VIEWPOINTS

Realty Check
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Investing beyond the Malaysian shores

THE lucrative investments in overseas properties have seen many local developers venture beyond our Malaysian shores. Singapore and emerging countries such as Vietnam, being closer to home, are popular destinations. Further away are India, China, Oman, Pakistan and now gaining popularity are United Kingdom, Melbourne and Sydney in Australia and even as far as Canada.

Well-known local developers such as Sime Darby, SP Setia, YTL, IOI Properties, Genting, Sunway, and Selangor Dredging Bhd (SDB) among others have set foot on these foreign lands and hitherto their investments have proven to be promising.

YTL Corp is noted as the most robust player in its international branding mission with several committed projects in the pipeline including a mega development in Koh Samui, Thailand, a holiday destination in Hokkaido, Japan and several hotels in Shanghai, China and Saint-Tropez, France. Despite the recent global financial crisis, property prices in most cities have recovered, thus, stimulating demand.

To date, the total investment of Malaysian developers in Singapore is estimated to exceed RM28bil. The recent alliance between Khazanah Nasional and Temasek Holdings resulting from the land swap deal and the relocation of the Tanjong Pagar Railway Station is anticipated to generate significant returns to UEM Land. The integrated developments in four land parcels in Marina South and two land parcels in Ophir Rochor are expected to generate a gross development value of S$11bil (RM27bil).

Sailing on a different business model, Sime Darby owns several office buildings in central Singapore. With gross rental rate for prime office space in Singapore ranging between RM25 psf to RM30 psf, net yield is estimated at between 4% and 5%.

Meanwhile, the positive real estate outlook in Melbourne, touted as the fastest growing city in Australia is buoyed by inter alia investor-friendly property ownership regulations. Annually, the population in Melbourne rises by 90,000 with the current population standing at 4 million. It is learnt that to cope with the apparent shortfalls in residential supply, Melbourne requires 35,000 new dwelling units per year. However, only 26,500 units are being completed annually, suggesting a gap of 8,500 units yearly.

High-end condominiums are the most popular property type by Malaysian developers investing abroad. They give the fastest turnaround and are easy-to-sell projects and will create profitable returns. This is evident by several new high-end condominiums being planned, including Fulton Lane and Dynasty Living in Melbourne by SP Setia and Magna Prima and Sentosa Seaview, and OKIO Residence in Singapore by IOI Properties and SDB. The most recent launches are Burwood Rise and Burwood View, 20 minutes from Melbourne's central business district by Malaysian Resources Corp Bhd.

Prices are definitely higher in these cities compared to Malaysia. A high-end condominium unit in Singapore has an average selling price of S$2,700 psf (RM6,600 psf). Meanwhile, a high-end condominium in Melbourne is priced between A$650 psf (RM2,000 psf) to A$850 psf (RM2,650 psf). These prices are drastically higher than the Malaysian average of RM1,200 psf. In the meantime, demand for rental has softened particularly in Singapore due to stricter criteria for foreigners working in Singapore and shrinking housing allowances for expatriates. Increased supply from newly completed residential homes has also added downward pressure on rental. OKIO Residence by SDB near Balestier Road in central Singapore is projecting a typical 5% yield with rental rates from S$3,000 to S$3,600 per month.

Buying activities remain bullish with take-up rates of at least 60% upon launching. Sunrise, a subsidiary under UEM Land, marked the fastest sales performance, whereby 90% of the condominium units in Quintet, outside downtown Vancouver was snapped up in less than one week. Dynasty Living and Fulton Lane, both launched early this year, have to date registered 62% and 70% sales respectively. Projects with a larger proportion of smaller units saw higher take-up rates as these units seem to be more affordable. These projects draw a balanced mix between owner-occupier and investors. Singapore, Malaysia, Indonesia, China and Hong Kong are noted to be the most active destination for investors diversifying their assets overseas.

Moving forward, more local developers are expected to go abroad to enable the companies to achieve their aspired visions. Expanding businesses abroad will generate higher annual growth and, subsequently, establish stronger presence of Malaysian developers in the international arena. Nonetheless, careful consideration, researching and evaluating risks are among the prerequisites before extending the regional reach.

The recent economic problems in the United States would have implications on the financial markets and economies around the globe. The weak US GDP numbers, the Japanese supply-chain disruptions from the March 11 earthquake, financial market jitters over Europe's debt crisis, slower pace of Malaysia's economy with 4.0% GDP reported in the second quarter of 2011 from 4.9% in the first quarter and the weakening of export numbers from the manufacturing sector due to weaker external environments are some of the pertinent yardstick in determining the global endeavour.

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