

House prices going through the roof

AN industry observer has called it "escalation gone mad". "Property prices, after going through the roof, are reaching for the sky," said another.

It is public knowledge, said Brig-Gen (R) Datuk Goh Seng Toh, that over the past one year, the price of houses has skyrocketed.

"Prices have been going up all along, but of late, the rise has been very sharp — in the last six months to one year especially," said the honorary vice-president of the National House Buyers Association (HBA).

A real estate negotiator, known only as Lee, concurred, pointing out startling examples of house prices in prime areas that leapt by more than 50 per cent in less than a year.

Ten months back, one could get a double-storey terrace in Taman OUG, Kuala Lumpur, for RM380,000. Today, it's RM590,000.

Another example: in July last year, a corner lot double-storey link house in Damansara Jaya could fetch RM520,000, but now, a basic unit is going for as much as RM850,000.

An ever-expanding population

There has been much ado over the spike in property prices of late. Those in the industry tell **CHAI MEI LING** strong control measures must come in to curb the acceleration

concentrated in urban areas has made land scarce and expensive, said real estate agent Joanne Low.

"There has been an increase in construction costs, but the main factor is that land has become a costly commodity."

When land gets increasingly pricey, developers fear that the profits they reap from developing a certain parcel would not be enough for them to buy another piece of land.

So, they factor in the estimated cost of the next parcel of land into the price.

This is why the focus is on building high-end residences, which would bring in higher profits, said Universiti Malaya lecturer Dr Wan Nor Azriyati Wan Abd Aziz.

But developers maintain that they have not sidelined affordable developments.

A few quoted by the *New Straits Times' Property* section said there was still a lot of "bread and butter housing", but that has been overshadowed by the publicity given to high-end developments, thus creating an impression that developers have shifted focus away from low- and medium-cost projects.

High rise and landed property in the outskirts of the city are on sale from as low as RM150,000 and RM250,000 respectively, they said.

A developer, identified only as Vincent, said people often put the blame on developers without understanding the many hidden costs incurred.

"We don't just build houses. We have to build infrastructure and amenities. We also have to cater to the discount quota for Bumiputera. All these add to our costs."

Goh, however, is not sympathetic. He said the increase in construction



Brig-Gen (R) Datuk Goh Seng Toh says the rise in construction costs does not match rise in house prices



Chang Kim Loong says easy credit and low interest rates have sparked off an escalation of property prices

Easy credit then allows the public to amass more properties. Developers, encouraged by the positive response, raise their prices. This vicious cycle feeds on itself.

Speculative home buyers are just as responsible, said Lee, adding that easy credit results in flipping.

Flipping — buying and selling properties quickly for profit — hurts the market, marking up property prices so much that it's almost impossible for first-time house buyers to land their first deal.

"It'll be very, very tough for them. But do take advantage of good bank loans. It will be wise to start young," said Lee, who works for Oriental Realty, one of the largest real estate agency networks in the country.

At the rate prices are escalating,

form a task force to identify where the speculations are and how to curb them. It should also look into the possibility of identifying houses as an essential item.

The good news is Bank Negara has decided to implement policy changes that would make it harder for Malaysians to buy more than two houses, as a means to curb speculative buying.

Previously, all house buyers enjoyed 90 per cent financing. But now, the margin of financing has been capped at 70 per cent for third-time house buyers onwards.

Wan Nor Azriyati said a way to ensure sufficient affordable housing is for a quota to be imposed on developers to build middle-cost houses, much like what is being done

