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FRIDAY, APRIL 21, 2017 . ISSUE 2396/2017 . PP19055/06/2016(034530)

ONLINE + OFFLINE

# Tougher times AHEAD?

**Property market transactions have fallen for two consecutive years, data from the Malaysian Property Market Report 2016 shows. How bad is it? What can we expect moving forward? Read Pages 4 & 5.**


TEP6 NEWS
**Raise your debt service ratio to get that loan**

TEP6 NEWS
**MRCB set to launch Tria condominium at 9 Seputeh next month**

TEP8 FEATURE
**Design Village aims to bring in more brands, open food court by mid-year**

NEWS

# ASLI-FGBMF series to start in Johor with focus on Iskandar Malaysia

BY SHAWN NG

PETALING JAYA: As Iskandar Malaysia enters phase 3 of its development, it is now time to focus on not just the hardware but on building holistic communities there.

The second of the Marketplace Series of Forums jointly organised by the Asian Strategy & Leadership Institute (ASLI) and the Full Gospel Business Men's Fellowship (FGBMF) has therefore chosen the theme "Building Cities, Enriching Communities" for the forum to be held on May 2 at Mutiara Johor Bahru.

The Marketplace Series of Forums is a community project by ASLI and FGBMF to provide a platform for the business community to engage, influence and transform the marketplace and to build a more prosperous, flourishing society in line with Malaysia's aspiration.

Targeting around 200 to 250 participants for the forum, ASLI CEO Tan Sri Michael Yeoh said the forum hopes to provide up-to-date information on Iskandar Malaysia and to share the success stories about the economic zone.

"It is also to get people to think about how they can contribute to enriching their communities," said Yeoh.

"The series started in November last year. We hope to promote good values and share the success stories about Iskandar Malaysia which is growing rapidly and has attracted a lot of foreign investments. We will be holding similar seminars and forums in other cities as well as in the future," he said.

MICHAEL YEOH

Yeoh: Iskandar Malaysia is a world class development that has a global appeal and a bright outlook.

Yeoh believes that Iskandar Malaysia is a world class development that has a global appeal and a bright outlook.

"Like Shenzen and Hong Kong, the close connectivity between Singapore and Iskandar will be positive. It is well planned and will transform southern Johor," he noted, adding that he hoped to see the economic zone shape the future of Johor and be an inspiration for the country.

Meanwhile, FGBMF national president Fong Hoong Heng said the theme reflects the mutual desire of ASLI and FGBMF to encourage sharing and deliberation on effective ways to create holistic living in developed and developing cities using Iskandar Malaysia as the point of reference.

The economic zone celebrated its 10th anniversary last year and is having a year-long schedule of events to mark this milestone. Hence, said Fong, the success and lessons learnt over the last 10 years are precious for the public to recap as the corridor enters phase 3 of its implementation.

FONG HOONG HENG

Fong: The success and lessons learnt over the last 10 years are precious for the public to recap.

"The momentum of Iskandar Malaysia is past the growth stage. We are now moving into phase 3 where the emphasis is on sustainability and innovation. Going forward, we shall see more value-added services coming into the economic zone. This will bring about more job opportunities particularly for the high-end segment," he noted.

With the bright outlook for Iskandar Malaysia, he pointed out that sectors to watch include Global Business Solutions (GBS), healthcare, education, logistics, financial and tourism.

"We have chosen the theme also because we believe building cities encompasses more than bricks and mortar. The communities must benefit from such initiatives in terms of job creation, convenience, wealth creation, improved security, increased wages and the like. This is in line with the Iskandar Malaysia Comprehensive Development Plan II," he said.

He added that the speakers and panellists at the forum will share the success stories since the inception of Iskandar Malaysia, the importance of software in building, the insights on developments, and new opportunities in Johor.

The speakers and panellists include Medini Iskandar Malaysia Sdn Bhd chief marketing officer Gerard Kho, Johor Petroleum Development Corp COO Izhar Hifnei Ismail, Iskandar Investment Bhd president and CEO Datuk Ir Khairil Anwar Ahmad, Sunway Bhd property development division (Malaysia & Singapore) deputy managing director Tan Wee Bee, Iskandar Regional Development Authority chief executive Datuk Ismail Ibrahim, Messrs KH Lim & Co barrister at law Datuk Joy Appukuttan, Feruni Ceramiche Sdn Bhd managing director Datuk Ngei Chee Chau, Johor Master Builders Association president Sim Tian Liang, Pulau Indah Ventures Sdn Bhd general manager Suria Suppiah and Iskandar Waterfront Holdings president and executive director Datuk Syed Mohamed Syed Ibrahim.

The forum will be divided into two sessions with each session moderated by KGV International Property Consultants (Johor) Sdn Bhd executive director Samuel Tan and TheEdgeProperty.com managing director and editor-in-chief Au Foong Yee, respectively.

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## LAUNCHES + EVENTS

If you have any real estate-related events, email us at propertyeditor@bizedge.com. Events listed here will also appear on TheEdgeProperty.com.

### Classic Special @ Hampton Damansara

**Date:** April 22 (Sat)
**Time:** 12pm to 6pm
**Venue:** Hampton Damansara Show Gallery, Level 3, 8trium, Bandar Sri Damansara, Kuala Lumpur
**Contact:** (011) 1111 3333

Enjoy live performances by winners of Astro Classic Golden Melody singing competition, Marcus Yong and Lyee Cheok, at Malaysia Land Properties Sdn Bhd's Hampton Damansara Show Gallery this weekend.

### Sunsuria City Fest

**Date:** April 22 and 23 (Sat and Sun)
**Time:** 10am to 10pm (Sat); 10am to 5pm (Sun)
**Venue:** Celebration Centre @ Sunsuria City, Salak Tinggi, Putrajaya South, Sepang
**Contact:** (03) 6145 7777

Held in conjunction with the launch of Sunsuria City Celebration Centre, the event will feature food, art and music. The first 1,000 guests to RSVP via Sunsuria's official website will receive exclusive Arena passes to the event featuring international and local artistes including Fish Leong, Sheila Majid, Reza Salleh and Korean boyband Block B Bastarz.

