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STARBIZ: Your outlook of the property sector for the second half of 2005

Lai: Barring any drastic downturn in the global economy due to the rising oil prices, I expect the property sector in Malaysia on the whole to show positive growth in the second half of 2005, albeit at a lower rate compared with the earlier half year. With the local economy still expected to grow at a rate of 5% to 6% and the continuing low interest rate offered by banks, property buyers should still be confident in committing purchases, especially in popular locations.

StarBiz: Opportunities and challenges for the sector going forward

Lai: Over the last year, Malaysian properties, especially in well-known prime addresses have attracted a lot of foreign purchasers. This phenomenon is partly due to the success of *Malaysia My Second Home* programme, the improved perception of Malaysia as a stable and economically sound country, proven high investment yield compared with other regional markets and the perceived cheap ringgit.

So far, foreign purchasers have been mostly focusing on the high-end residential sector, but I believe over the next few years, this market will present many opportunities to other sectors such as mid-market residential properties, resort homes, commercial and industrial properties.

The impending listing of the first Malaysian REIT on Bursa Malaysia, the AXIS REIT, has created a lot of interest both within the property and the financial market. REIT will no doubt be one of the next catalysts of growth within the property sector in the near future, especially in the commercial and retail sectors.

However, going forward into the new future, most developers will likely face the challenges of increased competition. Although I



Lai Voon Hon with the soon-to-be-completed i-zen@Villa Aseana in Mont'Kiara

do not see any potentially vulnerable property bubble in the near future, the "lumpiness" of property launches over the last few months and beyond, especially in the Klang Valley, will result in most developers contending with low profit margins and tighter cash flow due to slower rate of sales.

StarBiz: Major government policies that have contributed to the industry's performance

Lai: The positive and timely government intervention over the last few years to help the property industry recover through a series of fiscal incentives, such as stamp duty waivers, has certainly helped boost confidence in the property sector.

The continuing low mortgage interest rates offered by banks and financial institutions have also helped spur growth in the residential sector, with a greater number of people seeking new homes and property investments.

As stated earlier, the generally good perception of the Malaysian

economy by the foreign investors, has also helped spur growth in the high-end residential market.

StarBiz: Ways to bring about better opportunities and a more robust property market

Lai: One area to help moderate growth would be the shortening of the process of development approvals by government authorities. The current "lumpiness" of project launches has often resulted in a perceived "over-supply" situation, which I believe is not always the case, as prime land is still scarce in KL, especially in well-sought after areas.

The success and acceptability of REIT as a new class of investment will also certainly boost the property market by improving liquidity and freeing up funds for developers to develop longer-term projects. The Government could also play a part by allowing dividends to be tax-free.

StarBiz: Which property sector and market offer the best potential

for your company?

Lai: We will continue to develop and invest in prime residential areas around the country where our customers are more discerning and demand better quality homes. Over the next few years, we will also see good opportunities in secondary cities such as Kota Kinabalu, Sandakan, Johor Baru and Kuantan offering great potential for development. Some of these cities still lack modern residential and commercial infrastructures to match their population's fast growing affluence.

Apart from residential projects, we have also focused on retail and commercial offices in prime locations.

This sector offers good potential as the yield is still attractive relative to the region. With the advent of a number of new international brands coming into the retail scene, demand for good retail space has indeed gone up.

StarBiz: New projects from your company

Lai: With successful sales of the three i-zen residential projects, namely i-zen@Kiara 1, i-zen@Kiara II and i-zen@Villa Aseana, with the latter two 100% sold out, we will be launching another new premium condominium to be named i-zen@Tiffani.

We will also be launching an exciting mixed commercial development in Mont' Kiara. The key component of this development will be a chic shopping mall right at the heart of Mont' Kiara.

Our harbour front development in Sandakan will also see us launching a modern shopping complex, convention centre and a hotel.

So far, our phase one sales have received encouraging response, and it is currently more than 60% completed.

