

Property prices to climb higher

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Housing property prices are expected to continue rising in the next 12 months, especially for landed homes. However, the increase for landed homes will be at a slower pace compared with 2010, at an estimated 5% to 10%. In 2010, a minimum 20% in prices was recorded in certain hot spots in the Klang Valley, according to property consultants polled by *The Edge Financial Daily*.

Among the contributing factors cited are pent-up demand and limited supply compared with high-rises. KGV-Lambert

Smith Hampton puts the number of incoming landed houses in Wilayah Persekutuan at 1,575 units and apartments/condominium at 17,922 units.

The high-end condominium market is expected to remain stable with some price increase, though at a slower rate than landed homes due to oversupply and a slow rental market.

Some consultants believe the high cost of landed homes may drive buyers, particularly first-time home buyers, to more affordable condominiums. This is likely to benefit the mid-market condominium segment the most.

Two noteworthy trends have emerged in the past few years — the growing popularity of gated and guarded homes, and smaller, more

affordable luxury high-rise units. Consultants also caution that further interest rate hikes and the cooling measures may dampen the property market.

From 2007 to the present, the property market has seen significant changes, none more significant than the growth in the landed homes segment.

The global financial crisis in 2008 had minimal impact due to better regulation by the central bank and the domestic-driven property market.

Luxury high-rise residences, which were performing well prior to 2008 with strong take-ups and rising capital values, were more affected by the crisis but are on the road to recovery.

Landed homes, however, held

steady throughout the crisis and have shown tremendous growth since. Transaction volume and value hit record highs in 2010 with over 376,000 transactions valued at RM107.44 billion, of which RM10 billion was in the Klang Valley, which remains the most active market in the country.

Michael Yam, president of the Real Estate and Housing Developers' Association, said developers held back launches in 2008 during the financial crisis. Better market sentiments returned as the world economy began to recover, pushing up demand for housing.

Due to the long lead time for construction, housing could not be supplied upon demand, resulting in rapidly rising home prices, particularly in urban areas where

demand and costs, particularly land, are high," he said, adding that the situation was exacerbated by rising oil and steel prices.

"Based on the five major cost components that make up selling prices — cost of land, materials and labour, interest cost, approval process and profit margin — prices of properties, particularly landed homes, will continue to rise," Yam said.

Coupled with inflationary pressures and fundamental demand underpinned by the socio-demographics of our population, rising costs and prices are here to stay, he added.

Read on for the property consultants' views on the performance and outlook of the Malaysian residential market.

Tang Chee Meng

COO, Henry Butcher Marketing

Snapshot of the residential market

The market peaked in 2H07, thanks to investors' confidence streaming from the bullish stock market and investor-friendly measures.

The exemption of real property gains tax (RPGT) in April 2007 attracted strong foreign investment, particularly in the high-end condo sector around Kuala Lumpur City Centre (KLCC), extending to Ampang Hilir, Bangsar, Damansara Heights and Mont'Kiara. It was the first time residential prices topped commercial office values.

The global economic meltdown softened the market after 3Q08 as foreign interest waned. Prices of KLCC condos dipped 20% to 30% off their peaks in 2008. The medium-cost segment however, remained stable.

The market picked up in 2Q09 with strong demand for landed homes. Developers managed to maintain sales volumes but with lower profit margins. However, the luxury condo sector remained soft due to low foreign interest and the reintroduction of the 5% RPGT.

The improvement in the residential market can be attributed to the introduction of attractive financing schemes, low down payments and the recovering Singapore market.

In 2010, total volume of property transactions jumped 11.5% compared with a 1% dip in 2009, and 36% higher than in 2005. The value of transactions increased 33% in 2010 against a drop of 8% in 2009, up 91% from that recorded in 2005.

Demand for landed homes increased, registering significant price increases of 20% to 30% in certain locations. Attractive financing schemes and other incentives drove sales in the primary market. Escalating prices of landed homes led to concerns of a possible bubble resulting in the reintroduction of the 5% RPGT and a cap on the loan-to-value (LTV) ratio for the third property loan onwards.