AFFORDABILITY COMPARED WITH MEAN HOUSING PRICE FOR CURRENT MIDDLE-INCOME HOME OWNERS

States	Type of perceived affordable housing	Affordable price - owner (RM)*	Mean housing price (RM) 2007**	Mean housing price (RM) 2008**	Mean housing price (RM) 2009**
Pahang	Single storey terrace house	100,000 - 120,000	118,967	134,672	133,374
Kelantan	Bungalow	120,000 - 150,000	216,412	257,750	293,448
Sabah	Single storey	120,000 - 150,000	161,065	166,373	205,450
Sarawak	Single storey semi-detached house	120,000 - 150,000	189,583	222,909	233,360
Johor	Double storey terrace house	120,000 - 150,000	190,101	177,880	201,996
Kuala Lumpur	Double storey terrace house	180,000 - 200,000	437,398	432,876	518,628
Penang	Double storey terrace house	120,000 - 150,000	299,565	317,664	386,617
Malacca	Single storey terrace house	100,000 - 120,000	102,763	106,418	111,921
	Double storey terrace house	100,000 - 120,000	195,777	187,688	204,439
Kedah	Bungalow	120,000 - 150,000	234,966	326,800	609,450

Source: *UM study

**Malaysia, Residential Property Stock Report (Q4-2007; Q4-2008; Q4-2009)

Note: The above table shows that in Pahang, the type of housing perceived to be most affordable is single storey terrace house. Middle-income home owners named RM100,000-120,000 as the affordable price for such a house. However, in 2008 and 2009, the mean housing price, which stood at more than RM130,000, has already surpassed the affordable level. In Kedah, an affordable rate for a self-built bungalow ranges from RM120,000 to RM150,000. Last year's mean housing price of more than RM600,000 does not make fair comparison as it is the developer's pricing for a developer-built bungalow.

costs were not correspond with the escalation in house prices.

"It's the teh tarik syndrome. When the price of sugar goes up by 10 sen, a glass of teh tarik also goes up by 10 sen. Similarly, when the cost of construction rises by 20 per cent, there's an equivalent increase in the price of houses."

HBA honorary secretary-general Chang Kim Loong said the problem becomes more massive when the system allows such greed to fester.

"It is all due to unsustainable speculation fuelled by easy credit and low interest rates.

"There exists an 'unholy alliance' between certain developers, valuers and certain banks. In an environment of hot demand, the banks work in cahoots with developers, assisted by wayward valuers."

As property loans incur less risk than business loans, banks "go berserk on housing loans".

Lee said there would be a time when property owners would find it hard to upgrade or change houses.

"Properties, at today's prices, are already quite out of reach for a lot of people. Malaysia may still offer one of the most affordable properties compared with other countries, but our income is not as high."

Low, however, said Malaysians could still afford buying property.

"Prices are increasing, but I won't call it a bubble yet. It's not really overpriced, because there's demand — people have the money."

Low added that young adults with a steady income wouldn't have problems securing a home because banks favoured them.

HBA calls on the government to

to cater for the lower-income group. Lee said if the government improves public transport, making Greater KL more accessible, suburban areas would prosper.

"People wouldn't mind staying further out. When demands spread out to the fringes, prices in the city would stabilise."

HBA proposed that the real property gains tax scale be introduced, where taxation is done in accordance with the number of years the property has been bought. The quicker one disposes of the property, the higher he or she will be taxed, cutting off speculation by non-genuine buyers.



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Headache for first-time buyers

SOARING prices have made landed properties in the city increasingly off-limits to first-time house buyers.

When Joshua Nonis set out on a hunt last year, he worked within a reasonable budget of RM200,000.

But with that sum, he found nothing decent where landed property was concerned — either the house was located far out of the city centre, or was part of a problematic development.

There were some going for slightly more than RM200,000 but required renovation worth at least another RM80,000, said Nonis, 27.

Those which are decent and within budget are mostly leasehold properties, with 30 to 40 years remaining on the tenure, he said.

The project development manager eventually settled for a well-maintained, 12-year-old apartment unit in USJ Subang Jaya, Selangor.

At RM170,000, he believed the 92



Joshua Nonis says many houses are sold as part of a lifestyle package

sq metre-unit offered “the best value for the money”.

Jason Tan and his fiancée, both first-time house buyers, surveyed the market for a year before finally choosing a serviced apartment in Cheras, Kuala Lumpur.



Wong Mei Shan says there is no room for error when buying a house

The 90 sq metre-unit with three rooms and two bathrooms cost RM220,000, a price Tan deemed “reasonable”.

