Branded residences good fit for KL

They attract international and domestic high-end buyers with their CBD location, hotel-style services, comprehensive facilities as well as investment returns

by Yvonne Yoong

STANDING apart in a distinctive cut above high-end dwellings, branded residences located in a prestigious blue-ribbon address are in a league of their own when it comes to the definition of luxury living.

The exacting attention to detail is evident in units designed by renowned international architects and interior designers according to the signature style of the accompanying hotel's characteristics. Management services provided by the luxe hotel brand adds to the polished finish.

In just a few years, at least a dozen such luxury developments have been launched in the Klang Valley, mainly in Kuala Lumpur city centre. One of the newer projects is The St Regis Hotel and Residences which was launched in 2011 and opened this year.

Joining this elite band of residences is The Ritz-Carlton Residences Kuala Lumpur which will be opening its doors early next year. Reports indicate that Jumeirah Living Kuala Lumpur Residences on Jalan Ampang will enter the market in 2021 with 267 units.

Upmarket branded residences have become an important component of the property market. Developers concerned have created exclusivity in their aspirational expressions of luxury brands and prestige via their brand affiliation with international hotel chains.

Hotel-style services including 24-hour concierge and security, CCTV monitoring, private elevators and comprehensive facilities including swimming pool, sauna and spa services are provided.

Horwath HTL, in its December 2015 property overview on the hotel ad branded residences market, says supply growth is underpinned by international hotel brands.

"In the post-global financial crisis period, demand for high-end residential (property) in Kuala Lumpur has increased. One major catalyst for the growth has been large property developers tapping into mixed-use hotel-branded residences and retail or other-use offerings in the developments," says the report.

Prompted by financial necessity

"The mixed-use approach has been triggered by financial necessity to rationalise high CBD (central business district) land prices. It is expected this approach to appreciating underlying land costs will continue."

The report by Horwath HTL, one of the world's largest consulting organisations specialising in the hospitality industry, also states hotel branding provides "a point of differentiation and a basis for price premiums".

Kuala Lumpur saw its branded residences attracting international and domestic high-end buyers. Units boasting panoramic views of the Petronas Twin Towers and the KL Tower command higher pricing due to high demand.

"In high-rise pricing structures, differentials on premium views or high floors typically range from 3% to 25% per unit. The city's luxury property sector finds strength from the increasing number of high-net-worth individuals from Malaysia but has seen rising demand from international markets such as Singapore, Hong Kong and the Middle East (mainly Saudi Arabia and Qatar)," the Horwath HTL report says.

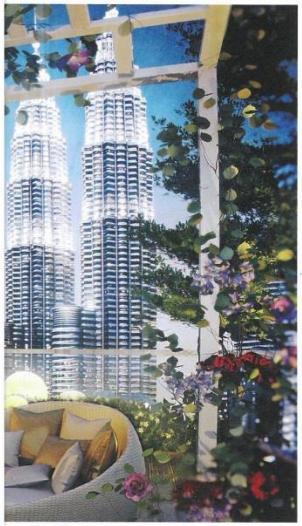
The Ritz-Carlton Residences Kuala Lumpur will be the latest addition to the city's cluster of branded residences

Ng says The Ritz-Carlton Residences is 92% completed and should be ready in three to four months

It notes that buyers from Taiwan and Japan are also an emerging source market while for the domestic sector, a large number of the buyers are from Sabah and Sarawak. "Such buyers tend to focus on investment in terms of both capital appreciation and rental yield. However, there remains a core upscale market segment of buyers who simply prefer large-scale units for their own residences," it adds.

Impact of softening market

Since 2013, a new wave of hotel branded/managed projects has entered the high-end segment. However, the softening market caused by economic stress related to lower oil prices, weakening currency and political events have disrupted the broader property sector,



> "Branded residences' capital appreciation is higher than high-end condominiums, despite current poor market sentiment and poor economic conditions." – Wong

including luxury properties.

