

Residential market to remain resilient

BY CHAI YEE HOONG

Following the overall soft residential market in Kota Kinabalu last year, opinions are mixed on how the market will perform this year, Rahim & Co Sabah branch manager Max Sylver Sintia says when presenting *The Edge*/Rahim & Co Kota Kinabalu Housing Property Monitor 1Q2016. “This year will see buyers, investors and developers remain cautious but, at the same time, hopeful for better things to come. We expect the

Kota Kinabalu property market to see moderate activity and we remain cautiously optimistic that its residential prices are sustainable.” Sintia believes the cooling measures implemented by Bank Negara Malaysia have removed the majority of property speculators from the market. “Thus, we expect market activity to be driven mostly by genuine property buyers, particularly those from the other districts and states who are working in Kota Kinabalu, who are purchasing for their own occupation. “In the long term, the residential market in

Kota Kinabalu will remain resilient, driven by strong market fundamentals, investments in tourism infrastructure and the government’s efforts to provide the right infrastructure and to spur foreign and domestic investments,” he says. Budget 2016’s allocation of RM1 billion for the development of Kota Kinabalu’s bus rapid transit and RM12.8 billion for the Pan Borneo Highway will improve accessibility in the state capital once both projects reach their completion, which is estimated to be in 2020 and 2025 respectively.



Sintia: The residential market in Kota Kinabalu, which was rather subdued in 2015, showed a slight improvement in 1Q2016

KOTA KINABALU capital values (1Q2007–1Q2016)

Selected 2-storey terraced development scheme

CAPITAL VALUE (RM '000/UNIT)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Ujana Kingfisher	230	270	280	300	300	345	370	390	395	395	400	415	420	420	430	435	450	460	465
Taman Indah Permai	190	200	210	240	260	290	310	330	335	340	345	355	355	355	355	360	365	370	380
Luyang Perdana	300	330	350	380	410	450	455	470	470	470	480	505	510	520	530	540	550	560	580
Taman Jindo	210	235	260	290	300	340	370	390	390	390	400	415	420	430	440	450	460	470	480
Taman Sri Borneo	280	290	310	320	330	380	400	410	410	420	430	430	450	460	465	470	480	485	490
Millenium Height	240	250	260	270	290	335	370	380	380	385	390	405	410	420	430	440	450	460	470
Golden Hill Garden	-	390	450	500	530	550	570	580	580	585	590	610	620	630	640	650	660	670	675

Selected 1-storey terraced development scheme

CAPITAL VALUE (RM '000/UNIT)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Taman Tuan Huat	165	170	170	185	200	205	230	240	240	245	250	250	260	265	275	280	290	300	310
Taman Sri Kepayan	180	180	185	220	220	240	270	290	295	300	310	315	320	325	335	340	350	360	370
Taman Nelly Ph 9	160	190	210	230	260	275	290	290	290	290	300	310	315	320	330	335	340	350	360

Selected condominium development scheme

CAPITAL VALUE (RM PSF/UNIT)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Jesselton Condo	-	-	325	380	400	440	480	490	490	500	510	520	520	530	540	550	570	570	575
Marina Court	315	355	340	440	450	460	500	500	500	510	520	530	540	550	550	555	560	560	570
Bayshore Condominium	275	290	310	335	335	380	410	420	420	420	430	430	440	450	450	450	460	460	460
Alam Damai	-	-	-	290	340	385	420	440	440	450	480	480	490	490	500	510	520	520	530
1Borneo Condominium	-	210	270	270	275	300	330	330	335	340	340	340	350	360	360	370	370	370	380
Likas Square	225	230	235	240	280	300	330	330	345	360	360	360	360	370	370	380	385	385	385
Radiant Tower	250	260	300	330	350	395	410	420	420	420	440	450	450	450	450	450	460	460	460
The Peak Condominium	350	280	300	400	440	460	510	520	520	530	560	560	560	570	590	595	600	600	600

KOTA KINABALU rents (1Q2007–1Q2016)

