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Property outlook seen cautious but not bleak

Demand for affordable housing will support industry, say industry players

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WHILE a cautious stance will likely be the general stand for most local property developers this year, industry experts have ascertained that the sector will be anything but bleak in 2017.

With the high cost of living, CBRE|WTW managing director Foo Gee Jen says there is rising demand for affordable housing.

"This will create genuine demand and lead the market," he said in his presentation during Rehda Institute's economic and business outlook conference 2017 last month.

Foo says the market is expected to cool down and stabilise, with prices therefore becoming more realistic.

"Areas with good transportation connectivity, such as near the MRT and highways like the Damansara-Shah Alam Elevated Expressway (DASH) and South Klang Valley Expressway (SKVE) will continue to be hotspots."

He adds that strong demographic forces will continue to support demand for residential properties, adding that property investment will continue to be relatively more popular than other forms of investment.

On the flipside, in light of the current economic climate, both local and global, Foo says 2017 will be a challenging year for developers.

"Long-going concern on the overall weak ringgit, low crude oil and commodity prices coupled with geo-political issues worldwide will continue to plague the economy.

"The rising of construction cost, fuelled by higher oil prices, increase electric tariff and labour shortage, as well as tighter Bank Negara loan guidelines will also be of concern," he says.

The higher supply of highrise units coming into the market this year will result in very selective buyers, cautions Foo.

"The condominium sector will remain challenging as competition intensifies, but will continue to attract demand as residential land becomes scarce in the city.

"Investors are advised to pursue development in strong, supply-constrained markets and bid for strategic long-hold assets able to withstand a downturn."

Foo says high quality, prime locations will continue to perform well.

"The office market is expected to receive sustained interest from foreign investors."

According to CBRE|WTW's Property Market Report 2017, six purpose-built offices were transacted within the Klang Valley in 2016 amounting to a total value of RM1.62bil.

Out of the total, three buildings were located within city centres with two of the buildings were acquired by

foreign investor.

"With the additional 1.65 million sq ft of purpose built office space expected by end of 2016, the Klang Valley market will continue to be a tenants' market while no fluctuation in rental is expected, landlords/building owners will be more aggressive in attracting tenants," the report says.

It adds that high quality prime offices will continue to perform well and in terms of investments, the office market is expected to sustain interest from foreign investors who are exploring and interested to invest in Malaysia.

"It is made more attractive by the weak ringgit and slower growth in the European countries, China and the US."

Knight Frank Sdn Bhd managing director Sarkunan Subramaniam meanwhile says he expects local developers to focus on existing products, namely unsold stock.

"We see developers focusing on smaller size product to keep end-pricing attractive," he says in his presentation at the Rehda Institute seminar.

He adds that local developers will likely focus on more affordable projects, which would also help to address first-time homebuyers' financing issues.

Sarkunan adds that developer campaigns can run flat if not budgeted properly.

"Focusing too much on the launch may burn your margins in a slow market.

"Embrace digital and other non-traditional forms of advertising as well as product distribution to enable your campaigns run smoothly."

He says in current times, developers need to innovate and stand out from the competition by trying new strategies.

"Introduce non-traditional payment plans such as build-then-sell, or use virtual reality systems in place of scale models at sales galleries.

"Some of these may click and others won't, but many will serve as buzz-worthy elements for your brand."

Commenting on the economy, Foo says Malaysia's economic growth is expected to be slower this year in the face of the challenging global economic and financial landscape.

"Domestic demand will be the key driver of growth, sustained primarily by private-sector economic activity.

"The well-diversified nature of Malaysia's exports would continue to support the overall growth in exports, which is projected to remain positive.

"Headline inflation is expected to remain flat, although pressured by increases of several price-administered items and the weak ringgit exchange rate."