

The IMG Monthly Bulletin serves as a comprehensive review of developments in the real estate industry, bringing together insights, news, and updates on the property market. Each week, we publish focused snapshots on the month's main theme, offering timely perspectives on key trends shaping the sector. At the end of every month, these insights are consolidated into the IMG Monthly Bulletin, providing readers with an in-depth overview of industry movements, emerging opportunities, and strategic considerations for stakeholders across the property market.

Mastering Property Auctions in Malaysia

Contents:

- Part 1 Beginner's Guide to Property Auctions
- Part 2 Due Diligence and Strategy
- Part 3 Macro Factors Directly Influencing Auction Trends
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Part 1: Beginner's Guide to Property Auctions

Understanding Auction Properties

A property sold through competitive public bidding, usually after being repossessed by bank.



Public Sale Process

A property auction is a public sale process characterized by open and competitive bidding.



Highest Bid Wins

Sold to the individual offering the highest price (highest bidder).



Legal Mechanism

A legal way to transfer ownership rights (right of ownership).



Overseen by Experts

Overseen by a registered property auction house



Foreclosure & Repossession

When owners default on loan payments, leading to bank foreclosure and repossession.



Immediate & Unconditional

Sale contracts are immediate and unconditional on the auction date.



Irrevocable Price

The final price set by the auctioneer's hammer is irrevocable.

Auction Market Highlights

The July Auction Carnival 2025, held in Kuala Lumpur on July 24, 2025 by Ng Chan Mau & Co. Sdn Bhd attracted strong engagement on property auctions market.

600+
Properties Listed
by participating banks and through Owner Auction.

200+
Successful Bidders
Securing lots across property, automotive, and art categories.

27% Up Bid
3-bedroom
Service Apartment

Located in Seri Kembangan, Selangor, attracted over 20 bidders, resulting in the property being sold up bid, increasing the price from its **Reserve Price of RM277,000** to a **Final Sale price of RM352,000**.

40 Million
Sales Value
120 properties were sold achieved a combined value of over RM40 million.

220,000+
Online Listing Visits
The massive digital engagement indicated strong buyer interest.



High End Property Intense Up Bidding

Climbed from **RM1.053 million** to **RM1.47 million** with seven bidders vying for the lot.

Market Highlights

Based on an analysis of the CIMB Property Auction Master Listing dated 27 Nov 2025:

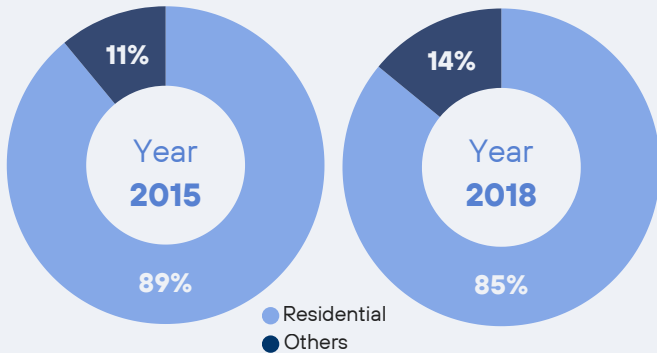


The reserve price between **RM150,000 to RM450,000** are highest density of auction listings, frequently appearing across multiple states.

The **residential segment** constitutes the majority of auctions, with **High-Rise properties** making up the largest proportion within the residential listings, particularly in the core market areas.



This observation aligns with the broader Malaysian property market data for foreclosure sales **historically**:



The majority of foreclosed properties are residential, from landed houses to high rise properties.

“Auction Market Shows Active and Positive Signs”



Potential for a Bargain

Reserve prices are typically 10-20% below market value and drop by 10% if unsold.

CIMB Property Auction Master Listing dated 27 Nov 2025:



Selangor
309 Entries



Kuala Lumpur
71 Entries



Perak
60 Entries



Johor
35 Entries



Penang
34 Entries



Kedah
24 Entries

Two Main Types of Property Auctions

LACA Auction

(Loan Agreement Cum Assignment)

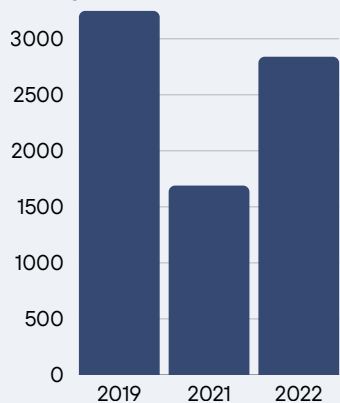
- For properties without an individual or strata title. Often known as “master title properties”.
- Non-judicial auction. Conducted by banks or a licensed auctioneer appointed by the bank.
- Usually 5% of the property price.
- The balance purchase price must be settled within 90 days from the date of the auction.

