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Pokémania wave  
and catch 'em all!**

OANS.  
OANS.  
OANS!

# Know the different types of housing loans and how to tell which is the right one for you.

**See pages 6 and 7.**





**NEWS HIGHLIGHTS** from TheEdgeProperty.com**The Edge Property Malaysia**

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**Mah Sing's The Greenway sees 85% of units booked**

Mah Sing's 492-unit "The Greenway" residential development at Meridin East in Pasir Gudang, Johor was 85% booked during its launch last weekend.

The Greenway comprises 4-bedroom 2-storey link houses with built-ups ranging from 1,595 sq ft to 1,648 sq ft. Prices start from RM357,000.

The 1,313-acre Meridin East is a gated-and-guarded township to be developed over the next 12 to 15 years and has a gross development value of RM5 billion. It is also Mah Sing's biggest development by acreage.

**Knight Frank: High-end condo market in KL remains lacklustre**

With lower volume and value of transactions recorded in the first half of 2016, the market outlook for high-end condominiums in Kuala Lumpur remains slow as buyers and investors continue to adopt a "wait-and-see" approach, said property consultancy firm Knight Frank Malaysia.

In its Real Estate Highlights research report, Knight Frank Malaysia noted that the widening gap between supply and demand has driven more developers to expand their catchment to the overseas market.

The report stated that the completion of 1,033 units of high-end residences from three projects (441 units at Pavilion Banyan Tree Sig-

**ViiA Residences at KL Eco City to be launched at benchmark price**

S P Setia Bhd plans to launch ViiA Residences at KL Eco City, Kuala Lumpur, by end-August at prices starting from RM1 million.

KL Eco City divisional general manager Tony Ling said the leasehold serviced apartment project has an estimated gross development value of RM450 million. It will offer 326 1-, 2- and 3-bedroom units with built-up sizes of between 650 sq ft and 1,300 sq ft.

"The selling price averages RM1,600 psf, which is a new benchmark pricing for such properties in the Mid Valley and Bangsar areas," he added.

The 40-storey ViiA Residences is S P Setia's second serviced residence at the 25-acre KL Eco City transport-oriented development, which



features pedestrian link bridges that connect the residential towers to the light rail transit station, Mid Valley City as well as The Gardens shopping mall.

natures, 432 units at Vortex Suites & Residences @ KLCC, and 160 units at The Residences at St Regis KL) during the review period (1H2016) brought the cumulative supply in KL to 43,782 units.

**i-Suite, i-SoHo in Shah Alam achieve 100% take-up with sale to Chester Properties**

Following the purchase of 30 units in i-Suite and 120 units in i-SoHo at i-City in Shah Alam by real estate agency Chester Properties, both phases have achieved 100% sales,

said developer I-Bhd in a statement. i-SoHo comprises 925 SoHo units with a gross development value (GDV) of RM438 million and is



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**LAUNCHES + EVENTS**

If you have any real estate-related events, email us at [propertyeditor@bizedge.com](mailto:propertyeditor@bizedge.com). Events listed here will also appear on **TheEdgeProperty.com**.

**Launch of Clarita Tower at Eco Sky**

**Date:** Aug 14 (Sun)  
**Time:** 10am to 5pm  
**Venue:** Eco Sky sales gallery, Taman Wahyu, Kuala Lumpur  
**Contact:** (03) 3344 2552  
Eco World Development Group Bhd will be launching Clarita Tower, the third and final residential tower at Eco Sky in Kuala Lumpur, this Sunday. Interested buyers can bring their family members along to the sales gallery for some fun activities including a Pop-Up Bazaar and a food bazaar.

**Add to your Pokédex at Cerrado's Tower B launch**

**Date:** Aug 13 and 14 (Sat and Sun)  
**Time:** 10am to 6pm  
**Venue:** Southville City sales gallery, Bangi, Selangor  
**Contact:** (019) 988 3854  
Mah Sing Group Bhd will be launching Tower B of Cerrado

Residential Suites this weekend at Southville City's sales gallery and show village. The developer will activate the Lure Module every hour for Pokémon Go players to collect game items and catch Pokémon.

**Launch of Eurema terraced houses at D'Mayang Sari, Nilai**

**Date:** Aug 14 (Sun)  
**Time:** 10am to 6pm  
**Venue:** D'mayang Sari Sales Gallery, Jalan Nilai Perdana 17, Taman Nilai Perdana, Nilai  
**Contact:** (06) 794 1888  
Seri Pajam Development Sdn Bhd will be officially launching Eurema 2-storey terraced houses located in its D'Mayang Sari township in Nilai. Selling prices start from RM489,000.

