HB ADVISOR

JULY - SEPTEMBER 2023

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2023 MARKS EXACTLY 20 YEARS OF MY TIME IN THE PROPERTY MANAGEMENT INDUSTRY.

Back then, the practice was challenging yet simple on many fronts. We only had to deal with the fundamentals ie. security, cleanliness, lifts and landscaping. The complexity increases when add-on features are unconventional such as a concierge.

The market is different today as developers adopt creative concepts to meet the increasingly sophisticated market demand. Thanks also to the rising affluence including international brands (eg. Four Seasons Hotel Kuala Lumpur) entering the local market, property owners have over time raised their maintenance wishlist.

Coupled with technological advancements and the shortage of manpower in this industry, we certainly have our work re-framed in the 21st century. No longer is property management just about brick and mortar, it now demands soft skills to communicate daily, not forgetting to educate and train the new hands. Perhaps this is something the universities can look into so qualified graduates can instantly plug into the system.

Suffice to say, the practice is not as straightforward anymore these days but when done right, the satisfaction derived from the job motivates us to strive harder on every new day.

BMSPA 2023

In a way, 4 July 2023 lit up as a bright new day for us at Henry Butcher Malaysia Mont Kiara (HBMK). This is in reference to the awards we won at the BMSPA (Best Managed & Sustainable Property Awards) 2023. When asked how I feel about winning again, I can only say I am very happy and proud, and I have to thank my dedicated team at HBMK who have all played their part in making this happen.

I would also like to thank my clients who have entrusted us with managing their prized assets, some of whom have been with us for more than 10 or 15 years. This has injected meaningful memories as we learn and grow together with the changing market trends especially during the pandemic.

Property management to a large extent requires a full gamut of skills. At the core are consistency, pragmatism, the desire for continuous improvement and engaging in constant communication with the stakeholders. This is vital because discrepancies can crop up at any stage. It is therefore important to embrace bottom-up communication as well instead of just the conventional top-down model.

With more people moving into stratified housing, our role as a property manager has also become more critical. It is not enough to just be well-versed with maintenance and good governance, we also need to be conversant with the laws, bylaws, best practices and to think out-of-the-box when the time calls for it. To that end, I am happy to share that we have achieved another new milestone in the setting up of a Sub-MC (Management Corporation) with a project owner complete with Commissioner of Buildings' oversight.

KDN PP18893/11/2015(034373)

The Binjai On The Park won Editor's Choice Awards for Above 10 Years: Multiple-owned Strata Residential (Malaysia's Outstanding Residential Strata Development). It also won the Gold Award for the same category. From left are The Edge Malaysia Editor-in-Chief Kathy Fong, The Edge Malaysia Editor Emeritus & the Awards' Chief Judge Au Foong Yee, Chairman of The Binjai On The Park Tan Kim Seng, Minister of Local Government Development Nga Kor Ming, The Edge Media Group Publisher & Group CEO Datuk Ho Kay Tat and City & Country Editor E Jacqui Chan.

This landmark arrangement went through two years of discussions to arrive at the viable outcome we see today. The best part is, the same people who took the seats at the table in the beginning are one and the same people at the end. It is a unique collaboration that contributed to the unified vision of the property. I look forward to sharing more about this in 2024.

What's next?

As a personal ambition, I look forward to a time when the industry is able to set a minimum standard for basic level of sustainable maintenance in all genres of properties regardless if it's from the urban luxury class, countryside civil housing, offices or retail malls. Such a mindset will safeguard the investments made by all relevant stakeholders.

Another is to anticipate a day when astute property owners will recognise the importance of engaging players like us to manage their properties. When it becomes a no-brainer for them to employ HBMK, we would have met our objective to be a first class property management company. By that, I also hope that we will one day be offered the opportunity to manage the first class government buildings in Putrajaya.

Thank you and hope you'll enjoy the following pages where I share more about our winning ways at BMSPA 2023.

LOW HON KEONG
Managing Director

July - September 2023

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by Henry Butcher Malaysia

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MONUMENTAL ACHIEVEMENT AT BMSPA 2023

As the United States of America marked their 247th Independence Day, Malaysia honoured the best managed properties and property managers at the Best Managed & Sustainable Property Awards 2023.

Low Hon Keong (front row fourth from left) together with the HBMK Team and clients.

