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TEP4 NEWS
Mayland
to launch RM2.3b
worth of properties
next year



TEP4 NEWS
**Second phase of
Tiara Hills** to be
previewed in
February 2017



TEP5 FEATURE
**Offices in world's most
connected cities** come with
a high price

SOHO, SOVO, SOFO KNOW WHAT YOU ARE BUYING

Take note of the small print when putting your money down for SoHos, SoVos, SoFos and serviced apartments. They are not quite like conventional residences. **See Pages 6 & 7.**



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NEWS HIGHLIGHTS from TheEdgeProperty.com

MRT Phase 2 almost 95% completed

The second and final phase of the Mass Rapid Transit (MRT) project involving the Semantan-Kajang Line is almost 95% completed.

MRT Sungai Buloh-Kajang project director Marcus Karakashian said progress includes all station structure works, rail systems and trains.

"We expect the MRT test run for phase 2 to take place as early as January 2017 before its operation in July the same year," he said.

The 30km phase 2 involves 19 stations between Semantan and Kajang as part of the RM23 billion MRT project which spans 51km with 31 stations. The Sungai Buloh-Semantan Line will begin operations today.

**Charity auction of Tan Sri Lee Kim Yew's bungalows raises more than RM2 mil**

The founder and chairman of The Mines Resort Bhd and Country Heights Holdings Bhd Tan Sri Lee Kim Yew has successfully raised more than RM2 million for charity by putting up his own bungalow collection through private auction.

**LAUNCHES + EVENTS****Bumiputera Property Exhibition 2016**

Date: Dec 17 and 18 (Sat and Sun)

Time: 10am to 7pm

Venue: Putra World Trade Centre, 41, Jalan Tun

Ismail, Kuala Lumpur

Contact: (03) 4043 3999 / (03) 4142 1151

This exhibition highlights properties from various developers which want to sell off their Bumi lots.

A Fairytale Christmas

Date: Dec 17 (Sat)

Time: 5pm to 9pm

Venue: SqWhere Sales Gallery, Off Jalan Sungai Buloh, Selangor

Contact: (03) 6158 0880 / (016) 849 2650

Selangor Dredging Bhd will be hosting A Fairytale Christmas

**Malaysia, Singapore ink deal on high-speed rail link**

The agreement on the Kuala Lumpur-Singapore High-Speed Rail (HSR) was signed between Malaysia and Singapore on Tuesday in Putrajaya.

When completed, the 350km HSR will slash travel time between KL and the island republic from over five hours by road to 90 minutes.

"I know people are excited about it," Malaysia Prime Minister Datuk Seri Najib Tun Razak said, adding the project would "open a new landscape in terms of bilateral relations".



Singapore Prime Minister Lee Hsien Loong described the rail link as a "marquee project" that will "transform the way we do business".

The deal was signed by Minister in the Prime Minister's De-

partment Datuk Abdul Rahman Dahlan and Singapore Transport Minister Khaw Boon Wan. Najib and Lee, who were attending the 7th Malaysia-Singapore Leaders' Retreat in Putrajaya, witnessed the signing ceremony.

"Two out of the four bungalows which I put up for auction were sold during the charity auction. Both bungalows were sold at a reserve price of RM2.5 million each," he told TheEdgeProperty.com.

The private auction of the four bungalows took place on Nov 19, 2016, at the Palace of the Golden Horses with the objective of raising funds for the Malaysian Education Care Society (MECS).

All proceeds from the auction of the first property, a two-storey bungalow located at Jalan Kekwa, The Mines Resort City, with a land area of 9,604 sq ft, will be donated to MECS while 10% of the net earnings from the other three

auction bungalows will also be channelled to MECS.

Knight Frank: Turkey is No 1 in global house price growth

Turkey has occupied the top spot for the fifth consecutive quarter in the Knight Frank Global House Price Index by having registered an annual house price growth of 13.9%, said the international real estate firm.

However, Turkey may lose its No 1 position to New Zealand or Iceland in the upcoming quarter, which are recording annual

growth of 13.5% and 12.9%, respectively, said Knight Frank in the report for 3Q2016.

Overall, prices have risen in 44 of the 55 countries tracked by Knight Frank over the past year, resulting in a weighted average rate of 5.3% across the Global House Price Index, the highest rate for two years, according to Knight Frank.

