

Headline	High prices and glut dampening residential property market		
MediaTitle	Borneo Post (Kuching)		
Date	22 Apr 2019	Color	Full Color
Section	Home	Circulation	60,767
Page No	1,5	Readership	182,301
Language	English	ArticleSize	724 cm <sup>2</sup>
Journalist	Rachel Lau	AdValue	RM 9,873
Frequency	Daily (EM)	PR Value	RM 29,619



# High prices and glut dampening residential property market

By **Rachel Lau**

reporters@theborneopost.com

**KUCHING:** The residential property market continues to be soft, particularly for landed residences, while other subsegments of residences like high-rise apartments are also experiencing a slowdown in sales.

According to the Real Estate Market Outlook 2019 released by CBRE and WTW Research, this is a continuation from last year's 'slow and cautious' stance as the property market adopted a wait-and-see attitude.

"Both developers and buyers are cautious in decision-making, pending further political and economic developments," it said in the report.

Figures from the Real Estate Market Outlook 2019 revealed that Kuching's landed residential market has seen very few new launches especially in prime housing areas. Most launches last year were in the outer-lying secondary prime areas, it said.

Dato Alex Ting, director of Kozin Real Estate told The Borneo Post in a recent interview the property market will likely continue to be soft in Sarawak for the short to medium-term.

Ting explained that the oversupply of condominiums which constitute around 50 per cent of the overhang units in Sarawak was not due to lack of buyers, but by the prices of the units which are beyond their affordability as there is strong demand for properties priced under RM250,000.

Ting said the high demand

for affordable properties has been largely reflected by the booming sales of PR1MA units in the state.

Kozin Real Estate, which is the only firm appointed to sell the three PR1MA projects in Kuching, reported a high number of sales in the past few months, especially after the recent announcement of the Home Ownership Campaign which effectively slashed unit prices by 28 per cent.

"When we first started selling the units, we sold about 100 units but after the Home Ownership Campaign started on March 1, we've sold about 1,350 in just a month and a half," he shared.

## Restrictive property prices

The booming sales of PR1MA units that are all priced under RM250,000 suggest that demand for property is very much alive and well, but the prices have been restrictive.

According to statistics from the National Property Information Centre (Napic), the average price of residential properties during the second quarter of 2018 (2Q18) in Sarawak is at RM437,808, ranking it higher than Penang's average price of RM424,276.

Sarawak properties were ranked the fourth most expensive in Malaysia, trailing only behind Sabah, Selangor and Kuala Lumpur.

When asked why these exorbitant prices continue to persist, Ting explained that this was largely due to the cost of land.

◆ Turn to Page 5, Col 3

Headline	High prices and glut dampening residential property market		
MediaTitle	Borneo Post (Kuching)		
Date	22 Apr 2019	Color	Full Color
Section	Home	Circulation	60,767
Page No	1,5	Readership	182,301
Language	English	ArticleSize	724 cm <sup>2</sup>
Journalist	Rachel Lau	AdValue	RM 9,873
Frequency	Daily (EM)	PR Value	RM 29,619

