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**ONLINE + OFFLINE**

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Peridot to offer  
extra-large retail offices  
at MARQ Bizpark



TEP11 FEATURE  
Maintenance fees —  
know what you are  
paying for



TEP14 FEATURE  
Five homes with  
amazing views  
in Malaysia



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centre are becoming more attractive  
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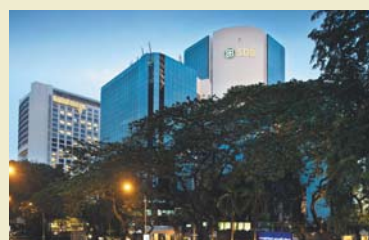
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## SDB to sell KL HQ building

Selangor Dredging Bhd (SDB) is selling Wisma Selangor Dredging along with the land in Jalan Ampang, Kuala Lumpur for RM480 million cash.

In a filing to Bursa Malaysia on June 20, SDB said the proposed disposal will provide it an opportunity to unlock its investment in the property and generate immediate cash flow for the group.

SDB said it has entered into a conditional sale and purchase agreement with Golden Eagle Realty Sdn Bhd for the proposed disposal. Golden Eagle is a wholly-owned subsidiary of Nation Venue Sdn Bhd, which is jointly owned by Tan Sri Koo Yuen Kim and Koo Yoke Ying.

The proposed disposal comprises a piece of freehold commercial land together with four blocks of commercial buildings and two levels of basement car parks.

## E&O to divest Lone Pine Hotel in Penang for RM85 mil

Eastern & Oriental Bhd (E&O) is divesting one of its subsidiaries, E&O Express Sdn Bhd — which owns and operates the Lone Pine Hotel in Batu Feringghi, Penang — for RM85 million.

Following the divestment, E&O expects to realise an estimated gain on disposal after taxation of approx-



## Second serviced apartment block at BBCC to be launched soon

BBCC Development Sdn Bhd will be launching the second block of serviced apartments at Bukit Bintang City Centre (BBCC) in the third quarter of 2017.

It will consist of 270 units with a total gross development value (GDV) of about RM300 million, BBCC Development CEO Datuk Richard Ong told reporters after the ground-breaking ceremony of BBCC on June 20.

The selling prices of the second block will be similar to the first block, which is selling at some RM1,600 psf, he added.

Since its official launch in December last year, the first block of serviced apartments, called Lucentia Residences, comprising 393 units, has been about 70% sold.

Officiated by Prime Minister Datuk Seri Najib Razak, the ground-breaking ceremony marked the commencement of works for BBCC and the Mitsui Shopping Park Lalaport KL, part of phase 1 of the mega development.

Located on 19.4 acres at the former Pudu Jail site, BBCC will have a total gross built-up area of 6.7 million sq ft with a GDV of RM8.7 billion.

imately RM23.3 million. A share sale agreement has been inked with Langkawi Saga Shopping Centre Sdn Bhd and Lubritrade Trading Pte Ltd to effect the disposal.

Of the sale proceeds, the bulk will be used for working capital and repayment of bank borrowings.

## S P Setia wins bid for sixth land parcel in Melbourne

S P Setia Bhd has successfully won the bid for its sixth land parcel in Melbourne.

The major site, 111, A'Beckett St is located in the Melbourne Central Business District, opposite Fulton Lane, which was S P Setia's first Melbourne project. The 1,714 sq m site was ac-

quired for A\$61 million (RM198 million) in an International Expression of Interest bidding exercise by CBRE.

The developer is planning to launch a high-rise residential development on the site in the second half of 2017 with an estimated GDV of A\$419 million.

Meanwhile, its latest project in Melbourne launched over the weekend called Sapphire by The Gardens, located at 308 Exhibition St, has seen a 70% take-up rate.

## MRCB: KL Sports City 98% complete

The first phase of rejuvenation works at the Kuala Lumpur Sports City in Bukit Jalil is expected to be handed over to the Malaysia Stadium Corp by mid-July as 98% of the

work has been completed.

Project director S Nalgunalingam said the remaining 2% of the works concern testing, documentation, commissioning of facilities and equipment for accreditation by international sports associations ahead of the 29th Kuala Lumpur SEA Games in August.

The project's first phase, costing RM500 million undertaken by Malaysian Resources Corp Bhd (MRCB), includes upgrading the national stadium, Axiata Arena (previously known as Putra Stadium), national aquatics centre, national hockey stadium, a large plaza and infrastructure development at the national sports complex.

The KL Sports City project's second phase, costing RM1.1 billion, is expected to begin after the ninth Asean Para Games from Sept 17 to 23.



## 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](http://TheEdgeProperty.com).

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### Astetica Residences roadshow

**Date:** June 26 to July 9  
(Mon to Sun)

**Time:** 10am to 10pm

**Venue:** AEON Mall Cheras Selatan, Lebuhraya Tun Hussein Onn, Balakong, Selangor

**Contact:** (03) 6188 4488  
Hua Yang Bhd will be showcasing Astetica Residences to interested home buyers during the school holidays. The project is located in Seri Kembangan, Selangor and offers 520 units of serviced apartments.

### 'Slide the City' at Forest City

**Date:** June 23 to July 23  
(Fri to Sun)

**Time:** 2.30pm to 7.30pm  
(weekdays), 10.30am to

7.30pm (weekend)  
**Venue:** Forest City Country Garden, Forest City 1, Pulau Satu, Gelang Patah, Johor Bahru, Johor  
**Contact:** (013) 700 1199  
Country Garden invites the public to Forest City to experience an exciting 1,000ft water slide. Tickets can be purchased online or at Forest City Harbor commercial street.

### Preview of The Park House (Melbourne)

**Date:** June 24 and 25  
(Sat and Sun)

**Time:** 10am to 7pm

**Venue:** Salta Properties International Sales Gallery, A3-1-3, Solaris Dutamas, No. 1,



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Jalan Dutamas 1, Kuala Lumpur  
**Contact:** (012) 693 3127  
Salta Properties celebrates the second anniversary of its International Sales Gallery in Publika Shopping Centre. The company will also preview its Park House apartment project located in Melbourne, Australia.

### Raya bersama Siti Nordiana

**Date:** July 9 (Sun)

**Time:** 11am to 4pm

**Venue:** d'Tempat Country Club, Jalan Pusat Dagangan Sendayan 1, Bandar Sri Sendayan, Seremban, Negeri Sembilan  
**Contact:** 1800 88 2688



Matrix Concepts Holdings Bhd celebrates the festive season with a performance by singer Siti Nordiana at Bandar Sri Sendayan. There will be a delicious Raya food spread, traditional dance performances and craft activities. Admission is free.



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PERIDOT DEVELOPMENT

# Peridot to offer extra-large retail offices at MARQ Bizpark



MARQ Bizpark will have built-ups ranging from 7,300 sq ft to 11,100 sq ft. Prices start from RM300 psf.

BY NATALIE KHOO

KOTA KEMUNING: Peridot Development Sdn Bhd will be launching MARQ Bizpark @ North Klang along Jalan Kapar, Klang in July. It is one of two property launches that the developer has planned for the second half of 2017, said its executive director Eric Lai.

MARQ Bizpark comprises 10 semi-detached retail office units and 18 cluster retail office units sitting on an 8-acre freehold site. The 3-storey retail offices have built-ups ranging from 7,300 sq ft to 11,100 sq ft and have a total estimated gross development value (GDV) of RM75 million. Prices start from RM300 psf.

"MARQ is a bit different [from



(From left) Ethan, Ng and Eric of Peridot Development.

conventional shopoffices] due to its flexible usage. Not only is it suitable for commercial use but it could also be suitable for light industrial use. Our previous project, called PRIME @ Axis Industrial Park, located in

Shah Alam and completed in July, has a similar concept except that PRIME comes with an industrial title while MARQ is commercial-titled," Eric told TheEdgeProperty.com.

The project caters to those who

want large shopoffices. "Instead of buying three or four conventional shopoffice units in a row, you can buy just one unit at MARQ," he said.

Meanwhile, Peridot managing director Ng Keong Wee noted that the development will be a new landmark in the area.

"We are targeting light industry factory owners in the area who want their office and showroom to front Jalan Kapar," said Ng.

Also present at the interview was Peridot's project director Ethan Lai who said owners can also rent out the floors that they are not using.

"The ground floor has a very high ceiling suitable to be used as a showroom. There are also separate lifts and a lift lobby on the upper floors to allow direct access to individual floors for better rental opportunities," said Ethan.

The developer also plans to launch phase 1 of NUSA Series of residences at Taman Manggis Jaya, Banting, by the end of the year. Phase 1 comprises 28 units of double-storey semi-detached homes and two double-storey bungalows. The 4.8-acre project is the second project the group is developing in Banting. Their first was Taman Nilam Residence comprising 106 units of double-storey terraced houses and 20 units of 2-storey shopoffices, which were all handed over last year.

"After we completed our first project, a lot of customers asked for higher-end products. So we decided to build semi-dees and bungalows this time. The project has good accessibility to major highways such as the South Klang Valley Expressway, North-South Expressway Central Link and the Shah Alam Expressway," said Eric. Built-ups are from 2,800 sq ft to 4,300 sq ft with an indicative selling price from RM250 psf. NUSA phase

1 has a GDV of RM25 million.

"We also felt it was important to have a lot of greenery and to create value for our buyers, so we will be creating a central park of about 20,000 sq ft in the middle of the project," he added.

Eric noted that the project will have only one exit and entry point while the main entrance will be wide to make it easier for residents to form their own gated and guarded community if they decide to do so in future.

The group has also recently acquired a 5.3-acre plot next to NUSA phase 1 to build phase 2. Plans are for another 20 units of double-storey semi-detached homes, 24 units of double-storey cluster homes and one double-storey bungalow. Phase 2 has an estimated GDV of RM35 million and is targeted for launch in mid-2018.

Other planned launches next year is a 24-acre mixed development of landed residential and commercial properties called Triliant at Kundang, Selangor with a GDV of RM150 million, and strata linked bungalows called Kemensahill on a 6-acre site in Ampang, Selangor with a GDV of RM75 million.

The group also has 30 acres of landbank in Semenyih with a GDV of RM250 million and 4.5 acres in Alam Impian with a GDV of RM40 million.

