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# Agricultural land, anyone?

It could prove to be an attractive investment in the long term. See **Pages 4 and 5**.



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The Edge Malaysia

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# Technology helps to raise building management standards

MOHD IZWAN MOHD NAZAM | TheEdgeProperty.com

BY NATALIE KHOO

**T**echnology can help elevate the standard of living of a building's occupants both within their units and outside.

"Before we talk about nation building, we must first focus on society building. For example, in a building there will be common areas for residents to utilise. Residents can come together to make use of the area. In these common areas, there needs to be proper security, air ventilation systems and energy efficient systems to ensure that the residents can enjoy all these facilities in a comfortable and safe environment," Panasonic Malaysia managing director Cheng Chee Chung tells TheEdgeProperty.com.

Innovative technologies in the form of appliances and solutions can cater to the needs of individual homebuyers, joint management bodies and even property developers, he adds.

He also notes that Panasonic's global promise of "A Better Life, A Better World" is in line with TheEdgeProperty.com Malaysia's Best Managed Property Awards 2017 to elevate the living quality of a building's residents.

Panasonic Malaysia is a partner of the inaugural Awards together with Nippon Paint Malaysia.

"Panasonic is so well known in the market for appliances but little do people know we have solutions such as for security, communication, energy and LED lighting, and indoor air quality," he says.

In fact, it will be opening a new solutions centre to educate the various stakeholders on how they can improve their living standards, adds Cheng.

Cheng: A property that is well managed must be sustainable as it promotes not only the well-being of a family but the community as a whole.



The solutions centre is set to open in February 2017 at Bangsar South and the public can visit by appointment.

"Consumers will be able to see and feel all the products and solutions we can offer to them whether it is for residential or commercial use. We will have a showroom manager to explain what best suits their needs and wants. You can have a choice to cherry pick according to your affordability and put all of the solutions and appliances together," he says.

"On top of that, we also want to reduce wastage and energy. In Malaysia, most of the time when a new homeowner gets the key to the property, he or she will knock down half the house and renovate it. That takes up a lot of time, money and energy. Why not we pre-plan ahead on what suits the homebuyer before the construction of the home to avoid the unnecessary wastage?"

Panasonic is also working with its sister company, PanaHome Malaysia Sdn Bhd, who is collaborating with property developers such as MKH Bhd and Tropicana Corp Bhd to build innovative eco homes which will provide Japanese-quality technologies in areas from construction development to fitting homes with smart systems and applications.

According to Cheng, a property must be well maintained on the outside as well as on the inside, from the façade to its individual units.

"I would say that there needs to be synergy between the joint management committee as well as the property as a whole to provide a healthy and comfortable living environment for the homeowners.

"A home is a place where most of us spend our time after work. A property that is well managed must be sustainable as it promotes not only the well-being of a family but the community as a whole," Cheng adds, stressing that it is the desire of all homeowners to have a well-managed property.

Such a property will result in homebuyers having peace of mind with regards to their home security whether they are at home or outside. "They also want to have a conducive environment for interaction and positive communication," he says. Furthermore, a well-managed property will most likely rise in value, which will result in capital appreciation, he says.

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MALAYSIA'S  
BEST MANAGED  
PROPERTY  
AWARDS 2017

Cheng believes TheEdgeProperty.com Malaysia's Best Managed Property Awards 2017 will set a benchmark for well-managed buildings as it is judged by professionals.

Other building managements can also learn from the winners and try to improve on what is lacking in their buildings, he adds.

The Awards is now open for submissions until Jan 16, 2017. There are three categories — residential, commercial and mixed developments. Entries are open to all stratified and non-stratified buildings, managed in-house or by property managers. Each entry will receive a RM500 paint voucher from Nippon Paint Malaysia while winners will get a RM10,000 paint voucher.

The Awards is supported by the Malaysian Institute of Professional Property Managers, Building Managers Association of Malaysia, Malaysian REIT Managers Association and The Edge Malaysia. The winners will be announced in April 2017.

