

Hua Yang unlocks value of Penang land

Developer plans to invest RM874 mil to develop projects over next two years



by Ian McIntyre

PUBLIC-listed property developer Hua Yang Bhd has started unlocking its Penang landbank which it acquired last year. Its total landbank of 134ha has a potential gross development value

(GDV) of RM1.5 bil.

It kicked off its maiden project Meritus Residensi in November in Seberang Perai on the Penang mainland. The development has a GDV of RM220 mil.

Over the next two years, the developer plans to invest RM874 mil to develop over 1,900 units, including Meritus Residensi's 480 units of serviced apartments, says Hua Yang assistant general manager Tony Ng.

For next year, the group plans to roll out more affordable properties in Penang, tapping into the segment which has become the main focus of most developers.

A total of RM721 mil worth of affordable housing is expected to be rolled out next year in Penang, Perak, the Klang Valley and Johor, he says but did not reveal the breakdown for the four locations.

Affordable housing

The contractor-turned developer has an undeveloped landbank of about 210ha in the four locations with a potential GDV of RM4 bil.

Ng believes that Hua Yang is providing the right mix for the property market since the market has shifted to affordable housing.

Affordability might be seen as a niche market but in Penang, buyers and investors can expect a strong market appreciation in view of the state's trajectory for growth, he says.

The townships expected to flourish once the market rebounds are in Bukit Mertajam, Batu Kawan, Seberang Jaya and Nibong Tebal as well as Prai, where Hua Yang's project resides, he informs **FocusM**.

Ng says the group recorded about RM500 mil in sales this year, showing that demand prevails for the right type of housing units, namely affordable homes in prime locations, he says.

It plans to maintain its sales target of RM500 mil for next year and maintain prices, as well as ensure operational efficiencies during the construction phase, he adds.

To-date, the company recorded a revenue of RM102.8 mil and a net profit of RM17 mil for the first six months of its financial year ending March 31, 2017.

The launch of Meritus Residensi is expected to boost revenue in addition to its on-going projects - Zeta Residence and the Cube - which comprises small-office, home-office units. They are the final phases of the RM1.1 bil One South development in Kuala Lumpur.

"The group continues to draw on its core strengths and expertise as a developer of affordable housing and its future strategies involve rolling out more launches," he says.

Boost for Penang's property market

Hua Yang's entry would help inject confidence into the market as projects in Penang are moving at a much slower pace than anticipated due to concerns about the economy, says a property analyst.

Hua Yang's insight is that domestic demand for affordable housing is expected to boom because of the end-stage of the baby boomers generation - those aged 40 and below represent about 70% of the working population, he says.

Its entry also sends a strong signal to other developers that Penang has the market capacity to accommodate affordable units despite rising land costs that is said to be among the steepest in the country, Ng says.

Baseline market prices for Penang properties including those in the secondary market continue to hover around RM400,000 onwards due to sustained demand even though sales and rentals have tapered off, he adds.

The analyst states that Hua Yang's strength is that it emphasises tight costing during the construction and delivery phases, and prides itself in its value-for-money concept, he says.

There has been a decline in total transactions last year and the market is expected to remain soft given the current uncertainties.

Cloudy outlook

In general, developers are facing a tighter credit environment and there is a sluggish demand for rentals. This is aggravated by rising living costs and a host of external challenges from a perceived global economic slowdown.

The uncertainty is expected to persist until US president-elect Donald Trump assumes office next month, says Affin Hwang Capital Research senior associate director and chief economist Alan Tan Chew Leong.

During campaigning, Trump had proposed an economic model which tends to be viewed as inward-looking rather than in fuelling globalisation, he says. The Trans-Pacific Partnership Agreement has apparently been rescinded by him, and



The RM220 mil Meritus Residensi is Hua Yang's maiden project in Penang, says Ng

Trump's hardline stance has spooked the ringgit, which has declined by more than 4% since his stunning election win, he says.

Tan believes that a wait-and-see situation will emerge in the next eight weeks, including the property sector, but he is optimistic, as Malaysia has the strong fundamentals to cope with the uncertainties in the global marketplace.

The Penang project

Given the current situation, developers are turning to more affordable housing and innovative financial packages to sustain interest in their projects.

Despite the cloudy outlook, Hua Yang is bullish on its 44-storey Meritus

Residensi project located on Jalan Baru in Prai. Only phase 1 of the mixed development, which includes 15 retail shops, has been launched.

The first phase occupies 1.7ha with the second phase occupying the remaining parcel of the 2.8ha freehold land. The second phase, which has a GDV of RM104 mil, will include 150 units of serviced apartments and retail lots.

The serviced apartments have built-ups ranging from 945 sq ft to 2,000 sq ft and are priced between RM311,000 and RM1 mil. Each unit comes with two parking bays. The whole development is expected to be completed by 2020.

"We believe that Meritus, which is strategically located and featuring social amenities that cater to the contemporary urban lifestyle, will be well-received by first-time homebuyers and those looking to upgrade," says Ng.

The facilities podium, on the 7th floor, includes a swimming pool, gymnasium, garden, jogging path and a half-sized basketball court among others.

Ng anticipates more Penangites to opt for high-rise living in view of the land shortage and expects the maiden project to do well due to its potential capital appreciation.

Many analysts expect mainland house prices to grow as investors and buyers seek for alternative housing in view of the limited space on the island.

Properties such as Meritus Residensi that are in prime locations are expected to be well received, says an analyst.



An artist's impression of the retail lots at Meritus Residensi