Selected 2-storey terraced development scheme

RENT (RM PER UNIT/MONTH)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Ujana Kingfisher	600	650	800	900	900	900	1100	1200	1200	1200	1300	1300	1350	1350	1400	1400	1450	1450	1500
Taman Indah Permai	600	700	750	850	850	850	1000	1100	1100	1100	1150	1150	1200	1200	1200	1250	1250	1250	1300
Luyang Perdana	950	1000	1100	1200	1200	1500	1600	1700	1700	1700	1800	1800	1800	1800	1900	1900	1900	1900	1950
Taman Jindo	750	800	850	1100	1100	1300	1400	1500	1500	1500	1600	1600	1650	1650	1700	1700	1750	1800	1800
Taman Sri Borneo	800	850	1000	1100	1100	1400	1400	1500	1500	1500	1600	1600	1600	1600	1600	1650	1650	1650	1700
Millenium Height	800	900	1000	1200	1200	1400	1500	1550	1550	1600	1600	1650	1650	1650	1700	1700	1700	1750	1800
Golden Hill Garden	-	1400	1500	1500	1500	1800	1950	2000	2000	2050	2100	2100	2150	2150	2200	2200	2250	2250	2250

Selected 1-storey terraced development scheme

RENT (RM PER UNIT/MONTH)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Taman Tuan Huat	700	750	700	800	800	900	950	1000	1000	1000	1050	1050	1100	1000	1200	1200	1200	1300	1300
Taman Sri Kepayan	800	850	900	950	950	1000	1150	1300	1300	1300	1400	1400	1400	1300	1500	1500	1500	1550	1600
Taman Nelly Ph 9	-	800	900	1000	1000	1000	1100	1150	1150	1150	1200	1200	1250	1150	1350	1350	1350	1400	1450

Selected condominium development scheme

RENT (RM PSF/MONTH)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Jesselton Condo	-	-	1.67	1.73	1.87	1.93	2.07	2.07	2.10	2.13	2.20	2.20	2.20	2.20	2.27	2.27	2.33	2.33	2.33
Marina Court	1.54	1.69	1.85	1.92	1.92	1.92	2.15	2.15	2.19	2.19	2.23	2.23	2.31	2.31	2.38	2.38	2.38	2.38	2.46
Bayshore Condominium	1.06	1.06	1.06	1.22	1.22	1.22	1.33	1.33	1.36	1.36	1.39	1.39	1.44	1.44	1.44	1.44	1.50	1.50	1.50
Alam Damai	-	-	-	-	-	1.55	1.73	1.77	1.82	1.91	2.00	2.00	2.09	2.05	2.09	2.09	2.09	2.18	2.18
1Borneo Condominium	-	1.01	1.21	1.21	1.21	1.52	1.62	1.62	1.67	1.72	1.72	1.72	1.87	1.77	1.82	1.82	1.92	1.97	1.97
Likas Square	1.19	1.26	1.41	1.48	1.48	1.48	1.48	1.48	1.48	1.52	1.52	1.52	1.56	1.56	1.56	1.56	1.59	1.59	1.59
Radiant Tower	1.38	1.46	1.54	1.62	1.69	1.69	1.69	1.77	1.77	1.77	1.77	1.77	1.81	1.77	1.77	1.77	1.77	1.77	1.77
The Peak Condominium	-	1.38	1.54	1.62	1.69	1.77	1.85	2.15	2.19	2.23	2.31	2.31	2.31	2.31	2.38	2.38	2.42	2.46	2.54

Note: Prices shown are averaged and based on transacted deals. Rents shown are averaged and based on asking rentals observed for unfurnished unit. Relevant adjustments have been made where necessary for variations in size, specific location, design, condition and improvements made.

According to Sintia, infrastructure upgrades in the conurbations will lead to residential property prices in Kota Kinabalu staying on an upward trend. “This is evident from the secondary market price appreciation of older houses in areas impacted by the widening of Jalan Putatan-Lok Kawi,” he says.

He adds that more roads are needed to open up new areas for development as Kota Kinabalu continues to expand. The state capital’s development density is increasing and moving away from the city centre, towards the north and south.

Meanwhile, as buyers are showing more discernment in their property purchases, developments in locations with strong fundamentals are expected to perform well, Sintia remarks. “But it is not just the location — the price, packaging and product also matter.”

According to him, Manhattan Suites (a development by Sabanilam Enterprise Sdn Bhd) was fully sold in the first three months of its sales. It has a small office/versatile office (SoVo) concept and is part of the International Technology and Commercial Centre Penampang integrated development. The 19-storey condominium will have 295 units, which will come in two sizes of 771 and 510 sq ft. The selling price starts at RM600 psf. The development will have a swimming pool, 24-hour doorman, concierge services and a resident manager, among others.

Another example is Kingfisher Inanam (by Hap Seng Land), which has achieved 60% take-up within two months of its sales, says Sintia. Located in the Inanam area, the development will have 739 condos and three types of units, with sizes of 865,905 and 1,160 sq ft respectively. The selling price starts at RM448 psf. Facilities will include a swimming pool, jogging track and basketball court.

