

KL WOOS INVESTORS

Malaysia is set to attract more investors, especially into its capital city with some of the newest developments and economic measures

BY PETE WONG



KL city's skyline from the Oval Kuala Lumpur condo by developer GuocoLand Berhad

With global markets emerging from recessionary blues and consumer confidence returning, countries in Asia are gearing up to woo foreign investors again. Within South-East Asia, Malaysia used to attract half of all foreign direct investment (FDI) money flowing into Malaysia, Indonesia and Thailand from 1990 to 2000, according to UN data. That amount has since shrunk to under a third, causing concern among the country's political and business leaders. Malaysia's prime minister Dato' Seri Najib Tun Razak recently announced a New Economic Model (NEM) designed to boost growth and win back foreign investments (see side-box).

In the country's capital Kuala Lumpur (KL), developers and property players, sensing an economic recovery, are quickly moving into action. Hotels and new shopping malls are springing up again. The Empire Shopping Gallery and Empire Hotel Subang are among the new launches in the residential suburb of Subang Jaya. Over at Mont' Kiara, developer Monday-Off Development Sdn Bhd has finally launched its

One Kiara freehold project which has been kept on hold for a few years to ride out the recession. Ireka Development Management Sdn Bhd's SENI Mont' Kiara residential resort still has about 30 per cent of units available for sale at an average RM850 per sq ft. For older projects, units left on the shelf during the recession are being dusted and marketed again. Recent launches within KL, like St Mary's serviced apartments, Sky Residences and Verticas Residensi, met with good response. Buyers looking for a fire sale may not find it now.

Ireka Development is currently finalising the development plans for a parcel of land in KLCC (along Jalan Kia Peng) and hoping to bring to launch a new project in the first half of 2011. The project will be a single-tower upscale residential development with an estimated gross development value of RM272 million. If you want a unit at KLCC now, you might want to look at The Oval Kuala Lumpur, a 41-storey luxury condominium project which sits on the fringe of KLCC Park and offers a clear view of the Petronas Twin Towers. This excellent project was developed by GuocoLand Berhad. Around the same neighbourhood, you can also find [My Habitat 2] serviced

studio units that was developed by APL Development Sdn Bhd. The project is conveniently located close to the new Doubletree by Hilton hotel, shopping centres and an LRT station.

Another development to note in KL is Sime Darby's Ara Damansara township. It includes the Seri Pilmoor low-density development that includes semi-detached houses and bungalows. Prices for the bungalows are from RM4.57 million while the semi-Ds begin from RM 2.8 million. Moreover, the township will also include other mixed-used developments as well as residences. "Over the coming year, Ara Damansara will become a "safe city", which includes a police station, patrol cars and CCTV surveillance. There will also be a mixed-use commercial development, Oasis, that will have an office component to be completed at the end of the year. There is also the Ara Hill condo, for which 218 units have been handed over to owners and the remaining units to be handed over in June. There are 34 units left for sale," said a spokesperson for Sime Darby.

High-end investors with unlimited budgets would be looking at investments in upscale residential estates like Kenny Hills (also known as Bukit Tunku),



[myHabitat2] features luxury units in the heart of KL

Pantai Hills in the Bangsar area and Damansara Heights. However, properties in these matured residential estates are few and far between. But if you look hard enough, there are a few bungalow lots for sale at Seri Beringin project in Damansara Heights by I & P Group. Traditionally, landed properties hold their values better and are more resilient to the changes in economic climate.

Although prices of condominium units at KLCC dipped by as much as 20 per cent during the height of the recession, industry experts generally feel that prices may go up again in line with economic recovery. Association of Valuers, Property Managers, Estate Agents and Property Consultants president, James Wong said during a seminar: "Condominiums and apartments are currently selling well and landed property prices, which had held (its value) through the economic crisis last year, are expected to grow this year."

Ho Chin Soon of Ho Chin Soon Research Sdn Bhd is also of the opinion that Mont' Kiara will continue to grow despite the thousands of units available. "Once a favourite among the expatriate community, Mont' Kiara is increasingly being occupied by Malaysians. Because of security issues and the unwillingness to

live further away from the city, more people would opt to live in high-rise," Ho said.

Is the market picking up?

In an e-mail reply to *Property Report*, Lai Voon Hon, president and CEO of Ireka Development Management Sdn Bhd, said: "The overall market is indeed picking up with positive progress. Both foreign and Malaysian investors' confidence is back and rising, further reaffirming the country's position in 'optimistic' territory."

