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A MALAYSIA PROPERTY INCORPORATED PUBLICATION

FACILITATING & PROMOTING INVESTMENT FOR MALAYSIAN REAL ESTATE

property quotient

RINGGIT DOWNFALL

IMPACT ON PROPERTY INVESTMENT

Contents

ABOUT US

Malaysia Property Incorporated is a Government initiative set up under the **Economic Planning Unit** to drive investments in real estate into Malaysia.

As the first port-of-call for real estate investment queries, Malaysia Property Inc. connects interested parties through an extensive network of government agencies, private sector companies, real estate firms, business councils and real estate-related associations.

MPI has two core objectives; to create international awareness and to establish connections between foreign interests and Malaysian real estate industry players, ultimately contributing to real estate investments into the country.

For further information and up-to-date tracking of Malaysian real estate data, visit:
www.malaysiapropertyinc.com

For further enquiry, write to:
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MPI's Property Quotient (PQ) covers innumerable aspects related to the property industry. It is focused on real estate news, property market updates and current affairs interviews.

Inputs and views from property players and related industries adds new perspectives and insights to the Property Quotient. MPI has over 6,000 subscribers globally and is read by both local and foreign investors.

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Ringgit Slide: Impact on Property Investment

By: Adilena Amran

Malaysia has shown progressive improvement as it survived the Asian Financial Crisis in 1997 – 1998 and continues to pursue its economic development plan to become a developed nation by year 2020. From the year 2000 to 2008, Malaysia has seen positive growth averaging 5.5% per year. Despite being hit by the Global Financial Crisis in 2009, Malaysia recovered rapidly and continued to post higher growth rates in 2010 averaging at 7.2%.

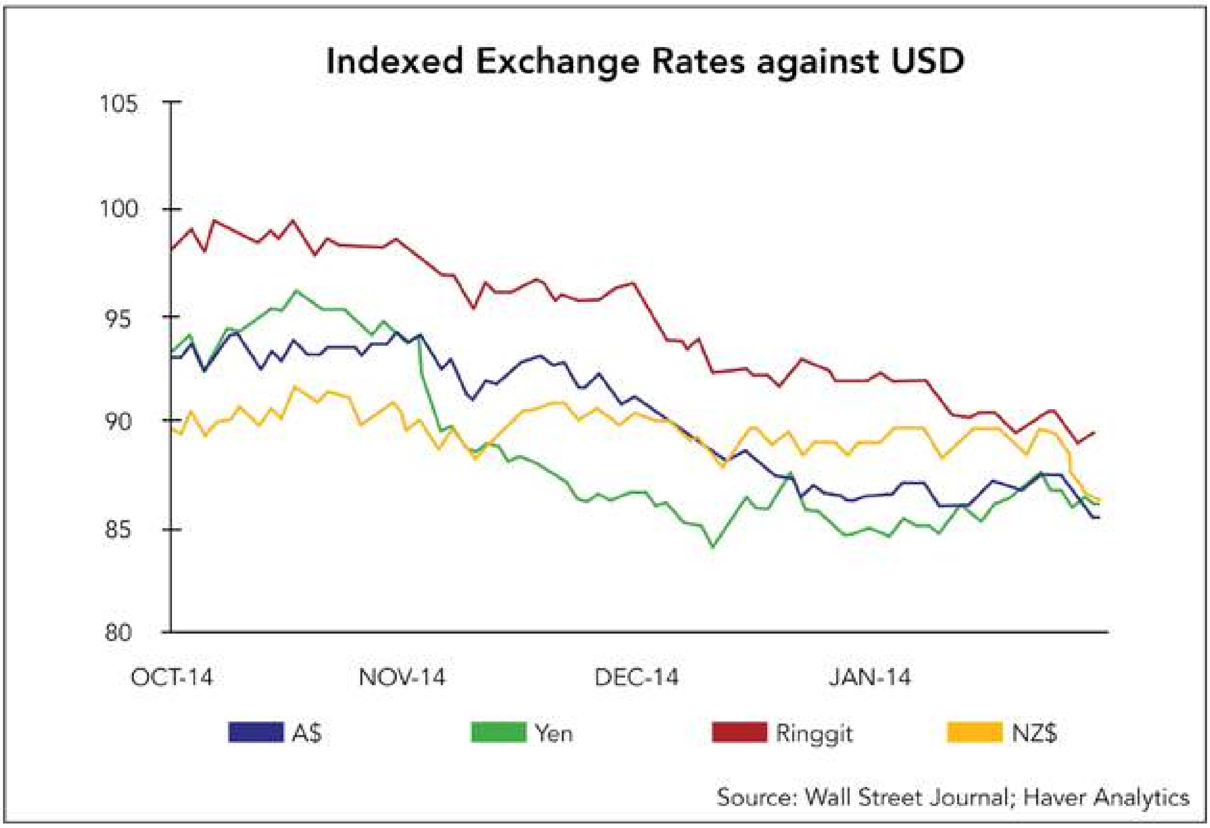
To elevate the country to a developednation status by 2020, the Malaysian Government started the Economic Transformation Programme in 2010. This turned out to be a strong catalyst for driving domestic private sector investments for 12 key economic areas including Greater KL/Klang Valley. Subsequently, the Malaysian economy grew at 5.1% in 2011 and 5.6% in 2012.

