Residential Property Hotspots Forecasting In Greater Kuala Lumpur –Economic Characteristics and Property Attributes Approach

1Anuar Alias, 1Wan Azlan Wan Abdul Rashid and 2Nor Kalsum Mohd Isa

1University of Malaya, Faculty of Built Environment, Malaysia
2Sultan Idris Education University, Faculty of Human Sciences, Malaysia

ABSTRACT

Empirical evidences between the year of 2003 and 2012 proposed that residential property hotspots (RPH) in Greater Kuala Lumpur (KL) to be defined as the location and type of residential property that is experiencing or about to experience a rapid, strong and sustainable capital appreciation that is greater than the average rate of 5%. This research aims to study RPH forecasting in Greater KL by using economic characteristic and property attributes approach. This research shows that out of the total approximate amount of 2,000 residential schemes, there are about 44 RPH is available in Greater KL, which many of these hotspots are located in Petaling and Kuala Lumpur districts. Greater KL could be generally considered as irregular concentric rings in terms of its price gradient, but polycentric in terms of residential property hotspots. Overall, the characteristics of residential property hotspots are mainly influenced by the attributes of the residential property itself, includes (1) the location attributes (2) the structural attributes that are associated with living space and its quality, (3) demographic drivers, (4) economic drivers, and (5) housing market drivers. In the future, eight corridors have the potential to become the upcoming residential property hotspots in Greater KL.

INTRODUCTION

Residential property hotspots within the rapidly urbanized Greater KL region are an increasingly interesting and important subject to property purchasers and general public in deciding where, what and when to purchase a property for the purpose of either to live in or for investment. Subsequently, there are increasing interests among the general public in purchasing residential property at hotspots within the Greater KL area. It can be seen through increasing numbers of property seminars and editorial columns in media that are discussing the nextproperty hotspots in Greater KL. Most property hotspots were associated with new developments. Little was mentioned about secondary property market to be considered as property hotspots. Until today, there is no universal definition of residential property hotspots in general as well as in the context of Greater KL. In most cases, residential property hotspots understanding revolving around the location with new development products that command higher prices than the secondary market product, with anticipation that the price of the newer development product will appreciate greater and faster over the years.

This research paper focuses on the micro-economic characteristics and property attributes approach as it is commonly used to understand the location choice by the households or firms. Specifically, the micro-economic approach will be based on the trade-off model [1,2,3] and the bid-rent function [1]. Both models trace their origins to the theory of agricultural land rent and use which was first proposed by von Thunen in 1826 [1,2,3].

Research Methodology:

This study adopts both quantitative and qualitative methods. For quantitative method, it involved the use of publicly available data that are collected from government agencies such as the National Property Information Centre (NAPIC), Department of Statistics Malaysia and Bank Negara Malaysia. These data are time series between the year of 2003 and 2012. The type of data includes (1) population data; (2) existing residential stocks data; (3) average price change of residential property data; (4) average gross rental yield of residential property...
data; (5) transaction volume data; and (6) Gross Domestic Product (GDP) value data. Whenever available, it will be categorized into its respective ‘district’ as well as the ‘type of residential property’. In total, there are 17 numbers of ‘district’ within the Greater KL region and 13 numbers of ‘type of residential properties’ have been considered. The quantitative method has been categorized into three main steps includes; (1) understanding the demand and supply of residential property in Greater KL; (2) investigating the trend in capital appreciation and rental yield of residential property in Greater KL; and (3) finding the co-relationship between house price and transaction volume and economic cycle. Qualitative method was adopted to strengthen the quantitative findings. It provides a structured explanation to the existence and trend of this residential property hotspots.

### RESULTS AND DISCUSSIONS

By analyzing the approximate 2,000 residential schemes in Greater KL, the schemes with more than average price change of 5% provided by NAPIC [4] are filtered. Results from the performed analysis show that there are 44 residential schemes have meet this criterion and could be considered as residential property hotspots in Greater KL. The distribution of these schemes on map is shown in Figure 1. It shows that, majority of the residential property hotspots are concentrated at Petaling and Kuala Lumpur districts. Two-storey and three-storey terrace houses have been identified as the majority ‘type of residential property’ within these residential property hotspots. Nevertheless, from the shortlist of top 10 residential property hotspots in Greater KL, Bukit Damansara and Taman Tun Dr. Ismail are dominating the list of residential property hotspots with its two-storey detach, two-storey terrace and two-storey semi-detach units. It is also noted that only Bukit Damansara’s two-storey detach has experienced more than 100% appreciation in 10-year period between the year of 2003 and 2012.

