

Fresh optimism in KL

Economic upturn and progress on infrastructure spur major developments in Malaysian capital. By **Anchalee Kongrut** in Kuala Lumpur

• Anyone who visits Kuala Lumpur these days will feel the vibe of optimism, in the form of construction that is humming along across the capital city. The Malaysian government is injecting massive sums to develop transport infrastructure — an element the country lacks in comparison with close neighbours Singapore or even Thailand.

The government has budgeted US\$34.2 billion for mass transit for the capital city, including a network of elevated mass rapid train lines and multiple expressways, according to the recent report "Greater Kuala Lumpur: Bridge between Asia and the World" by PricewaterhouseCoopers. As well, a new high-speed rail line between Kuala Lumpur and Singapore is taking shape. The developments are expected to help lift the capital city to the next level.

The hum of construction is occurring not only at ground level. Crane your neck skyward and you will see up the city's skyline being transformed as well. TRX City, or the Tun Razak Exchange complex is taking shape as new financial hub for Kuala Lumpur, and the construction of high-end property is reviving.

On Conlay Road, home to luxurious hotels and shopping centres, the construction of 8 Conlay project — three buildings that will accommodate a Kempinski luxury hotel, a high-end shopping complex and residential spaces — is taking shape. Designed to resemble character for the lucky number "eight" in the Chinese alphabet, it is expected to be a new architectural gem on an already skyscraper-studded skyline.

Property developers credit the steady progress on mass-transit projects for the improved investment environment. Properties connected to mass-transit lines area are expected to be the main beneficiaries.

"For the last one or two years, the general market has been soft. But I think it is starting to pick up this year," said Joanne Kua, CEO of KSK Group Berhad and Managing Director of KSK Land, the developer of the 5.4-billion-ringgit (\$1.28 billion) 8 Conlay project.

The complex, she notes, is being built on the last remaining large land plot in upscale Kuala Lumpur City, one of the areas to be blessed by transport infrastructure projects. 8 Conlay is a stone's throw from a

mass-transit line, and Conlay Station will also be connected to the high-speed rail line that will link Kuala Lumpur and Singapore.

"If you understand the dynamic of Kuala Lumpur today, you know it is always the trend in every major city that when you have infrastructure, mass rapid transit, high-speed rail, it fuses to the next wave because it changes the dynamic of how people work and live," said Ms Kua.

Property prices in Kuala Lumpur weakened when the economy started to take a hit from the sharp fall in oil prices in 2014. However, the economy has recovered rapidly and is performing above most forecasters' expectations, with 5.8% gross domestic product expansion in the second quarter coming after a 5.6% improvement in the first quarter.

The Organization for Economic Cooperation and Development (OECD) praised the "sound macroeconomic fundamentals" that have made Malaysia one of the most successful Southeast Asian economies.

More foreign companies are announcing that they will open offices in the country. For instance, HSBC is investing over one billion ringgit (\$235 million) to build its future regional headquarters in the Tun Razak Exchange.

Broadcom Ltd, one of the world's largest semiconductor companies, is going to transfer its global distribution hub from Singapore to Malaysia this year. Huawei, the Chinese telecoms giant, has chosen Malaysia for its global operating headquarters. The energy group Saudi Aramco is investing \$7 billion for a 50% stake in the Petronas refinery and integrated petrochemical development in Johor.

In light of improving economic conditions and major investments, the property sector will gradually pick up, believes Ms Kua, who worked previously at Deutsche Bank in London and Munich Reinsurance in Munich.

"The overall market will continue to be soft, with a little bit of a gradual pickup. Yet, the way we see it, in the next wave, when infrastructure starts to come, prices will go up again. There is still growth in Kuala Lumpur [property market], because KL property is cheap compared to others in Southeast Asia," she told *Asia Focus* in an interview.

In high-end property marketing, one notable trend involves branded residences — a term used to define luxurious residences that come with service provided by branded hotels. There are numerous such developments in Thailand and the trend is catching on in Malaysia. In Kuala Lumpur, The Ritz-Carlton Residences is expected to open late this year, and Four Seasons Place Residences and Tropicana The Residences — with W Hotel offering services — next year. 8 Conlay, with Kempinski as a partner, will open in 2020.

The branded residence concept is not really new. In fact, it can be traced back to 1927 when the Sherry Netherland luxury hotel began first offered serviced apartments on Fifth Avenue in New York. The segment has matured and been transformed into a unique high-end property niche that attracts renowned designers eager to create standout looks, and luxury



8 Conlay in Kuala Lumpur will have 1,062 branded, serviced residences in two towers of 57 and 62 stories that will be connected by skybridges.

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JOANNE KUA
CEO of KSK Group Berhad
and Managing Director of KSK Land



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hotels looking to burnish their brands as providers of premium services. It is one of the real estate industry's fastest-growing sectors.

The concept is attracting increasing numbers of developers, hotel operators, investors and buyers across the globe, given the high potential for attracting wealthy clients. When the luxury property services firm Knight Frank conducted research on branded residences in 2012, it found the prices of branded-residences against comparable non-branded peers were around 30% higher.

Branded residences tend to attract more foreign investors, and Malaysia has some of the most foreigner-friendly property ownership rules in the region, which could give

8 Conlay added appeal.

"A branded residence is like a triangle," said Ms Kua. "First you must have a very, very good architect, then a good hotel brand that can guarantee good services, and then interior designers as you have to set the stage (for owners to lead their lifestyle), so you have to think of your customers. So the moment they step in, they will have all what they need."

In the case of 8 Conlay, the developer is using distinctive design to make the property stand out. The local architect Ar Hud Bakar, known for many landmark buildings in Malaysia, is responsible for the overall design. Interiors are being overseen by Hong Kong interior designer Steve Leung and YOO, an internationally famous

design company founded by the influential property developer John Hitchcock and the renowned product designer Philippe Starck. TROR the Bangkok-based firm that counts Groove@CentralWorld among its achievements, is in charge of landscape design. Kempinski, with its 120-year tradition of classic European-style luxury, will handle services to 8 Conlay residents.

"You are not selling boxes (of rooms), you are selling stages for people to live," said Ms Kua. "You are in the position that you have to craft a lifestyle for people, whether you buy it for investment as finally there will be people living there, or for people to invest in order to pass on to the next generation, which is no different than when you buy a Patek Philippe wristwatch."