"The main theme remains one of convergence as the outliers continue to fall in number. Three years ago, 22% of countries recorded double-digit annual price growth; only 9% fall into this bracket today," added the firm.

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party at their latest flagship SqWhere Sales Gallery where the sales gallery will be transformed into a magical castle full of fairytale wonders. There will be huge prizes up for grabs for Best Dressed Fairytale Costume and lucky draw prizes amounting to RM30,000.

**Perth property exhibition**

Date: Dec 17 and 18 (Sat and Sun)

Time: 10am to 6pm

Venue: G102 Phileo Damansara 1, Jalan 16/11, Off Jalan Damansara, Petaling Jaya, Selangor

Contact: (016) 915 8789
Australian developer Megara together with Distinctive Group Sdn Bhd will be showcasing a selection of boutique apartments near schools, parks,

shops and public transport in Western Australia.

Santa Factory at Bandar Sri Sendayan

Date: Dec 17 and 18 (Sat and Sun)

Time: 11am to 9pm

Venue: d'Tempat Country Club, PT12653, Jalan Pusat Dagangan Sendayan 1, Bandar Sri Sendayan, Negeri Sembilan

Contact: 1800 88 2688
Matrix Concepts Holdings Bhd will be hosting a series of activities at d'Tempat Country Club to celebrate the upcoming Christmas. The activities includes ice skating, DIY Christmas craft, a chance to experience snow, a fireworks display and many more.

Celebrate Christmas with Mah Sing

Date: Dec 17 and 18 (Sat and Sun)

Time: 11am to 5pm

Venue: Southville City Sales Gallery, Taman Teknologi Mint, Bangi, Selangor

Contact: (019) 921 6888
At this Christmas event, children

will be treated to fun games and activities throughout the weekend. There will also be decorative photo booths for visitors to snap photos with Santa Claus who will be giving out candies to children.

Seoul-ful Christmas SkyLuxe on The Park

Date: Dec 17 (Sat)

Time: 11am to 5pm

Venue: SkyWorld Property Gallery @ Bukit Jalil, Jalan Jalil Perkasa 4, Bukit Jalil, Kuala Lumpur

Contact: (016) 211 9831 / (016) 211 9892

In conjunction with the holiday season, SkyWorld is bringing part of Korea to the public at its SkyWorld Gallery in Bukit Jalil. Korean food and activities such as face painting and K-pop performances await participants.



The Edge Property Malaysia



Publisher and Group CEO
Ho Kay Tat

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The Edge Property Sdn Bhd (1091814-P)
Level 3, Menara KLK, No 1 Jalan PJU 7/6, Mutiara Damansara, 47810 Petaling Jaya, Selangor, Malaysia

TheEdgeProperty.com

Managing Director/Editor-in-Chief
Au Foong Yee

EDITORIAL

Editor Lam Jian Wyn

Contributing Editor Sharon Kam

Deputy Chief Copy Editor

James Chong

Senior Copy Editor

Shanthi Murugiah

Writers Rachel Chew, Tan Ai Leng,

Natalie Khoo, Shawn Ng, Lum Ka Kay

Art Director Sharon Khoh

Design Team Nik Edra,

Nurul Aida Mohd Noor, Henry Lee

For New Launches/Events/
Press Releases/News Tips
email: propertyeditor@bizedge.com
Tel: 03-7721 8211 Fax: 03-7721 8280

ADVERTISING & MARKETING

Head of Marketing and Sales

Sharon Chew (012) 316 5628

Senior Account Managers

Cecilia Too (012) 319 7666

Jayne Law (016) 929 3309

Account Managers

Jayremy Sim (011) 1669 6039

Jocelyn Poo (012) 611 5626

Marketing Support & Ad Traffic

Madeline Tan (03) 7721 8218

email: mkt.tep@bizedge.com

NEGOTIATOR ADVISORY SERVICE

Senior Manager Elizabeth Lay

Senior Associate Stannly Tan

Associate Karen Wong

For enquiries and listings
email: propertysupport@bizedge.com
GL: (03) 7721 8175/ 8172

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EDITORIAL

Editor-in-Chief Azam Aris

CORPORATE

Chief Operating Officer Lim Shiew Yuin

ADVERTISING & MARKETING

Chief Commercial Officer

Sharon Teh (012) 313 9056

General Manager

Kingston Low (012) 278 5540

Senior Sales Managers

Fong Lai Kuan (012) 386 2831

Gregory Thu (012) 376 0614

Kamaleesan Parama (012) 394 4855

Michael Tan (012) 213 0252

Creative Marketing

Chris Wong (016) 687 6577

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WHY The goal of the Awards is to raise the bar on Malaysian property management while benchmarking against the best-in-class practices globally.

