

25 Feb 2008: Property: Keen foreign interest in hot areas

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Despite global jitters from the US subprime mortgage crisis, the Malaysian housing property market, particularly in the property hotbed of Klang Valley, is expected to continue attracting foreign investments in contrasting trends — upward price movement for high-rise in prime areas and downtrend for properties in the secondary market.

Presenting The Edge/Regroup Klang Valley Housing Property Monitor for the fourth quarter of 2007, Allan Soo, managing director of Regroup Associates, says that while 2007 was "good", three elements — foreign investors, local investors and properties on the secondary market — would influence the market this year.

He expects foreign investors to show high interest in local properties. "We are attracting South Koreans, Middle Easterners and a whole lot of international investors who are keen on taking up high-rise properties in hot areas such as KLCC, Mont'Kiara and Bangsar," says Soo.

"But while many are optimistic that properties in the KLCC area will breach the RM2,500 psf mark, we can only expect to see upward movement after the second half of this year. Time is a factor here."

There are fears of the US heading towards a recession but Soo takes comfort that Malaysia's economic fundamentals are strong and that the country continues to be a preferred investment destination.

"Condominiums were the investment darlings and demand came from every direction from Germany to Hong Kong, Singapore to Pakistan. We noticed that many foreigners would bring in their friends to buy once they themselves had purchased a property here," says Soo.

Meanwhile, Soo also expects local investors to continue putting their money on high-rise property but will mostly go for properties tagged below RM1,000 psf. He says that based on current buying trends, they will only settle for new and good quality products.

"So, developers who offer quality homes with extra features in this price bracket will certainly attract buyers, as evident in Mont'Kiara, Bangsar and Damansara. In Mont'Kiara, new launches like One Kiara and Lumina Kiara have breached the RM700 psf mark, with many repeat buyers," he says.

However, the abundance of new offerings is expected to weaken the secondary market. Soo adds: "While we don't see 'liquidity tightening' in Malaysia, the secondary property market is certainly going to be facing an uphill road."

The asking prices of certain older condos are similar to the newer ones although the former does not offer similar quality and style.

The onus will then be on developers to build better homes with "extra" features while owners need to offer something extra to interest prospective investors.

Soo expects price corrections in oversized units — those bigger than 3,000 sq ft — in prime locations with no extra features. He sees demand for properties (low or high-rise) in a gated and guarded community since "safety and security" needs always rank high on buyers' priority.

Still, it is interesting to note that in Mont'Kiara, successful condo launch that breached RM650 psf served to also push up prices on the secondary market there, though not as high as some owners expected.

"Overall, 2007 was a historic year in terms of the volumes and prices of transactions but it was the new launches in the KLCC and Mont'Kiara areas which attracted the most foreigners," he says.

Data sampled

On the sampling for the quarter under review, capital values of 1-storey terraced

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houses in Taman Tun Dr Ismail (TTDI) and Bangsar Park recorded the highest increase at around 22% q-o-q. Capital values of other sampled areas such as Lucky Garden in Bangsar and Bandar Kinrara in Puchong went up by 20% and 5% respectively. Values of 1-storey terraced houses in Bandar Sri Damansara and Puchong Perdana remain unchanged.

Hot areas for 2-storey houses were TTDI (Athinahapan) and Bangsar, recording an increase of 19.5% and 18% respectively. Other areas like Bandar Sri Damansara (SD7), USJ 6 and Bandar Utama saw an increase in the 2% bracket q-o-q.

In Bangsar, Soo says it was common knowledge that the asking prices were already above RM850,000 for an intermediate and basic two-storey unit. "Some were asking close to RM1 million but these transactions were only recorded in the quarter under review. In sampling, corner and renovated units were ignored.

Where high-rises were concerned, capital values in the areas sampled increased between 3.1% and 18.1% q-o-q. Mont'Kiara Sophia's capital value saw the highest increase at 18.1%, followed by Kiara Park at 16.9% and Sri Penaga in Bangsar at 11.9%. Two other condos in Bangsar — Cascadium and Tivolli Villa — went up 8.5% and 9.1% respectively. In the case of condos in Mont'Kiara, Soo says there was a spill over effect from the success of the new launches which pushed prices beyond RM650 psf. However, Menara Damansara and Villa Flora saw values dipping 1.8% and 3.5% respectively. Soo says this is due to their aging condition. Meanwhile, values for Lanai Kiara in Mont'Kiara and Goodyear Court in USJ remain unchanged.

Rentals, on the other hand, were unchanged in most sampled areas with the exception of 1-storey terraced houses in TTDI (Openg), 2-storey terraced houses in TTDI (Athinahapan), with high-rise units in Villa Flora in TTDI, Kiara Park in Mont'Kiara and Sri Penaga in Bangsar seeing slight increase q-o-q.

The rates went up by 8.3% in TTDI (Openg) and 5.8% in TTDI (Athinahapan) while high-rise units in Villa Flora were up 4.3% while Kiara Park and Sri Penaga went up 9% and 5.2% respectively.

Meanwhile, rentals for 2-storey houses in USJ 6 saw a decline of 5.2% while condos in Menara Damansara saw rates going down 5.8% due to their aging condition. Although Mont'Kiara Sophia's capital values saw an improvement q-o-q, rentals dropped an average of 4% due to competition from new and cheaper units in the vicinity.

Yields showed minimal movement q-o-q, dipping slightly or remaining stable. Puchong Perdana recorded the highest yield at 5.03% for the quarter under review where 1-storey terraced houses were concerned, while USJ 6 was the highest at 4.5% for 2-storey terraced houses. For high-rises, Villa Flora in TTDI boasted a 8.86% rise, followed by Tivolli Villa in Bangsar at 7.69% and Sri Penaga in Bangsar at 7.62% for the quarter under review.

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