

# Positioning for a rebound

The consensus is developers have to be resilient to exploit the next property market boom in four to five years

| BY VENUS HEW |

**D**evelopers who are resilient during the current economic slowdown will be well-poised to exploit the market boom expected in four to five years time.

That was the consensus of several CEOs of property firms during a CEO roundtable discussion at the National Property & Housing Summit 2008 on Nov 13 and 14 in Petaling Jaya. The gathering of some 150 high-powered property players comprising representatives from private, listed and government entities brainstormed new ideas and market solutions. The theme was "Coping with the current economic challenges — Towards sustainable property development".

Ireka Corp Bhd executive director Lai Voon Hon says resilient developers during the current difficult period would be able to exploit the next cycle of the property market boom expected in the next four to five years. He says developers need to start planning and reassessing their strengths and weaknesses, adding that now is the best time to do research to capitalise on future opportunities.

In addition, Lai says it is important for them to be innovative and creative in terms of the products they are offering, especially if they plan to target the overseas market. If cash is a limiting factor, he advises developers to consider partnerships as one of the avenues for their expansion plans. Besides that, he says developers may want to also look at the possibility of entering new markets, such as Kota Kinabalu and Sandakan locally and Vietnam, regionally.

Country Heights Holdings Bhd founder and deputy chairman Tan Sri Lee Kim Yew says developers need to be innovative in terms of product and marketing strategies to survive the current crisis. Developers must be optimistic and resilient in facing the current slowdown in the property market and while remaining cautious, should not be pessimists, he adds.

Lee is confident that the property sector, which survived the 1997/98 Asian financial crisis, would be able to weather the present turmoil. Furthermore, he adds, Malaysia is an attractive market to foreigners as its properties are priced affordably compared to neighbouring countries.

However, he advises developers not to neglect the domestic market in their eagerness to attract foreign investors and to prevent pushing property prices to a level where it could create a "property bubble" situation.

## Looking within

Asean Association for Planning & Housing president Datuk Eddy Chen



Lai: Next cycle of property boom expected in next few years



Lee: Developers need to be innovative to survive current crisis

notes that developers need to "look within themselves" and revisit their financial statements to ascertain a reasonable level of gearing and to dispose of their properties to ensure a healthier profit margin and financial position.

He cautions developers who are caught in between cash flow, that is, with 50% work-in-progress and 60%

sales volume secured, to prevent their projects from being abandoned. He points out that projects are difficult to revive once abandoned, as cost quotations from new contractors will normally be higher than the original contractors of the projects.

Speaking on internal assessment, the executive director and COO of SP Setia Sdn Bhd, Datuk Voon Tin Yow says the company's key success factors includes ensuring timely delivery with emphasis on modern landscaping and quality on its delivery. "Our inherent philosophy is commitment from top management and ensuring good communication flow among all staff. Besides that, staff competency is essential and that is why we have our training programme called SPPG (service, products, people, quality)," he says.

Voon adds that developers need to be innovative with good marketing strategies to remain at the competitive



Ng: MM2H programme should be under PM's Department



Iskandar: MM2H serves to boost the local property sector

edge. "We have to constantly innovate, generate new ideas, and to continue to be seen as relevant as a brand," he says. To cater for the mass market, Voon reveals that the company has divided their products into specific segments, with different features for different projects.

Housing and Local Government Minister Datuk Seri Ong Ka Chuan,

who officiated the summit, says the local property market has to brace itself to face the economic challenges waiting to be unveiled next year. "The important question is how well we can achieve sustainability in times of uncertainties and the expected financial crisis next year?" he says.

Ong adds that the property industry should focus on managing cost with proper due diligence when it comes to potential engagement with external parties. He also stresses the importance for developers not to compromise on product quality, and instead, be innovative and think "out of the box" to achieve business sustainability. On the international front, he sees opportunities in new markets like China, Vietnam and the Middle East.



Voon: Key success factors include timely delivery



Tengku Abdul Aziz: Assisting homebuyers with financing

## Strategic collaboration

Ong also proposes that property developers establish strategic collaboration with local banks on home-buyers facilities. "Such a move, I believe, will reduce the difficulties in obtaining loan facilities by buyers due to stricter policy and stringent terms imposed by banks in view of the uncertainty in economic outlook," he says.

This approach has, apparently, been successfully adopted by Sime Darby Property Bhd through its Parade of Homes Initiative. Its head of property development division, Tengku Abdul Aziz Tengku Mahmud, says the second instalment of its Parade of Homes showcase launched on Nov 14 was the developer's initiative to assist home-buyers to weather the economy slowdown.

"We are working closely with RHB bank to offer buyers financing under the RHB Unique Financial Solutions packages as well as a guaranteed buy-back scheme for purchases during the sales period," Tengku Abdul Aziz tells *City & Country* on the sidelines of the summit. The developer is targeting sales of RM200 million for the second instalment of its Parade of Homes campaign. The first instalment, in June this year, generated sales of RM220 million.

The Malaysia My Second Home programme (MM2H) and the govern-

ment's RM7 billion stimulus package were also touted at the seminar as measures which could help boost the property sector. Real Estate and Housing Developers' Association Malaysia (Rehda) president Datuk Ng Seing Liong suggests that MM2H, currently under the purview of the Ministry of Tourism, be re-allocated to another ministry, such as the Prime Minister's Department, to further increase awareness of the programme.

MM2H allows foreigners who fulfill certain criterion to stay in Malaysia on a multiple-entry social visit pass for a period of 10 years. Glomac Bhd Group managing director Datuk FD Iskandar supports the proposal, stressing that MM2H serves as an important stimulus to attract foreign property investors which in turn will boost the local property sector.

The RM7 billion national stimulus package unveiled by the government on Nov 4, primarily aims to strengthen

the economy and the private sector, and is expected to have a positive impact on the property sector. The incentives include the allocation of RM1.2 billion for the construction of medium and low-cost housing, waiver of import duties for cement and steel, and exemption from foreign investment committee (FIC) requirements for commercial property costing over RM500,000 acquired for own usage.

In addition, Rehda has proposed six anti-inflationary measures to the government this year to increase transparency of governance ownership and to sustain private sector investment in the property industry.

## Opportunity in REITs?

Given the current economic malaise, would it be a good decision to invest in real estate investment trusts (REITs)? The CEO and executive director of Axis REIT Managers Bhd, George Steward Labrooy, stresses that a REIT acts as an important vehicle in capital recycling for developers and helps to develop the broader economy with its globally diversified portfolio of local and overseas properties. In terms of prospects, Labrooy says REITs can be one of the options that companies consider as a viable low-risk investment during turbulent times.

The summit, which is organised by the Asean Strategy & Leadership Institute (Asli) and co-organised by Rehda and International Real Estate Federation (Fiabci) Malaysia, highlighted several issues relevant to the current property market, including the current economic challenges and inflation, globalisation and liberalisation of the property sector and its impact on Malaysian developers.

Innovation and branding in property development, sustainable and green development, and potential of Islamic finance and mortgages in the property sector were other issues discussed.