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REAL ESTATE MATTERS

Ireka's beautiful place

The developer's latest offering in Mont'Kiara — KaMi — is a a unique development that is targeted at the large Japanese community there. Managing director Datuk Lai Voon Hon and deputy managing director Monica Lai talk to Wong King Wai about the project and what the company has been up to in the last few years. Turn to Page 4.

Filling a niche market in Mont'Kiara

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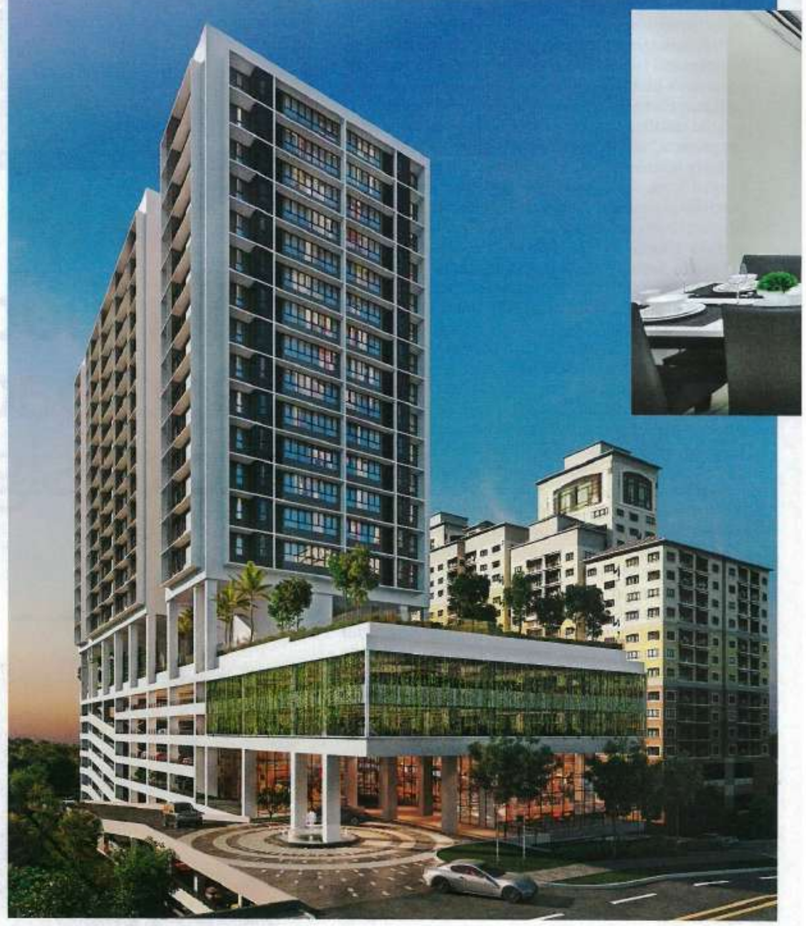

The RM200 million KaMi is located near KL Metropolis

In two decades, Mont'Kiara has come a long way from the bucolic rubber estate it once was. It is now one of Kuala Lumpur's more popular expatriate enclaves. As the Japanese form one of the largest communities there, Ireka Corp Bhd is introducing a project called KaMi that targets them and is slated for launch at the end of this month.

"When we first conceived this project, we thought that instead of just adding more condominiums to Mont'Kiara and doing the usual thing, we should enter an area where there is still demand so buyers will be able to lease it out easily," says Ireka Corp group managing director Datuk Lai Voon Hon.

"There is a big Japanese expat community in Mont'Kiara and they live in the projects we have developed there and we know what their needs are," says Voon Hon. "So, when we came up with this project, rather than ask the buyers to fit out [their units] and then rent them out to the Japanese, we thought, 'Why don't we fit them out to the expectations of the Japanese expatriate?' We hired a Japanese interior architect [Masaki Morinobu from Nonscale Corp] to come up with a suitable layout for the Japanese lifestyle."

Group deputy managing director Monica Lai adds: "This is not a very big development and our buyers like the exclusivity and the low density. It is a niche market but there are people who want a project like this."

'We are beautiful'

The unique name of Ireka's latest project "we" in Malay and "added beauty" in Japanese, Voon Hon explains.

"We like names that are easily remembered and pronounced, and it has to have a contemporary feel to it to remind us of our Malaysian identity," says Monica.

The RM200 million KaMi is located near KL Metropolis, a development by Naza TTDI, and the Malaysia External Trade Development Corporation (Matrade). It sits on one acre of freehold land and will be well connected via the SPRINT Highway, New Klang Valley Expressway (NKVE), Penchala Link, Kerinchi Link, Jalan Tuanku Abdul Halim (formerly Jalan Duta) and the Duta-Ulu Kelang Expressway (DUKE).

