KL sees fewer launches

> For the quarter ended March 31, KL only saw 10 launches, compared with 12 a year ago

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PETALING JAYA: The number of new residential projects and units launched in Kuala Lumpur was lower in the first quarter of this year (Q1 2018) compared with the corresponding period last year.

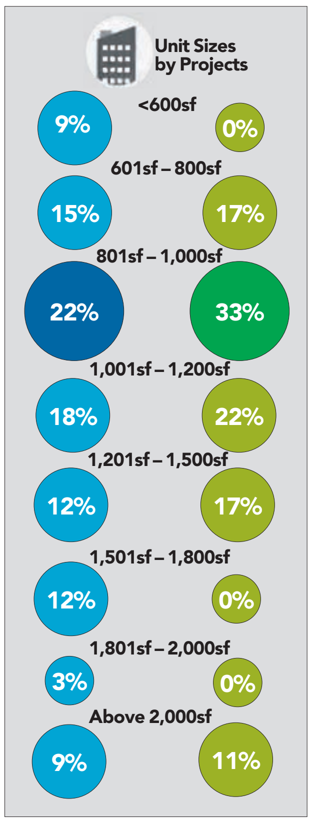
According to Henry Butcher Research, Q1 2018 only saw 10 launches compared with 12 launches a year ago, adding 5,746 units to the capital's housing pool compared with 7,499 units added a year ago.

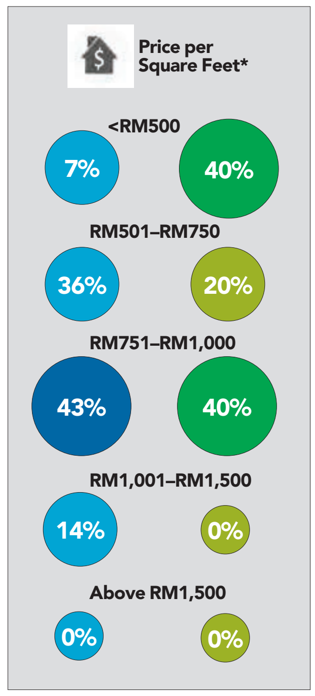
While this could be due to the uncertainty of the looming general election then, the property consultancy firm noted that there were more affordable offerings launched during the period, reflecting developers' more cautious attitude within the context of a sluggish market.

March was the most active month during both periods as developers held back launches until after Chinese New Year. In March this year, there were six new launches, compared with five in the whole of Q1 2017. February was the least active month with only one launch.

"Of the 10 projects launched in Q1 2018, the focus appeared to have shifted away from soho types, compared with Q1 2017. Instead, developers focused their attention on apartments/flats with three such developments launched compared with just one in Q1 2017," said Henry Butcher Research in the June 2018 issue of its *Herald* bulletin.

Three serviced residence projects were launched in Q1 2018 compared with four in Q1 2017 while four condominium projects were launched in Q1 2018 compared with five in Q1 2017. No landed residential projects were launched in both periods due to limited land and high land costs.





"Looking at unit sizes, we note that most of the projects launched have built-up areas of between 801 sq ft and 1,000 sq ft, with six projects in Q1 2018 offering units of such sizes and seven projects in Q1 2017," it said.

This is followed by units sized between 1,001 sq ft and 1,200 sq ft with four projects offering such units in Q1 2018; a similar trend was observed a year ago. However, there were no small-sized units launched in Q1 2018 whereas three projects offered units sized below 600 sq ft in Q1 2017.

In terms of pricing, five out of the 10 projects launched in Q1 2018 had units priced between RM401,000 and RM600,000 while four projects had units priced above RM1 million and three projects had units priced between RM601,000 and RM800,000.

There were two projects offering units priced below the RM400,000 threshold and four projects with units priced between RM801,000 and RM1 million.

"On further analysis, we note that there were four projects priced below RM500 psf compared with only one project in Q1 2017. There were also four projects priced between RM751 and RM1,000 psf followed by two projects priced between RM501 and RM750 psf.

