

Local property market still attractive and sustainable

Ireka Corp Bhd executive director Lai Voon Hon expects downward adjustment in property prices

WHAT is your outlook on the domestic property market in 2009?

The property market is likely to soften in 2009 unless the global economy is able to recover swiftly. There is an expected downward adjustment in property prices in general, but I believe prices in prime locations will hold out relatively well.

A rational property buyer with a long-term perspective would believe that Malaysia's properties are still at an attractive and sustainable (price), as opposed to a lot of the other cities in the world.

The Malaysian property market is much more resilient as financial institutions have been more prudent in project lending.

Property companies today are also better capitalised, as stringent regulations are in place by both financial institutions and regulatory bodies, reducing the risk of widespread abandoned projects.

The other stabilisation factor has been the strong mortgage market, largely driven by domestic consumption and the young population. The local mortgage market remains resilient, thus maintaining access to relatively cheap home financing, ensuring the property market remains attractive.

With strong macroeconomic fundamentals, ample domestic liquidity and relatively robust job market, the belief that Malaysia will avoid 'property price crash', in my opinion, would hold true.

When do you think the domestic demand for property will pick up?

It is difficult to be certain when the property market will pick up again. However, I am optimistic it will ride out this uncertainty over the next two to three years and may return to a 'boom market' in the next four to five years.

Lessons learned from the current economic turmoil?

We can draw two important lessons. The first is the immutable fact that we are becoming a 'globalised' nation. At Ireka, we have always acknowledged the importance of thinking global in whatever we do, venturing into Vietnam while staying focused in Malaysia.

We will monitor the market very closely throughout 2009 and undertake in-depth feasibility studies, especially before embarking on new product launches.

We now have Mont' Kiara as our i-ZEN branding showcase, providing us with the necessary experience and expertise to expand to new locations, such as Vietnam.

We will take a cautious yet opportunistic approach so that we will be in an advantageous position when the market recovers.

The second lesson is the vitality of 'change'. 'Change' will be the guiding principle for the world economy in 2009 as we start to re-design the entire global financial architecture



Lai Voon Hon

and change the way most financial businesses operate.

Our mantra for 2009 will be to 'Embrace Change.' It is no longer adequate for us to undertake tasks in a conventional manner – be it business decisions, branding platforms, marketing and sales strategies or product innovations.

The slowing economy has made it harder for consumers to part with their cash. However, our partnership with reputable



property players such as Capitaland of Singapore as well as leveraging on our i-ZEN brand of properties have provided greater value for each development and encouraged repeat buyers for our projects.

Business strategies for Ireka in the next two to three years?

Ireka will focus on its two main core businesses – construction and property development.

Over the next two to three years, Ireka will focus on completing its four construction projects in Malaysia with a total order book of RM1.14bil, which will help the group maintaining a healthy revenue inflow up to 2011. Ireka will continue to focus on providing integrated design-and-build services.

With an experienced team, Ireka is able to ensure cost and resources are optimised. With prudent cost management, the group hopes to achieve healthy margins while delivering completed projects in a timely manner.

On the property development front, Ireka will continue to earn a management fee from Aseana Properties Ltd (Ireka holds a 19.6% investment stake in Aseana) as its exclusive development manager. We will focus on completing projects like Tiffani by i-ZEN by the third quarter of this year.

For new projects, it is important for us to continue undertaking detailed market studies on the specific target markets. Innovative, targeted marketing strategy and branding initiatives are important steps to ensure that we focus on reaching the right audience.