



REALTY CHECK

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A green look at property value

A growing number of developers and building owners in Malaysia are recognizing the value of going "Green". The term sustainable development has interchangeably been used to reflect "green features" in the development.

In some countries, sustainable development has a deeper meaning than simply applying "green features" as it is used to tackle a number of global issues such as poverty, inequality, hunger and environmental degradation.

But, in the context of property development in Malaysia, it can generally be referred to as practices that can lead to more environmentally friendly and ecologically responsible decisions and lifestyles, which can help protect the environment and sustain its natural resources for current and future generations. Earth Summit in Rio, Brazil in 1992 was one of the major international efforts to bring sustainable development to the mainstream.

In Malaysia, while some developers have taken their own initiatives to achieve international green certification such as LEED, and BCA Green Mark, the establishment of a green rating tool known as Green Building Index (GBI) by Greenbuildingindex Sdn Bhd, a group of architects and engineers in February 2009 has marked another

level of achievement in our effort to preserve and save the environment. Developed to promote green design, construction, reconstruction and operation of buildings, GBI focuses on six green criteria, such as energy efficiency, indoor environmental quality, sustainable site planning and management, materials and resources, water efficiency and innovation.

It was reported that currently there are 21 GBI-certified buildings; some of them are Sunway SPK 3 Harmoni, 311 House, Ken Bangsar Serviced Residences, Pusat Tenaga Malaysia, 1 First Avenue and Menara Worldwide.

In March this year, GBI Township Rating Tool was launched to further mark a green effort to transform our communities. The six assessment criteria are climate, energy and water; ecology and environment; community planning and design; transportation and connectivity; building and resources as well as business and innovation. Five pilot projects that were reported to have registered with the GBI are TTDI Alam Impian, Boga Valley, Ken Rimba, Elmina East, and Karambun Intergrated Resort City.

With the growing interest in green development, critical questions have been raised by property buyers and investors - whether there is an enhancement to the market value of green-rated properties or is it an over-enhancement?

Will these green properties be more marketable and attractive for investment purpose? In Malaysia, a comprehensive study on this subject has yet to be conducted. However, at this stage, we can also learn from experience in countries that are more advanced in the green initiatives.

A survey conducted by New York Times in 2006 concluded "when faced with the choice of renting or buying two similar apartments, consumers increasingly will opt for the one with Green features, even if it comes at a higher price." In a study on the need for Green features in buildings conducted by Harvard Business Review in the same year, it recommended that building owners of "standard" buildings needed to adopt Green features, otherwise their buildings would face massive obsolescence.

In Germany, which is more advanced in its environmental movement, sustainability has become a key factor, where building owners would have difficulty leasing the properties if environmental measures were not taken into consideration.

Jamestown Properties, a German commercial real estate investment company, has recently announced that it will invest its entire US\$4bil portfolio of buildings in the United States in "green" buildings. Other prominent investment funds that are incorporating green buildings

and energy-efficient buildings and other principles of sustainability into their property selections and portfolios are Investa Commercial Property Fund based in Australia and Rose Smart Growth Investment Fund 1 in New York.

In terms of rental rate, a study led by Professor John M. Quigley of University of California in Berkeley concluded that rents for green offices were about 2% higher than rents for comparable buildings within the same area. However, in terms of appreciation, the result has yet to be seen because most of these green-rated buildings have been around only for the last few years and only a few, if any, have been resold.

And the profile of prospective buyers might also influence the value placed on the properties. For example, a buyer or tenant who places high value on green efforts as part of their Corporate Social Responsibility might be willing to pay higher prices or rental. In the case of Jamestown Properties, some of the properties will be held between seven and 10 years to benefit from reduced operating costs.

Back home, the asking rental rate at Menara Worldwide, a newly completed GBI-certified office building at Jalan Bukit Bintang is RM6 psf, which is comparable to the average rental rate of standard prime buildings in the city centre.

Rental rates of existing prime office buildings within this area range from RM5.80 psf to RM7 psf. On the other hand, the asking rental rate of another GBI-certified office building, G Tower, which was completed in 2009 and also a MSC-status building, is RM6.80 psf, about 13% higher than the average rate of RM6 psf.

Rental rates of existing prime office buildings within this area range from RM5.50 psf to RM9 psf. In 2009, Shell People signed a 15-year lease at rental rate of RM8.50 psf for office space at 348 Sentral, which is expected to be completed in 2012 consisting of 33-storey office tower and 21-storey serviced residence to be certified by LEED Gold standards. Current rental rates of existing prime office buildings within this area range from RM6 psf to RM7 psf.

It can be concluded that at present, the difference in rental rates between green and non-green buildings is not so much due to the green features, but more of supply and demand factors within the specific location. With proper method of valuation being used to take into account green features, I believe there would be more recognition of the actual benefits of green buildings in the future.

