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SPECIAL FEATURE ON
GELANG PATAH
& Second Crossing
New Township



The Second Malaysia-Singapore CROSSING

- * Johor - Malaysia's New Investment Centre?
- * Property Update Of Johor Bahru & Singapore
- * A Study On What's Ahead In Malaysian Property?
- * What Influences Demand For Upmarket Condos?

* Interviews: LLOYD BOND & ALAN TONG



WHAT INFLUENCES DEMAND FOR UP-MARKET CONDOMINIUM IN KUALA LUMPUR?



In recent years, condominium living has gained popularity amongst Malaysians. Many bought condominiums because of the luxurious facilities provided by the developers. It has become the mode of living for the country's middle and upper class families. Condominium developments have mushroomed in all parts in Malaysia particularly in Kuala Lumpur. The residents can enjoy the convenience of having the facilities at their doorsteps, with abundant greenery and open space.

For the purpose of achieving the objectives of this study, a sample of 262 condominium residents were interviewed by means of a questionnaire. A sample of thirty condominiums in Kuala Lumpur was selected.

CONDOMINIUM DEVELOPMENT IN KUALA LUMPUR

Condominium living was introduced in Kuala Lumpur, the capital city of Malaysia in 1976. The first condominium project in Kuala Lumpur was Desa Kudalari located in Ampang area and was endorsed by the Government in the Fourth Malaysia Plan (1976-1980) as a measure to optimise land use and enhance the standard of living.

It is now more favoured as an alternative form of housing in the urban areas. Demand for condominium units has been good ever since the country recovered from the recession period (1984-1987). When the economy recovered, the offer of cheaper labour costs plus the inflow of foreign investments in the manufacturing sector has resulted in an influx of expatriates from Japan, Korea, Taiwan and Singapore.

SUPPLY OF CONDOMINIUMS

The cumulative supply of condominiums in the market up to 1994 was 20,405 units. In 1992, condominiums comprised approximately 4.2 percent and 95.8 percent was in other forms of housing (Refer Table 1). As a matter of rough comparison, Singapore is said to have 22,510 condominiums in 1992.

Table 1: Supply Of Condominium Units, Kuala Lumpur (1983-1995)

Year	No. Of Projects	No. Of Units	Area Sq. Metres
1983	5	782	81,698
1984	4	561	60,065
1985	9	1,240	204,638
1986	2	460	70,857
1987	6	1,143	175,975
1988	4	936	95,771
1989	4	682	64,248
1990	8	1,221	139,386
1991	16	3,358	367,851
1992	7	1,344	161,611
1993	26	5,003	565,000
1994	20	3,675	138,906
Total	125	20,405	-

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CONDOMINIUM DEMAND

The demand for housing is generated by the following influences:

a) Overall population growth: present and future housing requirements arise out of the total population growth by way of net natural increase, immigration, family formation, size of households and changing age distribution.

Backed by a government policy to achieve a population target of 70 million by the year 2020 (Tracey Vincent, 1993), the annual average population growth rate for the country from 1980 to 1990 was 2.64 percent which is high compared to the annual growth rate in the Asia-Pacific for the period 1985 to 1990 which is 1.8 percent. In mid 1993, the population of Malaysia was 19.05 million (Statistics Department, 1993). An increasing population means demand for more houses.

Household size in Kuala Lumpur is get-

ting smaller i.e. in 1980 the household size was 4.87 and in 1991 it became 4.65. This shows that there is an increase in demand for condominiums because in Kuala Lumpur, smaller families normally prefer to live in condominiums with all the facilities nearby.

Tables 2 and 3 show that the population of Malaysia is young with the majority in the productive 15 to 64 year age band. The percentage has been stable from 1980 to 1993 between the range of 57 to 60 per cent. This increases the demand for houses.

