

Headline	Price trends and projections for 2020		
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Price trends and projections for 2020

Perhaps the clearest indicator of market sentiment is seen in pricing movements moving into 2020. According to the PropertyGuru Market Index (PMI) 3Q19, the asking prices for properties across the board declined in three out of four major markets in Malaysia, namely Kuala Lumpur, Selangor and Penang.

It says the overall prices in Malaysia declined 0.9% year-on-year (yoy) in the third quarter, with Penang leading the contraction with a 1.5% quarter-on-quarter (qoq) decrease in its PMI from 94.8 to 93.4 in 3Q19. Johor was the only domestic market that exhibited no decrease in its index; however, it also failed to showcase growth, with a static PMI of 98.5 in the third quarter.

"With the exception of Johor, these downticks in asking prices are representative of downward movements in longer-term trend lines across key markets since 2015.

"While asking prices aren't necessarily interchangeable with transaction prices, they serve as benchmarks for seller sentiment and, as such, point towards moderate prospects at best for 2020," says PropertyGuru International (Malaysia) Sdn Bhd country manager Sheldon Fernandez.

Industry analysts attribute the falling prices to

adjustments on the part of developers to clear unsold stock and ease cash flow, along with downward pressure from the HOC. Buyers with sufficient leverage can take advantage of the current market to expand their portfolios.

Johor, for example, is an attractive destination for investment, with the caveat that prices there have seen marked volatility in recent years due to supply and policy shocks.

With this in mind, thorough consideration of existing property types and incoming demand in the area is necessary, before venturing into the market.

Property seekers in markets such as Kuala Lumpur and Selangor can hedge their bets by examining purchasing sentiment.

According to the PropertyGuru Consumer Sentiment Survey IH19, Malaysians are increasingly open to purchases in the secondary property market.

This is attributed to locational preferences, with younger home seekers prioritising older projects close to established urban centres, instead of new launches further afield.

As such, mature satellite townships like Petaling Jaya, Subang Jaya, Damansara, Shah Alam and Cheras offer better

prospects for investors, though affordability will remain a concern for home seekers.

JPPH's report shows that Kuala Lumpur has Malaysia's most expensive houses, with an average price of RM786,800, followed by Selangor, at RM479,894, Sabah, at RM452,965 and Sarawak, at RM440,515.

The cheapest housing in Malaysia can be found in Kelantan, Perlis and Melaka, with average prices of just less than RM200,000.

Knight Frank Malaysia Sdn Bhd residential sales and leasing associate director Kelvin Yip expects to see more motivated sellers and discerning buyers be present in the residential market.

"Malaysia's residential properties will continue to be attractive in the eyes of foreign buyers as a result of our liberal policies, reasonable valuations and no extra stamp duties," Yip adds.

CCO & Associates' Chan says after three consecutive years of decline, the property transactions in the country stabilised in 2018.

"The property market is expected to improve this year. Barring any unforeseen circumstances, we expect the market to continue to consolidate in 2020. The high household debts will continue

to limit the growth in the property market, for instance – spending powers and banks will continue to be cautious in approving loans."

To address the issue of overpricing for property prices, one of the possible ways to encourage developers to develop affordable properties is to increase the plot ratio or development density for the land.

Chan says high-density developments need to be supported by adequate infrastructures. The government needs to address the core issues such as land prices, development costs, density/plot ratio, infrastructures and more.

Reducing property overhang

During the tabling of Budget 2020, the government lowered the threshold on high-rise property prices in urban areas for foreign ownership from RM1 mil to RM600,000 in 2020.

It was earlier reported that Housing and Local Government Minister Zuraida Kamaruddin says the threshold of RM600,000 only involved 3,938 unsold units of such residences.

"This is only valid for one year, from January to December next year (2020) for apartments and condominiums in the city.

"It also applies to completed

houses. There is speculation that developers will build more houses (for foreign buyers). It will be ridiculous if the National Housing Department were to approve the matter," she was quoted as saying in the news report.

She said the implementation is hoped to restore some of the developers' financial position to help ease their cash flow so that they could continue to be involved in the construction of affordable housing.

Finance Minister Lim Guan Eng announced during the tabling of Budget 2020 that the government will help reduce the bulk of RM8.3 bil worth of unsold condominium and apartment units by 2Q19.

Zuraida also urged all parties not to worry as the total homeownership by foreigners for the January to June period was very low, at 398 people (0.4%), compared with Malaysian ownership of 99,524 people (99.6%).

CCO & Associates' Chan says the lowering of the threshold prices will provide opportunities to monetise the oversupply units and create cash flows in the market. Some developers in Malaysia have adapted to the latest market trend and will capitalise on this opportunity to dispose of these overhang properties.