



Turning Crisis into Profit

How to Make Money in Asian Property

Tim Murphy



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149 Maplehurst Road

You had to kick the back door to enter because the wood had swollen. The carpets were musty and worn, and the stairs creaked.

I bought the house at 149 Maplehurst Road, in a cul-de-sac in the southern English town of Chichester, in 1993. Since then, I've picked up a lot of knowledge about investing, as I bought more than 200 properties in 15 countries for myself, which led me to where I am today – running a company to help others invest. The lessons from hundreds of good deals I've been involved in, and the occasional bad one, are laid out in this book.

But when I bought my first house at the age of 22, I was just lucky. The British economy was gloomy, and a speculative attack on the pound sterling forced the Bank of England to unhook the currency from the trading band of the European Union's Exchange Rate Mechanism. The housing market was in the doldrums. At a seminar, I found out mortgage rates were also rock-bottom, and my life changed that day.

I'd just finished a degree in sports science and, after a few injuries, had thought about a career in teaching before opting for a job selling investment products for the insurance firm Prudential. It suddenly occurred to me then that my three friends and I paid much more on rent for our shared house than we would if we were paying a mortgage.

So I drove around Chichester and spotted the house on Maplehurst Road, on the market for £51,000. I took the plunge and applied for a mortgage that would cover 95 per cent of the price, costing me £340 a month in repayments, while my mother lent me £2,000 towards the down payment.

We carpeted all the rooms for £85, converted the garage to a bedroom and gave the whole house a splash of paint. My mum's handiwork ensured my bedroom was the nicest. I offered my three friends what they considered a good deal of £50 rent per week and still pocketed £460 every month in extra income.

It seemed like a no-brainer. So I started house-hunting in my spare time, looking for similar "three-up, two-down" houses to rent to students or new graduates like me. Soon I'd bought my second house, and it became easier to borrow money as I could show my bank manager the extra income I was bringing in. Within a couple of years, I'd snapped up ten houses, and over the next 13 years I remortgaged that house at Maplehurst Road five times to get more capital.

When I finally sold it in 2006, the house was worth £200,000. The average annual return on the equity that I'd put into the houses bought in the 1990s was about 150 per cent.

The rationale was that if the value of the house rose 5 per cent each year and the annual rental income was about one-fifth of the cost of the house (a rental yield of 20 per cent), I could double my money every year.

However, it all rested on being able to cover all or most of the mortgage with rent, because as a 22-year-old it would be scary as hell if you couldn't afford to service your debt. Over the next 15 years, British house prices rose so steeply that investors who adopted a strategy similar to mine but entered the market later risked getting burnt. Houses that I bought for £60,000 just seven years earlier had tripled in price, but rents lagged by a long way. So after accumulating some fifty houses, I pulled out of the buy-to-rent market in Britain in 2000 because it no longer made good investment sense.

“It was a simple but great business model, based on putting down only 5 per cent in equity of what was needed to buy a house and borrowing the rest.”

By that time, I'd moved with Prudential to Hong Kong to run a team there. I began looking at much more exciting markets in Asia and also at different ways to invest, including buying "off-plan" – straight from the developer before the property is built.

I bought off-plan apartments in London, on the basis that I only needed to make an upfront deposit payment of 5 or 10 per cent. If it later turned out that rental yields were not high enough when the building was finished three years later, I could sell, hopefully for a decent profit. If the rent was good, I'd hold on to the property.

In 1998, I spotted an opportunity in Australia, where a couple of states froze stamp duty to boost the housing market. The properties I bought there turned out to be sound investments and a great currency play, as the weak Australian dollar began an upswing when the economy improved.

Then I started to look at the Hong Kong housing market, where the bursting of the dot-com bubble in 2001 sparked a slide in prices from a heady peak in 1997, the year Britain handed the territory back to China. After the outbreak of SARS (severe acute respiratory syndrome) in 2003 dragged the market down even further, I bought several apartments in the notoriously crowded city and rode an upswing as China's booming economy stoked demand in the country's main financial services centre.

I then moved onto the Malaysian and Singapore markets, which had tumbled during the 1997–98 Asian economic crisis and were only just starting to pick up.