(According to ING's quarterly ING Investment Dashboard Survey, Malaysian investors' confidence also rose 7 points to 146 in Q1 2010 from 139 in Q4 2009).

"Generally, there is still ample liquidity among investors; be it from their personal capacity or through bank funding. Investors have also benefited from the recovery of stock markets across the region. However, many are now concerned with rising inflationary pressures and sustainability of the stock markets going into second half of 2010."

"Based on the strong correlation between property sales and gross domestic product (GDP) growth, we believe that there will be a shift of focus back to

GOING GREEN

In recent years, consumers, the government and the industry are getting more conscious of environmental issues. Property investors are getting more inclined to invest in green-rated buildings and many are prepared to pay a slight premium for a building which consumes lesser resources, generate less waste and is conducive to a healthier living environment. In May 2009, the Green Building Index (GBI) was introduced in Malaysia with support from all the players in the property, construction and housing industries. GBI is a point-based rating system that provides a comprehensive framework to evaluate the environmental impact and performance of buildings.

Sime Darby is one developer that is working on a prototype house for energy saving living. Known as The Idea House, it is a sustainable dwelling featuring solar panels that is built in a modular style. The house is to test the performance in energy-efficiency and it situated alongside a township called Denai Alam. It will be completed in June 2010.

HIGH-END INVESTORS WITH UNLIMITED BUDGETS WOULD BE LOOKING AT INVESTMENTS IN UPSCALE RESIDENTIAL ESTATES LIKE KENNY HILLS (ALSO KNOWN AS BUKIT TUNKU), PANTAI HILLS IN THE BANGSAR AREA AND DAMANSARA HEIGHTS.

MALAYSIA'S ECONOMIC SCENARIO

Shortly after the announcement of the New Economic Model (NEM) on March 30, Malaysian prime minister, Datuk Seri Najib Tun Razak wasted no time in telling the world about the economic benefits of investing in Malaysia during his road trips to the United States and Japan. One of NEM's initiatives is to take Malaysia to a high-income nation with per capita income of US\$15,000 (RM48,022) from the current US\$7,000 (RM24,410) by 2020. That is more than double the existing income within a span of 10 years. A higher per capita income would mean that the higher-priced property units could be within range of a larger group of local investors in terms of affordability.

One of the initiatives under NEM includes plans to develop 1,200 hectares of land in Sungai Buloh into a new hub for the Klang Valley. The government will form a joint-venture with the Employees Provident Fund Malaysia (EPF) to fund this development. Several parcels of land in downtown Kuala Lumpur will also be tendered out and developed by the private sector. These new property developments are expected to generate investments worth over RM5 billion.

Under the NEM, the tender process will be "competitive and transparent with clear rules for the whole Bumiputera community made up of both Malay and other indigenous groups." The government would no longer tolerate practices that support the behaviours of "rent-seeking and patronage," Najib stressed. In addition, the "renewed affirmative action policy will be market-friendly, merit-based, transparent and needs-based with a focus on raising income levels of all disadvantaged groups."

When the NEM was announced, however, no specifics on implementation were given. The report on the NEM will be published and made available to the public to gather their input and provide them the opportunity to be part of the decision-making progress "over the coming months." This immediately drew flak from certain quarters. News agency *Reuters* called it "just a raft of ambitions for growth and to re-orient the Malaysian economy to high-value services and to boost domestic investment and consumption." On the probable impact the NEM will have on the market, *Reuters*' response was "more of a whimper than a bang."

Opposition MP Yusmadi Yusoff said, "If the premise of the reforms is not on justice, then the NEM will never work. An economic model based on merit, needs and not race will be more persuasive and close to people's heart. The problem with Malaysia's economic policies in the last 50 years is that it is based on discriminative policies."

On a more positive note, Malaysia's GDP growth is back on track registering 4.5 per cent for 4Q 2009, after three quarters of consecutive contractions. Bank Negara's official growth forecast for 2010 is between 4.5 to 5.5 per cent. Analysts are even more optimistic with HSBC Holdings economist Robert Prior-Wandesforde expecting up to 7.3 per cent on rising exports fuelled by higher commodity prices and domestic demand.

Living room in Seni Mont Kiara development by Ireka Development



real estate as an asset class of choice, as investors look to hedge against inflation and want a stable yield from their investment portfolio," Lai added.

