

Prospect Of Condominium Development In Johor Bahru

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Abstract

The aim of this paper is to provide some background of the condominium development in Johor Bahru. The prospect of future condominium development were analysed and factors affecting condominium market has been identified. The paper concludes with some findings that might affect the future condominium market in Johor Bahru.

1.0 INTRODUCTION

Condominium living gained popularity in Johor Bahru in the mid 80's. Development of condominium units is more intense in high density areas to encourage optimisation of land use.

Types of condominium development range from simple apartment catering 1 - 2 bedrooms to luxury apartments offering wide range of facilities such as swimming pools, squash courts, sauna and other recreational facilities. The market for condominium dwelling is influenced by a number of factors namely the location, facilities and design. The current market prices of condominium units range from RM 135,000 to above RM 1,000,000 per unit (RM 158 - RM 300 psf). Price varies according to location, size, type and facilities provided. Analysis of the demand, supply, market conditions and factors affecting it are given in the following section.

2.0 MARKET ANALYSIS OF CONDOMINIUM UNITS

Our analysis to assess the prospect of the condominium development involve 3 main aspects namely:

- a) Examination of the existing supply of condominium in the neighbouring area, b) Investigation on the future supply of condominium development.
- c) Determination of demand and projected growth for condominium units.

3.0 EXISTING SUPPLY OF CONDOMINIUM UNITS IN JOHOR BAHRU

Existing condominium units available (as shown in Appendix 1 - Location Plan) are centred mainly within the Johor Bahru City area. The encouraging demand experienced by existing developments have encouraged more of such developments to be carried out at the outskirts of the Johor Bahru area. At present, there are about 1,001 completed condominium units. Information on the existing occupied condominium units is set out in Table 1 below:

Table 1: Completed Condominium Units

SCHEME	No. of Units	Year Completed	Location
Sri Indah Court	24	1986	Jalan Abdul Samad
Casablanca Court	18	1988	Jalan Skudai, Straits View
Indera Putra Court	48	1988	Jalan Indera Putra, Stulang
Wisma Abad	62	1988	Jalan Harimau, Taman Century
Putri Indah Court	28	1991	Jalan Indra Putra, Stulang
Frinza Court	95	1992	Jalan Abdul Samad
Stulang View	176	1992	Jalan Kuning, Taman Pelangi
Regency Park	27	1993	Jalan Petri
Vista Heights	28	1993	Jalan Mariamah
Palm Garden	38	1993	Jalan Mariamah
Sri Mulia	38	1993	Jalan Abdul Samad
Pelita Indah	125	1993	Jalan Pelita
Putri Indah Court	60	1993	Jalan Indra Putra
Aloha Towers	234	1994	Jalan Kolam Air
TOTAL	1001		

Source: MBBJ, Planning Department
Setiausaha Cawangan Perumahan (Kementerian
Perumahan dan Kerajaan Tempatan)

The encouraging sales performance experienced by existing condominium developers have encouraged other developers to turn to condominium development. Some of the new development of condominium units are discussed below.

4.0 INVESTIGATION ON NEW CONDOMINIUM DEVELOPMENT IN JOHOR BAHRU

Investigation on new and proposed condominium development need to be carried out as it will have an impact on the marketability of the proposed development. Enquiries (in August 1994) from various authorities (e.g. MBBJ and State Planning Department) revealed that there are about 7 projects still under construction while 6 others have been approved for condominium development. The projects under construction are expected to be ready in 1995. This will give an additional supply of 3,166 condominium units. Table 2 shows the condominium developments which are under construction.

Table 2: Condominium Development Under Construction

SCHEME	No. of Units	Year Completed	Location
Indah Samudera	176	1994	Jalan Sri Gelam
Sri Kurnia	50	1994	Taman Maju Jaya
The Straits View	120	1995	Taman Permas Jaya
Bukit Saujana	1565	1995	Jalan Yahya Awal
Wadihana	170	1995	Jalan Mohd Taib
Baiduri Villa	1006	1995	Jalan Tampoi Utama
Octville Sri Alam	79	1995	Jalan Masai-Plentong
The Habitat	73	1997	Jalan Abdul Samad
Total	3239		

Source: MBBJ, Planning Department
Setiausaha Cawangan Perumahan (Kementerian Perumahan dan Kerajaan Tempatan)

Apart from the existing condominium and under construction projects, there are other proposed condominium development. Searches have revealed that there are 6 more projects which have obtained development order. The proposed schemes are shown in Table 3 below:

Table 3: Condominium Development Which Have Obtained Development Order

SCHEME	No. of Units	Target Year For Completed	Location
Tanjung Puteri	264	1995	Stulang Laut
The Straits View	586	1996	Bandar Baru Permas Jaya
Metro Larkin	90	1995	Larkin
Villa Meridian	172	1996	Jalan Sungai Chat
Starhill Condo	688	1996	Jalan Kempas Lama
Bukit Mewah Condo	280	1996	Taman Bukit Mewah
Total	2080		

Source: MBJB, Planning Department
Setiausaha Cawangan Perumahan (Kementerian
Perumahan dan Kerajaan Tempatan)

These approved projects will cause an additional increase of about 2080 units by 1997. It is anticipated that by the year 1997 there will be a total supply of 6310 condominium units in Johor Bahru.

