

EdgeProp.my

A PULLOUT EVERY FRIDAY WITH **THE EDGE** FINANCIAL DAILY

FRIDAY, DECEMBER 14, 2018 . ISSUE 2793/2018 . PP19055/06/2016(034530)

PRINT + DIGITAL

JOEY YAP'S
FENG SHUI & ASTROLOGY
LIVE SEMINAR 2019

WIN two tickets!

to Joey Yap's
Feng Shui & Astrology 2019
Seminar!

Find out how on Page 2



What is COMPLIANCE COST?

When property developers mention compliance cost, what are they really talking about? How much does it impact development cost and hence property prices? Read story on **Pages 6 and 7.**



MISSED OUR PAST ISSUES?
Scan this code to visit
our digital archive!

www.EdgeProp.my

NEWS HIGHLIGHTS from www.EdgeProp.my**EdgeProp.my****The Edge Property Sdn Bhd**
(1091814-P)Level 3, Menara KLK,
No 1 Jalan PJJU 7/6, Mutiara
Damansara, 47810 Petaling Jaya,
Selangor, Malaysia**EdgeProp.my****Managing Director/Editor-in-chief**
Au Foong Yee**EDITORIAL****Executive Editor** Sharon Kam
Editor Lam Jian Wyn**Deputy Chief Copy Editor**
James Chong**Copy Editor** Vanessa Gnanasurian**Senior Writers**
Rachel Chew, Tan Ai Leng**Writers**
Natalie Khoo, Shawn Ng
Art Director Sharon Khoh
Senior Designer Jun Kit
Designer Rajita SivanFor New Launches/Events/
Press Releases/News Tips
email: editor@edgeprop.my
Tel: (03) 7721 8211 Fax: (03) 7721 8280**ADVERTISING & MARKETING**
Associate Account Director,
Advertising & Marketing
Heidee Ahmad (019) 388 1880
Senior Account Manager
Ian Leong (012) 359 1668
Azoera Azami (016) 398 6904
Account Manager
Redzuan Abdul Marif (016) 845 9692**Marketing Support & Ad Traffic**
Madeline Tan (03) 7721 8218
email: marketing@edgeprop.my**BUSINESS DEVELOPMENT**
Manager Nimalen Parimalam
Account Manager Stannly Tan**PRODUCT DEVELOPMENT**
& CUSTOMER ADVISORY
Senior Manager Elizabeth Lay
Associate Omar NawawiFor enquiries and listings
email: support@edgeprop.my
Tel: (03) 7721 8174 / 8173EdgeProp.my 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 and F&B
outlets in the Klang Valley. You can
also download it for free at
www.EdgeProp.my

The Edge Malaysia

Publisher and Group CEO
Ho Kay Tat**EDITORIAL****Editor-in-chief** Azam Aris
CORPORATE**Chief Operating Officer**
Lim Shiew Yui**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**Creative Marketing**
Chris Wong (016) 687 6577**Head of Marketing**
Support & Ad Traffic
Lorraine Chan (03) 7721 8001**Sarawak mulls bringing LRT project back**

The Sarawak Government is thinking of putting the light rail transit (LRT) project between Kuching and Kota Samarahan back on track, said Chief Minister Datuk Patinggi Abang Johari Tun Openg.

Abang Johari said the LRT is an option to solve traffic congestion especially in heavily populated areas.

He cited traffic congestion in Kota Samarahan as an example where workers have to start leaving their homes as early as 5.30am to reach their work places at 8am although the distance is short.

"Transportation is also a major contributor to air pollution in urban areas and cities. Therefore, to overcome air quality degradation, we have to think of options such as LRT, hydrogen fuel buses, electric motor vehicles; and biofuel vehicles," said Abang Johari at the 8th Sarawak Chief Minister's Environmental Award (CMEA) Night on Dec 13.

Tabung Haji set to sell TRX land bought from 1MDB

A controversial piece of land at the Tun Razak Exchange (TRX) development in Kuala Lumpur that Lembaga Tabung Haji purchased from 1Malaysia Development Bhd (1MDB) three years ago is likely to be one of the underperforming assets that will be transferred to a special

Highland Towers demolition delayedLOW YEN YEING | EdgeProp.my**The tearing down of the two surviving Highland Towers blocks in Ulu Klang, Selangor has been put back to allow more study of the "structures", according to Housing and Local Government Minister Zuraida Kamaruddin.****"The re-evaluation study conducted together with the Works Department will take at least another three to four months. This is also corroborated by the technical experts involved in the****demolition works," she said.****She added that the Highland Towers Redevelopment Committee under the purview of her ministry has convened eight times since its formation on June 27.****On plans to turn the site into a recreational park, she explained that "any redevelopment plans will be finalised after a comprehensive safety study". In 1993, Block 1 of Highland Towers collapsed and killed 48 people.**

purpose vehicle (SPV) under the Finance Ministry.

The SPV has been tasked to take over Tabung Haji's underperforming assets — properties generating yields of less than 2% per year and

equities seeing impairment of more than 20%. They will be acquired by the SPV at book value.

According to the pilgrims fund's group managing director and CEO Datuk Seri Zukri Samat, the 1.6-acre

land is currently not providing any yield to Tabung Haji and therefore could be disposed of.

Tabung Haji's property arm, TH Property Sdn Bhd, was supposed to undertake the development of a high-rise residential tower on the TRX land.