WHAT Opened to all strata and non-strata buildings managed either in-house or by any property manager. The Awards comprises three categories — Residential, Commercial and Mixed development.

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Mayland to launch RM2.3 billion worth of properties next year

BY NATALIE KHOO

PETALING JAYA: Malaysia Land Properties Sdn Bhd (Mayland) is planning to launch properties worth RM2.3 billion in gross development value (GDV) next year.

Its managing director, Datuk Kevin Woo, told TheEdgeProperty.com that there will be four main projects to be launched. In Kuala Lumpur, it will be launching One Stonor located at Persiaran Stonor near KLCC and phase 4 of Royal Garden at Sri Putramas, Jalan Kuching. In Selangor, it will launch Sierra Green at Sungai Buloh and the remaining units at Hampton Damansara located in Country Heights Damansara. Hampton Damansara was launched on Nov 11 and has received 148 bookings to date.

One Stonor has a GDV of RM580 million while Sierra Green has a GDV of RM480 million. Meanwhile, Royal Garden's phase 4 and Hampton Damansara have a GDV of RM570 million and RM700 million, respectively.

"The response was very encouraging and better than what I expected. We are now moving towards the second phase of sales where pricing starts from RM850 psf. Our next task is the actual realisation of sales," said Woo.

On the upcoming One Stonor development, Woo said it is a luxury condominium of 285 units with built-up sizes from 677 sq

ft to 1,200 sq ft. As much as 65% of the units will be 925 sq ft and below.

"Our pricing will start from RM1,750 psf onwards. We are currently marketing the project overseas to clients in Shanghai and Beijing and hope to market it here by 2Q2017. As most of our units are below 925 sq ft, I feel that this makes it a more palatable investment to the Chinese market," said Woo explaining that he is looking at a 30:70 foreigner and local buyer ratio.

"In KL, condos of a similar size are already being sold at the

RM900,000 mark. For an additional RM400,000, you get to be a part of the Stonor address. We are targeting buyers who are young professionals, singles, double income earners and newlyweds," he added.

Meanwhile, Mayland plans to launch another condominium called Sierra Green in Sungai Buloh comprising 405 units with 85% of the units having built-ups ranging from 1,400 sq ft to 1,500 sq ft, and the balance corner units at 1,800 sq ft.

The project is located a stone's throw away from the IGB International School and a row of boutique shops 20ft away.

"Prices start from RM800 psf. I would say this development will suit those with families due to the larger built-ups. I am also working to have a seven-tier security system for this project," said Woo.

As for the launch of phase 4 of its Royal Garden project comprising 600 units of condos with built-ups from 1,000 sq ft to 1,400 sq ft, prices will start from RM700 psf.

"The subsales for the first three phases of Royal Garden are currently being transacted around the RM800,000 mark. At an entry level of RM700,000 for the new phase, I feel it is still palatable for homebuyers," said Woo.

As to whether Mayland has plans to move towards developing landed properties, Woo said he has mooted the idea.

"Next to our Hampton Daman-

HARIS HASSAN | TheEdgeProperty.com



Woo: It takes one ounce of effort to sell a project but 10 ounces of effort to pacify a buyer who is not happy.



Artist's impression of One Stonor@KLCC.

sara project in Country Heights, we have a balance of 6.8 acres left which we are thinking of building strata-titled terraced houses, or townhouses. There will be a total of 167 units. It will probably be a 6-storey townhouse with a service lift to be tentatively priced at around RM6 million per unit with an estimated built-up of 5,500 sq ft. We have already reached the stage of development order but we are still listening to our purchasers and to market sentiments," said Woo.

"We would like to have more landed property developments located in growth corridors as land

prices are cheaper there compared to KL," said Woo.

He noted that in all of Mayland's upcoming projects, he, as an architect, is very mindful of the quality that will be delivered.

"It takes one ounce of effort to sell a project but 10 ounces of effort to pacify a buyer who is not happy. Why not then we address all these issues upfront instead of fixing the defects later? This is why nowadays we are selecting contractors who have a higher degree of certainty in delivering high quality products as opposed to the lowest tenderer getting the projects," said Woo.