### Paramount Property's Fat Attack Training Day

**Date:** April 23 (Sun)
**Time:** 7:30am to 1pm
**Venue:** Paramount Property Gallery, Section 13, Petaling Jaya
**Contact:** (03) 5123 6000

The free admission event features Yoga and Zumba sessions conducted by celebrity instructors, Hansen Lee and Hannah Kamal. Each session is limited to 30 participants. RSVP is necessary at Paramount Property's Facebook page.

### Launch of Platinum Splendor Residence

**Date:** April 22 and 23 (Sat and Sun)
**Time:** 10am to 5pm
**Venue:** Danau Kota Sales Gallery, Lot 26219, Jalan Genting Klang, Setapak, KL
**Contact:** (017) 698 7169

Platinum Victory Group invites all to the official launch of Platinum Splendor Residence @ Semarak. The project has built-ups between 882 sq ft and 1,184 sq ft with selling prices from RM300,000.

### Launch of the Paisley Serviced Residences show unit

**Date:** April 22 and 23 (Sat and Sun)
**Time:** 10am to 6pm
**Venue:** Paisley Serviced Residences show unit, Jalan Delima 1/1, Subang Hi-Tech, Shah Alam, Selangor
**Contact:** (03) 7713 8888

The launch of the new show unit at Tropicana Metropark will feature a live fusion band performance and activites such as tea leaf fortune telling, a fusion lunch spread and an exclusive site tour of the Central Park.



Publisher and Group CEO
Ho Kay Tat

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*TheEdgeProperty.com* pullout is published by The Edge Property Sdn Bhd. It is available with *The Edge Financial Daily* every Friday. The pullout is also distributed at more than 200 offices, shopping complexes, condos, medical centres, F&B outlets and LRT stations in the Klang Valley. You can also download it for free at **www.TheEdgeProperty.com**

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Sun bird walk

# THE WHOLISTIC TOWNSHIP

The GLORIS COLLECTION at Setia EcoHill adopts the best formula with eco-centric designs and a surrounding that cultivate long-term sustainability.

Since its launch in 2013, Setia EcoHill has been exemplary in designing a township that promotes sustainable lifestyle. Setia EcoHill is proud of its extraordinary masterplan that is based on the Live Green! DNA, which comprises eight principles of sustainability that ensure an ideal setting for a sustainable lifestyle in Setia EcoHill, interwoven with the importance of comfort and modern conveniences.

Horizon Residences has three exclusive collections – Grandlis, Floris and Gloris. With such encouraging responses so far from Grandlis and Floris, which was launched in 2015, Setia EcoHill is proud to be launching its third and final phase of Superlink Homes within Horizon Residences – the Gloris Collection.

## PERFECTING HORIZON RESIDENCES

Taking into account the well-developed masterplan from the first two developments in Horizon Residences, the Gloris Collection is an all-inclusive residential development in the blueprint of this eco township.

Like Grandlis and Floris, the latest Gloris Collection which will be launched beginning 22nd April 2017, will also provide energy-saving and environmental-friendly designs to complement the core values of Horizon Residences.

## DESIGN MASTER PLAN

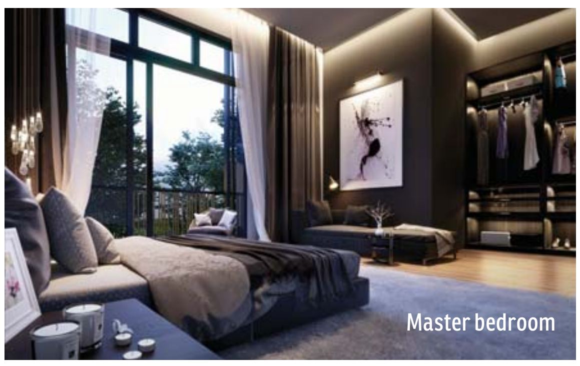
Enjoy the cascading architectural feature as you drive along the entryways into a gated-and-guarded community that boasts the Sun Bird Walk, which is the main landscape area within Horizon Residences. Linear gardens are also placed strategically between rows of residential units in the neighbourhood to promote a greener ethos.

The Gloris Collection also sit within a 'green street concept'. All utility cables are laid underground and out of sight, allowing verdant landscape and trees to flourish in the neighbourhood.

The Superlink Homes of the Gloris Collection feature a modern and linear design to appeal to a more mature yet urban market. Abundant natural lighting and fresher surroundings are made possible with its modern façade design that features thorough application of large glass windows.

An open interior layout plan, both expansive and practical, promotes spacious living. The 12' ceiling height improves natural ventilation and reduces room temperature, eliminating the additional energy consumption for air-conditioning.

With only 77 units altogether in this low-density housing area, Gloris offers two land size options; 23.6' x 76' and 23.6 x 86'. Both come with an open concept housing plan that fosters the way the neighbourhood flows naturally; encouraging wonderful interaction among the residents with spacious landscaped communal gardens for a safe and conducive meeting point as well as children's playing grounds.


Master bedroom

## WHOLESOME LIVING EXPERIENCE

Living up to S P Setia's LiveLearnWorkPlay development philosophy, Setia EcoHill is committed to delivering superior educational facilities in its township development. The cooperation with Tenby schools to set up international schools in Setia EcoHill has seen materialisation with its sixth campus opened in September 2016. While Tenby International School provides a safe environment and high-quality international education to the community of Setia Ecohill, plans to provide primary and secondary government schools are also in the pipeline.

In the context of security, Setia EcoHill places utmost priority towards creating a safe and secure environment for its residents in this gated and guarded enclave. Each home comes with a home alarm system and intercom linked to the security guard house. Internal 24-hour security patrol as well as strategically placed CCTV surveillance that runs all day will also tighten security measures in Gloris.