In 2011 to 2012, Iskandar Malaysia's well planned developments captured international investors' interests due to its proximity to Singapore as investors viewed Singapore-Iskandar akin to Hong Kong-Shenzhen. The opening of the Johor Premium Outlet, Southeast Asia's first luxury premium brand outlet and Legoland Malaysia, the country's first international theme park as well as many other international universities and health centres further enhanced Iskandar Malaysia's status.

Quantitative easing in the US as well as a low interest rate environment in Malaysia since 2000 and easy access to credit fuelled property purchases and double-digit hikes in property prices were seen in all states across Malaysia in 2012 and 2013. The economy slowed to 4.7% in 2013 with the weakening of electrical & electronic exports to US and Europe but bounced back to a 6% growth in 2014.

2015 marks another difficult time for Malaysia as it faces a sharp currency exchange fall against the US Dollar and Singapore Dollar. Ringgit Malaysia (RM) plunged from 3.4300 against the US Dollar in December 2014 to

4.0025 as recorded in August 2015. A huge gap was created and its volatility appears to be continuing in the coming months. The fallen ringgit was exacerbated with the devaluation of China's currency, Yuan on 11 August 2015. The Ringgit has been sliding downwards for a few months since 11 March 2015 with US Dollar being traded at 3.7105 per Ringgit and continues to decline to 4.0025 recently on 9 August 2015. Singaporeans have been queuing at the currency exchange counter as Ringgit was traded at 2.77 against the Singapore Dollar.



Property an Inflation Hedge Investment

Property investors or property market players often claim that their investment on real estate acts as a hedge against inflation. What do they mean by this?

Through capital appreciation, property investments do act as a hedge against inflation. The longer the time invested in real estate, the higher the capital appreciation. Capital appreciation is usually calculated yearly after taking into account tax and insurance payments and under the consideration that the investment is well maintained. However, during a financial crisis, what will happen?

Currently, the property market has slowed down with buyers and investors, local and foreigners alike exhibiting more caution against purchasing properties. Although there are other opinions stating that overseas investment will be profitable in times to come despite the high capital cost that one may incur now.

Local investors are not affected as the decline in the Ringgit does not seem to affect them. Developers have continued to market the price of their properties higher than before. Foreign transactions are expected to increase as the weaker Ringgit makes Malaysian properties 'cheaper' However, there are certain limitations to foreign transactions as the government has set certain rules and regulations on foreign property ownerships. As mentioned in the previously published article, *2014 Property Guidelines: Impact on MM2H and Foreigners*, the Malaysian government has enforced new foreign ownership rules which permit foreigners to purchase properties above RM 1 million for most states in Malaysia and RM 2 million for properties in Selangor.

Despite attractive offerings in the Malaysian property market, not all those who comes to Malaysia would consider settling in Malaysia permanently. MM2H holders are the ones who choses to make Malaysia their second home. Other than MM2H holders, would it be profitable for the other foreigners to enjoy the market? Will future liquidation of their Malaysian properties give them as much advantage as when they first bought them? What is actually the indication of such trends?

