

COVERSTORY

'Feel-good effect will boost sentiment'

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Seven with 95% occupancy, Dua Residence with 90% and Stonor Park, also with 90% occupancy.

However, the overall occupancy rate is dragged down by lesser and older developments. Yap notices that there is a trend of tenants moving from older to newer developments.

But that's not to say older developments do not have their share of tenants.

"Most of the tenants in KLCC are expatriates. After the crisis, a lot of them had their accommodation budgets slashed, so older developments with lower rents are well suited for them," he says.

That, plus the decrease in the number of expatriates, have contributed to the popularity of smaller units.

DTZ's Wong says it is difficult to find tenants for larger units, while two-bedroom units and studios are doing very well, especially with single expatriates.

"When it comes to leasing, the big units are not moving. That is why if you look at projects newly announced or launched in the past six months, most are two-bedroom or studio apartments. Nearly all are less than 1,200 sq ft," he points out.

Unlike condominiums and apartments in Petaling Jaya where investors buy to stay or to rent to locals, the KLCC market caters mostly to foreigners and the occasional long-term tourist or business visitor from out of town.

"Inner city living is really more of a lifestyle and a fairly new trend that can be seen in cities like London and even Singapore. It is also not very family friendly as most good schools are located in the suburbs," says Wong.

With rental rates not rising in tandem with selling prices, yields in the area are being compressed. Saleha estimates the rental rate at RM3.20 to RM6 psf,



Wong cites the Panorama project as an example of how prices have bounced back

giving an average gross yield of 4% to 5.75%.

"Investors used to expect 8% returns, but now I think the market is beginning to accept yields of around 5% to 6%. If you can get 6%, you'd be very happy," says Wong.

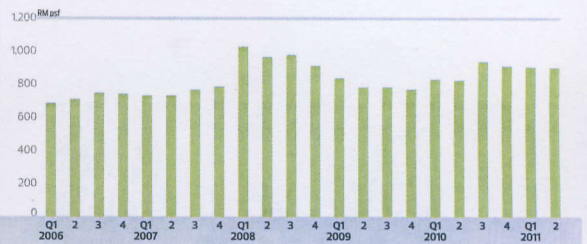
Despite the heavy speculation and compressed yields in the KLCC, Wong remains optimistic about the area's future.

With the Economic Transformation Programme in place, the mass rapid transit line and efforts to woo more foreign direct investment, DTZ's Wong believes

Quarterly average rental values of high-end condominiums in KLCC

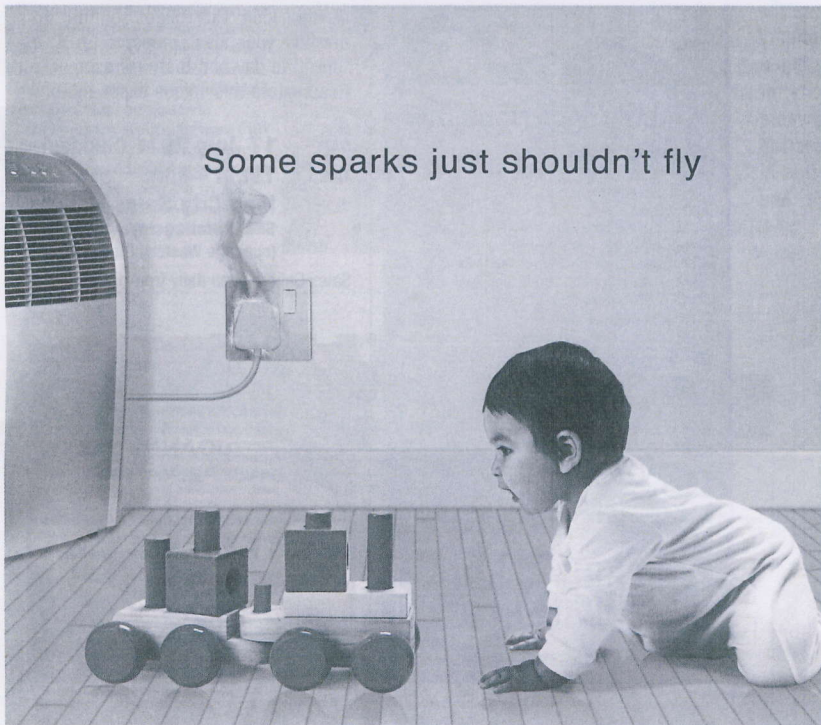


Quarterly average capital values of high-end condominiums in KLCC



investors are hopeful of a positive flowthrough impact on the property market.

"There is a lot of money being pumped into the system and it creates a feel-good effect which will boost market sentiment. The government is also recognising that we need foreign investment to grow and when that comes in, it will bring along more expatriates which will help occupancy in KLCC," says Wong.



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