



“HIGHEST” & BEST LAND USE

KLANG VALLEY IN FOCUS



OCTOBER 2019



Scarcity of Land

The availability of urban land development in Kuala Lumpur continue to decrease as the city rapid development takes over. Land scarcity tends to highlight the significance of maximum utilization of existing resources available. Naturally, property developers will be more concern in applying the highest and best use for their land banks in order to secure better sales performance.

As land shortage is unavoidable, proper development planning is required in ensuring a sustainable supply being offered in the market. Utilizing land with the most effective way must come with innovative strategy. Hence, thorough research should be engaged in order to identify the best integrated development that satisfy the market demand.

Kuala Lumpur offers a variety of employment opportunities and integrated lifestyle living with quality access to amenities which attract the interest of many. As of 2018, the existing population in Kuala Lumpur reaches 1.8 million people within 243km² area as reported by Department of Statistics Malaysia.



Photo Credit: <http://kitamanusiakelana.blogspot.com/>



Photo Credit: fotoBERNAMA

Migration creates positive impact to developing cities. Movement of people to big cities stimulates the possibility for urban development.

As it improve social life of people, migration of high skilled workers lead to potential economic growth and this indirectly creates high demand for residential development with the increasing number of the population.

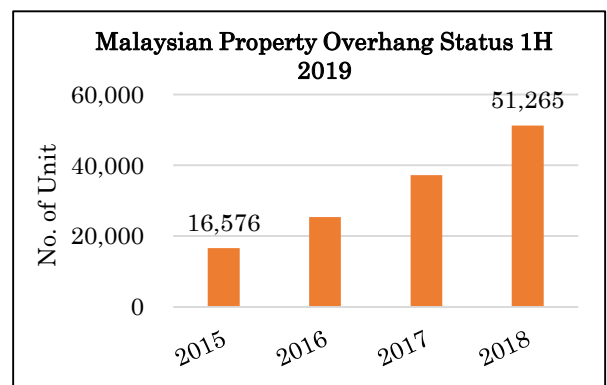
Challenges Faced

According to Department of Statistics Malaysia, Kuala Lumpur recorded the highest migrants sending state in Malaysia which interprets that people tend to reside in other regions despite working in Kuala Lumpur.

The downtrend in domestic migrants in the city centre indicates potential concern on high cost of living and major traffic congestion problems. Moreover, market offerings within the outer region are more enticing with more offers on landed housing.

Nevertheless, due to limited land offerings within Kuala Lumpur, developers need to explore various other development concept that incorporates wise utilization of space to suit with the current city lifestyle. High-rise development such as condominiums and apartments are ones of developers favourite today as it can cater to the high-dense population.

Ironically, as of 2018 the Valuation & Property Services Department (JPPH) reported that the high-rise residential houses formed a total of 43.4% (14,031 units) in the country, which mainly contributed by Perak (2,9056 units; 20.7%) and Kuala Lumpur (2,692 units; 19.2%). This triggers the major concern in mismatch of market supply and demand as the data suggests increased in numbers of overhang properties.



Source: JPPH (NAPIC)

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In addition, JPPH's data as at end of 2018 stated that there were 4,748 transactions worth RM 3.9 billion for high-rise residential, recording a decline of 3.9% and 4.4% in volume and value respectively. Meanwhile serviced apartment registered a total of 2,121 transactions worth RM 2.5 billion with an increase of 22% in volume and 28% in value as compared to 2017.

Due to the slowing down of the economy, property sales performance expected to be slower in pace as people are being more cautious in spending. Hence, it stimulates rather low ownership rate and affordability issues among the locals.

However, despite the challenging market condition residential properties continues to mushrooming rapidly over the years.

Factors to be Considered

So, what makes a high-rise unit sellable? High-rise residential within the Klang Valley should not be targeting affluent consumers but also affordable by the low and medium groups. Affordability must be address in its rightful manner.

It is highly crucial for developers to understand their target market. Developers must come out with an ideal concept that incorporate sense of comfort and belonging to the residents. In the same time, managing reasonable development cost despite the depressive market sentiment. Strategic planning for any property development must harmonize with the preference of the purchaser in order to prevent the mismatch of supply and demand.

In the context of Kuala Lumpur, property purchase does not only targets owner-occupier but also investor that look forward to potential rental income. They targeted the young locals and expatriates who come to work or studies.

Simple design coupled with functional facilities works best for affordable apartments in Kuala Lumpur. While luxurious developments would always affluent locality.

It is highly crucial that a high-rise development

comes with a certified and competent property manager as great development always comes with a good building planning and management.

Developers must always be reminded to take into consideration of all factors mentioned as well as making full use of the readily available resources within the area as it will help boost the demand for the property.

Notable High-Rise Performance within Klang Valley

	Property	Take-up rate	Location
Sunway Avila	Serviced Apartment	80%	Wangsa Maju
121 Residences	Serviced Apartment	90%	Damansara
Park Regent	Condominium	80%	Desa ParkCity
Platinum Teratai	Apartment	95%	Setapak

Source: RHIZP's Research Department

With a proper land use planning and an extensive market research a sustainable development with great access to basic amenities offers a better sense of quality living to people of different income groups.

What's next?

Land scarcity and high overhang rate drives a tension in property market as development offered in the market do not meet the demand criteria desired by the buyers. Hence, in order to reach out to the customers with the most suitable development, engage a market and feasibility study to fully understand the viability of a proposed project.

To get your next market and feasibility study, email us at enquiry@rhizp.com.my to find out more on how to develop a viable project.