

A wooden house-shaped frame with a gabled roof, made of horizontal wooden planks. The text is centered within the frame.

Back To Property Investment To Create Wealth

ANDERS ONG

Kanyin[®]
PUBLICATIONS

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Perpustakaan Negara Malaysia Cataloguing-in-Publication Data

Ong, Anders,
Back To Property Investment To Create Wealth / Anders Ong ;
Editor: Ong Juat Heng.
Mode of access: Internet
eISBN 978-967-2805-13-7
1. Real estate investment.
2. Real property.
3. Investments.
4. Electronic books.
I. Title.
332.6324

Published in Malaysia
Kanyin Publications Sdn. Bhd. (1058827-A)
No. 3A-10, Anzen Business Park, No.3-9, Jalan 4/37A,
Kawasan Industri Taman Bukit Maluri,
52100 Kuala Lumpur.
Tel: 603-6273 1626 Fax: 603-6263 7197
Website: www.kanyinbooks.com
Email: read@kanyinbooks.com

Printed by:
Maxima Colour Sdn. Bhd. (233588-X)
Lot 1314, Kg Lembah Kinrara, Batu 8 ½,
Jalan Puchong, Puchong Jaya,
47100 Puchong, Selangor.
Tel: 03-8071 1368

Editor: Ong Juat Heng
Cover Design: TeamKanyin

FOREWORD

Since I started my career in real estate, I have sold, bought, rented, invested and served people who have invested or bought properties to live in. I can say most of the time, 90% of those buyers did not really understand the concept of property investment or buying properties to live in. Simply buying a property and waiting for its price to go up does not guarantee a happy ending all the time.

I bought my first property on the year I graduated (2014), my second property in 2015, my third property in 2016 and have continued to do so every year since then. Choosing real estate investment as my main investment vehicle is a tough and difficult path as I did not have the cash, but it can be done even if we have little cash, though it will have some hardship. Just remember that the knowledge that we learned along the way is always more valuable than the money we have today.

One of the main reasons I am writing this book is to help those who want to improve their knowledge and understanding of the property fundamentals so that they will avoid making expensive mistakes. I can humbly say this book contains all the property knowledge for you to be a successful property buyer, whether you're buying the property to live in or for investment or maybe even for fun. Once you have understood all the fundamentals, you can be one of the best property investors in the market.

This book also serves as a preparation or guide for first-home purchasers. It can also be used as a teaching material for universities, real estate agency classes, property investors and existing home owner guides, whether you are new or experienced.

When I was young, my dream was to teach people on acquiring properties and guide them to own at least one or two comfortable houses. The biggest achievement I can make as a common man is not to benefit myself but to help the community and improve people's lives.

I wish to thank my disciplined father, who is no longer around, for teaching me to be better all the time and to give my best in everything I do. Not forgetting my family members, partners, friends and those who have believed and supported me. Also, special thanks to Ken Lim, Jacqueline and Penang Property Talk team. Lastly, my utmost gratitude and appreciation to Adrian Kok, Natalie, Rayne Lee and the Kanyin family.

Anders Ong

Author, Speaker, Property Investor, Trainer and Advisor

ANDERS'S PORTFOLIO

Anders has successfully secured at least one property per year since he graduated from university until today. Below are the timeline and type of properties he has secured:

2014

Single-Storey Semi-Detached House

2015

Apartment

2016

Double-Storey Terrace House

2017

Single-Storey Semi-Detached House

2018

Serviced Apartment

2019

Double-Storey Terrace House

"I had nothing with me when I started and at the end of the day, I just wanted to make sure I have something for myself – a property of my own and to teach people how to own properties for themselves..." – Anders, 29



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PART 1
**PROPERTY -
THE
ULTIMATE
INVESTMENT**



“My first property loan application in 2013 was rejected by a few banks when I was 24 years old, but if I had stopped because of the multiple loan rejections, I wouldn’t be here today.”

Chapter 1

Introduction

“What does real estate property mean to people? What do rich people have in common in terms of their investment portfolio? What kind of dwelling properties do people prefer or dream to own? Do we actually know what we are buying when we invest in real estate as a class of asset portfolio? Or do we even know the reasons why we buy properties in the first place?”

Buy Now, Not Later

Most people who bought properties 10 to 30 years ago are doing much better in life compared with those who have delayed their property purchase. This is because property prices will most probably double every 10 to 18 years through the property cycle. This will indirectly help those who purchase properties earlier to build their equity and earn capital appreciation through their properties.

