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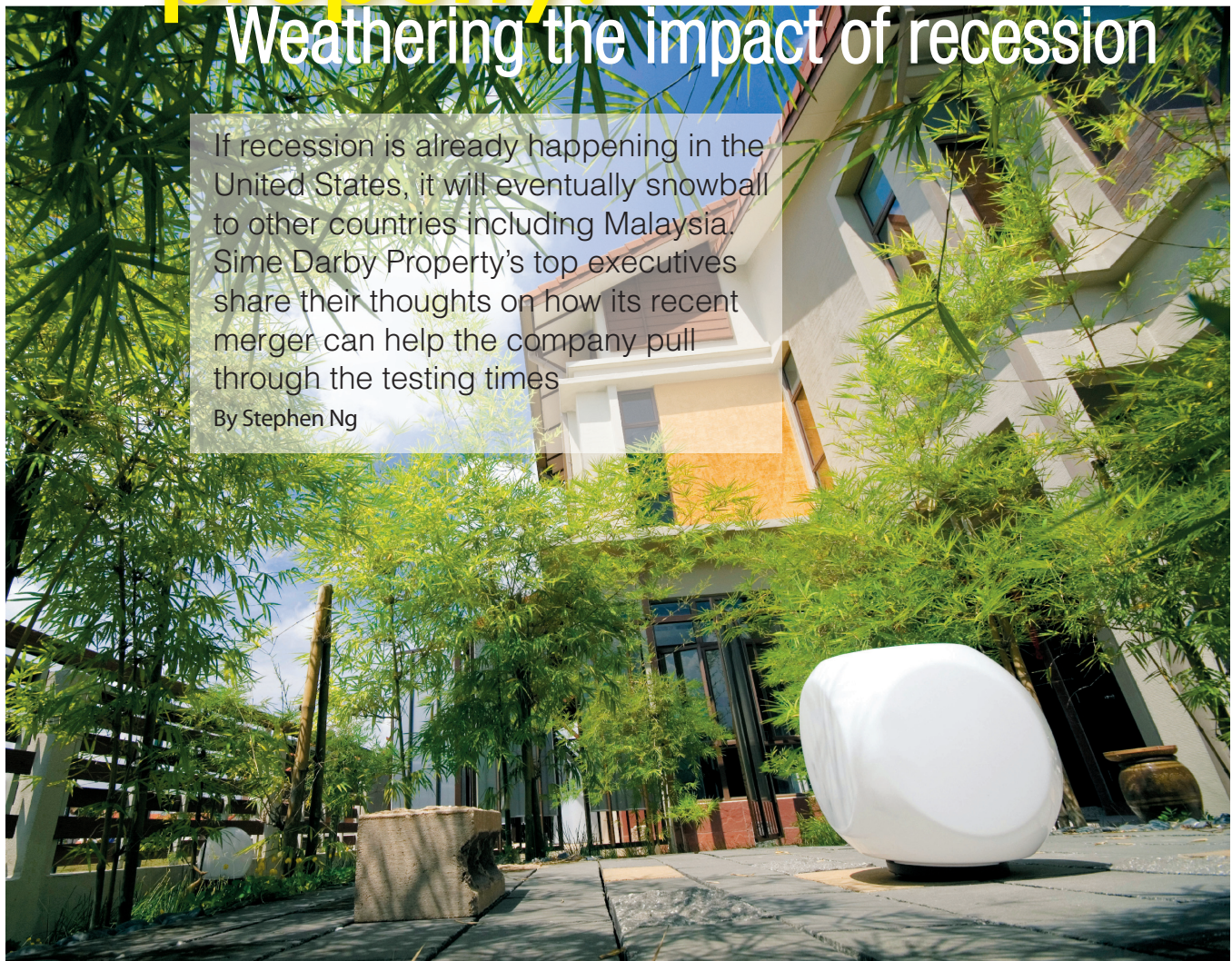
July 1st 2008

SIME DARBY property:

Weathering the impact of recession

If recession is already happening in the United States, it will eventually snowball to other countries including Malaysia. Sime Darby Property's top executives share their thoughts on how its recent merger can help the company pull through the testing times

