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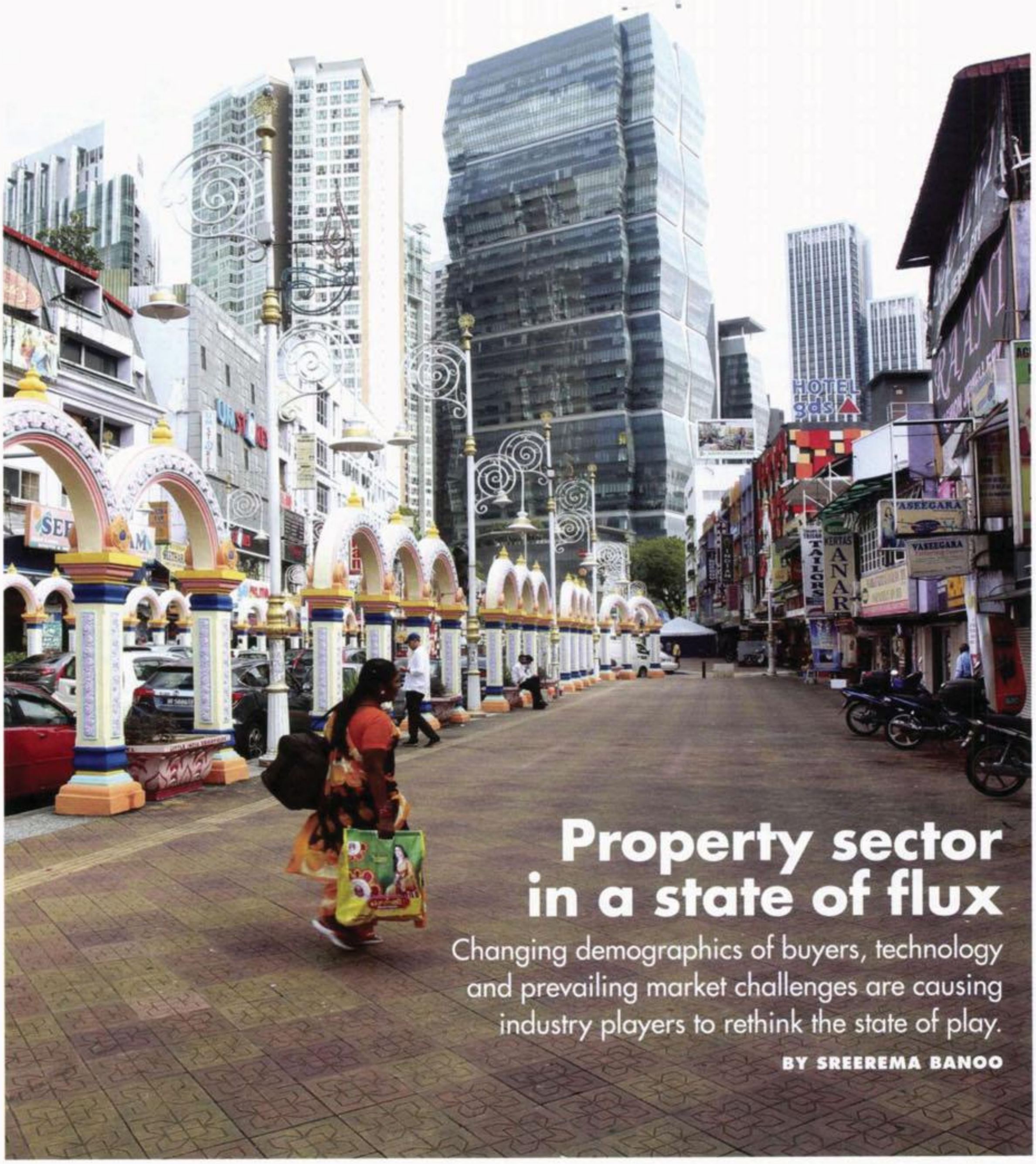

Property sector in a state of flux

Changing demographics of buyers, technology and prevailing market challenges are causing industry players to rethink the state of play.

