

Hua Yang continues landbanking exercise

by JOHN GILBERT

PROPERTY developer Hua Yang Bhd, is currently negotiating with several parties to purchase land in the Klang Valley and Kota Kinabalu and will continue its landbanking exercise to support future earnings growth.

Based on past records, these new potential purchases are expected to cost no more than RM20 million per transaction, TA Securities Holdings Bhd said in a recent research equity report on the company.

Based on Hua Yang's total net debt of RM95 million as at Sept 11, 2011, the company may want to tap on equity financing for any land purchase in the future

to avoid over-stretching its balance sheet, the report said.

Hua Yang's principal activities consist of investment holding, property development and provision of management services while its subsidiary companies are involved in investment holding, provision of management services, property development and building construction.

Hua Yang property development activities are currently undertaken on their landbank, which is located mainly in the Klang Valley, Perak and Johor.

In terms of new launches, the management has stated that small office home office (SOHO) units within the One South development and serviced suites

at Desa Pandan are slated for launch by March 2012.

TA Securities has raised its estimated gross development value (GDV) on One South to RM920 million from RM830 million previously. In addition, another serviced apartment project in Shah Alam is targeted for launch by June 2012.

The research house expects the Desa Pandan development to be another star performer with a decent take-up rate given its prime location right behind the Royal Selangor Golf Club.

Based on the estimated GDV of RM160 million, the average selling price per unit works out to be RM370,000 per unit, which is well within a context

of affordable range.

Online registration, which started in November, has accumulated over 200 registered interests from prospective buyers.

Despite the current negative market sentiment, TA Securities believes Hua Yang's sales are insulated from rising external macro risk factors as demand for affordable properties are less prone to economic shocks.

Demand for Hua Yang's residential properties in Perak and Johor, which are priced between RM130,000 and RM280,000 per unit, is expected to increase due to low entry cost requirement after the launch of "My First Home Scheme", the report said.