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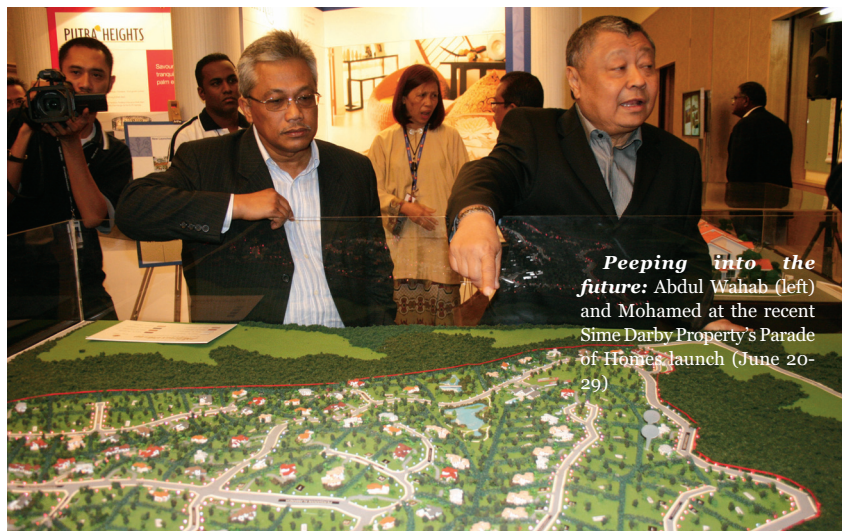
On January 9, Goldman Sachs predicted that the US economy would hit the doldrums this year, attributing the recession to the housing and credit market downturn. Two months later, on March 14, *Reuters* quoted Martin Feldstein, a former National Bureau of Economic Research President, as saying that the US has entered a recession that could be 'substantially more severe' than recent ones.

On May 24, it was the world's richest man, Warren Buffet who warned that the US is 'already in a recession.' 'The people

on the overall property market, which is going through a tough time.'

Mitigating effects of recession

Abdul Wahab admits that the market may not be as strong compared to six months ago. 'While the rising cost of raw materials is a concern, we will not defer any of our projects. We have the size and economies of scale to ride through the difficult times in the industry,' he stresses, noting that SDP would find ways to mitigate the impact.



Peeping into the future: Abdul Wahab (left) and Mohamed at the recent Sime Darby Property's Parade of Homes launch (June 20-29)

are already feeling the effects. It will be deeper and last longer than many think,' *Der Spiegel*, a German weekly magazine quoted Buffet as saying.

Sime Darby Bhd's Supervisory Committee (Property Division) Chairman Datuk Mohamed Sulaiman concurs. Speaking at a media conference after the recent launch of Sime Darby Property's *Parade of Homes* (June 20-29) in the Federal Capital, he says, 'Soon, the effects of the recession may hit our shores.'

Mohamed describes Malaysia as currently being in the 'eye of the cyclone.' 'Worldwide, there is a global recession. America is already in recession. We may be dragged into recession, but hopefully the cyclone will pass us by.'

Mohamed's precautionary note preceded a presentation by Datuk Abdul Wahab Maskan, who is the Sime Darby Property (SDP) Managing Director. Abdul Wahab explains: 'There is no doubt that the rising petrol prices have a big impact

Abdul Wahab opines that the newly merged entity, comprising the former property arms of Golden Hope Plantations Bhd, Kumpulan Guthrie Bhd, Negara Properties (M) Bhd and Sime Darby Bhd in April this year is well geared to mitigate the effects of the recession.

'Our focus is now on realising and capitalising on the synergies from the merger,' he explains in his presentation to business associates and members of the media. 'As a result of the merger, SDP has a total of 160,000 employees operating in 20 countries around the world. We have a combined experience and expertise spanning 40 years and to date, SDP has built approximately 50,000 homes for Malaysians.'

One of the key assets of the company is the brand name owned by Sime Darby. 'Strong brand recognition for Sime Darby products will propel the company's future growth,' says Abdul Wahab.

