

TAN Hwa Chuan stumbled across investing in property and land some 15 years ago. His, is a story that I believe you should hear from him alone. A man who speaks about his "work" with sincerity and passion, he spares some time to share his knowledge on the subject he is known for - investing in land.

Land scape

> Exploring land investments

PART 1

LOVE FOR LAND

Says the B.I.G Plots Sdn Bhd director, quick and sharp: "It is rare that you hear of one who goes directly into land investments. It is advisable to first gain experience by investing in condos, residential as in link houses and such, shophouses and then land. But I know someone who went into land investing directly ... my aunt," says Tan. "She bought a 3 ft x 6 ft plot in Semenyih, at the price of RM36k or RM2,000 psf," he jokes, easing into the serious topic of investing in land, a venture that is suited for those with an appetite for risks and returns.

A specialist in land mergers and acquisitions, Tan expounds the myth that land investment is only for the big players. He, himself, learnt the ropes of the industry by first registering for a two-day basic property course. He also attended seminars on property and land investment and grew his knowledge. Tan developed his interest and knowledge further until it became a passion. "I loved land, especially learning about mergers and acquisitions. I enjoyed the negotiations with the land owner and raising funds from the developers or funders. Today, I play the role of a business development specialist in land investment or development. In my position, I go out to visit sites with CEOs and chairmen of development firms. I consult and advise them on land mergers and acquisitions. I also prepare feasibility studies, cash-flow projections and conduct deal structuring," explains Tan.

He then cites names of some local real estate tycoons and says, "Whether their businesses were diversified or purely in property, people like Tan Sri Jeffrey Cheah, Tan Sri Francis Yeoh, Tan Sri Liew Kee Sin and Tan Sri Leong Hoy Kum (amongst many others), have turned empty lands into pots of gold." He also mentions founder and chairman of China's Country Garden Yang Guoqiang who went from rags to riches and Hong Kong's Li Ka-Shing whose fortune turned around for a whole lot better when he went into real estate.

WHY LAND INVESTMENT?

Here are some reasons why Tan suggests one should think about investing in land.

- 1) It requires much less maintenance compared to investing in condos or landed properties, etc.
- 2) You have the power to leverage on your land investment as you have the option to get between 50% to 70% loan from the banks.
- 3) Moreover, if you negotiate well, you don't even need to come up with money to invest in land.



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NORMAN HIU/THE SUN

Tan expands on his third point, explaining how one does not need to fork out any money to invest in land. "If you buy agricultural land, the banks can give you a 50% to 60% loan. There are ways to go about this, where you do not have to come up with the balance 50% or 40% down payment." He finally says, "It's all in my book - Make Big Money via Land". A tip from Tan - "It all boils down to how you structure the deal."

Looking at other asset classes, investment patterns and returns may differ hugely in comparison, so are the risks, says Tan. "Each carries its own set of rules and policies, and their ensuing returns. No two are the same. Each requires necessary study and analysis for any investment to work. Although I am a big fan of land investment, I won't hide the fact that it is still a risky venture like any other investment. The key to success in this game is, knowing when to enter and when to exit."

GOOD LAND DNA

A perfect example would be Mont' Kiara, a township best known for its high-end condominiums and affluent expatriate communities, not to mention commercial centres, office complexes and international schools. "Before all this took place, Segambut Dalam, as it was known, was only a village made up of squatters with no proper road access," shares Tan. He hails the vision of Datuk Alan Tong, then founder and chairman