JLL Property Services (M) Sdn Bhd associate director of research and consultancy **Veena Loh** says the presence of KL's branded residences forming a cluster of high expectations have come about more recently because there is a demand for high quality bespoke services that meet international hotel standards.

"There is also a class of ultra-high-net-worth individuals who do not have a permanent address in any one country as they travel between countries and they may require such residences. These branded residences are managed by the hotels and offer the necessary housekeeping services when the owners are away," she adds.

Wong says the entry of international hotel chains will boost the image of KL as one of the most liveable and attractive cities in the world

"Generally, branded residences command a premium, given their association with a hotel brand name. They appear to be clustered in the city centre because branding is of utmost importance to such developments, hence the associated branding with the address and the location."

Loh says hints of the emergence of this trend started in 2011 with Fraser Residence Kuala Lumpur on Jalan Cendana, off Jalan Sultan Ismail. This serviced residences is managed by hotel management company Fraser Hospitality Pte Ltd under the luxury hotel chain.

Fraser Residence and Banyan Tree Signatures Pavilion Kuala Lumpur, she says, have been appreciating at a compounded annual growth rate of 4.6% to 8.5% per annum since their launch in 2011.

Turning point reached

Fraser Residence, launched from RM1,000 psf, now fetches between RM1,500 and RM2,000 psf while Banyan Tree Residences on Jalan Conlay which was launched at around RM2,000 psf currently commands around RM2,500 psf, Loh adds.

While pioneer branded residences recorded "much higher capital appreciation than average high-end residences", Loh cautions this scenario may not apply now.

"We reached a turning point last year and new launches are not likely to see this sort of capital appreciation under current market conditions. Generally speaking, residential property prices fell by 8% in KL last year, and the trend is likely to continue this year," she says.

Higher yields

VPC Alliance (KL) Sdn Bhd managing director **James Wong Kwong Onn** says his firm's research shows average capital appreciation per annum for high-end condominiums is only 3-4%. This is due to the oversupply of luxury condominiums in KL coupled with poor market sentiments whereas branded residences are projected as yielding between 6% and 8% in capital growth.

He believes new branded residences have certain advantages over high-end condominiums. "New branded residences provide a different basis for price premiums – higher floors with KLCC view, management by branded hotel operators with attractive fully-furnished designs and high-quality services, rental agreement to assist owners to rent out the property, etc.

"In KL, branded residences have attracted a wealthy mix of international and domestic high-net-worth individuals. They tend to focus on investment in terms of capital appreciation and rental yield. Hence, branded residences' capital appreciation is higher than high-end condominiums, despite current poor market sentiment and poor economic conditions," Wong says.

He credits branded residences as being sustainable and having taken off due to their higher returns coupled with the hotel-like environment.

"For example, for St Regis, assuming the current value of a 766 sq ft one-bedroom unit is RM2.1 mil, and the room rate is RM900 per night and assuming there is occupancy of 50%, the owner can achieve a yield of about 7-8% per annum," he says.

Wong notes that since The St Regis Hotel and Residences in KL Sentral and Banyan Tree Signatures Pavilion Kuala Lumpur were introduced in 2011, other branded residences have surfaced in KL's CBD. They include The Ruma, Four Seasons Place Kuala Lumpur, Dorsett Residences, Tropicana The Residences and 8 Conlay. FocusM

Boost for city's image

ALTHOUGH a relatively new player on the branded residences block, Kuala Lumpur is starting to amass a cluster of such residences worth their weight in distinction.

"Branded residences are a relatively new concept, whereby developers work with international upscale and luxury hotel chains to use their brand to help market their condominium as branded residences," says JLL Property Services (M) Sdn Bhd associate director of research and consultancy Veena Loh.