FT Minister: KL 2040 Master Plan to make housing the middle class a priority

It is a well-known fact that many middle class people, especially in the Klang Valley, are finding it hard to own a home.

Many among them have complained that the authorities have left them out during policy making. Hence, those in the middle class group who cannot afford homes in Kuala Lumpur "will be a priority in the Kuala Lumpur 2040 Master Plan", said Federal Territories (FT) Minister Khalid Abdul Samad on Monday.

"Previously, the issue of homes for the middle class was not fully addressed. You find young professionals earning about RM6,000 a month who cannot afford to buy a house.

"They don't qualify for low-cost housing and they wouldn't want to live there either. But they also can't afford open-market houses because those cost at least RM500,000 and can exceed RM1 million," he told a news portal. The process of drafting the plan will begin next year.

**LAUNCHES + EVENTS**

How do I get past issues of this weekly pullout?

Go to www.EdgeProp.my to download for freeIf you have any real estate-related events, email us at editor@edgeprop.my. Events listed here will also appear on www.EdgeProp.my.**Enchanted Christmas****Date:** Dec 15 & 16 (Sat & Sun)**Time:** 3pm to 10pm**Venue:** d'Tempat Country Club, Bandar Sri Sendayan, Seremban, Negeri Sembilan**Contact:** 1-800-88-2688

Pororo & Friends will be making their appearance at d'Tempat Country Club this weekend for an Enchanted Christmas celebration with Matrix Concepts Holdings Bhd. A host of workshops and activities have been lined up over the two days including face-painting and fridge magnet workshops, live deer feeding, Acapella Christmas carols and a Quick Change performance.

Christmas carolling, a live band, a dance performance and a lucky draw. Light refreshments will be served.

**Splash 'N' Slide Carnival****Date:** Dec 15 & 16 (Sat & Sun)**Time:** 10am to 5pm**Venue:** Kajang 2 Sales Gallery, PSRN Kajang 2, Seksyen 1, Kajang 2, Selangor**Contact:** (03) 8733 0888

Organised by MKH Bhd, have some fun with the family at the carnival which features a 250ft-long inflatable course with eight obstacles and other games. There will also be delicious Japanese food available on that day.

Magical Christmas Party**Date:** Dec 15 (Sat)**Time:** 4pm to 10pm**Venue:** Southbay Sales Gallery, No 1, Southbay City, Jalan Permatang Damar Laut, Bayan Lepas, Penang**Contact:** (04) 628 8188

Mah Sing Group Bhd invites all to join in the festive Christmas celebrations. The family friendly event will feature activities such as a DIY pop-up cards workshop,

Christmas cake-pop making workshop**Date:** Dec 16 (Sun)**Time:** 11am to 4pm**Venue:** IOI Galleria @ 16 Sierra, Persiaran Sierra Utama, 47110, Puchong, Selangor**Contact:** (03) 8944 9999

Join IOI Properties Bhd and ring in the holidays by taking part in a fun cake-pop making workshop for all ages. Learn how to make your own Christmas themed cake-pops from a professional instructor. Seats are limited. Log on to the Facebook page to register.

**Dutch Heritage Sunday****Date:** Dec 16 (Sun)**Time:** 11am to 5pm**Venue:** The Era Sales Gallery, No 238, Jalan Segambut, Kuala Lumpur**Contact:** 1-700-81-8081

JKG Land is hosting a Dutch heritage party where guests can savour Dutch cuisine, enjoy a selection of Gouda cheese and organic alcohol-free red wine. Bring your children and get them to explore the craft of creating the iconic Dutch windmill.

FENG SHUI & ASTROLOGY
LIVE SEMINAR 2019

Joey Yap's Feng Shui & Astrology Live Seminar 2019

WIN two tickets!

Date: Jan 5 (English) & 6 (Cantonese)
Time: 10am to 5pm
Venue: Malaysia International Trade and Exhibition Centre (MITEC), No 8, Jalan Dutamas 2, Kuala Lumpur
Contact: (03) 2284 8080

The year 2019 is upon us and once again the annual Joey Yap Feng Shui & Astrology Live Seminar is back! Join a contest exclusively for EdgeProp.my readers and win two tickets to the seminar. Go to www.EdgeProp.my, to submit your most interesting Feng Shui questions and be in the running to win. Contest ends Dec 19.



20' X 70'

Double Storey
Terrace House

OPEN FOR
REGISTRATION

Visit Our
Show Unit For A
Closer View Today!

Credited to EdgeProp.my



IDEALLY YOURS!

Designed to transfer dreams and hopes into reality, BACCAS is the latest IDEAL Home concept in Setia Eco Hill 2. This stunningly modern abode encapsulate the ideas and choice of Malaysian in creating the most ideal home for their family. Featuring a spacious 4 bedrooms design, it is complemented by natural parkland, guarded community services as well as surrounded by various amenities and facilities,

BACCAS has it all as your perfect home.

