

Malaysians No. 3 Asian real estate investors in UK, Australia, says report
Malaysian Insider
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Malaysia is the third biggest Asian investor in the real estate market of the United Kingdom and Australia, The Star Online reported.

Citing a statement by property consultancy Knight Frank, the news portal said between the third quarter of 2013 and the second quarter of this year, Malaysian investments totalled US\$5.61 billion (RM24 billion), with the UK receiving US\$2.23 billion and Australia US\$1.37 billion.

Knight Frank executive director James Buckley was quoted as saying that Malaysian real estate investments abroad had been "incredibly active" over the last five years, but was expected to slow down as a result of the weak ringgit.

He noted the strong desire of Malaysian investors to diversity their wealth into overseas markets and slight shift in outbound capital, with Malaysians focusing more on the Australian market compared with the UK.

"This has largely been driven by the value of the ringgit relative to the Australian dollar, which has weakened 6.6% versus 24% relative to the pound sterling," Buckley said.

He said while Malaysians were diversifying their assets abroad, the weak ringgit, down about 25% against the US dollar at a 17-year low, had also spurred interest from the Taiwanese, Japanese, Singaporeans, Middle Easterners, Germans and the French.

Buckley said they were interested in budget to five-star hospitality assets and quality office space, and Kuala Lumpur was now one of five cities to watch, as foreign developers and institutional investors saw real estate opportunities there.

He cited as example a joint venture between the Canada Pension Plan Investment Board (CPPIB) and low-profile property tycoon Tan Sri Desmond Lim of the Pavilion/Malton group to develop Pusat Bandar Damansara (PBD) in Damansara Heights – a project that has put Kuala Lumpur on the radar.

CPPIB has a 49% stake in the JV with the Pavilion Group, or an investment of RM485 million, in Lim's mixed integrated development.

"The Canadian pension fund in PBD opened up a lot of eyes. The perception is, 'Okay. Such a big fund is here. There must be something here'.

"It will pave the way for more funds to look for similar transactions," said Buckley, adding that foreign investors were looking for investments valued at between US\$100 million and US\$300 million.

With the drop of the ringgit, there had been calls by certain parties for Malaysian funds to be repatriated to boost the currency, but Knight Frank Malaysia managing director Sarkunan Subramaniam said such a move would be unprofitable to investors.

"Even if they (the funds) do bring back their money, what is the asset class investment here that can provide that long-term security they are getting in the markets they have already invested in? I can't think of any.

"And the investments they have abroad are 'upward only' rent revisions. To bring it back here means leases of three-plus-three-plus-three years."

Malaysian funds have bought into UK real estate with 15- to 20-year leases, with annual yields of between 5% and 6%, mostly in the UK.

"Quality assets are important and we are so far away from the more established Western countries."

He said 75% of the 80 million sq ft of purpose-built office were 15 years old, which meant only 25% was quality office space.

Knight Frank's "Global Cities: The 2016 Report" also showed that Malaysia had also been investing in the US and continental Europe, although those locations were less favoured.

Investments in the US totalled US\$1 billion and US\$1.03 billion in Europe.

Ahead of Malaysia in investments are neighbouring Singapore, which tops the lists in the US, UK and Australia, and China in the three countries over the last two years. -October 28, 2015.

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