On the current property market, Eric described it as a "selective" market rather than a slow market as residential properties are still in demand.

"It is all about getting the correct pricing and location. The issue of bank loan rejections is more on a personal level because everyone's credit rating differs. For our projects, we have considered feedback and spent time understanding the market," he said.

## Citrine Lakehomes at Sunway Iskandar launching in July

BY SHAWN NG

PETALING JAYA: Sunway Property is set to launch Citrine Lakehomes at the Lakeview Precinct of Sunway Iskandar, Johor in July.

With a gross development value (GDV) of RM310 million, Citrine Lakehomes spans 24.55 acres and consists of 361 double-storey linked houses, double-storey link cluster homes and townhouses, said Sunway Iskandar chief executive officer Gerard Soosay. The built-ups for the units will range from 2,066 sq ft to 2,299 sq ft.

"The indicative selling prices for the townhouses are between RM550,000 and RM630,000 while the prices for the link houses and link cluster houses will start from RM760,000 and RM850,000, respectively," he added.

It targets to complete the project by the second quarter of 2020.

Soosay noted that Citrine Lakehomes is strategically located next to the 20-acre Emerald Lake Garden and Citrine Commercial Hub, walking distance to Sunway Inter-



Soosay: Our focus is more on developing integrated developments.

national School, and 500m from the Seafront Precinct and future theme park. Residents can take a short walk or cycle along the seafront or head down to these other precincts to go to the supermarkets and eateries.

The homes are targeted at Johor and Singapore's working adults and those who are planning to retire in a peaceful and cozy environment, said Soosay.

"Most of our properties cater mainly to local buyers and Singaporeans. We constantly monitor the market and will only launch products that are in demand. Our focus is more on developing integrated developments as we want



Artist's impression of Citrine Lakehouse.

to ensure there's a conducive ecosystem that supports the community's growth," he added.

He pointed out that Sunway Property's projects usually feature quick access to public infrastructure in the form of direct links or connecting bridges to its developments.

"In Sunway Iskandar, the soon-

to-be-completed Coastal Highway Southern Link is expected to provide excellent connectivity to the residents and business owners in Iskandar Malaysia. It will be about 5km to Singapore," he said.

Sunway Iskandar is the developer's largest integrated city at 1,800 acres and an estimated GDV of RM30 billion. It comprises six

precincts, namely the Lakeview, the Capital, the Marketplace, the Parkview, the Seafront and the Riverside.

Its key components include educational, leisure hot spots, healthcare and recreational components to ensure residents have ample amenities ready for them when they move in.





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# SOPs make good property management

BY TAN AI LENG

**M**anaging a property is never an easy job as it involves the process of predicting problems that may arise as well as taking preventive measures. But sometimes unforeseen problems arise and immediate action has to be taken. Not taking preventive measures and not being quick enough in responding to problems could jeopardise the quality of property management.

Malaysian Institute of Professional Property Managers (MIPPM) president Sarkunan Subramaniam says it is not easy to spot the devil in the details, but with the help of a clear set of standard operating procedure (SOP) and key performance indicators (KPI), property managers can ensure that every detail is covered.

“Two essential elements of good property management are the KPI and SOP. The management tools must be there as well and, of course, the attitude of the property management team,” Sarkunan tells TheEdgeProperty.com at an MIPPM seminar on May 25.

Sarkunan stresses that the set SOP or KPI not only acts as a guide but also provides clear direction on getting things done the way they should be done. Hence, action taken is not influenced or affected by individual decisions.

“When new people come in or a new management team takes over, sometimes they cause confusion in the transition process due to a change in work culture or working style. This could affect the quality of property management,” he explains. However, with an SOP in place, it does not matter how different their work style or culture are as the property manager has to follow the procedure regardless.

Among the guest speakers at the one-day seminar, entitled “Learning from winners – best practices in property management and going green”, were representatives of



From left: Nippon Paint Malaysia general manager of sales Tay Sze Tuck, Krishnaraj, Sarkunan, Leong and Suraya at the MIPPM seminar.

the property management teams of several properties that won awards at TheEdgeProperty.com Malaysia’s Best Managed Property Awards 2017 in April.

The guest speakers were from KLCC Urusharta Sdn Bhd, which manages the Petronas Twin Towers; Knight Frank Malaysia Sdn Bhd, which manages Integra Tower; and SCM Property Services Sdn Bhd, which manages 28 Mont’Kiara and Solaris Dutamas.

Knight Frank Malaysia property management commercial executive director Natallie Leong stresses that a KPI could help measure the effectiveness of each department in achieving their goals. However, she noted that the KPI goals and targets must be attainable and achievable.

For instance, making sure the toilet floor is always dry is not an attainable goal but making sure the toilet is clean twice a day is an achievable target.

Leong shares that the company’s prop-

erty management division’s “5S” emphasis in property management, namely Sort, Straighten, Shine, Standardise and Sustain, guides its property managers to identify and sort out problems, set the SOP and KPI, communicate with stakeholders and make their buildings sustainable.

“However, property management is not only about managing the hardware. The most important aspect is the communication with the owners, tenants and occupants. A property management team also needs to listen to residents’ feedback while providing solutions for them. This helps to build the relationship between them,” she emphasises.

Knight Frank Malaysia is the property manager for Integra Tower, which was the Gold winner in the strata commercial segment in TheEdgeProperty.com Malaysia’s Best Managed Property Awards 2017.

SCM Property Services deputy senior manager Krishnaraj Perumalu concurs that

feedback from owners and residents is crucial in helping the facilities manager identify problems and to improve the management performance.

“Communication between residents and the facilities manager is important. In SCM-managed properties, we have provided an online system where residents or owners could submit their feedback to us through a user-friendly platform,” he cites an example.

The community online portal also allows the management to make public announcements and for residents to make reservations for common facilities.

SCM Property is the wholly-owned subsidiary of UEM Sunrise Bhd. It manages Mercu Summer Suites, 28 Mont’Kiara and Solaris Dutamas that won awards at TheEdgeProperty.com Malaysia’s Best Managed Property Awards 2017.

KLCC Urusharta’s head of operations and maintenance department Suraya Hussein shares that there are many aspects to managing a property and to make it look constantly new.

“The 21-year-old Petronas Twin Towers is not only the headquarters for the nation’s oil producer — the tallest twin towers in the world is also an iconic building, a symbol of Malaysia that attracts millions of visitors every year,” she notes.

This iconic building was the Gold winner in the non-strata commercial segment at TheEdgeProperty.com Malaysia’s Best Managed Property Awards 2017.

To effectively manage the twin towers, KLCC Urusharta has a clear work structure for different tasks such as operations, maintenance, customer service, relationship management as well as an emergency response team.

Suraya notes that the company is continuously improving its management process to make sure Petronas Twin Towers is always in its best condition while keeping its relevance to the public.

## Prevent fire hazards while you ‘balik kampung’

BY LUM KA KAY

**I**t is of the utmost priority that you leave your home in a safe and good condition as you prepare to hit the road for the Hari Raya Aidilfitri “balik kampung” exodus.

Besides preventing break-ins, one should also be mindful of fires. Fires in homes can be caused by short circuits and faulty electrical appliances — it is important to do what you can to protect your home from such mishaps.

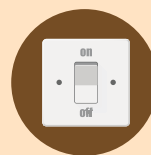
With that in mind, electricity utility provider Tenaga Nasional Bhd (TNB) has come up with a few safety tips for homeowners, especially those who

would be away from home this festive season.

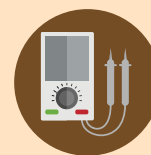
“We would like to suggest a few practical and energy-saving tips that can be practised by those who are preparing to ‘balik kampung’ for the festive season.

“Hopefully these tips will help you have peace of mind when you’re away from home to celebrate Hari Raya,” said TNB senior general manager for corporate affairs and communications Datuk Mohd Aminuddin Mohd Amin. He also advised the public to contact TNB Careline at 15454 or reach out to TNB Careline’s Facebook for assistance if there is a power outage or breakdown during the Aidilfitri season.

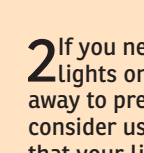
### Here’s what to do:



**1** Make sure that all unused electrical appliances are switched off and their electrical plugs removed from the power source to prevent electric current from flowing.



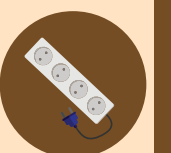
**4** Make sure that all electrical appliances that need to be left switched on are in good working condition.



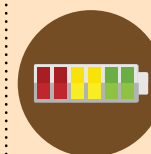
**2** If you need to leave the lights on when you’re away to prevent burglaries, consider using a timer so that your lights won’t be on all day.



**5** If you are using any extension cord, make sure that the wiring is fully extended to avoid overheating.



**3** Ensure that all power sockets are in good, functional condition and are not fitted with too many adaptors.



**6** Try making it a habit to test your residual-current circuit breaker (RCCB) at least once a month. Refer to [www.tnb.com.my](http://www.tnb.com.my) or TNB Careline’s Facebook to find out how to test an RCCB.

GRAPHICS: MAISARAH ALI





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Setia EcoHill Welcome Centre,  
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Setia Eco Gardens Sales Gallery,  
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# Hati Dibuka, Kasih Dikongsi





**B**usiness owners looking for office space in the Klang Valley for their operations will find themselves spoilt for choice in the current slow market with the wide selection of new office developments that offer various facilities, convenience, competitive rental and perks such as rent-free periods. Beyond Kuala Lumpur city centre, the pull factors for tenants are even more compelling as rents are usually cheaper outside the city centre.

The office decentralisation trend has been ongoing for some time, but lately, new start-ups and some existing business owners are choosing to locate their operations in the city limits rather than in the city centre.

Knight Frank Malaysia corporate services executive director Teh Young Khean has noticed that some companies have been moving out from their KL city centre offices to the fringes of the city.

"The reasons people move away from KL city centre are mainly to avoid the heavy traffic congestion and for easier accessibility between home and workplace. They are also drawn by the cheaper rents," he tells TheEdgeProperty.com.

According to data from the National Property Information Centre (Napic), both KL and Selangor have seen a rise in supply of office space while occupancy rate has dropped.