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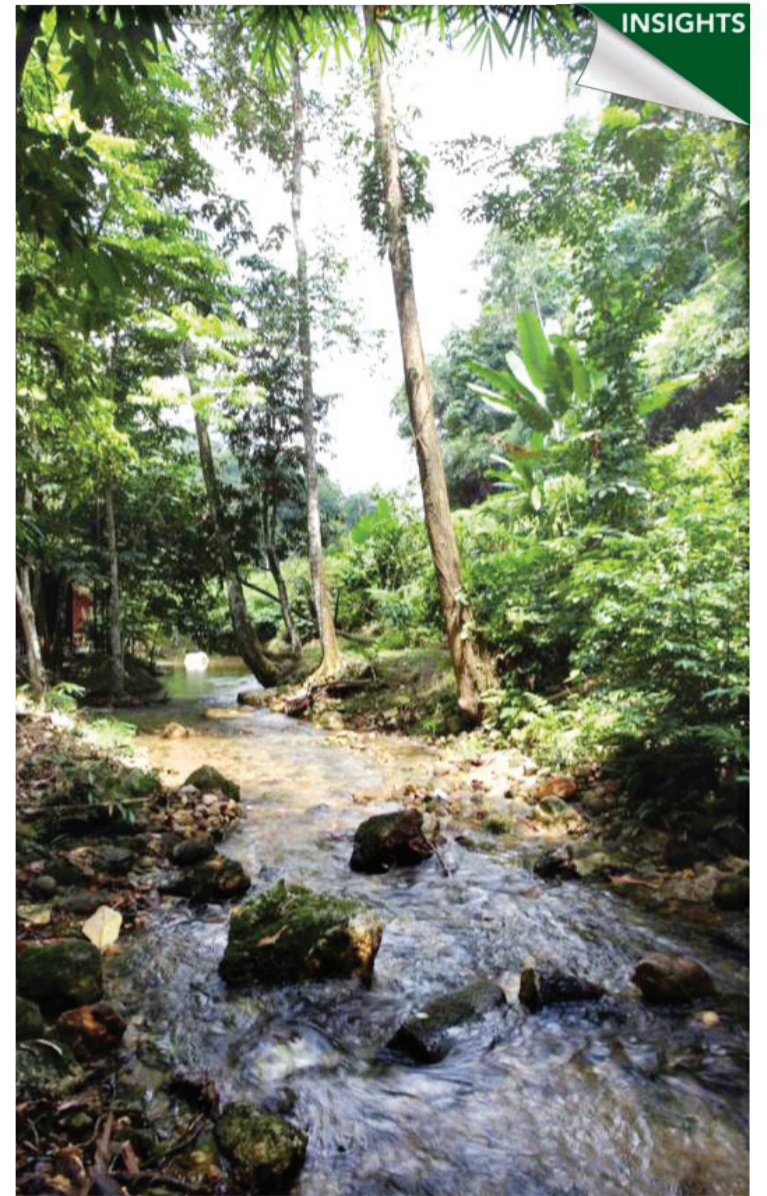


PHOTO COURTESY OF B.I.G PLOTS SDN BHD

"Traffic jams are only trouble to road users. In terms of real estate, it is a positive sign of value appreciation. With the influx of population and better accessibility once the MRR2 opened, Taman Melati experienced traffic jams, hence, new business opportunities, new property projects, and property appreciation. So, now when you look at heavy traffic, do you see madness or magnet?" - Tan Hwa Chuan

of Sunrise Berhad who acquired 12 parcels of land totalling 100 acres at RM2 per sq ft back then. "Today, the price of land there is approximately RM400 plus per sq ft, an appreciation of about 200 times more or a constant 30% appreciation per annum, far higher than our 3% to 4% annual fixed deposit earnings," explains Tan, almost instantly coming up with the figures.

So what DNA constitutes good land so as to make good profit from it? Tan shares a few criteria which include:

- a) International appeal - "The presence of three international schools spurred the growth of Mont' Kiara. This growth goes hand-in-hand with the teachers, the students and family population."
- b) Matured townships - "Buy land adjoining to matured townships. In Mont' Kiara, it was already a catchment area for potential buyers with surrounding matured townships like Segambut, Jalan Ipoh, Damansara Heights and Sri Hartamas."
- c) Branded developers - "The presence of branded developers (in this case Sunrise Berhad) attracted other branded developers into Mont' Kiara like Ireka Corporation, Sunway Berhad, Bandar Raya Developments Berhad, Mah Sing Group Berhad, etc. This, in turn, will bring together buyers and followers from the luxury segment."
- d) Accessibility - "Mont' Kiara is

conveniently located with easy access via the Sprint Highway, Penchala Link and the New Klang Valley Expressway (NKVE). It is also strategically located and gives quick and smooth access to KL city, Petaling Jaya and other populated centres." Tan also mentions Taman Melati which saw a new era when it became more accessible with the opening of the Middle Ring Road 2 (MRR2).

