

THE EFFECT OF COVID-19 PANDEMIC ON THE MALAYSIAN PROPERTY MARKET

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ABSTRACT

The economy has experienced several crises in the last decades and 2003 is the only one related to a disease outbreak, the severe acute respiratory syndrome (SARs) epidemic. However, the economy is again experiencing an unprecedented crisis which is associated with negatively impacting people's mental health, reducing income in households and poverty, affecting sectors in the economy, and halting many activities. Efforts by the government with multiple modifications solely intended to minimize the impact on the economy while saving lives and protecting their livelihoods have made it difficult for policymakers to balance between health and economic sustainability. The response towards COVID-19 has a definite impact and looking into the historical trend of responses adaptation and adjustment in each pandemic and endemic responses have different impacts strongly on the economic activities.

Keywords: *COVID-19, REITs, property market, movement control order, vaccination*

1. INTRODUCTION

On 31st December 2019, the Chinese authorities alerted the World Health Organization (WHO) of pneumonia cases discovered in Wuhan City, Hubei province, China, with an unknown cause. What started as a mystery disease was first referred to as 2019-nCoV and then named COVID-19. The year 2022 marked the second year the world struggled to adapt to the changes as the pandemic has caused chaos to the economy and brought the biggest threat to the health of human beings. The economic is coming to a halt, causing major discrepancies in the world economy involving all sectors. In Malaysia, this unprecedented encounter has forced the government to implement a new standard of operation to save lives and at the same time to ensure the economy can be sustained which in turn supports thousands of people from losing their income, jobs and businesses.

Malaysia recorded the first case of COVID-19 on 25 January 2020. The number of positive cases showed an increase of almost five-fold and from two to three digits starting on 15 March 2020. As of the time, this report is written, there were 590 million cases recorded with 6.43 million fatalities, meanwhile, for Malaysia, 4.73 million cases with 36,060 fatalities¹. On 16 March 2020, the Prime Minister of Malaysia announced the Movement Control Order (MCO). MCO was launched to contain the transmission of COVID-19, as a result, the action has been able to provide security and sustain the well-being of the population but worsened the economy due to temporary closure and reduction in operating hours. The Malaysian economy recorded a contraction of 5.6 percent in 2020, as compared to 4.4 percent in the previous year (DOSM, 2021). The two years of struggles with many changes and new programs and actions, the Malaysian economy registered a growth of 5.0 percent in the first quarter of 2022 (4Q 2021: 3.6%).

Looking into the property market, for the most part, this is always one of the most favored investment options for long-term value retention and its ability to generate returns higher than any other investment. Over the past two decades, the development of the commercial real estate capital market, in particular- the expansion of the markets for equity and debt securities, has transformed the industry. This has provided exceptional capital availability and pricing, reshaping valuation metrics. However, COVID-19, paused new construction and development because of the lockdown, limiting the supply of residential property. Conversely, with the actions taken through announcing lower the overnight policy rate (OPR) and moratorium, demand has shot up and helped the owner to retain houses while facing difficulties. Similar depressing figures were also observed in the performance of the commercial market particularly the hotel and retail sectors that were severely affected by the lockdown restrictions. Total property transaction volume and value dropped by 27.9% and 31.5% during the first half of 2020 as compared to 2019.² There is the burgeoning impact of the COVID-19 pandemic on financial markets.³

¹ As of 15 August 2022, World Health Organisation & Ministry of Health, Malaysia.

² Available at <https://napic.jpoh.gov.my/portal>

³ The literature has examined the impact of COVID-19 on employment rate (Coibion et al., 2020), consumption patterns (Chen et al., 2020), mutual fund performance (Pástor and Vorsaltz, 2020), treasury yields (He, Nagel and Song, 2020), stock market performance (Alfaro et al. 2020; Gormsen and Kojien, 2020), bond and equity issues (Halling, Yu and Zechner, 2020).

The financial sector expansion that took place has provided more opportunities for the real estate market. The evidence established that financial development has a positive effect on economic growth has become a stylized fact in the literature (Benhabib and Spiegel, 2000; Christopoulos, and Tsionas, 2004; Levine 2005; Levine 1997; Hassan et al. 2011; Liang and Teng, 2006). In particular, the spill-over effect of developed financial institutions and systems would benefit the country up to the certain point where mobilization of the capital in the economy would stimulate consumption, investment, as well as exports and imports activities and benefit the economic growth, On the other hand, the stability of the financial sector would remain as the concern in the monetary policy formulation.