**Showcase of Vervea and Vertu Resort at Aspen Vision City**

**Date:** Aug 12 to 14 (Fri to Sun)  
**Time:** 10am to 10pm  
**Venue:** Concourse, Sunway Pyramid Shopping Mall, 3, Jalan PJS 11/15, Bandar Sunway, Petaling Jaya  
**Contact:** (017) 550 0970  
Aspen Group will be showcasing its Vervea and Vertu Resort

developments which are located at its Aspen Vision City in Batu Kawan, Seberang Perai, Penang. The developer will be introducing attractive packages to interested buyers during the event.

**Seminar on Financial Feasibility & Modelling, Caveat, 2016 Amendments on Strata Act, Land Alienation and Value Creation Strategies**

**Date:** Aug 24 to 26 (Wed to Fri)  
**Time:** 9am to 5pm  
**Venue:** Sunway Putra Hotel, 100, Jalan Putra, Kuala Lumpur  
**Contact:** (03) 8884 8888  
This multi-themed seminar will be conducted by six industry experts in the land and property development sector. The seminar is aimed at property development practitioners and industry professionals.

**Sneak peek of Reserve by Mirvac**

**Date:** Aug 14 (Sun)  
**Time:** 11am to 7pm  
**Venue:** Westin Hotel, Level 2, Straits Boardroom, 199, Jalan Bukit Bintang, Kuala Lumpur

scheduled for handover by this year-end while i-Suite features 825 units with a GDV of RM448 million and will be ready for vacant possession by mid-2017.

I-Bhd said the total sales value of both deals was RM81 million.

I-Bhd marketing director Monica Ong said most of i-City's target market are young adults and I-Bhd's properties are attractively priced and in an attractive location that has theme parks and tourist attractions, as well as the upcoming Central Plaza Mall.

**Kundang Estates to be launched September**

Gamuda Land, the property arm of construction group Gamuda Bhd, will be launching its Kundang Estates in Kuang, near Rawang, an area the developer has dubbed North KL, next month.

The company plans to unveil Phase 1 of the 90-acre Kundang Estates, which will comprise 2-storey houses with built-ups from 1,733 sq ft to 2,434 sq ft and with prices starting at RM570,000, next month, according to its managing director Chow Chee Wah.

"The township will have four recreational parks occupying 14 acres. They will be interconnected and there will be facilities for people of all ages to encourage community interaction and a wholesome lifestyle," he said.

The construction of the development started this year and is slated for completion in five years.



**Contact:** (012) 304 6887  
JLL Property Services (Malaysia) Sdn Bhd will be showcasing the Reserve by Mirvac project located in Perth, Australia to interested investors in Malaysia. There will also be a seminar titled "Diversify your portfolio through Mirvac" at 3pm, RSVP required.

**HomeLove 2016**

**Date:** Aug 25 to 28 (Thurs to Sun)  
**Time:** 10am to 9pm  
**Venue:** Tun Razak Halls 1 to 4, Putra World Trade Centre, 41, Jalan Tun Ismail, Kuala Lumpur  
**Contact:** (03) 8737 8228  
The HomeLove Home and Living Exhibition is a one-stop exhibition for home and lifestyle solutions. Visitors may grab the chance to inquire about home renovation, refurbishment and interior design.





# Penang to decide on proposal to revise density guidelines soon

BY NATALIE KHOO

PETALING JAYA: The Penang state government will soon make its decision regarding a proposal to revise the current density guidelines to 128 units per acre in order to provide more affordable housing in the state.

Penang State Exco for Housing and Town & Country Planning Jagdeep Singh Deo said the proposal to raise the density from the current 87 units per acre is in the final stages of discussions and an announcement will be made soon.

"During a series of meetings with relevant stakeholders, it was suggested that the [87 units per acre] guideline be revised as they are facing difficulties selling large units that are deemed unaffordable (pursuant to the density guidelines)," Jagdeep said at the Penang International Property (PIP) mid-term review conference in Penang last Friday (Aug 5).

The proposed revision to 128

units per acre guideline will also take into consideration the affordable housing component for developers that come under this guideline.

The current 87 units per acre policy comes with the requirement that developers must ensure that 5% of their total project is priced at RM200,000; 15% is priced at RM300,000 and 5% is priced at RM400,000.

Under the new proposed density of 128 units per acre, it has been proposed that 5% of the developer's project be priced at RM200,000 and another 20% be priced at RM300,000.