Second phase of Tiara Hills to be previewed in February 2017

BY LUM KA KAY

KUALA LUMPUR: Modern Age Development Sdn Bhd is looking to hold a special preview for the second phase of its Tiara Hills development in Cheras, Kuala Lumpur.

The second phase comprises 52 units of 3-storey superlink houses of 22ft x 85ft onwards with five bedrooms and five bathrooms. Prices start from RM2 million.

"We have received up to 200 registrations of interest so far and we will also be giving out early bird discounts of 5% for homebuyers during the special preview which will be held on Feb 25 and 26," said senior manager of marketing and sales Kathleen Lim Phaik Kim.

Lim added that Phase 2 will most likely be launched in May after the special preview.

Situated on a 11.9-acre freehold site in Taman Taynton View, Cheras, Tiara Hills is Modern Age Develop-

ment's maiden property project. The gated-and-guarded residential development comprises three phases and has a total gross development value of about RM300 million.

The developer hopes to launch phase 3 comprising 63 units of 3- and 2.5-storey superlink houses in 4Q2017.

According to Lim, phase 1 is made

KENNY YAP | TheEdgeProperty.com



up of 16 units of super semi-detached houses and has been 65% sold since its launch in February this year. It is slated for completion in February 2018.

With a land size of 40ft x 100ft, each super semi-detached unit has a built-up of about 6,000 sq ft, enabling homeowners to park up to four cars on their front porch. Prices start from RM3.5 million.

"Most of our buyers who bought our super semi-dees are upgraders from nearby areas such as Taman Midah and Taman Pertama. A gated-and-guarded community is often in demand as people are concerned about security.

"Location-wise, we're situated on elevated ground, which is rare in

Cheras. This is among the last few undeveloped land within Cheras, KL," Lim said, adding that Tiara Hills also features a 1-acre park with jogging tracks.

Despite the property market slowdown, the developer remains confident that Tiara Hills would do well.

"We know that there are a lot of upgraders in this area and due to our location and freehold status, we don't foresee our houses not being able to sell," she declared. Lim also sees the value of Tiara Hills growing with the completion of the MRT (mass rapid transit) line and malls such as EkoCheras Mall and Sunway Velocity Mall in Cheras.

Tiara Hills can be accessed via the Middle Ring Road 2 and the East-West Link. The project is also surrounded by amenities such as UCSI University, SJK (C) Jalan Imbi, Cheras Leisure Mall, Hospital Pantai and SMK Seri Mutiara.

Lim: A gated-and-guarded community is often in demand as people are concerned about security.



Offices in world's most connected cities come with a high price

SOURCE: JLL

BY LUM KA KAY

PETALING JAYA: The world's most important, influential and interconnected cities with the deepest pools of firms and talent continue to command the highest office occupation costs, with Hong Kong topping the chart of global real estate firm JLL's Premium Office Rent Tracker. Hong Kong is followed by London (West End), New York (Midtown), Beijing, Tokyo and Shanghai.

"The world's most important and interconnected cities dominate the top spots in the rankings, JLL head of research for Asia Pacific Megan Walters said. "There is a clear demand for them as seen in how vacancy rates are less than 2% in three out of these six gateway cities, specifically Hong Kong, Beijing and Tokyo," she said in a statement in conjunction with the release of the report.

Hong Kong remains the most expensive office location, carrying a price tag of US\$302 (RM1,344) psf, a new high for the city compared with US\$262 in 2015.

According to JLL, Hong Kong's top position is a testament to its attraction as a "globally fluent" business hub with a range of internationally recognised strengths.

"Its central district has seen robust growth in premium rents over the past 12 months on the back of demand from mainland Chinese firms and very limited supply.

"However, affordability and lack of available space are concerns that are likely to accelerate decentralisation to nearby growing core districts that offer more than 50% discounts to premium rents in Hong Kong Central, a trend supported by infrastructure works," said JLL in the report.

Meanwhile, London, in second place, has been impacted by the Brexit vote as corporate occupiers adopt a more cautious approach until there is greater political and economic clarity. JLL also cited that the combination of sterling depreciation and a modest reduction in net effective rents have caused costs in US dollars to lower by 15% to 20%.