● *Senator Datuk Abdul Rahim Rahman is the executive chairman of Rahim & Co group of companies.*

Bland banks on foreign ventures

Company has successful projects in Vietnam and South Korea

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Berjaya Land Bhd (BLand) is making healthy strides in its offshore projects in Vietnam and South Korea, and it expects the foreign projects to become significant earnings contributors in the years to come.

BLand senior general manager for properties marketing Mah Siew Wan says the group's maiden development in Vietnam kicked off in October 2009 with the launch of Amber Court apartments in the bustling metropolis of Bien Hoa in Dong Nai Province, Ho Chi Minh City. The 17-storey block of 116 apartment units is part of the Bien Hoa mixed development. The residences with built-up of 94 sq m to 2,212 sq m with gross development value of US\$10.9mil have been fully sold. The project is expected to be completed by the fourth quarter of this year.

"We are looking forward to hand over the keys to purchasers at our maiden projects at Canal Park Apartments in Hanoi Garden City and the Amber Court Apartments in Dongnai, Ho Chi Minh City," Mah tells *StarBizWeek*.

Following the successful launch of Amber Court, it is planning to launch phase 2, Topaz Twins comprising of two blocks of 20-storey apartments. The 448 residences ranging from 120 sq m to 217 sq m have sales value of US\$55mil.



Mah Siew Wan showing the Vasana 25 @ Seputeh Heights bungalows and villas - a low density bungalow and link bungalow development.

Mah is planning approvals for Berjaya Vietnam Financial Centre (BVFC) located in Ho Chi Minh City.

The mixed development is designed around the theme of live, work and play concept and will generate an estimated GDV of US\$1.55bil.

The first phase of the Vietnam International University Township (VIUT) is also in the pipeline. The proposed phase 1 of VIUT will comprise apartments, link houses, shop houses and a community centre. Located in the Hoc Mon District in Ho Chi Minh City, the total development area of the township will be 925 ha. With expected GDV of US\$7.34bil, There will be

residential projects, an education hub, commercial facilities as well as sports and recreational facilities.

In Hanoi, Bland launched Canal Park Apartment project under phase 1 of the Hanoi Garden City mixed development in October 2009. Canal Park comprising two 11-storey blocks of 148 apartments have a GDV of US\$26mi. More than 80% of the units have been sold and the project is targeted for completion in the fourth quarter of this year.

To be launched next will be Avenue Park Apartments comprising two blocks of 189 units of exclusive apartments. In Bien Hoa City Square in Ho Chi Minh City, the

Amber Court Apartments are 65% completed, while topographical surveys and soil investigation, site clearance and upgrading of perimeter roads are being carried out at the VIUT site.

As for Bland's Berjaya Jeju Resort project in Jeju, South Korea, Mah says cultural excavation works have been completed and cultural relics found on site have been relocated by the Cultural Committee.

Mah says upon the completion of the main infrastructural works, the launch of the first phase of Berjaya Jeju Resort will kick off with North Gate 1, also known as Creek Resort, with an estimated GDV of US\$199mil.

Located at Yerae-Dong, Jeju Island and adjacent to the famous Jungmun Tourist Complex, the Creek Resort covers an area of 84,756 sq m. It comprises 300 units of 6-to-7-storey mid-rise condominiums. With its revolutionary designs, these time-share condominiums come with luxurious facilities including indoor and outdoor swimming pools, spa facility, gymnasium and a ballroom which can accommodate 300 people.

For the financial year ended April 30, 2010, Bland recorded RM497mil in both local and foreign sales, and the group is confident of hitting the RM500mil sales mark for the current financial year.

Locally, developments in Bukit Jalil Resort have consistently been Bland's main contributors to sales. Covillea Condominium project,

which was launched about a year and a half ago, is progressing well. All the 308 units have been sold for a GDV of RM1150mil, and it will be handed over to purchasers ahead of time. The latest launch involved the KM1 West Condominium project comprising 350 condominiums in twin 26-storey blocks.

Mah says the bigger and more luxurious residences have better quality finishings and designs. They are located at one of the highest points in Bukit Jalil.

The 3.67 acres project has GDV of RM263mil. The first block, Alpha, has clinched 90% sale while the second block Beta is close to 50% sold. The project as an estimated GDV of RM263mil.

Another major contributor is Berjaya's flagship project - Vasana 25 @ Seputeh Heights. A high-end, low density bungalow and link bungalow development in Seputeh Heights, Vasana 25 is a gated and guarded development with only 25 residences. The villas with built-up ranging from 5,743 sq ft to 7,665 sq ft have good view of Kuala Lumpur's city skyline, including the Petronas Twin Tower.

The project is scheduled for a launch for sale in early June when it is fully completed.

Of the 103 bungalow lots in Seputeh Heights, six are still available for sale at RM400 per sq ft. Bland also has another high-end project, the Peak@Taman TAR featuring 88 bungalow plots ranging from 8,624 sq ft to 71,944 sq ft.