While new condos in popular locations did well, the secondary market for larger luxury condos in KLCC remained sluggish. A preference for smaller units priced below RM2 million was noted among local investors.

Outlook

The residential market will see stable but slower growth than in 2010. Prices will stabilise and any increase will be gradual of about 5% to 10%, aided by cooling measures.

Landed homes are expected to perform better than high-rises with rising interest in properties along the proposed mass rapid transit (MRT) route. Suburban areas and smaller towns are expected to benefit from the My First Home Scheme.

In the high-end condo market, concerns of oversupply and slow rental market linger in KLCC and Mont'Kiara. Smaller units, more innovative concepts, designs and packaging are being introduced to stimulate interest.

Significant projects since 2007

• The Kuala Lumpur International Financial District covering 34.4ha at an estimated cost of RM26 billion is touted as the new financial



The Horizon at Bangsar South.

hub and will change the city skyline.

• Binjai on the Park in KLCC set the benchmark in luxury condo prices when one of its penthouses sold for RM38 million.

Foo Gee Jen

Managing director, C H Williams Talhar & Wong Sdn Bhd

Snapshot of the residential market

There has been phenomenal growth from 2007, particularly in the Klang Valley, in terms of supply and capital values, especially for high-end housing. The trend gained momentum in tandem with growing affluence and a growing expatriate population in the urban centres.

Demand for high quality homes spurred better-designed world-class residential developments. The government's efforts to maintain low interest rates, improvements in transport infrastructure and its master plan to create world-class cities further fuelled growth.

Outlook

A stable to low growth in prices is projected due to higher supply. High quality products in prime locations will continue to enjoy high demand.

Landed home prices will continue to rise as developers continue to innovate product features such as adding green and smart home features.

The trend is towards furnished serviced apartments with concierge and security services. Apartment sizes are also shrinking to make them affordable. It is still uncertain whether such a lifestyle shift will become a reality or whether such apartments will eventually turn into alternatives to long-stay hotel accommodation.

Significant projects since 2007

• Desa ParkCity — The self-contained 473-acre freehold township is expected to have about 7,280 homes serving an upper-middle class population of 35,000 upon its completion in 2014. Its most unique characteristic

is that each residential precinct is a gated and guarded enclave. A recent launch, Casaman 2- and 3-storey terraced homes were reportedly sold out within five hours. The township has won several awards including the 2010 Fiabci Prix d' Excellence Award for Best Residential (Low-rise) Neighbourhood for its Adiva neighborhood.

• Cyberjaya — From oil palm estates, this intelligent city today houses numerous commercial buildings, MSC Status offices and universities. It has attracted many big name developers recently, including Mah Sing, UEM Land, S P Setia and OSK Property. There are currently 2,833 residential units with over 5,000 units under construction.

• Sri Tanjung Pinang, Penang — Developed on reclaimed land by Eastern & Oriental Bhd, this project has transformed the surrounding area into an upmarket enclave. Spanning 980 acres, Phase 1 (240 acres) is almost fully developed with an estimated GDV of RM4 billion while Phase 2 which will begin soon has an estimated GDV of RM12 billion.

Saleha Yusoff

Head of research, Rahim & Co

Snapshot of the residential market

Malaysia's All House Price Index (AHPI) (base year 2000=100) shows an increase of 17% from 125.9 in 2007 to 146.9 in 2010. The highest growth recorded was for terraced and semi-detached houses with an increase of 18% each. The highest increase in prices was recorded in Sabah with a 30% jump reflecting an annual growth rate of 9% during the 2007-2010 period. KL and Selangor's HPI increased by 14% and 13% respectively, while Penang grew by 14%.

This shows the residential market was not adversely affected by the global financial crisis as demand was (and is) driven mainly by the local market. Even for high-end condominiums in prime areas such as the city centre, the market is dominated by a growing number of local buyers.

