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**THE EDGE** Rahim&Co **Kota Kinabalu Housing Property Monitor (3Q2011)**

# Prices on secondary market continue to rise

by E Jacqui Chan

Future economic growth in Kota Kinabalu, Sabah, will be anchored by several key projects initiated at both state and federal levels. Economic growth will attract more foreign companies which, in turn, will boost the property market. Modern and vibrant mixed-use and commercial developments as well as quality residential facilities, both landed and stratified projects, will help position Kota Kinabalu as a new metropolis in Malaysia, says Saleha Yusoff, head of research at Rahim & Co, when presenting *The Edge/Rahim & Co Kota Kinabalu Housing Property Monitor* for 3Q2011.

"The synergy between the Sabah Economic Development and Investment Authority and the Performance Management and Delivery Unit (Pemandu) is expected to strengthen Kota Kinabalu's position as a favourite investment destination, particularly for the tourism, agriculture and palm oil sectors," she adds. Other sectors being explored include oil, gas and energy, healthcare and communication content and infrastructure. Sabah Chief Minister Datuk Seri Panglima Musa Aman had highlighted that the Sabah Development Corridor (SDC) will be aligned to suit the aspirations of the Economic Transformation Programme (ETP). The programmes and projects that have been identified will leverage Sabah's rich natural resources and strategic location in the South China Sea, and help transform agriculture into "agri-business" by moving towards an inclusive model anchored in market-centricity, economies of scale and value chain integration.

Tourist arrivals in Kota Kinabalu are expected to see an increase with the establishment of world-class resorts in Karambunai and Pulau Gaya. The RM6.5 billion integrated eco-resort in Karambunai is expected to generate 50,000 new job opportunities, while the development of the RM75 million luxury villas in Pulau Gaya by YTL Corp Bhd will establish Sabah as a premier luxury holiday destination in Southeast Asia.

"The higher influx of high-spending tourists will create a significant economic chain reaction," says Saleha, adding that with more high-spending tourists, hotel room rates are expected to rise.

The "open sky policy" has tremendously improved direct air connectivity between Kota Kinabalu and other international airports. Currently, Kota Kinabalu International Airport has a direct connection to major cities such as Brunei, Hong Kong, Shenzhen, Jakarta, Tokyo, Osaka, Seoul and Singapore. With frequent flights available, coupled with several tourism-oriented projects in the pipeline, more international tourists are expected to arrive in Kota Kinabalu, particularly South Koreans. Currently, 14 out of 35 flights from South Korea to Malaysia connect directly to Kota Kinabalu.

Sabah is expected to contribute significantly to Malaysia's economic growth with a 12.8% share of foreign investment under the 10th Malaysia Plan. Private-sector initiatives driving Sabah's economy will continue, steered by both the SDC and Pemandu.

**Climbing values**

Sampling from the property monitor shows prices and rental values of residential units on the secondary market rising. Sampling for 3Q2011 shows that the values for 2-storey terraced houses rose an average 8.95% from a year ago, an increase of 2.22%.

Saleha notes that maturing residential areas continue to enjoy a higher y-o-y capital appreciation rate, with Millennium Height coming out on top with 14.29% growth. Other areas hover between 5% and 10.94%. However, on a q-o-q basis, capital appreciation for Millennium Height was unchanged compared with 2Q2011.

Highest price growth was recorded by Ujana Kingfisher and Taman Jindo, with 8.33% and 4.84% q-o-q growth respectively. "Since 1Q2011, Ujana Kingfisher and Taman Jindo's capital appreciation has not been attractive. But as the two schemes mature, along with the commercial areas in both schemes and higher asking prices in similar schemes in close proximity, the asking prices in Ujana Kingfisher and Taman Jindo are now climbing," says Saleha.

Golden Hill Garden is also showing stagnant growth, from 2Q2011, although well-renovated units in this high-end residential scheme can still command higher prices on the secondary market.

"Golden Hill Garden and Luyang Perdana are still the preferred choice for foreigners. With strong and steady demand for both occupation and investment from local and foreign buyers, we are positive the prices of their 2-storey terraced houses will continue to appreciate," says Saleha.

For standard 1-storey terraced houses, Taman Tuan Huat takes the lead with 8% appreciation from the previous quarter, followed by Taman Sri Kepyayan with 5%. Saleha notes that most buyers are locals.