Visit [www.theedgeproperty.com](http://www.theedgeproperty.com) or call (03) 7721 8289 for more information on the Awards.

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PATRICK GOH | TheEdgeProperty.com



## US-based investment firm looking at potential warehouses in Malaysia

Private investment company, Guidance Investments, is looking at potential warehouse opportunities in Malaysia to expand its property portfolio in the Southeast Asian (SEA) market, according to Guidance Investments' Asian Real Estate

managing director Pius Ho.

"We are looking for warehouse properties in Kuala Lumpur, Penang and Johor Bahru. However, we haven't found a suitable property at the moment," he told TheEdgeProperty.com.

Guidance Investments plans to raise another US\$100 million (RM449 million) to US\$150 million for more acquisitions to expand its portfolio in the SEA region in the next 12 to 18 months.

About 20% to 25% of the raised funds will be used to invest in the Malaysian property market by acquiring warehouses," he explained.

Guidance Investments is the investment management and capital markets arm of Guidance Financial Group, which is a subsidiary of Capital Guidance Corp — a privately-held investment firm based in Washington, the US.

According to Ho, Guidance In-

vestments' Asian Real Estate currently owns four warehouse properties in the SEA region, including two in Bangkok, Thailand; one in Marunda District, Indonesia; and one in Seberang Perai, Penang.

## Ceylonz Suites launch sees encouraging response

Some 43% of the 442 studio office units at Ceylonz Suites in Kuala Lum-



pur were taken up three weeks after its official launch, according to developer Exsim Development Sdn Bhd.

Head of marketing and corporate communications Michelle Siew told TheEdgeProperty.com that most of the buyers were young Malaysians despite its average price of RM1,500 psf, said Siew.

Nestled on half an acre of leasehold land in Persiaran Raja Chulan, the single-tower studio office development was officially launched on Oct 25 with selling prices from RM619,760.

Carrying a gross development value of RM352 million, the 39-level block offers two standard layouts of 384 sq ft and 411 sq ft as well as a dual-key unit design at 578 sq ft.

The project offers a full range of office facilities such as a conference room, meeting rooms, waiting lounge, open cafe and business lounge.



# TheEdgeProperty.com MALAYSIA'S BEST MANAGED PROPERTY AWARDS 2017

**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.

**HOW** **FREE SUBMISSION.** Online or download entry forms via [www.theedgeproperty.com](http://www.theedgeproperty.com)

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and is a limited resource, simple as that, and considering that fact alone, we can assume that land values will grow over time especially in land-scarce urban areas.

With that in mind, investing in land sounds like a good deal. Maxland Real Estate Agency senior negotiator Frankie Tham, who is a specialist in this real estate type, says investing in land especially agricultural land is similar to other property investments as it focuses on capital appreciation or rental returns.

However, investing in this segment is often overlooked due to the high entry level as land sales do not usually come in pocket sizes but in large tracts.

"It's a cash rich game. Investors need to have a strong cash position as you can't borrow much from banks. From my experience dealing with purchasers, most of them buy in cash," Tham tells TheEdgeProperty.com.

According to him, a majority of land purchasers are small and medium business owners who are looking for long-term investments or land for their future business expansion.

"The size of agricultural land they often look at is about one or two acres, some will look for bigger parcels like 10 acres, depending on their financial strength," says Tham, who has 10 years' experience in land transactions.

Henry Butcher Malaysia Sdn Bhd chief operating officer Tang Chee Meng says investing in land is a safer option than investing in shares and commodities as land prices are less volatile compared to these other investments.

"It has been proven that in the long run, land values will appreciate when more development takes place in the vicinity and the supply of land in the area depletes," he explains.

Landserve Sdn Bhd managing director Chen King Hoaw concurs that land investments could offer

security and steady long-term capital appreciation as land is a durable yet limited resource while the ownership is almost always permanent.

Based on his observations, the number of sales enquiries for agricultural land seem to have risen since early this year through the first three quarters of 2016 especially in the northern states of Kedah, Perak, Perlis and Kelantan.