People who delay purchasing property will later find that property prices will keep increasing and it will be hard to catch up with the increment. This is partly because of the slower rate of salary increment, which cannot catch up with the increase in property prices. Besides, properties purchased during the market slowdown in 2008 to 2010 (then priced around RM300,000) can easily sell for RM600,000.00 today, which is double the original price. What if we are one of those who bought 10 units during the market up-cycle period?

“Start Buying Property When You Are Young, Not When You Need It.”

– Anders Ong

Be A Professional Property Buyer

Before we can say we are professional investors, we have to make sure we know how to analyse the property information and the property market. In an upmarket property sentiment, we can see a lot of people rushing and queueing up to buy properties, and new developments can probably be sold out in one day. Then, a few years later, many people suddenly become property gurus. But following the crowd will not always promise a good property selling market in the future and vice versa.

In reality, many people buy their first house based on emotions or friends' suggestion or recommendations by their parents or some property gurus. The first property is either a stepping stone to wealth or a stepping stone to a hole of debt, headache and problems.

Ultimate Property Guide Book

Have you ever wondered what property entrepreneurs know that we don't about property investment? It all falls back to property fundamentals that we must learn before we can invest confidently and correctly. All the property fundamentals and information are contained in this book, so please read this book carefully and repeatedly, and remember all the important criteria of property buying.

TIP :

The earlier you purchase property, the easier you can earn capital gain and build equity.

TIP :

Invest in yourself and knowledge before investing in the property market to avoid mistakes and losses.

Chapter 2

Why Buy/Invest In Properties

It is not 100% correct that we have to invest in properties to become rich. But there are NINE main reasons WHY we should and MUST purchase a property:-

1. Roof Over Our Head

First and foremost, the main reason most people purchase a property in the past and now is to live in it. This is to make sure there is always a house for the family to live and feel safe in. Additionally, it is an achievement for the purchaser as it is the one of the most expensive assets. But purchasing a property has become a form of investment as well as there is always a demand for residential property and it is a necessity. No one will want their loved ones to sleep outside on the road.

2. Capital Appreciation

Property price increment is one of the best and easiest ways to earn money from properties; it is a “miracle” of property investment. Capital appreciation happens due to the increase of property price from the supply and demand market, the sentiments of buyers and sellers, inflation, government policies, economy, building material price changes and market confidence. Once the property price increases to a certain level, we can sell it and earn the profit from the difference between the selling price and purchase price. For instance, a condominium in Penang measuring 1,000 square feet was sold for around RM280K in 2010 and once it is completed in 2013, the property was valued at RM600K. Technically, the property value had gone up and if you sell it, you will earn around RM320K gross, excluding the

miscellaneous costs. It's a generous gain for property investors in terms of capital appreciation in a short time.

3. Cash Flow

Cash flow refers to the inflow of cash from time to time through the holding and management of owned properties through rental returns. It is a very simple practice of leasing out properties for monthly rental returns or daily returns. If you bought a 950-sq ft property in Georgetown, the average monthly rental return is around RM2,000 for a partially furnished unit and the rental can go up to RM3,500 if it's fully furnished. If you have 10 properties rented out, you will get a minimum cash flow of around RM20,000 every month and up to RM35,000.00, depending on your number of units. How can you earn this salary of a General Manager of a listed company? It is possible through property investment!

4. Building Property Equity

In the past, people kept thinking of saving money in fixed deposits as emergency funds and for holidays. Nowadays, the trend has moved from saving to building asset and having cash in bad times. If we take a mortgage for our house and make monthly instalments to the bank, slowly and surely the loan will be paid off and the house will be completely ours. Monthly loan repayment is also a method of equity building in properties or like saving slowly but we get the house in the end or cash out by selling the property and refinancing. Don't forget that property prices will increase as well due to value appreciation and we can have a continuous cash flow from renting out the property.

5. Limited Supply Of Land

Thanks to modernisation and fast urbanisation, everything can be produced in a short time today; even the construction of properties

is faster and easier with technology advancement. But there is still one thing that cannot be manufactured – earth or land. Thus, once the land is fully utilised in the future, it will become scarce, and the demand will be higher than the supply and the price will increase, just like what has happened in Singapore and Hong Kong where there is unlimited demand and limited supply of land for development.

