HERALD

by Henry Butcher Malaysia

MARCH 2017

SINGAPORE 2017: OFF TO A GOOD START

PLUS

Value Map Series: Ara Damansara

It's About the Scope

Innovation in a Soft Market

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Editor's Note

2017 - SOME ADJUSTMENTS REQUIRED

2017 is expected to be another challenging year for property players, in view of the weakening ringgit and rising cost of living, as well as uncertainties in global and domestic economy which have since softened the property market performance.

Our economy is expected to grow at 4% to 4.5% this year, which is around the same rate as what we have achieved in 2016. Given the economic environment, a lot of people are asking: Is it a good time to buy property now, and will property prices drop? To answer these questions, we need to accept that although this year is expected to be challenging, the property market should remain sustainable if our economy can perform as projected.

Nobody can precisely predict the bottom point of a property cycle or the peak of a bull run, and sometimes we need to make a decision based on our gut feeling. So our advice is that this is the time to buy property - You can only find better offers when others aren't buying. Property prices would rise when the economy recovers and market sentiment returns, so if you've missed the boat now, you might need to wait for another eight to ten years before the next property cycle comes about.

The property players need to make some adjustments during this bearish period. Affordable housing - which is resilient to economic downturn - should be given priority versus large-scale, high-end products. Such niche products should be put on hold during this period to prevent further overhangs.

Bank lending policies should also be relaxed especially for those affordable home applicants and first time home buyers. Prolonged credit controls would not benefit the market in the long run. Low interest financing aids should also be introduced to help those lower income group to purchase low- and low-medium-cost housing.

We believe that property values in Seberang Perai would stay and are unlikely to go south. The current property market moderation is common after a few years of bull run and we should not panic as it would assist to slow down the property market to a more leisurely trot, which might not be a bad thing for the property market in the long term.

Faah Tone Huat

Senior Manager, Henry Butcher Seberang Perai

SINGAPORE OFF TO A GOOD START IN 2017

Singapore's property market is known as being a resilient one, having weathered multiple regional and global economic downturns coupled with increasing demand. We speak to Tan Kok Keong, Co-Founder of FundPlaces, on what 2017 holds for Singapore.

Strong Foundations

Prior to 2017, Tan observes that property prices have been declining, but not by much. "The official private residential property price index has declined for 13 consecutive quarters but has only declined by 10%."

Winding back the clock, 2013 seems to mark the start of the dip, where Tan recalls a slowdown in the economy. "The trigger point for the downturn was the introduction of a series of cooling measures in 2013 coupled with a poor economic performance and a lack of catalysts."

Tan credits infrastructure as the foundation to Singapore's property market growth, and has made it appealing to investors and local buyers. Transparency in transactions has also contributed to the city-state's success.

"Singapore's transition to a future-ready economy with massive development of public infrastructure (MRTs, housing, cultural venues, international schools) over the past 10 years have made Singapore an attractive base for the rich and famous for undertaking economic opportunities in Asia Pacific.

"Its real estate market (also) remains one of the most transparent markets in Asia," which has positioned it as a priority mainstay in investors' portfolio. The Republic's strong domestic buying power that led to "strong home-ownership" has also been attributed as one of the key strengths in upholding its real estate market.

Store of Wealth

With a brief look at the past, Tan says that 2017 has gone off to a good start. Case in point, new property launches have picked up some momentum as we eased into the year. "The ongoing launches like Grandeur Park and Clementi Canopy are gaining good traction due to low quantum and price point.

"It appears that Q1 2017 is heading towards a quarter of healthy property transactions" where developers with unsold inventory have seen their units taken up via the use of attractive schemes.

"Foreign interest in the high end markets have also been gaining momentum as Singapore real estate remains a viable long term store of wealth for capital preservation."

As to where the buying interests are concentrated this year, the heartlands seem to have captured buyers' attention. Emphasis is nevertheless down to the value on the table where every property on offer must be "reasonably-priced" to better convince the buyers.