Meanwhile, on the performance of the current property market in Penang, Jagdeep said residential properties in Penang have shown a 15.67% quarter-to-quarter increase in property transactions from 3,110 transacted units (valued at RM1.21 billion) in 1Q2016 to 3,597 units (valued at RM1.44 billion) in 2Q2016.

"Nationally, the unit price index was 227.5 for all houses in Malaysia while for Penang, it was 262.2. This higher unit price index recorded for Penang shows that the average mean housing price in Penang is still on the rise," Jagdeep added.

"These statistics prove that investing and owning a home in Penang continues to be highly desirable and this is a positive indicator for property developers in Penang," he added.

Among other issues discussed during the summit included suggestions to allow developers to pay certain contributions by way of corporate guarantee instead of a bank guarantee; and for contributions to be capped at a fixed rate instead of being based on the existing market valuation.

The summit also discussed the formation of a State Planning Technical Special Committee to ensure a more efficient consideration for the applications of development projects.



Jagdeep: The proposal to raise the density from the current 87 units per acre is in the final stages of discussions

## Penang exploring ways to bring down rising property development contribution costs

BY NATALIE KHOO

PETALING JAYA: The state government is exploring a number of measures to bring down contribution costs imposed upon property developers, said Penang State Exco for Housing and Town & Country Planning Jagdeep Singh Deo.

He noted that the state government understands the challenges faced by developers and a series of meetings has been held to discuss how they can assist the developers in this difficult period.

"We will definitely not increase the contribution cost at this point in time. We are looking at the possibility of allowing developers to pay certain contributions for their developments by way of corporate guarantee instead of a bank guarantee and in instalments," he said at the Penang International Property (PIP) mid-term review conference on Friday, Aug 5.

Jagdeep had participated in a panel discussion titled "Prospects of Penang Property Sector in 2017" moderated by vice-president of FIABCI (International Real Estate Federation) Malaysia, Michael Geh.

The summit was officiated by Penang Chief Minister Lim Guan Eng.

"In addition to that, we are also in the process of considering the suggestion that financial contribution in lieu of physical provision of community facilities such as hawker complexes, markets and community halls ought not to be based on existing market valuation but instead capped at a fixed rate," he added.

Apart from reviewing the stringent security conditions, on the proposal to allow corporate guarantee instead of bank guar-



From left: Property Development, Construction and Management Committee (PDCMC) convenor Datuk Finn Choo Khuat Seng, Toh, Geh, Jagdeep and Teoh at the panel discussion

antee, Jagdeep noted there has also been a request to the state government to extend the period before the bank guarantee or corporate guarantee is honoured, namely to more than two years in light of the volatile economic conditions.

"This proposal is also under consideration and an announcement will be made in the near future," he said.

The high contribution cost for project developments in Penang is one of the main issues faced by developers in Penang currently, said Real Estate and Housing Developers' Association (Rehda) Penang chairman Datuk Toh Chin Leong during the discussion.

"As we know, Penang land prices are high because we have a scarcity of land. It can go as high as RM1,300 psf. On top of that, developers need to pay a compliance cost of approximately RM200 psf or more. If the

land needs to be converted, we will have to pay an additional premium which will add on further to our compliance cost to almost RM500," he said.

"In addition to that, the depreciating ringgit has caused important materials for construction to increase, which is taking a toll on us," Toh added.

Meanwhile, another issue that was raised during the panel discussion was the mismatch in land valuation by the National Property Information Centre (Napic) and private land valuers.

"The land value which we get from private valuation companies sometimes differ by a large amount compared with results given by the land valuers in Napic. There is no supporting document provided by them [valuers in Napic] as to how they derived that value. We hope to ask for support to have a session between the private and government

valuers to sit down together [to see how they can work on this matter]," said Toh.

FIABCI Penang committee member Jason Teoh Poh Huat noted that this will definitely allow a clearer guideline between the valuers.

"It will definitely narrow the gap between the valuations," said Teoh, who is also director of Henry Butcher Malaysia (Penang) Sdn Bhd.

Other issues, such as the delay in the approval of the Advertising Permit and Developers Licence (APDL) by the federal government, were also raised.

"In this regard, our record shows as of June 2015, out of 81 applications submitted since August, 2014, only 34 had been approved with some 47 applications still outstanding. I will continue to engage with the federal government on this matter and hopefully there will be some positive developments," said Jagdeep.