Property Market

Crude oil prices have plunged by more than 50% over the last 7 months due to the oversupply in the international market amids weak demands. Crude oil and petroleum-related revenue are undeniably a major source of income for the Malaysian government. Any changes in the commodity price will therefore have a significant implication on its Gross - Domestic Product (GDP).

However, Malaysia does not depend on solely crude oil production. Malaysia is a country enriched with natural resources, the world's second largest palm oil and natural gas producer, strong tourism industry, local entrepreneurs produces high quality food and beverages, and of course attractive property offerings to back up the nation during the difficult times. This simply means, although the currency depreciation was worsened by the low crude oil price, Malaysia's strength has not fallen apart as it also relies on other resources available.

As reported by the media, exporters are likely to benefit from the current depreciation as the foreigners would have more interests in buying Malaysian products which are marketed at a cheaper price compared with previous years.

Knight Frank in their 1H2015: Real Estate Highlights; reported that the Malaysian property market is expected to experience a slow down in property transaction. The volume of high-end condominium transactions had seen a drop in 1Q2015, from 2,088 in 4Q2014 to 1,694 in 1Q2015 which is a 9.1% decline. There were also expectations that there will be more interest in buying the properties before the enforcement of the GST starting on 1 April 2015, however NAPIC data suggests that GST was not the main concern by the investors.

Despite much pressure from the current financial situation and the slowdown effects it has on the property market, developers have yet to show any sign of reducing their prices. In fact, the firm and strong demand of affordable properties were seen to drive the sales, hence giving the developers a strong reason to remain modest in their price growth. Property investments are not as volatile as stocks and shares, thus they perform better and are able to sustain their returns.

To Invest Or Not To Invest

The Ringgit's gradual depreciation over the past 6 months has definitely affected the locals' mind set. "Malaysians are still adjusting to the rising cost of living due to the Goods and Services Tax, so if the ringgit continues to weaken, consumers will definitely be affected," said an independent economist, Lee Heng Guie.

The property market for now could be the main market people seek as it offers stability and capital appreciation for a long term basis.

The concept "sit and wait" does not work for property investment as waiting before investing would only cause the investor to lose the opportunity to get the property at its cheapest price, as property prices would go up with time and hardly declines. Moreover, developers were seen investing on the interest of affordable homes targeted at the younger generations. It is highly recommended for the locals to seize the opportunity of such offerings.

Overseas investments may not be practicable for the moment as the Ringgit depreciation may incur higher costs to the investors. On a positive note, economists suggest that a weaker Ringgit could eventually boost the country's tourism and stimulate positive growth in sectors such as retail and hotels. In order to stem the outflow of funds from the country, local pension funds are now investing in local properties to contain the decline of the Ringgit.

With a strong demand for property offerings by locals and foreigners, Malaysian properties remains a stable investments option to investors. With better locations and attractive offers, property investment would continue to prove its capability in securing the investors interest.

Crowdfunding: The New Real Estate Investment Vehicle

By: Aisyah Mahzan

Photo credits: media.licdn.com

Investors are always looking for new ways to diversify their investments. Sometimes it can be hard for investors to find the right type of investment that is aligned with their financial capacity and risk appetite. Financial capacity and risk appetites may differ for different groups of people. This is especially important when an investor is thinking of investing in real estate. Real estate investments can fall into two categories which are the traditional approach and a more modern approach called crowdfunding.

In recent years, crowdfunding has been on the rise and is considered an alternative real estate investment method. Regional countries such as New Zealand and Saudi Arabia have placed crowdfunding as a real estate vehicle and have successfully raised NZD7.677 mil and USD8.55 mil respectively in the last 12 months. Other countries are following suit with the likes of Taiwan, Singapore, Australia, India and Malaysia. Malaysia entered the crowdfunding bandwagon in September 2015.