"Any further downward pressure on London rents could see it fall to the third place in 2017, [possibly] overtaken by New York (3rd place) where premium rents have grown by 10% this year and a further uplift is in prospect in 2017," it said.

Moving on to China, its major cities —

The most expensive office locations (US\$/psf/year)

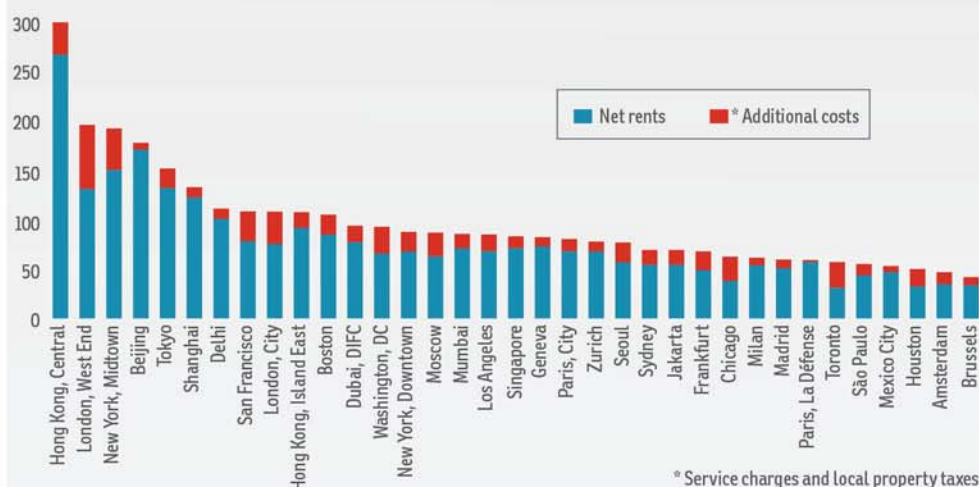


Beijing (4th place) and Shanghai (6th place) — have slipped marginally in the highest-of-office-rent list.

"While premium rents have been maintained in Beijing and Shanghai, both cities have dropped one place in the global ranking due to the relative outperformance of New York and Tokyo (5th place), respectively," said the report.

Tokyo's move up the list is supported by high leasing activity and bolstered by large

Premium office rent tracker (US\$/psf/year)



Premium office occupancy costs in key gateway cities (US\$/psf/year)



ticket pre-commitments. A further boost from a strengthening yen has seen the city move into fifth position, overtaking Shanghai.

"The market [Tokyo] has potential to move ahead of Beijing in cost terms during 2017," said JLL.

Notable by their absence from the top 10 are two established world cities — Singapore (18th place) and Paris (20th place). According to JLL, Singapore has seen a rental correction as new supply has come on stream.

According to Walters, this has put Singapore at a competitive advantage over other more costly Asian gateways.

Meanwhile, Paris has witnessed an increase in demand for iconic buildings which, combined with a lack of immediately avail-

able supply, should push up premium rents in the coming months.

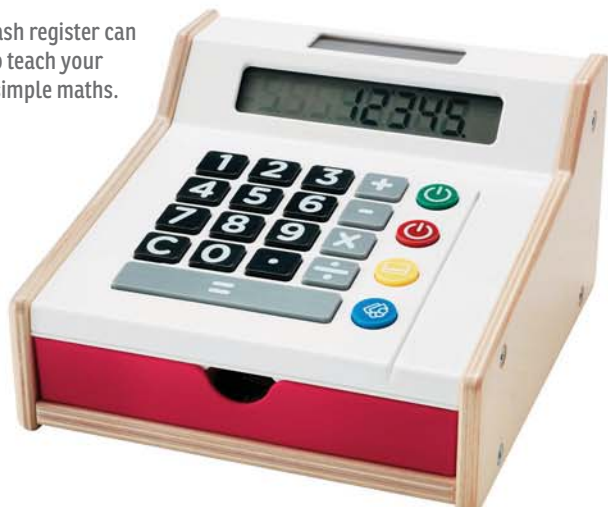
On trends to watch in the near future, JLL noted that affordability is still a concern in many cities and in order to remain competitive, the top global cities will need to execute bold urban transformation projects to ensure a supply of appropriately priced and flexible commercial space.

"Traditionally, premium office space has been the domain of high-value, high-margin businesses in financial services, professional services and high-end luxury goods. More recently, a greater number of tenants from the technology sector are targeting premium buildings to attract top talent and enhance their brand equity," said JLL.