Non-LACA Auction

(Non-Loan Agreement Cum Assignment)

- For properties that have obtained an individual or strata title.
- Judicial auction. Conducted by authorities such as the High Court or Land Office.
- Usually 10% of the reserve price.
- The balance purchase price must be settled within 120 days from the date of the auction.

Average Auction Volume Per Month 2019 - 2022



- The average of 1,690 per month in 2021.
- The pre-pandemic peak of 3,249 properties auctioned monthly in 2019
- In 2022 the auction volume reached an average of about 2,840 properties per month



The number of auction properties spiked to 32,611 cases in 2018, with a total reserve value of RM15.56 billion. This marked a 15.4% increase in volume and 27.6% increase in value from 2017.

Part 2: Due Diligence and Strategy

Your 5-Step Guide to Buying at Auction



Do Your Homework

Inspect the property's exterior, get the Proclamation of Sale (POS) and seek legal advice.



Prepare Your Funds

Secure financing pre-approval and prepare a bank draft for the deposit.



Register and Bid

Register at the auction venue or online, then bid carefully and stick to your budget.

Technology Adoption

Shift to Online and Hybrid Auctions

Actively invested in online bidding systems to modernize the sale process.

Increased Efficiency and Convenience

Buyers can participate by simply pressing a bidding button on their mobile phone.

Wider Reach to Buyers

Wider range of buyers, overcoming geographical barriers.

Key Risks

What to Watch Out For:



Settle The Balance

Pay the remaining 80% of the purchase price within the stipulated 90-120 day period.

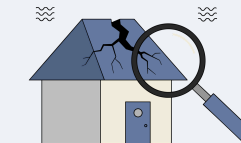


Win and Sign

Highest bidder win and can sign the POS and pay any top-up deposit immediately.



Hidden Costs



"As Is Where Is" Condition



Eviction is Your Responsibility

Structural Due Diligence

Legal and Title Due Diligence

Obtain Key Documents



Request and carefully read a copy of the Proclamation of Sale (POS) and the Condition of Sale (COS) from the listed auctioneers. The POS contains details of the property, including particulars of title, size, reserve price, and terms and conditions of the auction.

Conduct Legal Searches



Conduct the relevant searches at the Land Office. This search is crucial to find out the title status and check for any limitations, such as Bumiputera lot status or the remaining tenure if it is a leasehold property.

Check for Caveats



Search the property for any existing caveats, which are legal notices placed to stop or suspend the sale, typically by a third party with an interest in the property. A caveat can complicate the transfer of ownership and may prevent banks from releasing financing, forcing the buyer to pay in cash.

Seek Legal Advice



Engage a lawyer to review the terms and conditions contained in the POS and investigate outstanding assessment tax, quit rent, and outstanding maintenance payments with the developer.

Financial Due Diligence

Determine Financing Capacity



Prior to bidding, buyers must accurately determine their available cash/overdraft facilities and their bank loan entitlement, especially since there is a risk of deposit forfeiture if the balance cannot be settled within the stipulated 90 or 120 days. Some banks will not finance properties with less than 20 years left on the lease.

Prepare the Deposit



Prepare the required deposit (usually 5% or 10% of the reserve price) in the form of a bank draft/banker's cheque payable to the financial institution.

Calculate Hidden Costs



Critically factor in and quantify all outstanding utility fees and other charges (e.g., electricity, water, sewerage, maintenance fees, quit rent, assessment tax). Although the POS might state the bank will bear these fees, the successful bidder often has to pay them first and await reimbursement later.

Set a Bidding Budget



Determine the maximum price to bid, ensuring that the total cost (including outstanding fees and potential renovation costs) still makes financial sense compared to the property's market value.

Structural and Occupancy Due Diligence

Inspect Property Exterior and Locality



Since auction properties can usually only be viewed externally, buyers must visit the location to inspect the building and general surroundings. This helps determine the feasibility of ownership and assesses potential local issues (e.g., traffic, flight paths).

Assess Condition and Repair Costs



Be aware that auction properties are sold on an "as is where is basis," meaning the purchaser assumes responsibility for any defects, which may only be discovered after the sale is finalized. Buyers must estimate and budget for significant refurbishment costs, especially if the property has been left vacant.

Address Occupancy Status



If the property has existing tenants or is occupied by the previous owner, the purchaser is responsible for eviction. Buyers should communicate politely with occupants but be prepared to appoint a lawyer to obtain vacant possession, as legal proceedings may take months.

Part 3: Macro Factors Directly Influencing Auction Trends

Macro-Financial Drivers



Non-Performing Loans (NPLs)

The primary catalyst for nationwide auctions. Properties are classified as NPL after borrowers default on payments over 90 days. This creates the baseline supply of auction inventory.



Bankruptcy Trends

Direct correlation established between bankruptcy cases and auction volume.