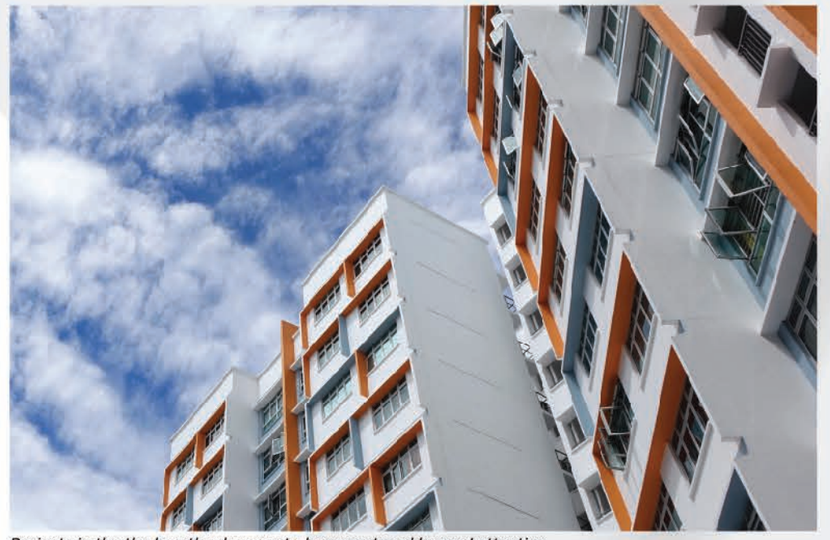
As for the much talked about measures that cooled the steamy property market in recent years, property enthusiasts from Singapore to across the globe may be greatly disappointed as "the Government has refuted (any) rumours that the draconian cooling measures could be eased" anytime soon.

What does Tan foresee for the rest of 2017?

"We expect the overall property prices to maintain its moderate price decline in 2017 as developers try to clear unsold inventory and transaction volume is expected to improve over that of last year, barring severe economic shocks externally. Developers are also likely to be more active in land acquisitions as their land bank gets depleted."

Transparency in transactions contributed to the city-state's success.

Singapore real estate remains a viable long-term store of wealth for capital preservation, according to Tan.



Projects in the the heartlands seem to have captured buyers' attention.

Infrastructure is the foundation to Singapore's property market growth.

Strong domestic home ownership has helped uphold Singapore's real estate market.

ARA DAMANSARA

It's getting well connected.

By Henry Butcher Research and Valuation

COMPLETED (Built-Up SF)

	Minimum	Maximum
Ara Greens Residences	684	1,574
Ara Hill Resort Villas & Condo's	1,916	2,390
D'Aman Crimson Apartment	845	1,281
D'Aman Ria Condo's	1,133	1,173
Eve Suite	680	1,065
Oasis Serviced Suites	572	2,505
Pacific Place	708	1,259
Puncak Nusa Kelana	966	1,044
Puncak Sri Kelana	1,103	1,324
Suria Damansara	1,095	1,335
Sri Ara Apartments	758	1,335
*Sri Meranti Apartment	650	680
*Urbana Residences	807	1,431
Verde Residences	1,383	1,789
Vista Subang	650	-

UNDER CONSTRUCTION (Built-Up SF)

	Minimum	Maximum
Ara Tre' Residences	657	1,195
Cantara Residences	646	2,145
H2O Residences	449	1,500
Maisson	500	1,594
Oasis Rio	603	904
The Potpourri	525	2,440

QUICK STATS

	Built-Up (SF)	Price (RM PSF)
Maximum	2,505	1,100
Minimum	449	169
Median	1,606	604

An affluent residential township in Petaling Jaya, Ara Damansara spans 739 acres along Jalan Lapangan Terbang Sultan Abdul Aziz. Located next to Tropicana and Bandar Utama Damansara, the township is within vicinity of multiple commercial, retail and office towers within Damansara and Kelana Jaya - dense areas where the urban working class congregate. Catering to the upper-middle class, the township seeks to combine a more luxurious lifestyle with a tight-knit residential community.