Traditional real estate investment

Traditional real estate investments consist of a few different types of methods including the direct approach, network approach and through REITs. Direct approach requires investors to find the property to be invested directly. This is not suitable for a casual investor. Selecting and acquiring the right piece of property takes a great deal of experience and skill that a casual investor lacks. The investor has to have a strong financial capital to purchase the property. This takes time, money and a lot of effort especially when the property is acquired. Maintaining the property after its acquisition is no easy feat in itself. The expected and unexpected cost in maintaining the property may burden a casual investor that lacks the knowledge, capital and time to handle the situation. Most investors prefer not to commit too much to a single investment as it will deter their other investment opportunities.

Sometimes, rather than finding and purchasing the property directly, investors tend to rely on their social networks through their associates or trusted agents' word of mouth to acquire real estate investments. These investments can vary from acquisitions to developments of particular properties or to some extent, development companies. This approach has several advantages over the direct approach as the investors can rely on the skills of others to identify good properties and to handle the property after its acquisition.

Another advantage is that the investor's commitment to the property is limited to the initial investment. This approach is best for the investors that have an expansive network and a substantial capital to invest. It is not viable for the casual investor with limited capital and lack proper network in the real estate industry.

The third traditional approach for investors is to invest in Real Estate Investment Trust (REIT) vehicles. A REIT is an entity that raises capital from investors in order to invest in a portfolio of real estate investments that yields rental returns. The REIT's portfolios usually consist of commercial elements such as offices, retail malls and hotels. In a REIT, investors do not have a say on the assets acquired by the entity.

An investor essentially invests their money with the entity and relies entirely on the expertise of the REIT's fund manager to select, acquire, hold and operate the real estate assets. A plus point on REIT investments is that the initial capital investment is less than the ones required in the direct and network approach. The downside of REIT is that investors do not know upfront what real estate assets the entity is selecting for investment in. The investors are only informed when an acquisition is made with the pre-determined criteria set by the REIT's fund manager.

What is crowdfunding?

Crowdfunding is relatively an alternative and new way to invest in real estate. It basically involves raising the necessary capital for a particular real estate investment or project from the 'crowd' of investors rather than one or a selected few using the traditional approach. This crowd-based approach to real estate investment combines many of the favourable advantages of traditional approaches with the perks that casual investors can access.

Similar to the traditional direct approach, crowdfunding investors know exactly what property or project they are investing in, unlike REIT and some network approaches. This becomes a selling point and draws the investors who value the knowing where and what they are investing in. Furthermore, seeing the actual investment property is often a source of confidence to the investors.

Crowdfunding investors are able to enjoy the benefits of 'direct' ownership of the property via cash flow income, capital appreciation etc. without the substantial capital costs and time required in maintaining a property as in the direct approach. The network and REIT approaches also involve the pooling of assets from investors; however, there are two distinct benefits of crowdfunding approach for the casual everyday investors. Firstly, the initial capital investment is often significantly less than most of the traditional approaches. This not only makes real estate investment accessible to the casual everyday investors with limited capital but allows them to both limit their overall financial exposure and to diversify their investments more easily.

Secondly, crowdfunding provides the casual investors access to private real estate transactions that

were traditionally reserved for high net worth individuals or investors with an expansive network. Thus, there is no longer a barrier for the investors to invest in real estate. There are two types of crowdfunding which are equity-based crowdfunding and debt-based crowdfunding. These types of crowdfunding will be discussed in the upcoming Property Quotient.

The benefits and risks of crowdfunding

There are several advantages to crowdfunding over the traditional real estate investment methods. Crowdfunding allows investors to have control over their investment choices prior to investing their money on a particular property and the property's acquisition. Lower initial capital investment and lesser time spent on sourcing, operating or maintaining an invested property, thus limits their liability on the said property. This is especially appealing to the casual investors.

Due to the low initial investment costs, the investors are also able to

diversify their property investment portfolio and minimise their investment risks while attaining a higher expected rate of return on their property investment portfolio and minimise their investment risks while attaining a higher expected rate of return on their investments in comparison with their initial investment. The investors are also able to leverage on the expertise of other professionals that have the experience and the knowledge on these types of investments. The investors are able to access a wider range of property transactions including the private transactions usually reserved for high net worth or well-connected individuals.

Crowdfunding is categorised as a passive investment with limited liability. With every investment regardless whether it is in stocks, bonds or real estate, there are bound to be risks involved. The same goes to crowdfunding.

