Hua Yang remains **confident of property mart**

by SITI RADZIAH HAMZAH

MALAYSIA'S property market is currently still active and will continue to grow as the country's gross domestic product growth is expected to be within the range of 5% to 6%, said Hua Yang Bhd.

Its chief financial officer, May Chan said the property developer forecasts that more individuals will make their foray into the market by buying their first properties or property investments.

"It is still a preferred method of investment. There is still an upside to property as we see there is much room for growth," Chan told *The Malaysian Reserve* recently.

However, she noted that while the property prices have continued to rise, wages have not increased in tandem.

The National House Buyers Association had warned in May this year that the entire generation of young adults risk being "locked out" of the property market due to the runaway house prices.

The average price of a residential property in Kuala Lumpur is now about RM485,000 or roughly nine times that of average urban household annual income of RM54,000 and a possible sign that the market is experiencing a bubble.

"Unfortunately, this is the reality of the situation, which makes it hard for young adults to buy their first property," noted Chan.

Asked on the return on investment one can expect from property, Chan said, "In terms of Hua Yang's properties nationwide, we have seen property prices appreciate in Johor, Perak and the Klang Valley, ranging between 25% and 30%."

She added that 2010 was a good year for property investors as property prices generally appreciated especially those located in central urban locations.

In addition, public sector provision for housing is sorely lacking. Currently, almost all housing provision is supplied by the private sector, which will generally be profit-driven and supply in locations and segments with the best volumes and margins.

Nevertheless, Hua Yang discounted the possibility of a property bubble in the country. Chan said the property market will remain a strong sector contributing to the growth of the overall Malaysian economy.

"In our opinion, we have yet to hit a bubble situation. In terms of the affordable homes segment which we operate in, demand outweighs supply, thus we are confident of a strong growth in 2011," she said.

Currently, Hua Yang owns an undeveloped landbank of 790 acres in its key areas including Seri Kembangan, Selayang and Shah Alam, worth RM2.4 billion in gross development value (GDV).

Chan said the company is always on the lookout to replenish its landbank, particularly in the Klang Valley, where the land price are competitive.

"We are looking into expansion to Penang as well as Kota Kinabalu, Sabah. Both locations have a strong demand for affordable homes, and we see much potential there.

"This is also because many young people flock to urban areas to seek jobs, and there will always be demand for affordable homes, especially amongst the first time homebuyers between the ages of 25 and 40 years old," she said.

Hua Yang's guiding principle is that the land cost that the company purchase or eye is usually below 20% of the entire GDV to ensure that it is able to offer affordable prices to the market, she added.

The developer's focus remains on affordable homes with prices ranging from RM90,000 to RM140,000 with quality finishing but depending on the locations.

"We had bought parcels of land in strategic places within the Klang Valley which we will be developing into vertical communities," she said.

One such example is the company's recent purchase of 1.55 acres of prime land in Desa Pandan Commercial Centre. The piece of land is strategically located opposite the Royal Selangor Golf Club and minutes away from Jalan Imbi, Jalan Tun Razak, Jalan Ampang and several highways such as the MRR2, Maju Expressway, KL-Seremban Highway via the Smart Tunnel and the Ampang Elevated Highway.

"Hua Yang will be developing this newly acquired parcel of land as a mixed serviced apartment and commercial centre with an estimated GDV of RM160 million," Chan said.

For the first-quarter (1Q) ended June 30, 2011, the group posted a net profit of RM11.51 million, up 135% from the corresponding quarter previously. Earnings per share worked out to 10.63 sen.

The group's revenue for the period rose 66% to RM61.75 million from RM37.22 million in the same period last year due to better sales achieved, steady construction progress recognition and completion of sale of a parcel of land to Tesco at its Bandar Universiti Seri Iskandar.

Sales achieved at the end of 1Q of its 2012 financial year totalled RM163.8 million, 232% higher than last year's corresponding period and equivalent to 53% of the total sales achieved in the previous financial year.

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