BY SREEREMA BANOO

MOHD IZWAN MOHD NAZAM/THE EDGE

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Lethargic buying sentiment amid uncertainties in the economy, an already sizeable number of unsold completed housing units, the issue of affordability and changing buyer demographics have, by all accounts, set the stage for a challenging few years in the property sector.

"The property sector seems to be in a state of flux. There are many things that are not quite right, which is worrisome," says Knight Frank Malaysia managing director Sarkunan Subramaniam.

He points to what he believes is an overemphasis on the affordable housing segment. If affordable homes were in short supply in the past, this segment of the housing market will face an oversupply situation, he says, attributing this to the entry of more developers into this segment and the government's plan to build one million affordable homes.

Already, data on unsold completed residential units from the Valuation and Property Services Department show that there are 3,500 unsold units in the RM200,000 to RM250,000 range (out of the total of 30,115 unsold units as at Sept 30, 2018). That there are no takers for affordable homes, however, could boil down to the location of some of these properties.

"Some are built in locations that make no sense, with poor access," says Sarkunan, adding that there have also been instances of misplaced priorities, where so-called affordable homes boasted lifestyle features and amenities that added to the cost of the property. "There is a need to keep affordable homes affordable, without unnecessary features and where the emphasis is on low maintenance," he points out.

Another area of concern is the prevalence of high-density developments, even in locations where land scarcity is not an issue. "Higher density should be the result of land scarcity. But when you have 2,000 acres at your disposal, why build a high-rise instead of landed property?" says Sarkunan.

He cites the Kwasa Damansara development in Sungai Buloh. "We seem to have lost the thought process there, and that is one of the reasons Medini [in Iskandar Malaysia] is in a state of flux today … because it was carved into a high plot ratio and sold at high prices that are untenable today. So, we need to move from the mistakes of the past and focus on what is needed," he says.

Equally important, if not more crucial, is to put the economy on a firmer footing, says Sarkunan. There is a need to focus on Industry 4.0, where computers and automation come together in a big way, in the manufacturing sector.

"We need the manufacturing sector because when this sector and the economy thrive, people will have more money to buy properties. At the same time, we need to grow the services sector to attract regional offices to set up shop in Malaysia. We need to push the country as a tourism destination to boost the hotel property sector," he says.

These are the issues that Malaysia's new government will need to focus on, which are "bigger than the government merely building affordable homes".

GETTING ON THE PROPERTY LADDER

Developers, facing the strain of a softer market, have already begun shifting gears. Those who are able to delay launches, for example, are doing so to allow the market to absorb excess supply.

"Cash flow is king, and private companies such as ours, where there are no investors and shareholders to satisfy, prefer to wait it out," says Fairview Development Sdn Bhd finance director Ra Adrina Mustaza.

Gabungan AQRS Bhd believes that being in a firmer financial position with significantly reduced borrowings also means there is less pressure to launch and sell properties. Group CEO Datuk Azizan Jaafar says that taking that breather allows developers to offer better options for the market, in particular those that address the issue of affordability.

In its case, for example, the group decided to wait until its Johor Baru city development — The Peak — was completed before relaunching it sometime in 1Q2019. The relaunch will coincide with the unveiling of its rent-to-own scheme to ease home ownership. Under this scheme, buyers rent the property for 36 months — using the time to build his/her savings as well as to apply for a mortgage.

"The 36 months' rental will go towards reducing the actual loan sum and the time frame will give buyers time to dispose of an existing property and apply for a new housing loan," explains Azizan.

"We need to move from the mistakes of the past and focus on what is needed."
> Sarkunan

Left: Urban renewal in Brickfields, Kuala Lumpur

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Rent-to-own schemes were one of the measures highlighted by Housing and Local Government Minister Zuraida Kamaruddin when unveiling the National Housing Policy last month to help low-income earners own a home.

