

Knowledge and timing the key

Thomas Ong (right) and Edmond Liao head a group of property investors that focuses on bulk acquisition and leasing of properties and has amassed a portfolio worth more than RM300 million over two years. **E Jacqui Chan** talks to the duo about their formula for successful property investment. Turn to Page 6 for her story.



The group acquired 73 units in One South, which is located along the KL-Seremban highway, serves a bustling population.



'Buy based on what you know, not what you see'

By E Jacqui Chan

In 2009, Thomas Ong and Edmond Liao took a few friends to the site of the yet-to-be-developed commercial project Equine Boulevard in Seri Kembaran to explore its investment potential.

Ong and Liao, who are in their forties, head a group of 70 investors that focuses on bulk acquisition and leasing of shop units. The duo are also directors of several property investment companies that were set up for each property the group acquired. One look at the bare 13-acre tract, with not a crane in sight, and the undeveloped surroundings would have put most people off investing in the project. But Ong and Liao, with a few other investors, went ahead and acquired 29 units in the project for RM45 million. The remaining 49 units were taken up by the rest of the investors in the group.

"What people did not know at the time was that IOT Properties Sdn Bhd and Hap Hong Consolidated had bought parcels of land there. Giant hypermarket was coming in and Tesco was also considering the location. There are major developments that will change the area," says Ong.

Since then, Giant has opened its doors in the area, Tesco will follow soon and both Hap Hong and IOT are in various stages of executing their projects in Malacca and Seremban respectively.

Do not buy based on what you see, says Ong, but on what you know.

"You need to know what is going to happen in the area two or three years after the development is completed. If you base your decision solely on what you see, you might lose out on a good investment."

It is a strategy that has served Ong and Liao well.

Together with the group, they have amassed a commercial property portfolio worth more than RM300 million, which includes One South in Seri Kembaran, 7/21 in Perling Jaya, Puchong Gateway in Puchong and Melaka Boulevard.

The group acquired 73 units in One South for RM45 million from the developer Husa Yang Sdn Bhd in January this year.

Getting the best returns

Born with an entrepreneurial spirit, Ong has set up a few small businesses, including a children's development centre and a music school, over the past 15 years.

"Keeping the businesses going requires a lot of time and effort. Eventually, I realised that property investment gives by far the best return for the effort you put in. So about five years ago, I called it a day and turned my attention to property investment," he says.

But it was different for Liao, who owns a trading company.

"I bought a few units here and there over the years but I wanted to invest on a bigger scale. Then at the right time, Ong came along," he says.

With the know-how and the right people, property investment can be a very lucrative business, he adds.

It took Ong another three years before he started investing on a bigger scale as he took his time to observe and understand the market.

"I started off with a few units of shophouses, had to make sure I had got it right before I could even think of pumping in big money," he explains. Even after his small investments began to pay off, things did not go as smoothly as he expected.



Units in Puchong Gateway are generating 8% rental yield



We find investors through our network of friends by sharing our knowledge with them. — Ong

In the commercial property market, corner lots and units with good footage are the preferred choice of investors because the returns are higher. Unfortunately, this made it hard for the duo to get prime units.

"Sometimes, developers are reluctant to sell all the prime lots to just one or two buyers. There was a project where we wanted to buy three corner units but the developer started asking questions. After much negotiation, we ended up with an entire lot," says Ong.

That was when the duo realised they needed to build a team of value investors to enable them to buy en bloc.

Research central was another key en-bloc acquisition. When there is no control over the environment, it takes a longer period of trial and error before a commercial development matures, observes Ong.

"You will get situations like an F&B outlet opening hundreds of thousands of ringgit on renovations only to have a mechanic shop open next to it. Or a business might fail to take off because there are too many similar shops in the development. Things like that can affect the business, which in turn affects your returns."

Ong stresses that there is no secret to property investment — it is a matter of knowledge and timing. A large portion of their time is spent on research.

"We do mostly what the man in the street does. We read the newspapers, track the developments closely and attend launches. We also rely on our network of friends and associates for information," says Ong.

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Buying uncut diamonds to enjoy good capital appreciation

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For every project you buy into, holding power is crucial, he adds.

From the point of vacant possession to maturity, you will need to hold the property for a period of time. The more properties you own, the more holding power you will need.

To ensure there is enough capital to hold the properties, Ong and Liao sell off a few units to make some immediate profit.

"These days, most properties in the Klang Valley enjoy capital appreciation almost immediately after they are sold. So, we use the profit to increase our holding ability so we invest elsewhere," says Ong.

To enjoy good capital appreciation, Ong and Liao look out "uncut diamonds".

"This is where timing comes in. You have to buy just in time for the area to turn around. Buying in places like Desa Park City means paying a premium and you may not be able to enjoy high capital appreciation," reasons Ong.

Some of the duo's earlier buys have given them handsome returns. Units in Neo Cyber in Cyberjaya were bought for RM400,000 each upon launch and sold at RM600,000, representing a capital appreciation of 50%, while units in Puchong Gateway along Lebuhraya Damansara Puchong were bought for RM100,000 each and sold for RM1.15 million — a capital appreciation of 65%.

