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REMEMBERING CORONAVIRUS AND HOW ITS CHANGED THE REAL ESTATE LANDSCAPE IN MALAYSIA

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Abstract

The COVID-19 pandemic exposed significant vulnerabilities within Malaysia's economic system, accelerating structural transformation across commercial real estate markets and triggering an irreversible shift towards digital adaptation and flexible operational strategies. This study examines the impact of the pandemic on Malaysia's commercial property landscape, with particular attention to the banking sector, commercial real estate operations, market resilience, and policy responses during the crisis period. The pandemic-induced disruptions compelled industry players — including banking institutions, real estate investment trusts (REITs), and small and medium enterprises (SMEs) to rapidly adopt adaptive governance, digital operational strategies, and technology-driven business continuity measures as a foundation for sustainable economic recovery. Employing a qualitative research design, data were collected through semi-structured expert interviews involving senior industry stakeholders from the banking and commercial property sectors. Thematic analysis identified five major themes, namely unprecedented market uncertainty, adaptive business responses, perceived limitations of government support, recovery expectations and structural transformation, and policy-industry mismatch. The findings reveal that the pandemic accelerated digital transformation across commercial property operations, banking practices, and SME business models, offering transferable lessons for sustainable economic development, including rural and community-based economies seeking long-term resilience. Overall, the findings contribute to ongoing discussions on crisis management, digital transformation, sustainable economic recovery, and the long-term resilience of emerging economies in a post-pandemic landscape.

Keywords: COVID-19, digital transformation, commercial property market, economic resilience, adaptive governance, sustainable development, Malaysia

INTRODUCTION

The year 2020 has brought new and painful experiences to the world. The COVID-19 pandemic has changed the world in myriad ways. The property markets are touching an all-time low, the economy of the nations has become stagnant, and millions of people lost their jobs across the industry. The property industry is not an exception. The gradual decline in the property is spotted way before the pandemic in 2020. The declining trend was evident throughout 2016 and 2017, and despite improving consumer sentiment and proactive government policies announced in the Budget 2019, the unprecedented announcement of the first COVID-19 cases in Malaysia in February 2020, has set a new outlook for the property market.

The property market has shown signs of recovery from the pandemic-induced slowdown in 2020, with the volume of transactions increasing by a significant 21.7 percent, according to the annual Malaysian property market report for 2021. The volume of transactions fell during the second and third quarters as the country entered various Movement Control Order (MCO) modes, but the volume of residential transactions increased significantly during the fourth quarter as

buyers are enjoying the benefits of the Home Ownership Campaign (HOC). According to PropertyGuru Malaysia in its latest Malaysia Property Market report, the second quarter (Q2) of 2022 logged a 1.1 percent increase quarter-on-quarter and 3.64 percent year-on-year in the Landed Property Sale Price Index. This comes with a 1.96 percent dip quarter-on-quarter in the Landed Property Sale Demand Index, but a 5.21 percent increase year-on-year. The Bank Negara Malaysia data also indicates that the total loan applied to purchase property has increased by 9.2 percent year on year (YoY) to RM28.6 billion in February 2022, after increasing by +5.4 percent year-on-year in January 2022. The increase in property loans is in line with the firm's expectation of a marginal recovery in property demand as economic activity normalises. Moving into pre-post-pandemic, the country currently was dampened by affordability issues and financial difficulties and expected a slower demand. With the rising inflation, potential buyers are cautious, seeking stabilisation and improved job security on the back of the current economic climate.

Amidst the recovery experienced by the market in the current economy, this chapter provides the conclusion for the report on the effect of the COVID-19 pandemic on the Malaysian property market: publicly listed real estate investment trusts (REITs), property investment companies and hotel operators., the discussion is extended further by descriptively looking into the past experiences of a similar event and the spillover effect on financial institutions.

LITERATURE REVIEW

The Impact of COVID-19 Pandemic on the Malaysian Property Market

There is no doubt that the Pandemic COVID-19 is the worst-case scenario in history, causes a chaotic and asking the world to make drastic changes to overcome the economy and health in ensuring the survival of an economy and the livelihood of people. This study is looking into the impact of the Pandemic COVID-19 on the property market. The study concentrates on commercial properties (office, retail, and hotel properties) owned by publicly listed real estate investment trusts (REITs), property investment companies, and hotel operators in Malaysia. Despite the limitation on data, the later discussion explores the spillover effect of the relationship between the property market and the financial sector in Malaysia. The findings focus on the marginal effect of the housing market and rental market on the financial sector development.

Looking into past crises, COVID-19 is different than the previous crises. Malaysia has experienced several crises throughout the years and has been able to provide cushions and solutions. The current pandemic, however, has caused a chaotic situation as the impact is no longer on the economy per se but also has caused a huge impact on health. The finding indicates that the pandemic is unprecedented. The announcement of MCO 1 caused a shock as the economy suddenly shuts down all economic activities. The chronology of movement control order (MCO) in Malaysia however has provided lessons and much better changes are seen during MCO 2 and beyond.