According to the National Property Information Centre's (Naptic) transaction data for 9M2016, there were 52,357 agricultural land transactions worth RM8.6 billion during the period.

Kedah recorded the highest number of agricultural land transactions with 8,608 plots sold followed by Perak and Sarawak, which saw 8,478 and 7,448 land deals transacted, respectively.

In terms of transacted value, Johor had the highest at RM2.5 billion from 6,166 cases. The second and third highest value of transactions were recorded in Sarawak and Selangor with land worth RM1.2 billion (7,448 cases) and RM1.08 billion (3,075 cases), respectively.

Overall, a total of 199,984 properties worth more than RM90.38 billion were transacted for the first nine months of this year.

### Selangor's agricultural land most appealing

Not surprisingly, of all the states, Tham says Selangor remains one of the most appealing to investors due to its relatively higher capital appreciation rate as mega infrastructure projects such as the mass rapid transit system as well as new township developments are rapidly taking place.

"Besides, agricultural land in Selangor is shrinking and most big plots are owned by big corporations or the government," he explains.

Although the number and total value of agricultural land transactions in Selangor for the first 9M2016 were lower compared with the same period in 2015 which saw 3,075 transactions worth RM1.08

HARIS HASSAN | TheEdgeProperty.com



Tang: Land investment is a safer option compared with other investment tools.

MOHD SHAHRIN YAHYA | TheEdgeProperty.com



Chen: Converting the land to other usage could help in enhancing the land value.

PATRICK GOH | TheEdgeProperty.com



Tham: Investors need to have a strong cash position.

billion, Tham stresses that demand continues to be strong while supply is depleting.

Looking back at the transactions in recent years, Landserve's Chen notes that in terms of popularity, vacant agricultural land is more sought after than those with existing plantation activities. They are followed by oil palm plantations, paddy fields and rubber estates.

In Selangor, the experts have identified several areas for agricultural land investment which they feel have good potential in the long term.

These seven locations are Hulu Langat, Kuala Selangor, Kuala Langat, Semenyih, the Rawang-Kundang area, the Dengkil-Sepang-Salak Tinggi area and the Puncak Alam-Ijok area.

These areas share some similarities. They offer direct access to main roads and highways, are close to developing townships or higher education institutions or logistic hubs or industrial areas, and have easy access to rail transport or airports.

Agricultural land prices in these locations are also comparatively lower than land in prime areas, thus providing more room for capital appreciation.

### Location, pricing and accessibility

When choosing a potential plot of agricultural land for investment,

the main factors to consider are the location, pricing and accessibility.

Tham from Maxland says a savvy land investor will look for land near to established areas or close to future township developments.

"Pricing wise, the lower the better. Now, it is very tough to get [agricultural] land below RM10 psf in Selangor. The price is around RM15 psf to RM50 psf, anything above RM50 is considered pricey," he adds.

Accessibility and infrastructure development around the land or near it must also be looked into.

"Road accessibility is of the utmost importance when receiving an area. Land with good growth potential is land with road access to main roads or highways, or it must have at least some road reserve," Tham says.

Tang from Henry Butcher adds that for buyers who are looking for land for agricultural purposes, the basic amenities and infrastructure will be their main considerations.

"For buyers who are or will be involved in agricultural activities, they need to look for infrastructure needed for their cultivation activities, such as proximity to rivers, streams for water supply, as well as accessibility to rail or air transport," he says.

However, for those looking for development land such as property developers, accessibility to

highways and existing amenities or infrastructure as well as proximity to mature populated townships will be their main considerations.

### Land usage conversion to enhance value

To enhance the land value, some agricultural land owners may consider converting the land title to other usage, such as commercial, residential or industrial. But to do so, they need to pay a conversion premium to the local authorities such as the land office. Each state has its own formula to calculate the premium payable for alteration or change of land use.

Tang says the land conversion premium is usually calculated based on the enhanced value of the land after conversion.

The premium rate ranges from 15% to 30% depending on whether the converted land use is for residential, industrial or commercial purposes, he adds.