According to some investment experts, crowdfunding is used by property developers and managers that are unable to gain access to the traditional form of funding due to certain reasons

such as that the venture maybe too risky, or that they are part of a new start-up or lack the experience. There are general concerns of fraud.

To avoid this from happening, do ensure that the crowdfunding platform is registered and listed with the country's securities commissions as crowdfunding platforms and activities are being regulated and monitored by the country's securities commission.

Investors should do their due diligence and thorough research on the potential investment property, surroundings and the parties involved before investing. Investors should take advantage of the educational materials offered by crowdfunding platforms and the information on the wide web to enhance the knowledge before investing. Well-researched investors could be well rewarded with high returns depending on the investments made.

Future of real estate investment

Real estate has always been a favourite form of investment for the wealthy due to the overall stability of the property market and its potential for high returns especially for long term investments. Over the years, more and more people have started to realise that real estate is the source for a stable long term investment and its proven high rate of return makes it even more enticing to the investors. However, not everyone has the same capital income or are willing to fork out too much of their money for real estate investments as the initial capital needed for real estate investments can be quite substantial. Thus, traditional real estate investment method may not be able to facilitate some of the investors.

In the future, we will able to see a shift in the way people invest in real estate. The traditional methods will still play a role in real estate investment, but we can also see that the new crowdfunding platforms will change the real estate scene and play a bigger role particularly with passive investors and the casual investors that have limited initial capital.

RETUNING RETAIL

Malaysia Leads Retail Market in South East Asia

By: Maximus A

The Asia Pacific market will still continue be a huge magnet for international retailers looking to expand their brands – thanks to the region's key market drivers of sheer market size in terms of population and accelerating upward strides in socio-economic development. Higher income levels mean higher purchasing power as consumers shift their purchases upwards into higher mid and luxury levels. Rapid urbanisation drives the need to create new services and amenities for people to work, live and play. In the somewhat frenzied building of infrastructure, residential and commercial buildings, retail malls have mushroomed in urban centres as well as city and town fringes.


Adam Cook

Adam Cook, Asia Pacific Retail Director, Project and Development Services, Jones Lang LaSalle Property Consultants Pte Ltd ranked Malaysia as the number one market for retailers to enter in South East Asia due to the ability to do business and market conditions.

He said, "For developers, Malaysia is leading South East Asia in the volume of planned retail coming online in the next three years. Thailand recently opened several new malls, Indonesia has a pipeline that should get interesting after 2017, and Singapore is already fairly saturated (excluding some retail that is coming online at the base of new mixed-use towers).

Vietnam and the Philippines have a lot of properties in development too, but not at the scale of Malaysia."

A Case of Too Many Malls

Cook was a panel speaker on 'Trends, Design and Profitable Solutions' at the recent MPI Seminar: Positioning Malaysian Real Estate: Post GST & 11th Malaysia Plan 2015. Panel Moderator YY Lau, Managing Director JLL Property Services (Malaysia) Sdn. Bhd. told participants that there were great concerns over the imminent oversupply of retail malls. She said that another 60 malls were in the pipeline for Greater Kuala Lumpur alone from 2015-2019 which would mean an estimated 20 million square feet of retail spaces available in the market by end-2019. Meanwhile, as of to date, more than 20 malls have been refurbished.

In this light, Cook advised current and new retail owners to be careful in ensuring occupancy and to go the extra mile in working closer with their retail tenants to keep the flow of customers coming back to their stores. He threw the gauntlet to international retailers and developers and landlords to adapt and transform their retail spaces to offer customers a rich and enjoyable experience conducive to their lifestyles.

Design plays a vital role as the visual elements, convenience and enjoyment. Location is important and malls built around train stations would have a constant influx of visitors. Japan and China are designing innovative buildings in which people are excited to spend time and money. Local retail developers need a new vision to create a place, that special moment for the buyer. New materials, new levels of customer service and support; technology to manage and track tenant movements; creating a space for local heritage and culture to create an authentic experience should be

factored in for successful new malls.