The REIT market has shown volatilization at the beginning of MCO1 and has been able to recover with a slower phase during MCO2 and MCO3. This abruption that has taken place in 2020, shut down and unemployment spikes as a consequence of lockdown orders. To absorb and mitigate these massive negative shifts in the supply and demand of goods at the same time, governments increase the public debt and use a broad set of monetary and fiscal policy instruments such as unemployment and financial assistance programs, to ensure the sustainability of the economy and others. Despite these measures dampening the pandemic's effect, the economy contracted by 5.6% as compared to 4.4% in the previous year. Contrastingly, rescue programs during the 1997 financial crisis and global financial crisis, in which the main focus is to stabilise the banking sector and reduce the systemic risk in the financial system, actions applied during the COVID-19 pandemic aimed at buffering the initial shock in the real economy and the losses of the respective market participants. The policies are pressurised by maintaining the economy and taking care of the safety and health of an individual.

The show how commercial real estate sectors hit directly by the shutdown and dealing with the highest degree of uncertainty are hotel and retail properties. These buildings host businesses forced to close down entirely as these businesses depend on in-person services and/or have personal points of sales. However, businesses occupying these properties are often able to still provide their services from their employees' home offices as they operate in industries with less need for personal contact. Meanwhile, industrial production sites continue operating with additional safety measures and at lower capacities due to limited demand and lockdown measures that limit other support services such as logistics and transportation.

As quoted from a study by Balemi et al. the real estate market is complex and always interconnected with others; households, developers, banks, and investors, who are the main players in the economy. The market is characterized by links to the overall macroeconomy and financial markets (Balemi et al. 2021, pp 495-513)). This figure illustrates the real estate and mortgage market's connections to the macroeconomy, financial markets and other credit markets by potential wealth and valuation effects. Hence, this study conclusively showed the interrelations of the changes and the impact of the market on different parties in the economy.

These stock price drops of real estate securities are further caused by spillovers from financial markets and the overall market. The finding captured the spillover effect of the relationship between the property market and the financial sector in Malaysia, which affects the wealth of households. While there are actions taken through the announcement of a monetary and fiscal policy measure, COVID-19's effect on households' income and, been found to have impacted the residential housing markets as well as mortgage markets. The effects can be categorized by household types, locations, and household income. The abruption has cost losses of income as the business had to let go of their workers which may result in rent losses for landlords or defaulting mortgages. The marginal effects, provide the magnitude of the spillover effect on financial sector development. However, firmer signs of recovery in 2022 as the COVID-19 pandemic appears to be under control. The achievement of a vaccination rate boosts overall confidence and economic activity, ultimately benefiting the real estate market.

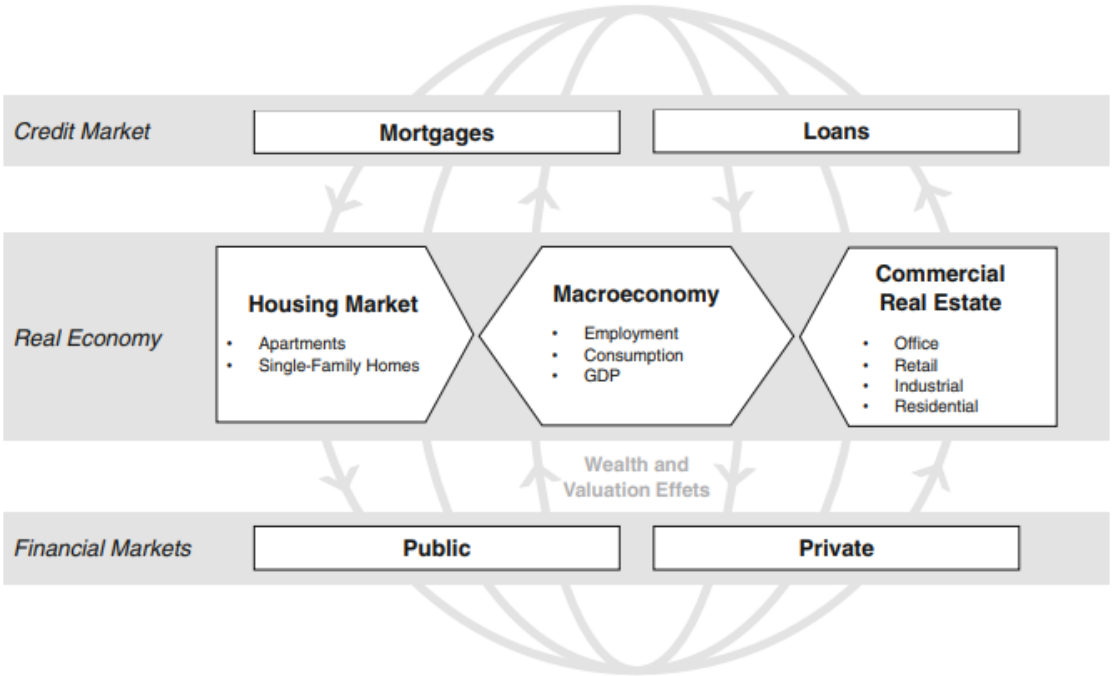


Figure 1. Macroeconomy and Financial Market Linkages
Source: Balemi et al. (2021)

RESEARCH METHODS

Qualitative research design is employed in this study. Using purposive sampling, three key industry experts representing the banking and commercial property sectors, namely a Chief Economist, an Equity Research Analyst, and a Chief Executive Officer. The selection was based on their professional expertise, strategic involvement, and direct exposure to the effects of the COVID-19 pandemic on the Malaysian commercial property market. In qualitative research, expert interviews are commonly used to obtain rich, experience-based, and context-specific insights, particularly in exploratory studies involving specialised industries and rapidly evolving phenomena (Creswell, 2008). The objective of the study was not statistical generalisation, but rather to develop an in-depth understanding of industry responses, market uncertainty, and policy implications during the pandemic period. Furthermore, qualitative inquiry emphasises information richness and thematic relevance over sample quantity, particularly when participants possess substantial professional knowledge and decision-making experience (Guest et al., 2006; Hennink et al., 2022).

