COVER STORY
UK- THE UNCERTAINTY CONTINUES

HOTSPOT IN FOCUS
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INVESTING 101
THE EVILS OF INTENTION

COVER STORY

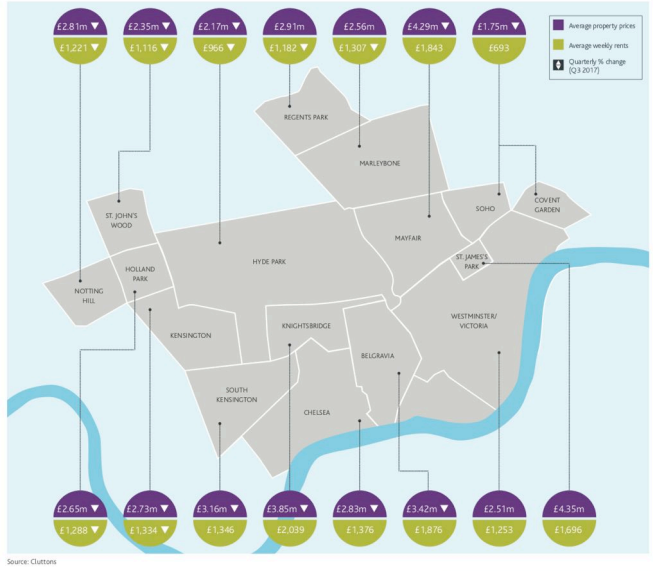
UK - The Uncertainty Continues

On reflection 2017 was a pretty good year for UK. If you were able to put down your newspaper, switch off the TV and social media (if that is even possible), you probably found the world relatively peaceful. I am of course talking primarily as an investor and also from a prime London property perspective. No crash materialised in the prime London property market, contradicting the many naysayers. Despite a continued easing off in prices, generally the top end seems to show signs of a mini-resurgence in transaction volume.

I should add however that I am not in any way closing my eyes to the horrors experienced during the year. Or to belittle the very big issues of our time. The UK the London/Manchester terror attacks and Grenfell Tower casted dark shadows over UK in 2017. Horrors from Burma to Yemen defied hopes that the world progresses as a civilisation. Meanwhile, political leadership seems to be at an all-time low with two of the world's leading economies, the US and Germany, motoring quite nicely with barely a functioning Government in place at all. After all, who needs politicians in this new era?

The context within which the London property market is in today is a very political one, dominated by the febrile Brexit debate. The political influence stretched further with a new London mayor making grand statements on supply and affordability while coming up against the harsh realities his predecessor and all housing ministers had themselves banged up against in recent decades. Meanwhile, the Government continued to intervene with taxation, most recently in abolishing Stamp Duty for first-time buyers on purchases under £500,000.

We saw the broad London market defy many grim predictions and showed quite an impressive resilience given the headwinds. On average prices are expected to have softened



by around 3-4%. Cluttons own statistics (above) break down the relative performances and average values in each of the PCL locations, perhaps Belgravia being the one anomaly with prices likely to be distorted by a few large deals. This contrasts with a 2.6% rise nationally (according to nationwide). The second half of the year in particular saw levels of activity in PCL which prompted a number of commentators to talk of a bottoming out or even recovery. Dry statistics may tell you one thing, but estate agents smiles are perhaps more revealing and many in the prime markets had quite a bumper final quarter in 2017. I feel talk of recovery is premature however and the road ahead remains bumpy but any lingering fears of a pricing collapse seem a long way off the mark.

RUNNING | STREAM

CEO's NOTE

Hello there everyone.

We are back. Not just back with our newsletter but also back with more content and a new name for our newsletter - RS Insider!

And this is all thanks to the team that puts it together led by our Marketing Manager, Gladys Tan. We will now feature markets, investment tips, real-life stories and projects past and present. In addition, the newsletter will cover our events, updates from our partners and even a little section to feature our clients. Indeed we are growing every day doing a bit more each time to serve you better!