Ong estimates their properties at Equine Boulevard developed by Equine Capital Sdn Bhd, which were acquired for about RM1.10 million, will yield a capital appreciation of more than 60%, considering that the recently launched Phase 4 were fully sold for RM1.8 million.



With the know-how and the right people, property investment can be a very lucrative business. — Liao

The group expects Equine Boulevard in Seri Kembaran to yield a capital appreciation of more than 60% when completed.



He recalls friends telling him that it was risky to invest in Puchong Gateway as it was a project by first-time developer Newfields Property Management Sdn Bhd.

"You have to consider that Puchong Gateway is a large project of 50 acres which will be developed in phases. The developer has much more to lose than if the project fails. You can be sure it will do it," says Ong.

While he agrees that there are risks involved, Ong believes these are mitigated by what Liao and he know about the area.

Talking about shophots, Ong says he categorises these as "silk" and "diamond".

Shops are shophots located within a housing estate, typically built in one or two rows, while shophots are those located on a main road that connects the suburbs to the town.

Adik mostly cater for the residents in the area, which means smaller capital appreciation and finding tenants might take longer. However, says Ong, these are good for passive income as tenants are likely to stay longer once they have established a loyal clientele.

"Along the other hand, serve a bustling population. Two examples would be Sunda Point Puchong and One South, both of which are located along the highway. Most of shophots are also within integrated developments which will help sustain them. Investments in this category will generate bigger returns," he explains.

As for rental yields, Ong and Liao do a simple survey of prevailing rental rates for properties surrounding the new project to get an idea of what rents will be like upon its completion.

"As long as we can get 7% based on what people are paying today, we are confident that we should be able to achieve at least 8% when our properties are ready," says Ong, adding that the units they kept at Puchong Gateway are generating 8% rental yield.

"We buy uncut diamonds and in two years' time, when they are completed, people will see the cut diamond and the value goes up. We have started receiving leasing enquiries for our properties, including from a few big retail and F&B players."

Investing into Melaka

It is a move to diversify their portfolio, Ong and Liao are venturing into hotel investment and they are doing this in an unlikely location — Melaka. This is in addition to the 72 units acquired for RM60 million last year in Melaka Boulevard, the city's first street mall.

"When we told people we were venturing into Melaka, a lot of us said it was wrong move," says Melaka by Liao.

Research showed that the number of tourists to Melaka was increasing year by year and new infrastructure was being put in place.

"We saw the potential there. A lot of tourists are visiting Melaka and most families do not like to go to budget hotels. At the same time, they do not want to spend too much on accommodation. Ours will be a business-class hotel that bridges the gap between the budget and five-star hotels," says Liao.

Ong makes a comparison with Puchong. "Back then, people didn't want to touch Puchong. Suddenly, the place is transformed and those people are asking what happened and how it bypassed them."

The hotel is located next to Melaka Boulevard and is part of a 4-storey shophot that was abandoned for a period of time due to poor accessibility.

"Things have changed since then. The government has built a highway across from it and is building a new promenade. The government has also cleared up the river. Also, across the road is the Hard Rock Hotel, which is still under construction," says Ong.

The hotel is scheduled to undergo a facelift soon, with plans to create a Pevancon concept. The ground floor is reserved for F&B outlets while the upper floors will house the hotel.

"We are looking to bring in some high-end F&B players," says Liao.

However, the duo has no plans to manage the hotel themselves. Says Ong, "Hotel management requires a whole different set of skills. It's better for us to concentrate on our core skill, which is investing, and outsource the management of the hotel."

What the future holds

After more than two years in the business, Ong and Liao have reached a point where developers come knocking on their door to promote developments.

"You don't want to expand too much. When a good opportunity presents itself, we will go for it but we are not hungry for projects," Liao comments.

Ong and Liao run their business with just a handful of employees, and investors are gathered informally.

"We find investors through our network of friends, by sharing our knowledge [with them]. I believe that the secret to making money is to tell people your secret," says Ong.

He also notes the danger of becoming overconfident as one becomes more successful, saying there is no room for error in property investment.

"One mistake will bring down your entire portfolio. Sometimes, it's good to step back and take a fresh look at things. See where you can improve rather than ploughing ahead just because you can."

Currently, Ong and Liao have no plans to invest overseas, preferring to focus on Malaysia. No do they wish to expand into the residential property and office markets.

"There are plenty of opportunities here. It's a matter of whether you see the opportunity. I think the difference is the strategy. There is really time to invest or make moves. Sometimes, bad times, like the recent financial crisis, can offer you many opportunities," says Ong.

The office and residential property markets are different animals that require different strategies, which is not something they are keen on, he adds.

"With residential, you have to worry about who the tenants will take care of the property, but in commercial, it is in the best interests of the tenant to take care of the premises."

For now, with their investment projects running smoothly, the duo are looking forward to spending more time with their families.

"My eldest daughter is already talking about getting her driver's license and my wife is complaining that I see more of Liao than her," laughs Ong.

"We do not want to have the biggest property investment portfolio in the country. We care enough and time with our family is more important than anything else," concludes Liao.