Table 1.Table Format

Respondent	Position	Organisation
Respondent 1	Equity Research Analyst	Bank X
Respondent 2	Chief Economist	Bank Y
Respondent 3	Chief Executive Officer	Bank Z

Note: Pseudonyms (Bank X, Bank Y, and Bank Z) were used to maintain the confidentiality and anonymity of the participants and organisations involved in the study

The following steps were observed while conducting the interviews, i.e., preparation for the interview, beginning the interview, communication and listening skills, asking questions, the sequence and type of questions, and closing the interview (Punch, 2010). Firstly, after collecting the letter of introduction from the institution (UUM), the researcher presented it to the interviewees to let them know the mission and the purpose of the research. Secondly, the study took cognizance of establishing a good rapport with the participants. Thirdly, the study arranged an interview with the appropriate clients concerned, noting the date, time, and venue, and finally, the collection of data was undertaken in line with what Punch (2010) recommended.

RESEARCH DESIGN

The interviews were conducted using semi-structured expert interview sessions to collect detailed insights and support the findings of the study. Following Nyumba et al. (2018), the process begins with identifying the main aim and defining the key research objectives of the study. Based on the research objectives, a list of questions (schedule or script) is prepared as guidance for each Expert interviews session. This is followed by seeking ethics clearance. The chosen participants are based on availability and due to the limitation during the pandemic and standard operation procedures (SOP), the INTERVIEWwas conducted online.

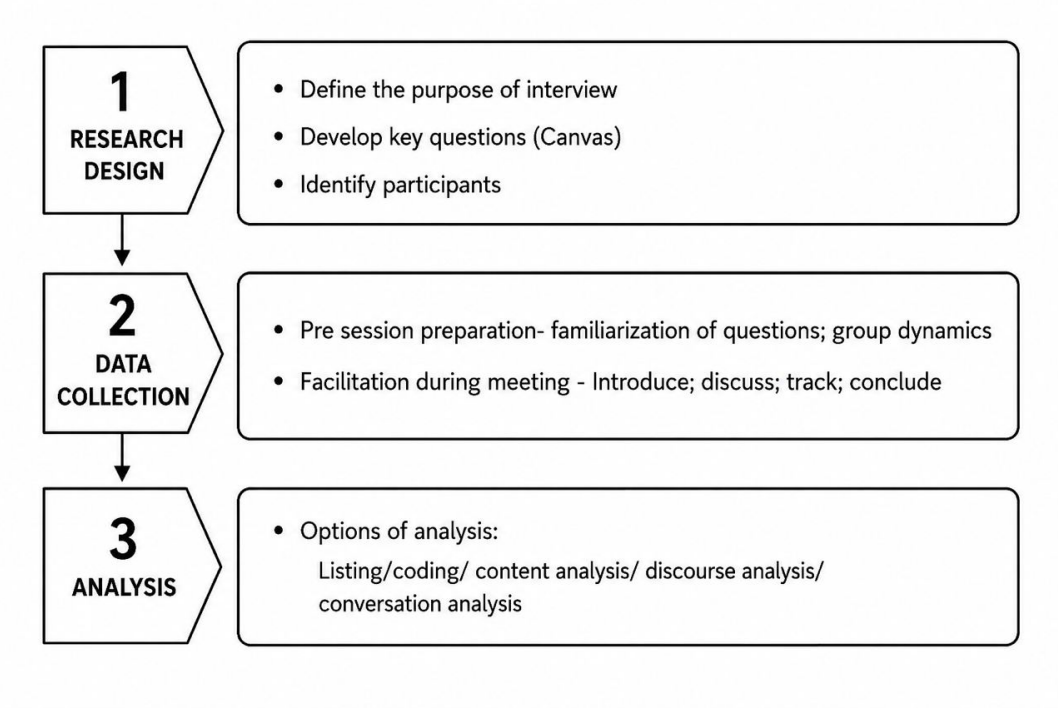


Figure 2. Flow Chart of the Semi-Structured Expert Interview Process

Table 2.Summation of Research Design

Method	Research questions (Banking Sector)	Instrument
Qualitative Design	General Scenario Q1: From the banker's point of view, what makes the COVID-19 Pandemic crisis different from the 2008 Economic and 1997 Asian Financial crises? Q2: Focusing on the property market, how do you see commercial property, hotel, and retail segment being affected? Q3: In terms of government support (Incentives and regulations) to assist the development of the commercial property market resilient; from a banker perspective, how this may help to sustain the demand and support the lenders compared to the previous experience and the current pandemic? Banking conditions Q1: The reaction of the market to policy (changes of OPR/Tax/Credit ratings); how this has helped us to achieve stability in commercial property markets? Q2: What are the challenges and limitations that may need further emphasis to ensure stability in the finance sector and at the same time support the demand for commercial property? Q3: Can you share your thoughts on the Security Commissions' policy of allowing real estate investment trusts to borrow up to 60% of their value during this COVID-19 period? What are the reactions of the financial institutions? Q4: The government's recent decision to modify the OPR, what difference does this decision impact the commercial property	Expert interviews