Sintia highlights a land transaction that took place during the quarter under review, which involved the acquisition of a commercial parcel measuring 79,222 sq ft along Mile 5, Jalan Penampang, for RM12 million or RM151 psf. “The transaction will certainly lead to some landowners marking up their land prices, which, in turn, will further increase property prices and raise the cost of owning a property in the future.”

Landed homes still popular

At present, land suitable for landed residential developments in the conurbations of Kota Kinabalu is in short supply while the number of high-rises is growing, especially near the city centre, says Sintia.

Even so, genuine buyers — particularly families buying for their own occupation and up-graders from apartments or smaller houses — prefer landed properties to condos, despite the lifestyle and facilities the latter offers, he points out. He expects the price and demand for 2-storey terraced houses on the secondary market to remain strong and stable.

Sintia says older residential developments in the vicinity of Jalan Bundusan, Luyang and Jalan Lintas are popular as these are mature residential areas near the city and have amenities such as schools, commercial areas, public transport and good infrastructure.

KOTA KINABALU yields (1Q2007–1Q2016)**Selected 2-storey terraced development schemes (%)**

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Ujana Kingfisher	3.13	2.89	3.43	3.60	3.60	3.13	3.57	3.69	3.65	3.95	3.90	3.76	3.86	3.86	3.91	3.86	3.87	3.78	3.87
Taman Indah Permai	3.79	4.20	4.29	4.25	3.92	3.52	3.87	4.00	3.94	3.88	4.00	3.89	4.06	4.06	4.06	4.17	4.11	4.05	4.11
Luyang Perdana	3.80	3.64	3.77	3.79	3.51	4.00	4.22	4.34	4.34	4.47	4.50	4.28	4.24	4.15	4.30	4.22	4.15	4.07	4.03
Taman Jindo	4.29	4.09	3.92	4.55	4.40	4.59	4.54	4.62	4.62	4.77	4.80	4.63	4.71	4.60	4.64	4.53	4.57	4.60	4.50
Taman Sri Borneo	3.43	3.52	3.87	4.13	4.00	4.42	4.20	4.39	4.39	4.57	4.57	4.41	4.27	4.17	4.13	4.21	4.13	4.08	4.16
Millenium Height	4.00	4.32	4.62	5.33	4.97	5.01	4.86	4.89	4.89	4.99	4.92	4.89	4.83	4.71	4.74	4.64	4.53	4.57	4.60
Golden Hill Garden	—	4.31	4.00	3.60	3.40	3.93	4.11	4.14	4.14	4.31	4.27	4.13	4.16	4.10	4.13	4.06	4.09	4.03	4.00

Selected 1-storey terraced development schemes (%)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Taman Tuan Huat	5.09	5.29	4.94	5.19	4.80	5.27	4.96	5.00	5.00	4.90	5.04	5.04	5.08	4.98	5.24	5.14	4.97	5.20	5.03
Taman Sri Kepayan	5.33	5.67	5.84	5.18	5.18	5.00	5.11	5.38	5.29	5.20	5.42	5.33	5.25	5.17	5.37	5.29	5.14	5.17	5.19
Taman Nelly Ph 9	—	5.05	5.14	5.22	4.62	4.36	4.55	4.76	4.76	4.76	4.80	4.65	4.76	4.69	4.91	4.84	4.76	4.80	4.83

Selected condominium development schemes (%)

	1Q07	1Q08	1Q09	1Q10	1Q11	1Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Jesselton Condo	—	—	6.15	5.47	5.60	5.27	5.17	5.06	5.14	5.12	5.18	5.08	5.08	4.98	5.04	4.95	4.91	4.91	4.87
Marina Court	5.86	5.72	6.52	5.24	5.13	5.02	5.17	5.17	5.26	5.16	5.15	5.05	5.13	5.03	5.20	5.16	5.11	5.11	5.18
Bayshore Condominium	4.61	4.37	4.09	4.38	4.38	3.86	3.90	3.81	3.89	3.89	3.88	3.88	3.94	3.85	3.85	3.85	3.91	3.91	3.91
Alam Damai	—	—	—	—	—	4.82	4.94	4.83	4.96	5.09	5.00	5.00	5.12	5.01	5.02	4.92	4.83	5.03	4.94
1 Borneo Condominium	—	5.77	5.39	5.39	5.29	6.06	5.88	5.88	5.97	6.06	6.06	6.06	6.41	5.89	6.06	5.90	6.22	6.39	6.22
Likas Square	6.32	6.57	7.19	7.41	6.35	5.93	5.39	5.39	5.15	5.06	5.06	5.06	5.19	5.05	5.05	4.91	4.96	4.96	4.96
Radiant Tower	6.65	6.75	6.15	5.87	5.80	5.14	4.95	5.05	5.05	5.05	4.83	4.72	4.82	4.72	4.72	4.72	4.62	4.62	4.62
The Peak Condominium	—	7.71	8.00	6.30	6.00	6.00	5.65	4.97	5.06	5.05	4.95	4.95	4.95	4.86	4.85	4.81	4.85	4.92	5.08