The township was first developed in 1999 by Sime Pilmoor Development Sdn Bhd, a wholly-owned subsidiary of Sime Darby Berhad, and managed by Sime UEP Development Sdn Bhd.

Access to Ara Damansara is served by the Federal Highway, New Pantai Expressway (NPE), New Klang Valley Expressway (NKVE), and KESAS Highway. Meanwhile, two LRT (Light Railway Transit) stations - Lembah Subang and Ara Damansara - play a part in connecting the township to the rest of Klang Valley via its rail transit infrastructure. Both stations are part of RapidKL's Kelana Jaya line, and were completed in June 2016.

Since its start in 1999, the township has grown to live up to its aspiration of being a prestige township, so it is no surprise that projects currently under construction are priced and positioned to meet Ara Damansara's higher standard of living. There are five projects that are still in progress - Ara Tre' Residences, Cantara Residences, H2O Residences, Maisson, Oasis Rio and Potpourri - all slated to be complete in the next three years. These projects have a minimum built-up area from 449 sq ft (H2O) - hovering around 500 to 600 sq ft - to a maximum of 2,440 sq ft (The Potpourri), commanding prices that start at RM600 per sq ft.

Existing completed projects, however, are a different story altogether, with most developments priced below the RM600 per sq ft mark. Most of these projects were completed around the early 2000's, and are considered affordable properties in the area.

That said, affordable projects now may not be so affordable later, seeing as the implementation of the aforementioned LRT stations will no doubt direct some of the urban working class to search the area for a home that is a stone's throw away from an easy commute. These increase in demand will undoubtedly drive up the prices of pre-existing residences.

Ara Damansara was envisioned as an affluent township, but a lack of convenient public transit meant that it was not an accessible area - not without a car. Now with its upcoming projects and developments, coupled with a rail connection, getting to and from the township to the rest of Klang Valley is much easier. Expect the attention of young urbanites.

Oasis Ara Damansara, the current hub of commercial activities in Ara Damansara.

1. Duta Tropika, a gated community comprising 138 courtyard and garden villas.
2. The common areas are under the purview of Duta Tropika's residents and its homeowners' association.
3. Future improvements serve to keep the community safe and secure.
4. The swimming pool is one of the areas getting an upgrade.
5. Expatriates and foreigners comprise 60 to 70% of the community.

IT'S ABOUT THE SCOPE

Sri Hartamas has always been associated with the affluent, with neighbourhoods that cater to the discerning urban population. Developer SP Setia Bhd started its maiden voyage into the high-end property market in 2002 in the area with Duta Nusantara. Just two years later, Duta Tropika, located adjacent to Duta Nusantara and opposite Publika, was launched.

Duta Tropika is a gated community occupying 13 acres of land, and is home to 138 courtyard and garden villas (semi-detached and link houses respectively). As a maturing neighbourhood (completion was in 2007), Duta Tropika has its own set of challenges and concerns in managing and maintaining the place. We spoke to En. Muhammad Azhan bin Abdul Hamid, one of the Board of Directors for Duta Tropika about what had transpired and how Henry Butcher was selected to continue managing Duta Tropika.

To provide context on the selection, when the new Board came in upon expiry of the last board that served for twelve months, the first thing it did was call for a tender for a Property Management Company. A tender document was crafted and the scope was given.

"Henry Butcher wasn't the cheapest, but they followed one logic: they know their work scope and the operational setup requirement to execute the work scope. They presented an organisational structure with the manpower and skills to correctly run operations. Property Management is a service contract, It's not about pricing. It's about the scope and ability to show that you can execute the scope," according to En. Azhan.

En. Azhan moved into the community in 2008, making him one of the early residents of Duta Tropika. As one of her residents, En. Azhan has a personal stake on the matter - he wants to see the neighbourhood flourish, and he sees Henry Butcher as being able to deliver on that.