May has been a most exciting month as we saw how the 14th election in Malaysia becoming a significant turning point for the country. On behalf of RunningStream, I would like to congratulate all our Malaysian clients, staff and partners on the election result and I am sure everyone is looking forward to Malaysia growing from strength to strength in the coming months.

Just as exciting (at least for us) is the situation that is developing in Brisbane, Australia. While the economy is getting better by the day with massive infrastructural construction projects underway, developers are getting more distressed. Developers are being hit from both directions as lending to foreigners in Australia remains difficult while China (where many developers sold their projects) is clamping down on the capital outflow. Settlements are becoming challenging and with that foreigner sales are plummeting. While some see that as a risk, we see that as an excellent opportunity for our investors to jump in and pick up bargains.

Also coming from the pipeline, we will be rolling out several Birmingham opportunities. For those who have been following us for a while now, Birmingham is one place that has been under our microscope. And we reckon the time is now ripe to act. So stay tuned for that!

I wish you all a most fruitful month of profits, as always.

Yours truly,

Dan Toh (Founder/CEO)

COVER STORY

Only fools make predictions? Barring any major political developments, I think 2018 will likely be very similar to 2017. We may well see further softening in certain sectors such as luxury new build in secondary locations, particularly as a result of reduced overseas demand and lesser appetite for buy-to-let. Buyers are now taking their time to make decisions and becoming more informed. The compromised properties, which makes up a greater number of central London stock (old buildings with no lifts etc.), will suffer by simply failing to sell or having to see prices adjust more significantly.

There will be a continued flight to quality as they are proven time and time again to hold value attract good levels of buyers perennially. Affordability remains key for the domestic market and the lower pricing brackets likely to fair best where pricing reflects reality.

Stamp duty will continue to depress transaction volumes, particularly in the family home market (values circa £3-6m). The super prime will continue to gain traction as the acceptance of very high Stamp Duty rates starts to take hold against a perception that prices have softened enough to offset this and a recognition that taxation on residential property is a global trend. We expect the top end rental market to continue to prosper as a sizeable number of would-be buyers, as seen in 2017, are looking at rental as an interim option while the political uncertainty lingers. London's unique global appeal will continue despite Brexit removing a bit of the shine.

Investment returns in London in the near term will be muted at best, although the city's fundamental supply/demand imbalance has no end in sight. There is little reason to believe prices will rise over the next couple of years, although upward pressure on rents is apparent. Yields are very thin and changes to taxation have eaten into income returns. As a store of wealth, the property retains its appeal and in an uncertain world, London continues to offer a degree of safety with its pedigree.

Residential property will continue to offer the strong 'emotional dividend' which plays such a large part in property ownership and is, in my view, a strong driver behind many buyer's decisions to invest in this city.

~Hugh Obbard

HOTSPOT CITY

BRISBANE RISING

Brisbane Is the capital city and naturally, the most populous city in Queensland - a state with a population of 5m. The city boast of a population of over 2.4 million, centre to the South East Queensland region where over 70% of the state population resides.

Where once it was largely driven by resource mining and agriculture, the Queensland economy has diversify well over the last decade into tourism, education, services export and energy especially in Liquified Natural Gas (LNG). With IMF forecasting global growth to pick-up to 3.5 per cent and continuing to accelerate further in 2018, resource and energy market is expected to improve, which explains why Deloitte is expecting Queensland to be the nation's second-strongest economy in the next financial year. Queensland is also Australia's second largest exporter of goods, totalling $65.8 billion in the year to March 2017. The state also has a large services export industry, worth $11.5b over the past 12 months.

One of the major trends driving Brisbane's property market is the record levels of interstate migration into the state. This has been motivated by a strong jobs market, better housing affordability and of course, the sunnier weather. Internationally Brisbane has also been creeping up the liveability index to become one of the most liveable cities in the world.

Infrastructural developments and significant projects driven from both the public and private sectors are behind the improving economic conditions especially when it come to employment. Notable projects include the Queen's Wharf ($3 billion), the Brisbane Quarters ($1 billion), the Cross River Rail ($5.4 billion) and the Brisbane Airport Second Runway ($1.4 billion). All in all a total of over $45 billion worth of projects is in the works. This will further underpin economic growth and jobs creation.