The high-end condominium market has been on a constant and steady climb. Y-o-y comparison shows an average capital appreciation of 1%

to 6%. An outstanding performer would be Alam Damai, which obtained its Occupation Certificate in July, having registered a capital appreciation of 6% y-o-y, bringing its asking price to between RM350 and RM400 psf.

Saleha points out that all of the top performers are located within strategic as well as matured residential areas. Based on market observation, owners tend to price their houses on the secondary market at a rate similar to newly-launched houses.

She cites Alam Damai as an example; the development was selling at below RM300 psf when it was launched two years ago but is now commanding

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**Kota Kinabalu rents (1Q2007-3Q2011)**

**Selected 2-storey terraced development schemes**

RENTAL (RM PER UNIT / MONTH)	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Ujana Kingfisher	600	650	800	900	900	900	900	900	900	900
Taman Indah Permai	600	700	750	850	850	850	850	850	850	850
Luyang Perdana	950	1,000	1,100	1,200	1,200	1,200	1,200	1,200	1,400	1,400
Taman Jindo	750	800	850	1,100	1,100	1,100	1,100	1,100	1,200	1,200
Taman Sri Borneo	800	850	1,000	1,100	1,100	1,100	1,100	1,100	1,300	1,300
Millenium Height	800	900	1,000	1,200	1,200	1,200	1,200	1,200	1,300	1,300
Golden Hill Garden	NA	1,400	1,500	1,500	1,500	1,500	1,500	1,500	1,700	1,700

**Selected 1-storey terraced development schemes**

RENTAL (RM PER UNIT / MONTH)	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Taman Tuan Huat	700	750	700	800	800	800	800	800	850	850
Taman Sri Kepyayan	800	850	900	950	950	950	950	950	1,000	1,000
Taman Nelly Ph 9	NA	800	900	1,000	1,000	1,000	1,000	1,000	1,000	1,000

**Selected condominium development schemes**

RENTAL (RM PSF/MONTH)	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Jesselton Condo	NA	NA	1.67	1.73	1.73	1.73	1.73	1.87	1.93	1.93
Marina Court	1.54	1.69	1.85	1.92	1.92	1.92	1.92	1.92	1.92	1.92
Bayshore Condominium	1.06	1.06	1.06	1.22	1.22	1.22	1.22	1.22	1.22	1.22
Alam Damai	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1 Borneo Condominium	NA	1.01	1.21	1.21	1.21	1.21	1.21	1.21	1.31	1.31
Likas Square	1.19	1.26	1.41	1.48	1.48	1.48	1.48	1.48	1.48	1.48
Radiant Tower	1.38	1.46	1.54	1.62	1.62	1.62	1.62	1.69	1.69	1.69
The Peak Condominium	NA	1.80	2.00	2.10	2.10	2.10	2.10	2.20	2.30	2.30

**Kota Kinabalu capital values (1Q2007-3Q2011)**

**Selected 2-storey terraced development schemes**

CAPITAL VALUE (RM '000/UNIT)	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Ujana Kingfisher	230	270	280	300	300	300	300	300	300	325
Taman Indah Permai	190	200	210	240	245	250	260	260	270	275
Luyang Perdana	300	330	350	380	400	400	400	410	410	420
Taman Jindo	210	235	260	290	300	300	300	300	315	325
Taman Sri Borneo	280	290	310	320	320	320	330	330	350	355
Millenium Height	240	250	260	270	280	280	280	290	320	320
Golden Hill Garden	NA	390	450	500	520	520	530	530	550	550

**Selected 1-storey terraced development schemes**

CAPITAL VALUE (RM '000/UNIT)	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Taman Tuan Huat	165	170	170	185	190	190	200	200	200	205
Taman Sri Kepyayan	180	180	185	220	220	220	220	220	230	230
Taman Nelly Ph 9	160	190	210	230	250	260	260	260	270	270

**Selected condominium development schemes**

CAPITAL VALUE (RM PSF/UNIT)	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Jesselton Condo	NA	NA	3.25	3.80	4.00	4.00	4.00	4.00	4.10	4.10
Marina Court	315	355	340	440	440	435	450	450	450	450
Bayshore Condominium	275	290	310	335	335	335	335	335	335	340
Alam Damai	NA	NA	NA	290	310	340	340	340	360	360
1 Borneo Condominium	NA	210	270	270	270	270	275	275	275	280
Likas Square	225	230	235	240	250	280	280	280	280	285
Radiant Tower	250	260	300	330	350	350	350	350	360	370
The Peak Condominium	350	280	300	400	430	430	430	440	440	440

Note: Prices shown are averaged and based on transacted deals. Rents shown are averaged and based on asking rents observed for unfurnished units. Relevant adjustments have been made where necessary for variations in size, specific location, design, condition and improvements made.