Bernard Yong, NAZA TTDI Sdn Bhd's senior manager stated: "Although there is still a fair bit of caution in the market, the residential sector has picked up significantly from the depths of the recession. However, a lot of these activities are locally-driven, with foreign investors sitting on the sidelines. We have yet to see a resurgence of foreign demand similar to the 2006 to 2007 period."

While the GDP indicator is clearly showing positive signs, analysts and investors are still waiting for details of the NEM to be announced. PM Najib has a tough job ahead of him. Malaysia is a multi-racial country and he has to tweak the NEM so that it would be merit-based and offer equal opportunities to all Malaysians regardless of race. At the same time, he cannot afford to upset the Malay majority who have been enjoying the perks of an "affirmative action policy" instituted under the controversial New Economic Policy (NEP) launched by his father, the late Prime Minister Tun Abdul Razak, in 1971.

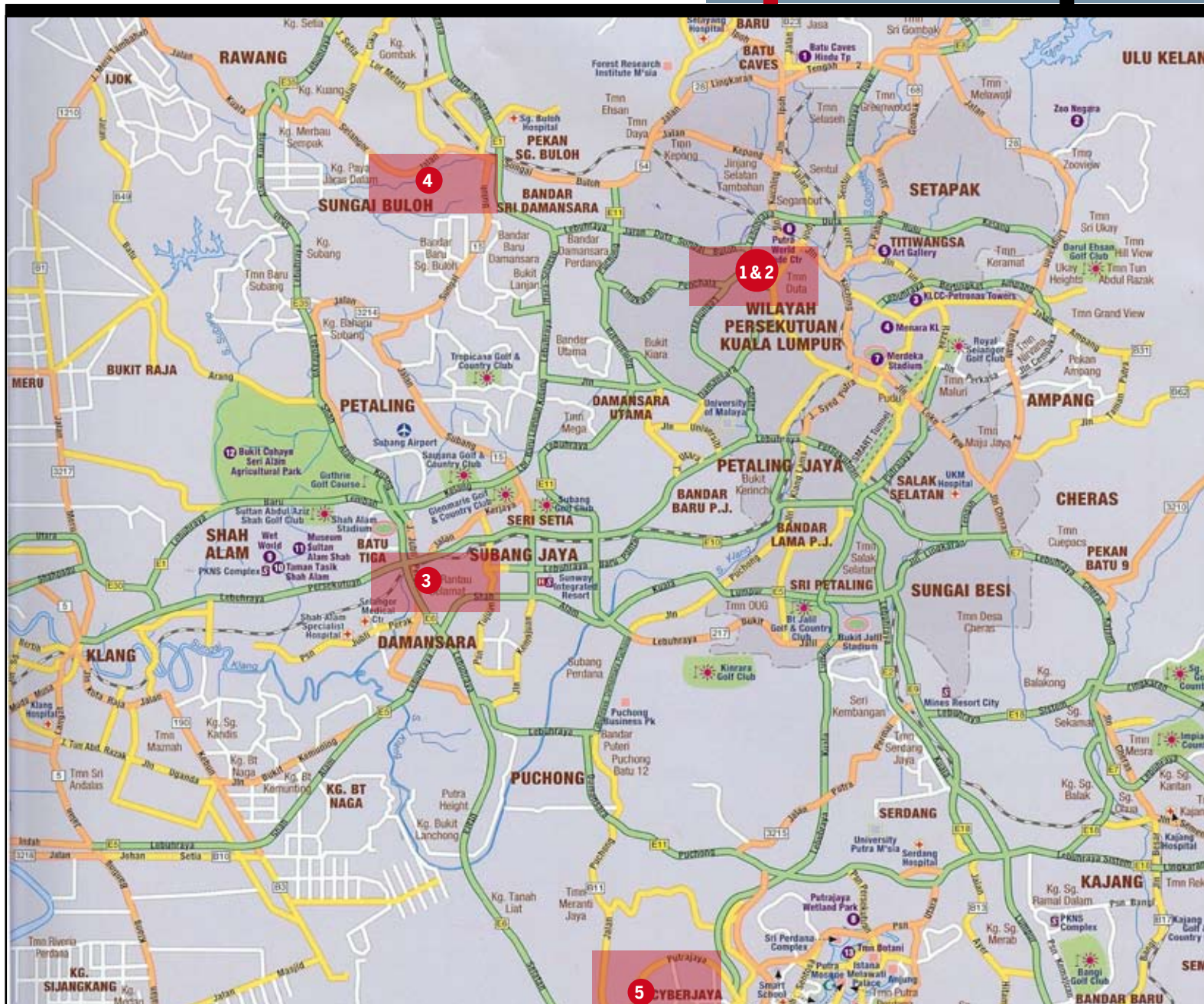
"At the recent Invest Malaysia conference when the NEM was announced by the PM, a common concern raised by the audience is the lack of a talent pool in Malaysia to take businesses, both local and foreign, to the next level. In the short term, relaxing the