This paper overview the impact of COVID-19 on the performance of the commercial property market in Malaysia. This paper examine how the commercial property market reacted during the first wave of the pandemic, how it reacted to the resurgence of COVID-19 cases and impact from the government's subsequent responses (lockdowns, fiscal support, and vaccination program) in dealing with the threat of COVID-19 pandemic. The issue is significant and contemporaneous since financial sector stability is an important agenda to prevent future financial crises such as the 2008 Subprime mortgage crisis. The urgency arises due to the need to attract foreign investors and domestic growth expansion, in the real estate industry.

There have been several economic downturns for the last few decades and 2003 is the only one related to a disease outbreak, the severe acute respiratory syndrome (SARs) epidemic (see Figure 1). The economic crisis that Malaysia experienced mostly happened due to other economic emergencies associated with a speculative financial bubble bursting, a stock market crash, a sovereign default, or a currency crisis (Hung, 2020). The COVID-19 pandemic however possesses a major global health threat and, in many studies, its economic impact is highly uncertain, which makes it difficult for policymakers to formulate an appropriate macroeconomic policy response. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, service, and manufacturing industries are among the consequences faced by many countries including Malaysia and the government has started mitigating the effect by implementing several restrictions and changes to ensure the economy and health sustainability.

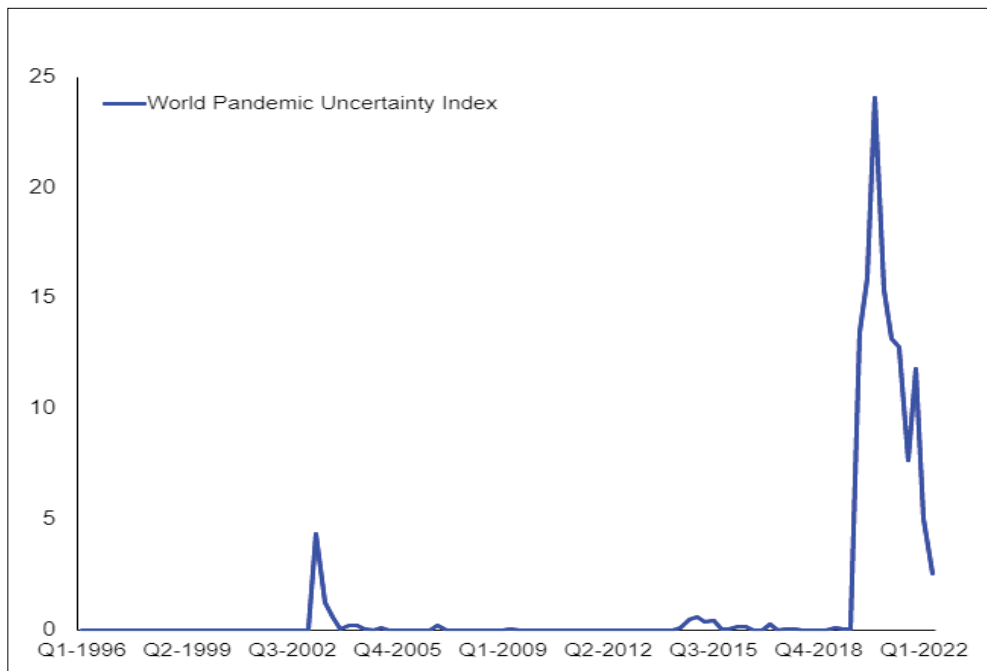


Figure 1: World Uncertainty Index Pandemics: 1996Q1 to 2021Q1

Source: <https://worlduncertaintyindex.com>

Looking back to 2019 and the beginning of 2020, the economy was very much in a confident state with low expected delinquency rates (Bhutta et al. 2019) where households were less vulnerable, and the only challenge was the effect of the global crisis. However, the announcement of the pandemic in March 2020 has changed the landscape of Malaysia's economy. The implementation of movement restriction measures has no doubt affected the performance of the general economy and commercial real estate market which is the focus of this writeup. When people stay or work from home, the demand for spaces in commercial properties (office, retail and industrial) will inadvertently go down which eventually affected the rents and prices of commercial properties. Assessing the impact of COVID-19 on commercial and real estate markets is challenging as the data availability is limited and it is difficult to separate the effect on the market as prices can be significantly affected by macroeconomic conditions which are largely affected during the pandemic (Belami, 2021).

