

Is buying commercial property a good idea now?

> Property consultants say investors should tread carefully and take stock of their investment goals

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PETALING JAYA: The current slowing property market may not appeal to the house buyers, but are commercial properties something to be considered for those who are bent on property as their investment portfolio?

Buying a residential unit at over RM400,000 does not seem like such a great idea given the rental pressure, with more buyers deciding to sell to avoid forking out a huge sum to make up their monthly instalment.

For instance, a three-bedroom unit can hardly fetch over RM2,000 in rental in most of the residential areas in the Klang Valley, except perhaps where the expatriates are.

Property developers have been adjusting their strategy with rising launches of properties with commercial title and the removal of the Goods and Services Tax (GST) is also a plus point for the commercial property segment.

Nonetheless, it is worth noting that these are properties which are not protected under the Housing Development (Control and Licensing) Act 1966 (HDA).

Some commercial projects are mainly catered for short-term leases such as Airbnb.

On this, CBRE-WTW managing director Foo Gee Jen opined that pricing should not be an issue and main consideration when it comes to buying a commercial property.

"At the end of the day, you have to see whether it is viable - whether this particular locality is able to support the tourism market."

Malaysian Institute of Estate Agents (MIEA) immediate past president Siva Shanker Siva Shanker concurred, saying one

must really think about the practicality of those small units.

"The entry level is very low, you can have 400 sq ft for RM400,000. For those who are looking for affordable houses, they will go and buy, but they do not have the concept of what this 400 sq ft unit looks like."

"Many of them think to rent it out. But that is not going to work because that segment is oversupplied and plenty more is coming."

"Then they find these units are not easy to rent and they will try to put it on the Airbnb platform. Probably they leave it empty for a while, then they will be forced to occupy it themselves."

Foo said the commercial property segment is not spared from rental squeeze as it also depends on the market conditions whether there are enough business activities to support.

"If you are doing Airbnb, you have to know whether this will be the choice for those who come for a holiday."

Foo said buying a new property is very dependent on your own investment strategy and the sort of holding power over the time.

"When you buy into residential property, there are always two strategies. First, you're looking at owner-occupier, your need is a bit different."

"If you're buying strictly for rental income, generally it's very passive because the return will be likely between 2.5% and 3.5%, which I call it negative gearing, which is even lower than putting money in the bank."

Foo said while there is always demand for residential properties, commercial investment is very much dependent on the economic growth.

"If you want to buy commercial property with the intention to rent it out through Airbnb and short-term hotel stay, you need to



Foo



Siva

analyse a few things - are we having a shortage of hotel rooms, are our hotel rooms so expensive in Malaysia that the people don't mind to go for Airbnb?"

"Let's be realistic about this and see the comparison. If you purely look at the daily rates, of course Airbnb may give you a better return. But the risk part - you need to look at the occupancy rate and how much you need to pay to the operators?"

Foo noted some developers are creative in financing by giving guaranteed returns but it is within a short period of time.

"Investors need to ask themselves whether this is sustainable in the long-term - if the location is right and in the tourism zone such as the Bukit Bintang and KLCC areas, coupled with high demand. Investors need to look on the case-to-case basis."

Siva also highlighted that there were many instances before where owners did not receive their rental payment.

"You are only guaranteed return for a limited of time, but overhang will last for a longer period of time."

Therefore, he urged the developers to stop building serviced apartment, SOHO and SOVO units on the commercial zone land.

"They should use commercial land for what it was meant to in the first place."

PROPERTY LISTINGS

in Klang

Project: **Trio**
Type: **Serviced apartments**
Price: **From RM412,000**
Developer: **SP Setia Bhd**

Located in Bukit Tinggi, Trio is a mixed development located 300m away from the proposed Tesco Bukit Tinggi LRT3 station. The freehold project is built on five acres of land and offers a total of 914 units housed in three towers. The first tower offers three types of units sized from 656 sq ft to 1,216 sq ft. This is a build-then-sell project under the Setia 10:90 scheme.