JUST IN

The toy cash register can be used to teach your children simple maths.



Support children's development with IKEA's 'Let's Play for Change' campaign

During this festive season, with every purchase of any toy, book, game, art and craft as well as play furniture under the IKEA Play range, the IKEA Foundation will donate €1 (about RM4.60) to children's charity organisations, from now until Dec 24, 2017.

These organisations include War Child, Save the Children, UNICEF, Room to Read, Handicap International and Special Olympics.

The Let's Play for Change campaign will specifically focus on children's rights to play and develop, highlighting the benefits of play for all children.

The IKEA Play range has been introduced to motivate children to develop their social skills and logical thinking through role play, imagination, creativity and movement.

The range includes baby and children's items such as toys, books, games, arts and crafts and play furniture. The range will also include soft toys created from the winning designs of 10 children from countries around the world who were selected at the beginning of this year.





PICTURES BY MOHD IZWAN MOHD NAZAM | TheEdgeProperty.com



LaBrooy: Given that SoHos, SoVos and SoFos are high-density projects, the property management would face a lot of challenges.



Ng: The small-sized properties are good for offices but not for residential use especially for families.

KENNY YAP | TheEdgeProperty.com



Tan: Serviced apartments are subject to commercial rates unless it can be justified to the authorities of a unit's residential usage.

The Selangor state government, in its effort to meet the current demand for affordable housing, has recently issued a mandate to property developers in Selangor to allocate up to 30% of their serviced apartment, Small-office Home-office (SoHo), Small-office Versatile-office (SoVo) and Small-office Flexible-office (SoFo) developments to affordable units, depending on property type and location. These are basically non-landed commercial-titled properties that are used as residences or offices or both.

The Selangor Housing and Property Board's guideline which was implemented in September this year aims to help the low-income group and first-time homebuyers with household incomes up to RM15,000 per month get a foothold on the property ladder. According to the guideline, the prices of the affordable units are capped at RM270,000 per serviced apartment unit while each SoHo, SoVo and SoFo unit will be fixed at RM230,000.

Its executive director Norzaton Aini Mohd Kassim had said that the developers which build such property types are required to allocate 10% for affordable units for projects that have 500 units and below; 15% for 501 to 1,000 units; and 20% for more than 1,000 units. However, allocations for serviced apartments and SoHos located in transit-oriented development areas will be even higher at 20% to 30%.

While this may sound attractive to buyers with limited budgets, industry experts caution that these properties may not fit everyone's taste as these types of properties have certain characteristics that may

or may not benefit their owners.

Kim Realty Sdn Bhd CEO Vincent Ng tells TheEdgeProperty.com that the small-sized properties are good for offices but not for residential use especially for families.

"Perhaps these units will fit the needs of bachelors or couples who don't have kids," he says.

Meanwhile, The National House Buyers' Association (HBA) secretary general Chang Kim Loong points out that the name SoVo and SoFo were coined by housing developers as gimmicks to market their products.

"Serviced apartments, SoHos and SoVos are commercial properties although they are largely marketed as residential properties," says real estate investment firm AREA Management Sdn Bhd executive chairman Datuk George Stewart LaBrooy.

He warns buyers to be aware of the differences between residential properties and commercial properties before making a purchase.

Here are seven things you should consider before buying a commercial property for residential use.

1. Loan terms

Serviced apartments and SoHo, SoVo and SoFo units are built on commercial land. Thus, they are subject to commercial loan terms, which are normally less favourable to a normal homebuyer as the loan amount is lower compared with housing loans, says LaBrooy.

For instance, it is common to get a 90% loans-to-value (LTV) for residential homes. However, the LTV for commercial property loans usually range from 80% to 85% as banks are more cautious when financing commercial properties.

2. Legal protection and SPA

While serviced apartments and SoHos have standard Sale and Purchase Agreements (SPAs), SoVo and SoFo units do not have standard SPAs as they are not regulated under the Housing Development (Control and Licensing) Act 1966 (HDA), says Chur Associates founder and managing partner Chris Tan.

"SoVos and SoFos are essentially offices and not meant for dwelling purposes, so these properties are not covered in the Act," he explains.

