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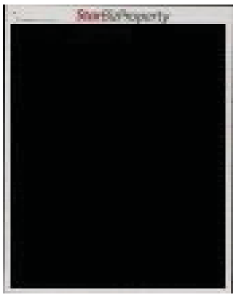

Property tourism in a market glut

Malaysia attracting more buyers from Hong Kong

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Bullish market: Chak says Hong Kong people like to invest in Malaysia due to good returns.

Good time: Tan says it is an opportune time to woo foreign buyers.

Cause factor: Foo says the uncertainty in Hong Kong has resulted in more people investing in Malaysia.

A GROUP of about 100 people from Hong Kong exit a tour bus that's parked at the base of Phileo Damansara in Petaling Jaya, making their way up excitedly to Sheng Tai International Sdn Bhd, a diversified real estate, investment management and hospitality firm.

They are in Malaysia for four days and will be viewing a few developments, namely Novo in Jalan Ampang and The Sail and Regalia Beach Front, both in Melaka.

Sheng Tai will also be organising a durian party for the tourists. A couple of long tables have been set up in front of Sheng Tai sales office and across the road under a cab stand. A few rows of durians still in their thorny shells were on the tables, lined with white table cloths, red plastic chairs neatly tucked under the tables.

In the sales office, a Sheng Tai staff briefs guests about Novo. In another part of the sales gallery, Julia Chow has a tablet in front of her. Chow, in her early 30s, is seriously considering buying a unit as a holiday home.

"I like the food in Malaysia. The weather is good. Malaysia is a very welcoming place; the people are warm and language is not an issue.

"I have been to Malaysia three times over the past two years and I have enjoyed myself a lot," Chow says. The current property market glut has resulted in some developers offering their properties via a property tourism platform, with many tourists from Hong Kong looking to countries like Malaysia as a potential holiday home or a place to retire.

"These trips are so interesting for us Hong Kong people," says Chow, who adds that she is really keen to have a unit, but is yet to make a final decision.

"It is so affordable. And the space...," she tails off.

"I am particular about space. In Hong Kong, the apartments are generally very small," she says.

Chow says the average size is between 400 sq ft and 500 sq ft for five people in Hong Kong.

"We buy here (in Malaysia) as a second home and let the company manage it for us. There is guaranteed rental and very good returns on investments."

Sheng Tai International (Hong Kong) Ltd general manager Chak Wan Chuen, or fondly known as Mon Jie (sister Mon), says around 400 people travel to Malaysia from Hong Kong every month.

"People from Hong Kong believe Malaysia is a good place to invest. Our focus is on returns and not so much the location or how large the unit is.

"What's more important to them is the level of returns. For serviced suites, we offer between 6% and 8%, versus just 3% in Hong Kong."

Chak says about a third of investors who come on these trips end up buying something.

"They are usually between 40 and 70 years old. Some are retirees. We call it property tourism, bringing them from Singapore, South Korea, Japan, Seattle (US) and Australia.

"We have our own channel. We have an office in Shanghai and Hong Kong and we plan to expand to other countries."

Chak says Sheng Tai International is offering guaranteed returns of 7% to 8% in Malaysia, with the threshold for foreigners to buy is RM1mil.

"Although this may vary. For instance, in Melaka, it's RM500,000."

Property appeal

PPC International managing director Datuk Siders Sittampalam says he is "not seeing a tremendous number of buyers coming into Malaysia, but we are one of the cheapest in the region," he tells *StarBizWeek*.

"The current glut in Malaysia makes it more appealing," Siders adds.

He points out that Malaysia has a young population; there will be tremendous potential for housing going forward.

"Eventually, all these people will need homes. That means more demand for housing and commercial property. Furthermore, with the various housing policies in place, there's potential for demand to eventually catch up with supply.

"Developers too are more cautious with the type of properties they are building. So, Malaysia is quite appealing to foreign investors. Considering our exchange rate, property prices may not be considered to be too expensive to foreigners."

CBRE|WTW managing director Foo Gee Jen, meanwhile, feels that the glut is not the only reason foreigners, especially those from Hong Kong, are attracted to Malaysia.

"Generally, it's not so much about the glut. The current uncertainty in Hong Kong has contributed to why many of them are looking at somewhere to put their money.

"For those looking to invest in South-East Asia, Singapore is usually at the top of the list, followed by Bangkok and then Malaysia.

"In Malaysia, we see many Hong Kong property investors looking at either Kuala Lumpur or even Kota Kinabalu, because of the reduced flight distance."

Foo notes that the relevant local authorities have also been actively promoting Malaysia as a second home.

"This has attracted many potential buyers from Hong Kong," he says.

In 2014, the government imposed a restriction where foreigners can only buy properties costing RM1m and above. The cap varies according to states.

The measure was introduced by the previous administration to stabilise residential prices from excessive speculation.

The guidelines issued by the Economic Planning Unit in the Prime Minister's Department was enforced on June 30, 2009. It replaced the Foreign Investment Committee Guidelines.

Says Foo: "To many foreign investors, RM1mil is considered affordable."

Recently, Johor Real Estate and Housing Developers Association (Rehda) urged the government to consider reviewing the current threshold of property acquisition by foreigners.

Johor Rehda chairman Datuk Steve Chong Yoon On says the minimum threshold of RM1mil per unit imposed in 2014 should be reverted to RM500,000.

"The review of the RM1mil threshold is timely in view of the slowdown in the domestic market in the recent years and developers are operating in difficult situation," he was quoted as saying.

Chong says the authorities both at the Federal and Johor Government levels should not be alarmed as local buyers were unlikely to be affected should the suggestion be implemented.

"Malaysia is not going to lose anything as properties are immovable assets and they (foreign buyers) are unlikely to start tearing down their houses and transporting them back to their home country."

KGV Property Consultants executive director Samuel Tan says it is an opportune time to woo foreign buyers.

"I believe developers will reach out to this segment. However, I do not think the numbers will be large. Much awareness is needed, especially for lesser-known markets like Johor.

"The current glut can be marketed as opportunities for them to purchase at more attractive prices. In any case, I believe prices are not the main reason. Many will be buying as second homes."

Tan says there are various benefits for foreigners who purchase Johor units.

"Investors get the best of both worlds. Whilst enjoying cheaper prices, both in terms of price and cost of living, they can also enjoy the sophistication offered by Singapore. Accessibility via the Changi Airport is another plus."

Nevertheless, Tan says the number of foreign buyers into Johor remains subdued.

"We do not have any statistics. Moving forward, the bottoming of property prices will be an incentive for more buy-ins, especially from Singaporeans."

Other than the Klang Valley or Johor, Siders says Penang also appeals to foreigners.

"When it comes to foreigners acquiring property in Johor, there is a lot of local government support, especially in terms of expediting procedures.

Mark Saw, executive director of PPC International Penang Sdn Bhd, concurs that Penang has always been a preferred choice.

"Penang is chosen for its lower living costs, first rate medical facilities, coupled with the planned infrastructure improvements.

"Of course, any savvy investor will see an opportunity whenever there is an over supply, but one must take note that the top tier of the market, namely properties above RM850,000 has not seen too much of a price variance, contrary to market perception."

Saw adds that the mid range properties up to RM850,000 have seen the most movement in terms of pricing adjustments.

"But this is only in the secondary market. Many who purchased units a few years back have taken possession of their units, with a soft rental and sales market, they have to be realistic about their selling price.

"But having said that, generally our country is safe and politically stable. This is a major factor for any investor. Only in a stable environment can their investments perform."