Selangor's office occupancy rate has seen a minute decrease to 75.5% in 2016 from 75.7% in 2015, maintaining at the 75% and above level. KL office occupancy rate, however, saw a more significant drop in 2016 to 77.9% from 81.2% the previous year.

Oregon Property Consultancy director Kok Chin Yee says there are no significant data to show that business owners are actually moving their operations from KL city centre, but he has observed that the development of office buildings outside KL city centre has picked up in recent times, many with impressive designs and concepts that have drawn the attention of companies including start-ups.

"It's not only about work anymore, but life after work. Offices in mixed developments with various lifestyle elements, such as shopping malls, F&B outlets, hotels and entertainment, are in demand now," Kok says.

For instance, mixed developments that allow its occupants to "live, work and play" like Mid Valley City, Bangsar South and Publika in Dutamas are gaining momentum in terms of popularity.

Other similar developments that offer office spaces with easy access to shopping, food and leisure include Bandar Sunway (offices near Sunway Pyramid), Bandar Utama (near 1 Utama Shopping Centre), offices at Mutiara Damansara (near The Curve) and new integrated developments in Bandar Sri Damansara.

Kok notes that small- and medium-scale companies are more likely to consider setting up office in the suburbs or fringes of the city centre due to their lower rents and cost of doing business.

Property consultancy MacReal International Sdn Bhd founder Michael Kong says rents in KL are facing downward pressure due to the increased supply of office spaces and decreased demand due to business consolidation and reduced staff headcount as a result of downsizing.

"It is basically a tenant's market now. Tenants are spoilt for choice as there is plenty of good grade office space in the market," he adds.

Kong notes that landlords are reducing rents and offering attractive tenancy terms such as longer fit-out periods and rent with option to purchase schemes or lower secu-



# Demand for offices outside KL city centre

BY TAN AI LENG

rity deposits. Thus, in his view, if there are movements away from the KL city centre, it is more likely to be due to factors other than tenancy terms and rates.

## Selangor areas with high occupancy rates

Although overall, KL office spaces still enjoy higher occupancy than those in Selangor, in the micro view, some areas in Selangor have recorded occupancy rates as high as 100% in the purpose-built office segment.

According to Napic's Property Market Report, as at end-2016, there were 218 existing purpose-built office buildings providing 3,394,403 sq m of office space while seven buildings would be built that will offer 418,424 sq m in incoming supply. However, there was no new construction of new purpose-built offices last year.

The report stated that purpose-built offices in Selayang, Gombak and Sabak Bernam enjoyed a 100% occupancy while Bandar Utama and Sunway City enjoyed over 90% occupancy. Similar office spaces in Selangor's Ampang, Kuala Selangor, Kelana Jaya, Shah Alam and Sepang had more than 80% occupancy.

Office rents in Selangor were generally stable with offices in good locations and close to city transit hubs enjoying strong demand and rents.

Damansara Uptown 1 has enjoyed the highest office rental rates in Petaling Jaya ranging between RM55.97 and RM118.40 psm over the last two years (2015 and 2016).

Meanwhile, Menara PKNS recorded the highest annual rental growth of 17% last year to between RM41.98 and RM61.89 psm from 2015's rates of between RM37.67 and RM44.13 psm.

## KL remains an appealing address

In comparison, KL's office property in the Golden Triangle and Central Business District have enjoyed an occupancy rate of over 80%. The overall occupancy rates in the capital's city centre and its suburbs were 75.1% and 67%, respectively.

Although real estate experts see office spaces outside the city centre gaining momentum, they remain optimistic about KL city centre's office property segment due to its standing as the capital city of Malaysia.

Napic's data showed that in KL, there were seven new purpose-built office completions in 2016 with 320,643 sq m of space. These included Menara Guocoland and Menara Hong Leong at Damansara City, new blocks of Vertical Suites at Bangsar South, Vertical 38 Tower A&B also at Bangsar South, KL Eco City Office Tower (Signature offices), Ken TTDI in Taman Tun Dr Ismail and Sunway Velocity Designer Office phase 3C1 in Cheras.

In 2016, there were 434 office buildings providing a total space of 7,657,577 sq m with another 23 office buildings (713,303 sq m) coming into the market.

MacReal International's Kong says KL city centre offices will continue to remain attractive due to its importance as the country's financial centre.

"Many businesses will still require a presence in the most established financial district in Malaysia. The concentration of major banks, financial institutions, government-linked companies and agencies, MNCs, and complementary facilities and amenities make KL city centre an enduring and important location for businesses and offices," he adds.

Knight Frank's Teh says the fall in oil prices have impacted the demand for office space

in the city centre as many oil and gas companies have sublet their unutilised space or are "right-sizing" their office spaces.

"Grade A offices in KLCC are still in good demand, but rents are facing pressure as supply is increasing," he adds.

Although KL's office rental rates in 2016 were generally stable, some office buildings have lowered their rents slightly than the previous year for the not-so-popular spaces or units in the building while the more popular units have seen rent increase. For instance, office rent psm for Integra Tower ranged between RM99.02 and RM102.25 in 2016 compared with RM96.87 to RM118.40 psm in 2015. Rents usually differ depending on size and floor levels. Another example was Menara IGB in Mid Valley City, which has seen rents drop slightly to between RM53.82 and RM67.81 psm compared with RM57.04 and RM67.81 psm the previous year.

Meanwhile, Kok from Oregon Property says the competitive market will push building owners or management companies to refurbish their buildings and enhance their competitiveness.

He notes that newly refurbished office buildings have seen rents improve, such as the Kenanga International building on Jalan Sultan Ismail, which is now fetching an average monthly rental of RM7 psf compared with RM5 to RM6 psf before its refurbishment.

According to Oregon Property's data, the average monthly rents of KL city centre offices currently range from RM5 to RM15 psf; Bangsar South rents range from RM4 to RM4.50 psf while Bandar Sunway's average monthly rents range between RM6 and RM6.50 psf.

## Pull factors

Besides rental rates, other main consider-





SOURCE: NAPIC | GRAPHICS: NURUL AIDA MOHD NOOR



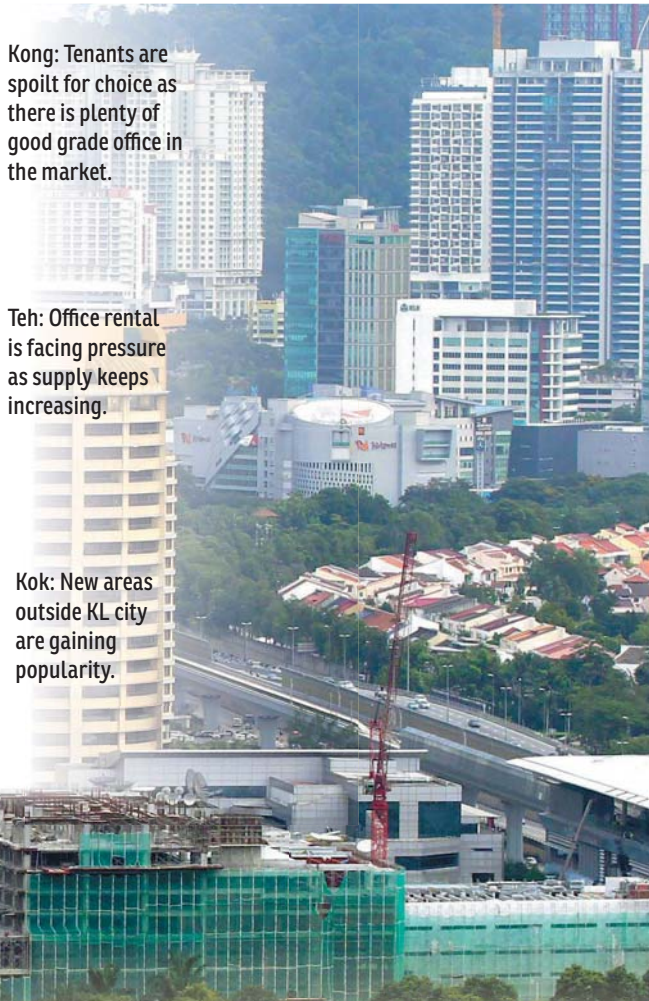
**Kong:** Tenants are spoilt for choice as there is plenty of good grade office in the market.



**Teh:** Office rental is facing pressure as supply keeps increasing.

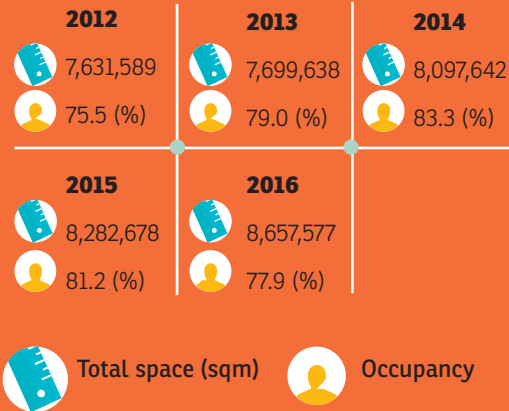


**Kok:** New areas outside KL city are gaining popularity.



## KL office occupancy rates

Rising supply of office space in Kuala Lumpur has affected occupancy rates



## Office buildings with the highest rents in KL

Rental range reference (RM psm)

**Petronas Twin Tower II** (Golden Triangle)

- ★ 2015 NA
- ★ 2016 **RM153.92**

**Integra Tower** (Golden Triangle)

- ★ 2015 **RM96.87 - 118.40**
- ★ 2016 **RM99.02 - 102.25**

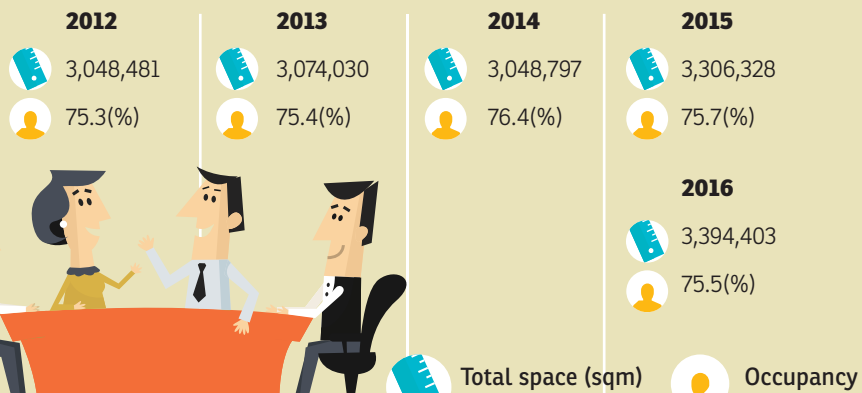
**Menara Shell** (within city centre)