In Selangor, the Selangor Land Rules 2003 states that to change the category of land use from agriculture to residential use, the additional premium payable to the state authority is 15% of the land value. To convert the land to commercial use, the additional premium payable is 20% of the land value. As for industrial developments, the rates are 20%, 25% and 30% for light, medium and heavy industries, respectively.

# Points to ponder when purchasing agricultural land

BY TAN AI LENG





SOURCE: NAPIC AND MAXLAND REAL ESTATE /TheEdgeProperty.com

## Top seven locations for agricultural land investment in Selangor

### Hulu Langat 12-50 (RM psf)

- Spillover from development activities in Kajang
- New townships such as Setia EcoHill 2, Kajang East and Saujana Impian are being developed
- Semantan-Kajang MRT construction is on-going and is scheduled to start operations in 2017

### Kuala Selangor 25- 50 (RM psf)

- The opening of LATAR highway has improved accessibility
- Tourism industry as a catalyst

### Puncak Alam - Ijok 15-30 (RM psf)

- Good connectivity through Guthrie Corridor Expressway, KL-Kuala Selangor Expressway, North-South Expressway and two upcoming highways, which are the proposed Damansara-Shah Alam Expressway (DASH) and the West Coast Expressway, which will be completed by 2019
- Future developments by Eco World Development Group Bhd and LBS Bina Group Bhd

### Kuala Langat 15-50 (RM psf)

- New township developments in Teluk Panglima Garang such as Eco Sanctuary, Bandar Rimbau and Tropicana Aman
- Good connectivity via KESAS, ELITE & SKVE Highway and WCE
- Near industrial and logistic hubs as well as North and West Ports

### Dengkil - Sepang - Salak Tinggi 10-40 (RM psf)

- Close to Putrajaya and Cyberjaya
- Good connectivity via Dengkil Bypass, LDP Putrajaya Highway, Elite-KLIA Highway
- Close to KLIA, KLIA 2, Sepang International Circuit, Mitsui Premium Outlet
- Ongoing developments include Sunsuria City
- Xia Men University Malaysia Campus is here
- Public transportation with Express rail link Station at Salak Tinggi

### Rawang - Kundang 14-25 (RM psf)

- Public transport connectivity via Kuang and Rawang KTM stations
- Easy access through LATAR and PLUS highways
- A maturing area with various amenities

### Semenyih 15-40 (RM psf)

- Good connectivity via PLUS, SILK-LEKAS Highway and direct access via new interchanges
- Near Beranang industrial areas
- Major township developments such as Setia EcoHill, Eco Majestic and Diamond City
- Nottingham University Malaysia Campus is here

SOURCE: NAPIC AND MAXLAND REAL ESTATE /TheEdgeProperty.com | GRAPHICS: NURUL AIDA MOHD NOOR

## Agricultural land transaction volume and value in first 9M2016

| 9M2016          | TRANSACTION VOLUME | TRANSACTION VALUE (RM) |
|-----------------|--------------------|------------------------|
| Johor           | 6,166              | 2,502,355,478          |
| Sarawak         | 7,448              | 1,229,810,000          |
| Selangor        | 3,075              | 1,081,134,370          |
| Pahang          | 3,263              | 598,029,897            |
| Sabah           | 1,068              | 565,283,293            |
| Kedah           | 8,608              | 560,526,729            |
| Negeri Sembilan | 2,676              | 414,176,715            |
| Melaka          | 2,069              | 403,767,425            |
| Pulau Pinang    | 1,199              | 385,456,208            |
| Perak           | 8,478              | 340,096,392            |
| Kelantan        | 4,311              | 213,134,566            |
| Terengganu      | 2,310              | 161,734,324            |
| Perlis          | 1,655              | 138,829,591            |
| Labuan          | 31                 | 5,671,822              |
| Kuala Lumpur    | -                  | -                      |
| Putrajaya       | -                  | -                      |
| <b>TOTAL</b>    | <b>52,357</b>      | <b>8,600,006,810</b>   |

