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Mah Sing's land buying since 2010 exceeds RM1b

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KUALA LUMPUR: Mah Sing Group Bhd's active landbanking moves have seen the developer acquiring some RM1.08 billion worth of tracts across Malaysia in the last two years, including yesterday's acquisition of 412 acres (165ha) in Selangor's Bangi enclave of RM333.25 million principally from the Loh's family.

Before yesterday's acquisition, Mah Sing had acquired some 555 acres for a collective value of RM750 million, according to the developer's filings with the exchange between April 2010 and February 2012.

Notable deals in terms of value include the acquisition of seven parcels of contiguous residential freehold land measuring 61.03 acres in Penang's Batu Ferringhi enclave for RM157.3 million, 4.7 acres in Kuala Lumpur for RM114.91 million, and 51.38 acres in Kinrara for RM178.4 million.

In a statement to the exchange yesterday, Mah Sing said the Bangi tracts, a portion of which fronts the North-South Highway, are expected to accommodate the developer's planned RM2.15 billion township to be known as Southville City. Notable landmarks nearby include Universiti Kebangsaan Malaysia and the Sony factory.



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Mah Sing via its wholly-owned unit Tristar Acres Sdn Bhd is acquiring eight parcels of adjacent freehold land with a net area of 408.24 acres for RM330.77 million from Boon Siew Development Sdn Bhd. The company is also acquiring a nearby 4.12-acre leasehold tract for RM2.48 million from individual owner Wong Hong Foi. In square feet terms, these freehold and leasehold tracts have a combined area of 17.96 million sq ft which translates into a price of RM18.55 psf

Mah Sing's active landbanking moves have seen the developer acquiring some RM1.08 billion worth of tracts across Malaysia in the last two years.

“Tristar will be submitting the relevant proposed development plans to the relevant authorities for approval. Therefore, it is too preliminary at this stage to ascertain the total development cost and the expected profits to be derived from the proposed development.

“Subject to authorities' approval, the proposed development is expected to commence by the first half of 2013. Awareness programme and registration of interest for Southville City are expected to commence in the third quarter of 2012,” Mah Sing said.

The developer said its plans to finance the land acquisition and development cost for the Bangi tracts with internally-generated funds and bank loans. Mah Sing's latest balance sheet shows that it had a cash pile of RM665.72 million as at Dec 31, against debt obligations of RM706.11 million, translating into a net debt of RM40.39 million. Its retained earnings stood at RM496.77 million then.

According to Mah Sing, the proposed land purchase is in tandem with its strategy to buy strategic larger tracts with the potential for township projects with high development value.

Based on preliminary plans, the developer said it would set aside some 30% of Southville City for commercial development and that the initial phase of the project could see the construction of double-storey linked homes.

The residential units will have an indicative price of RM530,000 onwards, it said. Looking ahead, the firm said it plans to develop semi-detached units and bungalows in subsequent phases of the project.

“As close to 70% of the residential component will be priced below RM1 million, this proposed development will provide an opportunity for the group to balance and complement the group's existing product portfolio to meet the strong market demand for bread and butter properties,” Mah Sing said.

In a note, RHB Research said Mah Sing's latest land purchase at RM18.55 psf is “arguably reasonable”, taking into account that the sites have a 2km stretch fronting the North-South Highway. The price Mah Sing is paying is benchmarked against rival developers S P Setia Bhd and UEM Land Holdings Bhd's transaction price of RM13 psf and the current land price of between RM25 and RM28 psf in Kajang, according to RHB.

“The land is now occupied by matured oil palm trees. Mah Sing plans to build a new interchange on the North-South Highway just 2.5km away from the existing Bangi interchange to allow direct access to its site.



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“Hence, including the infra cost, effective land price could be about RM20-RM21 psf,” wrote RHB which values Mah Sing shares at RM2.10 with a “market perform” call.

In a separate statement, Mah Sing group managing director and chief executive Tan Sri Leong Hoy Kum said with its latest land acquisition in Bangi, the developer has fulfilled 73% of its 2012 full-year landbanking goal of buying tracts which can generate a combined gross development value of RM5 billion.

“The group is still actively scouting for more prime land suitable for developments which meet market demand. The land must also fit the group’s quick turnaround business model and the group is keen on both privately held land as well as government land that will be developed by the private sector,” Leong said.

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