- ★ 2015 **RM87.72 - 98.49**
- ★ 2016 **RM87.72 - 98.49**

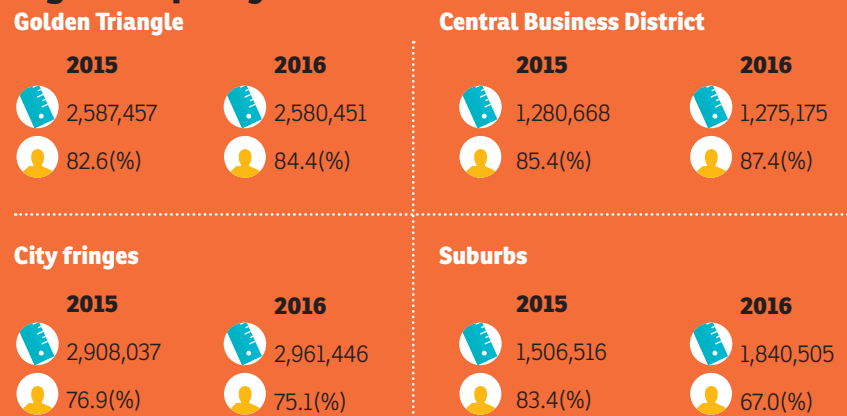
**G Tower** (Golden Triangle)

- ★ 2015 **RM73.20 - 96.88**
- ★ 2016 **RM73.20 - 96.88**

## Average office occupancy rate in Selangor has remained above 75% over the years



## KL's Golden Triangle and CBD have maintained high occupancy rates



## Some areas in Selangor have enjoyed occupancy rates of over 80%

AREAS	TOTAL SPACE (SQ M)		OCCUPANCY (%)	
	2015	2016	2015	2016
Sunway City	23,854	23,854	95	95
Shah Alam	493,966	578,785	91.9	82
Bandar Utama	82,387	82,387	95.6	95.6
Kelana Jaya	211,866	211,866	84.2	84.4
Ampang	50,987	50,987	87.4	87.4
Sepang	339,591	339,591	80.6	80.6
Kuala Selangor	5,075	5,075	86.5	86.5
Selayang	8,148	8,148	100	100
Gombak	28,169	28,169	100	100
Sabak Bernam	9,261	9,261	100	100

## Office buildings with the highest rents in Selangor

Rental range reference (RM psm)

**Damansara Uptown 1**

Petaling Jaya

- ★ 2015 **RM55.97 - 118.40**
- ★ 2016 **RM55.97 - 118.40**

**Wisma Consplant 1**

Subang Jaya

- ★ 2015 **RM62.36 - 70.40**
- ★ 2016 **RM62.36 - 70.40**

**Wisma UEP**

Subang Jaya

- ★ 2015 **RM66.73**
- ★ 2016 **RM66.73**

**Wisma Consplant 2**

Subang Jaya

- ★ 2015 **RM61.90 - 64.59**
- ★ 2016 **RM61.90 - 64.59**



ations for business owners when choosing a suitable office space are its accessibility, ease of commute and amenities.

Kong from MacReal International says some business owners choose to relocate from the city centre simply because their businesses do not require a presence in the city.

“The advent of information technology and cloud-based computing have reduced the need for office spaces as people can work from out of office,” he adds.

Kong singled out KL Sentral as one of the more popular office destinations. “KL

Sentral is located out of the traffic gridlock of the city centre and has easy access to the Federal Highway and other connecting highways,” he offers.

The integrated nature of the transit hub offers everything in one place including offices, hotels, retail elements and residences. More importantly, the transportation hub enables people to travel to various places in the Klang Valley by rail easily.

Oregon Property’s Kok notes that with the new Mass Rapid Transit system coming into place, more business owners would

consider relocating to areas outside the city centre due to better accessibility.

“The easy access to public transport, coupled with a good secure environment, can help companies attract talent and employees who are looking to commute to work by public transport and not drive,” he adds.

Kok says Bandar Sunway, Damansara Heights and Bangsar South have become popular choices for business owners, not only for their easy access but also the vibrancy of these areas that draws people to these places.

Besides these locations, Knight Frank’s Teh says Damansara City in Damansara Heights, KL Eco City and UOA Business Park in Shah Alam, facing the Federal Highway, could be the next popular destinations for business owners to set up their offices for the easy accessibility.

“Business locations with great connectivity to public transportation system, easy accessibility and integrated amenities as well as MSC status offices will be the main pull factors for business owners and also talents,” Teh concludes.



# House prices finally coming down?

BY SHAWN NG

“House prices will never go down” is probably what we hear whenever we are told to invest in a residential property. And property developers have enforced that time and again, citing the rising cost of construction and strong demand from a growing population.

However, the latest data from the Valuation and Property Services Department's Property Market Report 2016 showed that the Malaysian House Price Index (HPI) had in the fourth quarter of 2016 (4Q2016) stood at 243.3 points, down by 1.8 points, or 0.7%, against 3Q2016.

This is the first quarterly decline since 4Q2008, when the HPI contracted by 2.4 points, or 1.83%, to 129 points from 131.4 points in 3Q2008. Since then, the index has been reflecting an escalation in prices, until now.

The report stated that the quarterly dip in 4Q2016 was attributed to the downtrend in prices experienced in most states, with the HPI in these states seeing negative growth of between 0.1% and 3.2%. Other states that have recorded a dip in the HPI include Penang (-3.2%), Sarawak (-1.9%), Sabah (-1.4%), Kuala Lumpur (-1.4%), Pahang (-1.2%), Perak (-0.9%), Kelantan (-0.5%), Selangor (-0.2%), Kedah (-0.1%) and Perlis (-0.1%).

Only three states — Johor (0.9%), Negeri Sembilan (0.9%) and Terengganu (1.8%) — recorded positive growth. Price movement in Melaka was unchanged.

Henry Butcher (M) Sdn Bhd chief operating officer Tang Chee Meng says the quarterly drop in 4Q2016 does not surprise him, considering the current soft market.

“When the HPI records a decline, it means prices have registered a drop, so one can conclude that on the whole, prices have declined in 4Q2016 from the previous quarter, which is clearly a manifestation of the soft market condition,” he tells TheEdgeProperty.com.

He adds that the price dip could also be attributed to the lower net prices of some new property projects due to discounts via rebates, freebies and interest-free easy payment schemes offered by developers, although their official prices may not have dropped.

Looking ahead, Tang says it remains to be seen whether the drop in 4Q2016 is just a temporary blip or the start of a downtrend over the next few quarters. “My personal view is that the HPI will recover in 1Q2017 but will remain fairly flat through the year.”

However, Metro Homes Sdn Bhd director See Kok Loong thinks the HPI will continue to see gradual downtrend due to the soft market condition, which has also seen property owners lowering their asking prices.

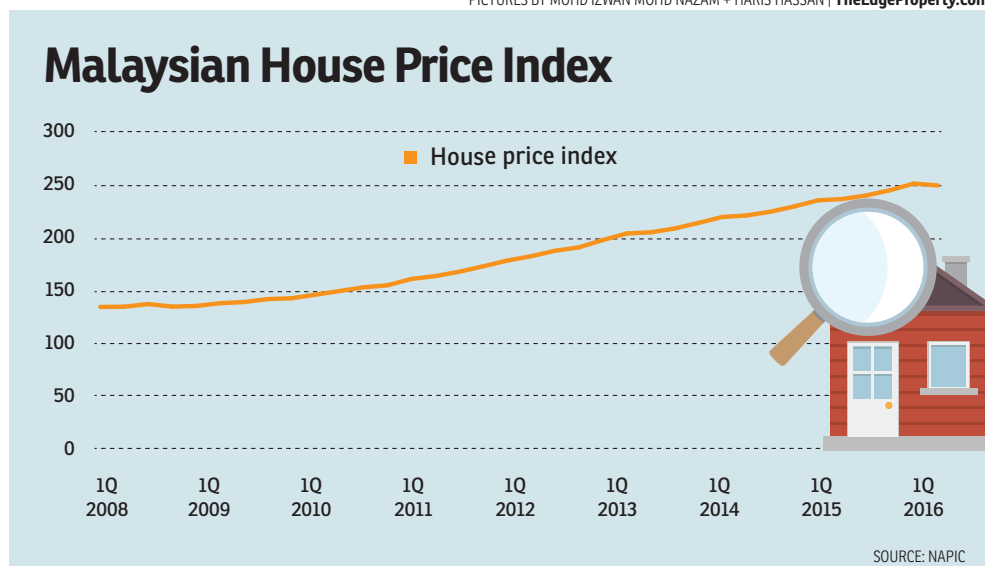
“The increase in stamp duty for real estate transactions priced above RM1 million from 3% to 4% starting January 2018 and the impact of the goods and services tax (GST) as well as the China government's curbs on capital outflows are expected to have an impact on the market,” he says.

See adds that there have been slightly more buying enquiries recently but for high-end properties, most people are still taking a “wait-and-see” stance as they believe the next general election will happen soon.

“Therefore, we believe that the high-end segment will remain soft until after the election, whereas affordable properties will continue to perform well,” he continues.