Creative Innovation in Brands

Touching on international trends in retail marketing, Cook cited big brand names reinventing themselves or forging creative partnerships with other synergistic brands. Google and Luxottica have come together in a brilliant partnership to offer 'wearable technology' offering cutting edge technology and high fashion. Then there's Christian Dior & Colette: Colette is known for their funky innovative products, creating Christian Dior Fusion Sneakers. Retailing Christian Dior's vibrant new line of shoes that is a fusion of traditional sneakers and Dior Couture was ground breaking for both brands.

"Luxury fashion brands are working hard to be relevant," says Cook. On the other hand, Starbucks and Lyft are offering Gold memberships to their customers. He emphasises, "brands don't have to live forever but grows organically."

Mid-tier brands need to develop more exciting experiences to woo customers. For example, Crocs in the USA uses flying drones at their stores to bring customers their desired colour and size of their Crocs. Luxury brands in flagship stores will need to wow their expanding niche market with new customer service and experience. The uber-wealthy market demands new highs in shopping experiences and retailers need to deliver highly-customised and personalised service levels well beyond diamonds and platinum.

Technology has a vital role to play in the Asian retail market and there is a need for it to be developed further. Online shopping is still dominated and dedicated to younger buyers and is a small market segment but has plenty of room to expand. An example of interactive shopping is that clothes may be tried, colours changed to the customer's preference. However, this still cannot replace brick and mortar. The two should work together to create more exciting and pleasurable shopping experiences. Unlike in the west, departmental store is still alive and well and are usually the anchor tenant in local malls.

The challenge really is the creation of a fantastic in-store experience that will attract and built a steady base of loyal customers. Interactive tools such as virtual reality will help create high-visual and auditory impact to heighten the retail environment and experience. Convenience, comfort and excitement are the key words to consider when setting up a retail store.

Malaysia Opportunities

What are the biggest challenges ahead for the Malaysian retail industry?

"I think the biggest challenge for Malaysia retail development is to avoid the 'me-too' syndrome that China currently suffers from. China had a rush of developers that were all churning out the same type of properties with little consideration for the natural catchment and demographics, and even less individualism in the design or concept of the shopping centres. These assets are now suffering and have high vacancy rates.

Developers in Malaysia are showing signs that they have learned from the challenges faced in China. Shopping centres must be thoughtfully designed to serve a unique and special purpose, the tenant mix has to be carefully curated, and the shopping centre must have a sophisticated planning and operations team that can maximise the attributes. JLL has identified key attributes for resilient retail places: economics, connectivity, environment, diversity and vitality, identity, dynamism and proactivity, responsibility and finally, culture and heritage," says Cook.

More big brands are anticipated to enter the Asian retail market. As urbanisation continues to grow and opportunities aplenty in Malaysia, it is apparent that the retail landscape has to be retuned and reshaped in tandem with the multifaceted development of morphing cityscapes.

Newsflash

Property market set to see interests from local & foreign parties

Malaysia's property market is poised to see interests not only locally but from foreign parties capitalising on the weak ringgit. This was evidenced by recent activities in major commercial property investment transactions such as the acquisitions of Integra Tower and DoubleTree by Hilton among others.

With the Fitch Rating maintaining Malaysia's long-term foreign currency issuer default rating at 'A-' and local currency at 'A' and added with an overall outlook revised from the previous negative rating to stable now, the ringgit is expected to strengthen in the long run and creating the absolute right time for foreign investors to be looking at Malaysia.

source:www.todayonline.com

Tebrau Bay declared as part of International Zone in Johor

Tebrau Bay has been declared as being part of the international zone in Johor in line with the state government's effort to make Iskandar Malaysia a metropolis in future. Tebrau Bay will be developed as a competitive investment and industrial hub which was capable of attracting foreign investors.