## Agricultural land transactions over the past 15 years

| YEAR | TRANSACTION VOLUME | TRANSACTION VALUE (RM MIL) |
|------|--------------------|----------------------------|
| 2001 | 36,659             | 2,308.48                   |
| 2002 | 37,071             | 3,229.37                   |
| 2003 | 43,506             | 3,698.21                   |
| 2004 | 53,906             | 5,474.67                   |
| 2005 | 51,868             | 4,951.97                   |
| 2006 | 56,624             | 6,213.67                   |
| 2007 | 60,155             | 6,910.19                   |
| 2008 | 68,954             | 8,512.11                   |
| 2009 | 69,346             | 8,340.44                   |
| 2010 | 81,054             | 11,377.83                  |
| 2011 | 84,726             | 18,822.92                  |
| 2012 | 80,679             | 14,278.87                  |
| 2013 | 70,698             | 13,283.43                  |
| 2014 | 72,104             | 12,723.37                  |
| 2015 | 66,705             | 13,087.45                  |

SOURCE: TheEdgeProperty.com | GRAPHICS: HENRY LEE

### Steps to become a land investor

As a land investor himself, Tham says land investment, unlike other investment instruments, requires a strong cash position. However, if one does not have enough capital, they can start their land investment process by doing their research and gathering information while they wait for the right time and opportunity.

The homework includes familiarising themselves with potential investment areas, and checking the accessibility and existing or upcoming infrastructure developments in these preferred locations.

"For beginners, they can start checking the agricultural land sales listings to get a better idea of the market value," he adds.

Once they have accumulated enough money and are equipped with sufficient information, they can then immediately make the right purchase decision which suits their budget and risk appetite.

### A slow gaining game

Tham also notes that it's impossible for agricultural land to secure a loan margin as high as a residential or commercial property due to its low valuation.

"Although agricultural land could generate good capital ap-

preciation for the long term but during the years of holding, there's not much yield created especially when the owners choose not to lease the land," he explains.

Most buyers of agricultural land can only receive 50% financing from the bank while agricultural land with existing cultivation activities might be able to get a 60% or 70% loan from the bank.

"Due to these reasons, investing in land could hardly be a speculative play as it needs investors to spend time doing research and on top of this, they must have a strong cash position to buy and hold," says Tham.

However, agricultural land still draws the attention of cash rich investors due to its attractive return albeit in the distant future.

"Agricultural land price has tripled or quadrupled over the past 10 years in certain prime areas in Selangor. Prices of land in selected areas in Selangor have also doubled," he adds.

For instance, he said, a 1-acre leasehold plot in Johan Setia that was transacted at RM130,680 (averages RM3 psf) in 2010, has seen the transaction price increase six-fold to RM19 psf when a 2-acre agricultural land was sold at RM1.65 million (averages RM19 psf) in November 2015.



According to Tham, the current asking price of agricultural land in Johan Setia — which is located in between Klang and Petaling and is also the tentative last station of the proposed LRT3 from Bandar Utama to Klang — is ranging between RM15 and RM30 psf, while the asking price for land which has access to the main road is ranging between RM40 and RM50 psf.

Meanwhile, Landserve's Chen says it is always a good time to buy agricultural land, especially when one engages a long-term view as the price of agricultural land will surge once they are in demand for development.

"Moreover, agricultural land is exempted from the Goods and Service Tax (GST). Unlike commercial and industrial properties, you do not have to pay GST when buying agricultural land," he adds.

Considering the overall property market slowdown, it is now the time for interested buyers to look for good land, Henry Butcher's Tang says, as land owners are more realistic in their expectations and land owners are prepared to negotiate on pricing and terms of payment, which will be favourable to land investors.

## Steps to become an agricultural land investor





# Swiftlet houses being reconverted to shoplots

BY SHAWN NG

There was a time when old shophouses in some small towns in suburban areas were turned into swiftlet houses to reap the lucrative returns on edible bird's nest.

In 2010, for instance, when the price of raw, unprocessed bird's nest was at RM4,000 to RM6,000 per kg, there were about 60,000 units of swiftlet houses across the country, Selangor Bird's

Nest Merchants Association chairman Jackson Loo tells TheEdgeProperty.com.

