

## PROFITABILITY IN AFFORDABILITY



One South Sungai Besi in Kuala Lumpur: This mixed development project is Hua Yang's biggest to date.



As property prices continue to spiral due to a host of reasons, Hua Yang still embraces the noble vision of its founder to provide affordable housing to the masses

By Harris Iskandar Taib

### LEAD STORY

While there is an influx of developers today offering high-end properties, Hua Yang Bhd is one of the few which believes there is still a big market and an ever increasing demand for affordable living, especially in the Klang Valley.

'The company was founded on the vision of building affordable homes 32 years ago and this is still something we remain true to,' Ho Wen Yan, Hua Yang's Chief Operating Officer, tells *Malaysian Business*.

'We're still very focused on the affordable segment, which is to offer homes that are priced between RM90,000 and RM380,000. This is a segment we intend to grow further as there is still a very huge demand for affordable homes, especially in catering to those who are in the market to buy their first property.'

Founded in 1978 by his father, the late Ho Mok Heng, Hua Yang has evolved from a family business to being listed on the main board of Bursa Malaysia in 2002. 'Hua Yang today is very different compared to when the company was first started 32 years ago as a family business,' the 36 year-old Ho stresses.

'Today the company is run and managed by a professional team of managers and experienced individuals who currently spearhead the company's business.'

An architecture graduate, Ho joined Hua Yang in 2003 as a project coordinator before rising to the position of branch manager of the company's operations in Johor. In 2006, he was promoted to General Manager before assuming the role of COO a year later.

#### Ambitions

From its first project which was eight units of four-storey shops in Jalan Gopeng, Ipoh valued at RM2.44 million, Hua Yang in its 2010 financial year has recorded sales amounting to RM139.29

million. The company has also set a target of achieving RM600 million in sales to emerge among the top five developers within the next five to seven years.

To date, Hua Yang has completed 8,900 residential, commercial and industrial developments in Johor, Perak, Negri Sembilan and the Klang Valley valued at close to RM1.2 billion.

While it is better known for its successful projects in Bandar Universiti Seri Iskandar in Perak and Taman Pulai Indah in Johor, Hua Yang is relatively a newcomer in the Klang Valley.

The company's first project in the Klang Valley is Symphony Heights, a high-rise apartment in Selayang, which is still under construction, and its One South Sungai Besi project – a mix of residential and commercial properties.

Spreading over 6.8 hectares and divided into five phases to be launched over the next five years, One South Sungai Besi is to date, Hua Yang's biggest project in the Klang Valley. Boasting a Gross Development Value (GDV) of RM750 million, the project entails several blocks of high-rise serviced apartments, multi-storey retail units and two towers for offices suites.

'We have always been searching for a substantial plot of land in the Klang Valley to develop a major project, since our projects in Johor and Perak have done well. Seri Kembangan is an ideal location, as it is a fast growing township.'

Ho foresees One South Sungai Besi to be one of Hua Yang's main revenue drivers for 2010.

'As a group, we are aiming for a RM300

million sales target, translating to between 900 and 1,000 units of properties to be sold nationwide. This is in line with our aim to be the top five developers in the next five to seven years. To reach that goal, we need to progressively achieve RM500 to RM600 million in annual sales.'

#### Future

Come 2011, Ho expects 50% of Hua Yang's revenue contribution to be generated from sales within the Klang Valley. Much of this optimism results from the overwhelming response the company has been receiving from its Symphony Heights project in Selayang, which is just minutes away from downtown Kuala Lumpur.

The project offers residents a breathtaking view of the city centre. One block of the apartment has already been completely sold out, another is 90% sold while the third block is due to be launched soon.



Ho: Our main focus is the affordable segment

Taman Pulai Indah in Johor



Symphony Heights in Selayang



In total, Symphony Heights will offer 946 units of apartments from a minimum size of 950 sq ft priced from RM220,000 onwards.

With the increasing trend of the population today preferring to live in urban areas, Hua Yang has identified Johor, Penang, Perak and the Klang Valley as being key growth areas, and intends to capitalise on its strength in offering affordable housing for younger working adults who migrate to the city from smaller towns.

Seeking a balance between affordable homes and increasing land prices – especially in city areas and within the Klang Valley – Ho points to the fact that continuing Hua Yang's legacy of providing affordable living will depend greatly on its strategy of land banking and in identifying secondary prime locations with ready built infrastructure and facilities.

'What is today considered

secondary may well emerge as a primary or much sought-after location a few years down the line. This is why we are constantly identifying areas that have a huge potential of being developed,' he philosophises.

'While land prices in the Klang Valley are higher, we are still able to value engineer our projects to keep costs down and to reduce wastage. In fact, our profit margins are also lower compared to the standard margins earned by other developers. At the end of the day, we try our best to offer home buyers the best product in the best possible location.'

On the prospect of moving up the ladder and offering homes in the higher price segment, Hua Yang plans to embark on its maiden high-end project – Polo Gardens in Johor Baru – next year. Comprising 32 units of semi-detached homes priced from RM800,000 onwards,

the 2-ha development is expected to generate a GDV of RM28 million.

While this is a niche development, Ho maintains that 95% of Hua Yang's properties will remain within the RM90,000 to RM380,000 price bracket. Looking ahead, he believes that the affordable homes segment has not yet reached a saturation point but on the contrary, will continue to grow as demand increases.

By convention, there is a shortage of supply and a mismatch in terms of demand and supply, Ho asserts. In essence, young working adults, newly weds and young families will always require affordable homes with quality finishing to create a good family environment.

'Strong homes, strong families make a strong nation – this is what continues to drive Hua Yang to maintain its mission of providing steady and affordable homes for the people,' he adds. **UBP**