"This trend differs from Q1 2017 where the focus was mainly within the price range of RM501 to RM750 psf (five projects) and RM751 to RM1,000 psf (six projects) followed by the RM1,001 to RM1,500 psf band (two projects)," said Henry Butcher Research.

In terms of location, it noted that established areas like Cheras, Segambut, Wangsa Maju and Dutamas saw one new launch each in Q1 2018 while Setapak continued its wave of rejuvenation with two launches during the quarter.

Other areas where new projects were launched include Taman Desa, Bukit Jalil and Damansara Heights, which saw a trend of steady development to meet the demands of buyers and investors keen on these areas.

"Based on our data, Setapak marks the location of two new affordable developments in Kuala Lumpur in Q1 2018 with a price range of RM300 to RM500 psf followed by Segambut (one project, priced at RM350 to RM400 psf) and Jalan Kuching (one project, priced at RM450 to RM500 psf)," it said.

The more expensive developments were mainly located in Taman Desa, Bukit Jalil, Dutamas and Damansara Heights. These projects were priced between RM700 and RM1,000 psf.

Henry Butcher Research said Q1 2018 seemed to reflect a more cautious stance taken by developers and with the change of government, there could initially be a period of uncertainty as investors stay on the sidelines and await new policy directions.

"The cancellation of the HSR and MRT3 projects signalled a shift in priorities under the new administration and this could very well change the trajectory of the property market.

"In the longer term, a more transparent, just and clean government would enhance investors' confidence in the economy and country, and bring about more positive vibes to the property market," it said.

New govt policies spell short-term pain for long-term gains

PETALING JAYA: The new government's policies will have some negative impact on the economy and the property market in the short term but will bring long-term gains for the country, if implemented properly.

Although the measures taken by Pakatan Harapan will certainly have some negative impact, they are deemed necessary to help resolve the current economic situation, said Henry Butcher Malaysia in the June 2018 issue of its *Herald* bulletin.

"With greater transparency and efficiency and more determined measures to eradicate corrupt practices, investors will feel more reassured and in the longer term, the country will be in a better position to attract more and larger foreign investments.

"As the wise has always said, we need to bear with the short-term pain for long-term gains," it said.

Some of the measures that will impact the property market include the removal of GST, scrapping or postponement of the HSR and MRT3 as well as the freeze on transactions involving the transfer of land owned by the DBKL.

When it was announced by the previous government, the HSR was touted as a game changer with enormous economic benefits, including attracting more Singaporeans to invest in properties and spending more across the Causeway.

The HSR, which was expected to bring about rapid development of the areas surrounding HSR stations, was also the key selling point of the Bandar Malaysia project located on the old airport site in Sungai Besi.

"With the scrapping or postponement of the HSR, the anticipated economic benefits that will be accorded to the areas surrounding the stations as well as Bandar Malaysia will no longer materialise and developers who have bought land in these areas as well as property investors who have invested in properties close by these areas, will find that the hoped-for appreciation in values and development opportunities may not materialise," said Henry Butcher.

It said that Bandar Malaysia in particular, will not be able to command the same level of excitement and interest although it should still be able to succeed by virtue of its location, which is not too far from the city centre, provided it is thoughtfully re-planned, designed and developed.

For property developers who made the HSR and MRT3 a selling point for their projects, the cancellation or postponement will mean that the developers' claims cannot be fulfilled now, placing them in a difficult position vis-a-vis buyers who have purchased properties in their projects based on the promise and attraction of HSR and MRT3.

According to Henry Butcher, the shelving of MRT3 for the time being, will provide the government an opportunity to assess the effectiveness of Line 1 and Line 2.

Based on the current ridership of between 130,000 and 140,000 per day, the two lines are underutilised compared with the projected 250,000 ridership daily.

"Perhaps when the country is financially more stable and when Lines 1 and 2 have achieved close to their maximum capacity, Line 3 can be revived provided studies show that it is the most cost-effective solution to Greater Klang Valley's public transportation woes," it said.

