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Making sense of the property market

The Malaysian Reserve, Malaysia



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*The closer you are to the city centre or CBD, the money you spend might just get you a minuscule space*


**NOVICE** house buyers would always be reminded of some simple formulas before acquiring their first property. For instance, those in the know would always harp about "location, location, location".

In simple terms, the location of your choice property would determine its price and yield potential in years to come. Any expert would also tell you that the locality might also translate into the size of your house and perhaps its category.

It's like buying a house near the sea or on an island. If you're nearer to the beach, the size of your house would be smaller, while the price is higher.

If your house has more land and built-up areas, chances are your address is further from the sea.

The same would apply to those buying properties in the city. The closer you are to the city centre or its commercial and business district (CBD), the money you spend might just get you a minuscule space that could perhaps be equal to the worth of five detached houses with sizeable acreage say in Sungai Mati, Muar.

For instance, an 800 sq ft apartment in Desa Kudalari, which is located a few hundred metres away from KLCC, could be priced from RM1.5 million. Take that amount and you'd be able to buy more than 30 units of apartment in Bandar Tasik Selatan, further away from the city.

Pic by Muhd Amin Naharul

**The drop in sales for new launches could be attributed to overbuilding at wrong places and with wrong prices**

Well, that simple equation might only be applicable some 20 years ago. Currently, a humble apartment in Bandar Tasik Selatan could now be worth RM150,000.

If you don't mind living further and thought that a landed property is the one for you, you might want to try Semenyih. A decade ago, a simple terrace house in Semenyih would be priced around RM150,000 onwards. Now, the same unit could be priced as high as RM450,000.

Most existing properties in the secondary market, which makes up some 80% of the entire sales in the housing business, has reported a threefold increase in price within the last two decades — which is only logical as that's just how the market works.

What is baffling though is the fact that there are so many new projects these days that are priced way above the expected rate and the numbers are not necessarily based on the properties' locations.

For instance, the first phase of one particular project in Taman Sungai Besi was pegged at as low as RM285,000 during its launch some 10 years ago. It got buyers excited and the units were sold out within weeks.

The second phase, which offered several more blocks of apartments with the same designs and layouts, however, saw the opening price doubled to a minimum of RM500,000 in less than a couple of years after the initial launch.

Okay, the formula of supply and demand might have been applied here, but if the units are not even taken up a few years later, wouldn't it be more prudent for the developer to reduce the price to meet the buyers' affordability, while still making a profit?

As it is, PPC International Sdn Bhd MD Datuk Siders Sittampalam said in an earlier report in *The Malaysian Reserve* that the drop in sales for new launches could be attributed to overbuilding at wrong places and with wrong prices.

"The market direction is now towards anything that is priced below half a million and there is a mismatch between demand and supply," he said in the report.

Last year, the number of new launches in the property market was recorded as 66,040 units, a 14.9% contraction from the 77,570 units that was ready in 2017.

One would imagine that with the current overhang in the property market, prices would plummet and buyers would be spoilt for choice like what happened in the late 90's. Well, apparently not.

Even when reports were stating that the market had bottomed out, developers seem to have enough resources and pretty resilient in holding on to their prices.

In 1999, when the property market crashed, houses got bigger with various attractive offerings, while prices were lowered.

Banks also scrambled to offer incredible deals including 100% to 110% loans. Some even included legal fees, which certainly attracted many first-time house buyers.

Properties that were closer to the city also became more affordable at that point. For instance, a 1,800 sq ft duplex townhouse with two car parks in Bandar Sri Permaisuri, Kuala Lumpur, was priced at just about RM200,000.

One luxury condo project in neighbouring Desa Petaling, which was initially priced around RM250,000, only attracted buyers when the price was slashed to as low as RM180,000.

It was a strategy that worked as the units were snapped up rather quickly.

These days, any thought that staying further from the city centre and workplace might allow you to get your ideal home is rather pointless.

Kajang, Rawang, Selayang, Serendah, Hulu Langat, Semenyih, Bangi or Serdang are no longer the addresses of low-cost or middle-priced houses.

Heck, even an apartment in Nilai is almost as expensive as a new unit nearer to Kuala Lumpur.

Honestly, nothing makes sense anymore in the country's property market. Everything that you might have learned from all the property experts is as good as non-applicable at the moment.

Would there be a real correction any time soon? Maybe when the developers come to their senses.

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## SUMMARIES

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