

Hot grabs outside Klang Valley
The Edge Malaysia
August 22, 2011
By Kamarul Azhar

PETALING JAYA: Major property developers have been snapping up large plots of land worth well over a billion ringgit, even as the global economic scene turned more cloudy. And it is interesting to note that these acquisitions are mainly located outside the country's largest property market, the Klang Valley.

Mah Sing Group Bhd, Hua Yang Bhd, S P Setia Bhd, Dijaya Corp Bhd, Berjaya Land Bhd and Eksons Corp Bhd are among the noted property developers that have this month announced acquisitions of land for future development projects. According to tabulations of a selection of notable deals by The Edge Financial Daily, five major developers alone have spent some RM1.07 billion to buy 1,502 acres (600.8ha) of land in the past few months (see table on Page 8).

Factors such as scarcity of land in mature markets like Kuala Lumpur and Petaling Jaya, which has led to high asking prices, as well as future economic developments in other regions may have prompted the buying spree. Johor appears to be the new property hot spot now, judging by the rush of developers there.

Analysts said the change of perception towards the southern state was triggered by the rejuvenation of Iskandar Malaysia. They noted that since UEM Land Holdings Bhd's acquisition of Sunrise Bhd, there has been a more proactive development committee team spearheading the development of Iskandar. Sentiment has also been boosted by warming bilateral ties between Malaysia and Singapore, and maiden investments by Temasek Holdings is seen coming to Iskandar.

In Johor, Mah Sing acquired 83ha (205.7 acres) of prime freehold land in Tanjung Kupang for RM54.7 million in April, or RM6.10 psf, while Hua Yang purchased two prime parcels of land in Johor Bahru measuring 0.8ha for RM10.7 million, or RM117 psf.

Mah Sing's land is located within the Iskandar Development Region, some 1 km from the Port of Tanjung Pelepas and 23 km to Jurong Industrial Estate in Singapore. It is proposing to develop the land into an integrated industrial and business park named Mah Sing i-Parc, with an estimated gross development value (GDV) of RM610 million.

Taman Pulai Indah is Hua Yang's core development in Johor.

Leong's Mah Sing has land located within the Iskandar development region.

Tan says Dijaya will be launching more quality properties in the region.

Last week, Dijaya acquired 92ha of freehold land in Plentong for RM220 million, or RM22.25 psf, in its bid to strengthen its presence in the Iskandar Malaysia development region. The company is building a mixed development named Tropicana Danga Cove with a GDV of RM2.8 billion. Construction of the project will start this year, together with another project called Tropicana Danga Bay, a high-end integrated property development with a GDV of RM3.8 billion.

According to group CEO Tan Sri Danny Tan Chee Sing, Dijaya will be launching more quality properties in the region to ride on its proximity to Singapore. He said Iskandar Malaysia will drive up demand for properties in the region as more investments will be pouring in, especially from neighbouring Singapore. The rising cost of doing business in the island republic has prompted many of its small- and medium-sized enterprises to relocate to Johor

due to its proximity to home and lower costs, according to a recent research.

Hua Yang said its Johor Bahru acquisition is in line with its business expansion plan to make the southern region a key revenue contributor to the group. The move is also in line with its vision to become a nationwide community developer providing affordable homes throughout the country.

The land parcels that it recently acquired are located in Jalan Abdul Samad in the Johor Bahru city centre and only 3.5 km from the new Customs, Inspection and Quarantine Complex. The land will be developed into a residential project comprising serviced apartments to cater for professionals working in Johor Bahru and Singapore, with an estimated GDV of RM120 million.

So will the property markets in prime areas such as Kuala Lumpur, Petaling Jaya and Penang island disappear from the property developers' radar?

Not quite, but with limited large tracts of prime land, developers have been focusing on niche, higher-end projects.

In the heart of downtown Kuala Lumpur, Mah Sing will develop a 1.7ha parcel at the former Tunku Abdul Rahman flats, better known as the Pekeliling Flats, in Jalan Tun Razak, in a joint venture with privately-held Asie Sdn Bhd and Usaha Nusantara Sdn Bhd. The project, tentatively called M Sentral, is estimated to have a GDV of RM9 billion. Mah Sing acquired the land for RM600 psf, and will look to jointly develop the rest of the former Pekeliling Flats land, which measures 58 acres.

Hua Yang also has several projects in the pipeline in Kuala Lumpur, especially those under its RM840 million 'One South' integrated development located in Sungei Besi, south to the city centre. The project spreads over 16.7 acres and is currently enjoying high take-up rates, with its Phase 1 comprising retail and office units more than 80% sold.