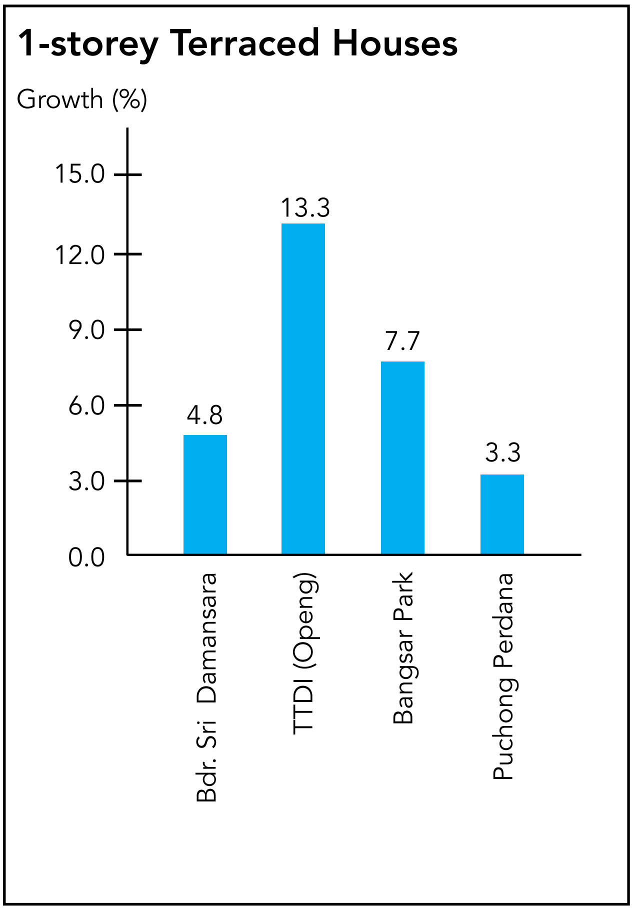
Among the potential projects to be developed in Tebrau Bay included a mixed development to be developed by Greenland Tebrau Sdn Bhd with a gross development value of RM30 billion. The project also involves the development of international hotels on 51.79 hectares.

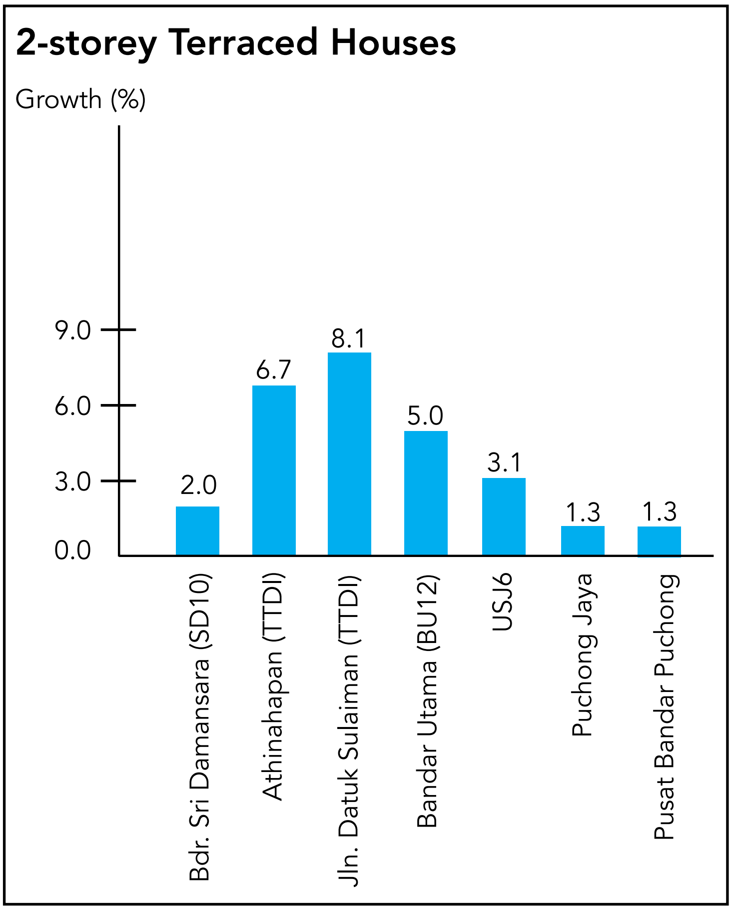
As for the development of other areas selected as international zone, the state government will hold meetings with other stakeholders on what could be the main feature highlights in the development areas. The state government hoped Iskandar Malaysia could be developed into a metropolis comparable with Kuala Lumpur. Iskandar Malaysia is expected to become a metropolis with the image, culture and character as well as the preservation of culture and tradition.