Meanwhile, older houses in the southern and northern fringes of Kota Kinabalu such as Lok Kawi, Putatan, Inanam, Menggatal, Telipok and Tuaran will see their prices continue to appreciate as new housing developments come to the areas.

“Some of the older houses in these areas, especially those that have been nicely renovated and extended, enjoy greater capital appreciation because of the higher prices of new developments in the vicinity,” says Sintia. “Even though the prices of older houses in these areas are increasing progressively, they are still lower than those on the primary market.”

For example, older 2-storey terraced houses in the Putatan area are currently valued at RM400,000 to RM450,000, while newer homes in the immediate vicinity are selling at RM500,000 and higher on the primary market.

According to Sintia, the quarter-on-quarter price growth of 2-storey terraced houses rebounded 0.15% to an average of 1.92% or RM9,286 in 1Q2016 from an average of 1.77% or RM8,500 in 4Q2015.

Luyang Perdana recorded the highest price growth of RM20,000 during the period under review. This was followed by Taman Indah Permai, Taman Jindo and Millenium Height, which saw a price growth of RM10,000 each, and Ujana Kingfisher, Taman Seri Borneo and Golden Hill Garden, whose prices grew by RM5,000 each.

On a year-on-year basis, the 2-storey terraced houses sampled recorded an average price growth of 7.69% or about RM35,833 in 1Q2016. The pace of growth was 0.55% slower than that in 1Q2015 at 8.24% y-o-y, but higher than that in 4Q2015, 3Q2015 and 2Q2015, which stood at 7.44%, 7.17% and 6.58% respectively, says Sintia.

“This shows that the residential property market in Kota Kinabalu was rather subdued in 2015, but showed a slight improvement in 1Q2016 in both q-o-q and y-o-y growth,” he explains.

Meanwhile, 1-storey terraced houses sampled recorded an average price growth of 10.76% y-o-y or RM33,333 in 1Q2016. The y-o-y growth rate improved by 1.4% compared with that in 1Q2015, but was slower by 0.36% than that in 4Q2015.

The highest y-o-y growth was seen in Taman Tuan Huat (+12.73% to RM310,000), followed by Taman Sri Kepayan (+10.45% to RM370,000) and Taman Nelly Ph 8 (+9.09% to RM360,000).

In terms of q-o-q price growth, 1-storey terraced houses saw an average growth of 2.99% or RM10,000 during the period. Taman Tuan Huat recorded the highest q-o-q growth (+3.33%), followed by Taman Nelly Ph 9 (+2.86%) and Taman Sri Kepayan (+2.78%).

“Despite the mixed performance when comparing the q-o-q and y-o-y price growth of 1-storey terraced houses, we can conclude that growth has remained stable and consistent, in the past seven quarters at least, averaging at a 9.66% growth y-o-y,” says Sintia.

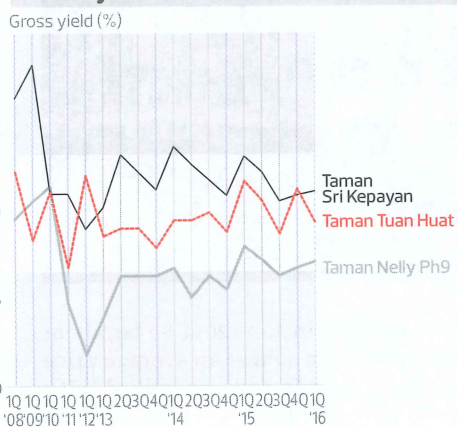
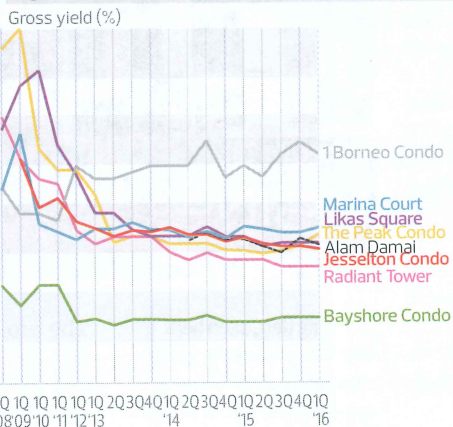
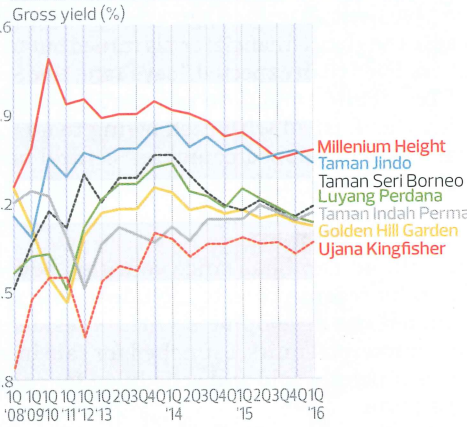
He adds that prices of 1-storey terraced houses are stable due to the localised and limited supply in the market.