Table 2: Population By Age Group

State	Age Group					
	0-14		15-64		above 65	
	1980	1990	1980	1990	1980	1990
Kuala Lumpur	32.5%	33.2%	64.5%	63.6%	3.0%	3.2%
Malaysia	38.9%	36.2%	57.4%	59.8%	3.7%	4.0%

Table 3: Population By Age Group (As Mid-Year), 1993

Source: Statistic Department (1992)

State	Age Group					
	0-14		15-64		above 65	
	1991	%	1991	%	1991	%
Malaysia	6,658.3	37	10,808.9	59	713.7	4
	1992	%	1992	%	1992	%
	6,779.8	37	11,107.5	59	724.6	4
	1993	%	1993	%	1993	%
	6,912.7	36	11,375.5	60	758.8	4

Source: Statistic Department (1993)



b) Urbanisation: The potential demand becomes more apparent with population growth and also urbanisation. By 2020, Malaysia's population will reach 70 million people and this means that 45 million people living in urban areas i.e. an increase of 264 percent (Fernandez, 1993). People prefer living in the cities because of high paying jobs, quality of life and cultural events. This means there will be an increase in demand for housing (Refer Table 4).

Urban population growth can also relate to migration of people to Kuala Lumpur. Migration can be internal within the country, and external to and from other countries. Migration means

Table 4: The Urban Population Growth Trend

Year	Pop. ('000)	Urban	%
1970	10877	2719	25
1980	13764	2884	21
1990	18010	7744	43
2000f	22615	11353	50
2010f	27621	16645	60
2020f	33015	24403	74

f: forecast

Source: Economic Report (1991)

increase or decrease in demand for housing. Urban population growth can also relate to migration of people to Kuala Lumpur. Those who can afford will live in Kuala Lumpur while those who cannot, will move to the neighbouring states. The high income group prefers living in the urban area while the middle and low income group is more likely to remain in the suburbs or on the fringe of the city.

c) Marriages: new households created

by marriage account for a major proportion of the demand for housing. On the other hand the termination of households by death, or divorce or separation are an offset.

In Malaysia, there is no statistics on marriages. Due to urbanisation and modernisation, there has been longer life expectancy, falling mortality and crude birth rate and death rate. These factors have increased the percentage of the aged or the older population, a

rising proportion of whom finds condominium living more convenient (Refer Table 5). This means that there will be an increase in demand for condominiums because at this stage of life cycle, the children would usually have left home and it is difficult and troublesome to maintain a large household. Besides that, a rapid decline in total fertility rate shows that more people opt more easily for the convenience of condominium living (Refer Table 6)

Table 5: Selected Indicators On Health

Indicator	1980	1985	1991	1992	1993
Life expectancy rate \$:					
Male	66.70	67.90	69.00	69.2	69.1
Female	71.60	73.00	73.7	73.9	73.8
Infant Mortality (per' 000)	19.70	16.95	12.5	12.2	11.9
Crude Birth Rate (per' 000)	30.90	31.70	28.10	28.2	28.7
Crude Death Rate (per '000)	5.30	5.00	4.6	4.6	4.5

Source: Sixth Malaysia Plan (1991) and Statistics Department (1993).

Table 6: Total Fertility Rate In Malaysia

Year	1980	1990	1991	1992	1993
	Per '000				
Total Fertility Rate (Per Woman)	3.9	3.3	3.4	3.3	3.4

Source: Statistics Department (1993)

d) Level Of Income: income is an important factor. Higher incomes facilitate earlier marriages and encourage upgrading of housing. Likewise, lower incomes discourage early marriage, and could ultimately cause downgrading of housing. Affordability or the capacity to pay the price, the occupancy costs (including mortgage repayment, or the rent) - is a most important factor in the housing market.

The potential demand for housing can be appreciated even more with increasing incomes. Rising incomes also mean increasing middle and upper class groups with higher expectation of standard of living. In this context, condominium living may become more appealing and affordable (Refer Table 7). Ninety-three percent of the up-market condominium occupiers have their income above RM8,000 per month.

Malaysia's strong economic performance has resulted in an increase in the

employment rate. This means that real per capita income of people has increased due to the rapid and sustained growth of the Malaysian economy. Gross Domestic Product (GDP) has been expanded by an average of 8.8 percent per annum since 1988. This rapid growth was attained within an environment of greater price stability i.e. with the increase in Consumer Price Index (CPI) being contained at 3.8 percent. In addition, the nation's per capita income further increased to reach RM8,856 in 1994 (Refer Table 7).