Outlook

Developers of landed homes seem optimistic about the market as seen from the various launches of such homes. Prices for most newly launched projects start at RM280,000 or higher, making it less affordable for young home buyers. Prices are expected to continue rising at about 5% to 6%, especially in established areas.

Developers are also active in Johor, especially within Iskandar Malaysia as key projects such as Legoland Malaysia, Newcastle University Medical Malaysia and Chelsea Premium Outlet edge towards completion in 2012.

High-rise homes will continue to gain popularity among young home buyers. The AHPI for high-rise homes rose 12% from 121 (2007) to 135 (2010) with an annual growth rate of 4%. Prices are expected to rise, but at a slower rate compared to landed homes, due to high volume of supply, especially in the Klang Valley. Encouraging demand for high-rise residential is also seen in Penang with new launches recording good sales.

Significant projects since 2007

• Ken Bangsar — The luxury serviced residence in Bangsar is certified under the Green Building Index and Singapore's Green Mark. Its developer Ken Holdings Bhd opted to transform rather than demolish the former uncompleted office building. About 70% of the original structure was re-used and other parts were recycled. A wind tunnel in the lobby helps cool the area while an innovative engineering system is also used to condition and recycle condensated water into an evaporative feature wall. The project was also awarded The Edge-PAM Green Excellence Award 2010, has also added value to the surrounding community.

• Sunsuria 7th Avenue, Setia Alam — This modern 2- and 3-storey semi-detached retail offices by Sunsuria Development Sdn Bhd has set a new standard within the neighbourhood commercial centre. Each unit comes with its own rooftop garden and a private lift.

Vincent Ng

CEO, Kim Realty

Snapshot of the residential market

The market prior to 2007 was rather sluggish. Properties purchased four to five years earlier, even in many good areas, had generally realised a gain of only up to 10% in asset value. The exceptions were properties in Bangsar, Sri Hartamas, Taman Tun Dr Ismail and Bandar Utama.

The global financial crisis in 2008 affected buyers' confidence all over the world. Malaysia had fewer foreclosures because our loans were better regulated. The post 2008 recovery has been amazing though the upbeat trend is not totally unprecedented. Similar trends were seen in the early 1980s and 90s.

Outlook

House prices will continue to rise regardless of interest rates. This trend will be sustained by the government's Economic Transformation Programme to bolster the economy.

Significant projects since 2007

• Sentul, East And West, Sentul East d0 & d7 — The transformation of Brickfields as a backwater part of KL by YTL Corp into an upper middle-class enclave has been spectacular. Its most recent successful launch was The Capers where units are priced from RM695 psf, a price unheard of in the area two to three years ago.

• Bangsar South — This was formerly Kampung Kerinchi. Today, the UOA Development Bhd project is much sought after by MNCs, medium-sized corporations and MSC companies. Its success can be attributed to good planning, infrastructure and its proximity to Bangsar, Mid Valley and KLCC.

• Kota Damansara — This is one development in Petaling Jaya that has successfully removed the stigma of leasehold properties. Its properties are among the most sought after mainly because they are in gated communities. These properties were among the first in PJ to experience a surge in demand during the economic recovery, leading to rising prices. The whole area started growing when the infrastructures connecting Bandar Utama and Mutiara Damansara came up. It struck gold when it was renamed Kota Damansara from its original Sungai Buloh. Everything in Kota Damansara now sells like hot cakes benefiting developers such as Sunway, Encorp Bhd, Mitraland Group and Sunsuria Development.

YY Lau

Director, YY Property Solutions

Snapshot of the residential market

The market began to feel the pinch in 2008 when buyers adopted a wait-and-see attitude during the global financial crisis. Developers also took a cautious approach.

During the recession in 2009, transaction volumes registered a negative growth of 2.4%. Several prominent developers such as S P Setia offered attractive financing packages to stimulate sales.