Stay Together. Stay Setia
livelearnworkplay

Call +603 8724 2255

SETIA ECOHILL SDN BHD (903607-T)
Setia Ecohill Welcome Centre
Club 360, No. 1, Persiaran Ecohill Barat, Setia Ecohill,
43500 Semenyih, Selangor D.E, Malaysia.
T +603 8724 2255 F +603 8724 2525 E ecohill@spsetia.com



FOR REFERENCE ONLY

All information contained in this press ads is subject to change as may be required by the relevant authorities or developer's architect and without notification to you and shall not be taken as the identical representation of the actual unit that is to be or being purchased by you or part of an offer or contract. Please refer to the Sale and Purchase Agreement of the actual unit for specifications and description approved by the Authorities and the actual unit shall be constructed accordingly.



Design competition to revive unused space below highways

BY TAN AI LENG

PETALING JAYA: Think you can do something about those unused spaces under highways? If you have any idea, please take part in Malaysia's first design competition that seeks to rejuvenate these dead spaces.

Launched by Majlis Perbandaran Seberang Perai (MPSP) and urban rejuvenation organisation Think City, the competition is part of efforts to revitalise and optimise unused spaces in Seberang Perai.

The first site for this competition has a collective space of 4,338 sq m, formed by three traffic islands near Jalan Bagan Dalam located under the elevated Butterworth Outer Ring Road (BORR) — about 250m from Penang Sentral.

The 14km six-lane BORR is a coastal highway that connects Sungai Dua in the north to Perai in the south.

It was constructed in 2006 to relieve traffic congestion on the North-South Expressway (Sungai Dua – Juru), especially during rush hours.

However, the convenience of the BORR has inadvertently cut Butterworth off from the coastline and has affected the business and population growth of the town.

To address this, Think City and MPSP has signed a memorandum of understanding in 2015 to draw up a framework to revitalise Butterworth in an initiative called the Butterworth Baharu programme.

Under this programme, focus areas for rejuvenation include the Butterworth Waterfront, Sungai Perai, Pekan Lama and the Harbourfront. These sites were identified for rejuvenation as high potential locations that would improve the liveability of Butterworth.

“For more than a decade, residents have



MPSP / THINK CITY

Present at the site visit to the BORR were Malaysian Resources Corp Bhd COO Shireen Iqbal (fifth from the left), ILAM vice-president Dr Nor Atiah Ismail, Think City head of urban solutions unit Dr Matt Benson, MPSP council member K. Kumaran, MPSP head of Butterworth Baharu unit Normaira Abdul Rahman, Malaysian Highway Authority (northern region) assistant director Wan Suhana Wan Nahar, Malaysian Institute of Planners northern region chairman Cheah Lye Aik and ILAM immediate past president Dr Osman Tahir (third from right).

been denied safe access to the coast which represents a significant loss of a valuable public asset. There is a pressing need to address the loss of community space by introducing new ones,” said Hamdan Abdul Majeed, managing director of Think City in a recent press release.

Co-organising partner the Institute of Landscape Architects Malaysia (ILAM) has been given the task of managing the competition.

ILAM President Assoc Prof LAr Dr Suhardi Maulan said the collaboration with Think City allowed ILAM to get more involved with the community and use their members' expertise to solve problems and turn vision into reality.

“It is our dream to see the dead spaces under the BORR transformed into a beacon of greenery and community resiliency. We hope through the competition, the participants could come up with holistic solutions which could be a catalyst for future landscaping and developments in Butterworth,” he added.

Meanwhile, MPSP president Datuk Rozali Mohamad said by establishing attractive and functional open spaces for community gatherings and healthy recreational use, the project will maximise the potential of these inefficiently used spaces to improve liveability in Butterworth.

According to Hamdan, Think City is on the lookout for project sponsors and part-

ners for the construction of more pocket parks beyond Butterworth.

“We are open to new collaborations as there are just so many possibilities for the spaces under elevated structures. In this regard, we act as the facilitator and lead organiser for all things related to reimagining spaces with a view of catalysing urban rejuvenation.”

The organising committee had held a site briefing for close to 180 interested participants on Dec 11, to provide them a better understanding of the site context.

The competition is open to all Malaysians until Jan 25, 2019. Foreigners can participate as a member of a group led by Malaysians. Details can be found at ilamalaysia.org.

Pantai Sentral Interchange now open to traffic

BY NATALIE KHOO

KUALA LUMPUR: The Pantai Sentral Interchange is now open, offering direct access to the New Pantai Expressway (NPE).

Construction of the 2.8-km interchange had taken 18 months, and was built by IJM Land Bhd and Amona Development Sdn Bhd — the joint developers of Pantai Sentral Park.

The interchange, involving a total investment cost of RM98 million, will provide vital entry and exit points from the NPE directly to the Pantai Sentral Park development.

Consisting of three ramps located at Kilometre 11 of the NPE, it complements the local road networks in the Bangsar South, Pantai Hill Park, Kerinchi and Pantai Dalam areas.

IJM Corp Bhd CEO and managing director Datuk Soam Heng Choon said at the official opening ceremony yesterday that as a township developer, connectivity is key and it is important to ensure that access roads to developments are planned first.

“The opening of the interchange is timely prior to the handover of the first phase of 211 condominium units at Pantai Sentral Park known as Inwood Residences.

“We will welcome our first batch of residents



LOW YEN YEING | EdgeProp.my

(From left) Lembah Pantai MP Ahmad Fahmi Mohamed Fadzil, Malaysian Highway Authority director Datuk Aziz Abdullah, Soam, Mohd Anuar, deputy chief secretary of the Works Ministry Datuk Abdul Razak Jaafar, and group CEO of Amona Development Sdn Bhd Che Hasnadi Che Hassan, at the launch of Pantai Sentral Interchange.

in 1Q2019 while the second phase called Se-coya Residence comprising 243 units of residential condominiums is slated for completion over the next couple of months,” said Soam.