## FEATURE



# Let's ride on the Pokémania wave and 'catch 'em all'!

BY TAN AI LENG

**T**he Pokémon Go wave has finally hit our shores!

Those who dismissed this pop culture phenomenon as a mere game may need to reconsider their stance and instead think about how they can tap into the hype surrounding it.

Pokémon Go, which has taken the world by storm, is currently available in more than 60 countries, including 15 nations in Asia after the game was released in the region on Aug 6. The location-based game has now achieved more than 100 million downloads.

In Malaysia, within five hours of its official launch last Saturday, the app was ranked No 1 as the top free app and top grossing game.

Pokémon, the abbreviation of Pocket Monsters, is a Japanese anime television series featuring the adventures of a young boy who aims to become the very best Pokémon master, like no one ever was.

The mobile game for iOS and Android users is designed with the features of finding and catching Pokémon as well as participating in battles to train the Pokémon to evolve to a higher level.

The game uses GPS to help players look for Pokémon and an augmented reality experience connected to their smartphone cameras — offering players the experience of catching Pokémon in the real world.

Pokémon Go has turned the real world into a game as players have to walk around looking for Pokémon, PokéStops and PokéGyms. Apart from this, players are also required to complete walking certain distances — 2km to 10km — to hatch Pokémon eggs into special monsters.

With these features, players who used to stay indoors behind their computers now hunt Pokémon outdoors.

Business owners including property developers are already riding on this sudden spike in traffic in their business locations.

At least one developer has cottoned on. Mah Sing Group Bhd has discovered several PokéStops located at its project sites or sales galleries — namely Southville City in Bangi, Southgate in Jalan Sungai Besi, Austin Perdana in Johor Bahru, Icon City in Petaling Jaya and Lakeville Residence in Jalan Ipoh.

To leverage on this, the developer will be setting off Lure Modules this weekend at its Southville City sales gallery in Bangi, Selangor.

A Lure Module is an item in the game which attracts Pokémon to a PokéStop. Like any good piece of infrastructure, the effects will also benefit other players nearby.

Mah Sing Group CEO Ho Hon Sang says marketing tools are continuously evolving and the company is riding on the Pokémon Go craze as an additional tool to reach potential buyers.

"We realised that there were several PokéStops and one PokéGym at Southville City so we are encouraging Pokémon Go trainers to visit us at our sales gallery especially during the launch of Cerrado's Tower B this weekend and complete their Pokémon collection," he tells TheEdgeProperty.com.

Ho says the developer hopes to lure players visiting the PokéStops and PokéGym into their sales gallery. To achieve this, Mah Sing will be activating Lure Modules every hour to increase the chance of collecting



Ho says the developer hopes to lure players visiting the PokéStops and PokéGym into their sales gallery

the special game items and Pokémon.

"This will, in return, give us the opportunity to share with customers what Mah Sing has to offer. We believe it is important to keep up with current trends in order to reach out to a wider market," says Ho.

A quick check with other developers show that there are indeed PokéStops and PokéGyms at or near some of their project sales galleries.

For instance, Eco World Development Group Bhd's Bukit Bintang City Centre (BBCC) is looking busy with Pokémon Go players stopping by to collect items at the PokéStop there or to look for Pokémon.

Meanwhile, S P Setia Bhd has also informed TheEdgeProperty.com that there is a Pokéstop located at its Setia Alam Welcome Centre and quite a number of PokéStops in Setia City Mall, Setia Eco Glades in Cyberjaya and Setia EcoHill over in Semenyih as well as one PokéGym situated right next to the Setia Eco Park sales gallery.

Sunsuria Avenue — the headquarters of Sunsuria Bhd in Kota Damansara — also has two Pokéstops nearby, which are within walking distance to its sales gallery.

So, if you are a Pokémon Go player who is also looking to buy a property, why not kill two birds with one stone and hunt for both at the same time?



Pokémon Go has achieved more than 100 million downloads

KENNY YAP | TheEdgeProperty.com

GRAPHIC: NURUL AIDA MOHD NOOR | TheEdgeProperty.com

## REQUEST Niantic to SET-UP A POKÉSTOP OR POKÉGYM AT YOUR PLACE

However, applications for new PokéStops or PokéGyms have already closed but Niantic is still open to partnerships with interested business owners



## OFFER REST STOPS

Offering services which players may need such as phone charging facilities, free wifi or even a free cup of coffee and a snack if they pop by into the showroom while hunting!



## FREEBIES!!!

Offering products related to the game as incentives to come into your place such as toys and accessories as well as clothing which could draw Pokémon fans' attention.