“We’re starting small because a start-up family tends to be small. After a few years, if we want to upgrade

our house, we can sell the apartment and buy landed property,” said the marketing executive.

For some, taking the time to carefully weigh their options seemed to be the way to go.

Piano teacher Wong Mei Shan came close to buying a RM220,000 condominium unit in Bukit Jalil three months ago only to decide against it after much contemplation.

In order to own the refurbished 10-year-old unit, she would have to single-handedly fork out RM1,500 a month as instalment, and RM200-plus for maintenance fee for 30 years — a commitment she was not ready to undertake.

“Buying a house is a huge decision. Because of the big sum of money you’re parting with, there’s no room for error or misjudgment.

“Properties in KL are definitely pricey. One has to sacrifice so much to come up with a reasonable sum,

which at the end of the day, can get you only a piece of property with a small value in the market.”

Landed properties are out of the question for Wong because they are too expensive, or are located too far from the city centre.

Although landed properties cost much more than high-rise units, Tong Wen Hui is bent on getting one — within her RM300,000 budget.

The real estate boom has, however, forced the copywriter to be more diligent in her research.

“Who the developer is a big factor because ultimately, how my house turns out to be lies in the hands of the developer. I have to find one I can put my full trust in.”

Nonis said some houses came with a premium price tag because of added values like concept living, for example, resort-styled houses or eco-friendly housing. “It’s a lifestyle they are selling.”

MIDDLE-INCOME earners in the country are hard-pressed when it comes to buying houses in major cities.

A recent University of Malaya study has shown that house prices are out of the league of middle-income earners.

For example, the group perceived RM180,000 to RM200,000 as a fair price for a double-storey terrace house in Kuala Lumpur.

But the mean market price is more than twice the amount at more than half a million ringgit.

Aside from the country's capital, cities and towns in Pahang, Kelantan, Johor, Penang, Kedah, Sabah and Sarawak also recorded a higher mean housing price than that deemed affordable by the group.

The discrepancy between house buyers' expectations and the real estate value makes it hard for the average Malaysian to own a house of

Problem most acute for middle-income earners

their choice, said lead researcher Dr Wan Nor Azriyati Wan Abd Aziz.

"Home owners want landed properties, it's the culture, and they have a perceived affordable price. But what we have in the market are beyond their means."

The explosion of new townships, commercial hubs, industrial parks and office complexes in recent years had increased the working population in urban centres, making the shortage of affordable housing more acute.

Compounding this is the lack of housing support given to middle-income group.

"There are policies in place to address the housing needs of the poor or lower-income group, such as houses

capped at a ceiling price, but little is done to attend to the needs of the middle-income earners," said Wan Nor Azriyati, who is from the Faculty of Built Environment.

The two-year study, which concluded this year, investigated the affordability profiles of middle-income earners in each major city to derive the levels of house prices they can afford.

It surveyed more than 1,000 households. Generally, the acceptable price range for a house in the country is between RM120,000 and RM150,000.

In Kuala Lumpur, the range is between RM180,000 and RM200,000.

The study also identified three sub-groups that make up the middle-in-



Housing expert Dr Wan Nor Azriyati Wan Abd Aziz says a lot of houses in the market are beyond the means of middle-income earners

come households — lower-middle income (RM1,500-RM2,000), middle-middle income (RM2,001-4,000) and upper-middle income (RM4,001-6,000).

For bigger cities such as Kuala Lumpur, Johor and Penang, the corresponding income ranges for the above categorisation are RM2,001-4,000; RM4,001-6,000; and RM6,001-8,000.

Single-storey housing is perceived as the type of house most affordable in Pahang, Sabah and Malacca, while double-storey housing appeared to be most affordable in Johor, Kuala Lumpur, Penang and Malacca.

Self-built bungalows are preferred in cities with low cost of living such as Kelantan, Kedah and Perlis.

The study also found that the mean monthly instalment payment deemed affordable by current middle income home owners is about RM800, about a fifth of their total income.