He added that with the new interchange, residents of Pantai Sentral Park and the larger community will have smoother drives to major hot spots in the Klang Valley such as

Kuala Lumpur and Bangsar north-bound, as well as Subang, Sunway and Petaling Jaya south-bound. It will also create opportunities for development in nearby areas.

Pantai Sentral Park is a mixed-use development comprising seven residential and six commercial phases, with a gross development value of RM5.6 billion. The

58-acre project is adjacent to the 200-acre Bukit Kerinchi forest reserve. The township is set to be completed within 10 to 15 years.

Besides the new interchange, Pantai Sentral Park is also accessible via the Lebuhraya Damansara-Puchong (LDP Highway), Federal Highway, Kerinchi Link (SPRINT Highway), MEX Highway (Maju Expressway), Jalan Kerinchi, Jalan Gasing, Jalan Pantai Dalam and Jalan Templer.

Meanwhile, Deputy Works Minister Mohd Anuar Mohd Tahir who officiated the event said the involvement of the private sector has helped the government to modernise the country's infrastructure, especially in the building of highways and new industrial areas such as those in Senawang, Tanjung Malim, Nilai, Ayer Keroh and Gurun.

He also emphasised the importance of highway maintenance.

“Concession companies have to understand that the needs of road users have changed from 20 to 30 years ago. Road users not only want to reach their destinations safely and on time, they also want a journey which enables them to gain new and value-added experiences. Nowadays, certain value-added services are no longer nice to have, but a necessity,” said Mohd Anuar.

KERANJI 2

Double Storey Terrace House 20' x 70'

FREEHOLD



Artist's Impression

NATURE-INSPIRED HOMES

Experience green and serene landscapes. Enjoy vibrant spaces and facilities designed for the whole family. Discover **Keranji 2 at Greenwoods Salak Perdana**, where practical living blends perfectly with lush surroundings. Here, you can enjoy the ideal lifestyle, in a place you can truly call home.

VISIT US TODAY TO FIND OUT MORE

PARAMOUNT PROPERTY GALLERY, GREENWOODS
 No.32A & 36, Jalan Belian 1, Taman Salak Perdana, Bandar Baru Salak Tinggi,
 43900, Sepang, Selangor.

WAZE : Greenwoods Sales Gallery
 GPS Coordinates : N 2.838838 E 101.725941

012-422 9003

[ParamountPropertyMalaysia](#)
[paramountpropertymy](#)

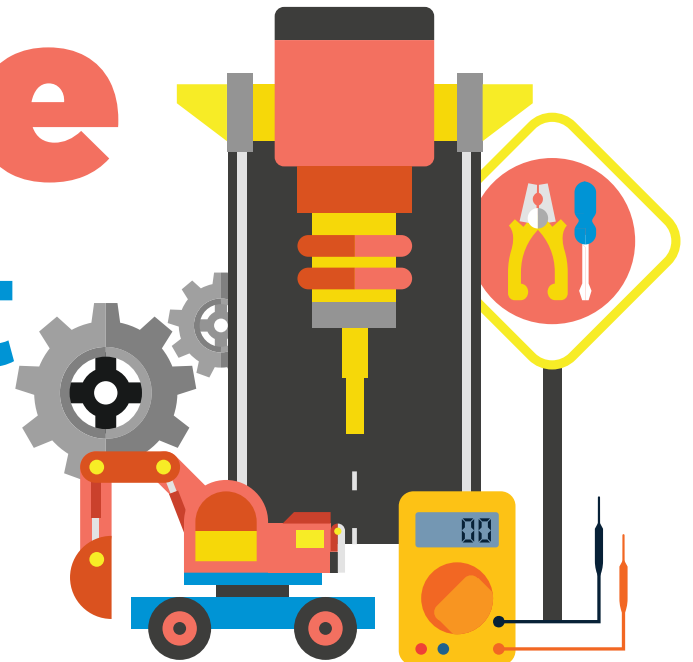
GREENWOODS **PARAMOUNT**
 Salak Perdana PROPERTY

DEVELOPER: PARAMOUNT PROPERTY (SEKANG) SDN BHD (1122275-W) • 2 Jalan Anggerik Vanilla R31/R, Kota Kemuning Section 31, 40460 Shah Alam, Selangor. • Tenure of Land: Freehold • Developer Licence No.: 14134-3/08-2020/0768 (L) • Validity Period: 28/08/2018 - 27/08/2020 • Advertising & Sales Permit No.: 14134-3/08-2020/0768 (P) • Validity Period: 28/08/2018 - 27/08/2020 • Approving Authority: Majlis Perbandaran Sepang • Reference No : MP.SPG.600-34/5/43 • Land Encumbrances: Public Islamic Bank Berhad • Freehold • Expected Date of Completion: September 2020 • Restriction in Interest: Nil • Property Type: 2 Storey Terrace House • No. of units: 254 (Total) • Built up: 1,965 sf, Size: 20' x 70', Min. Price: RM 629,412, Max. Price: RM 1,210,118 • ADVERTISEMENT APPROVED BY NATIONAL HOUSING DEPARTMENT • Discount for Bumiputra: 7%

The information contained in this visual is subject to change and cannot form part of an offer or contract. All illustrations and pictures are artist's impressions only. The items are subject to variations, modifications and substitutions as may be recommended by the company's consultants and/or relevant approving authorities.