Case Study:

Gombak (2015 - 2019)

A decline in housing loan bankruptcies in Selangor directly reduced residential auction listings during this period.



New Development Pressure

New projects compete heavily with auction stock. Buyers often prefer new units despite higher prices due to:

- Modern Designs
- High Finance Margins
- Selection Flexibility
- "Move-in" Condition (vs "As Is")

Malaysia Property Auction Market Strategic Analysis & Outlook | December 2025

As we close Q4 2025, the Malaysian auction market presents a unique dichotomy. While the primary market faces upward price pressure due to rising construction costs (3-5% hike), the auction market is saturated with "overhang stock, particularly in the high-rise commercial title segment. This creates a significant Price Gap, offering opportunities for value investors but signaling risks for the banking sector regarding Non-Performing Loans (NPLs).

30-40%

BELOW MARKET VALUE

Average discount for high-rise serviced apartments in Klang Valley.

High

INVENTORY VOLUME

Significant increase in "Stratified Commercial" listings vs Landed Residential.

Rising

PRIMARY PRICES

New launches are becoming pricier, pushing demand towards secondary/ auction markets

Buyer Strategy & Advisory



CAUTION: First-Time Buyers

"Buying auction property is not advisable for beginners due to inherent complications and hidden costs."

Why? Unlike sub-sale, you buy "As Is".

- Hidden Maintenance Arrears
- No Vacant Possession
- Legal Complications



Current Market Shift

PAST TREND
Pure Investors



CURRENT TREND
Own-Stay Buyers

Implication: Bidding wars are becoming more emotional rather than purely mathematical. Own-stay buyers are often willing to bid higher than investors (who cap their bids based on rental yield ROI)

Key Market Trends

The “Serviced Apartment” Overhang

Oversupply in locations like Cyberjaya, Shah Alam and Johor Bahru has led to a surge in auction listings. Investors who bought with “DIBS” or “GRR” schemes years ago are now offloading units as rental yields fail to cover installments.

Risk: High Holding Power Required

Luxury Segment Volatility

High-end condos (Mont Kiara/KLCC) are appearing in auction lists with reserve prices >RM1.5 Million. While the discount is attractive, the pool of eligible bidders is shrinking due to tighter financing for luxury properties.

Opportunities: Cash-Rich Investors

Regional Analysis & Risks

Listing Hotspots (Dec 2025)

- Klang Valley (Central)**
Focus on Kajang, Semenyih and Shah Alam (high-density strata).
- Johor (Southern)**
Iskandar Puteri & JB Town. High volume of foreign-owned units going under the hammer.
- Penang (Northern)**
Mainland (Seberang Perai) seeing more activity than the island.

The “Commercial Title” Trap

A critical issue for new bidders, because many “Apartments” are legally **Commercial Strata**.

- ✗ Assessment Tax is 2-3 times higher than residential.
- ✗ Electricity tariffs are commercial rates (unless converted).
- ✗ LTV (Loan-to-Value) margin may be lower (80-85%).

ESG & Future Value Perspective

The “Brown Discount” Risk

Auction properties (especially >10 years old) often lack energy-efficient features. Future valuation may suffer a “Brown Discount” as tenants prefer Green Certified buildings.

Retrofitting CAPEX

Feasibility studies must account for CAPEX to retrofit these units (LED lighting, smart meters, water efficiency) to remain competitive in the rental market.

The Valuer’s Due Diligence Checklist



Legal & Title Search

Check for private caveats. If the title is still under the Master Title, check if the developer is still active or liquidated (liquidator fees can be 2-3%).



Outstanding Bills Calculation

Request outstanding statements for: Maintenance Fees, Sinking Fund, Quit Rent, Assessment and Water/ Indah Water. Banks usually only cover arrears up to 10% of the reserve price.



The “Locked Gate” Inspection

You cannot view the interior. Inspect external structural integrity (cracks, leaks). Check the TNB meter-is it missing? (Reconnection cost).



Occupancy Status

Is it vacant or tenanted? Evicting a stubborn tenant/ owner requires a court order (vacant possession order), costing RM3,000-RM5,000 and taking 3-6 months.

Part 4: Insights from Real Estate Professionals

Registered Valuer: **Sr Abdul Latib Ibrahim**

Associate Director (Penang Branch), IM Global Property Consultants Sdn Bhd

Myth vs. Reality

Myth: All auctioned homes are destroyed or 'haunted'



This is not true. While some vacant properties may be unkempt, many are occupied and in good condition

Reality: You can find 'hidden gems'



Some auctioned properties have already been renovated or extended, offering significant value to a successful bidder.



Your First Step: Conduct a Site Inspection

Always visit the property. Even an external inspection can reveal its condition and whether it is occupied

"Public Auction is for those who are prudent.. or I can say more precisely, those who are careful.. We also need to pay full attention to avoid being involved with liabilities related to the public auction process".