	market investors in terms of loan applied/approved/ if there is any percentage that can be shared with us? <u>Current Scenario</u> Q1: From your perspective, will the commercial property market revive to normal condition, and how banking can play a part in these expectations?	
Method	**Research questions (REITs Sector)**	**Instrument**
Qualitative Design	What? 1. The development of REITs during the period and what is government support (incentives, regulation) to assist the development of REITs? 2. What are the challenges and limitations? 3. What is the difference in terms of the development of REITs during the economic crisis and health (pandemic) crisis? 4. The policy changes that have impacted REITS development. 5. Reaction to policy (changes of OPR/Tax/Credit ratings) 6. Forecasting/Prediction/Prospect of the trend of REITs. 2. Why? 1. This factor contributes to the performance and development stated in (1). 2. Does the pandemic have positive effects on the REITs market? any comments? 3. Why there is a different effect of MCO stages on the reaction in the REITs market? 3. How? 1. How were REITs able to sustain during the period and how the development has changed over the years? 2. How does the government policy help in REITs development? 3. How is Malaysia REIT's position/performance/ development as compared to other countries/regionals? 4. How fast REITs can rebound/recover compared to the crisis before the pandemic.	Expert interviews

RESULTS AND DISCUSSION

The interview has allow to establish five (5) main themes.

Theme 1: COVID-19 as an Unprecedented and Uncertain Crisis

Stress testing implemented by the Bank X described the situation as unpredictable and uncertain. the analysis keeps changing. and the changes happened very rapidly. There are 4 scenarios identified; base case, exceptional but possible, worst case, and extreme worst case (due to the pandemic). COVID-19. The Asian Financial Crisis happened due to failure in the financial system, meanwhile, COVID-19 brought multiple effects; health, economy, and the implementation of MCO affecting our economic activity. Very limited to the operational activities. For the banking sector, the loan growth is very small, slightly above 3.53% compared to before the pandemic, which is around 5-6%. MCO has limited the possibility of meeting the customers and the inability to sign an agreement. but more importantly is more on risk appetite. Banks are very cautious due to the

economic situation. Another constraint is to oblige to any instruction by Bank Negara Malaysia (BNM) and government actions. Therefore, because of the regulatory environment, affect the way banks behave in term of lending practices. Hence, the changes in the regulatory environment also affect the momentum of the business.

The banks are becoming more cautious during this pandemic. For any future incidents, a regulatory framework must be put in place to promote financing during a crisis. But again, it is also subjected to the individual and bank. For instance, bank Islam is very heavy in terms of retail, and therefore their portfolio composition in terms of commercial property is less, but other banks may have a different composition. Maybe they have economic skills in terms of promoting and providing loans. In a nutshell, is about uncertainty conditions and uncertainty policy that could hinder the banks' appetite to give a loan. Retail REITs are most impactful due to lockdown and MCO, especially to the mall leading to lower retail sales and lower revenue. Rental REITs must give up the rental rebates to their tenants. Previously, rental subsidies were granted on a case-by-case basis by showing proof of affected sales. Rental rebates to affected tenants were the main reason behind a reduction in REITs' revenue. However, the financial numbers will look better if landlords do not have to continue with the rental subsidies programmed.

Next is hotel sector which is impacted due to lower occupancy rates because of lockdown and travel limitations, and for corporate booking events. The resilient nature and the unprecedented impacts of COVID-19 show that the crisis has the potential to have far-reaching and long-term impacts on tourism as an economic industry. For offices and industries, it is more positive. For an office, we do have rotation to work to reduce COVID-19 cases. Split the job task and else. The Industrial sector has more demand for manufacturing and utilities. In conclusion. retails and hospitality were the worst hit in term of revenue. Has suffered a significant negative impact directly from the economy's downfall. For the impact of valuation, for instance, in the REIT sector, we compare the KL REIT index, and the payout is around 90%. we compare MGS 10 years yield. For the pre-pandemic, the spread is widened. During the beginning of the COVID-19 strike in March, the share price declined as dividend yield went down because of the affecting on the earnings. However, right now the spread is narrow compared to pre-pandemic. The differences are lower right now. Similarly, to price to earnings, when to COVID-19 hit, the earnings were low. but right now, the earnings are yet to recover.

Supported by revealing the statement that supported the subtheme findings as showed in Table 5.

