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EDGE INVESTMENT FORUM

REAL ESTATE 2009

Residential property values: How low can we go?



Hot Spots in a Recession

BY LOO PIK KWAN

Recession or not, the Klang Valley will remain the country's top growth area, with the focus on the Kuala Lumpur and Petaling Jaya areas, said Ho Chin Soon, master mapmaker and principal of Ho Chin Soon Research Sdn Bhd.

According to Ho Chin Soon Research's Locational Centre of Gravity Map, Petaling Jaya New Town is the centre of gravity because of its infrastructure developments and accessibility to the other areas in the Klang Valley. Within a 15km radius from this centre are the first-tier locations, which include Kuala Lumpur, Cheras, Puchong, Sungai Buloh, Shah Alam, Subang Jaya and Ampang.

"The first-tier locations will remain the focus and it's difficult to imagine a downside for properties which, in general, have no bubble whatsoever," said Ho.

There are also the second-tier locations, which are found 25km from the centre and these include Putrajaya and Klang. The areas in red (see map) are the plantation and property development landbank owned mainly by the Sime Darby Group, which is mainly in the second-tier spot.

More than five years ago, Ho had said the centre of gravity would shift from PJ town to Bandar Kinrara, Puchong. But now he holds a different view: "The past three years have shown that the centre will not move downwards. Take a look at Cyberjaya, which is only 50% complete. A hive of activity is still taking place in PJ Town centre and it will continue to be the future hot spot."

Ho was speaking at The Edge Investment Forum on Real Estate 2009 on the topic "Property hot spots in a recession". He reiterated his views he shared at The Edge Investment Forum on Real Estate 2007 and 2008. In 2007, Ho said the Klang Valley, or the Kuala Lumpur conurbation, still had a lot of potential, thanks to the fact that it is a young city of 5.5 million people and a growth rate of 4.8% per annum. He also identified the Golden Triangle and Mont' Kiara as prime spots.

Last year, Ho said the Golden Triangle remained the undisputed top hot spot, with people still looking to buy land there. He added that when developers bought land, they bought into the future so the optimism was still prevalent in the marketplace.

Room for optimism

At this year's forum, he cited recently Magna Prima Bhd's proposed acquisition of the Lai Meng Primary School and Lai Meng Kindergarten, a 2.6 acre parcel, for about RM148.15 million, as cause for optimism. Ho said land values around KLCC have been holding up and interest has not waned. "In September last year, a Middle Eastern group bought The Pearl@KLCC on Jalan Stonor for around RM550million." The Pearl@KLCC is a 41-storey block offering 175 condominiums, with built-ups from 3,000 sq ft.

Upcoming launches in the KLCC area include the Four Seasons Residences, located next to Petronas Twin Towers. It is developed by Venus Assets Sdn Bhd, which is controlled by property tycoon Ong Beng Seng, corporate figure Tan Sri Syed Yusof Syed Nasir and the Sultan of Selangor. Word on the market has it that the developer was looking to peg the units from RM2,500 pst.

Earlier this year, it was reported that Venus Assets had decided to postpone the launch of the project planned at the end of the year, citing the worsening economic conditions as one of the reasons. However, several days later, the developer said it would go ahead with the project, which is expected to be ready by 2012.

Ho felt that Malaysia is in a better position than most countries to face the recession. With commodity prices inching upwards again, here are visible signs that people are buying properties again. He cited a major developer, which managed to close RM25million in sales from one of its residential projects in a single day in February.

Ho also noted that real estate markets worldwide have started to correct themselves, with bargains thrown in. In Singapore, he said the mass market there has started to upgrade to newer apartments as these units are affordably priced.



Ho: The first-tier locations will remain the focus and it's difficult to imagine a downside for properties which in general, have no bubble whatsoever

"Back home, in the last five months, we see that the asking prices for suburban properties have been stable and a correction for the high-end condos in KLCC, too, has been noted," he said.

Good time to buy?

Ho said now is a good time to buy properties, thanks to the low financing interest rates and the multitude of good deals offered by developers.

"Sime Darby started the ball rolling with its easy financing schemes, cash rebates and a guaranteed buyback plan. Today, there's SP Setia Bhd's 5/95

and numerous other easy home ownership packages to choose from. During normal times, developers are unlikely to give such rebates and benefits."

Due to the limited supply of landed properties, he reckoned that such properties will continue to do well. "For those looking to buy landed homes, try to focus on the first-tier locations or even those on the fringes. With the economy expected to improve possibly from next year onwards, the reasonably priced high-rises may do well again," he said.