"The current Board has a manifesto when we came on board. It was to ensure security, the value of the property, and the quality of life here in Duta Tropika. We are currently focusing on these three aspects. The property is getting old, and we're looking at many aspects like maintenance, safety and security. The Board has decided to do the improvement projects such as upgrading of the swimming pool and function hall, installation of security main gate and pedestrian gate, also upgrading the vehicle and physical access card systems to enhance the property value."

He remarks that the community is a vibrant one, with various activities that make it a local hotspot in Kuala Lumpur. It also boasts a significant expatriate community.

"It's an international community - expatriates and foreigners comprise 60 to 70% of the community...People love it here - where else can you walk to Publika to get your groceries and have a good time, which is just across the street? It's a convenient place to be! It's a safe place to be!"

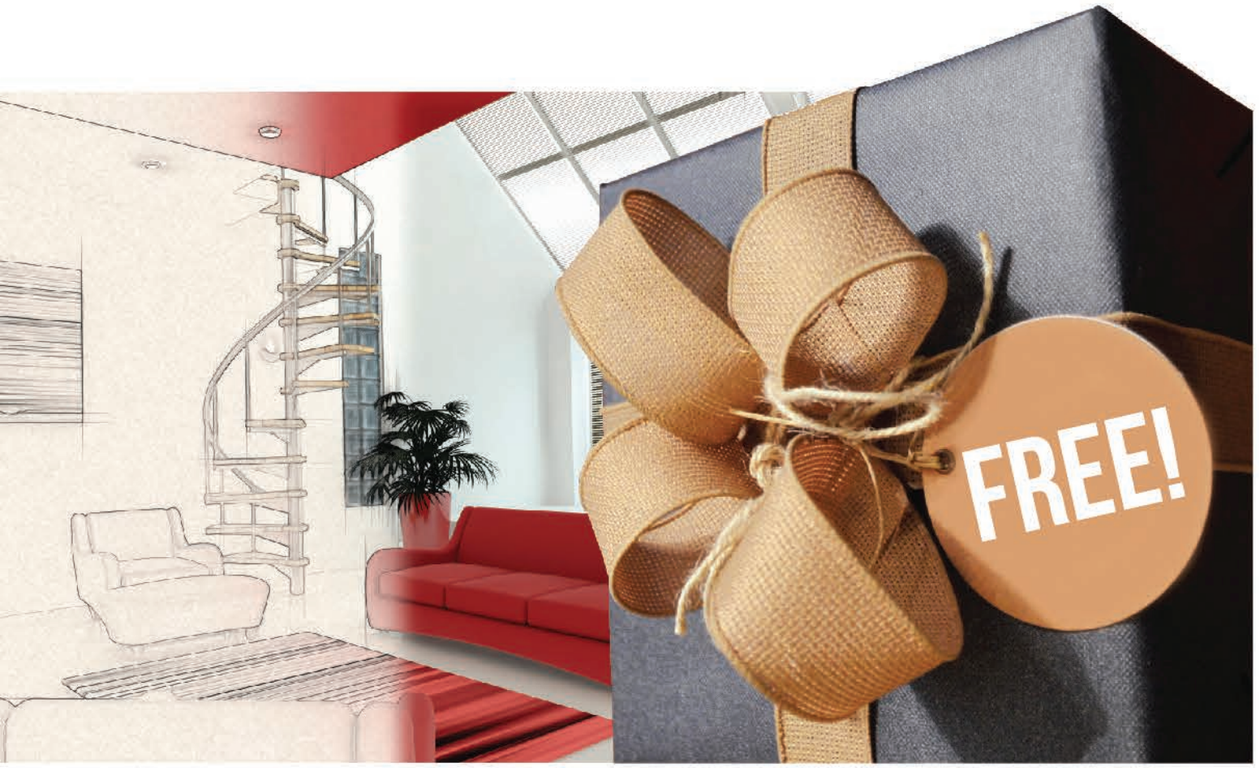
Henry Butcher was appointed to manage the project circa 2013, immediately taking over from developer SP Setia. It goes without saying that there were teething issues, but the property management team of Henry Butcher Malaysia (Mont Kiara) stepped up to the plate, and has maintained a good working relationship with the Board.