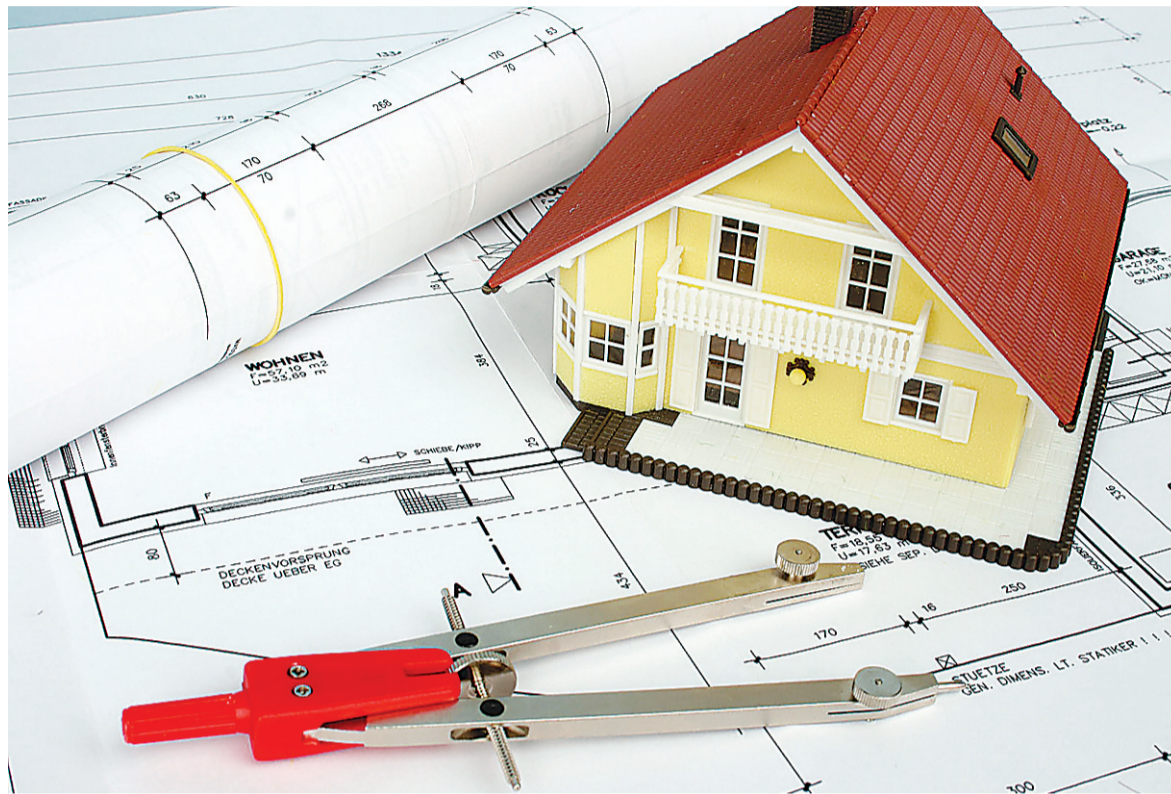
- e) Facilities and amenities - "Banks, malls, schools, supermarkets and hypermarkets, etc. Look at Kota Damansara today, after the re-branding exercise, PKNS managed to attract Sunway Berhad, Mah Sing Group Berhad, Tropicana Corporation Berhad, See Hoy Chan Group, Paramount Corporation Berhad ... prices of condominiums in Kota Damansara have risen remarkably, even during the Global Financial Crisis of 2008."