Meanwhile, the Federal Territories Director of Lands and Mines Office Kuala Lumpur froze all transactions involving the transfer of land owned by DBKL since May 10, due to various reports lodged on the alleged suspicious nature of these transactions.

As some of these projects have already been launched with buyers having signed the sale and purchase agreements, the freeze has created some uncertainty about the future of the projects.

In its manifesto, Pakatan Harapan also promised to provide one million affordable homes within 10 years and combine all the agencies involved in building affordable homes under one central body for better coordination and control.

Henry Butcher said this is good news for the lower to middle income groups as they can now look forward to owning their own homes.

"Thus far, the various agencies entrusted by the previous administration like PR1MA have not met their KPIs in building and delivering affordable homes within the right price range and in the right locations, and as such have not really been able to effectively meet the people's aspirations in owning homes," it said. – by **Eva Yeong**

PROPERTY LISTINGS
in Mont' Kiara

Project: ***KaMi***
Type: ***Serviced residences***
Price: ***From RM1 million***
Developer: ***Ireka Corp Bhd***

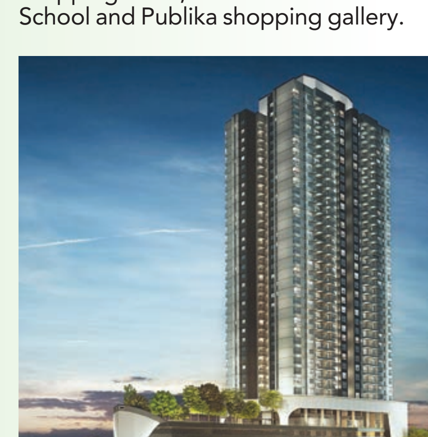
This project is part of Ireka's i-ZEN brand and features a Japanese-inspired contemporary design. The pet-friendly project includes plans for a Japanese restaurant, convenience store and an Onsen spa. The freehold project offers 168 units, targeted at both locals and Japanese investors.

Project: ***Trinity Pentamont***
Type: ***Condominiums***
Price: ***From RM1.2 million***
Developer: ***Trinity Group Sdn Bhd***

This freehold project features penthouse-sized luxurious units with a minimum built-up of 2,057 sq ft. The 41-storey project is built on 2.9 acres of land and offers 330 units, including six exclusive units with sizes up to 4,000 sq ft each. It is accessible via various highways including LDP, Sprint, NKVE and Duke.

Project: ***Residensi Sefina***
Type: ***Condominiums***
Price: ***RM1.05 million***
Developer: ***UEM Sunrise Bhd***

Designed to feel like a getaway on a grand cruise, Residensi Sefina features cabin style suites with three-bedroom layouts from 1,333 sq ft to 1,771 sq ft. The project offers 245 units, built on 3.06 acres of freehold land. It is located close to various facilities and amenities including 1Mont Kiara shopping mall, Gardens International School and Publika shopping gallery.



Market cannibalisation in housing industry

INTRODUCTION

▶ **Cannibalisation** refers to a situation where a retailer opens a new store located close to an existing store, with the result that many of the new store's customers are not new at all but are customers of the old store who, for whatever reason, prefer the newer store. When this happens, the stores face a zero-sum game – the existing store loses customers to the new store.

▶ While market cannibalisation has been of significance in the retail industry, there is seldom a debate on market cannibalisation in the housing industry, due to the fact that the country's housing needs always outgrow the residential supply stock. However, following the weak demand and moderation in sales performance, coupled with the high number of unsold inventory in the residential housing sector, there is a high possibility that new launches will "eat" up the demand for the current product, and eventually affect both the sales volume and market share of the existing housing stock.

PROBLEMS

▶ Overbuilding of affordable housing is the main factor that intensifies market cannibalisation. This is testified by the increasing number of new launches priced RM300k and below in the country (Figure 1). The situation in Klang Valley is even more intense as there is a rapid growth of supply of affordable housing in the market, with a CAGR of 62.3% over the last five years.