The development offers 168 units in a 19-storey block. The smallest is 840 sq ft with two bedrooms and the larger units have a built-up of 1,604 sq ft with 3+1 bedrooms. The indicative selling price is RM1.001 million to RM1.863 million with the maintenance fee and sinking fund estimated at 70 sen psf. The launch is expected in 2Q2018 and its scheduled completion date is December 2020.

The project received all its building approvals before the Nov 1, 2017, freeze on projects priced at RM1 million and above, Voon Hon says.

All the units will be fully furnished with electrical appliances, kitchen cabinets, furniture and bathroom fittings that include a bathtub.

The facilities include an Onsen spa and Japanese convenience store as well as green spaces for families to enjoy the outdoors. There will be an infinity pool, children's playground, multipurpose hall, gym and pet play yard. KaMi will be pet-friendly based on City Hall guidelines.

"At a lot of developments, our own included, many tenants want to keep pets and they have to negotiate with the management corporation to be allowed to do so ... This is one of the major requirements we gleaned from our survey of Japanese expats, that they want to be able to keep pets," says Voon Hon.

The guidelines on the City Hall website indicate that owners can keep specific small dogs in their units, such as the Minature Pinscher, Pekingese and Maltese. They must apply for a licence for a fee of RM10 and the application must be accompanied by a letter from the joint management board or management corporation.

For investors, KaMi comes with a guaranteed rental return scheme under which the owner can lease the unit to Ireka to manage. The scheme will last for five years with years one and two seeing 5% returns, and then from years three to five it will be 6%. Estimated rental rates for units in KaMi are RM4,500 to RM5,000 per month, which is the approximate rental allowance given to Japanese expatriates, Monica highlights.

"We are working with a Japanese firm [Cosmos Plan Sdn Bhd] that will operate and manage the property with us as a joint venture. Cosmos Plan will market the property to its database. The company is based in Japan but has had a presence in Malaysia for 20 over years," says Voon Hon.

Nearby amenities include three international schools — Mont'Kiara International School, Garden International School and the French School of Kuala Lumpur — and a variety of food and beverage, retail and commercial outlets such as Plaza Mont'Kiara, Solaris Mont'Kiara and Solaris Publika. HSBC and Alliance Bank have branches in Plaza Mont'Kiara and 1 Mont'Kiara mall provides a place for grocery shopping and other conveniences.

Stable rental market

While Mont'Kiara continues to be an expatriate enclave, thanks to its location, connectivity and amenities, the current rental market is considered soft. However, it is expected to improve over time.

"In general, the rental market has been experiencing a gradual depression since 2008. This is

PICTURES BY IREKA CORP BHD

Above let and right: An artist's impression of the lobby and the japanese garden area

KaMi offers units ranging from 840 sq ft to 1,604 sq ft

Voon Hon (left) and Monica believe there is still demand for lower priced, smaller units of less than 1,200 sq ft and bigger units of 2,500 to 3,000 sq ft

mainly due to the global financial crisis of 2008, which saw many expatriates sent back home or having their accommodation allowance reduced," says Stanley Toh, executive director at Laurelcap Sdn Bhd.

"In addition, many new developments in Mont'Kiara that were completed at that time contributed to the oversupply of high-rise units. It was reported that landlords were willing to drop their rental rates by up to 30% to 40% in order to secure a tenant, rather than leave a unit empty.

"Nevertheless, the area is still a very popular choice for expatriates, especially South Koreans and Japanese. The rental market has seen some very mild but positive growth of late, as owning a property has become increasingly difficult for the younger generation who have to rent [rather than buy]," he says.

Toh highlights that Mont'Kiara is still a sought-after address and, going forward, property values will continue to rise slowly, in tandem with rental rates.

"The current synergy of different developments and infrastructure, such as KL Metropolis that houses the new Malaysia International Trade and Convention Centre, and the opening of the DUKE Highway (Phase 2), will have a positive impact on the area," he says.

According to James Tan, associate director at Raine & Horne International Zaki + Partners Sdn Bhd, Mont'Kiara's high-rise market has been subdued over the past year but the rental market is stable.

He says the expat rental market is stable and consolidating, even though accommodation budgets have been cut and there is plenty of choice in the area. Most of the expats still in the area are from South Korea and Japan, Tan says.

Moreover, the outlook for high-rise property in Mont' Kiara remains positive.

"There is still demand for lower priced, smaller units of less than 1,200 sq ft and bigger units of 2,500 to 3,000 sq ft," says Tan. "The reason is that older couples who live in the surrounding area are moving to more secure bigger units. The younger set would go for the units that are under 1,200 sq ft. It is an alternative to living in a link house with a price in the region of RM1.2 million to RM1.4 million."