"At that time, like a swarm of bees, people were rushing to build swiftlet houses in suburban areas, such as Tanjung Malim in Perak," he recalls.

"Some people bought cheap shoplots in areas with high vacancies and converted them into swiftlet houses, while some people bought land in suburban areas to build these houses," he says, adding that some property developers were even looking for

partners to venture into the business with by turning their properties into swiftlet houses.

Previously, the owner of a successful bird's nest house, capable of producing 3kg to 5kg of raw bird's nest per month, would only consider selling the property at high margins ranging from RM100,000 to RM200,000 due to the considerable returns, Loo notes.

"It is very difficult to find another successful bird's nest house and the cost of setting up a new one could easily go to RM500,000, so the owner

SAM FONG | TheEdgeProperty.com



Loo: Previously, the owner of a successful bird's nest house would only consider selling the property at high margins.

Pahang and Johor. For example, Kelantan's Kota Bharu used to be a swiftlet hotspot but production has declined 40% to 60% because the swiftlets are moving to suburban areas. Consequently, many have turned their bird's nest houses back into shophouses. The trend is happening throughout the country," he continues.

Tan concurs, due to the lower returns and the rise in demand for office and retail spaces in some areas, many bird's nest houses have been converted into shoplots to be rented out, some as budget hotels and offices.

Tan, who owns a shophouse with a few partners in Kota Tinggi, Johor, had recently converted the property from a bird's nest house into a shopoffice and is renting it out for about RM1,000 per month.

"The rentals [for shopoffices] in the town area has improved in recent years. The rents could go from a few hundred ringgit to RM2,000 per month depending on the location," he says.

"The rental rates in areas with large oil and gas projects are even higher. Some can go up to RM6,000 to RM7,000 per month, so this is the reason I have converted my property in Kota Tinggi," he adds, citing some former bird's nest houses in Pengerang which have been turned into hotels and staff accommodation.

The trend is also happening in other areas in Johor, such as Permas Jaya, Taman Sentosa, Taman Molek and Gelang Patah, offers Tan.

Another bird's nest house owner in Kota Tinggi who wants to be known only as Yau has also pulled out of the business.

Yau used to own four shophouses in town where he had combined the top floors of the four-storey units for bird's nest production. However, he has since stopped the business and transferred the properties to his brother to start a gym business.

"I was doing the bird's nest house business on the top floor for seven to eight years while the space on the other floors were let out," he says. "However, with the plunge in bird's nest price and the lackluster production, I decided to quit the business." He is also considering converting another bird's nest house he owns back into a normal shoplot.



Tan: The rentals [for shopoffices] in the town area has improved in recent years.

will not let go of the property unless the selling price is very high," he explains.

There were also owners of shoplots in small towns who had converted their properties into swiftlet houses, says Malaysia Bird's Nest Merchants Association deputy president and chairman of Johor Bird's Nest Merchants Association Allen Tan.

"Some of them could not find a tenant for the upper storeys of their shoplots, so they turned them into swiftlet houses," he adds.

That was the boom time for the edible bird's nest industry and swiftlet houses were sought after by those who wanted to enter the industry.

However, the good times did not last. Loo says the tide turned in 2011, when China, one the largest bird's nest importers in the world, banned the import of Malaysia's bird's nests due to the discovery of excessive nitrite. The number of swiftlet houses quickly declined as owners converted their houses back to shoplots.

Besides, rapid development in more urban areas are driving the swiftlets away, Loo adds. "Currently, most of the houses are situated in the suburban areas of Kelantan,

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### Why swiftlet houses are turned into shoplots

1 Rental rates for shoplots in some areas have risen.

2 Decline in the number of swiftlets due to urbanisation.

3 Bird's nest production from swiftlet houses has fallen between 40% to 60%.

4 Prices of bird's nest from Malaysia have plunged.



# 10 things to check before signing your housing loan documents



A signature serves as a universally recognised symbol of proof of agreement. It seals the deal in many agreements and contracts and makes them legally binding. Like in any contracts, one should scrutinise loan documents before signing them.