"We are a very supportive school and we ensure our students are able to maximise their potential as they grow and develop throughout the years with us."
— Claire Bell, Head of School at Tenby International School at Setia EcoHill

The security system is further enhanced with AgilFence PIDS, which is the first-of-its-kind perimeter intrusion detection system in the world.

With peace of mind, residents can enjoy the township's surrounding amenities including the 360,000 sq.ft. Community Club House, also known as Club 360°. Perched on the highest vantage point in Setia EcoHill with mesmerising views, the private clubhouse offers a variety of facilities including an Olympic-length swimming pool, a dynamic gymnasium room, steam and sauna rooms as well as an indoor sports centre with a badminton court, basketball court and futsal arena.


Olympic-length swimming pool

There will also be a grand ballroom for private functions and events in the Club House. REAL Kids Kindergarten will also provide convenience for residents with young children. Retail spaces for business opportunities such as the cafeteria and bookstore will also serve as additional convenience for the members of the Club House. Prospective tenants can contact Club 360°'s leasing representative at 03-8724 2255 to find out more about the retail outlets.

## BRINGING YOU CLOSER

In line with its brand promise that promotes sustainability, S P Setia has spent over RM80 million to construct the Lekas-EcoHill Link which has been opened to the public since August 2015. Before being just a way in and out of town, the direct link to Lekas Highway has proven to significantly alleviate heavy traffic conditions along Jalan Semenyih; benefiting the wider community in and around Semenyih town. The new highway interchange also connects people from Cheras, Bangi, Kajang, Seri Kembangan, Puchong, Cyberjaya and Putrajaya. Furthermore, the East Klang Valley Expressway, which is slated for completion in 2018 will cut travelling time and distance significantly to Kuala Lumpur city.

S P Setia has also allocated another RM50 million to extend the link by an additional 3km to provide efficient connectivity to its latest development, Setia EcoHill 2. This will further improve traffic flow and accessibility between the two main townships in the Southern Corridor and other major cities.

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SNAPSHOTS FROM THE MALAYSIA PROPERTY MARKET REPORT 2016

# Where do we go from here?

BY THEEDGEPROPERTY.COM

Property transactions are down, office occupancies are down, unsold units are up — things certainly didn't look good in 2016, according to the Malaysian Property Market Report 2016 released by the Valuation and Property Services Department (JPPH) early this week.

Not even the experts seem to know when the current situation will turn but JPPH director general Dr Rahah Ismail mentioned that this slowdown may take a few years!

On the other hand, like the saying goes, it is always darkest before the dawn. The question is have we seen the darkest yet?

Here are some highlights from the report and after reading them, you could perhaps tell us where we are heading in the near future.

## Less than 1/3 of new homes launched were sold


Developers launched a total of 52,713 homes in 2016 but only managed to sell less than one third of these — 16,532 units (31.4%).

In contrast, 58,411 homes were put on the market in 2015. Of these, developers sold a higher 42.1% or 24,588 units.

If there is a perceived hike in appeal for Penang property, data from the National Property Information Centre's (Napic) just-released Property Market Report 2016 shows otherwise.

Penang reported the worst sales performance of newly-launched homes last year. Developers only managed to sell less than 10% — 9.9% to be exact — or 561 units of the total 5,646 units put on the market.

This was a big dive from 2015 when developers sold nearly half (48.2%) or 1,131 units of the 2,348 units launched that year.

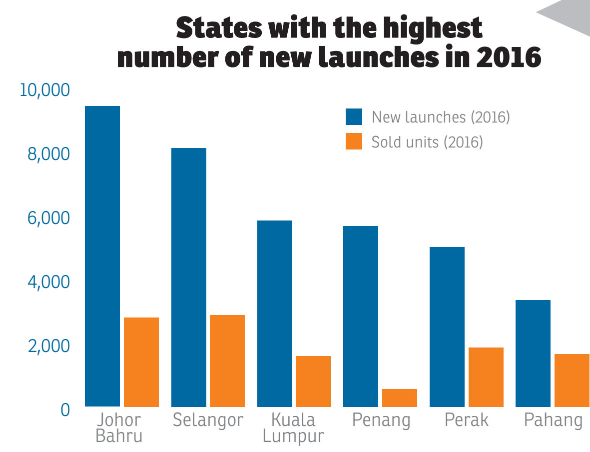
Clearly, the Penang market suffered a double whammy in 2016. The number of new launches more than doubled while the number of buyers shrank significantly from 2015.

Last year was Johor's when it came to new housing launches. The state led with the most launches at 9,393 units, against the mere 12 units launched in Perlis throughout 2016.

The high profile Forest City project in Johor was clearly a substantial contributor to the new launches in Johor. The state, however, only achieved sales of 2,796 units (29.8%) of those newly-launched.

The second highest number of home launches last year was in Selangor, at 8,087 units. Of these, developers sold 35.6% or 2,875 units.

Kuala Lumpur, meanwhile, put out 5,816 homes last year but only 1,588 of them (27.3%) were sold.




## RM8.5 bil worth of completed homes unsold

Malaysia's stock of unsold residential units — comprising those completed, under construction and not constructed — stood at 90,491 units at end-2016.

The bulk of these, or 64,077 units, are in various stages of construction while work on 11,622 units has not started.

Johor led with the most unsold units (16,341), followed by Selangor (14,509), Penang (12,933) and KL (9,188).

Kedah, surprisingly, had an unsold stock of 7,299 units while in Perak it was 7,161 units.