'We are back'

Although Ireka has been around for many years, the group has been quiet on the property development front.

"There are two factors," explains Voon Hon. "One, since 2014, we have seen the market soften in the high-end sector. We slowed down on the property development side knowing that the market would be challenging. This year, we see the market recovering somewhat and we see demand for a project in a good location.

"And in the last six years that we were not very active on the Ireka side .... we started a property fund that is listed in the UK — Aseana Properties Ltd."

Aseana is the first Malaysian property fund. It was listed on the London Stock Exchange in 2007, to undertake property development activities in Malaysia and Vietnam. Ireka's wholly-owned subsidiary, Ireka Development Management Sdn Bhd, was appointed to manage the fund.

"We set up the fund because we were keen to take our platform of development into Vietnam and neighbouring countries. So, we decided to join forces with other investors. Because the fund can invest in any country in this region, there was an understanding that we would not compete with it in Malaysia and so Ireka has not directly launched its own projects ... We have been managing Aseana on a full-time basis, but we are very much still in property development through managing Aseana," Voon Hon says.

Also notable is Ireka's financial status. As at March 31 last year, it made a profit after incurring losses from March 31, 2013.

"The last few years have been challenging. On the construction side, turnover dropped and, because of our fixed cost, it affected the company's profitability. In addition, a lot of our losses came from Aseana.

"Because Aseana is listed in the UK, which follows international accounting standards, you cannot state a profit until a product is sold. And Aseana holds a lot of operating assets that are still on our books. So, until we sell the properties, we cannot realise any of the profit.

"In the meantime, because we are stabilising these assets, the losses will hit the profit and loss statement. And because we are 23% owner of Aseana, we take 23% of all its losses over to Ireka. So, that is why Ireka was badly affected in the last five to six years. However, this has turned around and the group is now embarking on new projects in the affordable range.

"We know that on a longer-term basis, this is a sustainable market because of our growing young population who need homes. Obviously, everyone is jumping onto the bandwagon, but it is the biggest market and I think most people want to concentrate on that segment. There is space for us in the affordable housing segment [and we are] always looking for innovative ways to do things and looking at designs that cater for the lifestyle of the people."

Voon Hon reveals that the company has developed a new affordable housing brand called zenZ, which will provide the best quality product for its target market. The brand aims to deliver good value to maximise the financial benefits for homebuyers. It does so with five key "E" principles — Economical, Evolutionary, Efficient, Essential and Eco-conscious. The Kasia Green homes in its Rimbun Kasia development in Nilai are a zenZ product.

Project updates

Ireka has a few ongoing projects, such as the RM1.2 billion Rimbun Kasia, ASTA Enterprise Park in Kajang and RuMa Hotel and Residences in Kuala Lumpur city centre.

On April 9, it entered into a joint venture with Japanese firm Hankyu Hanshin Properties Corp to develop the 30-acre Rimbun Kasia. Hankyu Hanshin holds 45% share in Meadowfield Sdn Bhd, Ireka's wholly-owned subsidiary, while Ireka holds the remaining 55%.

Under this new joint venture, the first project will be Dwi Courtyard Homes. The 382 units (built-ups: 645 to 954 sq ft) in a 9-storey block will be sold at an indicative price of RM297,480 onwards.

The JV will develop another parcel featuring 465 residential units in two blocks of 29 and 19 storeys. Both phases will have a combined gross development value of RM400 million.

Phase 3 of ASTA Enterprise Park will be launched soon, which has an estimated GDV of RM99 million, and the serviced residences at RuMa have seen sales of 70%.

While Ireka is busy with ongoing projects and planning new launches, Voon Hon and Monica are cautiously optimistic about the market, which they believe will be soft for the next few years.

"I am hopeful the market will improve on a longer-term basis. If gross domestic product growth in Malaysia improves or sustains, I think people will continue to have employment, which is crucial for property developers for people to be able to buy homes. So, we look at the employment market, which is linked to the country's economic growth," says Voon Hon.

Besides pure property development, Ireka has embarked on a new trajectory by teaming up with Beijing-based CCRC Urban Traffic Co Ltd and Shentong Express Co Ltd to explore providing urban traffic solutions.

"They are keen to work with us to introduce a new technology to Malaysia — an autonomous tram system as the last-mile conveyance, connecting all transport stations," says Voon Hon.

"We are not only looking at urban traffic solutions but ... we are also looking at transit-oriented developments. First, we build the network and later we can build a commercial centre and residential buildings to serve that part of the city.

"We consider it a long-term relationship, we want to develop their business here together. In addition, we believe this is the future of real estate development — instead of looking to buy pockets of land, we want to develop land connected to urban transport solutions," he concludes.