As for the house price, over the last three decades, it has suffered a decline between 1998 and 1999 because of the 1997 Asian Financial Crisis. The property market then entered a recovery phase in 2001, and a few years later the mid-cycle dip took place during 2007-2009 because of the subprime mortgage crisis (MIEA, 2020). On the property market, according to a report released by iProperty.com.my (2020) on the effects of the COVID-19 outbreak on Malaysia's property landscape, property prices rose significantly from 2010 to 2015, with an increase as high as 13.4% a year. After 2015 there was another cycle of downturn led by the mismatch of house prices and affordability, property overhang, weak consumer sentiment, difficulty in getting financing, and the weakened ringgit

against other major currencies. However, the total number of transactions in Malaysia's property industry more than doubled between 1990 and 2019, from 148,000 to a staggering number of over 328,000. The main reason for the increment aside from the challenges stated formally is duly looking into the continuous significant growth in the economy together with an active own a house campaign, My Second Home (MM2H) Programme plus various incentives given for homebuyers. These numbers show that the Malaysian property market was quite resistant in terms of housing prices and even with uncertainty in the economy the market is still able to steadily grow.

How this difference during the pandemic is solely explained by the restrictions and Standard Operating Procedures announced by the government. The announcement and restriction are unprecedented which causes the announcement of MCO 1.0 a shock to the economy. The implementation of the first MCO has shut the economy and given a shock to all sectors, leading to a slowdown in the real estate industry market. Looking back into Malaysia's housing prices, a decline happened between 1998 and 1999 because of the Asian Financial Crisis, where a plunge of 47.6% in terms of housing value was recorded for the year 1998. During the pandemic, property prices, and experience delays in property transactions due to MCO continue to put the real estate industry uncertain about the possibility of recovery. With more economic activities being restricted during MCO 1.0, MCO 2.0 and MCO 3.0, more difficult to get a home loan approval, or even sufficient information regarding properties, as in-person visits to subscale homes and project showrooms are not allowed under strict lockdown measures. With the economy is now opening to its full capacity and lifting more restrictions have able to improve gradually the property markets.

Again, this has proven that the market can sustain the impact of the pandemic. To look further, this essay will explore the impact of COVID-19 on the real estate industry market and compare the current scenario with other viral diseases that have been reported in Malaysia. The finding is expected to show two important observations. Firstly, the scale of COVID-19 on the economy is worse than any other crisis that ever occurred in Malaysia. Secondly, the property market may be able to gradually recover and the impact may not be as critical as the 1997 financial crisis on the market.

2. PANDEMICS IN THE PAST AND THEIR EFFECTS ON PROPERTY MARKET

An outbreak of a disease that occurs over a wide geographic area (such as multiple countries or continents) and typically affects a significant proportion of the population is defined as the pandemic outbreak of a disease (Merriam-Webster Dictionary). Pandemic diseases are defined as events that cause a high level of costs for individuals and communities, the outcomes of which cannot be predicted but which can repeat themselves. While pandemic diseases can come out in different forms, they can influence various organs of the body. But respiratory track diseases have an important share among other epidemic diseases. It is known that with regards to this type of respiratory track disease being frequently observed throughout history, epidemics and pandemics have a destructive force that disrupts the community and economy severely and which causes a severe level of costs on a global scale.

The impact of these diseases globally is translated through the World Pandemic Uncertainty Index (WPUI). The world has seen not once but many pandemics and epidemics throughout the years, however, the latest occurrence of Coronavirus has three times the size of the uncertainty during the 2002–03 severe acute respiratory syndrome (SARS) epidemic and about 20 times the size during the Ebola outbreak.

In the past, we have encountered severe acute respiratory syndrome (SARS). Considered to be an infectious disease that can be spread among humans (WHO, 2003). Stated in late 2002 in the Guangdong province of China, and spreading fast to Australia, Brazil, Canada, China, Hong Kong, South Africa, Spain, and the USA (Farquharson & Baguley, 2003), infecting 8422 people worldwide with 916 fatalities. Even though the period of its impact lasted till July 2003, enough to raise concerns about public health and caused limited disruptions to the affected economy. Siu and Wong (2004) and McKercher and Chon (2004) both look at SARS and how diseases have an impact on the tourism sector. During this period industries that were hard impacted by the negative demand, shock suffers short-term negative impacts. China experienced no significant interruption to international commerce (Siu and Wong, 2004). During the same period China, Hong Kong, Singapore, and Vietnam reported \$20 billion in lost GDP (McKercher and Chon, 2004). Tourism arrivals also fell by 70% or more across the rest of Asia, even in largely disease-free countries. The cause of this region-wide tourism collapse can be attributed more to how governments reacted to the perceived threat of the disease rather than to the real public health danger posed.