Compliance cost and what it means



BY SHAWN NG

The calls to reduce compliance cost and capital contributions in housing developments have been made for some time now and finally, the government or rather the new Pakatan Harapan administration has decided to do something about it.

At end-November, Housing and Local Government Minister Zuraida Kamaruddin revealed that there will be a guideline under the affordable housing sub-policy of the upcoming National Housing Policy 2.0 (NHP 2.0), that requires utility companies to take over the cost of building utilities such as water, electricity and telecommunications from developers of affordable houses for the B40 group. While this could be a relief for property developers, it might not be so positive for utility companies.

In any case, does the man on the street actually understand what compliance cost covers and how it impacts house prices?

According to MKH Bhd managing director Tan Sri Eddy Chen, the compliance cost in housing developments are expenditure derived from “complying” with set regulations. This includes development charges, Improvement Service Fund (ISF), strata title application and land conversion premiums.

Among the compliance cost, the ISF is a fund established in each local authority to collect funds for the purpose of the beautification, construction or laying out of any street, drain, culvert, gutter or water-course in their jurisdictions, according to the Street Drainage and Building Act 1974.

Capital contributions, on the other hand, are payments made by developers to utility providers for the provision of sewerage, telecommunication services, water and electricity in their projects, he told EdgeProp.my.

“Capital contributions and compliance costs are significant in influencing a project’s feasibility, especially for developments under affordable housing schemes. The passing-on of these costs to homeowners could directly contribute to reduced housing affordability,” Chen says.

To improve housing affordability, most people would look at reducing land cost and construction cost — the two largest cost components in a housing development, but there is actually very little room for developers to reduce cost from these two components, especially if they are building in a prime location and do not want to compromise on quality.

Hence, he says, in order to reduce the cost of doing business for property developers and raise housing affordability, one suggestion is to reduce or remove unnecessary compliance and capital charges, which could range from 8% to 20% of the gross development value (GDV) of a property project.

HARIS HASSAN | THE EDGE



Capital contributions and compliance costs are significant in influencing a project’s feasibility, especially for developments under affordable housing schemes. — Chen

PATRICK GOH | THE EDGE



There are just too many risks in such an arrangement, the biggest of which is if the developer does not complete the building portion, thus upsetting the entire investment made. — Mohd Ridhuan

Of note is that when a developer mentions compliance cost, he is usually referring to both compliance and capital contributions.

To explain how compliance cost and capital contributions can affect the cost of doing business, Chen cites an example from MKH’s research report on “The Impact of Development Contributions & Costs Associated with Planning Intervention”.

TABLE 1
Sample of cost breakdown for an apartment project in the Klang Valley

ITEM	NUMBER OF APARTMENTS TO BE BUILT	COST PER UNIT	TOTAL GDV	
Gross development value (GDV)	500 units	RM250,000	RM125,000,000	
COST COMPONENT	COSTING		TOTAL COST	COST TO GDV
Total building cost			RM61,650,000	49.3%
Apartments	450,000 sq ft (500 x 900 sq ft)	*RM95 psf	RM42,750,000	
Car park podium	1,050 bays	*RM18,000 per bay	RM18,900,000	
Total land cost	5 acres of land	*RM110 psf	RM23,958,000	19.2%
Total infrastructure cost			RM9,250,000	7.4%
Road, drainage and road services	5 acres of land	*RM1,000,000 per acre	RM5,000,000	
Landscaping	5 acres of land	*RM650,000 per acre	RM3,250,000	
Upgrading cost for traffic disbursement	—	—	*RM1,000,000	
Total capital contributions & compliance costs			RM8,231,200	6.6%
Land conversion premium (agriculture to residential)	—	15% of the land value	RM3,593,700	
Development order/planning fees	500 units of apartments	RM50	RM25,000	
Building plan and infrastructure fees	500 units of apartments	RM150	RM75,000	
Survey fees	5 acres of land	RM5,000	RM25,000	
Strata title application	500 units of apartments	RM1,200	RM600,000	
ISF contribution – road	450,000 sq ft (500 x 900 sq ft)	RM500 for every 1,000 sq ft	RM225,000	
ISF contribution – drainage	5 acres of land	RM5,000	RM25,000	
Development charges	—	1.5% of GDV	RM1,875,000	
Contribution to TNB	500 units of apartments	RM450	RM225,000	
Contribution to IWK	—	1% of GDV	RM1,250,000	
Contribution to SYABAS – residential project	—	0.25% of GDV	RM312,500	
Total facilities cost			RM340,000	0.3%
TNB sub-station	1 unit	*RM150,000	RM150,000	
Refuse chamber	1 unit	*RM80,000	RM80,000	
Surau	1 unit	*RM50,000	RM50,000	
Guard house	1 unit	*RM60,000	RM60,000	
Total of other soft costs			RM6,643,272	5.3%
Professional fees		*About 6% of construction** cost	RM4,768,272	
Sales and marketing and administration cost		*1.5% of GDV	RM1,875,000	
Developer’s pre-tax profit margins (net profit margin 7.7% + tax 4.2%)				11.9%
Total cost to GDV				100%

Note: *Estimated based on common practice and market price **Total building cost + infrastructure cost + facilities cost

SOURCE: MKH’S “THE IMPACT OF DEVELOPMENT CONTRIBUTIONS & COSTS ASSOCIATED WITH PLANNING INTERVENTION” REPORT



Impact on property prices

The research report used the example of a developer which wanted to build 500 units of 900 sq ft standard apartment units with a selling price of RM250,000 on a five-acre agriculture land in the Klang Valley which was to be converted into residential land subject to the density of 100 dwelling units per acre.