5.0 ESTIMATED DEMAND FOR CONDOMINIUM DEVELOPMENT

Demand for condominium development can be indicated by the taken up rate of available units. For the purpose of determining the demand, the sales performance for 2 periods are examined. This is to establish the relationship that will have an effect either directly or indirectly on the demand for condominium units.

1983 - 1990

Between these years a total of five (5) condominium schemes were developed. All of these five projects experienced 100 percent sales although during the recession period of 1985 - 1987 sales were rather slow. Sales began to pick up in 1988 when the economy recovered.

1990 - 1994

The encouraging sales experienced by the developers after 1987 have led to more condominium units being built. During these periods about 10 more condominium development were carried out. This add the supply to another 539 units ready for occupation. Some of the sale performance experienced by the developers on completed projects and those under construction are given in Table 4 below:

Prospect of Condominium Development in Johor Bahru

Table 4: Take Up Rate of Completed Condominium Units in Johor Bahru

Scheme/Location	No. of Units	Sales Performance	Price per unit (RM psf)
Sri Kurnia	50	60%	345,000 - 502,500 (230 - 280)
Putri Indah	32	10%	439,500 - 492,500 (239 - 270)
Pelita Indah	125	30%	322,100 - 569,200 (223 - 296)
Octville Seri Alam	79	70%	* NA
Putri Court		100%	135,000 - 180,000
Sri Mulia	38	* NA	593,200 - 1,049,000 (247 - 280)
Indah Samudra	184	80%	372,000 - 717,000 (271 - 327)
Aloha Tower	234	100%	446,000 - 545,000 (270 - 320)
Bukit Saujana (Malay Reserved)	1565	97%	75,000 - 135,000 (83 - 111)

* NA - Not Available

Analysis on the sales performance experienced by developers indicates that few factors have contributed to the encouraging sales of the units. The first factor that has been identified is the location. Both Indah Samudra and Aloha Towers have disposed 80% and 100% respectively of the units available. Both schemes are located within the city of Johor Bahru and have the advantage of the sea view on certain part of the development.

Another prominent feature that has contributed to the high take up rate of the condominium units is the price offered for each unit. It is observed that Octville Condominium in Plentong, Bukit Saujana and Putri Court have most of the units sold although these developments are located away from Johor Bahru City. Both schemes offered lower prices as compared to other schemes and it is affordable by people residing in Johor Bahru.

A look at the profile of the purchasers, as quoted by Rahim & Co.'s 1993 Report, revealed that 35% of the purchasers are professionals, businessmen and senior executives, 30% investment firms/bodies, 20% are housewives, 10% are foreign investors, businessmen and expatriates and 5% are senior government officials and royalties, with an average annual earning capacity of RM 80,000 and above. Evidence showed that majority of the Johor Bahru City dwellers have an annual income of less than RM50,000.00. This indicates that only a small portion of the local population can afford to purchase condominium units which are priced above RM 130,000.00.

6.0 FUTURE TRENDS IN DEMAND FOR CONDOMINIUM

To forecast the expected demand of the condominium units, it is necessary to examine the following factors:

Condominium dwelling is more attractive to foreign investors as compared to the local. As such the first factor that might have an impact on sales of condominium units is restriction on foreign ownership. According to the FIC rulings, there is no restriction on the purchase of condominium or apartment worth RM300,000.000 per unit while apartment worth RM80,000.00 - RM299,999.99 per unit can be purchased either for owner occupation and for rent.

The Johor State rules restrict ownership of foreigners on condominium units up to 30% on each development. However this rule is again subject to the states decision on each scheme. In other words, there is no clear cut decision as to the limitation of foreign ownership on condominium development. With this release on the restriction on foreign ownership it is expected that condominium units are more saleable.

The overall economic performance of the State is another factor that can generally affect the purchase of condominium properties. The continuous growth of the economy of the State will add to the affordability of the people. With greater purchasing power and the changing of lifestyle it is anticipated that more units will be taken up.

Condominium units are bought mainly for own occupation or for investment. In terms of investment the return obtained from the letting of the condominium units is very encouraging. The yield derived by some of the owners are shown below:

Table 5: Yield Received From The Condominium Investment

Scheme	SalePrice	Gross rent	Average(permonth)	NetYield
Inderaputra Court	350,000	4,500	10.80	
Frinza Court	200,000	2,500	10.50 Court	

Source: Rahim & Co.'s 1993 Report

The good return obtainable from the units might have encouraged people to purchase condominium units

for investment as evidenced by the high take up rate.

The shortage of land in Johor Bahru for residential development is another factor that would add demand for condominium unit. City residents will have limited choices and will resort to condominium living.

Based on the above findings and discussion, it is anticipated that future demand for condominium units is very promising.