"Notwithstanding that, commercial land use under the National Land Code does permit residential usage. Hence, if these properties are for permanent residential usage, it will be subject to the local authority's regulations," he adds. In contrast, serviced apartments and SoHos fall under the jurisdiction of the HDA as these properties are partially or wholly-used for dwelling purposes, says Tan. As such, buyers will sign standard SPAs regulated under the HDA and be entitled to its due protection.

HBA's Chang points out that buyers of SoVos and SoFos will have to sign non-standard SPAs with developers which are drafted by the developers and their lawyers. Notably, these non-standard SPAs are not regulated under the HDA.

Hence, if a buyer of such properties faces certain issues, they are not entitled to seek legal redress through the National Housing Tribunal, which is an alternative platform created by Parliament for the protection of house buyers. "As such, the owners will have to go to the courts and argue within the four corners of the signed SPA," Chang offers.

3. Assessment tax and utility charges

SoHo, SoVo and SoFo units are subject to

commercial assessments, quit rents, and telephone and utility charges which are higher than residential-titled properties. Hence, they are likely to be more expensive, LaBrooy points out.

Serviced apartments are also subject to commercial rates unless it can be justified to the authorities of a unit's residential usage, says Chur Associates' Tan.

According to Tenaga Nasional Bhd's website, the minimum monthly electricity charge for low voltage commercial premises is RM7.20, compared to RM3 for a private dwelling which does not carry out any form of commercial activities.

The official website of Syarikat Bekalan Air Selangor Sdn Bhd shows that the minimum water tariff for commercial usage is RM36 per month compared with the RM6 for domestic usage.



SOURCE + GRAPHIC: TheEdgeProperty.com

However, Urban Wellbeing, Housing and Local Government Minister Tan Sri Noh Omar was reported as saying that the government is studying the need to standardise electricity and water tariffs for residential units in all housing projects with the SoHo concept in the country.

The study, which is being conducted by the ministry and the National Housing Department, has raised hopes of lower utility charges for SoHo owners.

Meanwhile, the assessment rates for commercial properties is also higher than for residential properties. For example, the Shah Alam City Council imposes a 4% and 3.5% assessment rate on landed and stratified residential properties, respectively, but charges 5% on serviced apartments. Local authorities in different areas have different rates on property assessment.

4. Goods and Services Tax

According to the Royal Malaysian Customs' (RMC) guidelines on land and property development, a SoHo is treated as commercial property as it is developed on commercial land and as such is subjected to the Goods and Services Tax (GST).

SoHos can only be treated as residential property and exempted from GST if the following conditions are fulfilled:

- Development Order is issued for mixed development purposes, i.e. for "commercial" and "residential", by the relevant local authority.
- Approved layout plan and approved layout building is for dwelling purposes.
- The Housing Development Licence and the Sale and Advertisement Permit are issued under the Housing Development Act (Control and Licensing) 1966 by the Ministry of Urban, Wellbeing, Housing and Local Government; or under the Housing Development (Control and Licensing) Ordinance 2013 by the Ministry of Housing Sarawak; or under the Housing Development (Control and Licensing) Enactment 1978 by the Ministry of Local Government and Housing Sabah.
- The property developer and the buyer enter into a Sale and Purchase Agreement for a property governed under the Housing Development Act.

Meanwhile, serviced apartments sold both in the primary and secondary markets for residential purpose are exempted from GST, according to the RMC.

In addition, for instance, if serviced apartments used for commercial usage in residential premises are rented out with central management, multiple occupancy, and short-term stay offering with services such as housekeeping, laundry, telephone and utilities, they are subject to GST. However,

the provision of long-term accommodation under a lease or rental agreement will be exempted, the guidelines on GST of the RMC reads.

On the other hand, SoVo and SoFo units are subject to GST as these are commercial properties which are listed as standard rated supply and these properties cannot be exempted from GST, says Chur Associates' Tan.

The maintenance fee on serviced apartments, SoHos, SoVos and SoFos are also subject to GST and there is no discount or exemption, he adds.

However, for a SoHo that fulfils the conditions by the RMC and is treated as residential property, the maintenance fee on the unit will no longer be subject to GST.

5. Density

LaBrooy says one of the reasons developers build SoHo, SoVo and SoFo projects is they can build more units on commercial land and not have to adhere to the strict condominium regulations on density.

