

17 Dec 2007: Property: Opposing price trends for 2008

By Tim Leonard

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The Klang Valley's residential property market will bring about two opposite price trends next year, according to research by Regroup Associates. "There will not be many changes in the last quarter of this year but prices of high-end residential properties, such as luxury and super condominiums, are expected to continue in an upward trend, while medium and lower-end properties will see a downward trend," says Allan Soo, managing director of Regroup Associates.

Presenting The Edge/Regroup Klang Valley Housing Property Monitor for the period between July and September (3Q2007), Soo says one segment is expected to move up and the other downwards due to several underlying factors.

"High-rise properties, especially those in the Kuala Lumpur city centre (KLCC) area, are expected to breach the average selling price of RM2,000 psf next year and the market can expect a continuous flow of foreign investors, especially from the Middle East," he says. Apart from the KLCC area, he feels that other hot areas are Mont'Kiara, Bangsar, Damansara and KL Sentral.

"The uptrend is due to the fact that prime properties in KL cost less than in Singapore, Bangkok, Hong Kong and other major cities, and it is only natural for KL to catch up with its regional neighbours in terms of pricing," Soo adds.

While there will be strong interest from foreigners next year, he says Malaysians will adopt a wait-and-see approach before investing in high-end properties. "Currently, the Malaysian buying pattern is in the range of RM1,000 to RM1,500 psf."

"Where medium to medium-low properties are concerned, there will be a downtrend due to abundant supply and lacklustre market demand," states Soo. There are many developers offering affordable housing in the Klang Valley and transactions will continue, albeit at a lower volume and asking prices will certainly be lower.

According to Soo, the disposable income of an average Malaysian is expected to remain the same next year and therefore, not many will be interested in buying a second house or stretching their money on property investment. He says the mostly unchanged rental, values and yields of 1-storey and 2-storey terraced houses in the Klang Valley quarter-on-quarter (q-o-q) is an indicator of things to come.

From the data sampled, rentals for 1-storey terraced houses remained unchanged except for Taman Tun Dr Ismail (Abang Hj Openg) where rents went up by almost 7.69% q-o-q. Meanwhile, rental rates for 2-storey terraced houses were stable in TTDI (Athinahapan), Bandar Utama (BU1), Bandar Puchong Jaya and Pusat Bandar Puchong, while Bandar Sri Damansara (SD7) and Bangsar went up by 8.3% and 4% respectively. Meanwhile, rental in USJ6 dropped by 5.5% this quarter compared to the corresponding quarter last year. Soo points out that the units were only tenanted after rentals were reduced.

Gross yields for 1-storey terraced houses did not change much from 2Q2007 and were between 3.25% and 5.03% for areas sampled, while high-rises recorded yields between 5.64% and 8.25% in 3Q2007.

Capital values and growth

Where capital values were concerned, both landed homes and high-rises showed a steady increase or remained stable quarter-on-quarter in the areas sampled. However, there was an exception with Menara Damansara, which saw values dipping by almost 2% due to its ageing condition.

According to Soo, Villa Flora, Lanai Kiara and Goodyear Courts (6-10) did not see any appreciation in capital values, as there is stiff competition from other properties in the vicinity. It was the same for 1-storey terraced houses in Puchong Perdana.

In terms of price growth over a one-year period (3Q2006 to 3Q2007), the top three areas for 1-storey terraced houses were in Bandar Kinrara in Puchong at 5%, Bangsar

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Park at 2.55%, and the Aminuddin Baki and Burhanuddin Helmi areas of TTDI at 2.5%. Two-storey terraced houses in Bandar Utama (BU1), Puchong Jaya, TTDI (Za'aba) and USJ 4 recorded an average price growth of 4.12%, 3.7%, 3.92% and 3.13% respectively. Supply and demand, says Soo, fuelled the growth. High-rise properties in Mont'Kiara (Sophia and Pines), Bangsar and TTDI continued to record a steady price growth rate. Mont'Kiara Sophia was at 4.76%, Mont'Kiara Pines at 3.13%, Tivolli Villa in Bangsar at 2.86% and Kiara Park at TTDI at 1.85%.

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