

# House prices to **rise** moderately

> **CH Williams Talhar & Wong projects 8%-10% increase this year**

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**KUALA LUMPUR:** Potential buyers looking for property prices to ease this year will be disappointed, according to CH Williams Talhar & Wong which expects prices to go up by 8%-10%.

"If anyone wants to invest and is hoping for prices to ease overall, I don't think it will happen at all. Prices would still be going up. Perhaps people should look into the secondary market as there are still some good purchases hidden in some locations," its managing director Foo Gee Jen said.

He expects house prices to grow moderately this year though, as opposed to the unsustainable price increases of 15% to 18% the property market saw last year.

"Last three to five years, you see property prices in the residential market in the Klang Valley grow 15% to 18% every year. So we've moved to a level of very high prices, which is unsustainable. Gross domestic product (GDP) growth was only about 5% to 6%.

What's the real growth of salaries? On average 5% to 7%.

"So how are we going to support that when property prices have grown double of salaries (comparing 7% salary growth with 15% property price growth)?" he questioned.

"With government measures, which I believe should be done on a staggered basis, we can see the impact now. I think the level of sustainability can be maintained because even if property prices increase about 10%, which is about 2% more than salary growth, it is still sustainable and 10% is a healthy level of growth in terms of residential market," Foo told reporters at the CH Williams Talhar & Wong property outlook briefing yesterday.

He said while property prices in the Klang Valley, Johor and Penang will grow more, smaller towns will see 5% to 8% growth, which is in line with the increase in salaries.

For most sectors, price increases will be below 10% but for the industrial sector, Foo said, growth will be between 10% and 15%. In terms of transaction volume, it will drop 10% this year, in line with the decreasing trend from last year where the volume of transactions fell 14%.

"The bulk (of transaction volumes) is in the residential segment where speculators

are now more careful with the government's cooling measures. Capital values will rise but volumes will drop but, we will see an uptake in the second half of the year.

"There will always be speculators but whoever wants to speculate now would have to have deeper pockets than before, to hold much longer," he added.

On the government's cooling measures, Foo said the stricter loan guidelines have made the biggest impact, especially on the luxury residential segment.

"Landed property, from what I gather, there's not much issue there. I think the sentiment among the financial institutions concurs with the findings of most consultants that landed property will continue to grow due to scarcity of land. But generally in terms of high-end products, the so-called condo, SOHO (small office home office) and SOVO (small office versatile office), there's a concern of an oversupply situation," he said. As for the implementation of the goods and services tax (GST) in April 2015, Foo said the perception that property prices will rise with GST may spur investors to buy this year, which in turn will push prices and demand up, balancing out the slow down during the first half of 2014.

"Even though the government said

residential property will be zero-rated, I believe there is still a lot of grey area in some of the taxes, how are they going to input, especially the material cost. Eventually there may be still some element of increase. So GST is not entirely zero-rated for residential property.

"There's also a question of uncertainty as to how they are going to apportion the GST with regard to an integrated project. Nowadays it is very common to have many components within one project. If you're going to zero-rate, will the piling works for the integrated project be zero-rated, because there's also a commercial component. This is still a grey area, yet to be seen how government is going to resolve this issue."

Overall, Foo said, the impact is very much on short-term players while genuine buyers (owner-occupiers) and long-term players who buy for long-term rent will not be affected much by the cooling measures.

"This is a knee-jerk effect, people are concerned about what will happen so it's a wait-and-see situation at the moment. I believe by the second quarter or latest by first half of the year, people will realise they can't wait anymore. They still need to push ahead and make decisions on their investments."

## RAM Ratings keeps stable outlook on banking system

**PETALING JAYA:** RAM Rating Services Bhd (RAM Ratings), which maintained its stable outlook on the local banking system, expects a moderate loan growth of between 8% and 9% in 2014, compared to 11% in 2013.

Its co-head of financial institution ratings Wong Yin Chin said the pace of retail loan growth, particularly residential mortgages is envisaged to ease amid weaker consumer sentiment on the heels of further subsidy rationalisation and Bank Negara Malaysia's macro-prudential measures.

She added however that business loan growth will be sustained by a rebound in exports and the roll-out of various government pump-priming projects will drive credit. In addition, Wong said Islamic banks are expected to maintain their double-digit growth given their smaller base.

RAM Ratings co-head of financial institution ratings Sophia Lee said the credit rating quality of the banking system is expected to stay resilient despite its expectation of a 25-basis point interest rate hike in the second half 2014 to anchor inflationary expectations.