- Sr Abdul Latib Ibrahim

Your 3-Point Due Diligence Checklist

1. Analyze The Reserve Price



Compare the starting price with the market value of similar properties in the area. Note that the reserve price may be lowered by a percentage in subsequent auctions if the property doesn't sell.

2. Investigate Outstanding Dues

Carefully read the Proclamation of Sale to understand who settles unpaid maintenance fees, taxes and utility bills (bank or buyer).



3. Assess The Occupancy Status



Determine if vacant or occupied by owner/tenant. Removing unwilling occupants involves estranged time, legal costs and potential court orders.

For Homeowners Facing Financial Difficulties. How Can You Prevent The Auction?



If you miss payments, do not avoid the bank. Contact them immediately to discuss options like restructuring your loan (reschedule/ restructure) or requesting a moratorium to prevent your property from going to auction.

A property auction is defined as a public sale process characterized by open and competitive bidding where the highest bid wins, and the sale contract is immediate and unconditional. The market has shown robust activity, exemplified by events like the "July Auction Carnival 2025" in Kuala Lumpur, which saw over 600 properties listed and achieved a sales value of over RM40 million. It is crucial for potential buyers to understand the two main legal mechanisms governing these sales. The first is the LACA Auction (Loan Agreement Cum Assignment), which involves properties without an individual or strata title, often requiring a 5% deposit and a settlement period of 90 days. The second is the Non-LACA or Judicial Auction, conducted by authorities such as the High Court for properties with titles, which typically mandates a 10% deposit and provides a longer settlement window of 120 days.

Navigating the auction market safely requires a disciplined approach that moves beyond simple bidding. The process generally follows a five-step guide: doing homework on the property, preparing funds including bank drafts, registering to bid, winning the bid, and finally settling the balance within the stipulated timeframe. Buyers must be acutely aware that these properties are sold on an "As Is Where Is" basis, necessitating rigorous checks before any money changes hands.

This includes obtaining key documents like the Proclamation of Sale (POS) and conducting legal searches at the Land Office to identify potential limitations or caveats that could block ownership transfer. Financial due diligence is equally critical; buyers must quantify all outstanding utility fees, assessment taxes, and maintenance charges, as the successful bidder often has to pay these upfront. Furthermore, structural inspections are vital to assess repair costs, while understanding the occupancy status is essential because evicting existing tenants or owners becomes the buyer's sole responsibility.

The primary catalyst for nationwide auction inventory remains Non-Performing Loans (NPLs), where borrower defaults create the baseline supply. Currently, the market is witnessing a "Serviced Apartment Overhang," particularly in locations like Cyberjaya, Shah Alam, and Johor Bahru, where investors who previously bought under schemes like DIBS are offloading units as rental yields fail to cover installments. A specific risk highlighting the complexity of this market is the "Commercial Title Trap," where residential-styled units sit on commercial land. These properties attract assessment taxes that are two to three times higher than residential rates and commercial utility tariffs, which can severely impact rental yield ROI.

Additionally, older auction properties face a potential "Brown Discount," as future valuations may suffer if the buildings lack the energy-efficient features increasingly demanded by ESG-conscious tenants.

Sr Abdul Latib Ibrahim, Associate Director at IM Global Property Consultants, offers a grounded perspective on the realities of the auction market. He dispels the myth that all auctioned homes are destroyed or "haunted," instead using the analogy that buying an auction property is like buying a "mystery box" at a discount. While some boxes might be empty or damaged, others contain valuable treasures, and the only way to ensure success is to "peek through the cracks" via rigorous inspections and legal checks before placing a bid. He warns that the winning bid is merely the entry price, and buyers must budget for several hidden costs. These include outstanding arrears for maintenance fees and utilities, eviction costs to remove occupants via court orders, and the risk of deposit forfeiture if the balance is not settled within the 90 to 120-day window. He likens this to buying a car at a police auction; the sticker price may look low, but if one ignores unpaid summonses and engine repairs, the "bargain" could end up costing more than a brand-new car.

Shifting focus to homeowners facing financial difficulties, Sr Abdul Latib advises that the danger zone begins once installments are missed for three consecutive months. To prevent a home from reaching the auction floor, homeowners must stop avoiding the bank and instead propose solutions such as rescheduling, restructuring, or requesting a moratorium. He compares falling behind on a mortgage to a small leak in a dam; if ignored for a month or two, it can be patched easily, but by the third month, the pressure becomes too high. Meeting with the bank early is akin to calling engineers to fix the structure before the dam breaks and the property is lost to the auction market.

Stay Connected for More Updates

This marks only the beginning. Our upcoming editions will feature further highlights together with the complete monthly bulletin, offering in-depth coverage on key topics to strengthen your understanding of the Malaysian property market.



Scan the QR code to explore our latest research updates

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