

KLCC property market will take some time to recover, property consultant

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KUALA LUMPUR: it will take a while for the high-end high-rise residential market in the KLCC area in Kuala Lumpur to regain its former “glory”, says Henry Butcher Malaysia.

Henry Butcher Malaysia Sdn Bhd president Lim Eng Chong said there is a rising concern over the oversupply of high-end condos in the area that will subsequently increase vacancy rates and lower foreign investment interest.

He was speaking at the 3rd Malaysian Property Summit organized by the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector (PEPS) on Jan 26.

“Concerns about oversupply could hold back the market for Mont Kiara but the relatively more affordable prices means that the market will rebound faster with a bigger market base.

“Vacant units now need six to 18 months to fill up, compared to one to two months previously, as expatriates are retrenched and left the country,” he said.

Currently, there are 19,554 completed high-end high-rise units in the KLCC area, Ampang/U-Thant area, Mont Kiara, Damansara Heights and Bangsar/Bkt Pantai area while 9,331 units are under construction (as at December 2009), he noted.

In 2Q09, the high-rise residential market make up 91% of the total overhang figure (more than 24 months on the market) in Kuala Lumpur slightly higher than the 90% in 4Q08.

“High-rise developments in Damansara Heights and Bangsar are more limited as not much land available for development and residents are more sensitive about high density developments and building on slopes. Hence these areas should recover faster,” Lim said.

Nevertheless, he added that limited land for development in prime areas could translate into higher land cost that subsequently translates into higher product pricing.

“This means that the only viable form of residential development will be that of condominiums.

“However, location is not the only criteria in property investment. The new mantra includes branding,” he noted.

Lim said prices of high-end condo in KLCC area have come down by 20% to 25% in 1H09, from its peak in Aug 2008, while condo prices in Mont Kiara showed smaller declines of 5% to 10%. “The sharper drop for condo prices in KLCC area was due to its relatively higher upside compared to those in Mont Kiara.”

According to Lim, some 5,335 sales of high-end high-rise condos to foreigners have been approved by the Kuala Lumpur Land office in 2008, compared to 1,660 transactions in 2006. The buyers were mainly from Singapore, UK, South Korea, India, Iran, China and Pakistan.

The number has increased from 1,954 units in 2005, due to the exemption of the real property gains tax in 2007.

Rental yield for high-end condos have also dropped as rentals have not gone up as high as capital values in the run up to 2007, Lim noted.