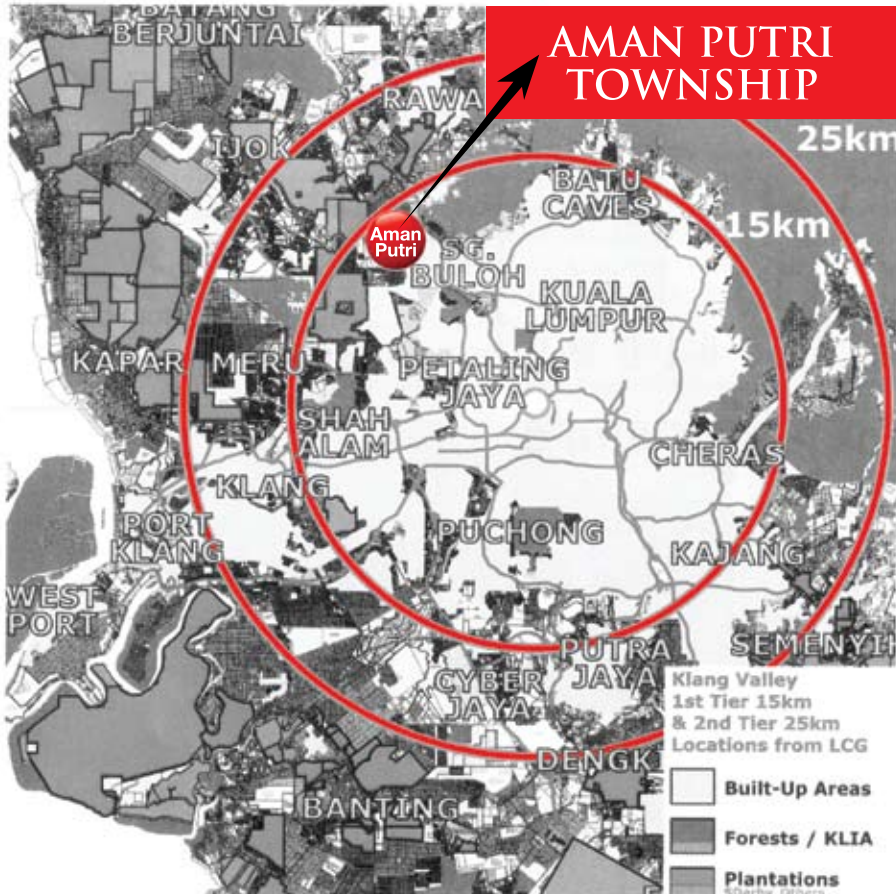
Citing a home in Desa ParkCity that was on the market for RM1 million between January and February, Ho said such areas can command a premium as the security aspect has been incorporated into the development. "When you drive into Desa ParkCity, you know you're entering a private property. Inside, there is another level of security and this contributes to the value of the homes," he said.

According to the National Property Information Centre's (Npic) All Houses Price Index (1990/07), all house prices in Kuala Lumpur had increased 2.61 times in 17 years, which translates to an annual increase of 5.8%. During the same period, prices in other growth areas, like Penang and Selangor, rose 2.23 and 1.96 times respectively.

However, Ho pointed out that Johor, despite having been identified as a growth corridor, was the worst performer. "All house prices in Johor had only increased 1.54 times over 17 years or 2.57% per annum." (At press time, Npic's latest 2008 All Houses Price Index has not been released.)

Responding to a question from the floor on the outlook of traditional townships like those in Subang Jaya, Ho said such areas were "generally flat" since they are already established townships. "There is no excitement here....I don't see an upside."

Since 1989, Ho Chin Soon Research has been specializing in feasibility studies and marketing designs for property developers. It also provides database, population and income mapping work, including editable digital and land use maps.





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My Choice / Pilihan Saya / 我的选择 (✓)

TERRACE HOME / RUMAH TERES / 双层排屋

- Land Area / Luas Tanah / 土地面积: 20' x 70'
 Built-up / Luas Binaan / 建筑面积: 1,620 平方尺
 Land Area / Luas Tanah / 土地面积: 22' x 75'
 Built-up / Luas Binaan / 建筑面积: 2,300 平方尺
 Land Area / Luas Tanah / 土地面积: 24' x 75'
 Built-up / Luas Binaan / 建筑面积: 2,500 平方尺

CLUSTER HOME / RUMAH KLUSTER / 连栋半独立式洋房

- Land Area / Luas Tanah / 土地面积: 32' x 70'
 Built-up: 2,200 sf / Luas Binaan / 建筑面积: 2,200平方尺
 Land Area / Luas Tanah / 土地面积: 34' x 70'
 Built-up: 2,200 sf / Luas Binaan / 建筑面积: 2,400平方尺

BUNGALOWS / RUMAH SESEBUAH / 独立式洋房

- Land Area / Luas Tanah / 土地面积: 60' x 90"
 Built-up / Luas Binaan / 建筑面积: 3,589 sf

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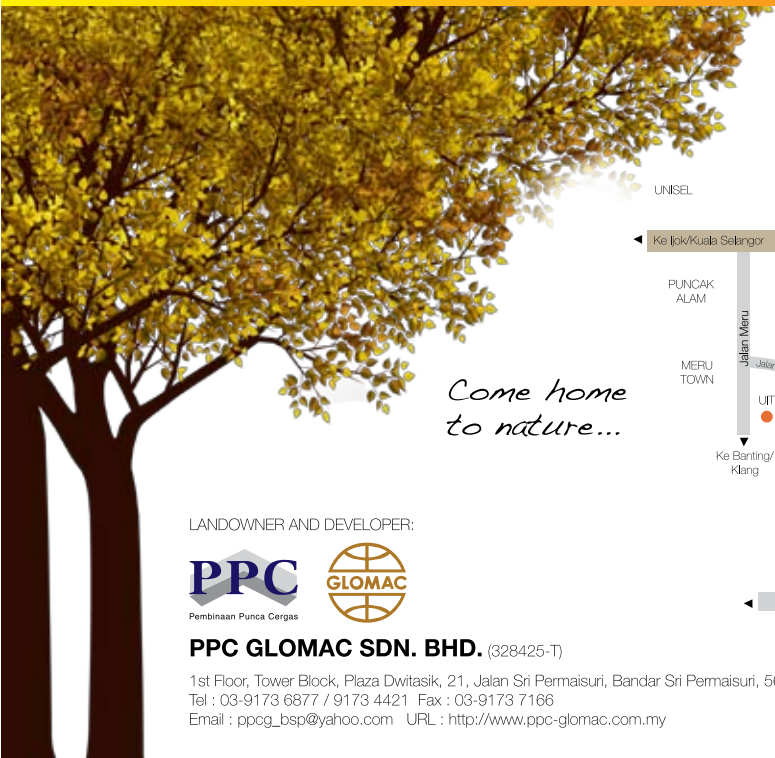
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Location Map