Interstate Migration by States and Territories of Arrival and Departure by Sex

Customise Export

Sex	Persons
Frequency	Quarterly
Time	Sep-2017

State of Arrival / State of Departure	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Northern Territory	Australian Capital Territory
New South Wales	0	5 625	8 256	1 430	2 301	402	703	2 488
Victoria	6 996	0	4 686	2 041	2 510	863	657	861
Queensland	11 427	5 247	0	1 541	2 094	689	1 223	777
South Australia	1 293	1 434	1 013	0	577	151	548	164
Western Australia	1 667	1 625	1 503	620	0	248	452	207
Tasmania	718	704	759	153	355	0	80	52
Northern Territory	576	572	829	325	559	64	0	61
Australian Capital Territory	2 466	660	652	172	215	58	101	0

HOTSPOT CITY

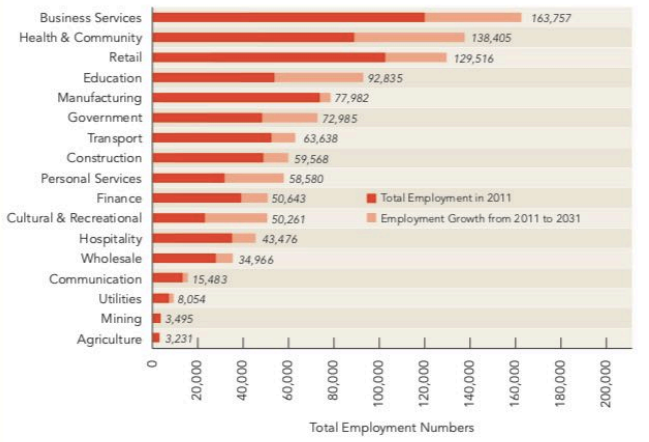
Future Developments

The Brisbane Economic Development Plan 2012-31 sets out the priorities and actions that will support Brisbane's growth through to 2031. The city is committed to becoming the most business friendly city in Australia. Statewide, the Department of State Development is developing a series of industry roadmaps to build Queensland's competitive strengths, diversify its economy and create the knowledge-based jobs of the future. Several emerging and priority sectors with global growth potential have been identified as the city works closely with industries to develop the roadmaps and action plans for sectors such as:

- Advanced Manufacturing
- Aerospace
- Biofutures
- Biomedical
- Defence
- Mining Equipment

Employment

Employment forecasts indicate that metropolitan Brisbane will grow by 343,000 jobs by 2021 and a further 100,000 jobs by 2031 to reach total employment of around 1.5 million by 2031. This growth will contribute to a projected doubling of Brisbane's economic value between 2011 and 2031. Roughly two-thirds of the new jobs will be located in the Brisbane Local Government Area (LGA) with a high proportion in managerial and professional occupations.



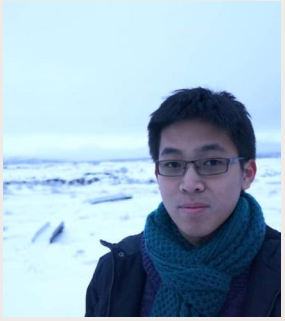
Conclusion

Brisbane is certainly set to grow and in our humble opinion, the current window of opportunity to buy into the somewhat distressed inner city apartment market, created by a myriad of factors that include increasing foreigner tax, tightening of loans for foreign investors and China capital outflow control, is a short window that investors will do well to take advantage of. Brisbane will grow in importance as an economic region of Australia as it continues to contribute roughly 46% of the Queensland economy and generates 9% of national Gross Domestic Product. This new world class city is definitely on the right path to deliver prosperity for its residents and businesses.

And of course, for savvy investors as well.

