtain a proper mortgage, make correct calculations to ensure that it will be profitable, and most importantly, investors need to know how to bypass all taxes.

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