Malaysia, however, responded to epidemics like the severe acute respiratory syndrome (SARS) 2002–2003 and the Middle East Respiratory Syndrome Coronavirus (MERS-CoV) in the last few years. The implementation of the Malaysia Strategy for Emerging Diseases and Public Health Emergencies (MySED) has been able to control from facing severe impacts as the government ensures rapid response to public health emergencies and recovery. Malaysia reported the first case of Middle East Respiratory Syndrome Coronavirus (MERS-CoV) in April 2014. There have been 2,123 cases reported by the World Health Organisation (WHO) by September 2012 and Malaysia reported only 2 cases while the Republic of Korea in 2015 led to the largest MERS outbreak outside of the Middle East. The outbreak resulted in 186 laboratory-confirmed cases and 36 deaths. Globally, since September 2012, WHO has been notified of 8460 laboratory-confirmed cases of infection with MERS-CoV in 27 countries, including at least 808 deaths.

Similar findings were found in past literature (Kim et al., 2005; Bhati & Sharma, 2016; Breda, 2004; Zheng et al., 2005), as all these studies focused on the impact of SARS on the tourism industry in Malaysia. Tourism increased between 1995 and 2005 but also a 2-year decline was observed in 1998 and 2003. The most important decline took place in 2003 with a 19.8% drop in the numbers. The worldwide evolution of tourism as a consequence of the SARS crisis in 2003 events may explain this decrease (Ali et al., 2010). Ali et al. (2010) study show that the Malaysian stock market has significantly overreacted to the SARS outbreak, however, did not determine the types of these stocks. Chen et al. (2009) and Beutels et al. (2009) examined the impacts of the SARS outbreak on the stock market during the outbreak period in 2003 and found airlines, tourism, and retail stores are negatively

impacted by airlines and the tourism and retail store sectors. However, they found that the SARS outbreak tended to enhance the performance of biotechnology companies.

There is a lack of pre-existing literature that can help to justify Malaysia REITs or any other property or commercial market in the period of past diseases. Ling et al. (2017), raised concerns about property market imbalances in Malaysia, highlighting three main issues which very similar to the current ongoing issues:

- i. Supply-demand imbalances in the property market have increased since 2015.
- ii. Unsold residential properties are at a decade-high, with the majority of unsold units being in the above RM250,000 price category.
- iii. The oversupply of office space and shopping complexes in the major states will be exacerbated by incoming supply, potentially becoming more severe than during the Asian Financial Crisis.

Based on the existing report for the house prices, over the last three decades, the real estate and property market suffered a decline between 1998 and 1999 because of the 1997 Asian Financial Crisis. The property market then entered a recovery phase in 2001, and a few years later the mid-cycle dip took place during 2007-2009 because of the subprime mortgage crisis (MIEA, 2020). On the property market, according to a report released by iProperty.com.my (2020) on the effects of the COVID-19 outbreak on Malaysia's property landscape, property prices rose significantly from 2010 to 2015, with an increase as high as 13.4% a year. After 2015 there was another cycle of downturn led by the mismatch of house prices and affordability, property overhang, weak consumer sentiment, difficulty in getting financing, and the weakened ringgit against other major currencies.

However, the total number of transactions in Malaysia's property industry more than doubled between 1990 and 2019, from 148,000 to a staggering number to over 328,000. The main reason for the increment aside from the challenges stated formally is duly looking into the continuous significant growth in the economy together with active own a house campaign, My Second Home (MM2H) Programs plus various incentives given for homebuyers. These numbers show that the Malaysian property market was quite resistant in terms of housing prices and even with uncertainty in the economy the market is still able to steadily grow.

To conclude, diseases may have impacted some sectors due to public concerns about health but the issues and the risks of property market imbalances in Malaysia. An ongoing situation has been happening for quite a long time and seems likely to continue for some time in the future. As such, it is time for all parties to act now to mitigate any potential risks to macroeconomic and financial stability.

2.1 2019 Coronavirus Disease (COVID-19) and Its Impacts

Coronavirus disease 2019 or COVID-19 is the third serious outbreak caused by a coronavirus (Wang et al., 2020). This virus now known as COVID-19 has caused a new dilemma to the

world, whether to choose between public safety and economic survival. Figure 1 shows the World Pandemic Uncertainty Index which describes the COVID-19 incidence as unprecedented, and the world is facing a new shock in the economy that asks countries to impose varying forms and degrees of action to offset the trade-off between public health and the economy.