~Thomas Tai

ONE FROM THE TEAM



YIP WEI LIANG

PORTFOLIO ANALYST
KUALA LUMPUR, MALAYSIA

Favorite quote

" The cowards never started and the weak died along the way. That leaves us, ladies and gentlemen. Us. – Phil Knight "

Tell us a little about yourself

I am a curious cat that spends a lot of time finding out things, so unsurprisingly most of my free time is devoted to reading. I studied Economics at the University of Liverpool in the United Kingdom.

What was your position/role in your last job?

Previously I was an investment analyst conducting due diligence on companies with good potential upsides.

Essentially, my role would be to advise the management concerning potential headwinds of a specific industry and how that would affect our investment, should we proceed with it.

What is your proudest achievements to date.

I presented a case to high-ranking Chinese officials regarding the country's energy resource outlook in proper business Mandarin. I was not very well-versed with the language, more so the variant spoken in Beijing, so I had to buckle up and hunker down for the presentation, covering every potential objection that they may have regarding the research.

What got you to leave your last job to join RS?

I was looking out for a role with more engagement with retail clients. In my previous role, I was exposed to mainly corporate clients, and I felt the time was right for me to move on to something fresh.

Describe your role in RS and what do you enjoy the most so far?

My role in RS requires a delicate balancing act of understanding the intricate aspects of the global economy and politics, and transmitting that insight to clients in a suitable package.

One aspect of the job that I really enjoy is also the most challenging, which is to ensure that I am on the same page with the client.

I relish the chance to get to know clients, understand their hopes and dreams, and have a reciprocal dialogue with them without any preconceived notions.

So what do you do for leisure?

Brought up in a quintessential Asian household, I was forced to learn the piano. I hated it because I thought it was boring. Today, I play it out of my own volition, and I find it entertaining. Life is full of ironies.

CLIENT STORY

What do you do?

I have been working in the financial markets industry for around 10 years and have been fortunate enough to have had worked and travelled to many countries.

How do you find the service that RS offers?

I was introduced to RS through an ex-colleague of mine. We discussed the RS offering which initially caught my attention and then I followed up to discuss in more detail. Given I have been fortunate to travel across numerous countries; I have always been interested in the property market and comparing this across countries. RS were able to provide information across countries, and more specifically really detailed research of my home country, Australia

How was your experience with RS?

RS has been super easy to work with. They have been extremely easy to communicate with and have provided different options with great analysis on reasons to invest in each location.

How did RS help you align your financial aspirations?

I have always been interested in the Australian property market and RS were able to provide great colour across the different Australian states/territories.

What would you say to anyone considering making a purchase/service and would you recommend RS? If so, why?

Most definitely, do look to use RS (and I have already made introductions of people I knew interested to RS). As mentioned above, RS is always available to understand the clients needs and provide analysis on each location. They are constantly available to talk to and will answer any questions you may have.

DENNIS HOPSON
VICE PRESIDENT
JP MORGAN CHASE

PARTNERS CORNER

INTERVIEW WITH AN INSIDER

Agnes Wong, the Managing Partner of Syarikat Ong has over a decade of experience advising Malaysian property investors on tax issues. She shares with us some insights when it comes to Malaysian properties and tax.

What are the common issues that your clients face in terms of tax planning for a real estate?

Basically, when it comes to reporting of the taxes annually for income tax purposes, investors often wrongly claim the expenditures, as they are not aware of what they can and can't claim. For example, clients may not know that furnitures and fittings are not allowed for for tax deduction.

What advise will you give for clients that wants to invest in overseas real estate?

In Malaysia, we have a tax exemption for foreign income remitting into the country. To ensure that your profits flowing back into Malaysia are free from taxes, the outflow of the money that is going overseas for investment purposes have to be recorded and managed properly. The remittance and recording of the transactions is vital so that the investor do not incur tax on the profit when the real estate investment is sold off eventually.

Are there any concern about inheritance tax and how would you advise investors to plan for it?

In Malaysia, we currently do not have inheritance tax and I do not think that such will be implemented in the future. It is , nevertheless, important to pay attention to the properties that you would like to hold long term and pass it on to the next generation. There might be a need for a certain level of restructuring before you put it in a personal will. But generally when it comes to inheritance in Malaysia context, it is pretty straight forward.