The total compliance costs and capital contributions of the apartment project is estimated at RM8.23 million, or about 6.6% of the RM125 million GDV of the project (Table 1).

In the example, the after-tax profit margin is estimated at 7.7% of GDV after deducting a tax of 4.2%, which is relatively less than the margin of 10% to 15% for standard high-rise residential developments, says Chen.

Even if such a development was carried out, the property would no longer be priced at the affordable level of RM250,000 but to be revised upward to RM350,000 to ensure the feasibility on margin, he continues.

This shows that any costs, charges or restrictions in doing business that are imposed on developers will ultimately be passed on to the homebuyers, causing an increase in housing price, he emphasises.

“The impact of compliance cost is significant in the sense that it includes development charges, contributions to various authorities, professional fees, as well as for setting aside land and infrastructure for public utilities. Development charges are based on the total approved built-up space and are charged upfront before the developers get the approval.

“This shows that compliance cost can influence project feasibility. The reduction or removal of these charges can help to reduce the cost of doing business, thereby enhancing housing affordability,” he concludes.

Coupled with other measures such as building on government land and reducing minimum parking requirements, reducing compliance cost can help tackle the issue of housing affordability, Chen adds.

“One should, however, bear in mind that the housing industry is an interconnected or an integrated ecosystem, where issues or problems cannot be addressed by a ‘one size fits all’ solution,” he notes.

“Sometimes, certain measures work better than others. For example, in a transit-oriented development (TOD) or in areas where the public transportation network is well established, reducing the minimum parking requirement could be a more viable solution,” he says.

Utility players’ views

While developers may welcome the news that utility companies will need to bear their own cost when providing their respective utilities in a development project, what do the utility companies have to say about that?

National Water Services Commission (SPAN) CEO Datuk Mohd Ridhuan Ismail warns that if utility companies are to put up their respective infrastructure and pay for it upfront, it will make many, if not all utility providers become insolvent, considering their current financial situation where revenue could hardly cover operational costs.

“Water supply and sewerage developments require huge upfront costs,” he says. “(To comply with the new requirement), the infra costs would have to be raised by PAAB (Pengurusan Aset Air Bhd) which will charge a lease rental to the water operators and the assets will need to be transferred to PAAB until all payments due have been settled.

“There are just too many risks in such an arrangement, the biggest of which is if the developer does not complete the building portion, thus upsetting the entire investment made,” he adds.

Hence, Mohd Ridhuan believes the current system which requires developers to

LOW YEN YEING | EdgeProp.my



Household incomes need to rise. Given a stable and objective government, this is going to happen and the problem will reduce substantially in years to come.” — Boyd

TABLE 2
Compliance cost increments from 2008 to 2018

ITEM	2008	2018	
		City or municipal council	District council
Development Charges (Under Town and Country Planning Act 1976 – Methods of Development Charges 2010)	0%	30% of the enhanced value of the land	20% of the enhanced value of the land
Improvement Service Fund (Residential)	0	RM250/unit	RM500/unit
Utility charges or sewerage contributions	0%	1% of GDV	