## SHARE IT!

Engage the players with social media by encouraging them to snap a photo of Pokémon at your sales gallery and post it on Facebook or Instagram. This may not help boost sales but it could help you connect with the players and Pokémon fans.



## USING LURE MODULES TO ATTRACT PLAYERS TO YOUR PLACE

It may cost some money as the Lure Module is a rare item and you will need to purchase it by using PokéCoins (one Lure Module is selling at 100 PokéCoins, which are equal to US\$0.99).



# 5

## WAYS TO LURE POKÉ HUNTERS TO YOUR SALES GALLERIES



REUTERS





# Fares are key for HSR, say real estate consultants

BY RACHEL CHEW

PETALING JAYA: The Kuala Lumpur-Singapore High Speed Rail (HSR) will be a boost to properties near the stations, if the fares are reasonable.

Henry Butcher (M) Sdn Bhd chief operating officer Tang Chee Meng told TheEdgeProperty.com that the HSR is "definitely" a catalyst for the property market in the areas where the stations are located.

"The HSR may not contribute much to the local economy but it will benefit the property market, especially where the stations will be built, such as Seremban, Ayer Keroh, Muar and Batu Pahat," Tang added.

Citing Seremban as an example, he said the Negeri Sembilan town will likely benefit as it will encourage people who are working in Kuala Lumpur to move to Seremban.

"Seremban has been promoted as a place where you can stay and travel to work in Kuala Lumpur. With the HSR, I believe more people working in Kuala Lumpur will consider living in Seremban



Tang said Seremban will likely benefit from the HSR stations



Tan will touch on the cost for the different modes of transportation

as the cost is lower. So the local (Seremban) property market will benefit," he noted.

Tang will be speaking at TheEdgeProperty.com's "Symposium on Kuala Lumpur-Singapore High Speed Rail 2016" on Aug 27. His session is entitled "Investment Sweet Spots: The Seremban-Air Keroh Lure".

Another speaker invited for the HSR symposium is KGV International Property Consultants executive director Samuel Tan, based in Johor, who will be focusing on Iskandar, Batu Pahat and Muar in his talk.

"If the HSR fares are cheaper than travel by flight or bus to Singapore from Johor, people will prefer to travel by train. However, I believe the HSR will be a success in Iskandar Puteri because it is nearer to Singapore and it is an established township," said Tan.

Tan will be sharing the uniqueness of Muar, Batu Pahat and Iskandar Puteri and the likely impact of the HSR stations on these towns. He will also reveal a comparative chart on the cost for the different modes of transportation.

TheEdgeProperty.com's "Symposium on Kuala Lumpur-Sin-

gapore High Speed Rail 2016" themed "Where to invest — don't miss the boat!" will be held on Saturday, Aug 27 at Sunway Putra Hotel, Kuala Lumpur.

Besides Tang and Tan, other real estate experts who will speak at the symposium are Ho Chin Soon Research chairman Ho Chin Soon, Savills Malaysia executive chairman Christopher Boyd and BBCC Development Sdn Bhd CEO Datuk Richard Ong.

TheEdgeProperty.com product and business development director Alvin Ong will also be sharing about opportunities in the secondary market.

The symposium is organised by TheEdgeProperty.com and supported by The Edge Malaysia. The presenting sponsor is Bukit Bintang City Centre.