## Is the worst over?

Nevertheless, to MIDF Research analyst Alan Lim, the market seems to be looking up and the drop in the HPI in the last quarter is only temporary. His confidence lies in the 5.6% growth recorded in the Malaysian economy



## All states recorded declines in value and volume of residential property transactions, except Kelantan, Perlis and Labuan

<b>Kuala Lumpur</b> -19% -13.35%	<b>Kedah</b> -21.2% -12.8%	<b>Melaka</b> -9.6% -2.9%	<b>Negeri Sembilan</b> -9.4% -6.9%
<b>Perak</b> -15% -11%	<b>Pahang</b> -20.9% -15%	<b>Selangor</b> -15.5% -11.8%	<b>Perlis</b> -1.2% +11.6%
<b>Kelantan</b> +16.4% +7.2%	<b>Terengganu</b> -4.6% -12.5%	<b>Penang</b> -13.4% -13.1%	<b>Sarawak</b> -8.4% -4.6%
<b>Sabah</b> -11.8% -8.3%	<b>Johor</b> -15.7% -7.6%	<b>Putrajaya</b> -18.9% -27.2%	<b>Labuan</b> -26.2% +5%

Annual percentage change in **volume** of residential property transactions in 2016 (%)

Annual percentage change in **value** of residential property transactions in 2016 (%)

Country/states	Annual percentage change in the House Price Index in 4Q2016 (%)	Quarterly percentage change in the House Price Index in 4Q2016 (%)	All House Price
Malaysia	5.6	-0.7	RM337,096
Kuala Lumpur	5.3	-1.4	RM778,317
Selangor	8.2	-0.2	RM521,084
Johor	7.7	0.9	RM266,814
Penang	0.7	-3.2	RM388,319
Negeri Sembilan	7.6	0.9	RM216,914
Perak	6	-0.9	RM192,656
Melaka	4.9	0	RM191,435
Kedah	4.9	-0.1	RM178,893
Pahang	2.1	-1.2	RM217,891
Terengganu	5.5	1.8	RM230,058
Kelantan	0.2	-0.5	RM171,876
Perlis	-0.4	-0.1	RM153,686
Sabah	-0.1	-1.4	RM454,120
Sarawak	2.4	-1.9	RM403,668

in 1Q2017 — the fastest growth recorded in two years — against the 4.1% recorded in the same quarter last year.

“As the economy improves, income levels and visibility tend to be higher. Hence, we expect consumers to have higher confidence in buying property,” he says, adding that the rise in consumer confidence is expected to boost property sales and help sustain overall property prices going forward.

MIDF Research's report on May 11 noted that the HPI grew by 5.6% y-o-y to 243.3 points in 4Q2016, although the growth was slower than

the five-year average growth of 9.1%.

“There is some decline q-o-q but we think this should be temporary as the Malaysian economy has picked up. The outlook for property price growth is better in Greater KL (Selangor and KL) due to the urbanisation factor,” read the report.

The report also pointed out that the 1Q2017 consumer sentiment index (CSI), which improved to 76.6 points from 4Q2016's 69.8 points and 1Q2016's 72.9 points, suggests that the demand outlook for property among the potential buyers has improved and this should translate into better sales in 2017 as consumers are gen-



See: We believe that the high-end segment will remain soft until after the election.



Tang: The price dip could also be attributed to the lower net prices of some new property projects.

erally more optimistic and have indicated their cautiously ambitious spending plans.

## House prices in Johor trend upwards

Despite the drop in transaction value and volume of residential property, house prices in Johor continue to rise.

The state recorded 26,186 residential property transactions in 2016, down by 15.69% from the previous year. The value of transactions also fell by 7.6% to RM8.58 billion from the previous year. The HPI for Johor grew 7.7% y-o-y in 4Q2016 and 0.9% q-o-q.

Metro Homes' See opines that the increase in Johor house prices could be due to newly completed projects that were transacted at a higher price. However, Tang points out that the marginal rise in the HPI cannot be taken as an indication of a hot market for Johor, in view of the declines in both volume and value of residential transactions in the state last year.

He notes that all states registered declines in volume and value of residential property transactions in 2016, with the exception of Kelantan, which interestingly recorded a 16.4% increase in volume of transactions and a 7.2% increase in value of transactions.

“Perlis, which recorded a marginal 1.2% drop in volume of transactions, actually registered an 11.6% increase in the value of transactions,” he adds.

## Residential property market yet to bottom

Going forward, Tang says the residential market in all states will remain soft in 2017. He thinks the market has yet to bottom and the soft market conditions will persist for the rest of this year and possibly the first half of next year. He says the decline in the volume and value of residential property transactions only just started in 2013 and 2015, respectively.

According to the National Property Information Centre's data, the number of residential property transactions in 2013 was 59,210, down 8.06% from the 64,402 in the previous year, although the value was up 7.19% to RM16.22 billion in 2013.

The number of residential property transactions in 2015 was 59,490, an increase of 1.23% while the value of the transactions dropped 11.34% to RM10.35 billion.

“The outlook for the overall residential property market will remain soft in 2017 with continued declines in both volume as well as value of transactions, but prices are not expected to dip significantly,” Tang says.

According to the Property Market Report 2016, the volume of residential property transactions in Malaysia dropped by 16.61% last year to 49,608 transactions from 59,490 transactions in the previous year. Total transactions value in 2016 was down 9.51% to RM32.97 billion from RM36.46 billion in 2015.



# Find out more beyond just paying

Maintenance fees can range from as low as RM0.13 psf to as high as RM1.60 psf for residential properties in Malaysia. We would naturally think: the lower, the better. On the other hand, we do not want a management that is under-serviced due to shortage of funds, do we?

Here, two property management experts share how funds can be kept in surplus without compromising management quality. The Management Corporation (MC) chairman for Endah Promenade Condominium in Sri Petaling, Kuala Lumpur, Siew Yee Hoong, who doubles as a council member of the Malaysian Institute of Property Managers (MIPPM), has successfully led a few MCs for the past 11 years. Meanwhile, Henry Butcher Malaysia (Mont'Kiara) Sdn Bhd executive director Low Hon Keong has 15 years of experience in the real estate industry. His company manages more than 20,000 stratified residential developments and over 10 million sq ft of commercial properties.

## What to look out for?

**Low:** Under the Fifth Schedule of the Housing Development Act (HDA), the Form of Service Charge Statement clearly spells out the expenses to be covered for at least the next 12 months. The Statement should be included in the sale and purchase agreement to realistically show the costs needed to maintain the building in the long run. For example, if there are 400 units, it does not make sense if the security charges are only enough to employ two guards.

The list may not include every facility, such as the jogging track, but if it is a grass trail, the cost should be included under the landscaping category. Extensive landscaping also involves substantial cost in gardening. Other major facilities like water features and theatre room

SOURCE: SIEW YEE HOONG/TABLE 1

DESCRIPTION	ACTUAL		BUDGET	
	June 15 - May 16 (RM)	Average per month (RM)	June 16 - May 17 per month (RM)	Per Year (RM)
<b>Percentage of collection</b>				
<b>INCOME</b>				
Maintenance fees (collection)				
Maintenance fees (A&P for retail lot)				
Others				
<b>Total operating income (1)</b>				
<b>LESS - EXPENSES</b>				
Assessment				
Quit rent				
Sewerage services				
Building repair & rectification				
Cleaning services				
Electrical repair				
Fire-fighting services				
General repairs				
Electrical inspection				
Landscaping maintenance				
Lift maintenance				
Pest control				
Swimming pool maintenance				
Social activities				
Security services				
Gym maintenance				
Waste disposal				
Signboard				
Astro				
<b>Sub-total (2)</b>				
<b>Advertising &amp; promotion</b>				
Water				
Electricity				
Telephone/fax				
Postage				
Printing & stationery				
Bonus				
Salary				
EPP				
SOCISO				
Staff overtime				
Office overhead - travelling				
Office overhead - staff benefits				
Office overhead - professional fees				
Office overhead - others				
<b>Sub-total (3)</b>				
Total expenses (4) = (2) + (3)				
Operating profit/loss (5) = (1) - (4)				
Cost per unit/per month				
Total units				



good to have spare funds for unforeseen costs such as new regulations. A recent example is the requirement for anti-clamp devices for escalators and a back-up power supply (energy box) for lifts. These will set the management back by thousands of ringgit or more.

**Low:** The fixed costs are for security, electricity and water, property management services and cleaning, which typically take about 50% to 55% of the total expenses (as shown in Table 2).

Variables include ad hoc repair works and upgrading. For example, some JMBs tend to modify the development concept, such as replacing trees with grass to cut down on gardening maintenance. New committees may be over-ambitious for a transformation. But as a fixed-income organisation, you must schedule your upgrading works according to your financial capability. By right, the sinking fund should be used for repainting, lift maintenance and other crucial areas, but if you use it to change the concept, it will shrink your capital reserve.

One totally unnecessary spending is for legal cases such as those against normal defaulters. It is cheaper to file these claims under the Strata Management Tribunal (SMT) which costs only RM100 for residential and RM200 for commercial. The second type is litigation. This should be completely avoided. Besides, the parties will usually be directed to settle out of court. Anything that involves legal cases will take at least RM50,000.

## Keeping fees unchanged

**Low:** Increasing maintenance fee is a very unpopular measure. Only if we are asked to take over from a messed up management, then we have no choice but to make a cash call.

Proprietors should also be realistic. If market tariffs have risen but you still want the same rate, you must be prepared to compromise, such as reducing the number of guards or frequency of cleaning works.

One way to keep fees reasonable is to get value-for-money services. For example, security services tend to increase after a few years. We can always call for tenders to do a comparison.

Variables like upgrading works



**Low:** Buyers must consider whether all the facilities are practical for the long term.



**Siew:** Safety, energy and cleaning take up the main capital expenditure.

must be spread over a longer period. Don't do major works, like retiling, all at once. This ensures there's enough cash flow and minimises disruption.

## Planning for future works

**Siew:** The major areas that need planning ahead are repainting, facility upgrades such as lifts, and water pipeline replacements.

Get current quotations about three years before the work is due. Anything much earlier might be impractical. From the price, project a 30% increase and get the sum approved in a General Meeting. The law allows sinking fund to be increased more than 10%. For example, in one condo, residents pay an extra RM30 per month for three years for repainting. In another, RM70 is collected monthly for one year to install the CCTV. There is no hard and fast rule. It is up to how you manage it.

**Low:** We always plan ahead to cover the life cycle cost of major items, such as repainting, lift refurbishment, and major changes in CCTV, barrier gate and escalators.

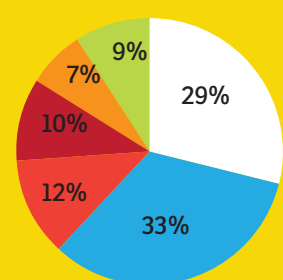
If residents use the equipment conscientiously, they can last beyond the recommended life span, which translates into more savings. If they are vandalised or mishandled, it bounces back to your own pockets.