"The Board wants the management company to be upfront and independent. It's not easy to maintain a close-knit community. Duta Tropika is a small compound, and the residents are very much in each other's face – this community is a family, and whoever is coming in to manage the property has got to blend in to this close culture. Being sensitive to this, the Property Manager will be successful in Duta Tropika."

For Duta Tropika, one can make the case that property management goes beyond pure execution of duties; it's relationship development, all about knowing, being sensitive and reacting into the culture of the neighbourhood. En. Azhan had only good words to say about their appointed Property Manager, it reflects upon Henry Butcher's commitment to be a Property Manager that is able and adaptable to this unique gated compound.

En. Muhammad Azhan bin Abdul Hamid, one of the Board of Directors for Duta Tropika.

> *"People love it here. It's convenient and safe!"*



INNOVATION IN A SOFT MARKET

With the current global economic slowdown further exacerbated by local political and economic developments, home buying is becoming a challenge to most working-class Malaysians.

The stricter loan processing and adoption of net income for computation of loan eligibility by banks appear to have put a damper on local home buying and this has resulted in a higher rate of withdrawals as buyers who depend on maximum loan margins are forced to pull out as they are unable or unwilling to come up with so much upfront money to fund their home purchases. In their efforts to boost sales, property developers have to think hard on how to entice buyers to make an immediate commitment instead of waiting for the market conditions to improve.

Thus, the soft market conditions has led to greater innovation - developers, looking to stand out from the competition, have sought to offer various perks to entice buyers into embracing their particular brand and products. In the past, packaging homes with a golf membership has helped some developments to boost sales until the golf fervor became less intense. In the recovery phase after the financial crisis in 2007 /8, some developers came out with Developer Interest Bearing schemes (DIBs) and these were very popular with investors (and especially speculators) as they did not need to come up with too much funding of their own during the construction phase of the project that they have invested in.

Lately, schemes with no money down have similarly attracted a lot of buyers to put their money on the projects. Although the authorities have come up with guidelines for developers and financial institutions to be more transparent and to stipulate clearly the net price that buyers are ultimately paying sans the freebies and incentives, developers have, after a brief hesitation in the beginning, continued to offer more and more freebies, offers and incentive schemes to improve sales take-up of their projects in this sluggish market.

In Part 1 of this multi-part series, we look at membership offers and tempting payment schemes to make for a less burdensome purchase.

Note that some of these packages may have lapsed, whilst some are still ongoing.