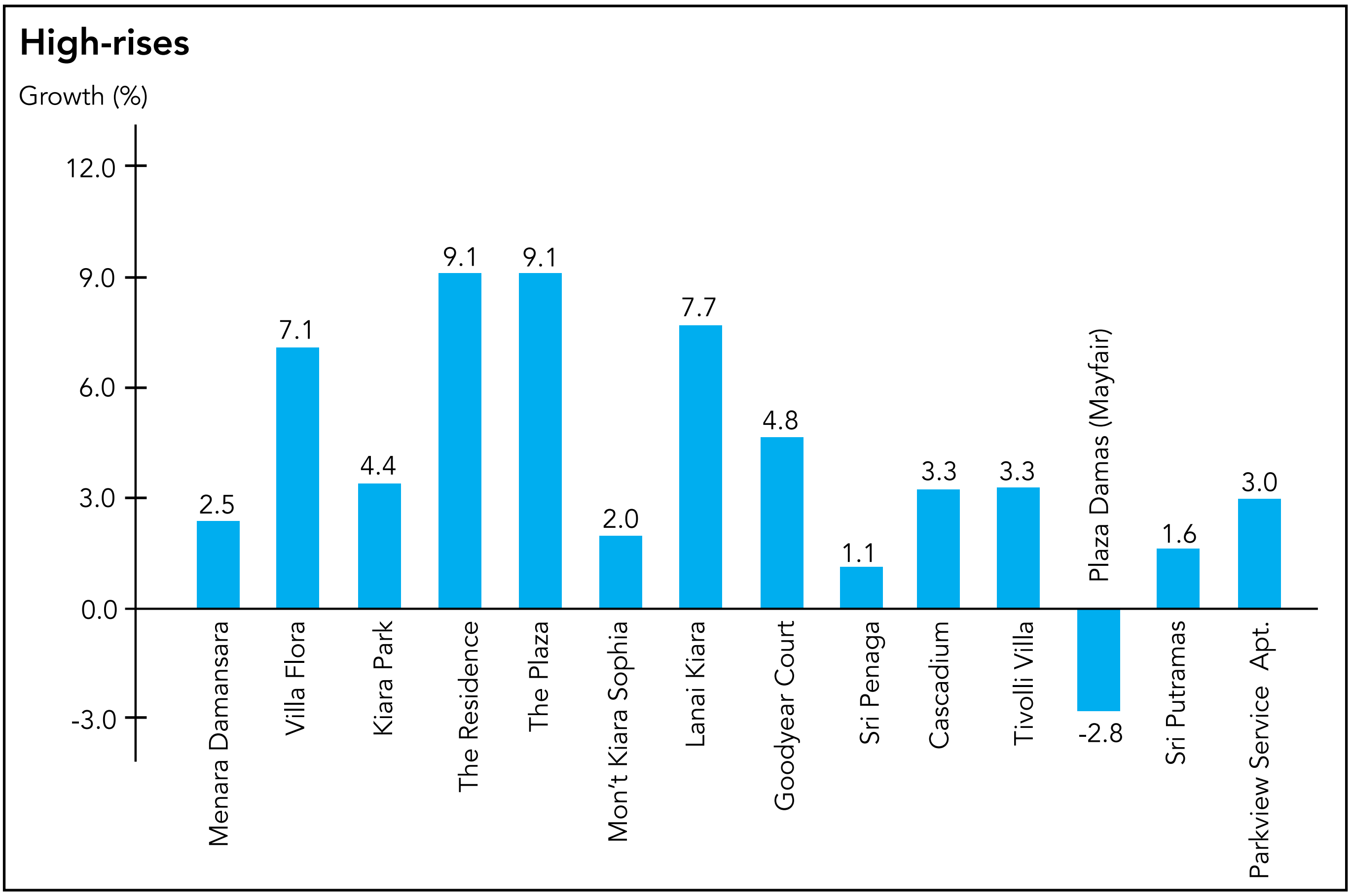
source:http://www.iskandarwaterfront.com/

Graphical Speaking

Latest Price Growth in Klang Valley Properties
1Q2015 - 2Q2015







Source: Savills Malaysia