▶ The introduction of a large amount of affordable housing (priced at RM300k and below) not only causes competition among products in the same price range, but also

Property Type	Production Rate (CAGR)	Absorption Rate (CAGR)
More than RM1 million	36.5%	44.3%
RM500k to RM1 million	57.4%	63.7%
RM300k to RM500k	30.7%	39.8%
Less than RM300k	52.3%	46.4%

Table 1: CAGR of housing production and absorption in Malaysia, 2013 – 2017

Property Type	Production Rate (CAGR)	Absorption Rate (CAGR)
More than RM1 million	25.3%	38.7%
RM500k to RM1 million	62.6%	79.8%
RM300k to RM500k	79.8%	50.1%
Less than RM300k	155.7%	105.1%

Table 2: CAGR of housing production and absorption in Klang Valley, 2013 – 2017

cannibalises the existing stock of "immediate affordable housing" (priced at RM300k to RM500k) and high-end housing (priced at RM500k and above), as end users tend to be fence sitters during the weak macro-economic conditions, waiting for better housing opportunity and new launches that match their affordability level.

▶ Currently, the industry is producing houses faster than the market can absorb. The newly launched affordable homes, from 2013 to 2017, was increasing with a CAGR of 52.3%, as compared to the unit sold, with a CAGR of 46.4% (Table 1). This inevitably inflates the already crowded affordable housing market segment, resulting in a spike of unsold stock.

▶ The situation of overbuilding in Klang Valley becomes more intense, as the absorption rates of both the affordable housing (RM300k and below) and "immediate affordable housing" (RM300k to RM500k), 105.1% and 50.1% respectively, are lower than the production rate, 155.7% and 59.9% respectively (Table 2); indicating that any additional new supplies of housing around this price range are unlikely to be absorbed by the market in a short period of time. As a consequence, longer sales period is needed to achieve break even that secures the project viability, leading to a situation where developers may face significant cash flow challenge.

▶ In fact, active involvement of government agencies in building affordable houses (PR1MA, SPNB, RumahWip, PPR etc.) has been a threat to private developers, as this results in competition between the private for sale units and the subsidised public or quasi-public housing schemes. In the long run, this competition can frustrate private profit expectations, crowding out the private investors from the affordable housing market segment, leading to the slowdown of readjustment process in the country's housing production and delivery system.

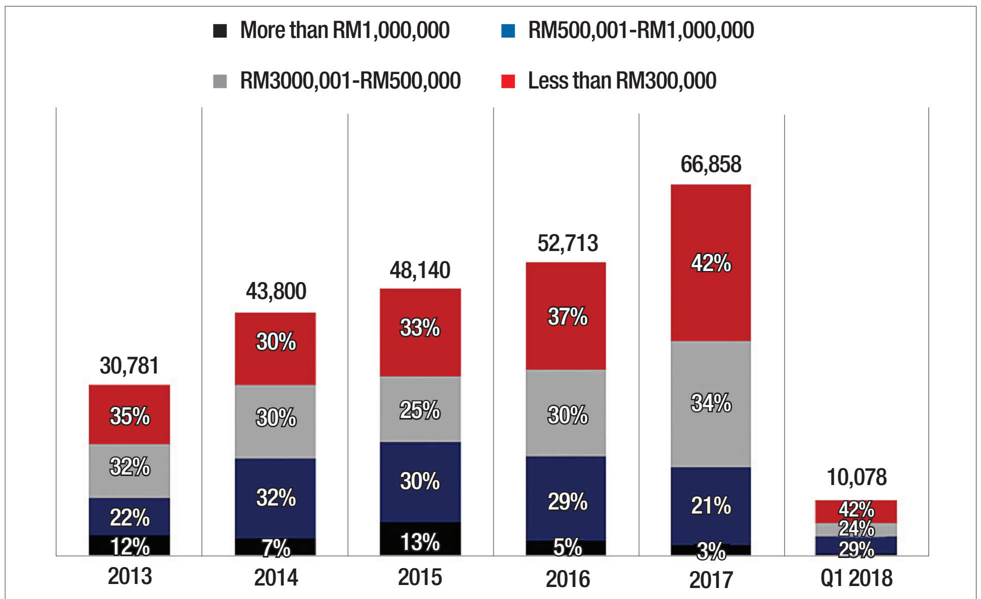


Figure 1 : Residential new launches in Malaysia, 2013 - Q1 2018

PROPOSITIONS

▶ Given that there is a lack of coordination between the public and private sectors in providing affordable homes, the government should play a different role and work towards being a facilitator or a provider of incentives to help boost the industry, instead of competing with the private sector.