SOURCE: MKH

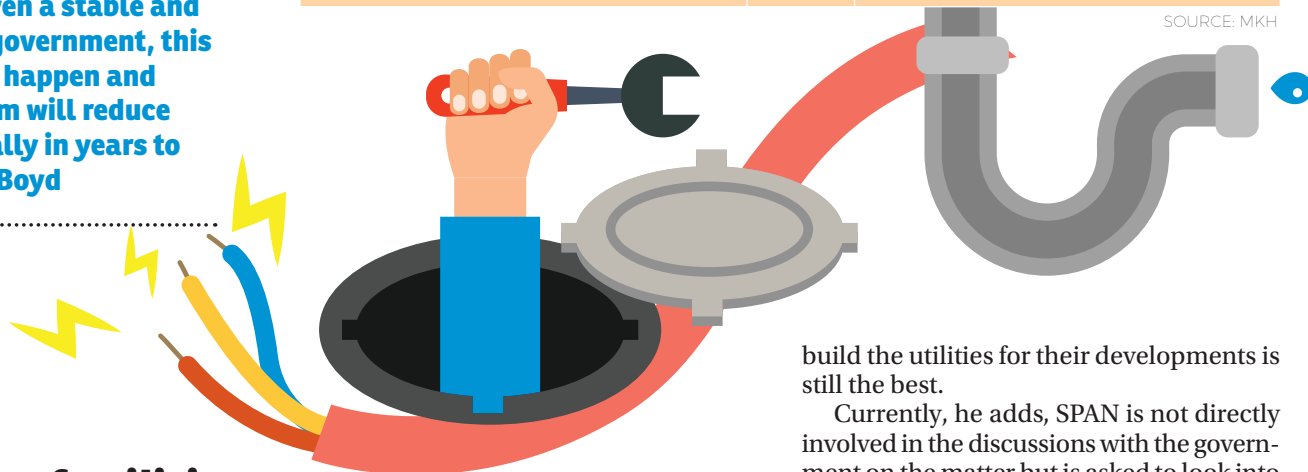


TABLE 3
Example of utilities contribution by developers

AGENCY	REQUIREMENT	CONTRIBUTION CHARGES													
Tenaga Nasional Bhd (TNB) 	<ul style="list-style-type: none"> Provide land for TNB substation Pay for construction of substation and surrender it to TNB upon completion 	<table border="1"> <thead> <tr> <th>TYPE</th> <th>CHARGE PER PREMISE (RM)</th> </tr> </thead> <tbody> <tr> <td>Single phase (overhead)</td> <td>450</td> </tr> <tr> <td>Three phase (overhead)</td> <td>750</td> </tr> <tr> <td>Three phase (underground)</td> <td>1,700</td> </tr> </tbody> </table>	TYPE	CHARGE PER PREMISE (RM)	Single phase (overhead)	450	Three phase (overhead)	750	Three phase (underground)	1,700					
TYPE	CHARGE PER PREMISE (RM)														
Single phase (overhead)	450														
Three phase (overhead)	750														
Three phase (underground)	1,700														
Indah Water Konsortium (IWK) 	<ul style="list-style-type: none"> If central sewerage system needs upgrade or enlargement, developer has to undertake at own cost Developer must build own sewerage if no existing system is available (including cost of land, treatment plant pump, sewer lines manholes, trunking and reticulation) 	1% charge of house selling price if a development is connected to an existing central sewerage system													
Syarikat Bekalan Air Selangor Sdn Bhd 	<ul style="list-style-type: none"> Developer may build own integrated water supply system for major developments but still required to pay for water contribution Rates where supply mains and service reservoir are constructed by water distribution licensee: <ul style="list-style-type: none"> – the above rates apply + (RM1.20 x estimated water demand) 	<table border="1"> <thead> <tr> <th>TYPE</th> <th>CHARGE PER PREMISE (RM)</th> </tr> </thead> <tbody> <tr> <td>Low/low-medium/medium-cost house/flat</td> <td>75</td> </tr> <tr> <td>Premise priced RM70k to RM150k</td> <td>300</td> </tr> <tr> <td>Premise priced RM150k to RM300k</td> <td>500</td> </tr> <tr> <td>Premise priced RM300k to RM500k</td> <td>1,000</td> </tr> <tr> <td>Premise priced above RM500k</td> <td>1,500</td> </tr> </tbody> </table>	TYPE	CHARGE PER PREMISE (RM)	Low/low-medium/medium-cost house/flat	75	Premise priced RM70k to RM150k	300	Premise priced RM150k to RM300k	500	Premise priced RM300k to RM500k	1,000	Premise priced above RM500k	1,500	
TYPE	CHARGE PER PREMISE (RM)														
Low/low-medium/medium-cost house/flat	75														
Premise priced RM70k to RM150k	300														
Premise priced RM150k to RM300k	500														
Premise priced RM300k to RM500k	1,000														
Premise priced above RM500k	1,500														
Telekom Malaysia 	<ul style="list-style-type: none"> Telekom Malaysia (TM) Smart Partnership programme to provide telecommunication infrastructure for new projects Contribution charges imposed, in addition to other existing costs of providing infrastructure such as trunking, cabling etc. 	<ul style="list-style-type: none"> Average of RM2,500 to RM4,000 per house to secure provision of telecommunications services by TM RM4,000 and RM6,000 per unit to install high-speed broadband infrastructure 													

SOURCE: MKH

build the utilities for their developments is still the best.

Currently, he adds, SPAN is not directly involved in the discussions with the government on the matter but is asked to look into the design and technical considerations in the provision of water supply and sewerage infrastructure.

Meanwhile, Indah Water Konsortium Sdn Bhd (IWK) CEO Faizal Othman concurs with Mohd Ridhuan that utility companies are already bearing a heavy financial burden and any further increase in operating costs will add to their load.

Citing IWK as an example, he says the annual collection rates for the sewage management company have improved to more than 90% but even at that level of efficiency, it still has to rely on government assistance to make up its operating deficit.

“[So] any further increase in our operating costs will have to be balanced against higher charges on consumers or more government assistance,” he says.

On top of that, utility companies may very likely “drag their feet” if they are required to build their own infrastructure, warns property consultancy Savills Malaysia executive chairman Datuk Christopher Boyd.

“[But] if it is the responsibility of the developer, it will get done quicker,” he says.

Boyd believes there are other alternatives that the government can consider when tackling the issue of housing affordability such as providing state-owned land that is free, pre-approved and converted for developers to develop a mix of affordable housing and normal houses of market price.

“Well, of course there should be better cooperation between federal and state governments. [And] remember that there are also extensive pockets of federal-owned land in each state, some of which may be currently idle. The Education Ministry for example, is a big land-owner across the peninsular,” he elaborates.

Besides that, Boyd feels that land conversion premiums should be abolished entirely because they are an “anachronism”. He says the ISF could also be reduced for affordable and low-cost housing developments.

In his view, the key to address the housing affordability issue lies in household incomes.