Common mistakes that your clients make.

Often when it comes to Malaysia properties, the issues of real property gain tax (RPGT) can be confusing for investors especially foreign ones. Again, when it comes deductible expenditure, clients are confused as to what is considered as an deductible expenditure under real property gain tax as opposed to income tax. Generally both deductions are mutually exclusive and you cannot claim on both. Hence, there is that confusion and mistakes that we commonly see.

Another commonly overlooked issue is when clients sell the shares of companies holding their property investments. Many investors overlook the fact that they need to file the property gain form. Should the inland revenue find out over a tax audit, the taxes will have to be paid together with the penalty.

~Agnes Wong

Syarikat Ong

DEVELOPER FOCUS

Getting All The Pieces Right

Mosaic Property Group is a well respected developer based in Brisbane developing owner occupier boutique apartments and townhouses in the middle ring suburbs (5-15km from Brisbane city).

Over the years of working with them, we have found their designs to be top notch, quality second to none and more importantly, their services whether in the delivery of their projects or property management to be right up there. They are a developer dedicated to their craft whom we held in high regards over the years. Needless to say, their projects sell out every single time.

We are glad to bring you Mr Anthony Hancock, as he shares with us about the company, its vision and outlook of the Brisbane market, especially in the middle ring.

Tell us about your company.

At Mosaic Property Group, we invest extensively in independent research to guide our development decisions and long-term strategy. We want to offer buyers strong growth prospects and returns, and the only way to do that is to stay informed and use that information to keep "ahead of the pack".

What is the trend in the real estate industry at the moment?

Recently, our independent research has firmly indicated that there is a renewed and exciting demand for boutique Brisbane apartments.

It's become clear from the numbers that the existing oversupply in Brisbane's apartment stock is centred in the inner city. Meanwhile, in under-supplied Brisbane locations outside the inner city, there is a huge demand for larger, high-quality apartments. Which means that if you're interested in investing, the prospects are looking great!

Apartment oversupply: Fact or fiction?

The question of Brisbane apartment market oversupply has dominated headlines, but those headlines rarely agree with one another.

For example, in February this year, the ABC ran articles reporting "price plunges" and "massive hits" to the Brisbane apartment market. Yet at the same time, The Courier Mail reported that the market's "rough ride" had "peaked" and things were looking up.

So, who do you believe?

To separate the fact from the fiction, Mosaic Property Group conducted detailed analyses and research across a number of Brisbane suburbs. These analyses considered a number of factors and projections that have a proven track record of impacting property prices and rental yields.

The numbers from these studies clearly show that apartment oversupply is concentrated in the inner city – and even this is forecast to be absorbed by the market within the next 18 months. In contrast, larger, well-finished apartments in well-established suburbs with comprehensive amenities and infrastructure remain in high demand.

In other words, the question of oversupply and demand is more nuanced than it originally appears, and is heavily dependent on factors such as location, product type, and quality.

Anthony Hancock

DIRECTOR, SALES
MOSAIC PROPERTY GROUP

mosaic PROPERTY GROUP™

PROJECTS

Greenhills

PAYNE ROAD, BRISBANE

Bespoke boutique development consisting of 20 beautifully appointed 3 and 4 bedroom townhouses.

Curio

UPPER MT GRAVATT, BRISBANE

Generously sized high quality apartment by our favourite Brisbane developer in a high yield middle-ring suburb of Brisbane.

ARC

AUCHENFLOWER, BRISBANE

Stunning boutique development consisting of 15 beautifully appointed 2 and 3 bedroom apartments.

PROJECT ROI

3 Faulkner St (Bentleigh, Melbourne)

3 Faulkner St

BENTLEIGH, MELBOURNE

This boutique development of 29 apartments features every modern convenience across three levels and is positioned at the heart of Melbourne's highly sought-after bayside corridor.

3 Faulkner is situated in the Bentleigh suburb just streets away from Moorabbin's bustling business district with its array of eateries and cafes. Brighton's golden beach is a mere eight-minute drive, while Moorabbin railway station lies just 200m away, putting Melbourne's famous CBD within 30 minutes of your front door. The development is just 15km from the CBD, has a direct Bus to Monash University.