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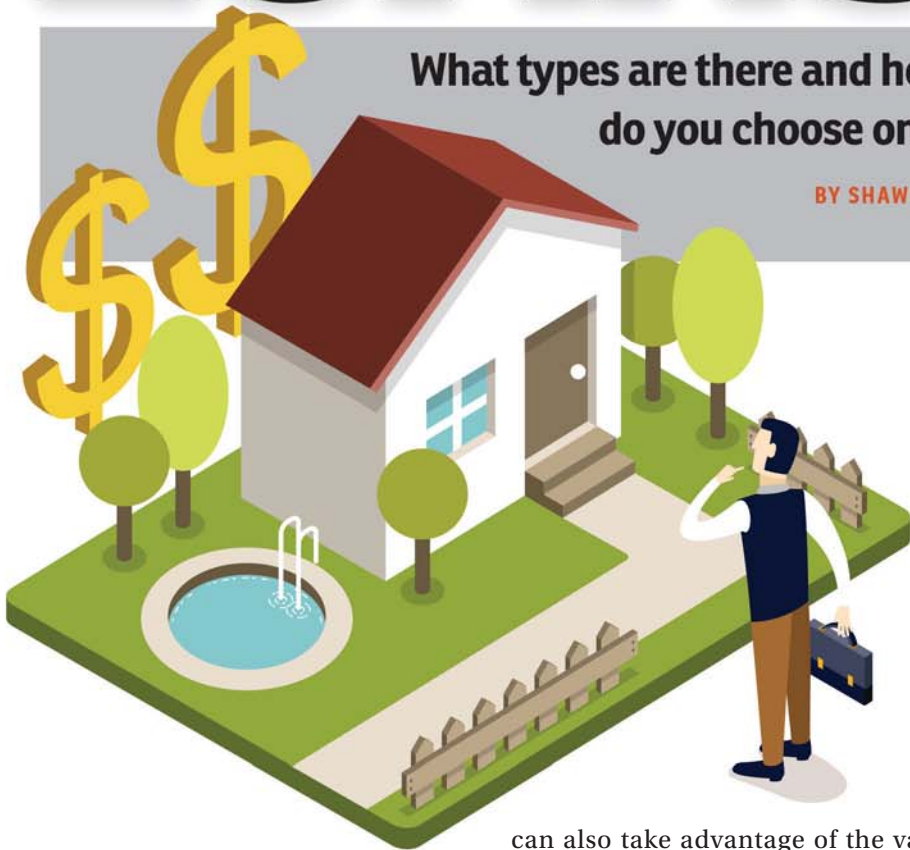




# Understanding HOME LOANS

What types are there and how do you choose one?

BY SHAWN NG



**W**ith Bank Negara Malaysia (BNM) having cut the overnight policy rate (OPR) by 25 basis points to 3% from July 13, 2016, some major banks have reduced their base rates (BR) and base lending rates (BLR).

Among these banks, Maybank was the first to react. The bank lowered its BR and BLR by 20 basis points to 3% and 6.65%, respectively, with effect from July 15.

Subsequently, Ambank, CIMB, Public Bank, Hong Leong Bank, RHB and Affin Bank reduced their BRs and BLRs as well.

The cost of loans will be lower as banks decrease their BRs, making current borrowers and property buyers the winners, Ideal Mortgage Specialist Sdn Bhd head of marketing Vincent Ching tells TheEdgeProperty.com.

Banks reduce their BRs in order to maintain their competitiveness, he says. "Normally, when one bank lowers its BR, other banks will follow."

With the current relatively low interest rate environment and with more BR cuts expected in future, should a first-time homebuyer be motivated to consider buying property now? In such a competitive financing environment, how does one choose a loan with the so-called "best interest rate" or that best suits one's repayment needs?

Ching says that based on the current soft property market, there may be some great deals.

"Besides the BR cuts, first-time buyers

can also take advantage of the various schemes such as MyDeposit, My First Home Scheme, PR1MA, RUMAWIP and so on. But bear in mind, for first-time buyers, it is important to buy within their financial capabilities," he says.

However, The National House Buyers' Association (HBA) honorary secretary-general Chang Kim Loong says that a reduction of 25 basis points in the BR is not material, and prospective house buyers must carefully assess their ability to repay the monthly loan obligations and only go ahead with the purchase if they are certain that they have no problems in servicing the loan instalments.

"Although the reduction is very much welcomed, it cannot be the deciding factor on whether a prospective house buyer should pursue their dream home," he says.

PICTURES BY SAM FONG | TheEdgeProperty.com



Cheong says buyers should know that there are other costs like down payment, stamp duty and valuation fees

## Banks that revised their BRs and BLRs after Bank Negara Malaysia's OPR cut

SOURCE: BANK NEGARA MALAYSIA

| BANK                  | BASE RATE (%) |       | BASE LENDING RATE (%) |       | INDICATIVE EFFECTIVE LENDING RATE* AS OF AUG 8 (%) |
|-----------------------|---------------|-------|-----------------------|-------|--|
|                       | BEFORE        | AFTER | BEFORE                | AFTER |  |
| Maybank               | 3.2           | 3     | 6.85                  | 6.65  | 4.35   |
| Public Bank           | 3.75          | 3.52  | 6.95                  | 6.72  | 4.35   |
| Ambank                | 4             | 3.8   | 6.85                  | 6.65  | 4.5  |
| CIMB Bank             | 4.1           | 3.9   | 6.95                  | 6.75  | 4.65   |
| Affin Bank            | 3.99          | 3.74  | 6.86                  | 6.67  | 4.65   |
| RHB Bank              | 3.9           | 3.65  | 6.85                  | 6.6   | 4.65   |
| Hong Leong Bank       | 3.94          | 3.69  | 6.95                  | 6.7   | 4.75   |
| Alliance Bank         | 3.97          | 3.82  | 6.82                  | 6.67  | 5.1  |
| Alliance Islamic Bank | 3.97          | 3.82  | 6.82                  | 6.67  | 5.1  |

Note: \* Indicative effective lending rate refers to the indicative annual effective lending rate for a standard 30-year housing loan/home financing product with financing amount of RM350,000 and has no lock-in period.



