

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

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PUBLICATIONS



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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 queuing 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 23

Basic Information To Know Before Buying Properties

Before we marry the love of our life, we will need to know him/her personally and get to know his/her family members. It is the same when buying properties. We should know the background of the developer or the seller and the product we are buying. Some of the information that we should have is as follows:-

Type Of Property	The type of property can be either landed or high rise. Normally, landed properties have low rental return rates. Meanwhile, high rise units have higher rental return rates due to their lower prices and tenants' demand for smaller homes.
Number Of Floors	For high-rise properties, the number of the floor refers to the level of the particular high-rise unit while for landed property, it refers to the number of storeys.
Number Of Bedroom	The number of bedrooms in a particular residential unit can affect the price and rental rate of the property. More rooms can demand a higher price compared with a lower number of rooms.
Number Of Bathroom	The number of bathrooms is often seen as a disadvantage to most house buyers as it reduces the usable area. Also, it's more troublesome to wash more toilets. But actually, if the number of toilets complements the number of rooms, then the rental can go higher and it is an advantage.

Layout Size	This refers to the size of the property, from studio to super condo for high rise or terrace to villa for landed properties. Big-sized properties are always on demand unless the price is too steep and unaffordable.
Number Of Car Park	For high-rise properties, especially those in prime areas, it's always better to have more parking bays as we can rent them out individually to earn extra income. Meanwhile, landed properties nowadays also need to accommodate two to four cars to complement the number of rooms.
Furnishing	Some developers offer partial furnishings or full furnishings for their new developments to entice buyers. The sub-sale market also has partial and fully-furnished options if we purchase furnished property from the previous owner. Furnished properties are great, but we may not like the design and the price could be higher.
Facing Direction	High-rise properties facing iconic buildings or with sea view demand a premium over units facing cemeteries or sewerage treatment plants. Landed properties facing other properties are not in demand as there is no unique view. Here, houses that don't face any property have better demand than those facing other houses. But both types should not face west (where the sun sets) due to the afternoon heat from the sun.

Rental Rate	Properties with high rental rates are much more valuable than those with low rental rates if your investment portfolio focuses on cash flow. We can estimate the rental rate of properties by researching the existing rental rates of furnished and unfurnished properties in the surrounding areas.
Maintenance	Properties should be well maintained to make them conducive or pleasant for dwelling. Besides, properties which are not well maintained do not really attract investors and families. If there is maintenance fee for the property, make sure the fee is low and the upkeep of the property is excellent.
Price Per Square Foot	Always calculate the high, medium and low price per square foot of surrounding properties before deciding to invest. If we buy the property at a high price, we will have trouble getting profitable rental yield or selling it in the future.
Location	Buying properties is always about the location so that it can appreciate or get good rental return as it is not a movable asset. We can look for mature locations or areas with high growth potential in the future. Always choose a property that has good accessibility, convenience and high demand without over supply and is close to amenities.

Property Title	Commercial-titled properties with residential usage are getting more and more popular due to their uniqueness and ability to cater for the homestay business. For residential-titled properties, the utility charges, quit rent and assessment rate are lower than commercial-titled properties.
Leasehold Or Freehold	Leasehold property price is usually lower by 15%-20% than freehold property in the same location. Freehold property commands a higher price in the long term. But don't worry about buying leasehold properties because if the location is right, the price will still appreciate.
Floor Plan	Study whether the floor plan is practical in terms of usage. For example, make sure the rooms are together with the bathrooms and there are not many structural columns, which will reduce the floor space.
Under Construction Or Completed	Completed projects and projects under construction have a huge difference in terms of the payment schedule. Furthermore, we cannot judge the workmanship of projects under construction while we can immediately check the quality of completed projects.
Document Of Title	Check whether the documents of the title have been issued before purchasing a secondary property and when purchasing a new property.

Quit Rent And Property Assessment	Property assessment is evaluated based on the annual rental value of a property, which is determined by the local authority based on the location. Make sure you get hold of the quit rent and assessment receipt for secondary property purchase to ensure the owner has paid the bills and is the legitimate owner of the property.
Sales & Purchase Agreement (SPA)	Get a copy of the SPA, including the floor plans, to verify and study the details of the property to be purchased.
Developer Service	If you are looking for properties in new projects, always research the past projects of the developer and their handover experience and services.
Quality And Workmanship	The quality and workmanship, if not taken seriously, will spell disaster to our investment or dwelling experience. Some new projects which have just been handed over after obtaining the Certificate of Completion and Compliance could have cracks and defective windows, which means water can seep in when it is raining. If it is left for a long time, the problem can get worse as cracks and mould can grow and the paint peel off.
Residential Or Commercial	Normally, residential properties are more suitable for new investors and home owners, thus raising the demand for this type of property. Commercial properties, on the other hand, are more suitable for seasoned investors or business owners as the cash and capital requirement is higher while the market is smaller.

End Financier	For properties under construction, it's always a good sign of confidence if there are more end-financiers available. Most of the time, banks will conduct their own risk study on projects under construction and will only provide mortgage financing for safe and feasible projects.
Awards	Winning awards is a symbol of excellence and therefore, developers who have won many awards for their projects will gain the buyers' confidence that their projects have high quality and are safe.
Facilities (USP)	Nowadays, the newer developments offer more facilities to attract the younger generation to purchase their properties. For example, providing trendy swimming pools and landscaped gardens in the condominium. Landed residential properties usually don't come with many facilities, except the basic gated and guarded feature.
Age	The newer the property, the higher the demand from the market and the older the property, the higher will be the repair and replacement cost.
Amenities	An excellent property should not be too far from entertainment spots, education centres (e.g. schools), offices and medical amenities. But it should not be too near religious centres, heavy industrial zone and dumping grounds.
Safety & Security	A place which is safe from burglar and criminal activities will always appreciate in price and has high demand. Make sure the selected area is safe to stay in and has security guard services.

Prestige	This refers to the sense of belonging and pride of owning a great project compared to a rundown property with a bad reputation. The price of a prestigious property is always high and able to command a high net worth for purchasers.
Environment & Surrounding	To avoid the property price from stagnating, make sure the surroundings of the property are in good condition and there are not too many low-cost houses. You can also study the neighbourhood mix in the area to see if there are more B40, M40 or T20 population groups.
Completion	The year of completion for properties under construction is of utmost importance to calculate the repayment cost, vacant possession and other charges.

TIP :

Always check the facts presented by the agents and salespeople to avoid getting misleading information.