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Supply of houses not meeting demand

While buyers seek landed properties, developers continue to build more condominiums and apartments



By Laura Lee

WHILE the landed residential market remains relatively healthy, the mismatch in the types of properties being built continues to exist.

Jones Lang Wootton (JLW) executive director Malathi Thevendran says developers are reluctant to build single-storey houses even though there is demand for them.

While people prefer to own landed properties, they have no choice but to look at strata developments instead, she says.

Malathi fears that some strata developments will turn into slums if they are not maintained properly.

Noting that while maintenance "is not part of our forte", there is a trend of condominiums making up a major portion of new residential launches in the Klang Valley and Penang since 2009.

This far outstrips the number of non-strata housing units being built.

The number of condominiums launched in the Klang Valley peaked in 2014. Although there were fewer launches from 2015, they still constitute a significantly higher number compared to other types of housing.

A panellist at the recent Real Estate Housing and Developers' Association (Rehda) Property Forum 2017, Malathi says condominiums make up 38,083 residential units out of the 40,419 that were launched from 2015 until Q1 this year (see table).

As of Q1 this year, she says 8,565 condominium units were launched in the Klang Valley compared to just 925 houses.

The Finance Ministry's Valuation and Property Services Department's newly released Property Market Report 2016 also shows condominiums and apartments accounting for the bulk of new primary market launches, with 37% share.

They are followed by two- to three-storey terraced houses (36.2%

priced mainly within the RM500,000 to RM1 mil range. Condominiums, Malathi says, have become homes for many urbanites.

Her contention is further supported by the Rehda House Buyers' Survey 2017, which was conducted from April 14-16 at the Mid Valley Exhibition Centre, in Kuala Lumpur.

The survey indicates that, of the 1,655 respondents, 46% were looking to buy apartments or condominiums, terraced houses (40%), semi-detached houses or bungalows (12%) and SoHo units (2%).

Similarly, in Penang, where condominium living has been gaining traction since 2009, Malathi says the number of units peaked in 2013, dipped in 2014 and then grew again in 2015 and last year.

During the first three months of this year, 1,172 condominium units were launched compared to just 68 houses.

The Property Market Report 2016 says Penang, Johor, Melaka, Terengganu and Sabah registered higher launches last year, with 5,646 units (2015: 2,348 units).

While apartments and condominiums formed the bulk of the launches, sales fell to 9.9% from 48.2% in 2015.

Weak sales and overhang

The report notes that new launches in Kuala Lumpur last year also contracted to 5,819 units from 7,006 units in 2015.

Like Penang, nearly all the launches comprised condominiums or apartments. Kuala Lumpur's sales performance was a dismal 27.3% compared to 45% in 2015.

The report says overall, the slow absorption rate in the primary market led to a 44% increase in the residential overhang of 14,792 units last year valued at RM8.56 bil (2015: RM5.62 bil).

About 42% or 6,052 of these overhang units are in the RM500,000 and above price range, with Johor seeing an increased overhang market share of 24.8%, comprising mainly two- and three-storey terraced houses.

The report says unsold units under construction and those approved but not yet constructed also rose 29.3% and 44.7% to 64,077 and

Average annual launches in Klang Valley (2000-Q1 2017)

Year	Condominiums	Houses	Total
2000	13,481	25,562	39,043
2005-2009	13,042	12,421	25,463
2010-2014	32,253	9,921	42,174
2015-Q1 2017	38,083	7,336	40,419

Source: JLN



While people prefer to own landed properties, they have no choice but to look at strata developments, says Malathi

11,622 units respectively.

Selangor, Johor and Penang held more than half the unsold units under construction. They were predominantly double-storey terraced units and apartments, or condominiums priced at RM500,000 and above.

On the unsold units under construction, Kuala Lumpur and Penang held the most - 27.2% and 25.1% respectively. They comprised mainly apartments or condominiums.

In Penang, the residential overhang more than doubled in terms of units (1,896) and value (RM1.47 bil) last year.

Unsold units under construction rose by 73.7% to 8,119 units while those approved but yet to be constructed rose by more than four-fold to 2,918 units.

Despite the slowdown, the report expects residential property prices to continue holding. As highlighted by Deputy Finance Minister i Datoq Wira Othman Aziz at the report's launch, the House Price Index for Q4 last year showed a slower growth of 5.5% compared to 7.2% in 2015 and 8% in 2014.

For those waiting for prices of residential properties to drop in the primary market, Malathi says there is little chance of this happening.

However, she feels developers should consider dropping prices. Until they do, her advice to house buyers is to look out for good buys in the secondary market.

Soft Johor market

Malathi says in 2013, JLW predicted an oversupply of condominiums in Johor Bahru when the numbers hit a record high that year.

This means rental returns and resale prices will be under downward pressure after completion.

Looking at collated statistics, she says the number of condominium units that were launched declined in 2014 and further reduced in 2015.

While the numbers picked up last year, her data reveal that no condominium units were launched during the first three months of this year.

She says Johor is a good place to live in but observes that "investors' greed" pushed prices to between RM1,300 and RM1,500 psf.

"You see a lot of empty condominiums now," she says, adding that those who can hold on to their units will continue to do so.

During 2012 and 2013 when Chinese developer Country Garden Holdings Co Ltd launched some 6,000 to 7,000 units in Johor, there were already too many projects under construction, and this was a concern to the state, Malathi says.

Last year, the developer reportedly sold about 18 billion yuan worth of apartments in its Forest City development in Iskandar Malaysia. Chinese nationals accounted for 70% of the buyers.

The Property Market Report 2016 identifies the residential sub-sector as continuing to spearhead Johor's overall property market, with 65.4% share for the period under review.

The report says the state's market activity eased with 26,186 transactions worth RM0.50 bil. This represented a 15.7% and 7.6% drop respectively.

"Terraced house transactions dominated with 36.5% of residential properties," the report says, adding that although the primary market recorded more new launches with 9,393 units, sales performance was low compared to 36.6% in 2015 or 6,027 units.

The overhang in Johor rose to 3,671 units worth RM2.57 bil last year from 1,925 units worth RM1.17 bil in 2015.

However, the report says Johor's unsold properties under construction, and unsold and yet to be constructed properties were reduced by 16.3% and 77.1% to 11,774 units and 896 units respectively.

On the weakened ringgit attracting more foreigners to invest in properties, Malathi says no such increase has been seen.

The concern, she says, is whether the ringgit will depreciate further although it stabilised recently due to measures adopted by Bank Negara Malaysia.

She feels that apart from their condominiums in the city centres, developers are not marketing their projects well enough to foreigners.



Condominiums make up 38,083 residential units out of the 40,419 that were launched from 2015 until Q1 2017