“Although most homebuyers prefer 2-storey terraced houses, the affordable price of 1-storey terraced houses make them attractive and the preferred choice of those in the lower to middle-income bracket.

“Besides, most of the 1-storey residential developments in Kota Kinabalu are situated in mature and strategic areas with public transport, such as Luyang, Kepayan, Kolombong and Putatan. Hence, they are always attractive to buyers looking to invest.”

Stable condo prices

Condos in Kota Kinabalu recorded an average price growth of 3.98% y-o-y in 1Q2016. This was 0.61% slower compared with the y-o-y growth seen in 1Q2015, which stood at 4.59%.

Gross yield performance of residential properties in selected schemes in Kota Kinabalu (1Q2008–1Q2016)**1-storey terraced****Apartments/condominiums (unfurnished)****2-storey terraced**

There is short supply of land suitable for landed residential developments in the conurbations of Kota Kinabalu and the number of high-rises is growing, especially near the city centre

The highest y-o-y growth was recorded at Jesselton Condominium (+6.5% to RM575 psf). This was followed by Alam Damai (+6% to RM530 psf), 1 Borneo Condominium (+5.6% to RM380 psf), Likas Square (+4.1% to RM385 psf), Marina Court (+3.6% to RM570 psf), Bayshore Condominium (+2.2% to RM460 psf) and The Peak Condominium (+1.7% to RM600 psf).

The q-o-q price growth for condos was 0.91% during the quarter.

“Due to the escalating cost of land and buildings, and the scarcity of suitable land in Kota Kinabalu for landed residential developments, the price of condos on the secondary

market will remain stable,” says Sintia.

He adds that despite landed property being the preferred choice of homebuyers, the lower quantum price of condos (compared with the quantum price of 2-storey terraced houses), coupled with the facilities, safety and lifestyle offered at condominium developments, make them an ideal choice, especially for first-time homebuyers and young families.

Meanwhile, Sintia says property sellers are trying to narrow the price gap between condos on the secondary market and those on the primary market.

For example, Harrington Suites by Interland

Properties Sdn Bhd, which is located in the Luyang area and is expected to be completed this year, is being sold for between RM700 psf and RM900 psf, while older condos in the area are being sold at RM500 psf to RM600 psf.

Nonetheless, Sintia does not expect the price appreciation of condos to go as high as that of landed properties.

Rent performance

In 1Q2016, rents of 2-storey terraced houses saw an average growth of 5.49% y-o-y, 0.51% higher than the 4.98% y-o-y growth recorded in 1Q2015.

The highest growth rate was seen at Taman Indah Permai at 8.33%, followed by Ujana Kingfisher (+7.14%), Taman Seri Borneo (+6.25%), Millenium Height and Taman Jindo (both +5.88%), Luyang Perdana (+2.63%) and Golden Hill Garden (+2.27%).

For 1-storey terraced houses, rents grew at an average of 7.47% y-o-y, slower than the y-o-y growth of 11.31% in 1Q2015. The highest growth rate was seen at Taman Tuan Huat at 8.33%, followed by Taman Nelly Ph 9 (+7.41%) and Taman Sri Kepayan (+6.67%).

The average gross yield registered during the quarter for 2-storey terraced houses was 4.18% (down 0.97% compared with the yield in 1Q2015), while for 1-storey homes, it was 5.02% (slower by 0.16% compared with the yield in 1Q2015).

Condos saw an average rental growth of 6.45% y-o-y, an improvement of 3.94% compared with 1Q2015, while the average gross yield remained unchanged from 1Q2015 at 4.97%.

The condominium with the best yield was 1 Borneo Condominium at 6.22%. E