Table 3.COVID-19 as an Unprecedented and Uncertain Crisis

Cluster/Sub-theme	Interpretation	Supporting Verbatim
Unprecedented Uncertainty	COVID-19 was perceived as fundamentally different from previous crises due to uncertainty surrounding lockdowns, policy changes, and economic reopening.	"The situation is unpredictable… there is no way of knowing when it will end." (Respondent 1)
Multidimensional Crisis	The pandemic simultaneously disrupted health systems, economic activity, mobility, and operational activities.	"COVID-19 brought multiple effects; health, economy, and the implementation of MCO affecting our economic activity." (Respondent 2)
Banking Sector Caution	Banks became increasingly risk-averse and cautious in financing decisions during the pandemic period.	"Banks are very cautious due to the economic situation." (Respondent 2)
Retail and Hospitality Vulnerability	Retail malls and hotel sectors experienced the most severe operational and revenue disruptions during lockdown periods.	"Retail REITs are most impactful due to lockdown and MCO." (Respondent 3)

Regulatory and Policy Pressure	Regulatory uncertainty influenced financing behaviour and business operations.	"The changes in the regulatory environment also affect the momentum of the business." (Respondent 2)
Uneven Sectoral Impact	Office and industrial sectors demonstrated relatively greater resilience compared to retail and hospitality sectors.	"For offices and industries, it is more positive." (Respondent 1)
Market Valuation Disruption	REIT valuations and earnings performance were negatively affected during the early stages of the pandemic.	"During the beginning of COVID-19… the share price declined as dividend yield went down." (Respondent 3)

For qualitative research, the results section contains detailed sections in the form of sub-topics These findings are consistent with Balemi et al. (2021), who argued that the COVID-19 pandemic generated interconnected disruptions across the real estate market, financial system, and broader macroeconomy. Similarly, Nicola et al. (2020) highlighted that the pandemic created simultaneous economic and social disruptions that extended beyond conventional financial crises due to mobility restrictions, lockdown measures, and public health concerns. The findings further support the argument that uncertainty and policy unpredictability became major determinants influencing investment confidence and financing behaviour during the pandemic period.

However, the economic crisis is still manageable. To combat the crisis, every government and central bank implements some form of monetary policy. COVID-19 is critical due to the lockdown, this situation is on and off all the time. Something is out of the company's grasp. On or off lockdown, the situation is unpredictable, and there is no way of knowing when it will end. Retailers have been severely hit. After the initial calm, new variations of heat and other factors, as well as differences in government policies due to varying levels of lockdown, emerged. It's the uncertainty that's killing us.

Theme 2: Adaptive Responses and Survival Strategies During the Pandemic

Unlike previous economic downturns where market contractions were generally more predictable and manageable, the COVID-19 pandemic created an unprecedented level of uncertainty that made business decision-making extremely difficult. Due to the unpredictable nature of lockdowns and operational disruptions, REIT operators adopted more flexible and supportive strategies to maintain tenant sustainability and long-term occupancy. The participant further highlighted that rental rebates and subsidies were selectively provided to affected tenants, particularly SMEs operating in business premises, as part of a broader effort to help tenants survive during the crisis period. However, such assistance was not extended uniformly to all tenants, as considerations were also based on the financial profile and business capacity of individual tenants. The findings suggest that the pandemic shifted commercial property management strategies from conventional profit-oriented approaches towards more adaptive and survival-oriented tenant management practices.

The findings further reveal that assistance provided by REIT operators during the pandemic was highly sector-specific and targeted towards tenants that were most severely affected by the lockdown measures. Participants indicated that hospitality, retail, education, and SME-related businesses received greater attention due to their vulnerability to prolonged operational disruptions and declining revenues during the Movement Control Order (MCO) period. The evaluation process involved assessing the financial condition and revenue performance of affected tenants before assistance was granted. For instance, hotels were provided with rental exemptions for up to six months, while retail tenants received shorter-term rental relief to help sustain their operations during the crisis period. These findings suggest that commercial property operators adopted a more adaptive and socially responsive tenant management approach during the

pandemic by prioritising business continuity and long-term tenant retention over short-term profitability.

Using the verbatim during interview, the sub-theme were mapped agiant the statement provided duringthe interview.

Table 4. Adaptive Responses and Survival Strategies During the Pandemic

Cluster/Sub-theme	Interpretation	Supporting Verbatim
Tenant Retention Strategy	REIT operators prioritised maintaining tenant relationships during the crisis period.	"We simply assist our tenants during difficult times to ensure that they stay with us." (Respondent 1)
Rental Rebates and Subsidies	Rental rebates became an important survival mechanism for affected tenants.	"For hotels, we provide free rent for six months." (Respondent 1)
Sector-Based Assistance	Assistance was prioritised based on the severity of sectoral impact.	"We place a high value on hospitality and retail." (Respondent 1)
Restructuring and Rescheduling	Financial institutions adopted restructuring and rescheduling mechanisms to manage pandemic-related disruptions.	"We must restructure and reschedule (R&R) the system when the changes happen." (Respondent 3)
Business Adjustment and Cost Management	Business planning and profitability expectations were revised downward during the crisis.	"We must change the parameter of the business planning in terms of profitability and cost management." (Respondent 2)
Crisis-Driven Strategic Flexibility	Organisations were forced to continuously adjust strategies due to the fluidity of the situation.	"The situation is so fluid… very difficult to navigate the solution." (Respondent 2)

The findings demonstrate that commercial property operators shifted from conventional profit-oriented management approaches towards more adaptive and tenant-supportive strategies during the pandemic period. This is consistent with the observations by Ling et al. (2020), who found that REIT operators globally increasingly adopted rental assistance, restructuring measures, and flexible tenant management practices to sustain occupancy and long-term business continuity during COVID-19 disruptions. The findings also reflect the broader concept of organisational resilience, where firms prioritised survival, stakeholder relationships, and operational adaptability under conditions of extreme uncertainty.