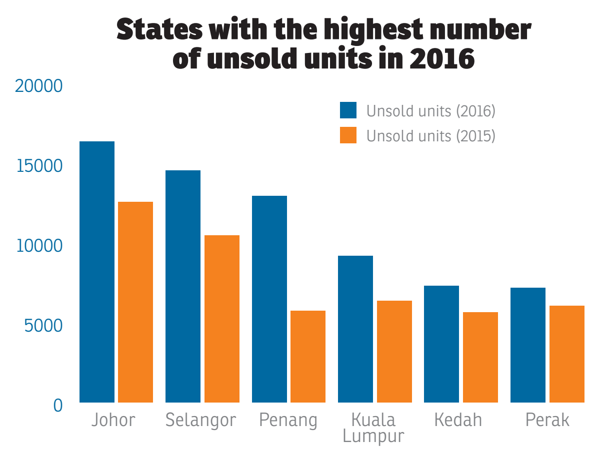
Of Malaysia's 2016 unsold housing stock of 90,491 units, a total of 14,792 units have been completed and these alone have a total value of RM8.56 billion.

Of the amount, almost 30% (RM2.56 billion) was contributed by Johor which has the highest number of completed but unsold homes of 3,671 units. The other unsold units in Johor are still under construction (11,774 units) or not constructed (896 units).

Selangor has a total of 1,718 units of completed but unsold homes with a total value of RM1.43 billion. Another 12,451 units are under construction while work on 340 units has not started.

In Penang, there are 1,896 units of completed but unsold homes with a combined value of RM1.47 billion. A total of 8,119 units are under construction with another 2,918 units not built yet.

For Kuala Lumpur, although the number of completed but unsold units totalled only 717, these have a combined value of RM1.13 billion. A total of 5,307 homes are under construction while work has not started on another 3,164 units.




## Property transactions down second year running

The volume of property transactions in the country dropped by 11.5% in 2016 to 320,425 transactions from 362,105 transactions the previous year.

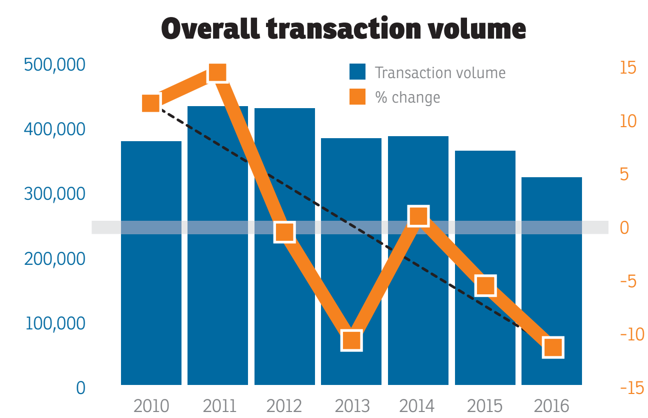
Total value of transactions in 2016 were down by 3% to RM145.41 billion from RM149.9 billion, according to Napic.

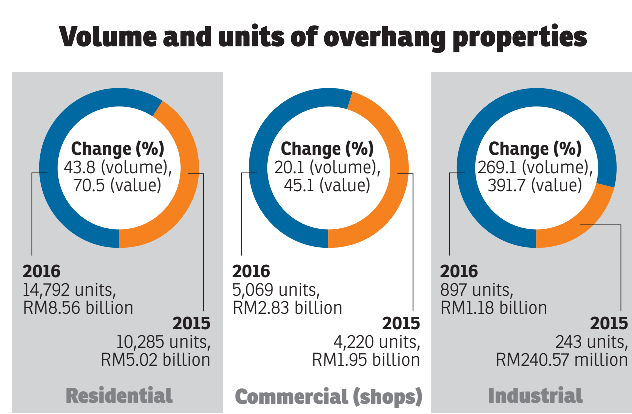
In 2015, the total transaction volume was down by 5.7% y-o-y with total value down 8% y-o-y.

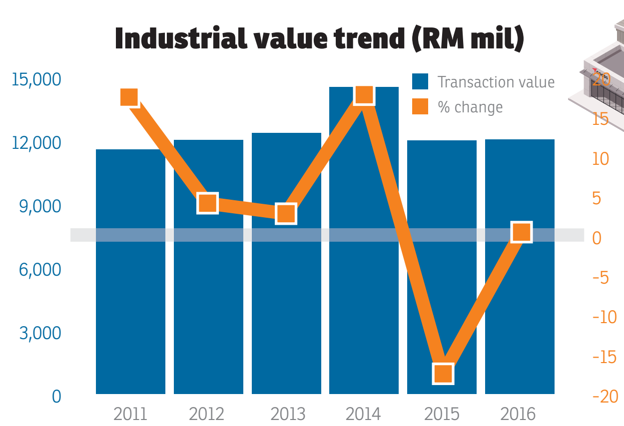
Last year also saw fewer new property launches with nearly 53,000 units compared with over 58,000 units in 2015, a decline of 9.8% y-o-y.

The slow market has also led to an increase in overhang units.

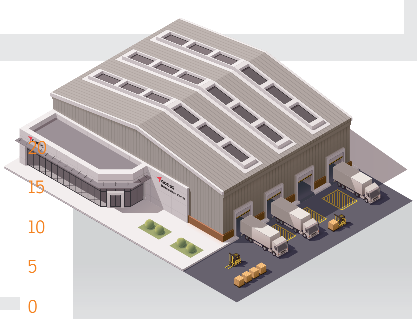
The residential overhang numbers grew to 14,792 units worth RM8.56 billion, up a whopping 43.8% in volume and 70.7% in value against 2015.




SOURCE: NAPIC



## Industrial overhang at 10-year high

The overhang situation in the industrial property segment escalated last year with the number of overhang units at a 10-year high.

There was a total of 897 units of industrial property worth RM1.18 billion that were completed but remained unsold in 2016, compared with just 243 units (worth RM240.57 million) in the previous year.

According to Napic's Malaysian Property Market Report 2016 released on April 18, the state of Johor held nearly 36% of the national total number of industrial property overhang units, with 154 units worth RM0.5 billion, predominantly made up of semi-detached factories.

However, the number of unsold, under construction industrial properties in the country reduced by 26.8% y-o-y to 1,267 units while the number of unsold units that have yet to start construction was down by 32.2% to 59 units.

