

## What 2014 has in store for Penang's residential market

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**THERE** is a unique charm about Penang. With its idyllic sea views, significant heritage and hillside residential living, many consider this state, conferred a UNESCO World Heritage site status, to be the ideal place to live, work and raise a family in. Property wise, this also makes owning a home here, very attractive.

### THE STATISTICS

Statistics from the National Property Information Centre (NAPIC), indicate that residential properties remained the state's most dominant property sector, with the highest number of transactions. However, the performance of Penang's residential property market decreased in 2013 compared to 2012.

The total number of properties transacted during Q3 of 2013 was recorded at 4,522 compared to 6,398 transactions at the same period the year before. Flats remained the most transacted property type with 901 transactions. This was followed by 2 to 2 1/2 storey terrace houses which amounted to 897 transactions.

### RESIDENTIAL PROPERTY TRENDS

There is scarcity of land in Penang. This has prompted developers to become more innovative in terms of space utilisation. "The trend is now for apartments and condominiums to be smaller in terms of build-up sapce," says Datuk Jerry Chan, chairman of Real Estate Housing Developers' Association (REHDA) Penang.

"Residential properties are also incorporating more of an all inclusive lifestyle concept, with full recreational facilities and 24-hour security (G&G residences)," adds Shawn Ong, senior vice president, Asset Valuation at Henry Butcher Malaysia (Penang). As for buying power, Ong says that the average affordable price range for Penangites is below RM600,000 and for other local investors, the average affordable property price is below RM1 million, for properties on the island. For foreign investors, the new rule is to buy residential properties above RM1 million for strata high-rise and RM2 million for landed properties.

According to Datuk Chan, current land prices in Tanjung Tokong, Tanjung Bungah and other prime locations in the northeast district, come between RM500 and RM1,000 per sq ft. Whereas in the southwest district, land prices range from RM120 per sq ft onwards.

### NEW REGULATIONS

To prevent the adverse effects of a property bubble and to attract genuine buyers rather than speculators, the Penang state government has introduced several new housing regulations as part of the 2014 Penang state budget (to be effective from Feb 1, 2014).

This includes a two per cent levy on any property purchased after February 1, 2014 and sold within three years from the date of the Sales & Purchase Agreement (SPA). Properties purchased with the SPA signed before February 1, 2014 will not be imposed with this levy.

In addition, any purchased affordable housing (classified as houses initially purchased below RM400,000 on the island and RM 250,000 on the mainland), must not be sold for at least five years. Those with intention to sell their property during the first five years have to make an appeal to the state government. Only on approval can the property be sold, but to 'listed buyers' only. (Listed buyers - people registered with the housing department of the state government and certified as middle-income groups who qualify to purchase affordable housing.)

"Property is a long term investment and these new budget measures will bring positive notes to promote long-term investment and deter excessive speculation," says Ong.

The state government has also set up a RM500 million Public and Affordable Housing Fund in order to build 20,000 units of public and affordable homes. This amount is the largest set by any state government in Malaysia, for affordable and public housing.

### FOREIGN INVESTORS IN PENANG

Although their share of residential transactions is comparatively low, (only five per cent according to 2013 figures from Henry Butcher Malaysia) Penang is still a favourite for foreign property investors. In a move to protect the housing interests of local buyers, the State Government has recently imposed a three per cent levy on foreign property buyers.

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Local industry professionals are happy about this. They say the rule is sufficient enough to discourage foreign purchasers who buy properties in bulk and only have short-term speculative intentions in mind, unlike the genuine foreign property investors who purchase either to occupy it themselves or for medium to long-term investment purposes.

"The foreign purchasers market in Penang is foreseen to come to a slow down in the short term. This is due to the additional acquisition cost incurred for foreign buyers. Nevertheless, the market is expected to self-correct or cushion the impact of this new measure in the medium term," explains Ong.

Nonetheless, Datuk Chan adds that the levy here is also much lower than Singapore and Hong Kong. He believes genuine foreign investors will continue to see Penang as a good investment choice.

#### PROPERTY OUTLOOK

The general industry view is that Penang's residential property market will remain cautious but optimistic.

"The outlook for 2014 will be guarded and prices of developments in growing and hot spot areas will not be coming down. The reasons are because land prices are continuing on an upward trend everywhere due to scarcity and also the upcoming opening of the Second Penang Bridge. Furthermore, construction costs continue to escalate," says Datuk Chan.

"The opinion of astute investors is that buying properties in choice locations in Penang present an excellent mode of wealth creation. The consumer confidence that local and international investors have in Penang's properties also remain buoyant. Therefore, Penang's property market is expected to see more excitement in the Year of the Horse," adds Ong.

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#### Property Outlook Conference 2014

The Property Outlook Conference is scheduled back this weekend on Jan 11 and 12, 2014. Top property investment gurus, experts, valuers, developers and other relevant market players will be sharing their view on the property market for the new year.

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