▶ An ideal move for the government would be to incentivise developers to build affordable housing through lower development charges, lesser parking, relaxation in planning requirements, as well as lower down or abolish any unnecessary charges or requirements that would increase the cost of doing business, so that the savings can be passed on to house buyers in the form of more affordable housing.

▶ Moving forward, it is prudent for the government to establish a single entity to streamline the country's effort in delivering affordable housing to the people. It is also imperative for the up-coming National Housing Policy (NHP) to clearly spell out the scope and parameters for both the public and private sectors; so as to increase the feasibility of each project, as well as to optimise the efficient use of resources.

▶ Last but not least, there is a necessity to establish an integrated housing database that consolidates data from multiple agencies at federal, state, and local levels which can help to increase the housing supply responsiveness. By making these data accessible to all the industry players, a better understanding on how new launches perform in matching the local affordability level is achieved; and hence, an adequate supply and diversity of housing opportunities is available in the country.

This article was contributed by *MKH Berhad Group managing director Tan Sri Eddy Chen Lok Loi*

IOI Properties offers rent-to-own for three projects

PETALING JAYA: IOI Properties is offering three projects under a rent-to-own campaign that will run until Sept 30, 2018.

The projects are Muse by the Sky at Bandar Puchong Jaya; Seri Puteri Hills at Bandar Puteri Puchong and La Thea Residences at 16 Sierra. All these properties are already completed.

The scheme allows for prospective buyers to choose to rent units in the projects for to 36 months.

At the end of the tenancy, they can choose to buy the property – at a locked in price. It comes with a 100% refund of the rental paid for the first two years.

"On top of that, you will also get a rebate of up to 9%," IOI Properties said in a statement.

It said the campaign is expected to help those needing more time to gather money for the down payment; to beef up loan eligibility; and those unsure if the new place is the right choice for them.

For more information, surf www.ioiproperties.com.my/renttoown or call 03-8947 8888.

PROPERTY LISTINGS in Kuala Lumpur

Project: ***Rei Seraya Residence***
Type: ***Senior living residences***
Price: ***For lease only***
Developer: ***Pelaburan Hartanah Bhd, UEM Group Bhd and Medical Care Service Inc***

This project is a luxury retirement community offering the option of either independent or assisted living, located in Jalan Ampang, next to Gleneagles Hospital. The 100 assisted living units are sized at 300 sq ft while the 200 independent living units are sized at 900 sq ft. The project is designed for senior living, with a 24-hour emergency response system, concierge and reception services as well as cleaning, maintenance and security.

Project: ***The Valleys***
Type: ***Condominiums***
Price: ***From RM392,000***
Developer: ***SkyWorld Development Group***

The Valleys is the first phase of an integrated development known as SkySierra. It is located in Setiawangsa, 5km from the city centre and next to Aeon AU2 shopping mall. It offers 1,309 units housed within three towers, with built-ups ranging from 800 sq ft to 1,318 sq ft. Dual key units are also available. The project is close to LRT stations and is connected to major highways.

Project: ***The Era***
Type: ***Condominiums***
Price: ***From RM375,900***
Developer: ***JKG Land Bhd***

The Era is a freehold mixed development located at Duta North, also known as Segambut. The 11-acre project comprises residential towers and a retail component, complemented by six acres of landscaped forest village and wetlands. The first phase of the residential component offers 921 units housed within two blocks, with built-ups ranging from 614 sq ft to 2,928 sq ft.