



Headline	`Enter property development only if you meet prerequisites`	
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'HOT' SEGMENT

## 'Enter property development only if you meet prerequisites'

**KUALA LUMPUR:** Companies venturing into any property development must have the right expertise, knowledge, partners and credibility as the market is now "hot" and saturated.

Knight Frank Malaysia managing director Sarkunan Subramaniam said instead of allowing just about anybody to be a property developer, policies must be in place to ensure that only qualified players enter the sector.

"Anyone who comes in without expertise would create a lot of problems for consumers as the market is hot," he told NST Business recently.

Sarkunan said the property market was lucrative and everybody wanted to become a property developer.

"When companies venture into property development, they must have expertise... if they don't have it, they should hire experts," he said.

Sarkunan said there was no right or wrong time for one to venture into the property business as the market was competitive.

"Most importantly, you either hire experts or you buy a development company. You don't start from scratch."

MIDF head of research Mohd Redza Abdul Rahman said as the value of land would increase over time, buying land was a good natural hedge against inflation.

"Having landbank at strategic locations will ensure higher prices and should they then decide to develop it, the gross development value can be placed at a premium.

"Properties at strategic loca-

tions, such as near transport hubs, will always be in demand."

Redza added that when a revaluation exercise took place on the landbank, the increase in price (revaluation surplus) was reflected in other comprehensive income.

"While the nature of property development involved recognition of income when the properties are sold, the company could also retain parts of the development for future rental income by allocating a few floors (high-rise development) for office and commercial

lots."

Redza said the market was trying to find a balance between affordability and location for

the projects.

Based on the recent data, property priced at RM500,000 and above saw a rise in transaction value.

Meanwhile, property consultant CBRE-WTW managing director Foo Gee Jen said business diversification was dependent on the availability of the companies' landbanks.

"For example, firms that are venturing into manufacturing may find themselves with plants that do not meet their requirements.

"The factory may be too old or the location is not ideal.

"Obviously with the land they have, it is only natural to think what can be done with the land.

The best option is a property development," he said.

Foo said companies like Kobay Technology Bhd and Boon Group Bhd could venture into property business due to its surplus landbank.

"In terms of best use of the land, it would be property development. Although the timing is a not perfect, they come into market with different products.

"It does make sense for them to move into property.

"A good example will be Mah Sing Group Bhd. It started out as a plastic manufacturer in the late 1980s before becoming a developer in the mid-1990s. It is a natural progression." **Ayisy Yusof**



*Knight Frank Malaysia managing director Sarkunan Subramaniam*



*CBRE-WTW managing director Foo Gee Jen*