"They present a new lifestyle for the wealthy as branded residences – distinct from luxury condominiums – have hotel housekeeping, hotel facilities and the units can be leased to the hotel management to manage," she says, adding this concept has flourished in KL, given branded residences' propensity for coveted addresses in the central business district.

VPC Alliance (KL) Sdn Bhd's James Wong Kwong Onn says if branded residences are linked to the hotel operator, they would have higher occupancy as compared to other high-end condominiums.

He notes that the entry of international hotel chains such as Four Seasons Place, St Regis, Kempinski, Clermont, Fairmont and The Ritz-Carlton will boost the image of KL as one of the most liveable and attractive cities in the world. KL also offers attractive hotel room rates as compared to neighbouring Asean cities.

Loh says branded residences offer a new lifestyle for the wealthy with hotel housekeeping and facilities, and units can be leased to the hotel management to manage

Notable hotel-branded residences in KL

#	Project and location	Developer	Hotel operator	Selling price	Units/rooms	Launch year Estimated completion date
1	The Ruma Jalan Kia Peng	Urban DNA Sdn Bhd (JV between Aseana Properties Ltd and Ireka Corp Bhd)	Urban Resort Concepts	H: RM2,000 psf BR: from RM1,900 psf	BR: 253 units H: 200 rooms	2013 2017
2	Banyan Tree Signatures Pavilion Jalan Raja Chulan/Jalan Conlay	Lumayan Indah Sdn Bhd (JV between Qatar Holding LLC and Tan Sri Desmond Lim)	Banyan Tree	BR: from RM1,650 psf Current asking price: RM1,900-2,600 psf	BR: 492 units H: 27 rooms	2011 2016 (Newly completed)
3	Four Seasons Place Kuala Lumpur Jalan Ampang	Venus Assets Sdn Bhd	Four Seasons Hotels and Resorts	BR: RM3,000 psf	BR: 150 units H: 150 rooms	2013 2018
4	Dorsett Residences Jalan Imbi/Bukit Bintang	Dorsett Bukit Bintang Sdn Bhd, a subsidiary of Far East Consortium International Ltd	Dorsett Hospitality Int Dorsett Hotels & Resorts	BR: RM2,200 psf (average)	BR: 252 units	2014 2018
5	The St Regis Kuala Lumpur KL Sentral	One IFC Sdn Bhd, a subsidiary of CMY Capital Sdn Bhd in JV with MRCB Sdn Bhd and Jitra Perkasa Sdn Bhd	Starwood Hotels & Resorts St Regis	BR: RM2,500 psf (average) Current asking price: RM2,100-3,000 psf	BR: 160 units	2011 2016 (Newly completed)
6	Tropicana The Residences Jalan Ampang	Tropicana Development Sdn Bhd, a subsidiary of Tropicana Corp Bhd	Starwood Hotels & Resorts W Kuala Lumpur Hotel	BR: RM2,300 psf	BR: 353 units	2015 2018
7	8 Conlay Jalan Conlay	Damai City Sdn Bhd, a subsidiary of KSK Group Bhd	Kempinski	BR: RM2,700-3,200 psf	BR: 564 units H: 560 rooms	2015 2020
8	DC Residency Damansara Heights	Damansara City Sdn Bhd, a subsidiary of GuocoLand Malaysia	Clermont	BR: From RM1,350 psf for Tower A	BR: 370 units	2015 2016/2017
9	Jumeirah Living Kuala Lumpur Residences Jalan Ampang	Oxley Holdings (M) Sdn Bhd	Jumeirah Group	BR: Proposed selling price NA	BR: 267 units H: 181 rooms	Launch planned for Q4 2016 or early 2017 2021
10	Sofitel Jalan Ampang	Oxley Holdings (M) Sdn Bhd	Accor Hotels So Sofitel brand	BR: Proposed selling price NA	BR: 590 units H: 207 rooms	Launch planned for 2017 2021

* BR: Branded Residences; H: Hotel

Source: VPC Alliance (KL) Sdn Bhd