



Real estate market to remain challenging

Property developers, buyers must rethink future plans

PROPERTY

PETALING JAYA: The anticipated commercial rollout of the Covid-19 vaccine by the first half of 2021 (1H21) will boost the hopes for the country's economic recovery and lift overall consumer sentiment, said property consultancy Knight Frank Malaysia.

Managing director Sarkunan Subramaniam said, however, that due to the current ongoing political uncertainties amid the worsening Covid-19 crisis, the residential market is expected to remain challenging in 1H21.

"This had led property buyers as well as developers to rethink their future plans and strategies," he said in a statement in conjunction with the launch of its Real Estate Highlights 2nd Half of 2020 research report yesterday.

On the retail and hospitality segment, the report said transactional activity remained lacklustre as investor confidence and sentiment continue to be undermined by the pandemic.

Newly appointed deputy managing director Keith Ooi said: "With Covid-19 remaining a key concern, occupancies and rents are expected to decline moderately in the coming year.

"However, we anticipate that values of prime grade retail assets should remain relatively stable despite the rental decline, given their more resilient tenant and lease profiles, and the fact that yields will be buff-

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ered by the existing low interest-rate environment."

Executive director of capital markets, James Buckley is optimistic that as the vaccine is rolled out globally and borders are reopened, international tourists will begin to return in 2H21, but it is likely to take some time to recover to pre-pandemic levels.

"Shrewd investors who are confident in their analysis and recognise the market cycle will see this period as an opportunity to acquire quality prime assets which will retain value. In 2021, we expect some good quality prime assets to trade," said Buckley.

He said 'second-hand' office space (existing buildings which have not undergone major refurbishment before being marketed) are finding it hard to compete for tenants who are upgrading to new offices in Kuala Lumpur.

Buckley said older office buildings would see their prices continue to soften and in some cases would need to be re-purposed into other uses.

On the contrary, the office sector occupancy in Penang has continued to remain strong amid the pandemic, with the average rate for four prime buildings monitored in George Town remaining at 89%, while the average occupancy rate in Penang continued to hold steady at 78.2% as of the third quarter of 2020.

Meanwhile, apart from the traditional commercial asset class, Knight Frank Malaysia said there is rising interest in an alternative class of asset - the data centre, where one of its key requirements is to have stable power supply.

This include the existing TM One Iskandar Puteri Data Centre in Iskandar Puteri and the ongoing construction of the 100,000 sq ft Keppel Data Centre in Kulai Iskandar Data Exchange, both of which are in Johor.

Another data centre hub is located within Cyberjaya, Selangor," said Knight Frank Johor branch head Debbie Choy. — Bernama