Every item in the inventory must have its life span recorded. Things like water pumps for fire-fighting equipment and water features all come with life span of maybe 10 years and five years respectively. All these must be factored in. For instance, based on current quotations, we add in an annual inflation rate of about 5% for the number of years of the life span. For practical reasons, we will not bill anything beyond three to five years, unless they are big ticket items such as repainting.

On repainting, a proper coating system must be used for the façade because it reflects the development's image. Owners will be proud of their residence, while prospective buyers will find it more attractive. Besides, a proper coating system of exterior paint should last for at least five to seven years because it can't be touched up easily like interior paint.

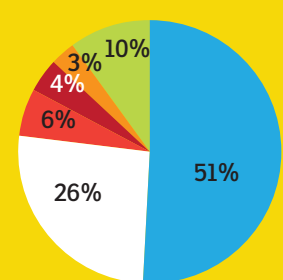
## Sample allocation of funds for a residential property

### Building maintenance



- Electricity consumption
- Services - security
- Repairs + replacements
- Services - cleaning
- Lifts
- Others

### Administration



- Management staff
- Management fees
- Asset depreciation
- Licence fees
- Office expenses
- Others

SOURCE: HENRY BUTCHER/TABLE 2

## What is optional?

**Siew:** Safety, energy and cleaning take up the main capital expenditure. The rest depends on needs and spending capacity. (Refer to Table 1 for a budget sample.)

If you want to minimise expenses, you can deactivate your water features because pump replacements are expensive. Furthermore, besides algae growth, people tend to throw things into ponds, so they require professional cleaning services.

Electrical cost can also be cut down. For instance, a building may come with 100 lighting points, but you may need to switch on only 50 to provide sufficient comfort. During the day or certain times of the year, when the hours of light and dark change, adjust the timer accordingly. Certain building automation systems can help lower utility cost, such as auto-switch off taps at public washrooms.

On the other hand, it is always



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## FEATURE



# London remains attractive to Malaysian institutional investors

LOW YEN YEING | TheEdgeProperty.com

BY SHAWN NG

London will continue to attract Malaysian real estate investors and developers including prominent institutional investors such as the Employees Provident Fund (EPF), Lembaga Tabung Haji and Kumpulan Wang Persaraan (Diperbadankan) (KWAP), although these funds have slowed their buying activity slightly with some of them having even disposed of their real estate assets in the city such as EPF's disposal of One Sheldon Square and 11-12 St James Square office buildings.

CBRE international investment director Christopher Pilgrim tells the TheEdgeProperty.com during a recent visit to Malaysia that he expects these funds to continue investing in London as its office market is still showing good returns.

According to CBRE, the rental yields of offices in London range from 3.5% to 4%, higher than the 2% to 3% yields in Singapore, Hong Kong and Paris. The annual average take-up of office spaces in London has been about 13 million sq ft over the past five years.

"The vacancy rate for offices in London is currently hovering at about 4%, which is lower than the 15% average in Malaysia's Klang Valley. So from an investment point of view, you have very good protection in terms of occupiers and the market being taken up," he says.

CBRE | WTW managing director Foo Gee Jen concurs. He says the appetite of Malaysian investment funds and real estate investment trusts for overseas properties is still present as they need to diversify their portfolios. In addition, the performance of office spaces in the country is currently relatively weak.

"I believe there will be a dip in the occupancy rate of offices in the Klang Valley this year, primarily due to the incoming supply of about 5 million sq ft bringing the overall net lettable office space to 102 million sq ft, which definitely will put pressure on rents especially of the newly built offices and ageing buildings," he offers.

Meanwhile, Malaysian property developers are also rather actively looking for new projects or building their schemes in London, thus committing significant capital, notes Pilgrim.

He cites the London City Island developments, Wardian London and Embassy Gardens by Eco World International Bhd and Ballymore Group; the Royal Mint Gardens by IJM Land Bhd; 18 Blackfriars by IGB Corp Bhd; One Crown Place by Alloy-Mtd Group; Bankside Quarter by Amcorp Properties; and Battersea Power Station by the EPF, Sime Darby Property and S P Setia Bhd.

"We see Malaysian institutional investors, property investors and developers as a major part of the London property market and we think that this will continue to be the case moving forward," he says, adding that the fundamentals of the London real estate market is still intact despite some risks in the short term.

The short-term risks include the impact from the outcome of the recent general election that took place on June 8, and the ongoing Brexit process.

"Nobody likes instability of any kind. With

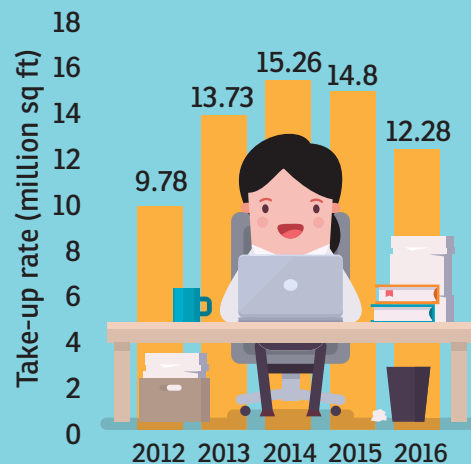
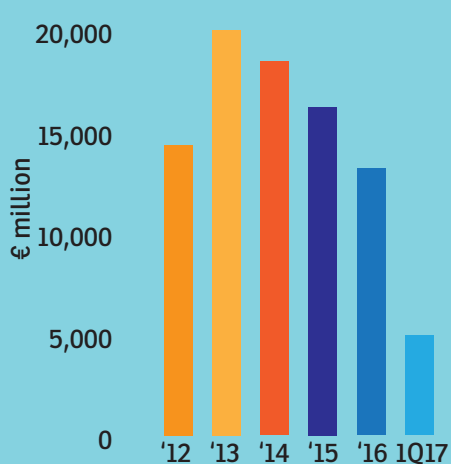


Pilgrim (left) and Foo share their views on the London property market.

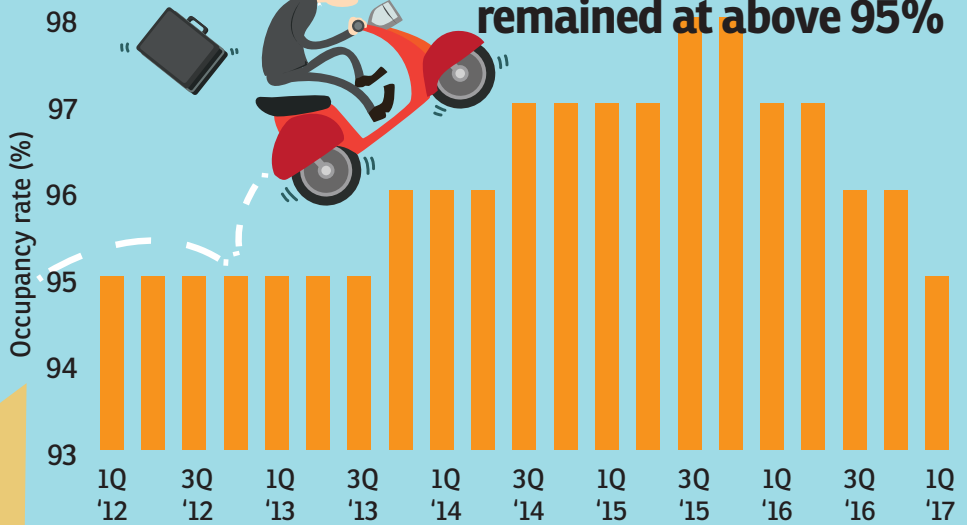
GRAPHICS: MAISARAH ALI

## Total investments into the London office sector in 1Q2017 was the most active first quarter on record

## Take-up rate for offices in London in the past five years



## Occupancy rate for offices in London remained at above 95%



SOURCE: CBRE

Article 50 served, the negotiations [between the UK and the European Union] have technically commenced and there is a window of 22 months to conclude that, which is a short period of time. People are hoping for a positive outcome for both sides. It is certainly one of the biggest uncertainties," he says.

He adds that rents of London commercial property are expected to face some pressure

as there will be more supply coming in the next few years.

"In the residential property market, one of the risks is the stamp duty, which the government has made a lot of changes in the past two years. So now if you want to own your second home, you have to pay an additional 3% stamp duty, which is having an impact on the market," he says.

### Quick recovery

Despite recent challenges, the outlook for the London property market is bright as it has recovered from the impact of the Brexit referendum. And the economic fundamentals of the UK have not been affected by the results of the recent general election, which saw a hung parliament as British Prime Minister Theresa May and her Conservative Party had failed to win a parliamentary majority in election.

In response to the general election results, CBRE head of UK research Miles Gibson says: "While the government might look weakened in the light of the result, the overall shape of Brexit isn't obviously changed by it, nor are the UK's strong economic fundamentals — which underpin its commercial real estate market."

There will be inevitable heightened uncertainty while the political landscape stabilises and this may cause the market to be slightly cautious in the very short term. However, he adds that most will "see through" this uncertainty and focus on the fundamentals, implying that the current transactional activity will be largely unaffected.

"The decision to hold the general election comes with the benefit of a two-year extension to the prime minister's political capital. For trading businesses in the UK, particularly financial services businesses, this extra time will help them plan for the consequences of Brexit."

This also means that not much other than Brexit will occupy the ministers' minds for some time, implying a welcome stability on real estate policy.

Meanwhile, Pilgrim notes that market sentiment has been cautious due to the Brexit referendum last year, but in the last two quarters, the market has returned to normal as evidenced by the record-high capital inflow in the office property market and the strong take-up for residential property developments.

"From a commercial point of view, we are actually seeing more entries of global capital coming into London. The market recovery was much faster than we expected," he says.

According to data from CBRE, total investments into the London office sector stood at £4.891 billion (RM27.02 billion) in the first quarter of 2017 (1Q2017), the most active first quarter on record and the highest quarterly total since 4Q2014.

A total of 13 transactions of more than £100 million were transacted in 1Q2017 compared with 11 in 4Q2016. Overseas investors, including Malaysian, Singaporean, Chinese, European, American and Middle Easterner once again dominated the market in 1Q2017, accounting for 80% of all transactions by volume, up from 74% in the previous quarter.