In his book, Tan states that there are many ways to skin a cat. "With real estate, there is also a quick way to determine if you should go ahead and purchase that piece of land." Follow our column next week to learn of Tan's views. If not, he says: "Buy my book."

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Land scape **PART 2**

> Feasibility study and important details and characteristics to consider



CONTINUING from last week's article on land investment, we delve further into the subject which B.I.G Plots Sdn Bhd director Tan Hwa Chuan is so passionate about. We know now why land investments can make us big money. We also know what constitutes good land DNA. The next step is to determine if we should or should not buy that plot of land. Says Tan the expert: "You must have an entry and exit plan." And in order to come up with these plans, one must first do a feasibility study.

BASIS AND BASICS

According to online sources, a feasibility study is recognised as an evaluation or analysis of the potential of a proposed project. Intensive investigation (or study and research) is required to support the process of one's decision. "It simply means that one must put in time and effort to study the piece of land one intends to purchase. List down all its 'good land DNA' points, scrutinise it thoroughly, do your math to calculate if you can buy the land or if you need to "structure a deal". Then do more math and calculations, as in a feasibility study, to work out your costs. From these figures, decide to build and develop or wait and sell. Also consider rentals and yields, or if you intend to sell, when would be best, taking into account how you can make the most from the returns/profits, etc."

In his book *Make Big Money via Land*, Tan highlights four feasibility study cases. Each is based on land designated for different development types. "One needs to do a feasibility study before deciding if one wants in on a particular project. This is where we evaluate the land based on its size, price, location, land type and various surrounding factors. We can then determine if the land is worth exploring as we map out the many factors that contribute to the success or failure of a project." Tan then divulges his 10 step feasibility study framework which he compiled after learning other study methods used by different people and having gone through his years of learning and experiences.

FUNDAMENTAL DETAILS

Tan then gives a brief summary and runs through his self-conceptualised feasibility study framework. He

Tan's 10-level feasibility study framework

- Level 1 – Rule of thumb
- Level 2 – Basic data study
- Level 3 – Site visit
- Level 4 – Market study
- Level 5 – Local government checking
- Level 6 – Land office checking
- Level 7 – JUPEM (Department of Survey and Mapping Malaysia)
- Level 8 – Frequent site visits
- Level 9 – Layout planning
- Level 10 – Financial analysis

describes the first level, rule of thumb, as a quick mental calculation that involves a formula. This requires one to "quantify the land", which will require one to consider the gross development value (GDV) of the land intended for purchase, along with total construction cost (TCC), land cost and profits. "TCC will depend on

the type of property you intend to build on the land you are thinking of purchasing. You will generally need to estimate the cost per unit ... if you want to build link houses, semi-D's, bungalows, shophots, a complex, etc. Times this with the number of units and roughly calculate how much returns you can get from the sale of the land before and after construction," says Tan.

Basic data study is generally an analysis of the

land – its size, tenure (freehold/ leasehold, etc.), location, gradient/ contour, infrastructure and accessibility, surrounding area, etc. This is where the "good land DNA" comes in – the more ticks, the better. Once the land intended for purchase passes level one and two, you can proceed to level three, then again, Tan says that not all land deals require site visits at the early stages. "The purpose of the visit in the beginning stages is actually to verify if the information you got from your basic data compilation matches with what you physically see." A site visit

checklist is also provided in Tan's book, pointing out what you should look out for and be wary about.

RESEARCH AND CHECK

Through market study, we should be able to have an idea of how we intend to develop the land ... build and develop or perhaps wait and sell. We move onto government, land office and JUPEM checking which provides much information on what can or cannot be made of the land, encumbrances, setbacks, any regulations and orders the land is bound by, etc. "Information retrieved here is crucial as this is where you can get guidelines for the potential project you intend for your land purchase." Tan urges those serious about purchasing a particular plot to get hold of the "local plan" which can be acquired through purchase.

