

Me&MyProperty

The science behind investing in property

Investor looks at location, area's future development plans and unit layouts, among other things

Samuel Chan

Property has become a big part of Mr Quek Fu Jin's life.

The 36-year-old has just one property to his name but seven years at Zac Investments, a regional investment strategy firm with a real estate focus, gave him a front-row seat on property investing.

He has other property investments, including commercial and industrial real estate investment trusts (Reits), in his portfolio. Mr Quek, who has since set up his own consultancy, Assets Advisory, acknowledges his Zac Investments job introduced him to good-value property projects and taught him the ins-and-outs of the business.

All of this knowledge came in handy when the senior adviser decided to purchase a place of his own about five years ago.

He is married with two children, and lives in a private property in the east with his parents, who help take care of his kids.

Mr Quek spoke to The Sunday Times about his personal property investing experience.

Q Describe your property.

A My property is a 1,200 sq ft three-bedroom freehold apartment in a condominium called The Sunny Spring in Guillemard Road.

I managed to get an apartment on the eighth floor – the top floor.

The condominium is close to Kong Hwa Primary School, is within walking distance of the Paya Lebar and Dakota MRT stations, and is close to the Sports Hub as well as to major expressways.

Q Why did you choose to purchase this property?

A I bought the property in 2012 because I'm familiar with the area – my parents live in the Katong area, so I grew up in the east.

The purchase was mainly for investment but also serves as a property that I could potentially move into in the future with my family.

I was also aware that the Government was selling the piece of land where Paya Lebar Quarter is today, so I was confident that this older project, which was around 500m away, could easily appreciate 10 to 15 per cent.

Park Place Residences, which is part of the Paya Lebar Quarter, recently sold at between \$1,600 to \$2,000 per square foot (psf).

Location was also an attractive factor. I was convinced that the accessible location would make it a good investment.

Being in the real estate business allowed me to have some foresight

on how a particular district could look in the future.

Apart from that, I felt that the price then was also reasonable. I wasn't a big fan of brand-new properties as that would mean I would have to pay the full market rate. In 2012, new condominiums were selling at increasingly higher prices. That influenced my decision to buy as well.

The previous owner already had a tenant in the apartment, so I bought the apartment along with the tenancy to start enjoying the rental income immediately.

Q What year did you buy it and how much did it cost?

A I bought it in 2012 for \$1.23 million on the resale market after some haggling.

The Sunny Spring was a 2000 to 2001 project, so it was already quite old by then.

I paid slightly more than \$1,000 psf for my apartment, which I thought was reasonable as there was another prior transaction of a property in the same area that sold for slightly higher at \$1,150 psf.

Q Describe your property investment strategy.

A Investing in property is a form of capital preservation to me – it's where I park my money and it doesn't have to grow extremely quickly. Location is always key in real estate.

Taking a macro view, I will look at a general location and check out the future development plans that the Government has for that specific area and when they will materialise. From there, it becomes easier to identify projects in that area that are worth investing in.

I will then evaluate each specific project's price in relation to factors such as reputation and quality.

I will also spend time understanding the individual unit layouts too. Even after I decided on The Sunny Spring after hunting for six months, I spent another three to four months deciding on the exact unit.

For my apartment, it offered two to three different layouts and I chose the most efficient one. I decided that the layout of the apartment would affect rental yields because I would be competing with units with more efficient layouts.

The rental yield for my apartment is approximately 3.5 per cent now.

Q What's your financing strategy?

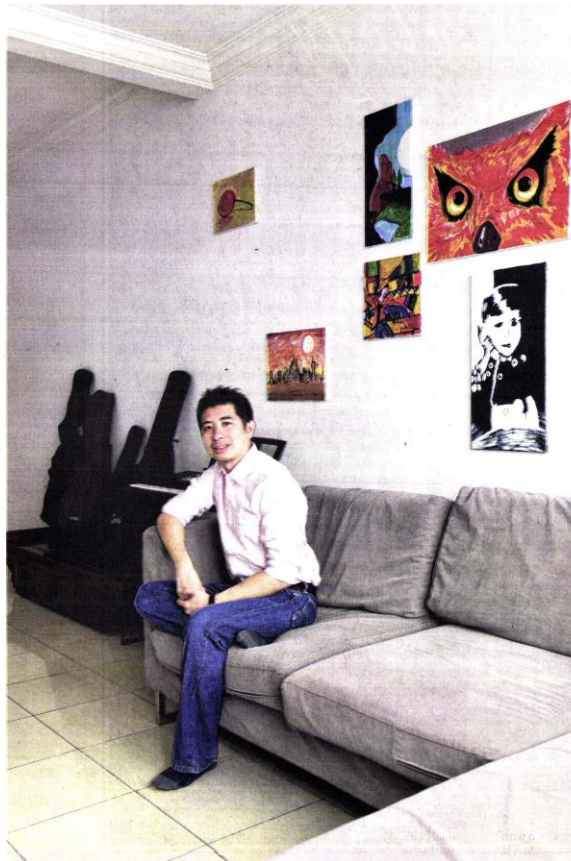
A I took a simple loan from DBS Bank for 80 per cent of the purchase price. It was a floating rate package that was pegged to the Singapore Interbank Offered Rate. At that time, interest rates were low.

I changed to a fixed-rate package loan at the end of 2015. By locking in the interest rates, it helps with financial planning.

Q What's your overall investing strategy?

A Fundamentally, I'm a value investor, so I always look at investments that have potential. This means that the right conditions must be there and the downside risk reduced. I will try to find undervalued investments.

My portfolio, if you break it down by asset class, consists of 50 to 60 per cent in property, 20 per cent in property investments, and 20 per



Mr Quek Fu Jin in his apartment in The Sunny Spring. He has other property investments, including commercial and industrial Reits, in his portfolio. ST PHOTO: DESMOND FOO

LOOKING FOR VALUE

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MR QUEK FU JIN on his overall investing strategy.

cent in blue-chip equities. My stint in the industry also allowed me to know developers and thus gain opportunities to invest in some of the developments.

For these real estate investments where I enter and invest with a fund or other shareholders, I'm currently investing in around five projects for a total of more than \$100,000. They include residential and industrial property development projects.

The best project so far gave me a 130 per cent return over a five-year period and is a significant part of my portfolio. On average, these investments give me a 15 to 20 per cent return.

I invest in industrial Reits as well because the industry is weak. For Reits, I look at the properties and major tenants. A lot of market research is involved – sometimes you may even have to go down to the properties to take a look at the tenants for yourself.

I look for opportunistic investment in real estate deals.

Q What do you think of the property market now?

A Given the positive economic news we've heard from the United States, investor confidence has increased. In general, there's a very

positive sentiment right now.

The cooling measures have helped property prices settle into a new normal. I think the baseline psf price in Singapore has been elevated to a higher range – from around \$700 to \$800 psf, to \$900 to \$1,000 psf for private property.

In the short term, I think it is likely we will see growth.

Q Would you make another property purchase, and if so, what kind?

A It really depends on the government measures. The additional 7 per cent in the Additional Buyer's Stamp Duty on a second property plus another 3 per cent in Buyer's Stamp Duty might make it difficult to make a profit.

If I were to buy another property, it would likely be a two- to three-bedroom apartment because I believe they are the most rentable.

The space they provide is good for small families or friends or co-workers. The tenant can rent out a room to subsidise his rental too.

Q My dream home is...

A A landed property in Sentosa Cove facing the sea and with a city view.

samchan@sph.com.sg