Theme 3: Perceived Limitations of Government Support

In terms of government support and incentives provided during the pandemic period, the findings suggest that participants perceived the assistance extended to the commercial property and banking sectors as limited and insufficient.

The findings suggest that although policy interventions such as moratoriums and utility rebates provided temporary relief, industry players perceived existing support measures as insufficient to address operational and liquidity challenges faced by the commercial property sector. This finding aligns with Ozili and Arun (2020), who argued that many COVID-19 policy interventions primarily focused on macroeconomic stabilisation and household financial relief, while sector-specific business sustainability concerns often received less attention. The findings also demonstrate the importance of coordinated fiscal and regulatory responses in supporting industry resilience during large-scale economic disruptions. Respondent 2 explained that despite the significant economic role played by sectors such as retail, hospitality, and commercial property,

there were very few direct incentives provided to industry players during the crisis. The participant noted that utility rebates, particularly the TNB rebates, were among the only forms of meaningful support received, while additional assistance such as rental discounts or financial refunds was expected to help reduce the financial burden faced by affected businesses. Similarly, Respondent 1 highlighted that the moratorium measures mainly functioned as temporary relief mechanisms aimed at reducing financing losses rather than providing direct industry support. The participant further explained that financial institutions were forced to undertake operational modifications while simultaneously managing negative public perceptions and backlash through social media during the crisis period. Overall, the findings indicate that although policy interventions such as moratoriums provided short-term financial relief, participants believed that broader and more targeted support was necessary to sustain the long-term resilience of the commercial property and financial sectors during the pandemic.

Table 5. Perceived Limitations of Government Support

Cluster/Sub-theme	Interpretation	Supporting Verbatim
Limited Direct Incentives	Participants perceived government support for commercial property players as insufficient.	"The government did not provide anything for us during the crisis." (Respondent 2)
Reliance on Utility Support	Utility rebates were viewed as one of the few meaningful forms of assistance.	"The only true benefit… was the TNB rebates." (Respondent 2)
Dependence on Moratorium Measures	Moratorium policies mainly functioned as temporary financial relief mechanisms.	"For moratorium, it just saves in terms of provision in our policy." (Respondent 1)
Industry Burden and Public Pressure	Financial institutions experienced pressure from both economic conditions and public expectations.	"We are in the worst situation and got the backlash from social media." (Respondent 3)
Need for Broader Industry Assistance	Participants emphasised that support should extend beyond households to affected industries.	"The government must assist all affected partie

Theme 4: Recovery Expectations and Structural Transformation

What are the expectations and a way forward for Banking Sector/REITs in the coming years?

In terms of the banking sector and future market expectations, the findings reveal growing concerns regarding the direction of non-performing loans (NPLs) following the end of the moratorium period. Respondent 2 explained that during the moratorium phase, impaired financing was temporarily contained, allowing banks to maintain lower loss provisions as a precautionary measure. However, the participant emphasised that increasing financial provisions would eventually affect banks' profitability and overall financial performance, making the post-moratorium period a significant challenge for the banking sector. The participant further noted that board committees and risk management divisions would play an important role in navigating the long-term financial impact of the pandemic.

Despite these concerns, Respondent 2 also expressed cautious optimism regarding the gradual recovery of the commercial property market beginning in 2022. However, the participant believed that the recovery process would remain uneven and unlikely to immediately return to pre-pandemic conditions due to continued economic uncertainty and the emergence of new COVID-19 variants. Retail activities were expected to improve as consumer movement gradually normalised, particularly during festive periods and economic reopening phases, although the recovery

momentum remained dependent on overall public confidence and pandemic containment measures.

The findings further indicate that the post-pandemic recovery process remained uneven across commercial property segments, particularly for retail, hospitality, and office spaces. This is consistent with the study by Shehzad et al. (2021), which reported that commercial property recovery trajectories remained highly dependent on tourism recovery, labour market stability, and broader macroeconomic conditions. In addition, the concerns regarding office demand and hybrid working arrangements support emerging evidence that the pandemic accelerated structural changes in workplace behaviour and commercial space utilisation.

According to Respondent 2, hotel operators increasingly relied on discounts and promotional strategies to sustain occupancy levels, while revenue from corporate events remained weak as many activities continued to be conducted online. In contrast, the industrial sector was perceived to have stronger growth potential, although businesses remained cautious regarding rental revisions and long-term tenant sustainability following earlier rental rebate measures.

At the broader macroeconomic level, Respondent 2 highlighted that Malaysia's economic recovery remained incomplete due to labour shortages, reduced foreign worker participation, and underutilised production capacity across several sectors, including manufacturing, construction, plantation, and services. The participant also expressed concern regarding the possibility of rising interest rates, which could further affect financing conditions and investment activities within the commercial property market. Overall, the findings suggest that although recovery signs were visible across several sectors, the post-pandemic commercial property landscape remained characterised by cautious optimism, structural adjustment, and continued uncertainty, particularly regarding office space demand and long-term market sustainability.

