

Property continues climb

The price of homes expected to advance 5% to 10% this year

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PETALING JAYA: Overall price appreciation for residential properties is expected to range between 5% and 10% this year, according to CIMB Research.

In a report, the research unit said residential properties' price appreciation could be even higher but it believed that the Government would continue to remain vigilant on "run-away" property prices.

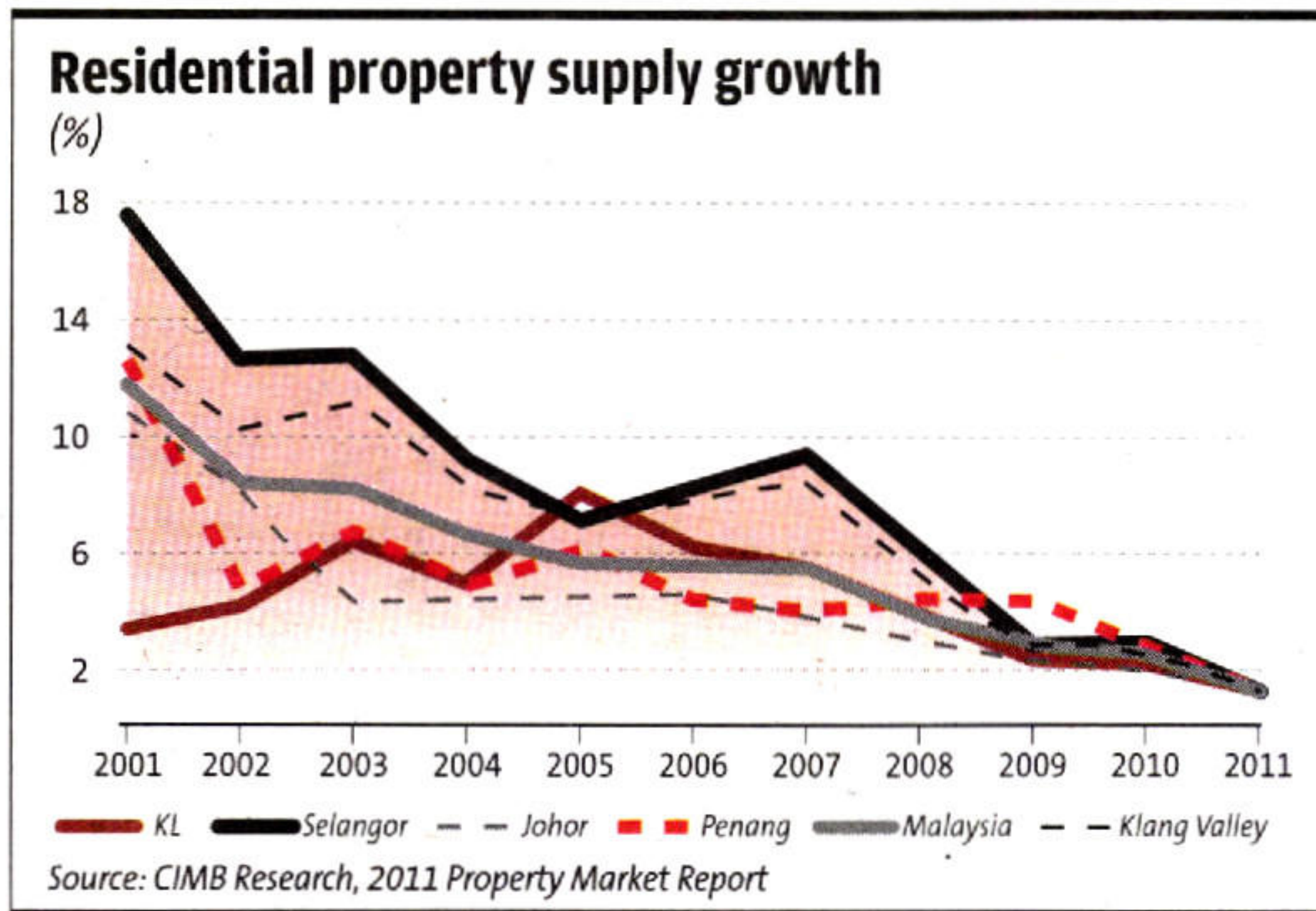
CIMB Research said in terms of house price appreciation, despite the slower real GDP (gross domestic product) growth projection of 3.8% compared with 5.1% in 2011, it believed that 2012 would be another good year due to several factors.

"Buying momentum continued to be strong, driven by inflationary fears.

"Supply growth should remain depressed as developers have only just started to focus more on affordable homes costing not more than RM500,000 in the Klang Valley.

"Major infrastructure improvements in the Klang Valley such as the MRT (My Rapid Transit), River Rehabilitation and covered walkway projects will help boost property prices."

CIMB Research said although the residential property market would continue to set new records in 2012,



it was expected that there would be a slowdown in the increase in overall transaction values in 2012 after two years of high growth that averaged around 30%.

"In view of credit-tightening measures by the central bank, we believe that the growth in transaction value should slow to 10% to 12% this year."

CIMB Research noted that in 2011, the growth of residential property supply in Malaysia fell to 1.5%, which was the lowest on record.

The slowdown in supply growth was most pronounced in the big three markets (Johor, Penang and

Klang Valley), which recorded an average growth of 1.2%.

The only states to buck the slowing trend were Terengganu, Kelantan and Perlis.

"If supply growth continues to lag behind population growth, house prices can only head in one direction."

It was noted that major developers such as SP Setia Bhd, UEM Land Holdings Bhd, Mah Sing Group Bhd and UOA Development Bhd were all gunning for sales records this year and growth rates ranging from 10% to 35%.

It was also pointed out that the

risks to CIMB Research's volume and price projections for 2012 included the global economic outlook and the local stock market performance.

However, CIMB Research is not optimistic about the commercial property market in the Klang Valley as oversupply will plague the sector for many years to come.

It noted that occupancy rates for the office and retail sector had started to drop.

Meanwhile, future supply of hotel rooms (under construction) in the Klang Valley is likely to depress occupancy rates in the coming years.

According to CIMB Research, UOA Development would be the biggest winner in a Klang Valley property boom as the company has no exposure elsewhere.

The research unit is also optimistic about the prospects for Johor, particularly Nusajaya, as 2012 would see the completion of various catalyst projects.

"The biggest beneficiaries of a property boom in Johor would be UEM Land due to its vast holdings in Nusajaya and SP Setia which is the dominant developer in the state."

CIMB Research maintained its "trading buy" call on the property sector, but pointed out that property stocks could be sold down heavily in the event of an unfavourable general election outcome.