A recent survey by the National Population and Family Development Board shows that about 42.2 percent of women joining labour force in 1980 has increased to 46.1 percent in 1993. This indirectly shows that most of the families have both husbands and wives working. This shows that there is an increasing number of double income families due to more women entering various sectors of the economy (Economic Report, 1994/95). Seventy-one percent of the spouses, in the up-market condominiums are working.

Table 7: Per Capita GDP And Mean Monthly Household Income

State	Real Per Capita Income			Mean Household	Monthly Income
	1985	1990	1995 ^f	1995	1990
Malaysia	3,599	4,392	5,607	1,098	1,254
K.L.	6,768	7,608	9,495	1,920	2,102

Source: Sixth Malaysia Plan (1991) - forecast

e) Mortgage finance: mortgage finance is essential in converting potential demand for housing into actual demand. Therefore the availability of mortgage money at affordable interest rates and acceptable terms is always an important factor in both demand and supply.

Most the people interviewed bought their houses by taking up a loan. Loans from financial institutions were easy and banks provided up to 90 percent loans. The repayment duration was usually for 10, 15, 20 or 25 years at prevailing interest rates. Base lending rates are low in Malaysia and more people can afford to buy houses (Refer Table 8). They have been quite low if compared to those in the United States which are around 12-15 percent.

Ninety-three percent of the up-market condominium buyers said that financing does influence the demand for condominiums and 86.6 percent prefer low interest rates that is below 4 percent annually and 84.4 percent said that they bought condominiums for investment purposes.

Table 8: Base Lending Rates

Year	BLR	Year	BLR
1980	9.5	1989	7.0
1981	12.0	1990	7.5
1982	8.5	1991	8.8
1983	10.8	1992	9.5
1984	12.3	1993	9.0
1985	10.8	1994	8.7
1986	10.0	1995 ^f	8.3
1987	9.5	1996 ^f	8.0
1988	7.0		

f: forecast

Source: Economic Report (various reports).

Besides financing, other factors such as marketing and the developer's reputation also do influence the demand for up-market condominiums. 16.3 percent said that marketing, and 9.9 percent said that developer's reputation do have an impact on demand. From the marketing aspect, 59.2 percent said they bought their up-market condominiums after they have seen the brochures/pamphlets and 37.8 percent said it was due to the advertisement.

f) Other aspects of demand for condominiums: demand for condominiums is

restricted to fairly narrow location limits. Also, there is a local real estate market in each urban area which is affected by influences peculiar to that area. Besides these factors, different buyers look for different types of condominium in keeping with their families' social and financial status as well as the kind of living they seek. This type of demand is conditioned by the qualitative aspects such as the followings:

* accommodation: number of bedrooms, living rooms, bathrooms, storage etc.

- * quality of locality: superior; average or low cost.
- * construction: good quality finishes and facilities.
- * tenancy or ownership.
- * small or large section: built up area.

Price is very important because it can either increase or decrease demand for condominiums. 70.4 percent said that prices do influence the demand for condominiums. If demand for condominiums is to grow and expand, it must become a viable alternative to the traditional form of houses such as terrace, semi-detached and detached houses, as well as being affordable. 45.8 percent preferred prices below RM300,000 which is equivalent to the built-up area of traditional form of houses (semi-detached or double storey terrace), 47 percent preferred prices between RM300,000-RM400,000, and 7.2 percent preferred prices above RM400,000 (Refer Table 9). Affordability is dependent on the size of household income, cost and availability of finance, repay-

Table 9: Condominium Price Preferable

Category	Percentage
RM 300,000 and below per unit	45.8
RM 300 - RM 400,000 per unit	47
RM 400,000 and above	7.2
Total	100

ment period and the availability of past savings and Employee Provident Fund withdrawals. 78.8 percent said the reason for buying up-market condominiums was the quality of the product. High prices reflect better quality in the product. Besides that, 29 percent said designs do influence the demand for up-market condominiums 2.3 percent said it was due to either high-rise or low-rise, 11.8 percent, the uniqueness, and 7.3 percent, attractiveness of the condominium developments.

Service charges do influence the demand for condominiums. Service

charges have to be paid by the tenants to the management board of the condominiums to maintain and manage the condominiums. Service charge is usually included in the management aspect. 75.6 percent of the surveyed tenants said that service charges were taken into consideration before they bought the condominiums.