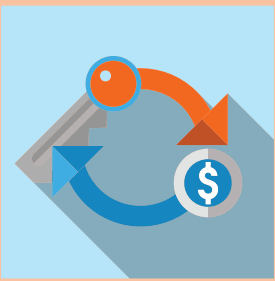
Housing loan documents prepared by financial institutions are usually standardised and vary with the letters of offer from the financial institution to the prospective borrower as they are tailored to the prospective borrower's circumstances and capabilities to finance the repayment of the loan. With the idiom "The devil is in the detail" in mind, one could avoid being taken unawares by certain terms and conditions that might have been missed. Thus, the following are 10 things to look out for when signing housing loan documents.

## 1. Types of loans

There are many types of loans offered by financial institutions. Each type of loan has its unique features. These include overdrafts, deferred payments, term loans, flexi loans, Islamic financing, interest-only loans, and others. The borrower must understand the features of each type of loan before choosing the one that suits him or her well.

## 2. Loan amount

Apart from financing the purchase price of a house, borrowers may request the financial institution to finance other costs that will be incurred in connection with the housing loan facility such as the Mortgage Reducing Term Assurance (MRTA) or the Mortgage Reducing Term Takaful (MRTT), valuation fees and legal costs. The MRTA and MRTT are a reducing term life insurance which protect the borrowers financially in the event of death or total permanent disability.



BY CHRIS TAN



Most of the financial institutions require the borrowers to subscribe to the MRTA or MRTT for their loan. The borrower may pay the up-front costs by financing the said costs in the loan amount. However, the additional loan amount will increase the monthly instalment amount as well.

## 3. Interest rate

The interest rate per annum quoted by financial institutions differs from time to time and this will be reflected in the letter of offer. Financial institutions also provide different effective lending rates (ELR) subject to revision. These can be accessed at [www.bnm.gov.my/index.php?ch=8&pg=29&ac=19&bb=file](http://www.bnm.gov.my/index.php?ch=8&pg=29&ac=19&bb=file).

According to Bank Negara Malaysia's Guide to Consumer on Reference Rate accessible at [www.bnm.gov.my/index.php?ch=57&pg=137&ac=281&bb=file](http://www.bnm.gov.my/index.php?ch=57&pg=137&ac=281&bb=file), borrowers should compare ELRs, ask for the product disclosure sheet, enquire about factors which could affect the base rate (BR), observe the monthly repayment amount and assess further capabilities of the loan's affordability to equip the borrower to deal with the fluctuation rates periodically.

## 4. Length of loan

The housing loan period can range up to 35 years long. It can also depend on the borrower's age, reaching up to 65 years old (or any other age as determined by the financial institution). However, longer loan tenures will usually be given to younger borrowers with a good credit profile. The length of loan also determines the amount that needs to be paid monthly as longer loan tenures for the same amount of monies borrowed require lower monthly servicing payments.

## 5. Repayment of loan

One shouldn't burden themselves and bite off more than they can chew in financing their loans. Instalment amounts should be kept in check. The amount spent on loan repayment should not eat away too much into the funds needed for the cost of living.

## 6. Lock-in period

Financial institutions will set a certain period of time as the lock-in period whereby borrowers are not allowed to settle the loan in full, otherwise an early exit penalty will be imposed.

Besides the duration of the lock-in period, the commencement date of the lock-in period is also crucial especially for the financing of properties under construction. For instance, if the commencement date of the lock-in period is from the date of full loan disbursement, the lock-in period for the financing of a completed house is effectively shorter than for a house under construction as the latter will take two to three years to disburse the loan fully.

## 7. Types of security documents required

Residential properties either come with title or without. The security documents that concern properties with title are the Charge instrument in Form 16A, Charge Annexure, and Facility Agreement. Properties that do not have its own title require Deed of Assignment, Power of Attorney, and the Facility Agreement as security documents.

If the financial institution is of the view that the borrower's financing background or records are not strong, additional security may be required. The additional security could be in the form of guarantors, assignment of rental proceeds, and a charge over the fixed deposit.