COVID-19 is considered a deadly flu outbreak that has caused major global infectious disease threats, spread rapidly, and caused the deaths of millions of people worldwide. The outbreak has caused many socio-economic problems such as serious economic stagnation, and social and political turmoil. The pandemic has disrupted lives across all countries and communities and negatively affected global economic growth in 2020 beyond anything experienced in nearly a century. Estimates indicate the virus reduced global economic growth in 2020 to an annualized rate of around -3.2%, with a recovery of 5.9% for 2021 and expected to decelerate markedly in 2022 to 4.1%, reflecting continued COVID-19, especially with new mutation announced by the World Health Organisation (Quaglietti & Wheeler, 2022). Global trade is estimated to have fallen by 5.3% in 2020 (Weiss et al., 2020) meanwhile, the overall value of global trade reached a record level of \$28.5 trillion in 2021. That was an increase of 25% in 2020 and 13% higher compared to 2019 before the COVID-19 pandemic struck (UNCTAD, 2021).

This number reflects how the pandemic has effect terribly in some sectors but can maintain high transactions in different sectors of the economy globally. The COVID-19 pandemic however poses a major global health threat and, in many studies, its economic impact is highly uncertain, which makes it difficult for policymakers to formulate an appropriate macroeconomic policy response. Significant reductions in income, a rise in unemployment, and disruptions in the transportation, services, and manufacturing industries are among the consequences faced by many countries including Malaysia and the government has started mitigating the effect by implementing several restrictions and changes to ensure the economy and health sustainability. This chapter will further explore the challenges and experiences of previous outbreaks and COVID-19 on Malaysia property markets.

The pandemic also forced the government of Malaysia to implement the Movement Control Order (MCO). In terms of economic impacts, Malaysia lost RM2.4 billion a day during the MCO period, with an accumulated loss of RM63 billion. In 2020, Malaysia's economy contracted by 5.6% as compared to 4.4% in 2019. Overall, all sectors recorded negative growth with the services sector decelerating 5.5% (2019: 6.2%), manufacturing 2.6% (2019: 3.8%) and agriculture 2.2% (2019: 2.0%) (DOSM, 2020). The government responded to the economic impact by announcing several packages, among others are the Prihatin Rakyat Economic Stimulus Package and Penjana Short-term Economic Recovery Plan. Higher public spending coupled with declines in fiscal revenues, however, has led to a narrowing of fiscal space. Therefore, reallocating expenditures towards priority areas, identifying new sources of non-tax revenue, and amending statutory borrowing limits could help to temporarily expand fiscal space (World Bank, 2020a). The government's stimulus packages and the short-term economic recovery plan have softened the impact of the COVID-19 pandemic and paved a path toward

economic recovery. Currently, the best approach to achieving herd immunity to COVID-19 is through vaccination rather than by acquiring it naturally, and since vaccination programs were activated, Malaysia has relaxed the MCO and opened its economic sector to relieve its economic burden.

Table 1: Chronology of Movement Control Order (MCO) in Malaysia

Event	Start Date	End Date
Movement Control Order 1.0 (MCO 1.0)	18 March 2020	3 May 2020
Conditional Movement Control Order 1.0 (CMCO 1.0)	4 May 2020	9 June 2020
Recovery Movement Control Order (RMCO)	10 June 2020	13 October 2020
Conditional Movement Control Order (CMCO 2.0)	14 October 2020	12 January 2021
Movement Control Order (MCO 2.0)	13 January 2021	4 March 2021
Conditional Movement Control Order (CMCO 3.0)	5 March 2021	6 May 2021
Movement Control Order (MCO 3.0)	7 May 2021	31 May 2021
Full Movement Control Order (FMC0)	1 June 2021	14 June 2021

The main challenge for the COVID-19 pandemic as compared to others is the response taken by each country to prevent the effect. The first COVID-19 case appeared in Malaysia in January 2020, but a local outbreak only emerged in March, prompting the introduction of a nationwide Movement Control Order (MCO) which helped significantly reduce the spread of the virus. Every MCO has been associated with negatively impacting people's mental health, reducing income in households and poverty, affecting sectors in the economy, and halting many activities. Efforts by the government with multiple modifications to the MCO into RMCO, CMCO, and FMC0 which are solely intended to minimize the impact on the economy while saving lives and protecting their livelihoods have made it difficult for the policymakers to balance between health and economic sustainability. The response to COVID-19 has a definite impact and looking into the historical trend of responses adaptation and adjustment in each pandemic and endemic response have proven to have different impacts on economic activities and livelihood.

