

Understanding the link between property prices and location

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When looking at the property market in general, most buyers and renters base their decisions on price. Well, except for those who can afford to live anywhere they wish.

In most cases, how much one earns on a monthly basis determines where one can afford to buy a property.

Wish to set-up home right next to KLCC? Make sure you're a successful businessman. Otherwise, aim to own a property with a view of KLCC instead. The further away a property is located from this view, the more affordable it will be.

Here are four reasons why buying property further from the city centre is still a good option:

1. Further means less current demand

This is why the prices people are willing to pay will usually be lower (gross or price per sq ft) than if they were to buy somewhere already popular and in high demand.

This is true for both high-rise or landed homes. New townships will usually start with landed homes, and high-rise structures will follow when the area's popularity and population starts to rise.

2. There is appreciation whether the location is popular or not

Remember never to buy property in areas that are totally devoid of value. If we are talking about investments, it's the percentage of appreciation as well.

3. Further means bigger

Developers in areas located far away from the city centre will usually have much bigger swaths of land to work with and they can be more generous with its use.

A smaller piece of land in the middle of a mature neighbourhood would have to be fully maximised and this is why the built-up for landed property will usually be smaller.

If it's a high-rise, it's either higher density to be cheaper or super expensive with lower density.

4. Affordability the key to future demand

It's true that the price of properties in mature neighbourhoods is far higher than those in newer areas. The reason is not because of demand alone, it's more of fixed supply.

There's just no new land in mature neighbourhoods to build a fresh supply of homes. Thus, less supply versus higher demand means higher prices.

However, if the salaries of those in the M40 bracket rise by only 6% every year and they need homes, they will need to evaluate all choices.

There are many cons to buying a property further away from the city centre but these have been discussed in-depth in other articles.

If money is not an issue for a buyer or they are very wealthy, they ought to stay in a hotel with full concierge service instead. What point is there in staying in a luxury condo right smack in the city centre but having to walk down the street or through a covered walkway to the nearest LRT or MRT station?

We watch what we buy and we try to maximise what we get from what we buy.

This article first appeared in kopiandproperty.com

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