From 2015 to 2018, Melbourne was one of the best performing cities in Australia, recording near double digit growth year on year. We forecasted that boutique apartments in suburbs located 10km to 15km southeast of the CBD will outperform due to rising demand from higher quality demographics.

Bentleigh was bound to outperform other suburbs due to its accessibility to the city and affordable price range for young families and down-sizers from Sydney. 3 Faulkner well exceeded our expectation, which was conservatively placed at 5% p.a., becoming one of our best performing property projects.

For one of our client

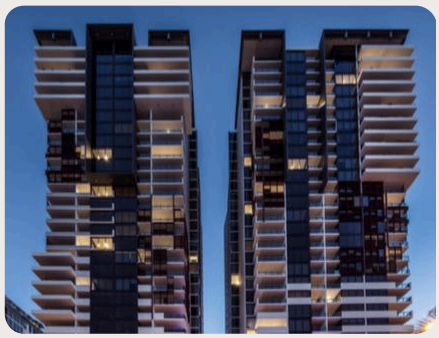
In June 2015…	
Purchase Price	A$540,000
Unit Type	2 bed 2 bath 1 carpark
Size	86sqm internal
In 2018…	
Estimate Value	A$695,512
Capital Growth	A$155,512
Annual Growth	~8.7% p.a.
Rental	A$495 p/w
Annual Yield	~4.5% p.a
Total Return	~13.2% p.a.

RECOMMENDED PROJECTS

Hamilton Residences

MCDOWELL, BRISBANE

A collection of 31 high quality townhouses in the upcoming inner Brisbane suburb of McDowell.



Ivy & Eve

MERIVALE STREET, BRISBANE

Comprising of 476 self-contained apartments, Ivy & Eve offers a resort style atmosphere in South Brisbane.

Florence

STONES CORNER, BRISBANE

A development of 107 apartments over 8 levels, Florence seamlessly combines exceptional apartment living with an enviable location.

Quadrant

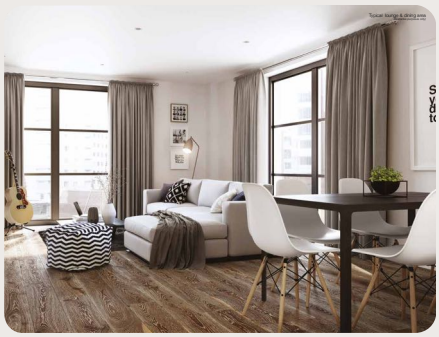
BIRMINGHAM, UK

The Quadrant is ideally located in a high demand area for rental, just minutes away from the financial centre of the city, train stations, shops, bars and restaurants.

Waterfront III

GREENWICH, LONDON

Located on the River Thames (Greenwich), Waterfront at Royal Arsenal Riverside is part of a transport oriented regeneration plan.



SummerHouse

BIRMINGHAM, UK

An apartment development by 7 Capital in the famous jewellery quarters of the fast rising city of Birmingham.

EVENT MEMORIES

Australia Market Update Q1/2018 - Kuala Lumpur

With Australian banks tightening lending to foreigners and China further restricting capital outflow, developers are caught in a situation. These were topics that were discussed during our quarterly update on the Australia market to see where the market is heading to.

Australia Market Update Q1/2018 - Singapore

We had a full house of people for part 2 of the Australia market update in Singapore. Attendees were able to takeaway the insights of how they can take advantage of the current short-term distress situation in Australia.

UPCOMING EVENTS

DATE	EVENT	VENUE
21 JUNE 2018	UK MARKET UPDATE	RS SINGAPORE OFFICE
26 JUNE 2018	UK MARKET UPDATE	RS MALAYSIA OFFICE

TO SIGN UP FOR ANY OF OUR EVENTS PLEASE EMAIL YOUR DETAILS TO **MARKETING@RUNNINGSTREAM.COM.**

INVESTING 101

The Evils Of Intentions

If I were to name one single mistake that has tripped property investors over and over again, generations after generations, it will have to be intentions.