Balemi et al (2021) provide an overview of recent studies on the effects of the pandemic that are focused on the real estate market. The paper provides evidence of more than 50 scientific papers that appeared from March 2020 to mid-October 2020 assessing the impact of COVID-19 on real estate markets with more than half of these studies already published in field-specific or interdisciplinary peer-reviewed journals, the other half is in a working paper stage. Looking back on 2019 and the beginning of 2020, the economy is very much in a confident state with low expected delinquency rates (Bhutta et al. 2019) where households are less vulnerable, and the only challenge is the effect of the global crisis. However, the announcement of a pandemic in March 2020 has changed the landscape of Malaysia's economy. The implementation of

movement restriction measures has no doubt affected the performance of the general economy and commercial real estate market which is the focus of this writeup. When people stay or work from home, the demand for spaces in commercial properties (office, retail and industrial) will inadvertently go down which eventually affects the rents and prices of commercial properties. Assessing the impact of COVID-19 on commercial and real estate markets is challenging as data availability is limited and it is difficult to separate the effect on the market as prices can be significantly affected by macroeconomic conditions which are largely affected during the pandemic (Belami, 2021).

REIT sectors are an interesting investment that attracts investors due to rentals and value growth. The first listing was in 1989 by Amanah Harta Tanah PNB 2, followed by the Arab Malaysian First Property Trust (AMFPT) soon after. Nowadays investors can choose either conventional or Islamic REITs and the interest in these investments is growing intensely for the past decades. REITs are exposed to crises and each sectoral REIT is expected to be affected differently, where some may perform much better while others would perform much worse. Figure 2 described the pandemic impact on the REIT market which shows the market has suffered RM5.8 billion since the start of COVID-19.

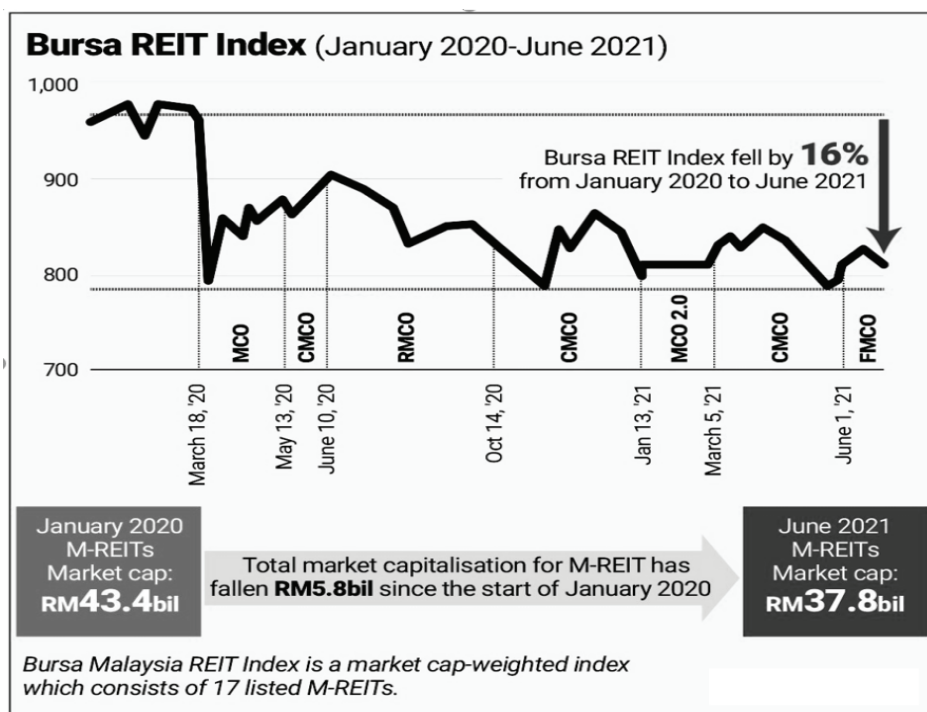


Figure 2: Bursa Malaysia REIT Index

Source: <https://www.thestar.com.my/business/business-news/2021/07/31/post-pandemic-comeback-of-malaysian-reits>

The REITs' performance is hinged on the property dynamics from the ground level, based on the sector, REITs would react disparately. Tourism and hospitality REITs, retail REITs and office REITs are likely to be more adversely affected due to the action taken by the government through the implementation of MCO. Tourism and hospitality REITs COVID-19 has shut down travel globally, as most countries have placed a ban on international travel to flatten the curve (Akinsomi, 2020). A lack of global travel would influence the hospitality industry adversely. Closure of airlines, hotels, entertainment spots, tourism spots, homestays and transport has contributed to huge losses to the sector. According to the Malaysian Association of Tour and Travel Agents Tourist arrivals to Malaysia fell by 83.4% in 2020 with Malaysia's tourist receipts also plunging by 85.3% from RM86.14bil in 2019 to RM12.69bil in 2020. The Malaysian Association of Hotels (MAH) reported that the hospitality sector recorded a loss of over RM6.53bil for the year of 2020. Hotels are estimated to lose RM300 million for every two weeks of MCO which according to MAH would add up to RM 5 billion in 2020. These scenarios are never precedent as Malaysia's MCO has never been implemented during other health crises. The movement restrictions and social distancing have particularly affected the retail sectors which have significantly reduced foot traffic in shopping malls; some landlords have resorted to renting concessions. Moreover, lease contracts in retail malls are mostly tied to sales. Property Investment Companies faced postponement or cancellation of deals as during the MCO were requested by the government to refrain from leaving the house, making it difficult to conduct business activity and participate in deal negotiations (CBRE, 2020).