PAYMENT SCHEMES		
Developer	Scheme	Benefits
EcoWorld Development Berhad	Easy Premium Home Ownership	EcoWorld offers 4 innovative aspects for home ownership through this scheme: 1. Affordable - Downpayment with credit card with 0% interest for 3 years; 2. Easy - Pay less with reduced monthly commitment for 1st 5-years; 3. Upgradable – with shortterm loan to facilitate upgrade to a bigger home; and 4. Flexible – buyers are able to choose to reduce their principal at any time.
IOI Properties Group Berhad	Buy Now Pay Later	1. Low Down Payment Just pay as low as RM5,000 to book a unit. 2. Deferred Payment Scheme Buyers can just pay a low down payment of as low as RM5,000 and the rest of the deposit together with differential sum can be deferred up to 24 months or upon vacant possession; whichever is earlier.
Land & General Berhad	Astoria Power Pack	A special buyer's package to assist customers who have limitations in terms of borrowing power. For instance, a third-time home buyer who obtains a 70% loan from L&G's partner banks, will be offered a 24-month installment plan to pay off the remaining 10%, interest-free.
Selangor Dredging Berhad	Rent And Purchase (RAP Programme)	SDB's RAP programme allows consumers to own their home in just a few simple steps: 1. Place a 5% down payment on the desired home. 2. Conclude the sales documents and move into your home immediately. 3. Settle the loan differential over up to 36 months in zero-interest instalments. 4. Pay off balance via a bank loan at the end of 36 months. The RAP programme offers another alternative of buying a home. Monthly zero-interest instalments contribute towards reducing the purchase price needed to own the home. At the end of the residing tenure, the buyer will apply for a loan to cover the remaining purchase amount and take ownership of the property.
SP Setia Berhad	Setia 10:90	Pay only 10% now and 90% when the house is ready.
Sunway Berhad	Sunway Property Certainty Campaign	1. Guaranteed Loan For buyers without commercial bank loans, Sunway will provide guaranteed loan at Vacant Possession of the development. Basic criteria for the loan – Individuals - Malaysians only, above 18 years old, not a bankrupt, no outstanding legal suit. Interest rate for the loan is a fixed rate which will be determined at Vacant Possession. Buyer pays 12% and Sunway will provide loan of up to 88% at Vacant Possession. Option for the Guaranteed Loan is subject to allocation for each project. 2. Deferred Payment With an initial down payment from as low as 3%, thereafter buyers will enjoy zero payment for a period of 12 or 24 months from launch date, subject to allocation for each project. Applicable to new launches only, subject to allocation for each project. 3. Voluntary Exit Plan (VEP) In the unfortunate event that the buyer loses his/her employment (layoff due to retrenchment or voluntary separation scheme), Sunway provides the option for buyer to terminate his/her SPA. The VEP option is applicable to employment termination on or before 31 March 2018 or date of notification letter of Vacant Possession, whichever earlier. To be eligible for this plan, buyer must be a permanent full time employee or a contract employee, but must not be a shareholder of(or?) the employer of the company. Monies paid by buyer will be refunded less all expenses incurred.
Symphony Life Berhad	Live It Own It Plan	Make a 2% downpayment only.
Tropicana Corps	Just Bid It	First online property bidding that provides its registrants a chance to bid for five Tropicana exclusive properties.
	Tropicana 0% Interest Plan (T.0.P)	Enjoy 0% interest rate on installments for up to 24 months, as well as an affordable low down payment on a selection of 6 prime developments.
REFERRALS, PRIVILEGES AND REWARDS		
IJM Land Berhad	Buy Get Buyer	1% reward for existing homeowners when they introduce a new buyer.
	IJM Land Priority Program	Cash Rebate on your next purchase: 1. Silver (Purchase value not more than RM300,000) - 1% Cash Rebate; 2. Gold (Purchase value from RM300,001 to RM10,000,000) - 1.25% Cash Rebate; 3. Platinum (Purchase value more than RM10,000,001) - 1.5% Cash Rebate.
IOI Properties Group Berhad	IOI Privilege Card	Enjoy up to 2% rebate on your next IOI property.
Sime Darby Property	Prime	The exclusive PRIME Membership Card is a customer loyalty-card rewards programme. 1. Enjoy discounts of between 1.5% and 3% on subsequent selected property purchases. 2. Introducer Incentive - Cash Reward of 0.5% on the price of selected property purchased. 3. Priority invitations to selected new property previews and launches. 4. Invitations to selected Sime Darby Property events. 5. Special discounts and promotions from participating retailers and shop outlets.
SP Setia Berhad	Citizen Setia	Bespoke lifestyle experiences to reward loyal customers. 1. Members will be given the opportunity to experience unique, refined and extraordinary adventures, cultural and artistic performances such as concerts, sports, festivals and exceptional destinations. 2. Members will also enjoy benefits from exclusive joint promotions and special offers on selected lifestyle merchandises. 3. Citizen Setia members who introduce their friends and family to purchase any participating SP Setia properties through the Introducer Reward Points (IRP) payout and rewards scheme will receive up to 2% cash reward paid within 30 days upon the signing of the Sales and Purchase (S&P) agreements, along with a signed and stamped loan agreement. Successful introducers will also be given a 99.99% gold coin.

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