In Selangor, for instance, residential property developments are built based on units per land size. "For condominium develop-

Seven things you need to consider about serviced apartments, SoHos, SoVos or SoFos

- 1 Loan terms
- 2 Legal protection and SPA
- 3 Assessment tax and utility charges
- 4 Goods and Services Tax

- 5 Density
- 6 Property management
- 7 Investment risk

ments, density is in the range of 60 to 80 units per acre," Ng cites as an example.

In contrast, commercial developments are based on plot ratio (the ratio of a building's total floor area to the size of the land upon which it is built) which is usually 1:4

in Selangor. "The plot ratio can be higher for developments close to public transportation such as mass rapid transit stations," says Ng.

Let's say a developer gets permission to build a SoVo based on a plot ratio of 1:4. For a one-acre site (about 44,000 sq ft), the developer is allowed to build up to 176,000 sq ft (floor area). If the developer builds SoVo units of 500 sq ft each, the number of units to be built would be 352, a figure which is much higher than the 60 to 80 units allowed per acre for residential development.

6. Property management

There is a need to form a management corporation to oversee the management of a strata property once the developer hands over the strata titles and it is common knowledge that property management plays a crucial part in sustaining the value of a property.

Given that SoHos, SoVos and SoFos are high-density projects, the property management would face a lot of challenges as there could be anywhere between 200 and 400 owners in a single SoHo, SoVo or SoFo building, LaBrooy says.

The demographics of a mixed-used project where SoHo, SoVo and SoFo properties are usually part of may be diverse and complicated if they are occupied by all types of residents from singles, couples, students, office owners to even foreign workers, LaBrooy notes.

And because of the diverse tenant mix, getting all of them on the same page when it comes down to the nuts and bolts of running a high-rise development may prove to be a challenge, he adds.

"Such a diverse mix could be the Achilles Heel of a development," he says. "Five to 10 years down the road, the long-term sustainability of these properties will need to be examined as maintenance issues may arise as tenants come and go."

7. Investment risk

When it comes to investing in SoHos, SoVos and SoFos, LaBrooy says one needs to be cautious and choose properties in locations with good connectivity and amenities.

"These are the products that were not created out of demand but rather out of a population that could not afford to buy the homes being built," he says, adding that one of the reasons developers build these small SoHo, SoVo and SoFo units is probably to create a perception that they are within the affordable range to attract buyers with limited budget.

Moreover, the low interest rate environment and the high LTV ratio allowed by the banks earlier have spurred the growth of speculators. This has shut out many genuine buyers and raised prices to ensure a guaranteed exit with profit for these investors, he says.

Electricity tariff rate for commercial property is more expensive than residential property

Residential property (condominium, apartment, terraced house, etc)		
USAGE	UNIT (SEN/KWH)	MINIMUM MONTHLY CHARGE (RM)
For the first 200 kWh (1 – 200 kWh) per month	21.80	3.00
For the next 100 kWh (201 – 300 kWh) per month	33.40	
For the next 300 kWh (301 – 600 kWh) per month	51.60	
For the next 300 kWh (601 – 900 kWh) per month	54.60	
For the next kWh (901 kWh onwards) per month	57.10	
Low voltage commercial property (serviced apartment, SoHo, SoVo, SoFo, etc)		
USAGE	UNIT (SEN/KWH)	MINIMUM MONTHLY CHARGE (RM)
For the first 200 kWh (1 – 200 kWh) per month	43.50	7.20
For the next kWh (201 kWh onwards) per month	50.90	

SOURCE: KIM REALTY + TheEdgeProperty.com

Difference between serviced apartment, SoHo, SoFo and SoVo

PROPERTY TYPE	PROPERTY TITLE	UTILITY BILLS	SALE AND PURCHASE AGREEMENT	LEGAL PROTECTION
Serviced apartment	High-rise residences	Commercial rate	Standard under the HDA*	Under HDA
SoHo (Small-office Home-office)	Small unit with both residential and work spaces incorporated into the layout	Commercial rate	Standard under the HDA**	Under HDA
SoFo (Small-office Flexible-office)	Small office unit with flexible layout for residential or work usage	Commercial rate	Non-standard (developer's own SPA)	According to SPA
SoVo (Small-office Versatile-office)	Same as a SoFo	Commercial rate	Non-standard (developer's own SPA)	According to SPA

*HDA – Housing Development Act

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 Don't say, just show.
 Don't promise, just prove.
 - unknown

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