Having established the type of property and locations of residential property hotspots in Greater KL, it is important to understand the characteristics of these residential schemes by looking at the key drivers of residential property hotspots. Characteristics of residential property hotspots in Greater KL can be identified by qualitatively relating the identified hotspots of residential schemes with the key drivers of residential property hotspots. These key drivers are categorized into (1) demographic; (2) geographic; (3) social; (4) economic; and (5) housing market [5]. Demographically, it was shown in Figure 1 which there is a consistent increase in the population of Greater KL between 0.9% and 2.6% year-on-year from the year of 2003 to the year of 2012 with the exception of the year 2010 where the population growth rate is 9.0%.

The population density in Greater KL has increases from 5,374 to 6,891 people per kilometer square between the year of 2000 and the year of 2010. The census study in year 2010 by Department of Statistics Malaysia has reported that the national average population density is 86 people per kilometer square. It shows that Greater KL is the most densely populated area in Malaysia which is 80 times denser than the national
average. The increasing number of population has certainly created demand for residential units and although there is corresponding supply of new residential unit year-on-year, there is competition for quality residential units.

Furthermore, a highly dense population that is concentrated in Greater KL indicates a certain degree of competition for residential units are expected in the region. Nevertheless, the increasing number in the supply of residential units will result in the creation of improved amenities. This corresponds with the development control policies that require a certain requirement by the local authorities to be fulfilled by the developers when applying for planning approvals. Also known as planning gains, Greater KL have benefited with these new or improved amenities. After considering the current plans of future new or improved accessibility, retail centers, various amenities and other factors such as demographic, economy and housing market, it is expected that residential schemes within eight corridors have the potential to become the upcoming residential property hotspots in Greater KL, with five of these corridors are expected to be within the next 10 years and the remaining three to be within the next 20 years as tabulated in Table 1.

Overall, an increase in population that results in competition for quality residential property and new or improved amenities are contributing factors in the establishment of residential property hotspots, especially at highly dense populated areas like Petaling and Kuala Lumpur districts.

Table 1: Potential upcoming residential property hotspots in Greater KL.

<table>
<thead>
<tr>
<th>No.</th>
<th>Corridor</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KL Sentral – Taman Sepuh – Bangsar South – Mid Valley/KL Eco City</td>
<td>Residential schemes within these corridors are expected to become the upcoming residential property hotspots within the next 10 years</td>
</tr>
<tr>
<td>2</td>
<td>Sentul – Jalan Ipoh – Jalan Duta – Mont Kiara</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Setapak – Wangsa Maju – Setiawangsa</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Kepong – Bandar Sri Damansara – Sg Buloh</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Cheras – Cochrane – Desa Pandan – Tun Razak Exchange (TRX)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Setia Alam – Bukit Cahaya – Puncak Alam</td>
<td>These are the potential hotspots within the next 20 years.</td>
</tr>
<tr>
<td>7</td>
<td>Kajang – Semenyih</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Cyberjaya – KLIA</td>
<td></td>
</tr>
</tbody>
</table>

Summary:
In conclusion, the study suggests that in the case of Greater KL in general, landed residential property commands a higher capital appreciation than high rise residential property whilst high rise residential property commands higher gross rental yield than landed residential units. Overall, the characteristics of residential property hotspots is mainly influence by the characteristics of the residential property itself, includes: (1) location attributes such as accessibility to other parts of the region, proximity to retail and other amenities such as institutional facilities; and (2) structural attributes that are associated with living space and its quality. Apart from the characteristics of the residential property, other factors that form the characteristics of residential property hotspots are (3) demographic drivers which relates to the increase in the population and hence new or improved amenities; (4) economic drivers such as macroeconomic performance and improved household affordability; and (5) housing market drivers such as transaction volume, which was found to be insignificant to the emerging economy city such as Greater KL. In the future, it is anticipated that the amount of residential property hotspots in Greater KL will increase, given that the residential property market will become mature as it evolve into becoming a tenant or a seller market. In other words, the demand-supply ratio will reach its saturation level as Malaysian economy is gearing itself to become a developed nation economy where there will be less physical development and more of knowledge, innovation and services based economic activities. With the existing residential property hotspots is expected to continue its trend, it is expected that the amount of residential property hotspots will increase over the years.

REFERENCES