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Luxury projects freeze could create glut in units below RM1m: Knight Frank

PETALING JAYA: While the freeze on luxury developments will provide a breather for the high-end residential market, it poses a risk of oversupply of units below RM1 million as developers may divert to the more affordable segment.

Noting that housing prices in the capital and key cities have been on the rise since 2010, Knight Frank Asia Pacific's 2017 round-up and 2018 outlook said developers may shift their focus to the affordable housing segment given the increased allocation under the Budget 2018 to address rising cost of living and affordable housing issues among the lower to middle-income segments of the population.

Income levels were not in tandem with the rise in house prices, bringing the median house prices beyond the reach of most Malaysians. This coupled with a slew of cooling measures implemented progressively since 2012 has led to a continuous decline in sales volume.

"Developers are expected to take stock of the situation by reviewing and replanning their proposed products and may further defer property launches. We expect to see more bite-size units which translate to lower quantum pricing (below RM1 million) coming into the market although moving forward, there may be risk of oversupply in this category of units," said Knight Frank Malaysia, executive director research & consultancy, Judy Ong.

Meanwhile commercial segment demand for office space situated at key locations such as along rail transport routes as well as serviced office and co-working space, is expected to be positive.

The development and infrastructure progression at the upcoming international financial district of Tun Razak Exchange is expected to revive demand for office space in the Kuala Lumpur city centre.

Serviced office and co-working segments are gaining popularity with changes in technology which supports flexible working culture, particularly among technology start-ups and small and medium enterprises.

"Kuala Lumpur offers opportunities that parallel other western and regional markets, supported by improving pool of premium and good grade office space and transport infrastructure, a multi-lingual educated workforce and competitive cost of doing business amongst others," said Ong.

Despite it being an unexciting year for mainstream residential markets across the continent, affordability was seen as a key theme in major cities across Asia Pacific.

"On the policy side, we have seen significant house building programmes in a number of markets, restrictions on foreign buyers introduced in New Zealand; while developers in a number of major cities across the region have responded by trending to developing smaller units," said Knight Frank Asia-Pacific head of research Nicholas Holt.

"The outlook for 2018 is positive but muted, with interest rate increases and a low probability of the lifting of restrictions likely to keep a lid on price growth in many markets. There will, however, be pockets of stronger sentiment across the region," Holt said of the outlook for 2018.

In the commercial segment, the market was buoyed by demand due the higher than expected economic growth in Asia.

Going into 2018, the office market segment is likely to see increased demand over the next 12 months.