'By virtue of its vast business reach with over 40 property-related companies in eight countries – Malaysia, Singapore, Indonesia, the Philippines, Vietnam, China, Australia and the United Kingdom – SDP is poised for stronger and dynamic growth,' he enthuses.

As at 30 June 2007, SDP has a total gross development value (GDV) in excess of RM18 billion in Malaysia, while its property developments in Singapore have a total GDV of SG\$248 million (RM593.2 million).

Abdul Wahab notes that a key advantage SDP enjoys is its dynamic land bank management. As a result of the merger exercise, SDP has some 14,800 hectares in its land bank, possibly the biggest in the country, where 3,480 ha are available for development within the next five years.

'A significant portion of this land, which amounts to 1,360 ha, is strategically located in the Klang Valley and Outer Klang Valley up to Seremban, which promises high returns and yields for the company once unlocked,' he points out.

Longer term

Currently, SDP has an asset base of over RM1 billion. In the next five years, it hopes to achieve a turnover of RM2 billion and launch between 2,000 and 3,000 homes every year.

SDP has consistently hit RM26 billion worth of residential properties with returns on assets at 20% to 25%. 'In the mid-term plans, we will be developing at least one million square feet of commercial property,' Abdul Wahab reveals.

According to Datuk Tunku Putra Badlishah, SDP's Executive Vice President (Property Development & Strategic Investments), the nine townships showcased at the *Parade of Homes* targets to achieve RM9 to RM10 billion in GDV over the next five years.

'The cost of raw materials has escalated and will continue to increase without a doubt. Therefore, it is an ideal time to buy the properties now,' Tunku Badlishah reassures. 'The *Parade of Homes* offers an opportunity for buying the property

at the current price level.'

The townships currently developed by SDP are Bukit Jelutong, Denai Alam, Putra Heights, Ara Damansara, USJ Heights and Pinggiran USJ, UEP Subang Jaya, Subang Jaya, Bandar Bukit Raja, Melawati, Nilai Impian/ Nilai Utama and Planters' Haven.

Notwithstanding SDP's strategy to boost its cash reserve from the sale of properties within these townships, purchases at old price levels could well be a good decision.

The range of SDP's properties are extensive – and include low-cost, high-end, landed properties, high-rise commercial and residential buildings – both freehold and leasehold.

Its flagship project, Sime UEP in Subang Jaya, emerged tops in six qualitative criteria of the survey – trustworthiness, credible image, quality, value, understanding of customer needs and innovation.

The way forward

Few property developers in Malaysia have the size of SDP, with all its resources, vast business reach and potentially one of the biggest land bank in the country.

For SDP to remain strong and able to weather the adverse effects of recessions, Abdul Wahab believes SDP would need to be "customer-centric" and remain focused in developing Sustainable Communities, and champion its three areas of sustainability – Environmental Sustainability, Social Sustainability and Environmental Sustainability.

Meanwhile, Aseambankers economist Saifuddin Morat foresees rising costs of raw materials and fuel to remain an issue for many firms in the months to come. This would however not affect any decision by SDP to defer its projects. 'This is because SDP's products are in a

Nilai Impian: A township currently developed by Sime Darby Property.



matured market with demand; therefore the effect of rising cost of building materials would not see projects being deferred,' Abdul Wahab explains.

With a significant presence in the Asia-Pacific region, there is a lot of untapped potential for SDP, and based on its strong track record of innovation and strategic development to maximise yields, SDP is in good stead for stronger growth.

'With the merger, we occupy a unique position and our clear and distinct advantage is the synergies created between property and plantation land for development,' Abdul Wahab says. 'Additionally, SDP also offers opportunities for land bank management and utilisation with the other business divisions to maximise returns and yields.'

Since the launch of *Parade of Homes*, Datuk Abdul Wahab Maskan has been appointed Sime Darby Bhd's new group chief operating officer (COO) effective June 24. Abdul Wahab was the senior executive vice president of Sime Darby Property, prior to his appointment as COO. As the group COO, he would support the president and group chief executive in the day-to-day operations of the group. [h&p](#)