Now that might sound bizarre. Of course you would not be buying properties without intentions. But here's the thing - one intention is good, two intentions tend to confuse and any more than two is a sure recipe for disaster.

Perhaps the best way to illustrate it is to relish some stories that I have encountered and you will see what I mean…

Story One: I once met a gentleman who was keen to invest in one of the most liveable city in the world. I gave my two-cents-worth and he assured me that he would send his son, who was then studying in that city to have a look.

Weeks later he called me, saying that his son didn't think the area I suggested was that great . There were quite some cranes there and he wouldn't want to live next to construction sites. I asked, "Are you investing or are you going to live there? Because while cranes may not be so great for living, they are great indicators of growth, especially if they are being used for building transportation and infrastructural amenities".

Don't confuse investing with buying for your own stay. The requirements are often different and sometimes contradicting. Compromising often leads to indecision at best and bad decisions at worst.

Story Two: A mother came up to me once after a seminar. "I bought a unit for my son when he was studying in XYZ city 4 years ago. It was walking distance to the university and I thought that would make a great investment. But today it is valued lower than my purchase price! What is happening?"

"Think about it," I replied, "Would you as a professional like to live in a student zone? Or how about families? Would families like to raise their kids in a student zone?". "Probably not", she responded. "So basically 95% of the market doesn't want your property" I explained. "That leaves only 5% who are probably investors who will bargain down to the last dollar with you. How can you expect to profit from such a property then?"

It would have been much better for her to invest in an investment property, collect the rent and allow the son to rent pretty much anywhere he likes. In other words, separate the intentions.

Story Three: Over tea in China, I was asked by an investor what I thought about the Bangkok market. I looked him in the eye before replying "Sure. But before that, may I ask why are you buying a property there?". "Well, it looks like a great place to holiday in," was his simple reply.

"If the property costs USD200,000 and you spend about USD1,000 for a week's lodging there per trip, do you plan to spend the next 20 years visiting Bangkok 10 times a year? Not to mention that you will only visit the same place, and with no housekeeping service?". "Probably not…" He replied sheepishly after some thoughts. "So do you still want to know about the Thailand market?". "It's ok then," he replied with a wry smile.

Between buying a property for retirement or holidaying and for investment is a huge gap of monetary losses that many have fallen victim to.

Story Four. Ecohouse - A Brazil-based social housing development that saw over SGD65m lost by Singaporeans alone. Once touted as the best investment project by gurus and some of the media no less, Many still are unable to let go of the pain of losing their life savings.

"Why did you do it?" I would ask them. "Well, Brazil was booming, and it seemed like a good idea to help out the poor while making money at the same time." was the typical reply. "Well, who do you think get richer when an economy booms?". "The rich!" usually comes the quick answer. "Well then why did you invest in social housing instead of luxury bungalows?" They usually flash me a dirty look at that point. "Don't get me wrong, I am not being mercenary. But wouldn't it make sense for you to invest in what works and donate the earning to charity if you like, rather than mixing charitable intentions with your investments? Because investments that need to wave the charity flag to get your attention is waving a huge red flag if you were to ask me."

Intentions. When it comes to property investing, intentions best adhere to an old design principle that goes by the acronym KISS - Keep It Simple, Stupid. Because every single intention comes along with its swarm of factors to consider that often confuses with other intentions. And where there are confusions, losses are sure to follow.

~Dan Toh

ABOUT RUNNING|STREAM

RUNNING|STREAM is all about taking a very sensible, methodological and research-based approach to building and managing portfolio of assets in cities where we find social, economic and political stability. We believe in providing our clients with timely, in-depth information and advisory services to help our clients make the most informed decisions, as well as provide an end to end investment experience.

RS|INSIDER is our monthly publication to help our clients stay informed about property markets around the world. It is an effort to inform, educate and share with our clients the latest in the market and keep them up to date about us as well. We welcome you to pass a copy of this to anyone who is interested. Feel free to contact us if you have any feedback.

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