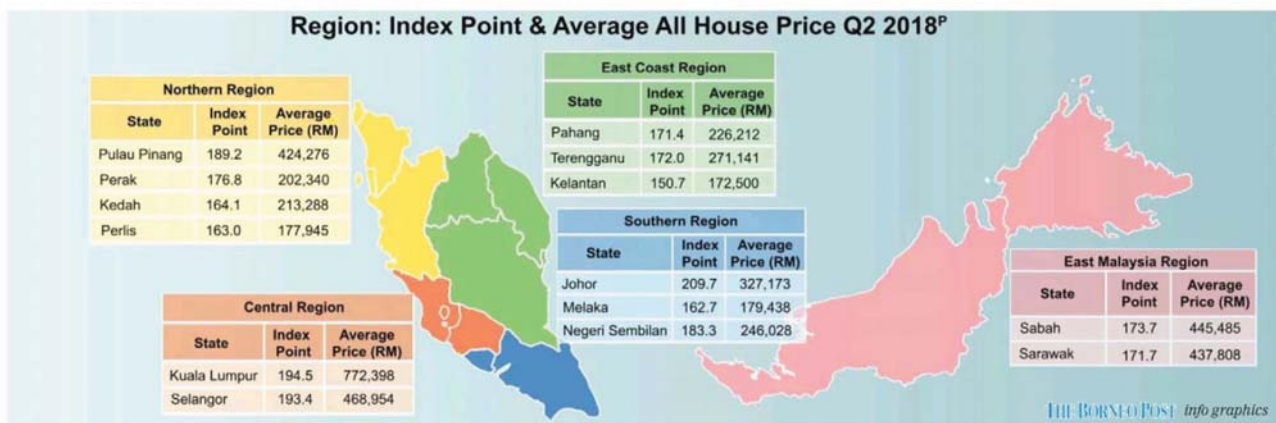


Table shows the average property price in Sarawak is amongst the highest in Malaysia. (Source: Naptic)

## 'High cost of land main reason behind high property prices'

◆ From Page 1

"The main reason why our property prices are so high is due to the high price of land. Land prices in good areas like Jalan Song are now commanding around RM5 million per acre. In the old days, we would only get approval for maybe eight units per acre.

"Now, it is 10 units per acre but in these sought-after areas it may likely still be eight.

"So just imagine, RM5 million divided by eight – that is already over RM600,000 in land costs alone. Even at 10 units per acre, it's still over half a million. What about the building itself? That is another RM200,000 at least.

"Don't forget, when we buy an acre of land, it does not mean we get an acre to build on. We still have to give up land for roads, utilities and back lanes," he added.

Solving the issue of high land price would be key in lowering down prices, said Ting.

On this, he argued that the most direct way to alleviating prices would be to revise the current plot

density regulations.

He explained that while the allowed density for high rises has been revised upwards to 30 units per acre from 24 units per acre, the guidelines were still restrictive and contributing to higher property prices.

"Using a plot ratio would be better as developers can then use their knowledge of the industry and market to deliver units that match the needs and demands of the people," he said.

Under plot ratio, the total floor space the developer can build can be twice the total area of the plot.

This means the total floor space on an acre of land can reach up to twice the area of an acre which is 43,560 square feet.

The developer can decide on the number of units to build based the size of the plot divided by the floor space of each unit.

### Driving demand towards apartments

Meanwhile, due to the lack of new landed housing, buyers have sought other alternatives in the likes of high-rise apartments and

second-hand landed units.

However, the eagerness to capture this segment has resulted in a prolific increase in the supply of strata-titled residential units which may lead to a supply glut, with dropping occupancy, take-up and rental rates.

CBRE and WTW Research warned that pent-up demand for housing during these few years of uncertainty might not amplify once the market recovers.

This can be seen in the high-rise residential sector which saw about 50 per cent drop in launches for 2018 year on year compared to more than 3,000 units launched in 2017.

"Developers are aware of the impending overhang situation in the market which would almost triple the existing supply upon completions of projects in the pipeline," the report highlighted.

"The apparent excess in the supply of apartments have resulted in a drop in occupancy, take-up and rental rates.

"This large supply of new apartment units in the market has led to slower sales especially

for higher density projects.

"The stiff competition amongst such readily available units in Kuching has impeded any further increase in sale prices, which have been hovering around RM500 per square foot for units in primary locations and RM400 per square foot for those in secondary locations, depending on the size and specifications.

"Standard unit sizes are now reduced slightly to around 1,000 square feet and most of these units come with better packages and more perks such as built-in cupboards, curtains, water heater, air-conditioners and so on."

To note, high-rise residential units are mostly developed as part of a mixed development, in order to achieve the desired density as prescribed in Sarawak's development land policies which limit pure high-rise residential developments to only 30 units per acre – revised from 24 units in 2017.

This may result in redundant commercial units in order to fulfil planning requirements, as already observed in some recently completed developments.