Overall, the industrial property sector last year recorded 5,609 transactions worth RM12.02 billion, a fall of 20.4% in volume from 7,046 transactions worth RM11.97 billion in 2015. Of note is that the total value of transactions has increased albeit by a slight 0.4%.

# Ratio of housing loan applications to approvals rose in 2016

The amount of loan applications for residential property purchases totalled RM168,154.77 million in 2016 with RM87,550.87 million worth of loans having been approved. This translates to a loan applications to loan approvals ratio of 52.1%.

The figure was higher than the 50.2% recorded in 2015 but lower than the 52.9% ratio in 2014. The figures were revealed in Napic's Malaysian Property Market Report 2016, citing Bank Negara Malaysia.

Of note was the amount of housing loan applications which was significantly down by 18.4% from the RM206,031.79 million worth of applications in 2015. The amount of loan approvals also decreased by 15.3% from RM103,412.12 million worth of approvals a year earlier.

SOURCE: BANK NEGARA MALAYSIA

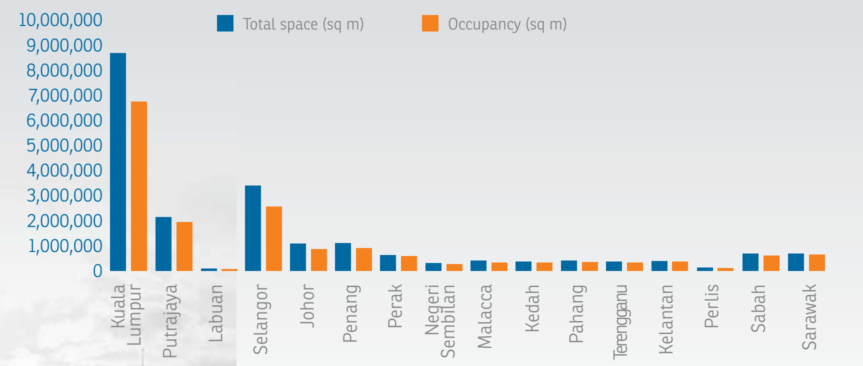
**Purchase of residential**

| Year | Loan application (RM mil) | Loan approval (RM mil) | % change loan application | % change loan approval | Ratio approval/ application (%) |
|---|---|---|---|---|---|
| 2011 | 186,790.70 | 95,161.82 | 12.2 | 13.0 | 50.9 |
| 2012 | 193,743.44 | 92,834.05 | 3.7 | -2.4 | 47.9 |
| 2013 | 245,903.78 | 121,000.60 | 26.9 | 30.3 | 49.2 |
| 2014 | 228,944.37 | 121,091.53 | -6.9 | 0.1 | 52.9 |
| 2015 | 206,031.79 | 103,412.12 | -10.0 | -14.6 | 50.2 |
| 2016 | 168,154.77 | 87,550.87 | -18.4 | -15.3 | 52.1 |

**Purchase of non-residential**

| Year | Loan application (RM mil) | Loan approval (RM mil) | % change loan application | % change loan approval | Ratio approval/ application (%) |
|---|---|---|---|---|---|
| 2011 | 99,315.83 | 52,230.57 | 24.4 | 31.7 | 52.6 |
| 2012 | 98,888.75 | 52,769.27 | -0.4 | 1.0 | 53.4 |
| 2013 | 110,225.44 | 51,363.23 | 20.6 | -2.7 | 43.1 |
| 2014 | 109,376.08 | 50,936.80 | -8.3 | -0.8 | 46.6 |
| 2015 | 90,983.18 | 38,408.30 | -16.8 | -24.6 | 42.2 |
| 2016 | 79,937.74 | 32,908.16 | -12.1 | -14.3 | 41.2 |

**Supply of purpose-built office**




# Occupancy rate for KL offices down to 77.9% as at end-2016

The average occupancy rate for offices in KL declined to 77.9% as at end-2016, from 81.2% a year earlier due to new supply that came on stream, exceeding 320,000 sq m, according to Napic's Malaysian Property Market Report 2016 released on April 18.

The Petronas Twin Towers led the rental market at a premium range from RM97 to RM154 psm. Integra Tower, Menara Shell, GTower KL and Menara Prestige also secured premium rentals.

Overall, the occupancy rate for the country's office subsector moderated from 83.7% in 2015 to 82.3% in 2016 but states that are dominated by government buildings generally secured more than 90% occupancy.

As at end-2016, there were 20.75 million sq m of existing office space in 2,465 buildings. Another 68 buildings will offer an incoming supply of 2 million sq m while 27 buildings will bring in some 800,000 sq m in planned supply.

# Raise your debt service ratio to get that loan

BY LUM KA KAY

KELANA JAYA: The most crucial factor in securing a housing loan with the desired financing margin is to have a high debt service ratio, according to Malayan Banking Bhd (Maybank) head of consumer finance Abdul Razak Mohd Nordin.

Speaking as a panellist at the Real Estate and Housing Developers' Association Malaysia (Rehda) Property Forum 2017 titled "Status quo or road to recovery?" held on April 19, Abdul Razak said one thing is to have a good credit record and the other is to have a strong debt service ratio.

"For single [loan] applicants, you can consider having a joint application with your significant other or family members to increase your debt service ratio.

"Applicants can also choose affordable homes such as those priced RM500,000 and below. For us [bankers], when we realise you are unable to service the loan based on your debt service ratio, we will reject you.

"And if you are living in an urban area with a monthly household income of less than RM5,000, you're under the vulnerable segment," he said.

He added that for the vulnerable segment, the debt service ratio that banks consider ranges around 40% to 50%.

"For the higher income earners, we go as high as 70%."

The general trend among Malaysians when they start working is to get a new phone and then a car, he said.

"All these will eventually affect your ability to repay the housing loan. We also have to look at your Central Credit Reference Information System (CCRIS) report.

"It all boils down to responsible lending. Banks would love to take the risk but we are regulated by Bank Negara Malaysia," added Abdul Razak.