Throughout, property markets are affected in different ways by the outbreak of the virus. Understanding these differences and their future consequences is crucial for governments, property developers, or investors to react and take appropriate actions to avoid the worst scenarios. In addition, future research should expand further on Malaysia's property and commercial market as the studies are scarce.

3. METHODOLOGY

To identify historical trends of similar events in the past (e.g., SARS, Bird Flu, Spanish Flu) on investment properties' performance. The main purpose of this study is to make a comparative evaluation of the impacts of previous outbreaks and coronavirus disease 2019 (COVID-19) on investment properties' performance. This study is a literature review and document search based. In this review, an evaluation of the impact of previous outbreaks and COVID-19 on investment properties' performance has been made based on statistics and previous research studies.

The information and figures obtained were expected to show that COVID-19 and previous outbreaks have such significant differences that cannot be compared. COVID-19 has been one of the worst to live in terms of spreading speed, the geography where it spreads, loss of lives and negative effects in the whole area. It is noteworthy that COVID-19 is very severe in terms of death cases and its impacts on the economy compared to other pandemics. It remains to be argued that COVID-19 can also be a reference in terms of possible new outbreaks in the future and is an effective actor in determining

future strategies not only for the development of an economy but also to find early responses for assuring the sustainability of investment properties' performance.

4. DISCUSSIONS

Shocks in the economy can cause a substantial effect on macroeconomic outcomes and performance, furthermore, cause a devastating impact on the social well-being of the society. The occurrence of shocks is often unpredictable and is usually the result of events thought to be beyond the scope of normal economic and insists on quick government intervention to avoid deprivation situation that can bring an economy into a recession. The 1997 financial crisis is part of the history of economic shocks that changed the scenario of financial institutions globally. Southeast Asia is affected the most and several financial transformations have prepared these countries to be vigilant toward another economic crisis in 2008. However, the worst is not over, as the years ahead have shown how the event of health hazard occurrence has also brought a devastating impact on the economy globally and again have asked the world to begin a new journey into the new world of economics. As such the economic cycles may face profound changes and transform how the world sees the economy in the next many years.

The impact of these diseases globally is translated through the World Pandemic Uncertainty Index (WPUI). The world has seen not once but many pandemics and epidemics throughout the years, however, the latest occurrence of Coronavirus has three times the size of the uncertainty during the 2002–03 severe acute respiratory syndrome (SARS) epidemic and about 20 times the size during the Ebola outbreak. This virus now known as COVID-19 has caused a new dilemma for the world, to choose between public safety and economic survival. Figure 1 shows the World Pandemic Uncertainty Index which describes the COVID-19 incidence as unprecedented, and the world is facing a new shock in the economy that asks countries to impose varying forms and degrees of action to offset the trade-off between public health and the economy.

Health hazard occurrences have proved to be part of this exogenous factor that affected the economy. The direct consequences of the SARS epidemic in 2003, have put pressure on medical expenditures or demographics, however, for Malaysia, the effects seem to be rather small, showing the resilience of the Malaysian property market and its ability to weather economic and health crises. Similar recoveries were seen in national house price growth in the years 2001, 2006, and 2009, following the years of facing other health crises. Even during the recent pandemic, the property market remains resilient, supported by government actions to ensure the market stays strong and continues to evolve even though the outlook remains uncertain. According to data provided by Malaysia's National Property Information Centre (NAPIC), the property market is still able to emerge strong throughout the critical economic downturn. Figures 3 and 4 display the trend of Malaysia's volume and value of property transactions. Both show the property remains strong despite concerns about the COVID-19.