6. Hedge Against Inflation

As time passes, the value of money kept in the bank will decrease due to inflation. Ten years ago, we could buy a packet of nasi lemak for RM1.00 but today, it would cost RM2.50. That means the RM1.00 we had in our pocket now might only be worth RM0.50 in the future. When we invest in properties, the value of the money invested can keep up with the inflation rate or even appreciate. For example, if we purchase a property 10 years ago at RM300,000 with a monthly mortgage repayment of around RM1,500, the monthly repayment today is still the same but the value of the property is now worth RM600,000 and the rental rate will increase too. So, would we have bought the property 10 years ago if we knew the price would double or should we buy at the current price of RM600,000?

7. Legacy For Future Generations

Imagine the same property we bought today had been fully paid off and transferred to our next generation. The rental return we receive monthly or money from the sale of the property can provide multiple streams of income for our next generation. We can even hold on to the house forever and refurbish it from generation to generation to keep our legacy alive even after a few hundred years, just like UNESCO heritage properties.

8. Early Retirement

The passive income from the rental of properties can provide us retirement income once the rental return is more than our monthly debt commitment. Meanwhile, capital gain from the property's capital appreciation can be used as emergency fund or channelled to other investment vehicles for higher returns during our retirement. Some of the property investors I know retired at the age of 35 years.

9. Forced Saving

Instead of putting aside money every month into a savings account, the mortgage repayment monthly is a more disciplined approach of saving monthly. This is because the bank has the right to auction the property if the borrower does not pay the loan for three consecutive months.

TIP:

Buy properties when you are young to take advantage of the maximum loan tenure for lower monthly commitment and to build up equity from a young age.

Chapter 3

Where To Look For Properties

So where do people normally turn to in their search for and get more information on the property they intend to purchase? Basically, everyone can start searching for properties by using the following methods:-



Real Estate Agents (REA) & Real Estate Negotiators (REN)

Real estate agents are professionals who represent owners to sell and lease properties. They also help buyers search for their ideal properties and assist in the sales process. Meanwhile, real estate negotiators are salespeople working under a real estate agency; they assist the property sellers to market and sell their properties to potential customers. Both REA and REN are regulated by the real estate agent's code of conducts. They can do market survey, strategy implementation, projects recommendation and analysis of property pricing for their customers. Below are the main reasons for engaging the services of registered estate agents:-

- They are well trained and experienced.
- Legally registered with Board of Valuers, Appraisers and Estate Agents Act.

- Agents are answerable to clients for their action.
- Knowledgeable on property transaction laws and regulations.
- Agents are accountable for their client's money transactions.
- Licensed professional advisors on the real estate market.

REA & REN charge their professional service fees based on the following standard rates:-

Land & Building	Joint Venture, Sale of Company & Property Swap	Chattels, including Plant and Machinery
Maximum Fee of 3%	Maximum Fee of 3%	10% of the Proceeds

Minimum Fee	Developers' Projects	Foreign Developers' Projects
RM1,000.00 Per Property	Fees agreed between agent and developer	Fees agreed between agent and developer

Beware of real estate brokers who conduct negotiations between seller and purchaser who are not attached to any specific agency and not registered with the Board of Valuers, Appraisers and Estate Agents Malaysia (BOVAEA). The risks of using non-licensed brokers include the following:-

- Customers are not protected.
- Brokers can run off with the money.
- Brokers can overcharge professional fees.
- Brokers can misrepresent property information for fast profiteering.
- Unethical and unprofessional broker's presentation.

Internet & Websites

Many property portals are set up to enable real estate agents and negotiators to publish their listings. The property portals also advertise developers' projects. Besides property portals, we can visit developers' webpages to subscribe to their newsletters and register for their upcoming projects. Below are some property portals:-

Buy Sell Rent	Rent
<ul style="list-style-type: none"> • iProperty.com.my • Propertyguru.com.my • PropWall.my • PenangPropertyTalk.com • Propcafe.net • Nextproperty.my • DurianProperty.com • Propsocial.my • Mudah.my • Wonderlist.property 	<ul style="list-style-type: none"> • Speedrent.com • iBilik.my • Airbnb.com

Property Investment Group

Some property gurus or property investment classes which conduct seminars and training programmes for real estate enthusiasts and property investors offer bulk purchase or recommend projects privately to their participants. Since they get better offers or discounts from developers for bulk purchase, they will announce or introduce the projects, which they have secured in bulk purchase agreements with the developers, to their participants or friends.

