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The year looks bright

Developers unveil their plans and expectations for 2011

We are about to enter the Rabbit Year and most signs suggest it will generally be a good year for property, despite fears of banks tightening loans, higher prices and over-supply in certain sectors.

The many developer launches held over the past month have been well received and demand should continue to be strong, particularly for houses in prime locations offered by established developers. Come the middle of the year, the momentum is expected to further accelerate, with only events such as the General Elections or an unforeseen economic calamity putting the brakes on its growth.

Rising property prices is both a bane and boon – for first-time buyers with little savings, it can be a bane, even with the government's guarantee of full loans for houses costing below RM220,000 if available units are not in choice locations. On the other hand, though, owners of landed properties that have not seen any appreciation over the years would be jumping with joy at the sudden upswing in values.

Whatever the case, developers cannot afford to rest on their laurels in 2011 – they have to be more innovative, not merely creating pricier houses but also building more quality medium-cost units perhaps with new concepts to cater to the low- and middle-income earners.

Generally, developers are optimistic about what the year will bring despite the shadow of another recession looming in Europe and the United States, due to the improving economy and the government's roll-out of its Economic Transformation Programme.

Six of them give their views in today's PropertyEyes column.

Datin Alicia Tiah,
Managing director and CEO,
TA Enterprise Bhd

MARKET OUTLOOK: We expect demand for properties to remain strong, underpinned by rising consumer confidence against the estimated 5.4 per cent GDP growth. Also, current low mortgage rates and the "wealth effect" from the stock market augurs well for the housing market. We expect demand for residential and commercial properties, especially retail shops, to rise, particularly in areas that will benefit from the proposed MRT and LRT stations.

The high-end condominium market will be able to sustain or could only do well in selected and strategic locations with easy accessibility and prestigious addresses.

NEW LAUNCHES: We plan to launch more residential projects in Malaysia with a targeted gross development value (GDV) of RM717 million. These include Damansara Avenue (Phase 1A) called the Azelia Residence and Dutamas, both condominiums in the Klang Valley.

Damansara Avenue will be an attractive community environment, with landscaped plazas and facilities to promote pedestrian activities. The low density setting will be complemented by higher rise developments that will create business for the numerous F&B and retail outlets there. It will be a new standard of suburban community, derived from international benchmark community developments around the world.

The Azelia Residence in Damansara Avenue should be ready to launch in Q1 or Q2, and will have 250 units with built-up areas ranging from 614sq ft to 3,433sq ft size. As for our Dutamas condo project on 4.55 acres, it is slated for launch in Q3 or Q4 and will have 396 units with sizes of 900sq ft to 2,250sq ft.

Overseas, we expect to launch The Garden in Richmond, Canada, in Q2. The 22.78-acre mix development will have 511 apartments and 90,000sq ft of lettable commercial space while the Little Bay development in Sydney, Australia, is expected to be launched in Q3.

The 33.6-acre project will have 420 apartments, 122 townhouses and 28 housing lots with sizes ranging from 500sq ft to 2,800sq ft.

RISING PROPERTY PRICES: Developers are merely pricing in higher land and development costs into selling prices to sustain profit margins. Key items that have increased significantly are land and construction materials, especially steel.

Land in the Klang Valley has increased due to scarcity while development costs are rising due to freebies offered through plans such as the 5/95 financing scheme, and interest waivers during the construction period. In terms of profitability, we have not seen a significant increase in profit margins resulting from higher selling prices.

COMPANY'S DIRECTION: We want to be known as a premier lifestyle property developer that can meet the needs and expectations of our clients. We pride ourselves with being able to deliver cutting edge designs and will continue to build our name globally through acquiring iconic assets in gateway cities.

We are confident in successfully growing our global asset base and international investment portfolios as we are continuously on the lookout to develop such properties.

Our hospitality division has also grown steadily since the listing of TA Global Bhd. Our Swissotel Merchant Court, Singapore, achieved laudable performance last year. We expect it to continue doing well as the Singaporean hospitality sector gears up to welcome an era of growth.

Lai Voon Hon,
President and CEO,
Ireka Development Management Sdn Bhd

MARKET OUTLOOK: The high-end condominium market has bottomed out and with recovery setting in, further improvement is expected by early this year.

Most developers have changed their game-plan from previously deferring their projects to actively updating and revamping their proposals and several launches will come online in the next six months.

Demand is predicted to grow gradually in selected markets and locations, particularly for projects by reputable developers with price appreciation expected in newly completed projects.

Commercial properties with special design concepts, office buildings and green or sustainable buildings have high potential this year.

Aside from the Klang Valley, we are quite positive about Sabah. With the government's renewed focus and emphasis on promoting tourism in Sabah through the Economic Transformation Programme, we believe it will be a major beneficiary.