Apart from such schemes, developers are also offering guaranteed financing for eligible buyers, as is the case with Sunway Property. The developer's Super 5* easy home ownership scheme allows buyers to pay RM5,000 to own a unit and a flexi instalment plan for the differential sum.

"Sunway's group of companies will offer 95% guaranteed financing for eligible buyers with a special interest rate during this campaign period," Sunway Bhd property division managing director Sarena Cheah said at the launch of the scheme last month.

CHANGING DEMOGRAPHICS

Although facing a more challenging environment, property watchers say developers must go back to basics and deliver what people want. To do that, they need to take stock of who is and will be buying properties in the next few years. The changing buyer demographics, particularly the rise of the millennials, and developing properties that suit their lifestyle, needs and pocket are driving many of the trends in the property sector today.

Referencing global statistics on property trends, Ra says the property boom is expected in the near term as millennials turn 30 in 2020 (attributed to the peak births in 1990) and will start buying their first homes. "It has also been reported that these first-time home buyers will comprise a large segment of the market, with some figures putting it at 45% of the global market," she adds.

According to the Statistics Department, almost a quarter, or 23.8% of the local population, is aged 14 years and below and almost 70% are in the 15 to 64 years category.

"The next generation of homebuyers is more attracted to locations with character and an existing urban life."
> Hamdan

Axis Real Estate Investment Trust head of investments Siva Shanker says this means "developers have to accept that they are dealing with more sophisticated buyers who know what they want and are likely to be more demanding than Gen X or the Baby Boomers, who may have been happy with a house in a good location".

Siva, who is past president of the Malaysian Institute of Estate Agents, points out that millennial house buyers know what they want, which is shaped by what they have seen in other markets. "Millennials do not place a priority on property investment like the Gen X and Baby Boomers. They are also happy to just rent," he adds.

Hamdan Abdul Majeed, managing director of ThinkCity, an urban regeneration organisation, agrees. This new generation is mobile, agile and adaptable, he says. "They prefer not to be tied to long-term commitments," he observes, pointing to the millennials'

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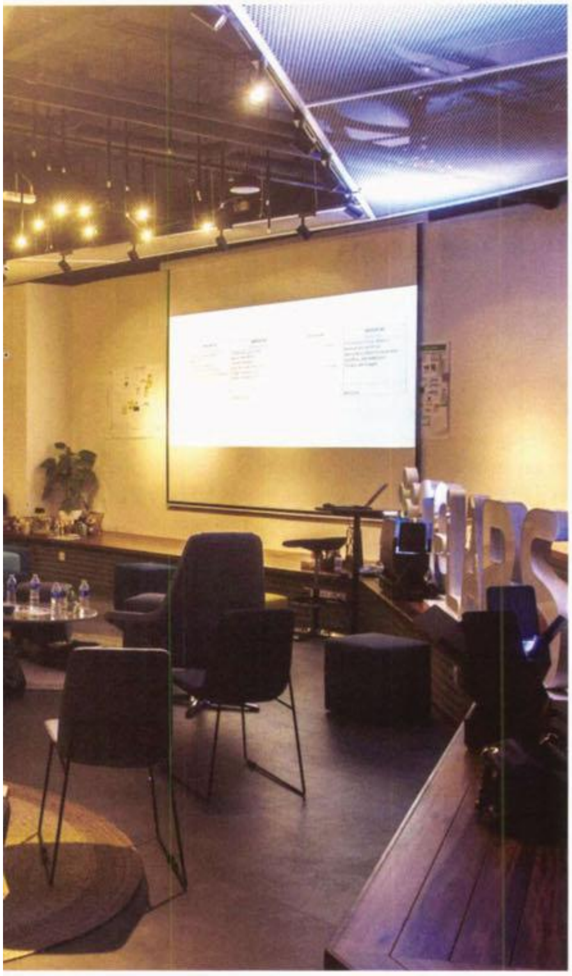

A co-working space

"Young people want an authentic lifestyle. They are more aware, more accepting and have a dislike of people being pushed away."
> Ra

embrace of e-hailing services such as Grab and Uber as opposed to owning a car.