HARIS HASSAN | TheEdgeProperty.com


(From left) Abdul Razak, Malathi, Soam, Ahyat and Kamaruddin at the Rehda Property Forum 2017.

The other panellists at the forum were Malaysian Industrial Development Finance Bhd (MIDF) chief economist Dr Kamaruddin Mohd Nor, Jones Lang Wootton executive director Malathi Thevendran and property investor Ahyat Ishak. The forum was moderated by Rehda deputy president Datuk Soam Heng Choon. The forum was held following the launch of Rehda's Property Industry Survey 1H2016 and Market Outlook 1H2017.

The panel members had mixed views on when the property market would recover from the current slowdown.

According to MIDF's Kamaruddin, from a macro and global perspective, "things have hit rock bottom in 2H2016" hence he expects a recovery of the general economy from here onwards.

"As far as the domestic market is concerned, we expect 4.9% or 5% growth in terms of gross domestic product (GDP). Looking at the property sector, it will recover but perhaps not in 2017," he said, adding that the property market may rebound in 2018.

Ahyat, however, said the Malaysian market "has yet to see the worst".

"For me, the market cycle is experiencing a long flat," he said.

For Jones Lang Wootton's Malathi, there will be "nothing much" to show for 2017.

"There will still be launches going on as there will be upgraders and a limited number of investors. And if you really market it properly, the foreign market will also see opportunities.

"With our climate and other factors, we are a haven for Malaysia My Second Home (MM2H) but we are not marketing our country well enough," she said.

Maybank's Abdul Razak said the property market will mostly bottom out by the end of this year.

# MRCB set to launch Tria condominium at 9 Seputeh next month

BY TAN AI LENG

KUALA LUMPUR: Malaysian Resources Corp Bhd (MRCB) aims to launch Tria, the second phase of its 9 Seputeh project, in May.

The five-acre Tria project will feature three towers with 734 condominium units with built-up sizes ranging between 1,500 sq ft and 2,000 sq ft, said MRCB COO Kwan Joon Hoe.

"We haven't finalised the selling price yet, but it is expected to be about 5% to 10% higher than phase 1 — Vivo," he told TheEdgeProperty.com.

Vivo and Tria form part of the 17.3-acre 9 Seputeh mixed development located at Jalan Klang Lama, Kuala Lumpur. The entire development, which comprises high-rise residences and retail units, has a gross development value (GDV) of RM2.1 billion.

The 7.7-acre Vivo had offered 1,111 condo units with built-up sizes ranging from 775 sq ft to 2,500 sq ft. Launched in 2014, it has achieved a take-up of 80% at an average price of RM800 psf.

Kwan noted that Tria will offer bigger units to cater to upgraders from landed homes to high-rises.

Over at its Semarak City integrated development on Jalan Sultan Yahya Petra, Kwan said the company is now deciding on the launch date for the 27.41-acre freehold development in Kuala Lumpur city centre.

LOW YEN YEING | TheEdgeProperty.com

Kwan: Growth momentum of the property segment will continue with more new launches catering to different markets.

"During a slow market, we have to be careful on the launch timing as we do not want to hold too much stock. Tentatively, we hope to launch Semarak City at the end of the year," he added.

According to MRCB's annual report, Semarak City comprises 3,400 serviced apartments, shops and SoHo (Small-office Home-office) units as well as a shopping mall.

Kwan said the residential component of Semarak City will be targeted at the middle income group with indicative prices from RM500,000 to RM600,000. Phase 1 will offer 1,200 apartment units.

He added that MRCB is performing well despite the soft market and the property development segment was able to sustain healthy growth and contribute to the group's revenue and profit.

In 4Q2016, MRCB recorded a revenue of RM1.032 billion, a 166% increase from the same quarter in the last financial year, while profit before tax in 4Q2016 was RM238.6 million, mainly driven by its property development segment.

Kwan expects the growth momentum to continue as the company will be rolling out various projects catering to different income groups, including Tria, Sentral Suites, a new development at Kwasa Sentral as well as Semarak City.

"We have a landbank of 468 acres in prime areas in Malaysia with a GDV of RM50 billion. This could keep us busy for the next 20 years, and we are always looking out for prime land to increase our landbank," he added.

MRCB

Artist's impression of 9 Seputeh at Jalan Klang Lama, Kuala Lumpur.

# Unravelling the knots of property management (Part 2)

This is an excerpt of Part 2 of the Q&A with speakers following TheEdgeProperty.com Symposium on Property Management 2017 on April 8. Part 2 features only questions directed at Chris Tan, managing partner of Chur Associates, who received the most number of questions.

Part 1 and the full Part 2 of the Q&A are available online at TheEdgeProperty.com. Please note that the replies reflect the personal views of the speaker and do not constitute legal advice.

## Chris Tan

**Is it legal to renovate the balcony of strata units such as installing window panels or sealing it up with concrete? Does the local council have the power to approve such renovations?**
Pursuant to Paragraph 11 of the bylaws in the Third Schedule of the Strata Management (Maintenance and Management) Regulations 2015, a proprietor shall not change the appearance, colour code and façade of any part on the exterior of his parcel without the prior written approval of the Management Corporation (MC) (or Joint Management Body (JMB)) and, where necessary, the approval of the appropriate authority.

The balcony of a strata unit is part of the façade and hence if one wants to renovate it, one would need prior written consent from the management. Each local council has its own regulations regarding renovations hence one would need to enquire with the relevant council on whether prior approval is needed.

**I am living in a 120-unit apartment. It was handed over to us two years ago. Can I suggest to my JMB to consider forming a Sdn Bhd? Although it is a small property, it has a lot of unused space. You could easily build another block. So if we become a Sdn Bhd, can we develop that land and whatever money received given to owners as dividend?**
The unused space forms part of the common property. Pursuant to Section 17B(1) of the Strata Titles Act 1985 (STA), the MC shall become the proprietor of the common property. As the management is the proprietor of the unused space, the next question would be: can the management develop the space and thereafter transfer the individual units to buyer(s)? Section 17B(3)(b) of the STA states that the MC does not have the power to transfer charges or lien any portion of the common property on which the building stands. Therefore, it is not feasible to develop the unused space.

