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Investing beyond our shores

In the past, only wealthy Malaysians could afford to buy homes in London, New York and other world leading cities. Today, an increasing number of higher and middle income earners are buying properties abroad.

Stories by **LIM CHIA YING**
chiaying@thestar.com.my

COMPANY director P.E. Chua bought his first foreign property four years ago, paying A\$350,000 (RM1.1mil) for a house in Melbourne, Australia.

"My daughter was seven years old then and I was worried about the 6% annual inflation cost in Australian education. So I thought it would be a good idea to invest in a landed property there instead of another property in KL," says the 44-year-old.

Chua, who has rented out the Melbourne house, says he has the option of either letting his daughter stay there once she starts her tertiary studies, which could be another six or seven years, or dispose of the property to offset her education costs.

Chua is among a growing number of local investors snapping up properties abroad, finding the prices almost at par with or even lower than those in Kuala Lumpur and Penang where prices have skyrocketed in prime locations.

Apart from Australia, Britain and the United States have also become real estate hotspots for Malaysian investors hoping to spread their property portfolio.

Real estate firms with international partners have been aggressively promoting new housing projects overseas, placing prominent advertisements in local newspapers. Every other weekend, a property showcase or seminar is taking place in the Klang Valley and the crowd that turns up is an indication of the interest shown by local investors to diversify beyond our shores.

Another investor, K. Devaraj (not his real name), says he bought a 600sf studio apartment in central London two years ago for £400,000 (RM1.9mil). He considers the investment worthwhile as the price has since gone up.

"My son needed a place to stay while studying and I bought the place partially for investment," he says. "I have no regrets as my son

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may just stay on even after his studies. So, it is likely I will keep the apartment for the long term."

Like Devaraj, many Malaysian buyers are taking advantage of the current economic situation to pick up some good buys. The interest shown by individual investors is not surprising considering that our Employees Provident Fund has picked up premium British properties worth a total £634mil (RM3.1bil).

On Friday, *Star Business* reported that Lembaga Tabung Haji and Permodalan Nasional Bhd are also looking for premium properties for their yield, with London as their first choice, followed by Australian cities.

Henry Butcher Malaysia director Lim Eng Chong says that as local prices get higher for Malaysian buyers, overseas properties are deemed not so pricey any more.

"Apartments in London, for instance, can be quite affordable; in 2009, a unit may just cost £115,000 (RM721,041). The finishing is just as good, if not better than local properties," he says.

"I think Malaysians have always had a disposable income but it is only in recent times that they have become more savvy."

Jalin Realty International Pte Ltd chief executive officer Ian Chen concurs, noting that while Malaysians have invested overseas for some time, it is only in recent years that the pace has picked up.

"It makes financial sense for parents to buy a place where their children can stay while studying instead of renting a place. Some already have friends and relatives living in the foreign city, and they ask: why not invest in a unit too," says Chen.

Established over 30 years ago, Jalin ventured into marketing overseas properties five years ago. Its core market is Australia, where it is partnering conglomerates like Lend Lease, Australand, Frasers Property and other boutique developers to market their properties.

In the United States, the credit

crunch since 2008 has led to property prices plunging. With lower prices and a weakening dollar, the US property market has become attractive to foreign investors, among them Malaysians, according to international property investment firm Robert Douglas.

In some places, says its head of sales and marketing (Asia) K. Daniel, prices are so low that one can even pick up a three-bedroom house from RM150,000. A good suburb location would cost RM200,000 onwards compared to RM700,000 back in 2007.

"For that property price, you can get back a monthly rental of between RM900 and RM1,000. Most of our clients are from middle to high income Malaysians, well-educated, aware of the global economic situation, the currency market, have a good investment portfolio and are ready to diversify," he says.

Henry Butcher Malaysia's international real estate general manager and business development general manager Jazmine Goh points out that potential customers would usually have done some research themselves or have friends or relatives check out the site.

For first-time investors, she adds, there are rental management experts to assist in managing the property.

Chua admits to being cautious before buying any property. In his case, he relies on Jalin Realty to oversee his Australian investments as he cannot be there physically to handle them.

"Everything has worked out smoothly so far, with the rent banked into my account every month. There is also protection (insurance) against default by the tenant or damage caused and I feel I can better trust the property managers there than here," Chua shares.

"Owners like us want peace of mind when it comes to rental returns."

His advice for first-time buyers is that they need to know their objective and reason for investing over-

seas. Such investments could be made in preparation for their children's future education or if they plan to retire or migrate, he says.

But Chua cautions against buying to speculate.