restrictions for foreign talents to obtain work permits in Malaysia will be a quick way to entice more foreign investors to set up their businesses here in Malaysia. In the longer term, there's a need to further improve the education system, in line with the dynamic wave of globalisation, to ensure that we are producing graduates that are competitive and suitable for the needs of the marketplace," Lai noted.

"As always with Malaysia, it's not a question of whether the policies are good but whether they can be implemented effectively. Foreigners know this and are waiting to see if the government can come good on the policies it announced under NEM. The boost to the property market would be minimal for now but with proper execution, we should see the property market pick up more during the latter half of the year," Yong said.

At the moment, Malaysia has an advantage over its immediate neighbours in the competition for foreign investment money. Thailand's political situation is tense and uncertain. Singapore, on the other hand, could be a victim of its own success. Last year, the island nation was rated the world's 10th most expensive cities for expatriates, according to a Mercer survey. The high cost of living in the city is also causing concern among local Singaporeans. If Malaysia plays its cards well with NEM, it could well emerge the winner in the competition for foreign investment money.

Map reproduced with permission from Mighty Minds Street Directory. Singapore's most updated street directory



BASED ON THE STRONG CORRELATION BETWEEN PROPERTY SALES AND GROSS DOMESTIC PRODUCT (GDP) GROWTH, WE BELIEVE THAT THERE WILL BE A SHIFT OF FOCUS BACK TO REAL ESTATE AS AN ASSET CLASS OF CHOICE, AS INVESTORS LOOK TO HEDGE AGAINST INFLATION AND WANT A STABLE YIELD FROM THEIR INVESTMENT PORTFOLIO.

Pick of 5 upcoming areas in & around Kuala Lumpur

1. Sri Hartamas

Sri Hartamas may have the potential to rival Mont' Kiara in the near future. Upscale projects coming up in Sri Hartamas includes Kenny Heights which features a designer garden by a renowned English designer. Sri Hartamas is an affluent neighbourhood located just five minutes from Mont' Kiara and is about 15 minutes from downtown KL. There is a shopping centre with trendy cafes and a wide range of restaurants serving the neighbourhood.

2. Desa Parkcity

Desa ParkCity, located about 15 minutes from Mont' Kiara, is a well-kept secret among locals. Expatriates have yet to find their way there in a big way but that may soon change. The gated township offers community living with wide open spaces revolving around a lake where outdoor recreational activities are held regularly. The township offers a choice of residential units ranging from condominiums and low-rise units to townhouses, double-storey and bungalow houses.

3. Subang Saujana

Subang Saujana is a residential area located near the Sultan Abdul Aziz Shah Airport (commonly referred to as "Subang Airport"), the former international airport before KLIA was built. The area is popular with Japanese expatriates as there is a Japanese International School in the neighbourhood,

golf and country club and a 5-star hotel. A few multi-national companies, like Canon Malaysia's head office is also located there.

4. Sungai Buloh

On the north-western part of Kuala Lumpur lies an area called Sungai Buloh. Today, the area is fast becoming a leafy suburban township which includes developments like Desa Coalfields, Valencia, Sierramas and Saujana Damansara, among others. Large-sized bungalow units are relatively more affordable here compared to those nearer to the city. Earmarked under the NEM as a new hub for the Klang Valley, the area is set to attract renewed interest among investors.

5. Cyberjaya

Cyberjaya is wired-up as an intelligent city and a nucleus for the Multimedia Super Corridor, an area designated by the government for IT-related activities and modeled after Silicon Valley in the US. Since its inception 1997, the township never really took off in a big way. Located 50km from KL city, it was deemed too far away. It gets very quiet at night and there is little nightlife to speak of. However, the government has plans to further enhance the township as a place to live, work, study and play. Foreign investors with businesses related to ICT or education may find Cyberjaya an attractive option. The township is just 30 minutes from the KL International Airport.

Note: Highlighted and numbered areas show the property locations