## 8. Events of default

The "events of default" clause in a loan agreement stipulates the events that will trigger the exercise of the financial institution's rights such as demanding for the full repayment of

the loan amount. Financial institutions tend to have very broad "events of default" clauses to protect their interest, including situations which in their opinion may imperil, delay or prevent the borrower or the security party from performing their obligations or jeopardise the financial institution's interest.

## 9. Default interest rate

In the event of default, the prescribed default interest rate is to be applied on the overdue amount. This additional interest rate is applied on top of the base rate which is higher than the ELR.

## 10. The right of the financial institution on default

In the event of a default, the financial institution could immediately suspend the loan to prevent further disbursement. The amount owed by the borrower is payable upon the financial institution's demand immediately as well as the default interest on the amount owed and due. The financial institution shall exercise the rights as attorney of the borrower and/or security party to deal with the property in the borrower's and/or security party's name and on their behalf.

Thus, it is important to examine the terms and conditions in the housing loan document. The borrower must be clear about what he or she is bound by.

*If you have any property-related legal questions for Tan, please go to the Tips section of [TheEdgeProperty.com](http://TheEdgeProperty.com).*

*Chris Tan is a lawyer, author, speaker and keen observer of real estate locally and abroad. Mainly, he is the founder and now managing partner of Chur Associates.*

*Disclaimer: The information here does not constitute legal advice. Please seek professional legal advice for your specific needs.*

## LURKING ENEMIES IN YOUR HOME



## GARDEN

# If you smell a rat ...



A rat's incisors never stops growing and to keep it short, they need to constantly chew on something hard.

BY RACHEL CHEW

Rats are known to spread horrible diseases. The prevalent and deadly disease spread by rats in Malaysia is leptospirosis, say Rentokil Initial Malaysia managing director Carol Lam and technical director Juliana Soo.

Other diseases include rat-bite fever, salmonellosis, murine typhus and infected jaundice. On top of that, rats, as everyone knows, can damage property with their gnawing and chewing.

"Rat incisors never stop growing. They must be kept short by gnawing on hard objects such as bricks, plastic, aluminium or electrical wires which may cause a fire outbreak," Lam and Soo tell [TheEdgeProperty.com](http://TheEdgeProperty.com).

You may also want to know that rats can enter the premises of a house through openings as small as half an inch while a quarter inch could allow pups to squeeze through.

### HOW TO PREVENT

Keep food stuff in metal or glass containers with tight-fitted lids.

Place outdoor rubbish bags in metal bins with securely fitted lids to prevent rats from feeding on the contents.

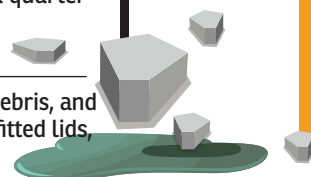


Clean up pet food and bird seed debris, and store pet food in containers with fitted lids, preferably above ground level.

Tidy up the house and the garden because less clutter means fewer hiding places.



Seal up cracks and holes around the house, even those as small as a quarter inch.



### HOW TO INSPECT

#### Rat droppings

Black rat droppings are tapered or spindle shaped. It looks like a grain of rice. Brown rat droppings are capsule shaped with blunt ends.

#### Scratching noises

Black rats are agile climbers and are often found in lofts. You might hear scratching noises at night.

#### Rat holes

Brown rats are well known for digging extensive burrow systems for shelter, food storage and nesting.

#### Bite marks

Rats tend to gnaw on wood and plastic to keep their teeth trimmed.

#### Rat nests

Rats will shred available materials such as loft insulation, cardboard and other soft items to make nests.

#### Footprints

Rats leave foot and tail marks in dusty, less used areas of buildings.

#### Rub marks

Grease and dirt on their bodies leave smudges on surfaces where they normally travel.

### DAMAGE TO HEALTH AND PROPERTY

Damage to structural elements such as bricks, plastic, aluminium or electrical wires

Spreads a number of diseases, some fatal





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