The group has also acquired 1.55 acres of leasehold commercial land in Desa Pandan, which is located near Jalan Tun Razak and the proposed Kuala Lumpur International Financial District (KLIFD). The land was purchased for RM32 million and the group plans to develop it into affordable serviced apartments with pricing in the range of not more than RM400,000, and a GDV of RM160 million.

With limited prime land left in the urban centres, property developers would have to look much further out to build new townships. And that's where SP Setia went to Hulu Langat, where it hopes to recreate another "Setia Alam" — its successful transformation of a backwater palm oil estate to a thriving township in less than a decade.

SP Setia acquired 409ha of freehold land in Beranang, Hulu Langat, for RM330.1 million, or RM7.50 psf. The oil palm land will be converted into a mixed residential township with an estimated GDV of RM3.5 billion.

Maybank Investment Bank Research said in a report that the property developer is spearheading a new relatively untapped trend of affordable housing development which will provide steady bread-and-butter sales to the group and support its long-term growth. The research house noted that the land could turn out to be another highly successful "Setia Alam" given SP Setia's track record and expertise in developing townships.

Up north, Penang continues to draw attention.

Confidence in the state was summed up by Berjaya Group tycoon Tan Sri Vincent Tan. He said he was impressed with the level of cleanliness in Penang; the state has done very well economically over the past few years, having attained the highest level of investments in the country last year with RM12.2 billion.

Berjaya Land Bhd acquired 23ha of land in the famed Penang Turf Club area for RM459 million cash, or RM184 psf for a high-end residential property development.

The group said the project, with an estimated GDV of RM1.52 billion, will be a low-density, exclusive gated housing development comprising bungalows, semi-detached units and low-rise condominiums. The development will take five years to complete.

Not only is the Penang island property market red hot now, the same could also be said about the property market on the mainland, Seberang Prai.

Other than Tambun Indah Land Bhd, which has firmly positioned itself on mainland Penang property market after successfully building several notable townships such as Taman Tambun Indah, Juru Heights, Pearl Garden and Pearl Villas, Hua Yang is also making its foray into the market.

According to the group's chief executive officer Ho Wen Yan, the group is currently scouting for landbanks on mainland Penang as well as in Kota Kinabalu, Sabah. He said that the group is going to raise RM100 million to fund land bank acquisitions in these two key markets.

"Penang is one of the high growth states in terms of economy and population. It is a target market for us to build affordable housing in the state. In Kota Kinabalu, we will look at building high-rise affordable residential property in the urban centres, whereas if it is outside the urban centre, it would be viable for us to build more landed properties," he said during a press conference after the company's annual general meeting last Friday.

However, there are concerns over the various property projects in the more mature markets of Kuala Lumpur and Penang island, giving rise to fears that there will be an oversupply of housing.

Penang, for example, has seen a surge in planned projects over the next ten to 15 years worth RM29.6 billion, according to news reports. At the current level of property purchasing in Penang, which is an all time high, it will take 10 to 11 years for the market to absorb such a large number of projects.

Datuk Jerry Chan Fook Sing, the Real Estate and Housing Developers' Association (Rehda) Penang chairman, had said property launches should be perfectly timed to suit demand so the many projects would not lead to an oversupply in the island's property market which will dampen prices/yields.

According to Affin Investment Bank property analyst Isaac Chow, there will always be demand in the medium- and low-cost property markets but the high-end residential property market will see slower demand, as buyers have become more selective and prices will be quite "shaky", especially for high-rise developments.

"The right property in the right location will see an increase in demand and hence price, whereas the wrong property in the wrong location will see lower demand and the price will

decrease," he told The Edge Financial Daily.

He maintained that property prices in Malaysia are still generally affordable as only about 20% to 25% of a buyer's monthly disposable income is spent on rent or mortgage payments as opposed to buyers in other countries who would have to spend almost 30% of their monthly disposable income on mortgages.

With the recent turbulence in the global financial markets, amid fears of a recession in the US and Europe, developers are still confident in the property market.

"Development is an industry that cannot slow down. Every 10 to 15 years, we have a downturn but we have to weather it and keep going. For us, it will be business as usual," Dijaya managing director Datuk Tong Kien Onn told The Edge Financial Daily.

The Edge Malaysia

Copyright © 2009. The Edge Communications Sdn Bhd.

Source: <http://www.theedgemaalaysia.com/in-the-financial-daily/191748-hot-grabs-outside-klang-valley.html>