DEAL CLINCHER

Last but not least, in the framework study, is the financial analysis, which is similar to level one, requiring much calculations. However, at this stage Tan says we are working on more accurate financial figures. "This is also the stage where we will be able to see the viability of the project, in terms of cashflow position (after we service the loan each month). This is also the stage which will determine if the land will deliver profits or losses. With all the information at hand, you will be able to make a firm decision by now," Tan informs.

Still he says, "Never underestimate your gut feeling." He then shares an instance where, he shelved a deal after years of discussions, negotiations and deliberation. He also adds that in the early stages, prior to level one of his 10 step feasibility study framework, one should not neglect one's gut feeling. "If you visit a place and you get an uneasy feeling, follow your instinct."

For detailed information and step-by-step guidance, join one of Tan's workshops and training seminars or buy his book.



PHOTO: NORMAN HIU/THESUN

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Good Land DNA (Property Good Points) Checklist

- Shopping mall – eg Jusco, Tesco, Giant in Equine Park
- International school – eg About 9,000 students across Garden Int'l School, Mont' Kiara Int'l School and French Int'l School in Mont' Kiara
- Shops – eg Secret Recipe, Cha Time, Starbucks in Damansara Uptown
- School – eg Puay Chai 2 Primary School in Bandar Utama with 1,860 students
- Lake Park – eg DesaParkCity's eight acres lake is frequently visited by people and also their pets in the evenings from 5pm to 8pm
- Accessibility/Highway – eg NKVE and LDP to Kota Damansara
- Hospital – eg ParkCity Medical Centre (Ramsay Sime Darby Health Care) in Desa ParkCity
- Banks – eg 17 banks in Dataran Sunway in Kota Damansara
- Branded Developers – eg UEM Sunrise Berhad, Ireka Land Berhad, Bukit Kiara Properties Sdn Berhad
- University/College – eg UTAR has 30,000 students
- Timing – User Speed – eg Platinum Victory's 90% occupancy within 6 months
- Traffic Jam – eg Bukit Bintang as the nation's capital shopping belt
- Investors – eg Pacific Star led a group of investors to invest USD300 million into Pavilion in January 2006¹
- Matured Townships (Old Town) – eg Kepong old town with 360,000 population²

Courtesy of Tan Hwa Chuan [ref 1 and 2 can be found in Tan's book *Make Big Money via Land*]

TIPS FROM TAN

Characteristics of areas where property price will rise – areas where there are more people, universities, matured towns, banks, hospitals, fast user speed areas, new highway areas, new MRT areas, Tier 1 outstation areas, etc.

Where subsale is hot!

- * Semeniyh: Link House or Landed
- * Equine Park: Link House or Landed
- * Matured town areas: Kepong, Kajang, Semeniyh
- * Upcoming/new highways: Equine Park, Puncak Alam, Meru
- * Outstation areas: Batu Kawan

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PRiMA Corporation Malaysia is otherwise known as PRiMA. The corporation was established under the PRiMA Act 2012 with the objective to plan, develop, construct and maintain high-quality housing with lifestyle concepts for middle-income households in key urban centres. Under this project, affordable housing units are made available in the following districts: central, southern, northern, eastern, Sabah and Sarawak.

TERMS AND CONDITIONS

Homes under PRiMA are offered to those in the middle-income bracket (M50), Malaysians earning a monthly household income of between RM2,500 and RM10,000, who currently own no more than one property. Applicants also need to be at least 21 years of age. There are additional guidelines that have been established by individual states. To find out more, log on to the PRiMA official website.

After registration, application and submitting of required documents, applications that meet all the necessary requirements will be allocated homes based on an open balloting system. However, successful applicants should be aware that a 10-year moratorium will be imposed, during which time the PRiMA property purchased cannot be sold or transferred to another party without consent from PRiMA. All PRiMA homes must be owner occupied as the aim of the scheme or intention of the

PR1MA attractions

> Last call for application of current batch of quality, affordable homes



project is mainly to provide greater home ownership among Malaysian middle-income earners and to raise the quality of life of the rakyat.

