- **Property** transaction volumes and values showing positive movements
- **In** residential sector, existing supply stands at 5,657,716 units

Reaching the half-way mark

by **Sulaiman Saheh**

The outcome of GE14 in May made 2018 a year to remember. Two months later, many actions and statements have been made by the new government in its efforts to right the wrongs and set a better platform for the country and its people. Standing now at the year's halfway mark, we reflect on what's been done in the property market and what is being shown to us by the statistics.

Property transaction volumes are showing positive movements with an overall increase in first quarter numbers for both the country and the key states (Kuala Lumpur, Selangor, Johor, Penang and Sabah).

The total number of transactions has increased by 4.4% (1Q18: 79,504, 1Q17: 76,148 transactions). The increases range from 2% to as high as 28% with Sabah recording the highest increase (1Q2018: 2,258, 1Q2017: 1,762 transactions) followed by Johor with 11.6% (1Q18:10,058, 1Q17: 9,015).

On total transaction value, a mix of movements are seen with an overall increase of 1.9% between 1Q18 (RM35.17 bil) and 1Q17 (RM34.52 bil) for the country.

Kuala Lumpur, Penang and Sabah revealed positive numbers with Sabah again coming out with a high percentage of 60.5% (1Q18: RM1.25 bil, 1Q17: RM0.78 bil), due especially to development land transactions, whereas Johor and Selangor presented slight drops of between 1% and 8% in value.

In the residential sector, existing supply stands at 5,657,716 units. The figure includes serviced apartments throughout the country and out of this number, 33,447 units are left unsold. As the oversupply gloom continues, many anticipate counter-measures to be taken before it reaches an unmanageable level.

Moving to the commercial side, Kuala Lumpur's total office space stands at 96.1 million sq ft with occupancy rates having dropped below the 80% mark at 78.3%.

In the next few years, we are expecting another 18-20 million sq ft of office space to enter the market. The retail segment too shows signs of struggle in absorbing new retail spaces, primarily in Johor where an injection of 1.6 million sq ft has caused a drop in occupancy rate by 5.7% to 74.2%. This new addition is credited to the opening of WCT Holdings' Paradigm Mall in Johor.

Finally, on July 2, the new cabinet was fully formed and officiated. The new government, led by the not-so-new prime minister, came aboard knowing its victory was only the beginning of a long journey to a better Malaysia. Within two months, the country has witnessed many changes and decisions made – some were greeted with relief and others with shock. Observing the newly sworn cabinet members, various views were expressed regarding the new faces, raising hopes that the voice of the young generation will be heard and acted upon. There were calls for changes, openness, and transparency in paving a better road to a clearer and robust system of administration. This in turn is anticipated to re-ignite our slow-moving property market.

The government has openly expressed its aim to review and re-strategise various facets of the country's economic and financial administration. One major result of this was the implementation of zero-rated goods and services tax (GST) which is expected to be replaced with the sales and service tax (SST). The move received positive response from the public who see it as a way to boost consumption via lower prices.

Though hopes were high for the GST abolishment to positively impact the property market, in reality the difference was not significant enough as development cost and prices involve a process too long and complicated. This is even more so when GST is only directly applicable to commercial property sales and not in the residential segment.

Other changes were the review of mega projects. So far, the outcome of the review is the postponement of the much-talked-about High Speed Rail line, the cancellation of the MRT3 Circle Line and the renegotiation for the East Coast Rail Link project.

The response to the decisions was mixed. The government has said the decisions were made to lessen Malaysia's already massive debt and to not be caught in unfavourable situations in the future due to highly ambitious goals. This cautious approach has its benefits as mega developments do not guarantee economic and financial success. Instead, they become a heavy burden if the cost is beyond the actual returns.

The month of July brought headlines highlighting the recently published unsold number of completed residential properties or overhang as of the first quarter.

Statistics from the Valuation and Property Services Department revealed the number of overhang properties to have increased by over 50%, adding more worries about the oversupply situation.

In response to this, the Housing and Local Government Ministry has announced efforts to ease housing loan requirements for buyers in the B40 and M40 income groups. They are working with various bodies such as the central bank, banks, the Employees Provident Fund as well as the Ministry of Finance to come up with a solution to the high unsold number.

Minister of Housing and Local Government Zuraida Kamaruddin attributed the oversupply to location, accessibility, loan approval and high prices.

Amidst the uncertainties, some developers have made the choice of deferring their planned launches until the later part of the year or simply to next year. The decision was made on reasons of maintaining good performance rates, prioritisation and ensuring the products to be offered are in line with what is demanded by the market.

As Malaysia's property scene continues to be challenging, strategic launches are key to achieving positive take-up rates against tough competition and selective purchasing power. Developers who have announced their intent to postpone are TA Global Bhd on its Dutamas projects and Mah Sing on both residential and commercial projects in the Klang Valley, Johor and Penang.

All's not lost for high-rises

On the other hand, several developers have gone ahead with their launches early this year and showed promising results despite the turmoil before and after GE14. High sales performances were particularly seen in landed house developments, mirroring the public's preference for landed homes over high-rise units.

The Elata Nova @ Setia Tropika, Johor Bahru by SP Setia, which was launched in March, achieved a 90% take-up rate on the launch day itself. It offers two-storey terrace homes with a built-up of 1,964 sq ft from RM701,800.

Sime Darby Property also received a positive take-up rate of 70% over a single weekend for its recent launch named Azira in Bandar Bukit Raja, Klang. The development offers two-storey link homes priced from RM678,888.

But all is not lost for high-rise developments as Matrix Concepts Holdings pulled through with a 60% take-up rate within three months of its soft launch in February. Attributing its positive sales to strategic location and pricing despite the lagging market, the development project named Chambers Kuala Lumpur is a 509-unit serviced apartment with an average price of RM900 psf.

Overall, the property scene is still on the move and the public continues to observe what the new leaders have in store for the slow-moving market. FocusM

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Kuala Lumpur's total office space stands at 96.1 million sq ft as of March 31. Occupancy rates have dropped below the 80% mark to 78.3%