

## **Should house buyers be wary?**

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Should house buyers be wary of rising property prices? Anecdotal evidence seem to point to significant price increases in the Klang Valley and Penang although the National Property Information Centre report for 2009, which was released on April 23, noted that residential property prices remained stable for the year.

The all-house price index, which is a gauge of national prices, saw a gain of only 1.5%.

ECM Libra Capital Sdn Bhd research head Bernard Ching says in a report dated April 26 that the gain is “the lowest annual gain since 2001.”

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They also say that the Malaysian residential property market sentiments are, while not immune to global economic factors and price movements, largely driven by house buyers here.

It was recently reported that the uptrend in property prices was driven by easy financing schemes offered by banks in partnership with developers and that this had led to some speculation in the market.

However, the consultants feel that any increase in property prices will still be selective and overall prices will not rise drastically but gradually.

CB Richard Ellis Sdn Bhd executive director Paul Khong says there have been some price increase but only for landed residential properties and in selected locations.



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“Over the past one year, residential landed property prices have gone up 15% to 20% in good locations in and around Kuala Lumpur and Petaling Jaya,” he says.

Khong says prices for the luxury condominium sub-segment of the residential property market, are still between 10% and 20% below the market's peak.

This sub-segment has been badly hit by the financial crisis as a considerable portion of sales are to foreigners. The number of foreign property buyers have dropped since early last year.

Khong feels that fewer launches and higher demand will affect the prices of landed residential properties.

Ching says property launches have been moderate after bottoming out in the first quarter of 2009. This trend was in line with on-the-ground observation of developers preferring to launch in smaller parcels.

“We expect moderate growth in property launches to continue in 2010. This is supported by declining building plan approval,” he says.

Ching says the last quarter of 2009 was a record quarter for both the residential and commercial segments of the property market despite the uninspiring set of numbers for the year as a whole.

He says in 2009, the residential segment recorded a marginal improvement in overall transaction value of 1.3% to RM41.8bil while the commercial segment contracted marginally by 1.4% to RM16.4bil.

Henry Butcher Malaysia (Penang) Sdn Bhd director Dr Teoh Poh Huat says the recent property price increases reflect the different economic fundamentals at play compared to a year ago.



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He says the property market is driven by the sentiments of Malaysian buyers although these buyers may take into consideration factors at the macro or global levels. “But these factors are short-term whereas investing in property is long-term,” Teoh says.

He says the significant increase in transactions for the first quarter of this year is a reflection of these sentiments following an unexpected expansion of the economy in the final quarter of 2009.

“Confidence in the economy is quite strong. There is liquidity due to pump-priming measures as well as the high savings rate in the country. This is reflected in the transactions,” Teoh says.