

Ireka ventures into mid-priced property segment

It changes strategy from usual high-end projects for new land in Kajang, Nilai

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KUALA LUMPUR: Ireka Corp Bhd intends to set its sights on mid-priced property development and industrial development on the newly acquired tract in Kajang and Nilai, a change in its strategy of focusing on high-end developments.

Speaking to the media yesterday, its group executive director Lai Voon Hon revealed that the developments on the two parcels of land would have total gross development value (GDV) of RM690 million.

Lai said there is still strong demand for mid-priced properties considering the young population in the country.

"For industrial development, we believe that there is still a lot of room for growth especially in prime areas where infrastructure and factories are now located. We plan on designing something that is more modern and meets the needs of the manufacturers" he said.

According to Lai, with Ireka's expertise in high-end and luxury development, it hopes to leverage the experience it has to develop innovative products in the mid-market and industrial development segments.

Ireka acquired 20.6 acres (8.24ha) of land for RM22.4 million in Kajang located within the Bukit Angkat Industrial Zone last month. The parcel of land has a GDV of RM250 million and Ireka currently has plans to transform it into a mixed-use industrial project. The second parcel of land

acquired in Kajang is adjacent to the Kajang Sentral Business Park with a GDV of RM150 million.

The company also bought a 27.8-acre land for RM24.5 million in Bandar Nilai Utama with a GDV of RM260 million which has been earmarked for commercial development bringing Ireka's total landbank to 65 acres. However, total GDV of the tract in Nilai is yet to be announced.

Apart from acquiring new land, Ireka is looking to increase its order book, which currently stands at RM370 million. The company is actively tendering for projects and has already submitted bids for RM2 billion worth of projects in Malaysia and Vietnam over the last 12 months.

Construction is the key income contributor of Ireka, accounting for 80% to 90% of the company's revenue.

Ireka made the headlines when it bought a tract of prime land at Jalan Kia Peng, near KLCC from tycoon Robert Kuok's family. It paid RM2,000 psf for the nearly one acre of land in December 2009.

Commenting on the high-end property project in the city centre, Lai said the project is currently in an advanced planning stage.

Lai, who has a positive outlook of the domestic property market, expects the sales launch to be in

early 2012 and the project to start contributing to the company's earnings after 2013.

The ongoing projects that Ireka currently has on its hands include the Jalan Kia Peng boutique hotel and serviced residence.

The joint development boutique hotel and residence project with Aseana Properties Ltd has a GDV of RM400 million. Ireka holds 30% in the project, while Aseana, which is also a 23%-

owned unit of Ireka, owns the remaining 70%.

Other ongoing projects include the City International Hospital in Vietnam, two office towers and a hotel block in KL Sentral, the Harbour Mall and Four Points by Sheraton Hotel in Sabah as well as phase two of Seni Mont'Kiara.

Ireka's revenue for 1QFY11 ended June 30 fell 2.6% to RM99.03 million from RM101.7 million y-o-y. The lower revenue was attributed to a lower volume of construction work during that period. Ireka posted a net profit of RM7.45 million against a net loss of RM3.26 million a year ago. This included a share of profit from Aseana of RM7 million.

"The current quarter is moving very well so far and we hope the problem in the eurozone will not be severe so as to allow Malaysia the breathing space to grow" said Lai.

CHU JUCK SENG



Lai: Total GDV on the two parcels of land at RM690 million.