SOURCE: HBA

## Based on a housing loan tenure of 25 years, the estimated monthly housing loan installments with a reduction of 25 bps is as follows:

| LOAN AMOUNT | ASSUME OLD INTEREST RATE AT 4.65% | NEW INTEREST RATE AT 4.40% | REDUCTION      |
|-------------|-----------------------------------|----------------------------|----------------|
| RM300,000   | RM1,693                           | RM1,651                    | RM42 or 2.48%  |
| RM500,000   | RM2,822                           | RM2,751                    | RM71 or 2.58%  |
| RM1,000,000 | RM5,644                           | RM5,502                    | RM142 or 2.58% |

In choosing a home loan, Chang advises potential house buyers to check out as many banks and financial institutions as possible to gauge the best terms as different banks have different criteria and risk appetite.

"Prospective borrowers will need to compare the rates received from the various banks and the terms and conditions attached to the loan before shortlisting the bank with the best package for them," he added.

Ching concurs that homebuyers have to scrutinise a few banks first before shortlisting two to three banks.

"Banks assess each applicant individually based on nett income, commitment, repayment, etc, before determining whether he/she is qualified to borrow the desired amount," he says.

"Banks have many considerations for loan approvals but the rates offered by them are generally about  $\pm 0.1\%$ - $0.2\%$ ," he adds.

According to Ideal Mortgage Specialist Sdn Bhd senior marketing manager Steven Cheong, banks usually set the interest rate on a mortgage based on two factors. First is the loan amount. Second is the borrower's credit profile. "If the credit score is good, the buyer may get better interest rates, and vice versa," he offers.

RHB Banking Group head of group retail banking U Chen Hock says that mortgage interest rates differentiation among the various banks in the country is currently negligible due to the prevailing competitive landscape of the industry.

### Fixed and floating rates

There are basically two types of interest agreements on home loans: fixed and floating.

The fixed agreement refers to the fixed interest rate on the product that remains constant throughout the lifetime of the facility.

"This product offers peace of mind knowing that the pricing will remain the same throughout the loan tenure. Such a premium feature however, comes at a higher pricing compared with a floating rate product," U says.

On the other hand, a floating interest rate home loan comprises a variable component, namely the BR. The interest rate is expressed as BR plus spread. The BR will be subjected to fluctuations in the event of movements in the benchmark cost of funds, he explains.

Besides the OPR movement, factors that will affect the BR also include the borrower's credit profile, and the bank's operating cost and profit margin.



Ching says that based on the current soft property market, there may be some great deals



U says most mortgage products are offered as floating rate schemes





### Flexi loan

- Borrower may have to set up a current account for a fee, which is linked to the loan account
- Borrower allowed to make prepayments or additional payments without informing the bank
- Can redraw without informing the bank
- RM10 monthly maintenance fee

### Semi-flexi loan

- Borrower has to set up a savings account
- The bank will deduct the instalment amount from the savings account
- Borrower has to inform the bank to make prepayments or additional payments
- Borrower has to give two to five days notice to bank before redrawing

### Non-flexi loan

- Borrower has to set up a savings account
- Borrower has to inform the bank when making prepayments
- Not allowed to redraw without special approval from bank

### The factors influencing the base rate (BR)

1. Borrower's credit profile
2. OPR
3. Bank's profit margin
4. Bank's operating cost



### Four things you need when applying for a loan

1. Salary and payment document
2. Loan affordability
3. Central Credit Reference Information System (CCRIS) report
4. Credit Tip Off Service (CTOS) report



semi-flexi loan instead of the flexi loan as the latter may incur extra costs.

"Some banks will charge the flexi loan borrower a set-up fee of RM200 and a monthly maintenance fee of RM10, so these are the extra costs," he notes. And if a borrower doesn't make additional payments, he or she will not benefit from the interest savings feature of the flexi loan but would have incurred more cost anyway, he adds.

