



**Bricks & Mortar**

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# Properties that make sound investment

PROPERTIES, by and large, feature significantly in our lives. A large number of us spend the better part of our lives working to pay off a mortgage.

But the need for a place to live in is no longer the main driving force behind our desire to own a property. In fact, many people now invest in properties for a slew of other reasons.

To meet changing expectations from home purchasers and investors, developers and even financiers have to become more innovative. New ideas, concepts and designs are being introduced regularly to attract the potential buyer.

Apart from making their properties more attractive to potential buyers, developers, in collaboration with financiers, are also making it easier to buy a property.

What then, are the factors that induce the average person to make that commitment to part with a large portion of his future earnings just so he can own a piece of property? What makes him think that this is an investment that is worth making?

The first, for both the home pur-

chaser and the investor, is the hope that the value of the property will rise significantly so it can be sold eventually for a tidy profit. This, I believe, is very clearly reflected in the vibrant property market in Malaysia. Browsing the classifieds pages of the daily newspapers, you will have an idea of how much buying and selling there is in the property market.

There is not very much a developer has to do to convince a potential buyer that the value of his property will be much higher on some future date. Buyers of properties in newly launched projects can even re-sell fairly quickly and in the process make a substantial profit.

For instance, a multi-storey apartment block in a mature part of Petaling Jaya was selling at RM280 to RM290 per sq ft when it was launched in 2007. Just three to four years later, the apartments were already in the secondary market for RM420 to RM490 per sq ft.

To hype up the potential gains, some developers even highlight the quantum of returns an investor can expect to make from their properties.

However, the desire for financial gains is not the only requirement developers have to satisfy if they want to attract more buyers.

Developers have to incorporate new and innovative ideas into the concept and design of their projects to promote a desirable lifestyle associated with their properties.

By incorporating such concepts and designs, developers are differentiating their projects from others. For the purchaser, it is an investment that will eventually offer him the reality of an exclusive lifestyle.

This new lifestyle no longer revolves around (just) an expensive apartment in a posh area in the city, with the requisite swimming pool, gym and private lift. For many high-rise projects, such facilities are now standard.

For some, the apartment must be a sanctuary from the hustle and bustle of city life, never mind that it is located in the city centre. Or it must be designed to evoke a lifestyle from another era.

But even as developers manage to meet all the desires of a potential purchaser, some may still hesitate to take out the chequebook. It is, after all, a huge investment and a commitment that will span many years.

To make it easy for potential buyers to make that commitment, there now are many easy payment schemes that give buyers an extended period of time to pay the

first 10% or 20% down-payment. All they need to do is to pay an affordable amount to affirm their desire to purchase the property.

However, there is a downside to this arrangement. People can very quickly commit themselves to several pieces of property and soon find that they cannot actually meet all the long-term financial obligations.

That, too, is not the only way financial institutions have made it easier for people to purchase property. Some banks also offer loans with significantly longer repayment schedules, even stretching over two generations.

This concept is based on the understanding that many parents fear that property could be priced beyond the means of their children in the future. To beat the price increase, parents opt to purchase property now for their children's use when they grow up.

Loans are given on terms that enable the parents to begin the monthly instalment payments until such time when the children start to earn an income so they can take over the responsibility until the loan is fully paid up.

However, there is a risk to this arrangement. It is impossible to foresee how well the children will

do in their adult life, whether or not they will find a job that will earn them enough money to take over the commitment. In fact, a child may not even want that property, never mind that it had been purchased at a much lower price.

Easy payment schemes and exclusive lifestyles aside, there are many other issues that matter to home purchasers. Security is one of them. A safe neighbourhood is no longer enough.

Gated and guarded communities have sprung up, taking the lead from high-rises where 24-hour security surveillance was first introduced years ago.

The list of such demands from home purchasers and investors will only get longer. And every new addition or innovation will likely come at a cost. The challenge for developers is to meet these demands without adding too much to the cost.

In the end, if the customer is satisfied, it would have been a sound investment, not just for the home-buyer but the developer as well.

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