"While Brexit is very much an issue in the UK, I think it has become less of an issue for the global investor," he says.

The residential property market has seen stronger take-up in the past four months, attributable to the weaker British currency against the US dollar, the strong domestic demand, the lowest unemployment rate of 4.6% since July of 1975 and the recovery in consumer sentiment thanks to less uncertainties in the market, he notes.

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# The rise of prison-cell flats in Hong Kong

BY ALFRED LIU, FION LI AND PAUL PANCKHURST

Sometime later this year, Hong Kongers may be able to pay for the privilege of living in apartments so small they're comparable to prison cells.

Then, a local developer is due to start signing tenants for a project in the Happy Valley district where most flats could have a "usable floor area" of about 61 sq ft, or 5.7 sq m, according to a pre-construction filing with the Buildings Department.

That's slightly less space than Stanley Prison, a 30-minute drive across the Hong Kong island, affords its inmates.

Cramped living spaces in the world's major cities are nothing new. But few places have reached such extremes as Hong Kong, where housing affordability has become a defining political issue two decades after its handover to China. Among the array of initiatives the government has unleashed to cool prices, a key one is boosting the supply of new homes. That's happening to some extent, although not in the way officials might have hoped.

As soaring prices put homes out of reach for most buyers, developers have been chopping new projects into ever-smaller units — the tiniest category, below 200 sq ft, is commonly referred to as "nano flats." Demand has been overwhelming, with projects often selling out in as little as hours.

The overall impact has been not so much cheaper housing as skyrocketing per-square foot prices and rising profits for Hong Kong's developers, whose shares trade close to all-time highs. "This situation is really hilariously absurd," independent lawmaker Paul Tse said in Hong Kong's legislature in December during a housing policy debate.

Tse lambasted the administration of outgoing chief executive Leung Chun-ying for "bragging" about promoting new supply when "the reality is that property prices continue to rise, but the size of flats continues to shrink."

Earlier this month, Leung touted an es-



Daily life in a prison-cell flat in Hong Kong.

BLOOMBERG

timated 96,000 private housing units that will come to market over the next three to four years.

Chances are many of those will be tiny: The share of new apartments in Hong Kong measuring below 431 sq ft jumped from 5% in 2010 to 27% in 2016, and is forecast by the government to hit 43% next year.

Housing crunches tend to generate their own vernacular. In the US, "tiny homes" evoke images of minimalist living. In Chinese slang, people who live in the smallest apartments in Hong Kong are in "snail homes" and those who can't afford to buy are "snails without shells."

Some experts have started raising concerns about the psychological toll of living small. Susan Saegert, a professor of environmental psychology at City University of New York, said children who grow up in tiny homes tend to have more difficulty focusing in school and score lower on standardised tests, while lack of space impairs adults' ability to cope with stress. Hong Kong is "pushing things to the extreme," she said.

Cramped living conditions are certainly nothing new to Hong Kong, home to some of

the most densely populated areas on Earth. Newspaper headlines have long featured the "coffin cubicles" of the poorest citizens — small spaces within subdivided dwellings — and the often woeful conditions for women from Indonesia and the Philippines who work as domestic helpers.

But nowadays, even white-collar professionals who earn much more than your average worker are choosing micro living.

For Wu Tung, a 41-year-old marketing manager, a 160 sq ft flat in North Point has been home for more than three years at a monthly rent of about HK\$7,300 (RM4,013). He grew up in a Hong Kong home that was bigger than 1,000 sq ft, and later in a three-story house in Canada that measured about 3,000 sq ft.

Wu, who makes more than double Hong Kong's median income, is proud of how efficient his place is, with a double bed, a kitchen, his electric piano, and a projector instead of a TV. At the same time, he says the fact that such cramped living has become the norm for many people is "quite ridiculous, isn't it? Just because you've been in Hong Kong for so long, you forget how ridiculous it is."

On the other side of the equation, the micro-flat boom has been good for Hong Kong's property developers and their billionaire owners. Prices of apartments smaller than 40 sq m have more than doubled since late 2010 and keep hitting new records, while the cost of homes 160 sq m and above still hovers below a 2013 peak, according to government data.

With the government imposing limits on bank mortgages, developers have capitalised on Hong Kongers' desperation to get on the property ladder by offering additional loans. So people who don't have enough money for a downpayment on an existing home are instead being forced to buy a newly built flat — and in many cases, a tiny one.

Those buyers are the most at risk should the market turn, said Joseph Tsang, a managing director at Jones Lang LaSalle.

"If the bubble in the primary market bursts, they should know who created it: not others, it was the government," Tsang said.

As prospective buyers through new projects, Cheung Kong Property Holdings Ltd and K&K Property are among developers that have raised prices, the South China Morning Post reported this month. Billionaire Li Ka-shing's Cheung Kong Property said last week it had already topped its full-year sales target of HK\$25 billion.

Li and other real estate tycoons have prospered personally. The fortunes of Hong Kong's 10 richest people, nine of whom are involved in the property business, have jumped by a combined US\$22 billion (RM94.3 billion) this year.

Meanwhile, as affordability becomes an ever more contentious issue and rising costs drive expatriates away, politicians and residents are left debating a vexing question: Does a rising supply of homes, albeit tiny ones with stratospheric per-square foot prices, constitute a housing policy victory?

"Supply has increased, but size is smaller," said Edward Yiu Chung-Yim, who represents architects, surveyors and planners in the city's legislature. "Is that a victory? I would say no." — *Bloomberg*

## London also offers opportunities for individual investors

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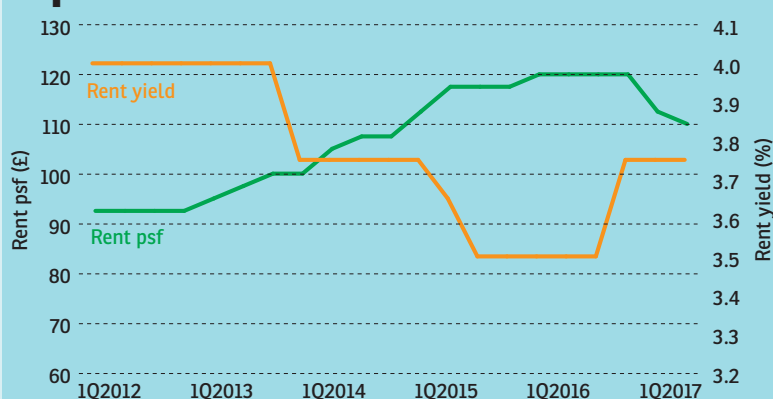
"The CBRE residential team has seen an increase of 50% in sales since last year, so we actually see the market picking up quite quickly. You have to look at the entire UK housing market and the London market as two separate markets. If there is any slowdown across the wider UK, it is not necessarily what we will see in London," he says.

### Lower entry level for individual investors

Besides institutional investors, London also offers opportunities for individual investors to tap on the capital appreciation of residential property, he offers.

"Over the last couple of years, many Malaysian retail investors have been going into

### Rental of London office buildings facing pressure while yields on uptrend



SOURCE: CBRE

the London residential property market to tap on the vast infrastructure projects undergoing in the city," he notes, citing Zone 3 and Zone 4 of London which have become popular among in-

vestors, thanks to the upcoming Elizabeth railway line.

Formerly known as Crossrail line, the Elizabeth line will run over 100km from Reading and Heathrow in the west, through new tunnels under central London to Shenfield and Abbey Wood in the east. There will be 40 stations — 10 new and 30 upgraded when fully completed in 2019.

The first phase from Liverpool Street to Shenfield has started operations in May this year. The second phase, which covers the central section, will open in late 2018, while a full service from Reading and Heathrow in the west will start the following year.

The houses in the zones are expected to register decent growth in value when the railway project is fully completed in 2019, he says, adding that the average capital appreciation of houses in London

ranges from 3% to 5%.

"The entry level of these houses are quite low at between £600 psf and £800 psf. It will only cost up to £400,000 for a small studio unit of about 500 sq ft, thus offering a low entry level for investors," he says, adding that investing in London is also a good "currency play" for Malaysian investors, given the weakened ringgit.

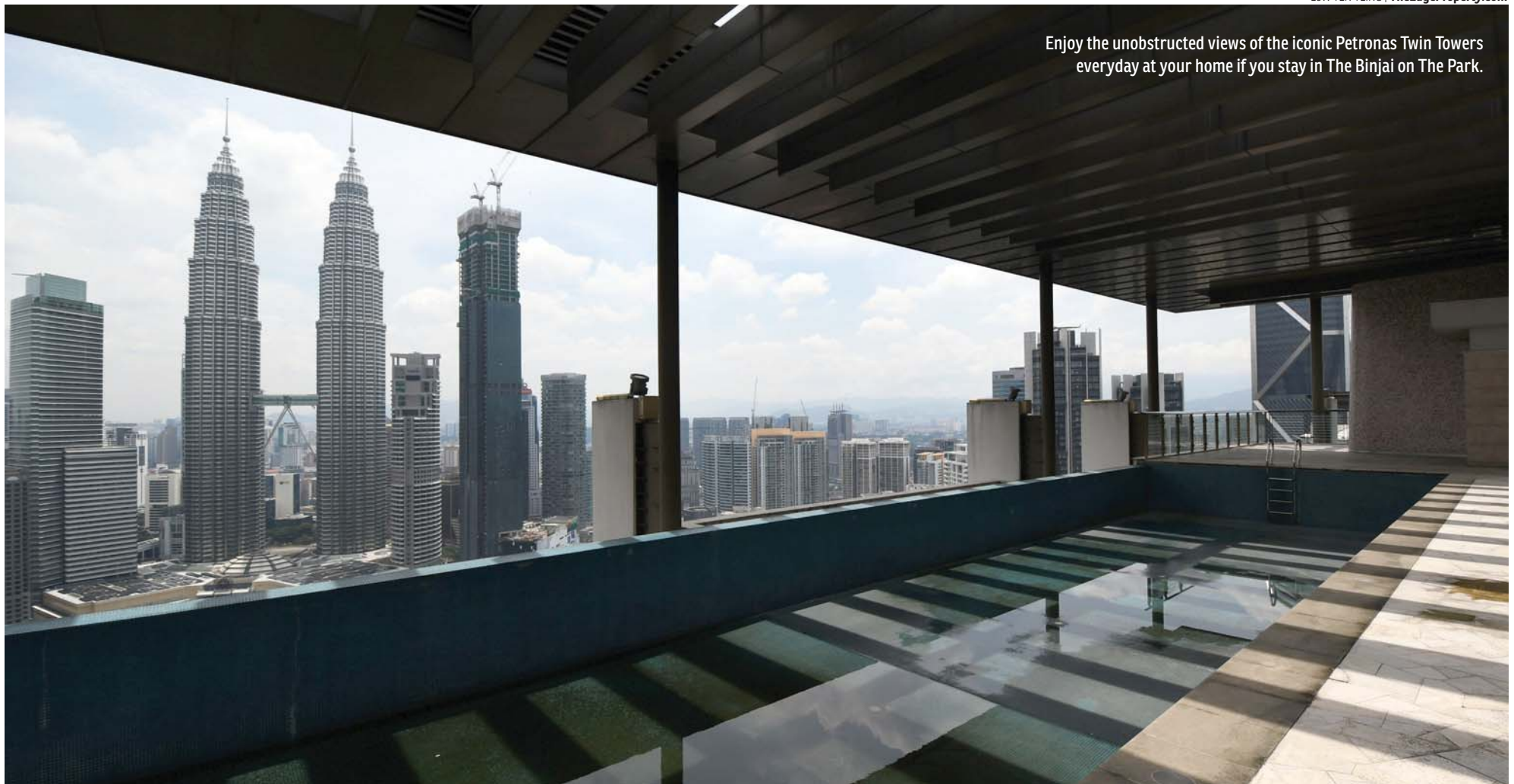
Pilgrim points out that houses below £1,000 psf are performing very well, as buyers are hunting for more affordable products.