84.4 percent of the purchasers said that the main reason why they bought condominium units was for investment purposes. 74.4 percent rented out the condominium whilst 25.6 percent for own occupancy. 22.5 percent said they will sell their units if there is a capital appreciation.

The demand for up-market condominiums has been very slow, whereby those above RM300,000 per unit encounter some difficulties in sales and rentals. Sometimes it takes years for a unit of up-market condominium to be sold and some units have been retained by the developers. At present up-market condominiums comprise 28 percent of the total condominiums. The percentage sales for this class of condominium is 17.9 percent (less than a year); 5 percent (1-2 years); 46.2 percent (2-3 years); 22.5 percent (3-4 years); 8.4 percent (more than 5 years).

90.5 percent said location is the most important factor before making a purchase decision. There is a higher demand for condominiums in good locations. Table 10 shows preferred locations.

As reflected by the Table 10, projects that are situated near the town centre and in primary areas such as Damansara, Bangsar and Ampang area were highly in demand compared to the secondary areas such as Cheras, Jalan



Table 10: Preferred Location

Location	Percentage
Ampang	33.6
Bangsar	22.9
City Centre	9.2
Damansara	27.5
Jalan Ulu Klang	1.5
Jalan Tun Razak	1.1
Cheras	3.4
Others	0.8
Total	100.0

Table 11: Reasons For Preferred Location

Location	Rank	Percentage
Near City Centre	1	56.1
Near Working Place	2	46.9
Near Recreational Centre	3	43.9
Near Shopping Complexes	4	42.7
Near Amenities Centre	5	31.7

Table 12: Number Of Bedrooms Demanded

No. Of Bedrooms	Rank	Percentage
2	-	-
2 + 1	3	7.3
3	1	60.7
3 + 1	2	32.1

Tun Razak, Jalan Ulu Klang and others.

The figures above tally with the purchasers preferred locations that are near the city centre and the primary areas, due to their work places. Close proximity to the city and work place is therefore a main factor in making decision for purchase of condominiums. (Refer Table 11).

85.4 percent said that before they bought a condominium unit, they did consider if it is located near a prestigious area with a upper-class neighbourhood and has a good environment. Out of the 262 respondents, 41.2 percent made decision based on the above factor. 40.5 percent preferred to have facilities such as petrol kiosk, police station, fire brigade, and 18.3 percent preferred no heavy traffic.

A survey on the same group of condominium buyers also revealed that the 3 - bedroom units and 3 + 1 are the most popular among the types of unit design launched. (Refer Table 12).

At the same time, 66.4 percent preferred condominium development with penthouses whilst the rest did not. Most of the buyers preferred condominium projects with penthouses because this distinguishes condominiums from apartments. Apartments and flats in Malaysia do not have penthouses on top of the blocks.

Three-bedroom units are highly in demand and in terms of size, the most preferred built-up area is in the range of 1,200 to 1,400 sq. ft. (Refer Table 13). The result tallies with the technical guidelines issued by the Planning Department, City Hall of Kuala Lumpur which states that sizes must be above 1,000 sq. ft. for three-bedroom units.

53.4 percent said layout also influences their choice for up-market condominiums. One aspect of it is built-up area. 27.9 percent were of the opinion that built-up area influences the demand for up-market condominiums. Most of the purchasers preferred built-up areas between 1,201-1,400 square feet. Out of these, 41.2 percent preferred their living areas in the range of 141-160 square feet, 39.3 percent (121-140 square feet), 13.7 percent (above 161 square feet) and 5.7 percent (101-120 square feet).

19.6 percent said that floor layouts do influence the choice of condominium. 5.0 percent preferred more storage space, cupboards, and closets; 53.8 per-

cent preferred separate or more formal dining room; 11.5 percent liked the idea of having a balcony; 1.1 percent chose to have larger kitchens and 28.6 percent thought 'larger bedrooms' is important.

Besides layout, tenure also plays an important role in influencing the demand for up-market condominiums. 20.8 percent said tenures do affect the demand for condominium and the rest would rather have condominiums with freehold strata titles.

