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City and Country. Offshore Murphys hot picks for 2011 (KL, London, NY)

By Cecelia Chow of The Edge Singapore
20 March 2011

Tim Murphy, a prolific property investor and founder and CEO of Hong Kong-based international property investment firm IP Global, thinks property values in Kuala Lumpur are set to rally. The Malaysian capital is one of Murphy's hot picks for 2011. He attributes the city's potential to its economic growth, estimated at 5.3% in the year ahead, and a property market that has remained stable in the last two years. "The properties are generally affordable, with low taxes, and foreigners are able to own property there," Murphy says.

"We'll be seeing a huge capital flow into Malaysia this year as Kuala Lumpur continues to bustle," he tells The Edge Singapore. "The thing about Malaysia is, it's a cheaper alternative with little downside [compared with] the other markets, for instance, Indonesia and the Philippines. If you look at the Malaysian currency, it's performing quite well, and interest rates are steady."

Last year, IP Global invested in 32 units in high-end condominium projects at Bukit Ceylon, which is just a short distance from the prime Bukit Bintang shopping and F&B enclave. Murphy also believes the best deals in KL today are in office space. "You can get 8% to 10% yields — anything within a mile of Jalan Ampang," he says.

Murphy also likes London, as favourable exchange rates continue to attract overseas buyers. For example, he says, the Singapore dollar to pound has averaged 0.4 since January 2008 and is likely to remain that way in the year ahead. He adds that current rental yields in Central London are the highest in 20 years, and anecdotal evidence is that there are five or six renters competing for each property. "Investors should act fast before they miss this opportunity," he adds.

As for New York, Murphy urges investors to capitalise on distressed opportunities at substantial discounts as the city bounces back from the slump. As a comparison, he says a 3,000 sq ft luxury apartment in London would be priced at US\$7.5 million (RM22.8 million) and in Hong Kong, US\$5.1 million. However, one in New York could be had for US\$4.5 million. And, with the property supply still tight, he reckons New York could outperform all other markets this year.

Murphy also sees potential in entering Tokyo as the Japanese economy gradually stabilises. According to the latest monthly survey among economists by the Cabinet Office's Economic Planning Association, the average forecast for FY2011's real GDP growth in Japan was revised to 1.39% from 1.29%, he says.

Japan was also a popular investment destination in 2010 for institutional investors, such as Singapore's Mapletree Investments, Franklin Templeton Investments from the US and Hong Kong-based Pacific Alliance Group, and Murphy sees this trend continuing.

As for Singapore, Murphy says the government's latest property measures may deter locals and dampen market sentiment initially, but foreign investors "still hold very strong sentiments about Singapore's economy and will continue to invest here".

He adds: "I don't think the downside is great, because I think the market still has legs, but if you're after a quick buck now, this is not the time."

Furthermore, Singapore isn't the only place in Asia with tough government measures to tame house prices. A slew of new regulations in China has forced investors to look for opportunities in other countries, such as Singapore, Murphy says, while in November, the Hong Kong government set a higher sales tax on properties sold within 6 to 24 months of purchase and raised down-payment requirements for residential properties. "As such, the [Hong Kong] market is starting to seem like it is all under control, except for the fact that housing prices are still too high for the average person," he observes.

He sees the Singapore economy growing in the next one to two years and advises investors to "move quickly" before it peaks. Murphy himself had been searching for an opportunity to enter the Singapore market since early 2010, zooming in on the Newton area, as it is in a prime location (District 11), near the Orchard Road shopping belt and the CBD and served by the Newton and Novena MRT stations.

He also stands by his decision to wait for the right opportunity to buy, as he was not prepared to meet asking prices of at least S\$2,000 (RM4,700) psf in the secondary market in the Newton-Novena neighbourhood. In December, he purchased a 1,119 sq ft, eighth-floor resale unit at Ten@Suffolk on Suffolk Road for S\$1.37 million (S\$1,224 psf). The 37-unit boutique condo, located just off Thomson Road in District 11, was completed in 2007 by Hong Fok Group.

While Murphy believes Singapore's property market will remain robust, his focus for 2011 will primarily be Kuala Lumpur, London and New York. He sees an increasing number of Singaporeans investing overseas as well, and attributes it to "the high property prices here". At IP Global's recent Singapore showcase of prime units at The Sheffield, a new apartment block overlooking Central Park in the heart of Manhattan, in which the firm had invested, 14 units were sold to local retail investors, with more than 180 attendees at the weekend exhibition.

Cecilia Chow is editor of City & Country at The Edge Singapore

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