**(i) The JMB has been formed and has taken over the management from the developer since 2015. Recently, I found out that the maintenance fee for the penthouse, which belongs to the developer (unsold unit), was undercharged by 40% during their management period. The penthouse is over 7,600 sq ft, but was only charged a maintenance fee based on 4,500 sq ft. What can the JMB do about this?**
You may file a claim with the Strata Management Tribunal, to order the developer to pay the said unbilled service charges.

**(ii) Can the developer still collect outstanding service charges after the JMB has taken over the management account?**
No, the developer has no right/power to collect the outstanding service charges.

**(iii) Can the JMB give power to the developer to collect the outstanding service charges until a cut-off date?**
Pursuant to Section 16(2) of the Strata Management Act 2013 (SMA), any right, power or remedy granted to the developer in respect of the charges, contribution to the sinking fund and any other assets of the maintenance account and the sinking fund account shall vest in the JMB on the date of the expiry of the developer's management period and the JMB shall have the same right, power or remedy as if it had at all times been a right, power or remedy of the JMB. Therefore, the JMB has the power and

MOHD IZWAN MOHD NAZAM | TheEdgeProperty.com

right to collect those outstanding charges without giving such power to the developer.

**I live in an apartment project with residential title. There were no shops/retail lots stated in the Development Order approval from the local authority. But after the management of the property was taken over by the JMB, the developer claimed that they owned the shops/retail lots and the rental that was collected by the developer. Should these shops/retail lots be treated as common property and does the rental income belong to JMB?**
In a strata development, areas that are not part of any parcel (including any accessory parcel) shall be part of the common property. The proprietor of the common property is the management. Therefore, if the retail lots are not indicated as part of an individual parcel (or accessory parcel) in the strata plan, it shall be part of the common property and any income generated from them shall belong to the JMB. Apart from referring to the strata plan, it can be determined by payment of service charges. Should the developer claim the ownership of the said shops/retail lots, the developer shall pay service charges, etc, for the said lots.

**There are some extra car parks to rent out to residents and the income was not banked into the JMB account, but into a residents' association (RA) account. Is this legal? Aren't extra car parks treated as common property and the income deposited into the JMB's account?**
Normally, an RA is formed by the residents/owners of a non-stratified property for the purpose of managing the gated-and-guarded community. In the event that there is a JMB, an RA may not be formed. In stratified developments, if the extra car park bays are common property, the rental income shall be deposited into the JMB's account.

**The JMB is running out of funds to maintain the building. For ad hoc repair works, the JMB bills the residents separately and has threatened the residents that their water meters would be clamped if they fail to contribute to the repair cost. Can they do that legally?**
Should there be insufficient funds to maintain the buildings, the JMB may increase the service charge by passing a resolution in an EGM/AGM. However, there is no provision in the SMA/SMR that allows the management to clamp the defaulter's water meter.

**The JMB forced residents to pay extra for upgrading works in the common area such as adding a CCTV, changing the access card system, relocating the playground, etc, without getting approval or voting in the AGM. Do they have the power to decide for all the residents? The JMB even changed the minutes of the AGM to state that all residents agreed to do so.**
Pursuant to Section 24(2) of the SMA, the sinking fund account shall be used for the purposes of meeting the actual or expected capital expenditure, including the upgrading of common property, and the renewal or replacement of fixtures and fittings in the common property. In short, the JMB shall utilise the sinking fund for adding the CCTV, changing the access card system, etc. Should the funds be insufficient, the JMB may increase it by passing a resolution in the AGM/EGM.

**(i) Pursuant to the Second Schedule of the SMA, Para 12(3)(a, b and c), the AGM notice should have a copy of the last AGM's minutes and audited accounts of the MC attached. I have received notice of the AGM together with the standard formats for the appointment of proxy but without the minutes and audited accounts. Is this a breach of the SMA?**
Yes, this is a breach.

**(ii) In the agenda of the AGM, there is only a sentence stating "Increment of service charges", without specifying the value of increment and commencement date of increment. Is this in compliance with the SMA?**
There is no provision in the SMA specifying that a budget shall be presented for increment of service charges. However, for proper practice, a budget shall always be presented for deliberation during the meeting. Pursuant to Regulation 24 of the Strata Management Regulations (SMR), within 28 days after the meeting, the MC shall issue a notice in Form 15 to all proprietors to inform them of the amount of charges, contribution to the sinking fund, and the rate of late payment interest imposed by the MC.

**(iii) In Chris Tan's OMG guidebook, pg 66 part 5.1 Features of Committee, Number of Members of Committee, there is a proposal to have three committee members only who will also take on as office bearers. Aren't all strata owners/representatives members of the committee? Kindly provide the clause or para of the SMA which covers this area.**
Subparagraph 2(1) in the Second Schedule of the SMA.

**(i) What are the differences between bylaws and house rules?**
Bylaws refer to the regulations regarding managing and using the parcels and common property as set out in the Third Schedule of the SMR. The parcel owners, developers, JMB/MC may by special resolution have additional bylaws. However, any additional bylaw that contradicts the bylaws in the Third Schedule shall have no effect and is void. The bylaws shall bind the parcel owners, developers, JMB/MC, tenants, lessees, charges, assignees and occupiers of the parcels. The House Rules are the regulations set out by the developer or management. The House Rules shall have the same binding effect should it be passed as additional bylaw by special resolution in a general meeting.

**(ii) What punishment can be implemented when there is a breach of bylaws and/or house rules? Any references?**
Please refer to the Third Schedule of the SMR.

**(i) We see more foreigners moving into the condominium. The residents are worried about their safety. The building management has worked with the police to conduct raids. I would like to know: Can the JMB/building management issue a notice to all property owners to stop investors from renting out to a specific group of people/nationality?**
No, as it will expose them to issues such as discrimination, investor's right to livelihood and investor's proprietary right.