And in the same way, co-working is changing the commercial property scene. Co-living (where multiple people, often with similar interests and priorities, take up rooms in a home and share the common spaces) is also picking up steam in the housing segment.

To that end, turning vacant commercial buildings, especially in the city, into communal living spaces is worth considering. Such a move would revitalise and rejuvenate a city like Kuala Lumpur and address inner-city housing needs at the same time.

Hamdan feels that making that connection between living and working spaces is important, given the urban sprawl and increasingly longer commutes. "The next generation of homebuyers is more attracted to locations with character and an existing urban life," he says.

Urban renewal projects, however, will need to fulfil wider typologies of demand and that means being more inclusive and catering for a wider range of budgets.

Ra, who is treasurer of Rehda Youth (the youth arm of the Real Estate and Housing Developers' Association), says inclusive developments would appeal to younger buyers. "Young people want an authentic lifestyle. They are more aware, more accepting and have a dislike of people being pushed away."

APPEALING TO MILLENNIALS

Developers are cognisant of what millennial house buyers are looking for and are going the extra mile to appeal to this segment, says Ra. At Fairview Development's show unit for its Mutiara Keruing project (near Putrajaya), for example, the interior design leaned towards the Scandinavian style popular with millennials.

Properties are also shrinking in size, in part because of the soaring prices, and because these properties appeal to the millennial homebuyer. This was a subject explored at one of Rehda Youth's initiatives, Future Forward Forum 2018, says Ra. "Young people are open to smaller spaces and they see how such spaces can be efficient," she adds, not discounting that in the time to come, developers may only be building housing units with built-ups of less than 600 sq ft.

That said, there are developers who believe that first-time homebuyers will want to future-proof their investments and opt for homes with larger built-ups. Ken Holdings Bhd group managing director Sam Tan says the key lies in understanding the market. "Do they want a studio or a family home? And if it is the latter, how many rooms to offer?"

In Ken Holdings' case, the developer has found that three-bedroom units with built-ups of about 1,100 sq ft resonate with its target market. "People sometimes regret buying small properties once they are on the

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"Transport and access will always be the game changer and people will pay more attention to developments that have amenities and good transport options." > Tan

property ladder, so we are looking to future-proof their investment," says Tan.

Azizan agrees. "We are creating products for young families and couples and the layouts reflect that. For example, the master bedroom at our E'Island project in Puchong is large enough to fit a king-size bed," he says of the strata project priced from RM295,000.

Developers understand that giving value is crucial and are taking pains to include a variety of features and amenities to increase the attractiveness of their developments. Tan points to the company's Ken Rimba development in Shah Alam, where the backlanes and side alleys of its landed units were landscaped. "We also activated spaces, for example, putting a swing set behind a lift shaft so people will use the space," he says.

The rise of the millennials is also having an impact on the retail property front. The popularity of ride sharing, for example, has required developers and building owners to consider dedicated spaces for drop-offs and pick-ups. Sunway Pyramid in Bandar Sunway, for instance, set up the region's first Grab Lounge in 2017.

Centro Properties Group Sdn Bhd managing director Teo Chui Ping says that, eventually, there will be less need for car parks. So, developers should incorporate flexibility in their designs to allow for adaptive reuse of parking spaces in the future.

TECH TALKS

As millennials and Generation Z (those born from the mid-1990s to the early 2000s) start shopping for properties, the fact that conventional methods of developing and marketing properties are outdated will be more apparent, says Sarkunan. Already, some developers are using an industrialised building system for construction and undertaking digital marketing, he adds, and these will gain traction.

