



Demand for residential rental property rebounds, grows 1.9% in first half of 2021: iProperty.com.my

PETALING JAYA: Residential rental property demand shows positive year-on-year (y-o-y) growth in first-half 2021 (H1'21), increasing to 1.9% from -5.6% in H1'20, according to iProperty.com.my.

Its data showed that growth in user visits outperformed growth in rental property listings in H1'21.

The increase is due to significant y-o-y jump in demand for terrace homes at 14.1% while that for serviced residences was 8.0%. This is an interesting shift from H1'20 when condominium was the most in-demand residential rental property.

iProperty.com.my customer data solutions & quality general manager Premendran Pathmanathan said the Covid-19 pandemic started the trend of property seekers looking for bigger living spaces.

“As a result, terrace houses became the most popular property type in H1'21. Moreover, H1'21 continued to favour tenants as renting makes more financial sense due to a lower monthly commitment when compared to purchasing the same property, especially in times of high unemployment.

“Indeed, many landlords are absorbing some of the income shocks and are pricing down their rental units as they compete to attract a limited pool of financially stable tenants,” he said in a statement following its virtual conference for the bi-annual iProperty.com.my H1'21 portal demand analytics (residential rental market).

Some notable business and residential hubs in Kuala Lumpur and Penang have experienced double-digit y-o-y demand growth. These areas include Mont Kiara, Mid Valley City and Kuala Lumpur City Centre in Kuala Lumpur and Pulau Tikus, George Town, and Bukit Mertajam in Penang.

Rental yields across all building types have dipped. In 2020, the pandemic supported a tenant's market, putting renters in a good position to negotiate rental prices. This trend continued in H1'21 where the drop in asking rental prices was higher than the decline in asking sale prices, thus reducing the rental yields.

The rental yield for terraced houses decreased to 2.9% from 3.3% in H1'20. Meanwhile, the rental yield movements for condominiums and serviced residences have declined by 0.3% and 0.2% respectively, whereas that for apartments has been stable at 4.4%

Kuala Lumpur's y-o-y rental demand has improved from -2.9% to 2.6% in H1'21. The affluent suburb of Damansara Heights is the most in-demand area in Kuala Lumpur. Most rental visitors were looking at bungalows and semi-Ds priced above RM5,000 (3,000 sq ft and above). Other affluent suburbs in Kuala Lumpur such as Mont Kiara, Bangsar, Desa ParkCity, KL Sentral and Sri Hartamas saw more than 10% y-o-y demand growth and generated rental prices above Kuala Lumpur's median rental price of RM2,000. Meanwhile, in Pantai, visitors were interested in condominiums and serviced residences priced between RM2,500 and RM5,000 (1,000-1,500 sq ft).

In terms of preferred property types in Kuala Lumpur, many renters were looking for condominiums and serviced residences priced between RM1,500 and RM2,000 (1,000-1,200 sq ft). Apartment units priced between RM1,000 and RM1,500 (700-1,000 sq ft) were also popular.

Selangor was the only major state to record a decline in overall rental demand in H1'21 with a 1% y-o-y drop. However, the decline was attributed to a slight increase in rental property listings, which surpassed user visits. Based on National Property Information Centre (Napic) Q2'21 data, condominiums and serviced residences account for the highest overhang residential properties in Selangor, at 2,019 units and 2,025 units respectively. Nevertheless, the rental prices of terrace houses have held steady at RM1,700, in line with a strong 25.5% y-o-y demand, particularly for spacious and affordable units in suburban areas.

Rawang is the most in-demand area in Selangor with a 57% y-o-y demand growth. Together with Rawang, Tanjong Dua Belas had many rental visitors looking at terrace houses priced between RM1,000 and RM1,500 (1,500-2,000 sq ft). One area that is gaining popularity is Setia Alam, mainly contributed by the workers of several prominent glove manufacturing factories looking for affordable high-rise accommodation in the area priced between RM700 and RM1,000 (700-1,000 sq ft).

Penang's overall rental property demand recovered from -13.7% in H1'20 to register a 1.8% y-o-y growth. However, condominiums still registered negative y-o-y demand at -5.1% as the increase in rental property listings far surpassed the rise in user visits. According to Napic, Penang had a significant condominium overhang with 4,163 units as of Q2'21.

"On the pricing front, the state's median rental dropped by RM100 to RM1,400. Serviced residences, in particular, recorded a significant decline from RM2,500 in H1'20 to RM1,300 in H1'21. The drop was due to reduced rental property listings on the island and an increase of affordable serviced residence listings on the mainland in Perai, Simpang Ampat and Bukit Mertajam. The rentals for such units in these areas are between RM1,000 and RM1,500.

"Simpang Ampat is the most in-demand area in Penang, with many rental visitors interested in condominiums and serviced residences priced between RM700 and RM1,000 (700-1,000 sq ft). Meanwhile, in Bukit Mertajam, the second most in-demand area in Penang, visitors were browsing for apartments, serviced residences and terrace homes priced between RM700 and RM1,000 (1,000-1,250 sq ft)," the report said.

Johor's rental property demand jumped to 6.6% from -19.5% in H1'20, while median rental prices dipped by RM200 to RM1,200. Similar to Penang, condominiums and serviced residences recorded the most significant drop in pricing, with a RM300 decline from H1'20 to RM1,200 in H1'21. According to the Statistics Department, the percentage of people staying in their own property in the Johor Baru district decreased from 73.2% in 2014 to 69.7% in 2019, while the percentage of renters increased from 23.4% to 28.4% in the same period.

As the most in-demand area in Johor, Pasir Gudang had rental visitors looking for terrace houses priced between RM1,000 and RM1,500 (1,500-2,000 sq ft). Coming in second is Ulu Tiram, which had visitors browsing for apartments priced between RM700 and RM1,000 (700-1,000 sq ft) and terrace houses priced between RM1,000 and RM1,500 (1,500-2,000 sq ft).

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