Property Fair

Many property developers or agencies who want to create awareness of their brand and sell their units faster will hold road shows or join property fairs and exhibitions. Usually, the property fairs are organised by event companies. Most developers join such events to showcase their latest projects, unsold projects and upcoming projects to the public in shopping malls or convention centres. The events are usually held a few times a year through different organisers or the developers themselves will organise the events to clear their existing stocks. For property hunters, this is a good venue to compare developers' properties and promotions as they will all be gathered at the same time.

Auction Market

The auction market is where properties are publicly sold by licensed auctioneers through the bidding process, whereby the highest bidders get the right to purchase the property being auctioned. Usually, financial institutions use this approach to sell the properties that the borrowers have taken a bank loan to purchase but have failed to repay the loan.

TIP :

Do not purchase properties based on emotions and do not follow the crowd; instead, do comparisons on several properties before making a decision.

There are basically two types of auction process – public auction and private auction. Public auctions are mostly for foreclosed properties and anyone can bid for them. Meanwhile, private auctions are not foreclosed, but sold by the owners through the same auction process.

Chapter 4

Types Of Property

Before we invest or buy our first beloved home sweet home, we should have the basic knowledge of all the types of properties. By learning and identifying all the types of properties in the market, we can plan a diversification strategy. Basically, there are two types of properties – high rise and landed. Below are the two types of properties and the categories in the market:-

RESIDENTIAL PROPERTIES

HIGH RISE

Type	Description	Rating
Flat	A residential-titled high rise without facilities, it can be a walk-up low-rise flat as well. Normally, it's under low-cost housing and the flat allocation is controlled by the state government.	★
Apartment	A higher version of flats with one to three facilities, such as playground, gated and guarded. It is usually categorised under affordable housing, which is controlled by the state government too.	★★

Serviced Suite & Serviced Apartment	A commercial-titled high rise with basic facilities for dwelling purposes, such as Small Office Home Office (SOHO). It can be used as office and leased out through Airbnb. The assessment, quit rent and utility charges are higher than residential-titled properties.	★★★
Condominium	A residential-titled high rise with luxury features such as swimming pool and gymnasium. Designed for residential purpose with facilities to complement a balanced lifestyle.	★★★★
Penthouse	The top-most condominium unit in a building, which usually takes up the whole floor or two floors. It is also designed to be the biggest unit in the high rise.	★★★★★
Duplex	Technically, it is a double-storey terrace unit constructed in a high-rise building with big glass panels to maximise the view and a staircase in the unit to reach the second floor. Some have a mezzanine floor and loft.	★★★★

Super Condo	A very low-density condominium, with only big units which are usually larger than 2,000 square feet per unit and maximum 2 units or 1 unit per floor. Each unit also comes with 3-5 car park bays.	★★★★★★
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Remarks: ★ Represents liveability and pricing

LANDED

Type	Description	Rating
Terrace/Link House	A row of symmetrical and identical houses with shared walls on both sides.	★★
Super Link	Is the same as terrace and link house but is much larger. The land size is usually more than 25' x 75'.	★★★
Clusters	Houses joined at the back of each other or connected to another house in a cluster of four units.	★★
Semi-detached	Two houses joined to each other by a common wall with extra empty land on the other side of the house.	★★★★
Villas	A detached or semi-detached house in a residential area arranged around a courtyard-design township. Individual houses usually do not have gate and fencing.	★★★★★

Zero Lot Bungalow	Zero lot refers to detached properties with minimal extra land and sometimes the house is located at the side (to maximise land usage) without being joined to the wall of the neighbour's property.	★★★★★
Detached House/ Bungalow	Any standalone residence, regardless of size and architectural style. It usually comes with a large and empty land area with broad front car porch.	★★★★★★
Mansion	Residential property which is bigger than the bungalow with an even bigger piece of extra land to build a swimming pool and sports facilities. Normally, the house has at least 10 rooms and a big hall for the family.	★★★★★★★
Townhouse	Similar to terrace house but two or more units share the same piece of land on top of each other and has separate titles. The units are accessed by different entrances.	★★★
Orchard House	Normally comes with a huge plot size of not less than an acre, with fruit orchard and village-style house.	★★★