Backed by improvements in economy, the low interest rate regime and attractive financing packages, the market recorded a 7.2% increase in transaction volume and 21% increase in value in 2010.

The improvement attracted speculators especially in urban centres. In November 2010, the central bank imposed a LTV ratio of 70% to the third house loan to moderate speculative activity.

While affordable houses continue to dominate sales, demand for high-end houses of above RM500,000 rose from 2008 to 2010 in new prime residential townships in the Klang Valley. Another notable trend is the increasing development of smaller sized high-rise residential units.

Outlook

Prices of landed homes in the Klang Valley are expected to continue rising, albeit at a slower pace. The trend is backed by demand from young first time home buyers and rising construction cost as supply of vacant land becomes increasingly scarce.

However, the price increase is unlikely to be as drastic as 2010 considering higher interest rates and the measures taken to curb speculative activity. Inflation is also expected to dampen consumer confidence and may delay house buyers' decisions.

The scarcity of land and the expected higher prices for new landed homes in the Klang Valley may drive house buyers to more affordable high-rise residences. Thus prices for condos are expected to remain stable or increase within a reasonable percentage.

Significant projects since 2007

• Desa ParkCity — Since its first launch of strata-titled terraces at RM550,000 a unit nine years ago, prices have increased three-fold to surpass RM1 million in the secondary market, setting new benchmarks in the Klang Valley.

It is the first to introduce strata-terraced developments and the first complete strip mall. Home buyers are drawn to its New Urbanism living concept, with meticulous town planning and high security services.

• Bangsar South — Since the project began, the transaction value of surrounding land had surged from around RM53 psf in 2005 to RM280 psf in 2010. Prices for its condominium, The Park Residences, have increased from RM320 psf in 2008 to RM550 psf today. Prices for its offices have also jumped to RM780 psf



An aerial view of Desa ParkCity.

today. Phase 1 of The Horizon, comprising 14 blocks of 10- and 11-storey boutique offices with an average gross floor area of 55,000 sq ft, has set an unprecedented concept for office building developments in Malaysia.

• KL Sentral — Among the main buildings completed since 2007 in the 72-acre integrated development are 1 Sentral, which houses PricewaterhouseCoopers, MRCB and General Electric, and the UEM Group's headquarters at Mercu UEM. The upcoming Nu Sentral Shopping Centre is expected to further transform Brickfields into a shopping attraction in KL. The transportation hub is also home to KL Hilton Hotel and Le Meridien Hotel. They will be joined by St Regis Hotel in 2014.

James Tan

Associate director, Raine & Horne International Zaki + Partners

Snapshot of the residential market

The residential market has seen steady growth since 2007 with minimal impact from the global financial crisis. Currently, local demand is dominating the market due to the availability of cheap financing.

The property market is on an upward trend, and as long as interest rates remain as it is now, prices are unlikely to fall.

Outlook

Prices of landed property will continue to rise unless a drastic situation akin to 1997, where liquidity was low and interest rates were around 12.3%, emerges. There is a strong inverse correlation between interest rates and prices.

The high-rise residential segment is expected to remain stable in light of the huge existing stock. Projects in certain locations such as Petaling Jaya, Bangsar and KL are likely to do well while there has been limited new launches in the KLCC vicinity for more than a year.

Significant projects since 2007

• Link homes in Desa ParkCity, Nadayu Melawati in Taman Melawati by Mutiara Goodyear and Setia Alam link homes in Klang by S P Setia — these three projects have set benchmark prices in their respective localities and helped pushed prices to stratospheric heights in the Klang Valley. The latest launch of link houses in Desa ParkCity fetched more than RM2.75 million, while the latest link houses in Setia Alam went for more than RM550,000. As for Nadayu Melawati, the minimum price is RM5.5 million.