Table 6. Recovery Expectations and Structural Transformation

Cluster/Sub-theme	Interpretation	Supporting Verbatim
Concern Over Non-Performing Loans	Banks remained cautious regarding financial risks after the moratorium period.	"When the moratorium ends, that will be a real challenge." (Respondent 2)
Gradual and Uneven Recovery	Recovery was expected to occur gradually and differently across sectors.	"Normalise the pre-COVID-19 level could be bumpy and not even recovery." (Respondent 2)
Retail Recovery Optimism	Retail activity was expected to improve with economic reopening.	"The shoppers will be back around 70–80%." (Respondent 2)
Tourism Dependency	Hotel recovery remained dependent on the return of tourism activities.	"We still missing international tourism." (Respondent 2)
Continued Operational Caution	Businesses remained cautious due to uncertainty regarding new COVID-19 variants.	"We still are a bit cautious if there are more variances comes." (Respondent 2)
Rising Interest Rate Concern	Future interest rate increases were expected to affect commercial property performance.	"There is also an expectation of a rising interest rate in 2022." (Respondent 2)
Labour Market and Capacity Constraints	Labour shortages and underutilised economic capacity remained major concerns.	"Our economy has not fully functioned yet." (Respondent 3)

Office Market Uncertainty	Participants remained concerned about the long-term outlook of office space demand.	"For the commercial property, I am still worried about the office space." (Respondent 3)

Theme 5: Policy and Industry Mismatch

The findings further reveal the existence of a perceived mismatch between government policy decisions and the operational needs of the commercial property and REITs sectors during the pandemic period. Respondent 1 highlighted that industry players were rarely consulted in policy discussions relating to commercial real estate development and regulatory decisions. The participant explained that formal engagement between policymakers and REIT operators remained limited, with the Securities Commission being one of the few agencies that regularly sought industry feedback. According to Respondent 1, policy decisions made without sufficient consultation with industry stakeholders could create significant operational and strategic risks for the sector.

In addition, the participant raised concerns regarding regulatory requirements that compel REIT operators to appoint third-party property management companies to administer properties. Respondent 1 argued that such requirements may reduce operational efficiency and increase management costs, as REIT firms may already possess the internal expertise and resources necessary to manage their own properties more effectively. The participant further suggested that greater operational flexibility could improve long-term productivity, cost management, and sustainability within the commercial property sector. Overall, the findings indicate that stronger collaboration and consultation between policymakers and industry players are essential to ensure that future policies are more aligned with the practical realities and operational challenges faced by the commercial real estate industry.

Table 7.Policy and Industry Mismatch

Cluster/Sub-theme	Interpretation	Supporting Verbatim
Weak Industry Consultation	Participants perceived limited engagement between policymakers and commercial property players.	"The government hasn't asked for our views on commercial real estate very much." (Respondent 1)
Policy Decision Risks	Decisions made without industry consultation were viewed as potentially harmful.	"It is extremely perilous for the government to make a judgment without first obtaining input from industry players." (Respondent 1)
Regulatory Rigidity	Existing regulations were perceived as limiting operational flexibility and efficiency.	"All REITs are required to hire a third-party manager to administer the property." (Respondent 1)
Cost and Efficiency Concerns	Participants believed internal management could improve productivity and reduce costs.	"We can hire our personnel to make things more productive, cost-effective, and long-term." (Respondent 1)
Governance and Operational Frustration	Participants expressed frustration regarding limited government involvement in operational concerns.	"The government does not wish to participate in this move." (Respondent 1)

CONCLUSION

The findings provide views on the impact of the Pandemic COVID-19 on the property market. The interview was done and questions were tailored to the current research objectives. The findings provide important insights into the impact of the COVID-19 pandemic on Malaysia's commercial property market. All three respondents agreed that the pandemic is not comparable to any other

economic crisis Malaysia has ever encountered. They agreed the fiscal and monetary announcement has been able to support and assist the public and help to retain their houses. However, for industry players including banks, the pandemic has also affected their businesses. Aside from assisting as suggested by the government to the public, they need to be supported to allow for longer sustainability. The property market has shown signs of recovery from the pandemic-induced slowdown in 2020, with the overall volume of transactions recording a marginal 1.5 percent increase but a substantial 21.7 percent rise in the value of transactions. This would imply that the average value of the transactions is higher than that of the preceding year.

The thematic synthesis presented in Figure 2 demonstrate that COVID-19 pandemic created unprecedented multidimensional shock to Malaysia commercial real estate landscape.

