

Publication : **The Edge**
 Date : 11 November 2013
 Section : City & Country
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 Headline : Hua Yang to continue building affordable homes

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2013



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Hua Yang to continue building affordable homes

BY E JACQUI CHAN

Hua Yang Bhd has done well for itself since the last time we spoke to its CEO, Ho Wen Yen, in May last year. For the financial year ended March 31, 2013 (FY2013), it posted a net profit of RM20.47 million on the back of RM408.67 million in revenue, up from a net profit of RM5.44 million and revenue of RM306.41 million in FY2012.

Ho is confident that the company is on track to achieve its sales target of RM600 million for FY2014 and revenue of RM800 million by 2018. As at June 1 this year, it had unutilised sales of RM380 million.

Hua Yang is expecting a revenue contribution of RM100 million from its 17.89-acre integrated development, One South in Seri Kemang. One South has a gross development value (GDV) of RM950 million.

"I think our progress has been quite good. We have achieved most of our key milestones and everything is on track," says Ho.

Sentrio comprises 327 units of serviced apartments, eight shops and five offices, and has a GDV of RM213 million



this is something we are aiming for but it is a work in progress."

Hua Yang says Ho is looking to launch projects with a total GDV of over RM1 billion this financial year.

"So far, for the first half of FY2014, we have rolled out about RM300 million to RM400 million worth of projects. The bulk, which will come from projects in the Klang Valley, Johor and Ipoh, will come in the second half."

Most of the developer's projects recorded sales during their soft launch or preview. Thus, Ho doesn't see the need for an official launch for some of these projects as they are already selling well.

Among these are the 3.25-acre Meria Residence in Shah Alam and phase five - Green@One South - of One South.

Green@One South comprises 194 units of serviced apartments with built-ups of 1,011 to 1,209 sq ft and an average selling price of RM330 psf, while Meria Residence comprises 206 units of serviced apartments, 15 units of shops and 11 units of offices with an average selling price of RM460 psf.

Green@One South and Meria Residence have a GDV of RM400 million and RM350 million respectively. The former is fully sold, while the latter is 95% sold.

Keeping houses affordable

Hua Yang's core market and strategy have always been affordable homes. He expects the company to continue in this direction as the demand in this market segment outstrips supply.

He believes affordable housing will give Hua Yang the best chance to grow and achieve its goal of hitting RM600 million in revenue and becoming one of the nation's top developers because affordable housing is the biggest market with the biggest volume.

"Our key focus is affordable residential products. Currently, our entry-level properties are priced below RM500,000 but going forward, it will be increasing, which is challenging to keep the price in that range," Ho acknowledges.

He feels one way to combat this problem is to build high and build small.

"As the country becomes more urbanised, and as land and property prices increase, high-rise living seems to be one of the key solutions to affordable housing like Eco World Development Sdn Bhd. So,

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Building high and building small

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housing. We are looking at value engineering and the trend now is building small units. This trend is visible in key urban areas such as the Klang Valley and Johor Bahru, and can help keep homes affordable."

Ho says the developer's key target market for its affordable homes is owner-occupiers.

"Most of our buyers are owner-occupiers. You can see in all our projects that upon completion, the owners move in within six months after the handover and the average occupancy is around 80%. This is an indication that it's mostly owner-occupiers."

"We don't have a lot of repeat customers but a key driver of our sales is word of mouth. Those who bought from us will tell their friends who will then tell their other friends."

Core urban projects

While Hua Yang will continue to focus on affordable housing that targets owner-occupiers, Ho says it is also planning to expand its core urban projects.

"We are trying to move into more urban areas, more in the city centre. There are still small plots available. You'll have to look for them."

Ho defines core urban areas as locations within a three-kilometre radius from the city centre. Given that land prices are higher in such areas, the price of houses there is likely to exceed RM500,000. However, he says Hua Yang will try to keep the homes affordable by building smaller units.

"The demand is still there. A lot of people are willing to pay for something more affordable near the city centre. For such products, we expect to see a bit more investors and more younger people working in the area."

Green@One South comprises 194 units of serviced apartments with built-ups of 1,011 to 1,209 sq ft and an average selling price of RM330 psf



However, the units in G Residence are bigger in size, ranging from 1,080 to 1,545 sq ft.

Hua Yang is targeting purchasers between the age of 25 and 40 from the surrounding areas. Ho says this includes upgraders, singles, investors, young families and newbies.

The developer plans to hold a soft launch for the Sentrio Suites this month and the official launch is scheduled for March next year.

In the works

Hua Yang plans to replicate One South in Puchong. The developer acquired the 29.21-acre tract from RM158 million this year.

"This project will be about 1.5 times bigger than what we did for One South. We are planning to launch it in mid-2014. It'll be an integrated development with a mix of commercial and residential units," says Ho.

The developer is also working on a new high rise in Johor Bahru. The 2.21-acre development will comprise two blocks of 47 freehold serviced apartments with an indicative price of RM350 psf, or a minimum of RM400,000. It has an estimated GDV of RM200 million.

"It's very near Danga Bay. You can actually see the sea and Singapore from our location. It will be affordable as well," says Ho.

The development will be targeted at the middle to upper income group and those working in Singapore. Hua Yang is planning to launch the development early next year.

Apart from these two developments, the developer will also be launching new phases of its existing developments in Ipoh and the Klang Valley.

Ho says Hua Yang has undeveloped landbank of about 622 acres with a GDV of RM5.4 billion, spread out across Malaysia.

"We are still trying to go into Penang and Kota Kinabalu in Sabah, but the land cost in these two cities has gone up very quickly. We are looking at mainland Penang but even the land prices there have gone up because a lot of Penangites have moved there. Many have bought near the second bridge area. We are still looking for opportunities."

While Ho feels that the recent cooling measures tabled at Budget 2014, in particular the hike in the Real Property Gains Tax (RPGT), will affect market sentiments, he is confident Hua Yang will continue to do well.

"I believe that the just announced measures will not affect our customers greatly as the measures are more centred towards speculative investors. This does not affect us as much as we are focused on building affordable homes for homebuyers, and our customers generally intend to purchase for the long term in order to take that first step on the property ladder."

Ho believes that the focus on affordable housing will support Hua Yang's efforts in the affordable market segment.

"The government's move in promoting the provision of affordable housing through various initiatives is a step in the right direction, especially when you consider the rising costs of living. We fully support and applaud all government initiatives to work within the affordable housing space and I believe that it will only prove to be a benefit, both to the property sector and the rakyat," concludes Ho.