7.0 CONCLUSION

Based on the study of demand and supply factors that are affecting condominium developments in Johor Bahru City, it can be concluded that there are demand for condominium units in Johor Bahru provided that it is strategically located such as within the Johor Bahru City Centre or having the sea front view.

Secondly, developers could encourage sales performance by building various units to cater for a greater range of income groups. Emphasis should be concentrated to units affordable to the locals while a few units (10% - 30%) to be developed to cater for foreign business expatriates. Studies carried out indicated that condominium units offering prices in the range of RM150,000 - RM300,000 experienced encouraging sales although located in the suburbs. Condominium units which are priced at RM500,000 - RM1,000,000 also experienced encouraging sales however some special features of the development should be attached to it.

REFERENCES

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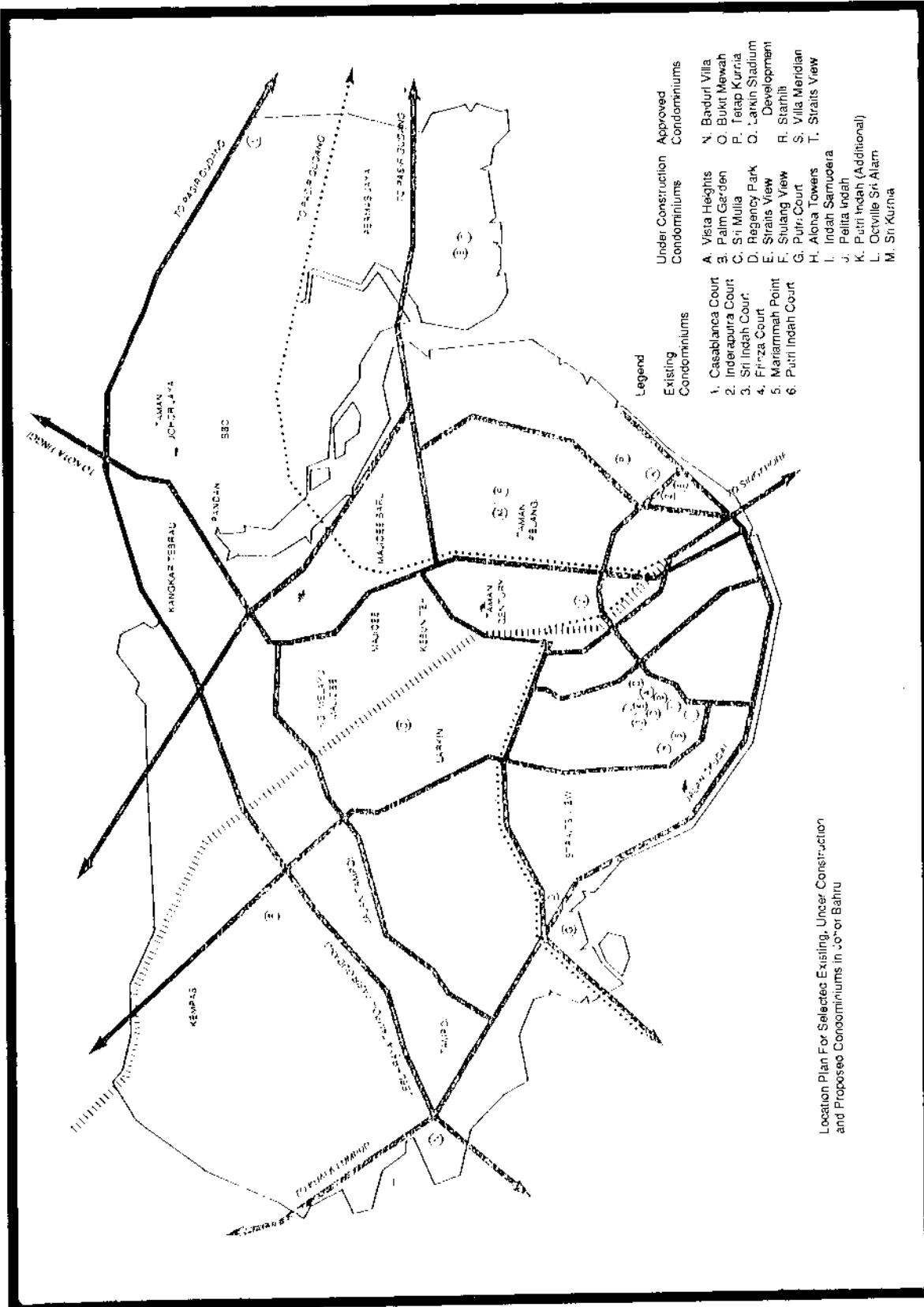
He received the Diploma in Valuation from Universiti teknologi Malaysia and his first degree from the University of Heriot-Watt, Scotland in 1983 and 1985 respectively. Then in 1988 he obtained Post Graduate Diploma in Computer Science from UTM, and M.Sc in Computer Science also from UTM in 1991. At present he is an academic staff in Department of Real Estate

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Location Plan For Selected Existing, Under Construction and Proposed Condominiums in Johor Bahru