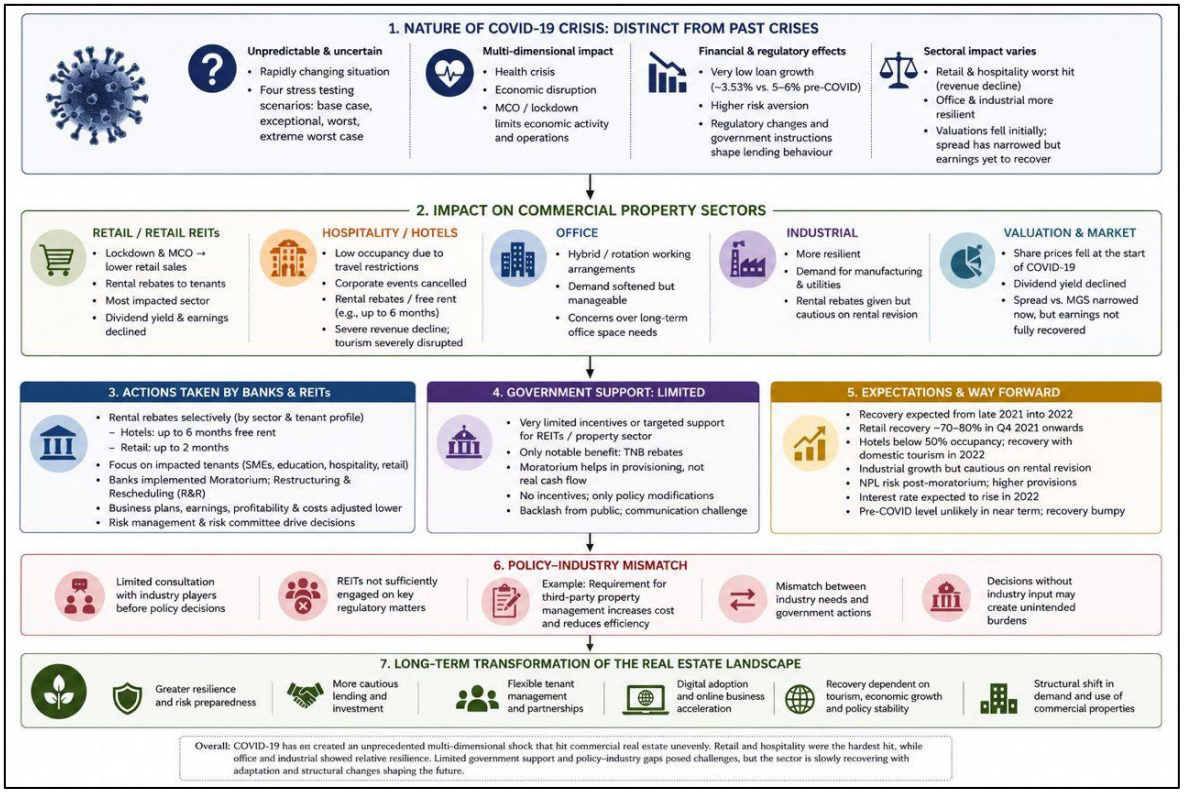


Figure 3. Summary of Disruptions

Source: Author illustration.

Unlike previous financial crises, the pandemic simultaneously disrupted public health, economic activity, financial systems and regulatory operations. The finding indicate that retail and hospitality sectors were the most severely affected due to lockdown measures, travel restrictions and declining consumer activity, while office and industrial sectors showed relatively greater resilience. The crisis also altered banking behaviour through increased risk aversion, tighter lending practices and the implementation of restructuring and moratorium measures. Despite many monetary and fiscal interventions, participants perceived government support to be limited and not fully aligned with industry needs, particularly withing REITs sector. Overall, the pandemic accelerated structural transformation within the real estate market, including greater emphasis on resilience, digital adaptation flexible tenant management, and more cautious investment strategies, reflecting a long-term shift in the commercial property ecosystem.

The property market however despite been affected, has shown signs of recovery from the pandemic-induced slowdown in 2020 as the average value of the transactions is higher than that of the preceding year. There was a drop in the volume of transactions during the second and third

quarters as home sales were affected when the country went into various modes of MCO (Movement Control Order) but the volume of residential transactions picked up significantly during the last quarter as house buyers tried to beat the year-end deadline to qualify for the benefits under the HOC (Home Ownership Campaign) 2020-2021. Overall, the retail sub-sector is expected to see an improvement in 2022 due to the opening of the economy with the country has moved into an endemic phase. People have begun to eat out more often and patronize shopping malls again after being cooped up at home and shopping online for a good part of the past two years. Nevertheless, the economic recovery is still at a nascent stage and there is always the worry of a new and more infectious strain of the COVID-19 virus appearing which may lead to another round of lockdown as other countries have experienced. However, as the country has reached a high rate of full vaccination for its citizens, a full-blown crisis as seen in the early part of the pandemic appears unlikely and the retail sub-sector is expected to continue on a gradual recovery path. Overall, the study demonstrates that the COVID-19 pandemic accelerated structural transformation within Malaysia's commercial property landscape, requiring greater resilience, adaptive governance, and stronger collaboration between policymakers and industry players. The findings suggest that future crisis preparedness should move beyond short-term financial interventions towards more integrated and sustainable policy frameworks capable of supporting long-term market stability and economic resilience.

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DECLARATION OF GENERATIVE AI AND AI-ASSISTED TECHNOLOGIES

During the preparation of this work the author(s) used chatgpt in order to do the paraphrasing and some data interpretation. After using this tool/service, the author(s) reviewed and edited the content as needed and take(s) full responsibility for the content of the publication.

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