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Every reason to feel upbeat about the property market

BRICKS AND MORTAR By TEH LIP KIM

REPORTS released in the last two to three weeks on the state of the property sector in Malaysia and other countries in this region should offer some comfort to both builders and investors.

The Malaysian Property Market Report 2011 that is issued by the Valuation and Property Services Department of the Finance Ministry has painted a fairly positive picture.

According to the report, the Malaysian property market saw its highest growth in the last five years. For instance, the number of transactions in 2011 was up 14% and the value of transactions in the same year rose 28% compared with the previous year.

Perhaps it is for this reason that sentiment remain upbeat not only among property investors in Malaysia but in other countries in this region as well, such as Indonesia, Singapore and Hong Kong.

Also released just recently is the Asia Property Market Sentiment Report 2012 by iProperty.com, a network of property websites covering Malaysia, Indonesia, Singapore and Hong Kong.

According to this report, 59.5% of those surveyed think that the Malaysian property market is still doing well, and 62.3% of them have expressed a desire to acquire new property within the next six to 12 months. That, certainly, is a show of confidence in the property market in Malaysia, and sweet music to developers' ears.

More numbers: of those surveyed, 28% have said that they were looking to buy for investment.

But then again, some may ask, is it all that great? Are those numbers for real? Even if they are, are we drawing the right conclusions, the perennial pessimist will ask.

Given the scenario, we have reason to feel positive about the Malaysian property market.

Not reported here or anywhere, but widely acknowledge and perhaps even fairly extensively practised is the purchasing of properties for the future generations.

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Parents monitor the prices of houses for the benefit of their children. Many who can afford it are already buying new homes for their children, out of fear that prices could rise to a level beyond their children's means if they wait for the children to grow up, find a job and start looking for a home on their own.

This practice now begs the question: if the children of this generation can't afford to buy their own homes, how then are their own children going to fare? But that is another issue.

Looking at it from an investor's point of view, there is still a lot of upside in the property market, particularly in Malaysia.

The property market in Malaysia is still quite under-priced when compared with those in Indonesia, Hong Kong or our nearest neighbour Singapore.

There are many family ties between Malaysia and Singapore and our cousins across the Causeway have more than occasionally envied us our property prices.

The fact that Singaporeans make up a large proportion of foreign property purchasers in Malaysia, particularly in Johor, is a case in point.

Property developers are also increasingly eyeing markets outside Malaysia with many carrying out promotional efforts to attract buyers from China, Indonesia and of course Singapore.

So long as property remains cheaper in Malaysia than in those countries, we will continue to be an attractive investment destination.

Even moves by the authorities to keep prices in check, such as one proposal to raise the floor price of property foreigners are allowed to buy, may not have the desired effect of preventing prices from rising.

A recent report says that the government may decide to put in place new requirements for foreigners planning to invest in the property market in Malaysia by restricting them to properties valued at RM1mil and above. Currently, they are allowed to purchase any property valued at RM500,000 and above.

This is not likely to have much impact as most property purchases by foreigners are in the RM1mil and above category anyway.

In a buoyant market, this requirement may even encourage developers to raise prices to a level above RM1mil just to widen their target market to include foreigners. That would be one more way to keep prices going up.

On the whole, the economy is performing fairly well. Unemployment rate is about 3% while the inflation rate was at 2.2% in February. The Bursa Malaysia index hit a new high this month.

Foreign direct investment has also risen by 12.3% to RM32.9bil in 2011 compared with the previous year.

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These are reasons to feel upbeat. If one needs an indicator on how good sentiments are, just count the number of new property launches since the beginning of this year.

The three hotspots of Klang Valley, Penang and Johor Baru continue to command top prices as demand continues to focus on these three areas.

Overall growth for the residential sector, according to the Malaysian Property Market Report, was 19%, with Selangor recording the highest for home transactions at 28%.

Yes, there is reason to be optimistic. The challenge now is to ensure that we continue to enjoy sustained growth, but prices remain affordable for the vast majority of Malaysians.

Most of all, we do not want the bubble to burst.