"There's the currency (fluctuations) and other calculated risks to take into consideration and tax rates to be wary of. Buyers should also have holding power to allow enough time for a property to mature. And most importantly, get a trustworthy agent," he says.

"It can be worth it on a medium to long-term basis, but I would advise against a short-term commitment as property disposal overseas is not that straightforward."

Chua regards overseas investments like his as affordable so long as it's dollar-for-dollar and one does not convert.

Another investor, who wishes to be known only as Vincent, says it can be a hassle renting out a house in Malaysia.

"Good tenants are hard to find and you have to personally deal with problematic tenants who give you a headache," says Vincent, who owns several properties in Australia.

"With overseas properties, you have property managers to handle the lease and there's protection for owners. Also, I don't think rental returns here are that good anyway, even in upmarket locales."

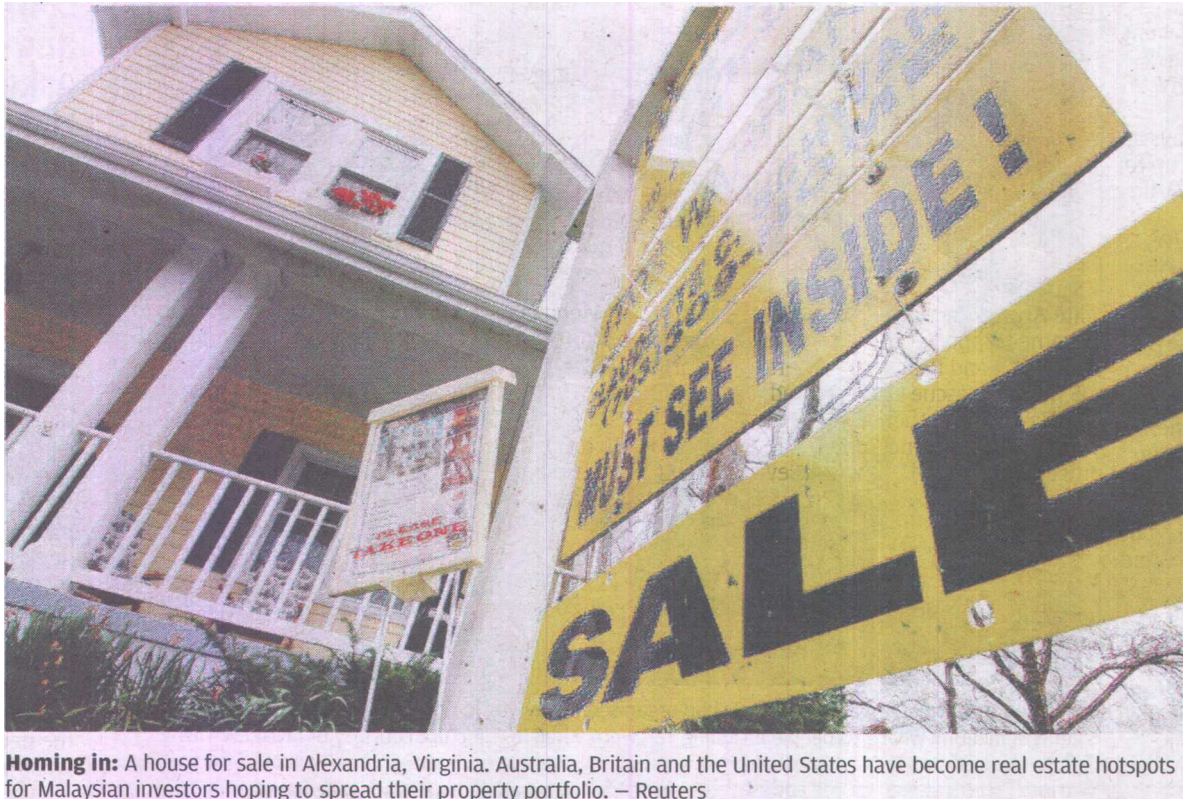
Chen says a huge advantage about property buying in Australia is the reliability of property management there. Property owners need only engage property managers who will help to look for tenants and manage the rental collection and renewal of tenancy agreements.

"There's also a landlord protection insurance that protects the landlord in the event of loss of rental (delinquency in rental repayment), property damage or theft by the tenant," he adds.

"Owners can thus invest with peace of mind knowing that the property is protected and in good hands."

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Homing in: A house for sale in Alexandria, Virginia. Australia, Britain and the United States have become real estate hotspots for Malaysian investors hoping to spread their property portfolio. – Reuters