"Historically, buyers were looking at prices of £1,000, £1,500 or £2,000 psf, but now I think there has been some shift as there is now a stronger demand for properties below £1,000 psf," he says.





LOW YEN YEING | TheEdgeProperty.com



Enjoy the unobstructed views of the iconic Petronas Twin Towers everyday at your home if you stay in The Binjai on The Park.

# Five homes with amazing views in Malaysia

BY TAN AI LENG & SHAWN NG

**D**o you have a must-have feature in the home of your dreams? Could it be a swimming pool, a spacious kitchen or a Jacuzzi in the master bathroom? For some people, a wonderful view they could wake up to every morning is all they want. One can imagine how the view of the ocean or the mountains can bring a sense of peace and tranquility, or how the view of a remarkable piece of architecture or skyline can make a person feel in awe of what mankind can do. Indeed, a beautiful view can do wonders to the mind and spirit.

Many properties that are built on a hill or adjacent to water bodies, greenery and landscaped areas often come with a premium simply because they offer exclusive views of their surroundings.

According to Exastrata Solutions Sdn Bhd chief real estate consultant Adzman Shah Mohd Ariffin, with the rising trend in lifestyle homes, views — especially those that capture the beauty of nature — are often among the top of the list for luxury homebuyers.

A property with a nice view can garner a 10% to 15% higher premium compared to an identical property without the view, Adzman tells TheEdgeProperty.com.

“In my opinion, the premium could be as high as 15% depending on whether the other one has a detrimental view such as an oxidation pond or dumping site. If the view is exceptional and exclusive, the premium could be even higher depending on the perception,” he adds.

Meanwhile, Oregeon Property Consultancy Sdn Bhd managing director Wong Wen Chet pointed out that homebuyers definitely prefer a nice view but the attached price tag could put them off.

TheEdgeProperty.com did a quick search and found five homes that offer varied but wonderful views at different price points. Their multi-million ringgit price tags may be debatable despite the views they offer, but beauty does lie in the eyes of the beholder.

If you are now dreaming of having a drink at home while enjoying the view in front of you after a long day at work, one of these could be your dream home! Take a look at these five picks and enjoy their views.

## Condo at The Binjai on The Park, Kuala Lumpur

**Location:** Persiaran KLCC, Kuala Lumpur

**Tenure:** Freehold

**Unit built-up size:** 3,628 sq ft

**Selling price:** RM9.4 million

**Layout:** Three bedrooms, one maid's room, one study room and five bathrooms

**In-house features:** Private lifts, fully equipped kitchen, fitted wardrobe, Jacuzzi, centralised air-condition, individual central vacuum system, smoke detectors and sprinkler system, gas leak system and sliding louvres

**Common facilities:** Squash court, tennis court, swimming pool, heated Jacuzzi, sauna, gym, yoga room, multipurpose function hall, casual lounge, 24-hour concierge service, piped-in music at the lobby, concealed sprinkler and smoke detector, ducted air-condition system to the unit, automated waste disposal, handicapped-friendly access, storage room at basement and driver's room

Located next to the KLCC Park and a few hundred metres away from Suria KLCC, The Binjai on The Park is a luxury condominium developed by Layar Intan Sdn Bhd — a subsidiary of KLCC Property Holdings Bhd. The 171 units housed in two towers are oriented to offer unobstructed views of the iconic Petronas Twin Towers — the symbol of modern Malaysia — as well as Kuala Lumpur city centre views. The twin towers, designed by Argentine architect César Pelli, are among the tallest buildings in the world and an engineering and construction marvel. It takes your breath away no matter how often you look at it.

An excellent view of Ampang Hilir Lake and Kuala Lumpur City at Sky Residence.







SIME DARBY PROPERTY



Enjoy your evening tea with a serene forest view at The Veo.

## Duplex unit at The Véo, KL East

**Location:** KL East, Kuala Lumpur

**Tenure:** Freehold

**Unit built-up size:** 2,949 sq ft

**Selling price:** RM2.3 million

**Layout:** Two master bedrooms, one bedroom, one maid's room, one utility room and three bathrooms

**In-house features:** Ultra-large size balcony, high-speed broadband WiFi, full kitchen and equipment package with hood and hob, oven, fridge plus washing machine and dryer

**Common facilities:** Gym, sauna, infinity pool, wading pool, pool deck, children's playground, landscaped gardens, multipurpose hall, function hall, BBQ area and games room

The Véo is the first residential high-rise in KL East near Melawati, Kuala Lumpur. Developed by Sime Darby Property Bhd, the property arm of Sime Darby Bhd, it comprises 30-storey twin towers housing 175 condo units with prices ranging from RM480,888 to RM3.28 million. The units are made up of studios, 3-bedroom units, dual-key units and duplexes, ranging from 735 sq ft to 3,638 sq ft. With a price of RM2.3 million, residents of the 40 duplex units get to enjoy views of not just the city skyline but also of a wonderful work of nature — the Klang Gates quartz ridge. The quartz ridge is 16km long and 200m wide, and soars 380m high, making it the largest natural quartz dyke in the world. For nature lovers, this view would be a feast for their eyes and soul.

PICTURES BY HAUTE PROPERTY

SAM FONG | TheEdgeProperty.com

This is what a multi-million ringgit seaview means.



## Water Villas at The Light Collection IV

**Location:** Gelugor, Penang

**Tenure:** Freehold

**Unit built-up size:** 10,000 sq ft

**Selling price:** RM15 million

**Layout:** Five bedrooms, one study room and seven bathrooms

**In-house features:** Private berth, lap pool, private function room, entertainment room, wet and dry kitchen, study room, rooftop terrace, a garage that could fit four cars, maid's room with bathroom, lift, walk-in shoe cabinet and wine cellar

**Common facilities:** Swimming pool, wading pool, gymnasium and function room

Developed by IJM Land Bhd, the Water Villas is part of The Light Collection IV at The Light Waterfront development located along the eastern coastline of Penang island. It comprises 19 units of 4-storey (including a basement) water villas that are partially built on water. Every water villa is distinguished by an above-water assemblage and pontoon for the owners to park their yachts in front of their villas.

The owners of these exclusive units enjoy panoramic views of the Penang Straits and the Penang Bridge. The picture-perfect view of the open sea and open sky with the bridge in the background is hard to beat.



The tranquil waterfront villas offer a refuge from the hectic city life.



Every villa comes with a lap pool and private berth.

## The Island Villas at Emerald Bay, Johor

**Location:** Puteri Harbour, Johor

**Tenure:** Freehold

**Unit built-up size:** 6,728 sq ft

**Unit land area:** 7,471 sq ft

**Selling price:** RM12 million

**Layout:** Five bedrooms with en-suite bathrooms

**In-house features:** Private berth, veranda, lift, wet and dry kitchen, maid's room with bathroom, yoga deck and lap pool

**Common facilities:** Swimming pool, wading pool, gymnasium, meeting rooms and function room

Developed by Haute Property Sdn Bhd, a joint-venture company by BRDB Developments Sdn Bhd and UEM Sunrise Bhd, the exclusive 12-unit villas have a selling price ranging between RM12 million and RM18 million. These 3-storey stratified waterfront villas that offer exquisite waterfront views are part of the 111-acre Emerald Bay waterfront development built along canals. Each unit comes with its own private berth that offers a unique lifestyle to its owners.

LOW YEN YEING | TheEdgeProperty.com

## Sky Residence at M City, Kuala Lumpur

**Location:** Jalan Ampang, Kuala Lumpur

**Tenure:** Freehold

**Unit built-up size:** 856 sq ft

**Selling price:** RM1.14 million

**Layout:** One bedroom, one bathroom

**In-house features:** Sky Garden at level 35, only accessible for certain units in the development including the Sky Residences

**Common facilities:** Business centre, meeting rooms, conference room, yoga and meditation room, Sky Gym, rock-climbing wall, table tennis, golf simulator, games room, squash court, aerobics room, sauna, mini theatre, childcare room, infinity pools, children's pool, Jacuzzis

Mah Sing Group Bhd's M City at Jalan Ampang, Kuala Lumpur is a mixed development that consists of three towers housing a total of 1,585 boutique retail shops, Small-office Home-office units, and serviced apartments including the Sky Residences on the topmost floors. Residents at the Sky Residences get to enjoy the excellent view of the Ampang Hilir lake at Taman Tasik Ampang Hilir and Kuala Lumpur city view as Sky Residences is on the highest level of the development.



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