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Auctioned properties an attractive option for buyers

There is always a market for auction units because the economy is a bit soft, says SWG founder

by S BIRRUNTHA

WHILE the property market seems to have bottomed out with sales figures for new projects appearing to be flat-tish, buyers with cash in hand should

take advantage of the auction sector.

SuperiorWealth Group (SWG) founder and CEO Dr Alan Poon said auction properties are always attractive in terms of lower reserve market price, especially those located in hot-spots where demand will always remain high.

"But pricing alone cannot be the sole reason for anyone who wants to jump in the auctioned property bandwagon," he told *The Malaysian Reserve (TMR)* in an interview.

He said non-performing loans (NPLs) are still fairly low, hence the ratio of auctioned real estate relative to primary and secondary remains insignificant.

"There is always a market for auction units because the economy is a bit soft and people are struggling in terms of living cost, so they do have this area where they actually want to let go some of their extra assets," Poon said.

One man's trash is another man's

treasure indeed, as many are profiting from auctioned properties which may be causing losses endured by previous owners.

According to the 2018 Auction Report, the number of auction properties spiked to 32,611 with a total reserve value of RM15.6 billion.

This implies that around 2,717 properties were put up for auction monthly and roughly about 90 properties a day.

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Terraced houses the most preferred type

FROM P1 Auctioned properties

The report also stated that the number of foreclosure properties in 2018 increased by 15.4% in volume and 27.6% in value from 28,262 cases worth RM12.2 billion in 2017.

According to *AuctionList.com.my*, there were 3,954 auction property listings in recent weeks, of which 2,913 listings were residential properties.

The portal showed that the current majority of auctioned property listings are confined to major states such as Selangor, Kuala Lumpur, Johor and Kedah.

"Auctioned units have not always been the first choice of many Malaysian buyers, so for those who have the knowledge and attended related courses, they will know how to go into the market," Poon said.

He added that in terms of transactional, it is always less than 2% to 10% in the market.

"But if you look into the perception and trend, the auction market has always been attractive because it always offers below market prices and there is always a chance to get a good deal.

He said NPLs have never been zero for banks, and thus leads to assets being auctioned off.

"So, auction has always been there. On the negative side, it means people are losing the assets, but on the positive side, if you're the hunter, you'd bump into some of these hidden gems," he said.

PropNex Realty Sdn Bhd head of corporate services mergers and acquisitions Danny Gan said the total number and value of auctioned properties are on an upward trend lately.

"There are many consumers who are going for the auction segment now, particularly

investors. "This is because in an auction, you need to cough up a lot of down payment, which is about a minimum of 10% to 20% versus the primary market new launches," he told *TMR*.

Gan added that auction units are everywhere now, and homebuyers are encouraged to give it a go as the market is very competitive.

"You can refer to the auction list. There are a lot of good properties, especially for buyers who are looking for affordable housing," Gan added.

Last year, about 51% of the foreclosure residential properties were landed houses with a total reserve value of RM6.2 billion, which means that an average of 1,180 landed houses went under the hammer per month.

Of that, about 80% or 11,247 were terraced houses worth about RM3.4 million, followed by semi-detached houses with a total of 1,492 cases valued at RM1.06 billion.

It was noted that terraced houses continued to be the most preferred landed residential type as they appeal to buyers and investors due to their affordability and predictable market demand in future.

The Developer Interest Bearing Scheme, where developers paid for the interests of buyers' loans during the construction period, spurred property sales. Many users, including speculators, took advantage of the scheme, wanting to flip the properties when they were completed.

However, the central bank put an end to the scheme as worries of a property bubble and household debts heightened.

The glut in the property markets had also contributed to the rise of properties put under the hammer.