

WHAT'S NEXT FOR THE LOCAL PROPERTY MARKET?

Seasoned property man Christopher Lim spills the beans to the Radical Columnist.

By YH Wong

The local property market is a topic that has always been subject to a great deal of debate and can be somewhat confusing sometimes. I am always asked about my views on the property scene in my meetings with investors. This is expected given that most traditional investors tend to favour property over other forms of investments. After all and ideally, property investment provides them with capital appreciation and stable rental income over the long-term. Yes, we all know that the property market is a cyclical beast like other asset classes.

I managed to catch up with one of the smartest people on my radar screen, Christopher Lim, CEO of Triterra Metropolis Sdn Bhd recently. There was so much discussion about the local property market in our meeting at a coffee place not long ago. The great thing about talking with an experienced property man like Christopher who started his career in the local property industry back in 2004 is that you do not have to ask many things. You just turn him on and he spits out one zinger after another.

What Has Changed?

Let us start with a look on what has changed with the local property sentiment before and after the explosive general election not long ago. He said that generally, there has not been much investment activities or speculation leading up to GE14. The market has thus been largely confined to the owner-occupier market.

Christopher believes that the "feel good" factor of a "NEW" Malaysia and the high hopes among the rakyat will give a new lease of hope and excitement for local properties in the coming years. The slowdown pre-GE14 also means there are niche segments in the market that are experiencing an undersupply that will lead to pent-up demand in that particular segment as well.

On whether investors should buy now or wait for better deals, he told me that it would be interesting to see how the new government accomplishes what they plan to do and how the upcoming budget announcement will turn out in October. Aside from that, the

market is already slowly creating some excitement for investors who have been sitting on the sidelines.

Promising Signs

"The signs or ingredients are all there for better years ahead, but savvy investors could leapfrog the crowd by investing early depending on their risk appetite for better gains. I believe there are good deals to be had at every moment."

In terms of the risk and reward potential, Christopher does not see much risk apart from ultra luxury properties where we need to be very certain of the demand, the location and the concept proposed. The price point and affordability for rentals are also crucial. Apart from that, he is of the opinion that

the property market in the Klang Valley will be exciting for investors going forward with minimal downside.

"It all very much depends on the concept and pricing that match the location. If a property is not in demand, it is usually due to the fact that the concept, design or pricing does not match the

location offering or at times, it could be the quality of the development. I am someone who is very sensitive to the test of location-concept-pricing and of course, the delivery team of the developer for those eyeing primary market investments."

Which is Better? Commercial or Residential?

"Well, regardless of whether a property is commercial or residential in nature, I always hold to the principle that there will be demand for the right sector in the right location with the right concept or product and at the right pricing.

"If I were to give an answer to either one, my money will go with commercial



Christopher Lim

for seasoned investors. The reason for this is that the country is growing at a pace where the empowerment today is going to be the SME industry that will fuel the commercial sector. This sector will be the engine of growth for the national economy and will thus lead the pack for property investments (please refer to the diagram).

Affordability

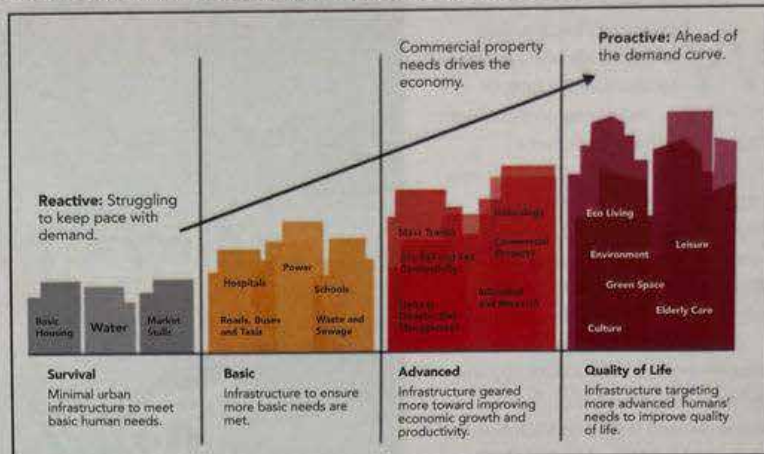
Almost anyone you hear talking about property today will mention "affordability" as a headwind on the market. I asked Christopher whether the property market is currently cheap or expensive in the current cycle and he believes the consolidation of the market over the last few years has made the market reasonably priced.

What should the new government do to boost the property market in Malaysia? He shared immediately that the market is a key driver as well as a yardstick for the local economy. The country's fortune can be epitomised by the health of the property market. He believes there needs to be a review on major planning issues such as whether the land is built on a density ratio or a plot ratio.

Density Ratio Vs Plot Ratio

"I firmly believe we have to move away from the density ratio calculation method because density deals with the number of units a developer can develop but does not dictate its size. However, a plot ratio calculation dictates the total sellable size for the development and it is for the developer to manage the number of units provisioned. With the latter, the developer could identify the best size to introduce to the market."

Infrastructure Spending Evolves with a Region's Economic Growth



Source: PwC, US Global Investors

Christopher further added that the masterplan of the city is crucial to ensure that the supply is managed by the state or council with the economic planning unit taking into consideration and projecting how robust the city will be. Sustainability of the property market comes with careful planning of the city and thus, he believes there needs to be a political will to get the city's masterplan gazetted for ease of planning and transparency.

"Aside from this, the ruling on foreign ownership should be capped to a certain percentage in a particular development. This is to prevent highly-specified developments with minimal local interest. One has to remember that local demand is fundamental in ensuring supply is healthily taken-up to sustain the market. This is particularly crucial for areas that have very high foreign investors with minimal local take-up where the government may need to step-in to ensure such a glut in certain areas do not affect the overall market significantly.

"Further market liberalisation and a move towards a more robust and open economy plus the influx of foreign investors should be further enhanced. Let us pave the way for a more sophisticated and mature property market."

No doubt Christopher is very smart when it comes to the local property market. I found the chat really refreshing without the technical mumbo jumbo. I would like to add that any investors who are serious about protecting and growing their wealth over the long-term should always have a diversified portfolio which includes properties. 🇸🇬



With over 22 years of investment advisory and industry experience, YH Wong is well-known for his contrarian investment thinking. His writings and commentaries appear often in public publications and he is a frequent speaker at private events for individuals as well as institutional investors. He can be contacted at yhwong@noblehillspartners.com