“On a macro level, household incomes need to rise. Given a stable and objective government, this is going to happen and the problem will reduce substantially in years to come,” he says.



Musk's Chicago tunnel moves closer to reality

BY SARAH MCBRIDE & JANAN HANNA

CHICAGO: Elon Musk's planned project to tunnel from downtown Chicago to O'Hare International Airport has taken an important step forward, despite losing its biggest champion.

The Boring Co is now midway through an environmental assessment, according to Tom Budescu, managing director of finance at the Chicago Infrastructure Trust, the organisation charged with negotiating the contract on behalf of the city. Boring Co was selected for the job this summer, an announcement that came with much fanfare, including a joint press conference with Musk and Mayor Rahm Emanuel. After the assessment is completed, the tunnelling project will go to Chicago's city council for review.

"We're feeling very confident that the project agreement is getting to the point of refinement," Budescu said at an Infrastructure Trust meeting on Tuesday. "We're getting pretty far along in that process." He said that Boring Co was working with federal and local officials, including the Federal Highway Administration and the Chicago Department of Transportation, on the environmental review mandated by US law. Because the tunnel is likely to go under an interstate roadway, the Federal Highway Administration is overseeing the review.

The project's advancement through the early stages of environmental review sig-



BLOOMBERG

Musk is a major financier of Boring Co, which has raised capital through the sale of merchandise, such as hats (US\$1 million or RM4.18 million in sales) and flamethrowers (US\$10 million).

nals brisk momentum for a company that launched only two years ago, but also presents a challenge. Musk has yet to prove he can get one of his several proposed tunneling initiatives beyond the concept stage and into commercial service.

The progression may also be a sign of Mayor Emanuel's determination to advance

the project before he leaves office this coming May. Three months after he announced that Chicago had selected Boring Co to build the tunnel, Emanuel said he wouldn't run for a third term as mayor, casting doubts on the future of the express service to O'Hare, which has been in the works for years.

The proposed venture would whisk Chicago passengers from the city's downtown Loop district to the airport in about 12 minutes using Boring Co's "Loop" technology: wheeled carriages the company calls autonomous electric skates. The skates would run at up to 150 miles per hour in dedicated tunnels.

It isn't the only Boring Co project undergoing environmental review. A project to build a tunnel connecting Baltimore to Washington is quietly moving ahead, with Boring Co staff and the Maryland Department of Transportation currently working on an environmental assessment, a spokesman for the department told Bloomberg.

Meanwhile, although a test tunnel on Los Angeles's west side was scrapped last month, Boring Co plans to open a mile-long test tunnel in Hawthorne, California, near the headquarters of Musk's Space Exploration Technologies Corp rocket company. A delegation from Chicago is expected to attend the opening next week.

If Emanuel can steer the project through city council before he leaves office, it could significantly increase the odds that the transit

system, called X Line, will eventually get built.

"It's a very quick timetable that they're under," said Rick Harnish, executive director of the Midwest High Speed Rail Association. "But not impossible."

Environmental reviews can sometimes take years, but because the process Boring is undergoing is an assessment rather than a more laborious environmental impact statement, the timeline will likely be shorter. "If the project proponent has a bang-up consultant team, and if they've got everything well thought-out," said Parker Moore, a principal at environmental law firm Beveridge & Diamond, "they can really streamline the agencies' review time." Simple environmental assessments, such as relatively short pipelines, can take as little as a few months, he said, but those involving larger projects and urban areas can take a year or more.

The Chicago plan doesn't quite match the vision Musk laid out in a 2013 white paper on what he christened hyperloop, a technology that would run at 760 miles per hour, about triple the speed of any high-speed train currently operating. In a June press conference, Musk said the hyperloop concept would work for longer distances between cities, whereas shorter distances such as the 17 miles between downtown Chicago and the airport are better suited for the scaled-down loop technology. A loop system could one day connect to a broader hyperloop system, he said. — Bloomberg



MALAYSIA'S BEST MANAGED PROPERTY AWARDS 2019

ENDORSED BY



MINISTRY OF HOUSING AND
LOCAL GOVERNMENT

**ALSO OPEN
FOR SUBMISSION
(NO FEES REQUIRED)**

- EdgeProp Malaysia's Responsible Developer: Building Sustainable Development Award
- EdgeProp-ILAM Malaysia's Sustainable Landscape Award

AWARDS OBJECTIVE

Promote sustainable real estate in Malaysia through recognition of:

- Malaysia's best property management practices
- Property in Malaysia designed and built for sustainability

**NOW OPEN FOR ENTRIES
(NO FEES REQUIRED)**

- All Residential, Office, Mixed Development, Specialised and Retail properties managed in-house/by property building managers
- Strata and Non-strata buildings

HOW TO ENTER

Download entry forms on go.edgeprop.my/awards2019

For enquiries, contact EdgeProp.my Marketing and Communications at:

- 603-7721 8289 or
- email awards@edgeprop.my

SUBMISSION DEADLINE

All entries must reach The Edge Property Sdn Bhd, Level 3, Menara KLK, No. 1 Jalan PJU 7/6, Mutiara Damansara, 47810 Petaling Jaya, Selangor by **5pm, Monday, 14 January 2019**

Awards results audited by Deloitte

**ENTER
NOW!**

PRESENTED BY



PARTNER



SUPPORTED BY