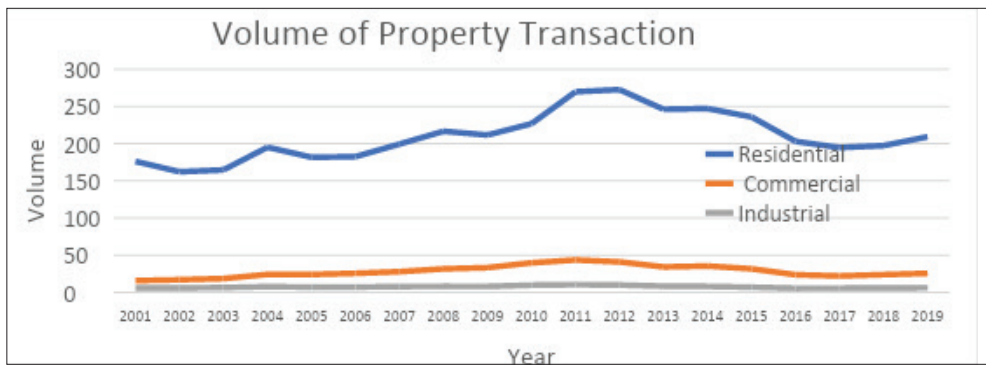


Figure 3: Volume of Property Transaction

Source: <https://napic.jpph.gov.my/>

These present strong demands despite cautious consumer sentiments, and the current climate of historically low-interest rates, low house prices and rich incentives introduced by the government presents attractive property opportunities for those with good financial stability. The government's focus on the continuation of megaprojects is expected to create a positive spill-over effect on the overall property market, creating new real estate and investment opportunities. Over the past decades, Malaysia has encountered several phases of economic downturn (see Figure 4). And as we match the health hazard with the economic development, COVID-19 have had serious consequences for the economy where productive activities have been disrupted, resulting in a steep rise in unemployment (Q12021: 4.8), with a consequent reduction in demand for goods and services, following the contraction⁴ in GDP, are much worse than the experienced of the economic downturn in any past health hazard occurrences nor economic crisis (see Figure 4).

The COVID-19 outbreak occurred in the context of global economic uncertainties, since the 2008–2009 financial crisis. Malaysia's growth slowed down in 2019, due to a shrinking in private consumption and slower external demand as global growth remained weak in the fourth quarter of 2019. Further disruptions escalated as the COVID-19 emerged and the announcement by World Health Organisation (WHO) to treat COVID-19 as a Pandemic, causing a shock to the economy as well as on the social wellbeing of the society. The property market however resumes being marginally affected. Figures 5 and 6 plots the condition of the property market. The prices increased at a more moderate pace during the third quarter of 2020, as measured by the House Price Index (HPI).

The Central Bank of Malaysia (BNM) Financial Stability Review for Second Half 2020 highlighted that the growth in housing market activity was more concentrated in the mid-to higher-priced property, mainly in the secondary market, where buyers are more likely to be those whose incomes have been less affected by the pandemic. The scenario may be supported by the housing loans expansion by the banking system which amounted to RM646.8 billion by December 2020. The non-residential property

⁴ Malaysia's Gross Domestic Product (GDP) contracted 3.4 per cent for the fourth quarter of 2020 as compared to a decline of 2.6 per cent in the preceding quarter. For overall year 2020, Malaysia's GDP contracted 5.6 per cent as compared to 4.3 per cent in 2019 (Malaysia Performance in Fourth Quarter 2020, DOSM)

segment has continued to face considerable challenges. For the hospitality industry, average hotel occupancies have improved but remained well below pre-pandemic occupancy levels. The shopping malls are expected to encounter recovery towards the end of 2020, but online purchases are likely to persist and will continue to partly weigh on demand for retail space amid pre-existing excess supply. Office and retail space have encountered slower supply as developers have taken drastic measures and deferred the completion date. With the challenges continues and the continue, MCO with most offices implement working from home, rental and occupancy rates for office and retail space are expected to remain lower especially in the more business challenging conditions.

5. CONCLUSION

There is no doubt that Pandemic COVID-19 is the worst-case scenario in history. It is an unprecedented experience that causes a chaotic and uncontrollable issue to the global economy. This is the first time in history that a country needs to make a huge decision to have a balanced policy in ensuring the survival of an economy and the livelihood of people. In terms of its impact on the sector of the economy seems surreal and if the condition prolongs a country needs a much more stringent policy to overcome the fear of an economic downturn. Even though the housing market seems to have been able to sustain its development, the current epidemics may lure the economy to another cycle of economic growth as the demand may be affected. The following findings will be looking into the effect of a movement control order on the commercial property market and the spillover effect on other macroeconomics and financial institutions. These analyses will further discuss the impact of the pandemic and provide some indication of what is happening in the commercial market in Malaysia and the way forward.

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