PR1MA CHARACTERISTICS

Recently, there was an announcement made to inform the public that applications were open

for 7,116 units of houses under seven PRiMA projects. These residential developments are situated in KL, Perak, Kedah, Malacca and Johor. Prices of homes under these affordable residential development projects range between RM150,000 and RM400,000. Although these housing units are claimed to be priced 20% below the current market value, they are said to be of reasonably high and high quality.

Housing comes in the form of landed housing units as well as high-rise living spaces. The sizes of units come in comfortable proportions of between 850sf and 1,850sf for landed properties and 600sf to 1,200sf for high-rise units. Whether freehold or leasehold,



Current projects

- Some of the projects that are open for application include:
- * PRiMA @ Sungai Petani 1 (Sg Petani) priced from RM118,000
- * PRiMA @ Melaka Tengah 1 (Bandar Melaka) priced from RM180,000
- * PRiMA @ Tebrau (Johor Baru) priced from RM180,000
- * PRiMA @ Layangkasa (Pasir Gudang) priced from RM185,000
- * PRiMA @ Kuala Ketil (Baling) priced from RM215,000
- * PRiMA @ Alam Damai (Bandar Tun Razak-Sg Besi) priced from RM218,000
- * PRiMA @ Bandar Meru Raya (Ipoh) priced from RM250,000

the land title depends on the land proprietor of each PRiMA development. Registration is free and can be done online via www.prima.my Application for this batch of housing units remain open until Feb 28, 2015. It is important to note that PRiMA has not employed any agents or third parties to act on its behalf.

HOT PROPERTY

PRiMA @ Seremban Sentral is the hot favourite being located within close proximity to KL city centre, yet out of "town" in the city of Seremban, Negri Sembilan. Under this project, currently open for registration, are 3,196 apartment units in four layouts of varied dimensions. Types A and Ar come with two bedrooms and one bathroom across 825sf and 804sf respectively. Types B and C however, offer three bedroom and two bathroom units built across dimensions totalling 1,008sf and 1,214sf respectively.

The development project is easily accessible via Jalan Tuanku Antah, Jalan Rasah, Jalan Sungai Ujong, Jalan Tuanku Munawir and Jalan Dato Bandar Tunggal. It comes with facilities and amenities that include: multipurpose hall, skateboard area, gymnasium, outdoor gym, yoga deck, children's

Nine simple steps to becoming a proud PR1MA home owner

- 1) Registration via creating your account and uploading required documents.
- 2) Launch notification from PRiMA notifying you of projects in your preferred locations.
- 3) Application for open projects must be done as ballots are not automatic.
- 4) Balloting process will be conducted for applicants who have fulfilled all criteria.
- 5) Verification of documents is carried out by PRiMA.
- 6) Unit allocation is conducted, allowing purchasers to choose their preferred unit based on availability.
- 7) Property financing/ownership - Owners have a choice to source their own financiers, go through appointed PRiMA panel bankers or take up PRiMA's 'rent-to-own (RTO)' programme purchase option (applicable to those who qualify).
- 8) SPA signing between PRiMA and you, the owner.
- 9) Key handover upon completion of the housing unit and issuance of Certificate of Completion & Compliance (CCC).

playground, library, kindergarten and nursery rooms, clinic, retail areas, water features/covered walkways/landscaping, surau, management office, male and female public washrooms.



Upcoming PR1MA projects in the central district

- Brickfields (Damansara-Penchala)
- Bukit Bintang (Pusat Bandar Raya)
- Bukit Jalil (Bukit Jalil-Seputeh)
- Cyberview (Sepang)
- Kajang (Selangor)
- Pandan Indah (Ampang Jaya)
- Pandan Jaya (Ampang Jaya)
- Port Dickson (Negri Sembilan)
- Seremban Utara (Seremban)
- Setapak (Wangsa Maju-Maluri)
- Taman Cempaka (Ampang Jaya)
- Bukit Cheras (Kajang)



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Note: Illustrations are artists' impressions and subject to local authority approvals.