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## INVESTOR DIALOGUE

# Tim Murphy

Specialist property investor and managing director of IP Global talks to *Nick Ferguson*

Tim Murphy has been investing in real estate since his early twenties and had built a portfolio of 40 properties by the time he hit his thirties. Today, he is the managing director of IP Global, a Hong Kong-based property investment firm he created in 2005 that advises individuals on how to buy property for wealth-management purposes.

That was how Murphy himself started out – buying property as an investment while working for Prudential in the UK. He came to Asia in the late 1990s and started to add international properties to his portfolio. Meanwhile, his career was taking off too. In 2004 he became chief executive of Dah Sing Life, but by that time his personal investments had already started to pull him in a different direction.

“What started as a personal wealth management strategy turned into a business idea: supporting other individuals who are looking to build a property portfolio outside of their domiciled market,” said Murphy.

Today, he is invested in properties in 15 countries around the world, including Australia, Brazil, Japan, Spain, the UK, Hong Kong, Malaysia, Thailand, Singapore and Vietnam.

## MURPHY'S LAWS

Don't get emotional  
Maximise your leverage  
Buy freehold where possible

### How would you summarise your investment philosophy?

I very much focus on the medium term, which is to say a minimum of three years, and I generally will invest in leverage-friendly markets – where good lending is available – and this is especially the case given the current market conditions.

### Do you focus exclusively on residential properties?

No, we invest in commercial properties as well, especially where the yield plays are more interesting – markets such as Kuala Lumpur, for example, offer better yields in commercial property at the moment.

### What constitutes better yields?

In Kuala Lumpur now we're seeing yields of around 7% to

9% on our commercial property investments.

### What kind of performance have you achieved during the financial crisis and its aftermath?

Extremely good. Most acquisitions we have made are showing double-digit returns over the past two years, especially the distressed residential properties that we've bought in London. And those returns are calculated on an unlevered basis, so in many developments the real returns are 50% plus.

### Which Asian markets have performed best for you during the past two years?

Hong Kong has performed very well, with most of our purchases at the 30% plus level since 2008. Singapore and Kuala Lumpur have also returned very strongly – Singapore is at 25%. In KL the returns are a more modest 5%, but with very little volatility.

### Are there any new markets in the region that you're



Tim Murphy

### looking at, or considering returning to?

We are looking at Vietnam again as the market there begins to stabilise and domestic property buyers are

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short term it's a slightly different story. Shanghai and Beijing are overpriced and uncompetitive because of the recent government intervention. We think there's more value in second- and third-tier cities like Chongqing.

**Going back to your investment strategy, how long do you typically hold your properties?**

Our investments range from three to seven years normally. Yes, I time my exits, but not in the same way that investors try to time stock markets. With physical property you need to be a great deal more patient and wait for the right liquidity levels.

**What are the most common mistakes that individuals make when buying property as an investment?**

They get emotional and confuse holiday homes with investments, which are not the same thing. Also, people try to buy without mortgages or pay their mortgages off quickly, which is neither tax-efficient nor the smartest use of capital.

**What is your research process like?**

We put a lot of emphasis on the due diligence that surrounds each and every project. Insufficient

research will likely result in an unfruitful investment and an unhappy investor. Once we've identified a market with good investment potential, we look into indicators such as tax, currency, legal issues, financing, liquidity and rental yields. This is an extensive undertaking and equips our clients with the assurance of our belief in the market and the tools to make an informed decision.

**Is it important for you to have freehold of a property?**

We prefer freehold properties to leasehold and recommend buying properties in different markets for diversification, spreading risk and hedging currency movements. We always recommend investors minimise their capital outlay by borrowing money and enabling tax benefits.

**Your property portfolio is not currently investable as a fund; do you have any interest in becoming a fund manager?**

Yes. Actually, we have already launched two private equity funds that have returned double digits annually for each of the past three years and we are planning on launching a product in the fund management space in 2011. ■

returning to the market aggressively. We are also reviewing Jakarta as one of the most undervalued markets in the region as they look to radically improve the regulations for overseas property buyers.

**Which are your favourite international markets?**

London is our favourite thanks to the weakness of sterling, the massive

under-supply due to a lack of bank financing and strong yields because the local market is not buying. We also like Brazil as the economy is set to be a top five player in the next 20 years and the mortgage market is becoming increasingly developed.

**What are your views on China's property market?**

In the long term we're very positive on China, but in the