Ching says buyers need to find out all the costs involved in buying a property to avoid buying something they can't afford.

"The main reason buyers face difficulties getting a mortgage is because they are buying something they can't afford," he says.

Besides the cost of a property, buyers should know that there are other costs like down payment, stamp duty and valuation fees, Cheong adds.

### How to choose?

When deciding on the type of mortgage, HBA's Chang reckons that there should be no real difference to the borrower whether their housing loan is under the conventional financing or Islamic financing.

However, the borrower should ensure that early redemption or repayment of the facility is allowed under the Islamic financing facility as the previous generation of Islamic financing by certain banks did not have provision for early redemption which posed problems to borrowers wishing to settle their housing loan early or to dispose the property, he adds.

The choice of a fully-flexible loan or semi-flexible loan account depends on the needs of the borrower, he offers.

"If the borrower prefers to make regular pre-payments and withdrawals, then a fully-flexible loan account is more suitable. But if the borrower is not going to make regular pre-payments or withdrawals, then a normal semi-flexible loan account would suffice."

Ultimately, borrowers should choose what suit their lifestyles and requirements.

Want to know your monthly instalment before and after the OPR cut? Check out the mortgage calculator on [TheEdgeProperty.com](http://TheEdgeProperty.com).

## Base rates and effective lending rates

In a mortgage, the effective lending rate refers to the rate that a consumer pays for a loan facility.

Meanwhile, the BR is determined by the financial institutions' benchmark cost of funds and the Statutory Reserve Requirement (SRR). Other components of loan pricing such as the borrower's credit risk and liquidity risk premium, and the bank's operating costs and profit margin will be reflected in a spread above the BR. According to BNM's website, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the main reference rate for new retail floating rate loans effective Jan 2, 2015.

The effective rates come under the cost-plus structure which is translated into the "BR + spread".

"Since the introduction of the new framework, all financial institutions now have their own independent published BR and spreads," says RHB Banking Group head of group retail banking U Chen Hock.

A revision in the BR will impact the effective lending rate of a mortgage facility, thus it would entail a revision of the instalment amount, U adds.

The spread on the other hand is fixed upon entering a mortgage contract, unless there is a change in the risk profiling of a borrower particularly due to deterioration of the mortgage account, which includes non-servicing of the monthly instalments, he notes.

"Under such circumstances, the financial institutions are allowed to vary the spread to reflect the risk of the mortgage account," U says. "Such provisions are reflected in the Letter of Offer and consumers are advised to peruse the terms."

U says that due to the current accommodative interest rate environment, most mortgage products are offered as floating rate schemes.

### Conventional and Islamic loans

There are two concepts of mortgage in Malaysia — the conventional loan and the Islamic loan. To comply with Shariah principles, the Islamic loan must comply with Al Bai Bithaman Ajil (BBA), Musharakah Mutanaqisah, Musharakah and Ijarah contract, explains Ching.

Both the loans are divided into three categories — flexi, semi-flexi and non-flexi. Compared with conventional loans, Islamic loans have a few advantages.

"There is a 20% stamp duty discount for Islamic Loan Agreement documents, and the so called interest rate of Islamic loans are capped at a ceiling rate of up to 10.75%," says Ching.

Also, when refinancing from a conventional mortgage to an Islamic one, there is a 100% stamp duty waiver on the existing refinancing loan balance, Ching adds.

Furthermore, in contrast to conventional loans, which usually have a three-year lock-in period, most Islamic home financing packages do not have a lock-in period.

During the lock-in period, borrowers are not allowed to refinance or fully settle their loans unless they pay a penalty of 2% to 3% on the loan outstanding.

### Flexi, semi-flexi and non-flexi loans

Home loans are also categorised as flexi, semi-flexi or non-flexi loans. "Flexi" features give greater flexibility, namely the ability to make additional payments over the monthly instalment amount. The additional payments will be used to immediately offset the principal balance outstanding resulting in interest savings, explains U.

In addition, the prepaid amount can be used in future if the need arises by

redrawing against the accumulated prepaid amount, he says.

"With the two features, mortgage products are now becoming transactional products that enable customers to prepay and redraw at any time, as opposed to a typical loan that limits transactions to only monthly instalments," U adds.

Under a normal non-flexi mortgage, however, borrowers are not allowed to do any prepayment and redrawing, he adds.

As for semi-flexi loans, a borrower can do prepayments but they have to serve a two-day notice to the bank if they want to redraw from the prepaid amount.

Ching suggests that borrowers go for the

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