"We believe that interest rates will still

remain accommodative to borrowers. We also do not expect the banking system's gross impaired-loan ratio to exceed 2.1%, a level which is still healthy. BNM's latest directive to banks to set aside a minimum collective assessment ratio (including regulatory reserves) of 1.2% will further enhance banks' loss-absorption capacity," said Lee.

She said the rating agency does not see high household debt levels posing any systemic threat to the financial system given Malaysia's healthy economy growth and low unemployment rate.

"BNM has been tightening lending rules since end-2010. We expect the regulator to maintain a focused and gradual approach to managing household debt levels," she said.

Lee said Malaysia's household debts came up to 86% of gross domestic product as at end-December 2013. She said the banking industry's loans-to-deposits ratio is expected to stay comfortable at around 80% this year, which will allow banks to continue supporting credit expansion.

The rating agency expects banks to be able to meet the minimum Basel III liquidity coverage ratio of 60% by 2015, she said.

## High Court affirms duo's conviction on Suremax share manipulation

**PETALING JAYA:** The Kuala Lumpur High Court has dismissed the appeal by Datuk Phillip Wong Chee Kheong and Francis Bun Lit Chun and affirmed their conviction for their involvement in the manipulation of Suremax Group Bhd shares.

In a statement yesterday, the Securities Commission Malaysia (SC) said Wong, 52, and Bun, 43, were found guilty under Section 84 of the Securities Industry Act 1983 for the manipulation of Suremax shares between Nov 24 2004 and March 22, 2005.

They had committed the offence by executing trades in nine accounts that did not involve any change in the beneficial ownership of the said shares, thus creating a misleading appearance of active trading in Suremax shares on Bursa Malaysia.

Both, who testified when their defence was called, were charged on Oct 25, 2005. The prosecution called 38 witnesses.

Justice Kamardin Hashim, in upholding the conviction by the Sessions Court in January 2011, stated that the trial judge did not err when she found that the witnesses called by the prosecution were credible.

He said the trial was conducted fairly and that there was no prejudice to both appellants during the conduct of the trial.

The High Court will determine the sentence to be imposed on March 27, 2014 and ordered that bail be increased to RM500,000 for each appellant while awaiting the outcome of the appeal against their respective sentences.

Wong and Bun face a jail term of up to 10 years each.

The Sessions Court in 2011 sentenced Wong to 24 months' jail and a fine of RM3 million while Bun was sentenced to three months' jail and a fine of RM2 million.

The SC said it views the decision positively given that market manipulation is a serious form of market abuse.

"The SC consistently monitors market abuse activities and will continue to apply its enforcement powers against persons who are found to have violated the law. It reiterates its position that it is committed to pursue the enforcement of such offences to ensure that the integrity of the capital market is preserved," it added.

### BRIEFS

#### CYPARK WINS BUILDING CONTRACT WORTH RM17.8M

**PETALING JAYA:** Cypark Resources Bhd has won a RM17.8 million 12-month contract for the construction of the first two phases of a private school's main building in Johor Baru from Fairview International School Nusajaya Sdn Bhd. In a filing with Bursa Malaysia, Cypark said the contract is expected to contribute positively to the earnings of the company for the financial year ending Oct 31, 2014 and will not have any effect on its share capital or shareholdings.

#### ANGKASA AIMING FOR RM500M TURNOVER

**KOTA BARU:** The National Cooperative Movement of Malaysia (Angkasa) is aiming to generate a turnover of RM500 million this year with the participation of 500 schools nationwide under the School Cooperative Empowerment Programme.

President Datuk Abdul Fattah Abdullah said the programme offers early exposure to students to the world of retailing, entrepreneurship and leadership. A total of 2,300 schools are members of Angkasa. - Bernama

#### UMW TOYOTA ROLLS OUT NEW VARIANT OF CAMRY

**PETALING JAYA:** UMW Toyota Motor introduced a new variant of Toyota Camry, the Toyota Camry 2.0G X that comes with combination smooth dark brown leather seats, rear side sunshade and power rear sunshade, navigation system with reverse camera, 17-inch dark silver alloy rims and dark bezel headlamps. On-the-road prices for the Toyota Camry 2.0G X in Peninsular Malaysia are RM159,900, Sabah RM161,379.60, Sarawak, RM161,429.60, Langkawi RM105,900 and Labuan RM106,760.50.