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A Zen for the best

The i-Zen @ Kiara I serviced residences project in upscale Kuala Lumpur suburb targets Singapore buyers with attractive rental yields and capital appreciation

| BY DENISE WEE |

If you're looking to buy a piece of property with a hip and happening address outside Singapore (and London is looking too pricey), Mont'Kiara, an up-and-coming district near the Kuala Lumpur city centre, may just fit the description.

As recently as five years ago, Mont'Kiara had few high-rise developments or attractions to boast of. However, the flagship development by Malaysian property developer Sunrise Bhd has been transformed in recent years into a swanky place replete with an equestrian club, luxurious villas, international schools and, of course, the ubiquitous Starbucks café. And, with the development of a network of highways and roads, Mont'Kiara is just a 20-minute drive from the city centre.

Certainly, Lai Voon Hon, the affable 40-year-old executive director of Malaysia-listed construction company Ireka Corp Bhd, hopes that the location will convince more Singapore buyers to plonk money down and invest in his recently launched serviced residences. Last November, Ireka's wholly owned subsidiary, Regalmont Sdn Bhd, launched i-Zen @ Kiara I — a 302-unit freehold luxury serviced residence development — at an average RM400 psf ($1 approx RM2.32).

"Mont'Kiara is getting a lot of attention because of the good infrastructure," Lai tells *The Edge Singapore* in a recent interview in Kuala Lumpur. "[Property] is easy to rent out. You have people wanting to live here — expatriates or young families."

Due to be completed in the third quarter of 2007, i-Zen @ Kiara I follows hot on the heels of two Regalmont projects in Mont'Kiara — i-Zen @ Kiara II's serviced residences and Villa Aseana's courtyard villas. Both Kiara II and Villa Aseana are fully sold.

Higher rental yields

Besides easy rentability, what's the draw for Singapore investors? Potentially, investors can get far higher rental yields from owning a property in Mont'Kiara than from owning property in Singapore. According to Lai, investors are getting gross rental yields of about 12% and net yields of 7% to 8%. "We are very confident we can get net yields above 8%," says Lai.

Furthermore, there are also capital gains to look forward to. According to Lai, property prices in Mont'Kiara have risen about 10% per annum over the past three years and this price increase is expected to be maintained this year and over the next two years.

In Lai's view, the downside risk of investing in Mont'Kiara is fairly limited, compared with property in other markets like Shanghai


HARIS HASSAN/THE EDGE MALAYSIA

Ireka's Lai says investors at Mont'Kiara are getting gross rental yields of 12% and net yields of 7% to 8%

the past few months, the Malaysian property market has seen increased interest from foreign investors. "There's a perception that the valuation [of properties] in relation to the regional market is cheap and the ringgit is also cheap," says Lai.

Foreign buyers should note that if a Malaysian property is sold within five years of purchase, the tax on capital gains is a hefty 30%. If sold thereafter, the tax rate is 5%.

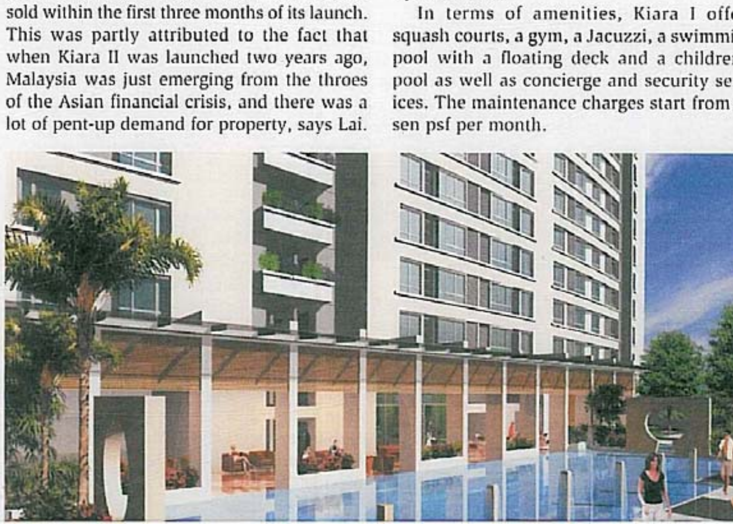
Slower sales

To date, about 60% of the 302 units at Kiara I have been sold. So far, about 10% of the buyers have been foreigners, says Lai. While Lai says that he's "happy" with the sales so far, he concedes that sales have been slower compared with Kiara II. Over 70% of Kiara II were sold within the first three months of its launch. This was partly attributed to the fact that when Kiara II was launched two years ago, Malaysia was just emerging from the throes of the Asian financial crisis, and there was a lot of pent-up demand for property, says Lai.

One of the features of the 900 sq ft units at i-Zen @ Kiara I is the internal courtyard decorated with pebbl and wooden slabs

The Kiara I units are being sold at a 3% discount to the average selling price of RM400 psf and the promotion will last till end-February. As in Singapore, higher-level units command premiums for their views. The selling price ranges from RM270,000 for a single-bedroom 714 sq ft unit to RM680,000 for a 1,407 sq ft three-bedroom plus one utility room unit.

In terms of amenities, Kiara I offers squash courts, a gym, a Jacuzzi, a swimming pool with a floating deck and a children's pool as well as concierge and security services. The maintenance charges start from 25 sen psf per month.



More serviced residences coming up

Going forward, what kind of demand does l anticipate for serviced residences? "We s more and more demand for it," he says. A he attributes that mainly to the attractivene of the Mont'Kiara area and the strength of t Malaysian economy in the last two yea which has attracted more foreign business to set up in Malaysia.

With such strong anticipated deman more and more developers are zooming in the area. According to Lai, most of the projec that have been submitted for approval Mont'Kiara over the last few months ha been for serviced residences. Sunrise Bhd building Kiara Designer Suites, a 324-ur serviced apartment project, which is due be completed in May 2007.

Having a track record is certainly som thing for foreign investors to watch for. I deed, Lai says, many Singapore buyers a wary of Malaysian developers, due to pa experiences with developers that didn complete projects in Johor. "They've pro ably heard a lot of horror stories of deve opers before the [Asian financial] crisis," l says ruefully.

In terms of track record, Ireka Corp bu the five-star Westin Hotel in Kuala Lump and also constructed the KL International Ai port Runway 1. For the past four financi years, Ireka has been profitable and durir