Another factor on demand for condominiums is view. 21.6 percent said that the reason for buying their condominiums was a good view. 53.8 percent preferred a beautiful scenery of natural green for their view, 23.3 percent would rather have a city view, and 22.9 percent liked the idea of facing the swimming pool. For the units that were purchased, 67.9 percent preferred units facing the morning sun, 17.6 percent would rather have the evening sun, and 14.5 percent chose no sunshine at all.

g) Fashion is a consideration: this is influenced by ethnic origins, personal preferences and general economic consideration. Why do people like to live in low-rise or high-rise condominiums? Since most spouses are working, it leaves little time for property maintenance. This therefore leads to preference to live in a place with proper maintenance is being taken care by a management board.

76.3 percent of condominium occupiers are normally of a small-household size, that is, with only one child and 85.4 percent said their preference for condominium living is due to improved urban environment; 70.9 percent liked the recreational and other facilities that are readily available in a condominium, 86.6

Table 13: Preferred Built-Up Area

Built-Up Area	Percentage
800 - 1,000 sq. ft.	0.4
1,001 - 1,200 sq. ft.	3.8
1,201 - 1,400 sq. ft.	52.7
1,401 - 1,600 sq. ft.	37.0
1,601 and above sq. ft.	6.1
Total	100

Table 14 : Preferred Recreational Facilities

Recreational Facilities	Rank
Parking Space	1
Swimming Pool	2
Function Hall	3
Tennis/Badminton Courts	4
Gymnasium	5
Sauna	6
Children Playground	7
Jogging Track	8
Gazebo	9

percent indicated the importance of the security aspect as well as easy access to their work places. The present scarcity of traditional domestic house maids too has contributed to this change in lifestyle.

Out of the 262 respondents interviewed, 70.9 percent said the reason for buying their condominium units was the facilities provided as well as the availability of 24 hour-security services. This obviously means that condominium facilities do influence the demand for condominiums.

Each condominium project has its own exclusive recreational facilities and amenities. This factor differentiates them from apartments and flats. Rank 1 shows that such factor was the most vital reason for the purchase of condominium and 9 is the least important factor influencing the demand. Table 14 shows which recreational facilities were highly preferred whilst Table 15 shows the amenities highly in demand.

Table 15 : Amenities Facilities Demanded

Amenities Facilities	Rank
24 Hours Guard/Surveillance	1
Automatic Sprinkler	2
Nursery	3
Free Club Membership	4
High Speed Modern Lifts	5
Mini Markets	6
Cafeteria	7
Launderette	8
BBQ Area	9

Besides the abovementioned factors, other factors that also influence the demand for up-market condominiums are their physical aspects such as the density, height, and floor layout area. 23.1 percent said that density does influence the demand for condominium and 41.6 percent preferred low density, 55.3 percent opted for medium density, and 3.1 percent chose high density.

Moreover, surrounding development also have an effect on demand for up-market condominiums. 73.7 percent preferred medium-density surrounding development (60-100 persons per acre). 25.2 percent chose low-density surrounding development (10-40 persons per acre), and 1.1 percent went for that of high density.(400 persons per acre).

In addition, demand for condominium is also influenced by its heights, as reflected in the replies of 82.7 percent of those interviewed. 28.6 percent preferred low-rise buildings (below 4 levels), 29.7 percent picked medium-rise constructions

(5 -10 levels), whilst the remainder chose high-rise (11 levels and above).

In Closing

From the above analysis, it can be derived that the main factors influencing demand for up-market condominiums can be categorised into eleven main categories (Refer Table 16). Rank 1 shows the most vital factor that influenced demand for up-market condominiums and Rank 11 is the least important factor.

The analysis thus provides useful information on factors influencing demand of condominium living. These have implications on developers not only in Kuala Lumpur but those in other newly industrialised and Third World cities which undergo rapid urbanisation.

Besides selecting good locations, developers should pay more attention to the physical features of a project. The amenities and recreational facilities provided, the overall project and unit design should all be carefully planned to ensure the success of a development. As the society becomes more affluent and its living standard improves, the demand for better quality housing is expected to increase.

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Table 16 : Main Category Factors That Influence Demand

Main Category Factor	Ranking
Location Of Development	1
Prestige Area And Better Environment	2
Investment	3
Management / Maintenance	4
Recreational Facilities / Professional Landscape	5
Price	6
Characteristics Of The Building	7
Financing	8
View	9
Marketing	10
Good Reputation Of The Developer	11