Around that time, my life changed again, with what I can only describe as a bit of an early mid-life crisis. I went through a divorce and was unsure about my career. Friends advised me to take some time off work, and I spent it travelling and thinking about what I wanted to do. I kept going back to what I really enjoyed, and that was buying property.

I'd picked up a lot of financial and investment expertise at Prudential, working in its offices in Britain, South Korea and Hong Kong. One of the most humbling things I had learnt was that so many people had worked hard for forty or so years and were still struggling financially, trying to put away something for an uncertain retirement. But through property investment, I thought I had found a way out, and I wanted to make it my business.

So I founded IP Global in 2005. I realized I needed people to manage all the paperwork associated with owning homes for rent, such as mortgage

applications, tenant contracts and tax returns. If I wanted to invest more and in new places, I also needed better market information – something sorely lacking in many countries. And with friends constantly asking for tips on property and suggesting buying jointly, I thought the company could help others to invest wisely too. One of the friends who lived in my first house in Chichester now works for the company and owns houses in four countries.

The company now has offices in London, Hong Kong, Singapore, Dubai, Tokyo and New York, and the idea of using good market research together with collective bargaining to get the best deals from developers has really caught on. Over 15,000 people have registered as members to receive market information and the option to buy into housing projects that match our strict criteria for quality and economic sense. The company clinches over a hundred deals each month for clients, buying and selling more than \$250 million worth of property each year all over the world from Brazil and Panama to Malaysia and Japan.

But like any good investment, you need to buy for the medium to long term. If the fundamentals are heading in the right direction, you should ride the ups and downs of market cycles and only sell if the money can be better used elsewhere.

In the following chapters, I explain why buying property can be a great move if you want a little extra income for when you retire, or if you want to make it your life's passion, as I have. I talk about the simple rules I always follow and then show you how to diversify your investment by buying

in some of the most interesting markets in Asia. Hopefully you can pick up all the skills and insight needed to buy confidently.

Not everyone will be as lucky as I was at 22 and will find the perfect investment property on your doorstep. But by zeroing in on new markets – maybe the up-and-coming Ho Chi Minh City in Vietnam or the bustling ski resort of Niseko in Japan – you could find your own 149 Maplehurst Road.

“I really believe that we have not yet seen even the beginning of Asia's power; we can barely imagine how young populations and rapid urbanization will transform the region over the next ten or twenty years.”

Why invest in Asia?

Although the worst financial crisis in decades rocked Asia, hitting global demand for its exports, the forces of population growth, mass urbanization, and wealth accumulated over decades are helping to bolster domestic demand. The trend can be seen everywhere in cities brimming with activity, through increased car ownership, Internet and telecommunications usage, rising consumer sales – and a relatively new trend – mass home ownership.

Whether it's the neon splendour of Tokyo, or French colonial styled Hanoi, author Tim Murphy takes a top-down, numbers-approach to property investment. Backed by statistics, colourful anecdotes and real-life investment successes, he examines how the different Asian macro-economic landscapes can yield opportunity for every type of investor – from the risk-taker to the prudent-minded. And his “10 steps to buying off-plan” property in Hong Kong, Malaysia, Singapore and other countries where he has personally invested, serves as a methodical checklist for both first-time, and seasoned property buyers.

When the world shook on its financial foundations in 1929, the phrase “when America sneezes, the world catches a cold” seized public imagination – but now, a continent is turning that adage on its head in the wake of the sub-prime fallout. In **Turning Crisis into Profit: How to Make Money in Asian Property**, Murphy delivers a candid, revealing read on why Asia can be the promised land for a properly prepared real estate investor.



About the Author

Tim Murphy is a full-time property investor based in Hong Kong. His company IP Global, founded in 2005, assists clients to invest in property in Asia, Europe, the Middle East and the Americas. Murphy has lived in the Asia-Pacific region for over 10 years. He has extensive media experience having appeared on CNBC, CNN, Bloomberg, Channel NewsAsia, the BBC in Hong Kong, Singapore and London and is a regular pundit on property investment within Asia's broadsheet press.

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