In Sabah, we are completing the urban redevelopment project of Sandakan Harbour Square – in the past, we completed Kota Kinabalu's first gated residential development in Luyang Perdana.

With Sabah and Kota Kinabalu's charm in nature and eco-tourism, we believe the resorts and resort homes market will be an interesting segment to look at in the medium to long term.

NEW LAUNCHES: With the recent unveiling of SENI Mont' Kiara's final release, we undertook a series of international road shows in China, Singapore, Korea and Bangladesh. We will continue cementing our strategy of exploring and adopting new avenues to promote our i-ZEN branded range of luxury properties.

Two exclusive stacks in Block B (Picasso) of SENI Mont' Kiara which command the best views of KL city's skyline, have been released for sale, with units ranging of 2,906sq ft and 3,714sq ft accommodating four ensuite bedrooms, wet and dry kitchens and a utility room.

In H2, we hope to bring news of our exciting new project located along Jalan Kia Peng near the KLCC.

RISING PROPERTY PRICES: Inflationary pressure and rising raw material costs are among the reasons for this state of affairs.

Homes will cost more – up to 20 per cent – this year due to appreciating land prices, continuous population growth, urbanisation and demand for a better lifestyles.

Recent price jumps, mainly in the Klang Valley's and Penang's landed residential segments are a result of market demand and land scarcity.

While Malaysia is not experiencing a general property bubble, targeted pre-emptive measures are appropriate to moderate the increase in prices that are evident in selected locations due to speculative elements at work.

Price increases have only been for properties with good concepts by branded developers and sited in good locations. The implementation of a 70 per cent maximum loan-to-value ratio is expected to moderate excessive speculative activities in the residential segment.

We applaud the government's move in ensuring that primary housing continues to remain affordable and believe the measures will not have severe negative impact on the industry as the bulk of the buyers are serious investors with a long term view on property.

Faliq Nasimuddin,
Group Managing Director,
NAZA TTDI Sdn Bhd

MARKET OUTLOOK: I am confident the local property market outlook will be strong this year, experiencing foreign interest and rapid growth in urban areas.

The industry will also be propelled by the many strategic plans announced by the government.

Demand from local purchasers will be sustainable due to the good employment market, strong liquidity and conducive interest rates – all due to the government's initiatives. Some local property players buoyed by their 2010 success may go regional and even global, despite talks of an expected global economic contraction.

NEW LAUNCHES: NAZA TTDI will launch several projects in Selangor, including the new TTDI Alam Impian township in Shah Alam, TTDI Grove in Kajang and several phases of mixed and commercial developments in high growth areas such as Puchong's Golden Belt and Section 13 of Shah Alam.

We have a strong brand and our strategy is to continue focusing on this strength. We have built a profitable track record from 40 years in property development. All our launches have been successful and I am confident we can add value to the property industry by drawing on our vast experience, exposure and success in various types of property developments.

Later this year, we will unveil several signature projects including a mixed development surrounding the Matrade Centre off Jalan Duta and in our Platinum Park (fringing the KLCC).

We hope to continue promoting design innovations by local architects this year as we had done last year when we started a masterplanning and architectural concept competition in collaboration with Pertubuhan Akitek Malaysia. The aim of that competition was to procure an innovative, environment-friendly and economically viable masterplan for our landbanks in Puchong and Shah Alam.

We will also unveil our Enviro Series to develop products that are in tune with the sophistication of today's lifestyle.

RISING PROPERTY PRICES: Yes, property prices have risen quite significantly over the last couple of years, especially in major cities but this is not due to an artificial hike created by developers and builders in tandem with financial institutions and others.

Years of bustling economic activities have seen land in major cities turn into a scarce commodity and this, together with rising cost of construction material, has led to increase in prices.

Much of the increase affects mostly landed properties and not so much stratified developments. This trend is expected to continue, but there should be no overheating in the market as the double-digit rise in property prices was recorded in only very niche projects in very sought-after locations where demand far exceeded supply.

Although the Housing Index says that over the last 10 years, the average house price has moved about 37 per cent, this is still lower than countries such as Singapore and Hong Kong where prices shot past 35 per cent in 2009 to 2010 alone.

FDI & PR STATUS FOR FOREIGN SPOUSES: Foreign Direct Investment has a positive and significant effect on economic growth, but its effect is of lesser magnitude than that of domestic investment. Hence, despite the reduction in FDI in the last several years, the property industry is still resilient.

I applaud the government for attracting FDI into the property industry by initiatives such as the setting up of the Malaysian Property Gallery in Singapore by Malaysia Property Inc (MPI) – it has acted as a catalyst in wooing more foreign investors here.

On the government's plan to accord permanent residents' status to foreign spouses, this will attract professional Malaysians currently residing abroad to return to the country, which will help make the property market more robust with higher purchasing power.

