A QUIET MARKET, BUT PRICES ARE HOLDING

A wait-and-see attitude prevails in an otherwise subdued market

PHOTO BY LOW YEN YEING/TEP & SREEREMA BANOO

The JB market is experiencing challenging times as a result of the rising supply of high-rise strata properties

THE Iskandar Malaysia/Johor Bahru property market has remained subdued for the past two to three years and the mood has been generally one of caution, say property consultants. Savills (Malaysia) Sdn Bhd managing director Datuk Paul Khong says the market is experiencing challenging times as a result of the rising supply of high-rise strata properties in recent years and the current tough lending policies.

"Many developers have since slowed down and some local players have exited the JB market for the time being. We also see developers landbanking their sites until the market conditions improve," says Khong.

The situation is a far cry from five years ago. Then, the Iskandar/JB property market was riding high. Property developers were flocking in from other parts of the country and the region even caught the attention of some of the world's biggest real estate players. The market saw a leap in demand and pricing at a pace unimaginable a decade ago.

But in the last 12 months, most of the developers have focused on selling properties that were launched earlier, especially strata units, say property consultants. "Generally, the market is moving pretty slowly and cautiously. Marketing campaigns are few, if any, and the response in certain locations and types has been poor," says Knight Frank Malaysia executive director Ricky Lee.

He expects the next surge in buying to take place after the general election, with opportunists waiting on the sidelines for new signals and direction for investment and development.

Property consultants say most of the recent launches were of new phases of established townships. "Country Garden launched its mega township — Forest City — in 2016. Its first product comprised high-rises, serviced apartments, landed units and a hotel. In the middle of this year, 132 apartments were handed over to the owners," says Lee.

He adds that Country Garden also launched Central Park, a mixed-use development in Tampoi targeted at local homebuyers. The project is a joint venture with Damansara Realty and comprises five blocks with an average selling price of about RM600 psf and built-up areas of 402 to 1,636 sq ft.

Other recent launches included Sakura Residence in Medini (comprising semidees and bungalows starting from RM2.4 million) and Sunway Iskandar's high-rise affordable homes called The Grid in Medini (average price of RM300,000). Mah Sing Group also launched its mixed-use township development known as Meridin East in Pasir Gudang, which has an estimated gross development value of RM5 billion, making it the largest township development in Iskandar's Zone D, says Lee.

In terms of sales response, he says landed projects with strategic locations and reasonable pricing have seen encouraging take-up rates. Elata Vita in Setia Tropika (2-storey terraced homes with an average price of RM500,000 and above; a reported take-up of about 90%), and The Eden at Meridin East (from RM400,000; reported to be fully taken up) are some of them.

"There is pent-up demand for affordable residential properties priced at RM500,000 and below. For higher-end properties, many prospective buyers are adopting a wait-and-see stance," says KGV International Property Consultants executive director Samuel Tan.

He adds that demand is mainly from locals buying for their own use as well as Malaysians working in Singapore. "Malaysians with Singapore permanent resident status or work passes — in other words, locals earning Singapore dollars — are still buying for their own use, albeit very cautiously. Anecdotal evidence shows that the preference is for landed gated-and-guarded developments — the focus is on mid-high to high-end developments in Iskandar Puteri and the Tebrau corridor."

Property consultants are reporting a slowdown in investments from mainland China buyers because of the implementation of capital controls in that country. "We are unable to quantify the take-up rate but from anecdotal evidence, the capital controls appear to have affected buying sentiment among Chinese buyers," says Tan.

As a result, the pace of development has slowed. "The construction of Greenland Group's development in Danga Bay seems to have slowed down, especially in recent months, as it tried to adapt to the challenging market and latest curbs on investments," says Khong.

But in any case, Tan believes that the capital controls are unlikely to affect the overall Iskandar property market significantly as the majority of the developments there do not rely solely on Chinese buyers. "Even Forest City, which has Chinese buyers as its main target market, is diversifying to other countries in search of prospective buyers," he says.

Such a move needs to be emulated by other developments in Iskandar, says Lee. "The region has to open up more to investors from different parts of the world and not only focus or depend on China investments. It has to reach out to more countries and remain competitive to have an advantage over our neighbouring countries. China-based developers are resilient and have begun targeting a more varied market, including Vietnam and Thailand."

Despite the subdued sentiment, prices are not moving south yet, except in certain locations and high-end residential properties, says Lee. "Nevertheless, speculators may have to cut their losses to dispose of their stock. Developers eager to dispose of remaining stock are prepared to offer further discounts and incentives to potential buyers. This would inevitably lead to an adjustment of property prices across the board," he says, adding that prices are not expected to increase this year or early next year.

Some of the first residential towers being built at Forest City

The outlook is one of caution, say property consultants. Lee expects 2018 to be a tough year for the property sector as more projects are completed.

"The challenge is to get buyers and clear the increasing stocks before new planned developments can proceed. The high-end residential rental market (particularly for high-rise properties) will be highly pressured in the coming years," he says.

Khong concurs, pointing to the impending completion of Country Garden's Danga Bay development, which will have an incoming supply of 9,000 units. "The local market has yet to see how the new supply will be absorbed and the new equilibrium point for its capital values and rental rates in the secondary market. This will be a significant event for Iskandar at the close of 2017," he says.

But Tan believes there could be room for optimism, given signs that the Singapore property market is bottoming out and the progress made on the KL-Singapore high-speed rail (HSR) and the JB-Singapore rapid transit system. "Once more details are announced — in terms of firm construction commencement dates, confirmation of alignments and station locations for the HSR — these should boost the property market in general," he says, adding that supply still needs to be controlled, especially for high-rise serviced apartments and condominiums.

● *By Sreerema Banoo*