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A readjustment period as high-end properties face a daunting 2019

The oversupply plaguing the high-end sector will continue to weigh on house prices in that bracket due to tepid demands

by FARA AISYAH

HIGH-END properties will continue suffering next year 2019 as the market readjusts itself from the excessive glut and finds a balance equilibrium.

The oversupply plaguing the high-end sector will continue to weigh on house prices in that bracket due to tepid demands as buyers shift to affordable homes.

Institute for Democracy and Economic Affairs senior fellow Dr Carmelo Ferlito said the readjustment is already happening in the property market and the market will undergo a complex mechanism of self-discovery next year.

"Developers have realised there is an unmet demand for low-middle price properties and several announcements were made about future investments in such direction. Most probably we are still going to observe difficulties in the high-end segment.

"It is logical to expect at this point a price decrease, at least for the high-end sector. But, I would not bet on a general forecast for the entire market," he told *The Malaysian Reserve*.



According to Laureicap's Au Yong, price will remain flat for most types of properties, but properties in well-demanded locations, as well as landed and gated properties will continue to do well in 2019

He said it is very difficult to look at the market as a whole, as it is divided into urban and peripheral markets, as well as different price segments.

"It is really pretentious to estimate, and to estimate temporarily is a general dynamics," he said.

Laureicap Sdn Bhd property valuer Kit Au Yong expects the property market to remain flat in 2019, with a slight downside risk in view of the cloudy global macroeconomic environment.

"The latest house price index shows signs of weakness with a slight retreat. Nevertheless, it

might be too early to make a conclusive trend. We have yet to see the whole market going towards a clear downward direction.

"Chances are, the prices will remain flat for most types of properties. However, price pressure does exist for certain sectors, such as high-rise developments in less favourable location that do not have high tenant demands," he said.

He added that properties in well-demanded locations, as well as landed and gated properties will continue to do well next year.

He also said the market will

remain as an owner-buyer market — which will continue to generate demand in 2019 — while speculators continue to stay on the sidelines.

In addition, Au Yong does not expect the rental market to expand significantly next year.

"The Malaysian market is still a traditional one with the notion to stay and own. If they cannot afford to own a home, they won't pay high rental rates," he said.

Although Ferlito expects to see more rental solutions in the future, he said the evolution of such a market will depend on mentality evolution.

"New generations are still linked with a traditional approach. They want to own a house as soon as possible, but at the same time, they appreciate mobility, which implies renouncing of strong bonds (like long-term loans)," he said.

It was a dismal 2018 for the property sector. The Valuation and Property Services Department in its Property Market Report First Half 2018 (1H18), said the amount of loans applied for the purchase of residential property decreased by 3.1% compared to 1H17, while the approved loans fell by 0.2%.

During the first six months, there were 94,202 transactions worth RM31.66 billion recorded in the residential property sector, a slight drop of 0.8% in the number and 3.6% in value.

In addition, the unsold completed residential situation continued to increase to 29,227 units worth RM17.24 billion in 1H18, an increase in volume by 18.1% and 10.2% in value respectively.

Unsold under-construction units also increased to 75,445 units, an increase of 21.9%. By state, Johor led with the highest unsold units, representing 20.5%.

Although unsold under-construction and not-constructed showed a decrease over the same period last year, the overhang units recorded a significant increase of 84.4% over the same period last year.