Anthony Chua

Director, KGV-Lambert Smith Hampton Sdn Bhd

Snapshot of the residential market

The residential property market was due for correction in 2007/2008 if we subscribe to the view that the property market moves in a 10- to 12-year cycle. The last property downturn was in 1998 brought about by the Asian financial crisis. The property market gener-

suburban locations or along the proposed MRT route. The recent sharp spike in prices of landed homes has made this segment a more affordable alternative for those looking to own homes.

Significant projects since 2007

• Bangsar South — The development has transformed the former Kampung Kerinchi into a much-sought after commercial spot.

• Garden Residence in Cyberjaya — This project by Mah Sing Group has helped transform the residential market in Cyberjaya and set new benchmark pricing levels.

Eric Ooi

Managing director, Knight Frank Malaysia

Snapshot of the residential market

This market segment is the most active property sub-sector both in transaction volume and value. In 2010, residential transactions accounted for 60.2% and 47.1% of the country's total volume (376,583 transactions) and value of transactions (RM107.44 billion) respectively.

The high-end condo market in Kuala Lumpur, which performed strongly in 2007, was dented by the global financial meltdown in 2H08. However, there was no widespread "fire sales" though selected developments reported sharp declines of about 20% from their peak in 2008.

The high-end condo market has also bottomed and stabilised since and the near term outlook remains cautiously optimistic.

In the landed homes segment, the trend is towards boutique projects within gated and guarded communities. Recently, the launch of The Mansions @ ParkCity Heights, a 19.6-acre gated and guarded development comprising 127 units of 2½ to 3½-storey parkhomes reportedly achieved 86% take-up during its priority sales launch despite the hefty pricing from RM2.7 million to RM7.5 million.

Outlook

Landed homes growth in the next 12 months is expected to be more subdued due to rising borrowing cost with anticipated further hikes in the near term, coupled with the LTV ratio for the third loan. However, landed home prices in established locations and popular suburbs are expected to continue rising at a slower pace of 5% to 10%.

Similarly, high-rise residences in selected parts of KL City and its fringes are expected to perform well. Smaller-sized high-end units are gaining interest due to their affordable pricing. Medium high-end condos in established and new growth areas with good accessibility, particularly along the proposed new MRT route may see more capital appreciation. They become more attractive as prices of landed properties in popular areas skyrocket. In 1H11, there has been a slight increase in average asking prices while demand remains relatively low due to limited tenants.

The outlook is cautious in the near term but competitively priced projects in good locations by reputable developers will continue to attract buyers.

Jerome Hong

Managing director, PA International

Snapshot of the residential market

The growth of Malaysia's property market generally mirrors the growth of the country. In 2010, a total of 376,583 residential transactions valued at RM107.44 billion were recorded, reflecting increases of 11.4% in volume and 32.6% in value respectively. Comparatively, in 2009, a total of 338,089 transactions valued at RM81.02 billion were recorded. There was a strong rebound from the global financial crisis, with average value per transaction peaking at RM223,270 (2007: RM182,927), reflecting an increase of 22.1% between 2007 and 2010.

Significant projects from 2007

• The Intermark — Developed by MGPA Asia Fund II, it involved the redevelopment of the former Empire Tower, City Square, Crown Princess Hotel and Plaza Ampang into an integrated first class asset with a prime A office building and a 4-star 540-room Doubletree Hotel which opened in August 2010.

The development of a new international green Prime A 39-storey office building named Integra Tower (NLA 736,000 sq ft) with LEED accreditation is expected to be completed by end-2012. The Intermark was recently recognised as a MSC Malaysia Cybercentre.

• Bangunan Lestari Kumpulan Emkay (BLKE) is the first LEED Gold certified building in Malaysia. Located in Cyberjaya, the five-storey office building is occupied by Shell. Green features include use of materials with a high recycled content, energy saving equipment, storm-water management and high-efficiency bathroom fixtures.

• Bangsar South — Completed and ongoing components include The Horizon Phase 1 boutique offices with MSC status, Phase 2 with Green Building Index accreditation and the Park Residences.