Ho Wen Yan,
CEO,
Hua Yang Bhd

MARKET OUTLOOK: In terms of supply and price cycle, we believe 2011 will see an up-trend with more developments coming on-stream. This will be fuelled by the current favourable interest rates, ample liquidity and a more buoyant economy. The sentiment among buyers is also positive.

These factors provide a conducive environment for developers to launch new products.

On the demand side, we remain confident in view of the young demographics and the interest rate environment. There are also older buyers and upgraders who will be active in the market.

Historically, demand for property in Malaysia has been strong, even during the last economic crisis. Malaysians generally value property as an important investment in securing their future.

Secondly, regardless of the economic situation, there is a need for homes by newly weds, young working adults etcetera. We expect demand for highrise residential units to be strong in urban areas especially emerging secondary areas in the Klang Valley such as Selayang, Sungei Besi and Kajang.

NEW LAUNCHES: We will be focusing on our flagship development, One South in Sungei Besi, particularly the first phase which will consist of 384 shop-offices with a street mall concept.

In Q1, we will also be launching the second phase of One South, which will have 418 serviced apartments. In Q4, we will be launching a new township project in Johor Baru, Taman Pulai Hijauan.

RISING PROPERTY PRICES: The current situation is only limited to selected products in selected locations. This is due to the mismatch between supply and demand for housing in terms of geographic location and price.

The provision of affordable houses ought to be addressed by the government through the formulation of national strategies tied to the Economic Transformation Programme.

Tan Sri Liew Kee Sin,
President and CEO,
SP Setia Bhd

MARKET OUTLOOK: This year will be an exciting time for us as we target to secure more land to further expand our business.

Competition, however, will be keen, with more developers gaining confidence and launching new products. But this is a good sign of the health of the market as a whole.

For SP Setia, our key areas of focus are on townships and integrated commercial developments. We will continue to invest in branding and product development with the key aim of further improving yield per acre and extending the lifespan and value of our existing matured landbank.

Our sales target for this year is RM3 billion, derived from all our projects in the Klang Valley, Johor Baru and Penang.

NEW LAUNCHES: We will shortly be launching KL Eco City (KLEC), our exciting new integrated green commercial development opposite Mid Valley City in Kuala Lumpur, and it should contribute strongly towards our sales target.

Apart from KLEC, we have several projects in planning, including Setia Eco Kaskadia in Johor and three new projects in Penang: Setia V Residences @ Gurney, Setia Greens and 11 Brook Residences.

RISING PROPERTY PRICES: Property prices are not going to come down and there are several factors buyers need to consider before making a big ticket purchase.

One of the most important is to always buy from a reputable developer because only then is there assurance that the property will be delivered.

CHALLENGES AHEAD: Tightening of lending rates is just one of the challenges. However, we are confident that the Group has the capability and capacity to grow the value of our sales even further in 2011 based on our success in breaking into new markets such as luxury highrises and integrated commercial projects, besides our already dominant position in the landed residential segment.

We are optimistic that the government's supportive policies, the positive domestic business and consumer sentiments and renewed foreign interest in selected property segments will continue to boost the Group's positive property sales momentum.

Sam CS Tan,
Executive Director,
Ken Holdings Bhd

MARKET OUTLOOK: Properties with good fundamentals and in good locations will continue to sell well as astute investors are always looking for good investable properties to park their money. Top on their list are good quality units in environmentally responsible developments.

They also favour "green" projects as they bring about long term benefits both in the tangible and intangible sense.

The tightening of the loan-to-value ratio by Bank Negara may come with some slight impact, but there are still plenty of purchasers with access to cash. The impact will be minimal, especially for higher end properties. For properties below RM250,000, purchasers can now secure 100 per cent financing thanks to the government's initiative aimed at first-timers earning RM3,000 or less monthly and wanting to buy a house costing under RM220,000, and this will help boost the property sector in general.

NEW LAUNCHES: This year, we will be launching more neighbourhood clusters within our KEN Rimba township and also start building our KEN TTDI corporate office tower in Taman Tun Dr Ismail, Kuala Lumpur.

All our undertakings will continue to pursue excellence in "green" development.

RISING PROPERTY PRICES: The increase in raw material prices have affected construction costs and hence, property prices. However, only certain sectors are rising faster than others and a lot of them are in newer, better planned and greener developments. There are still many older properties which can be bought cheaply, but the finishing and build quality lacks what is offered today.

This clearly shows that buyers are willing to pay a premium for a no-hassle, ready development which they can move into and not have to worry and fuss about refurbishing old houses to current industry standards.

HIGH-END CONDOMINIUMS: High-end condos will always have their own market, even though rental to expatriates at this moment may not be the best.

But demand from locals wanting to upgrade their own properties is strong, as is interest in "green" buildings.