**(ii) If we have no right to stop investors from renting out to specific foreigners, what are the procedures that the building management can take to prevent nuisance or even better to reduce the number of them in the condo? How can we effectively manage this issue?**
The JMB/MC may pass bylaws to control the situation.

FEATURE

# Design Village aims to bring in more brands, open food court by mid-year

BY SHAWN NG

PICTURES BY PE LAND

Design Village has achieved 85% occupancy rate for its main hall.

With its open plan concept and green spaces with water features, Design Village Penang is a family-oriented outlet mall that offers a pleasant shopping environmemt.

The mall in Bandar Cassia, Batu Kawan, Penang attracted 75,000 visitors in the first week of its opening last November. The number of visitors was 375,000 in December last year.

PE Land (Penang) Sdn Bhd, the developer and manager of Design Village Penang, is targeting to bring in more brands that could add value to the shoppers' retail experience at the outlet mall.

Since its launch, the 24-acre Design Village has reached an 85% occupancy rate for its main hall, said Andy Song, COO of Design Village.

The mall is targeting an optimal tenant mix of at least 60% to 70% fashion and accessories, sports, shoes, bags and leather goods as well as beauty and personal care from international labels, either from monobrand or multibrand stores; 15% to 20% F&B; and the rest from entertainment, general trading and household services.

Going forward, Song said Design Village intends to bring in the right brands to complement the current tenant mix and which benefits the market.

However, he said the brand list is confidential for now and the new brands will only be announced once confirmed.

"We already have a lot of renowned brands in the mall, including Adidas' largest outlet store in Malaysia, Sacoor Brothers, Guess, Superdry, Gap, The Cosmetics Company, Esprit, Padini, Levi's, Kipling, Bonia, Sembonia, Toyworld and many more, and we want to bring more into the mall," he added.

## Food court attraction

One of its new additions would be a food court within its F&B area, said the mall's general manager Tay Ai Leen.

Offering Penang's famous food attractions as well as international cuisines, including Japanese, Korean, Thai, Chinese and Western, as well as al fresco dining, the food court is targeted to open by mid-2017, Tay told TheEdgeProperty.com.

The food court is being designed by Blu Water Studio — an award-winning design studio that specialises in hotels, resorts and restaurant designs.

"There will be nine food stalls in the food court, which has a built-up of approximately 13,912 sq ft within the 50,000 sq ft F&B area. The food court will be a major draw for us," she said, while describing the atmosphere to be surreal yet casual and comfortable, which will offer the public an enjoyable dining experience.


The children's playground at Design Village.

"It will be surrounded by many tropical trees. The F&B area will become a very appealing environment for food and recreation. It will benefit our shoppers, staff and tenants and the surrounding industrial township," she said.


Song: We welcome IKEA as we will co-exist in Bandar Cassia.

Design Village has recently launched a marketing programme dubbed the Traveler Privileges Card in March this year. It will be launching another programme — the Tourist Privileges Card — in June. The cards offer additional benefits and discounts for certain purchases at the mall.

## Bright outlook

Tay is confident with the outlook for Design Village as it is a unique outlet mall.

"Besides the 2,500 car parks and its unique architecture, the mall is built within a cool tropical garden [surrounding] every shop on the ground floor. Shoppers can relax and enjoy the parks, water features and central plaza as well as the children's playground," she added.

In addition, the bright outlook for Bandar Cassia and Batu Kawan and the entry of IKEA Penang nearby will augur well for the outlet mall.

Bandar Cassia, the 6,000-acre growth area envisioned to be a satellite township, has already attracted major names in electronic and manufacturing, international universities and premier developers like Aspen Group, IKEA, KDU College and Eco World Group Development Bhd. The area is accessible via major highways such as the Sultan Abdul Halim Muadzam Shah Bridge (the second Penang bridge), Lebuhraya Bandar Cassia and the North-South Highway.

"We welcome IKEA as we will co-exist in Bandar Cassia — the 'new Penang'. With the ventures of international players, it will increase the footfall and we will also benefit from the varied offerings to shoppers," said Song, adding that the mall currently targets to attract 12,000 to 16,000 shoppers daily.

Meanwhile, PE Land has plans to build a hotel and condominiums in the vicinity of Design Village in the future.

"The developments are in the pipeline as we are a mixed development and we will be looking to launch condominiums followed by a hotel," said Song.

## Facts about DESIGN VILLAGE

**Location:** Bandar Cassia, Batu Kawan, Penang
**No. of retail units:** 150 units
**No. of brands:** More than 200
**Net lettable area:** 400,000 sq ft
**Services:**
- Free shuttle bus to and from Penang Island
- Taxi calling service
- Security escort
- First aid kit
- Baby stroller
- Wheelchair
- Handicapped parking
- Paging service
- Lost and found service

**Accessibility:** Via the Sultan Abdul Halim Muadzam Shah Bridge (the second Penang bridge), Lebuhraya Bandar Cassia and North-South Highway
**Managed by:** PE Land (Penang) Sdn Bhd

**Notable developments in Bandar Cassia:**
- KDU Penang University College campus and Ultropolis @ Batu Kawan by Paramount Property
- IKEA Penang by Ikano Pte Ltd and Aspen Group
- Aspen Vision City by Aspen Group
- Hijau E-Komuniti, one of the largest public housing schemes in Penang by the state government
- Eco Sun and Eco Horizon by Eco World Development Group Bhd
- One Auto Hub by PKT Logistics Group

Published by **The Edge Property Sdn Bhd (1091814-P)** Level 3, Menara KLK, No 1, Jalan PJU 7/6, Mutiara Damansara, 47810 Petaling Jaya, Selangor, Malaysia.
Printed by **Ultimate Print Sdn Bhd (62208-H)** Lot 2, Jalan Sepana 15/3, Off Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor, Malaysia.