

12 SEP, 2019

## Making the right purchase

New Straits Times, Malaysia



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# Making the right purchase

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**H**OUSES are big-ticket items and buyers want a good deal when purchasing one.

Location, pricing and condition are three key factors in determining if a home is a good purchase.

If you are buying a unit in the secondary market and the price is too good to be true, especially if it is located in a prime area, something may not be right — unless the owner is selling it because he/she is migrating, or he/she desperately needs funds for children's education.

Anyone who has bought a house at below market price should know that there could be hidden problems and challenges that could crop up and aren't easily identifiable, even with the best of home inspections.

You need a keen eye to know if the property is worth the buy.

Even if you are buying first hand from developers, your purchase may not always be the right choice.

"Developers are good marketeers. Their job is to build and sell. If a property is not really worth it as the location is too far from Kuala Lumpur city centre, they would entice you with discounts and freebies and you may still end up buying. Do your research. Don't let developers or the agents whom they hire to speak at a sales launch decide for you," said a few market experts.

There are few ways to evaluate investment returns when purchasing an income property.

**Here are a few at-a-glance tips from market experts.**

### 1. FOLLOW THE 1% RULE

As a general rule of thumb, consider the one per cent (1%) rule as an investment strategy. The 1% rule states that the property should be able to be rented out for at least 1% of its purchase price to yield positive cash flow. The due diligence would be analysing the fair market rental rates in the area.

If you can buy an investment property for RM1 million and rent it out for more than RM9,000 per month, then it is a good deal. Looking at the price as a factor of 100 times, the monthly rent is a quick and easy baseline to getting a great price on a property investment.



Follow the one per cent rule when buying a property. PROPERTYGURU.COM PIC

### 2. CHECK THE CAP RATE

Checking the cap rate (the price/earnings ratio) versus the neighbourhood is a good thing, in addition to price per square foot. Price drop is a signal of good buying opportunity. Price drop occurs when the market is not so good, but sometimes it could be because there are unhealthy issues in the neighbourhood. It is strongly advisable to do your own checks.

### 3. CONDITION AND PRESENTATION

If you are buying in the secondary market, the condition of the property, coupled with how it has been presented, will usually dictate if the unit can be purchased at a discount or is well worth the price you have marketed it for. If you are selling and the property is not marketed property (for instance, with no online photos to show), it is likely to have zero-curb appeal.

An article entitled "How Do You Tell If A Property Is A Good Deal Or Not?" by PropertyGuru Malaysia states a few tips you can use to determine if a property is worth the buy.

They include comparing the property against recently sold and unsold properties, following the 1% rule as well as noting the future prospects of a neighbourhood.

When it comes to buying property in Malaysia and snagging a great deal, it isn't just about getting

the lowest price possible. There are also other considerations, such as appreciation potential, said PropertyGuru. "Experts claim that it will take at least five years to enjoy significant capital gains from a property investment. Perhaps, even a shorter amount of time for established regions."

#### Tips from PropertyGuru:

### 1. COMPARE AGAINST RECENTLY SOLD PROPERTIES

Comparing a potential purchase to recently sold properties is one way to gauge whether the selling price is reasonable. The properties should be comparable in terms of their size, condition, and location. Your real estate agent should have a list of recently transacted properties at his/her disposal, or visit some online property portals which could provide the information.

If the property you are looking at is below market price, you may want to do a bit of research and find out why. Is the house in basic condition, old, empty for too long, termite-infested, and has plenty of defects?

### 2. COMPARE AGAINST REMAINING UNSOLD PROPERTIES

If you believe a property you are interested in is overpriced, looked at other houses within the area.

PropertyGuru suggests you take a look at other comparable properties that are still on the market.

"A high number of vacant properties in the vicinity might be an indication that the

*Experts say it will take at least five years to enjoy significant capital gains from a property investment.*

PROPERTYGURU.COM PIC

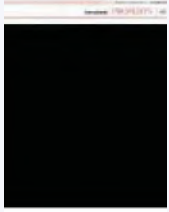
neighbourhood is unsavoury or has low demand. Armed with this knowledge, you'll have a clearer picture of whether the property investment will be worthy or not," it said.

### 3. FUTURE PROSPECTS

Nobody wants a property that loses its value over a short time span. Get details from property agents and valuers, and do a bit of your own research. Properties in some areas do depreciate in price for various reasons.

Some areas that are undergoing urbanisation and redevelopment, the properties there could see a rise in value over subsequent years.





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### SUMMARIES

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