"Malaysia is actually leading the way in this region when it comes to property technology or proptech, whether it is property management software or software to sell properties via apps," says Sarkunan, acknowledging Rehda's role in getting more developers on the technology bandwagon.

By far one of the most popular ways for developers to reach prospective buyers today is social media. Azizan discloses that 40% of the prospective buyers who registered for its latest project, E'Island Residence in Puchong, did so via Facebook. "We noted that 80% of the registrants were in the 25 to 40 age group," he adds.

Ra points out that the advertising on social media is also subtler, with the focus on promoting the lifestyle and amenities available.

The growth of e-commerce, and millennial shoppers' embrace of it, is also making a dent on the retail property front. Although e-commerce makes up only 2% of the country's total retail sales, millennial shoppers are comfortable with shopping online and using cashless payments such as e-wallets, says Teo.

"They are the so-called Instagram generation — constantly looking for photogenic locations and experiential retail. Developers of retail properties (and

Developers are offering a variety of amenities and facilities at their projects to attract buyers

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retailers) will therefore need to put in more effort into the interior design and fit out, cater for smaller, flexible spaces and different tenant mix within malls," she adds.

There has also been a rise in demand for pop-up stores and shorter or flexible term rentals. Having said that, Teo points out that not everything can be replicated online.

"For example, food and beverage, entertainment and leisure options still require a bricks-and-mortar presence. The luxury shopper would still like to visit a store and be treated by the staff as a valued customer. Service in this instance is key," she says.

Pressured by a retail property oversupply (especially in the Klang Valley), heightened competition and a drop in consumer spending because of the rising cost of living and weak economic conditions, Henry Butcher Retail managing director Tan Hai Hsin says one apparent trend to confront this is the renovation and refurbishment of retail spaces.

In addition to upgrading facilities, including landscaping, shopping centre developers are also introducing more entertainment and recreational components to enhance their product offerings. "Shoppes at Four Seasons Place has a gourmet food hall at the lower level, anchored by Malaysia Boleh and Atlas Gourmet Market. The top floor of Lot 10 has been converted into a food paradise called J's Gate Dining, with an offering of 18 Japanese cafes and restaurants," he points out.

These offerings reflect the extent to which the shopping mall has become a one-stop centre (grocery shopping, fashion buying, dining and entertainment) for shoppers — a trend that has been noticeable for a few years already.

On the commercial property front, developers and property owners are increasingly attuned to their buyers' and tenants' needs. Ken Holdings, for example, sees itself as an infrastructure provider. "As a developer, we do not believe in embarking on a business, but we seek to understand what our partners do and need," says Tan. At Menara Ken TTDI, for example, this means creating spaces for hospitality and the arts for its tenants.

"In the same way, we think about how our homebuyers live. Here we are thinking about what corporates may want. For example, a location for their events, town hall meetings or product launches," he says.

GOING GREEN

With location and accessibility uppermost on the minds of prospective buyers, property players say transport-oriented developments, or projects that are accessible to public transport, are a trend that looks set to stay. "Transport and access will always be the game changer and people will pay more attention to developments that have amenities and good transport options," says Tan.

As a proponent of sustainable buildings — Menara Ken TTDI is an award-winning green building and all of its developments since 2009 have been green rated — Tan believes this is a trend that will be increasingly apparent. "It costs more, but it brings benefits that are often intangible to buyers until they live in or occupy the property," he says.

Teo, who sits on the Board of GreenRE, Malaysia's leading green building certification body (a not-for-profit entity formed in 2013 under Rehda), says there is an urgent need to build more resource-efficient buildings and retail properties. "Retail properties, especially large malls, are great users of electricity (a typical air-conditioning system accounts for 50% to 60% of total energy use) and water," she adds.

Urging more building owners to certify their properties with GreenRE, Teo points out that a bronze certification, for instance, should not incur additional building costs, "but instead result in a 10% to 15% savings in utility costs in general". ■