Kota Kinabalu yields (1Q2007-3Q2011)

Selected 2-storey terraced development schemes (%)

	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Ujana Kingfisher	3.13	2.89	3.43	3.60	3.60	3.60	3.60	3.60	3.60	3.32
Taman Indah Permai	3.79	4.20	4.29	4.25	4.16	4.08	3.92	3.92	3.78	3.71
Luyang Perdana	3.80	3.64	3.77	3.79	3.60	3.60	3.60	3.51	4.10	4.00
Taman Jindo	4.29	4.09	3.92	4.55	4.40	4.40	4.40	4.40	4.65	4.43
Taman Sri Borneo	3.43	3.52	3.87	4.13	4.13	4.13	4.13	4.00	4.46	4.39
Millenium Height	4.00	4.32	4.62	5.33	5.14	5.14	4.97	4.97	4.88	4.88
Golden Hill Garden	NA	4.31	4.00	3.60	3.46	3.46	3.40	3.40	3.71	3.71

Selected 1-storey terraced development schemes (%)

	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Taman Tuan Huat	5.09	5.29	4.94	5.19	5.05	5.05	4.80	4.80	5.10	4.98
Taman Sri Kepayan	5.33	5.67	5.84	5.18	5.18	5.18	5.18	5.18	5.22	5.22
Taman Nelly Ph 9	NA	5.05	5.14	5.22	4.80	4.62	4.62	4.62	4.44	4.44

Selected condominium development schemes (%)

	1Q07	1Q08	1Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Jesselton Condo	NA	NA	6.15	5.47	5.20	5.20	5.20	5.60	5.66	5.66
Marina Court	5.86	5.72	6.52	5.24	5.24	5.31	5.13	5.13	5.13	5.13
Bayshore Condominium	4.61	4.37	4.09	4.38	4.38	4.38	4.38	4.38	4.38	4.31
Alam Damai	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
1 Borneo Condominium	NA	5.77	5.39	5.39	5.39	5.39	5.29	5.29	5.73	5.63
Likas Square	6.32	6.57	7.19	7.41	7.11	6.35	6.35	6.35	6.35	6.24
Radiant Tower	6.65	6.75	6.15	5.87	5.54	5.54	5.54	5.80	5.64	5.49
The Peak Condominium	NA	7.71	8.00	6.30	5.86	5.86	5.86	6.00	6.27	6.27

No significant change in rents

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ing between RM400 and RM450 psf, which is the selling price of new similar products.

"Also some of these developments such as Millenium Height were launched at rather low prices, hence the larger margin in terms of capital growth," says Saleha. Asking rents and yields showed no significant changes in 3Q2011 compared with 2Q2011.



Saleha: Positive growth in prices and capital appreciation is expected in Kota Kinabalu in the next two quarters

The robust oil palm industry has put money in shareholders' pockets, which are later mostly invested in properties. As such, Saleha expects positive growth in prices and capital appreciation in Kota Kinabalu in the next two quarters.

"Having said this, the rising cost caused by scarcity of land and increasing material prices are expected to keep pushing up the selling price of new properties," says Saleha.

"Take-up rates are good for recent launches but Saleha notes that there are concerns that most properties will be out of the reach of most young families due to their increasingly high prices.

The quarter saw the launch of the 135-unit Jade Residence, a high-end condominium project by Sara Timur Sdn Bhd. It offers 24-hour security surveillance, landscaped gardens, a sky garden and other standard condominium facilities. Targeted at young professionals, built-ups start from 1,484 sq ft and is priced from RM475 psf.

The development is located within the Damai area, which is considered an elite residential area that caters for middle to high-income earners. High-end condominium located here are Jesselton Condominium and Alam Damai, both of which are performing very well in the secondary market.

"An informal enquiry with the developer reveals that this project has seen a take-up rate of 30%," says Saleha.

Gross yield performance of residential properties in selected schemes in Kota Kinabalu (1Q2007-3Q2011)