Project: **Karya Residensi**
Type: **Double-storey terrace houses**
Price: **From RM574,000**
Developer: **Selaman Sejati Sdn Bhd**

The 161 units of landed homes are located on 17 acres of freehold land at Jalan Kota Raja. There are five types of layouts with built-ups ranging from 1,725 sq ft to 2,781 sq ft. There are schools, a hospital and shopping facilities nearby while the Bukit Badak KTM station is 2.5km away. Selaman Sejati is a subsidiary of Selaman Sdn Bhd, which in turn is a subsidiary of Selangor State Development Corp (PKNS).



Project: **Azira**
Type: **Double-storey link houses**
Price: **RM678,888**
Developer: **Sime Darby Property Bhd**

Launched in January this year, Azira comprises 111 units of landed homes within Sime Darby Property's Bandar Bukit Raja township in Klang. The homes have built-ups ranging from 1,901 sq ft to 2,275 sq ft. Bandar Bukit Raja is an integrated and self-contained freehold township launched in 2002.



Govt urged to unlock land for public housing

PETALING JAYA: The government, which is looking to streamline all social housing agencies under the Housing and Local Government Ministry, should unlock land for social and public housing, said Rehda Institute.

In a summary of its *Affordable Housing - The Game Plan Transformation* report, the institute urged the government to "walk the talk" and zone more land for social and public housing, to address the issue of land scarcity, which affects housing affordability.

"Provision of public and social housing by the public sector should be a national agenda

- prioritise sustainable supply of land bank for public and social housing," it said.

It added that new sites for future developments and townships can be identified based on demand and needs of the B40 and M40 population projection, while transit oriented development (TOD) sites could be fully utilised for social and public housing.

"Major TOD sites such as Bandar Malaysia, TRX, Kwasa Damansara should be reviewed to refocus on social and public housing where an estimated 560,000 units could have been built and social and public housing must be facilitated with a proper eco system."

The report also suggested that the government look at redevelopment of large government tracts/plots of land as well as the development of idle land reserves that are suitably located near transit centres or town centres.

"The government could identify and take stock of such sites to assess their suitability and convert them into social and public housing sites."

Rehda Institute has also proposed an affordability threshold for affordable housing to address the lack of standard threshold price levels.

At present, there are various definitions of what is deemed affordable and each housing programme has its own eligibility criteria, which has led to a fragmented affordable housing segment.

The report suggested that affordability threshold price levels be redefined to match

supply and demand by streamlining provision of social and public housing based on household income and demographics in respective states.

The affordability threshold would also serve as a facilitative tool in assessing buyers' eligibility criteria for financial incentives and assistance.

Rehda Institute's proposed affordability threshold is RM500,000 for the Klang Valley; RM400,000 for parts of Selangor, Penang island and Johor Baru; RM350,000 for Penang (Seberang Perai), Johor, Malacca and Negri Sembilan; RM250,000 for Terengganu, Kedah, Perak, Perlis and Pahang; and RM200,000 for Kelantan.

Other issues highlighted by the report include rigid housing policies, impact of cross subsidies on house prices, rising development costs and the unproductive use of public funds. Rehda Institute expects to release the full report in the next few weeks.

Meanwhile, IJM Corp Bhd CEO and managing director Datuk Soam Heng Choon has been named president of the Real Estate and Housing Developers' Association Malaysia (Rehda) for the 2018/2020 term.

Soam, who was previously Rehda's deputy president, takes over from immediate past president Datuk Seri Fateh Iskandar Mohamed Mansor, who completed his two terms of four years' presidency in the association.



LIVING IDEA

■ The **MYHOME Home Furnishing Exhibition** begins today at the Malaysian International Trade and Exhibition Centre (Mitec). The event features various home furnishing products including bedding collections, electrical appliances as well as kitchen and dining options. The event ends this Sunday.

■ The **Home & Property Investment Fair** will be held at the Mid Valley Exhibition Centre from today till Sunday. The event, featuring over 30 projects, will see the participation of some 23 exhibitors. There will also be various real estate related seminars held throughout the three-day event.