Into the seventh year of the awards, Henry Butcher Malaysia Mont Kiara (HBMK) exemplified property management excellence by going home with seven Awards and one Editor's Choice recognition. The temperament of the Awards this year reflects the active market movement on the ground as there were evidently more players that have come to challenge for the trophies.

"Competition is good and we welcome healthy competition because it can help raise the standards of the industry in Malaysia," said Low Hon Keong, Managing Director of HBMK.

The arduous tasks of getting the properties up to speed for the Awards is no different from the day-to-day operational requirements but it does entail more attention to detail to allow it to shine above the rest or in HBMK's case, at least above a big majority of the approximately 120 managed properties under its care.

"Our staff are also eager to see if the properties they are involved in will be chosen," shared Hon Keong of the anticipation among his 800-strong team adding that it has become customary for the company to enlist projects to the Awards on a yearly basis but not before the consent of the client first. This is primarily due to the volume of information to be submitted to the Awards which includes both operational and financial.

"Client's support as such is monumental to our success at the podium during the awards."

To the client, the property management game is simple - to manage the property well so that it will lead to a good reputation, image and returns. This is true whether it is a property for their own stay or investment purposes. To meet these standards, it is imperative for HBMK's team to often be reminded and even educated on the importance of keeping the property in optimum condition.

Judging Upwards

As mentioned in the past, the judging panel's effort to visit each qualified property for the awards is akin to a free audit conducted on the properties. These inspections often come with feedback and recommendations that are otherwise not as forthcoming or impartial.

"The invaluable feedback has become something our team look forward to so they can continue to improve from where they are and up their game for the next round of Awards if they are selected."

According to Hon Keong, the judging criteria this year has again been raised by a few notches. This is largely due to the mass inclination towards the ESG (Environment, Social, Governance) theme that simultaneously answers all questions pointing to property preservation for the long haul. Specifically, judges were more concerned with long term sustainability through best practices and technology adoption to mitigate wastage such as by going paperless. Data points collected may also help to better scrutinise management of expenditures and provide decision making criteria that may not have been possible before that.

In terms of best practices, HBMK possesses an advantageous position given its wide breadth of portfolio. This enables building managers and the top management to share notes and cross reference for solutions. The contribution of ideas, opinions and proven strategies from more than 100 building managers stretches beyond just "more heads are better than one", they are effectively a powerful machinery when utilised productively for the greater good of the tasks at hand.

Although recognised as a property manager proficient in managing medium to high and the ultra luxurious class properties, Hon Keong insisted that it is still important to continuously uphold the company's branding in the market. By this he meant taking on the challenge to participate in the BMSPA every year. When the company wins, it builds on the brand equity that HBMK has already accumulated over the years as a preferred management company in the market.

"I guess this is why some of our clients have come to tell us that they are doing themselves a favour by appointing HBMK to manage their properties," Hon Keong quipped.

As to what's in store for the future, he said HBMK will gradually roll out the self-developed mobile app called HB2U to the rest of the HBMK-managed properties from the current 10 to 15 sites. This app has demonstrated its ability to speed up operations through its feedback management (eg. lodging of complaints complete with photo and video recording), facility bookings, registration of visitors & contractors and so forth.

Thus far, HBMK has received positive feedback about the app and these are invariably useful information for the company to continue improving the features and functionality within the app just like what it does on-site with the properties it manages.

"The philosophy behind all our undertakings is simple, to lead by example and to work as a team to resolve any problems that may arise anywhere. There shall be no ambiguity in our communication to foster a synergistic relationship between our team members regardless of the department they're from or the expertise they bring to the table.

"The end goal is to strive for a win-win solution and this includes the empathetic consideration to carry out communication in a respectful way when things heat up."

At HBMK, it is also not uncommon for the camaraderie spirit to permeate into the daily lives of the staff as they remind each other to sweat it out several times a week to maintain a healthy posture in light of the demanding property management duties. This could just very well be the secret sauce that completes the winning formula year-in year-out at the Awards.

HBMK won the following awards at the BMSPA 2023.

The Binjai On The Park
Gold & Editor's Choice Awards, Above 10 Years: Multiple-owned Strata Residential (Malaysia's Outstanding Residential Strata Development)

(From left) Head of Department of KLCC Property Holdings Berhad (developer of The Binjai On The Park) Ahmad Faisal Bin Ahmad Shayuti, Low Hon Keong, Head of Legal of the developer's office Ahmad Zahid Bin Zainal Abidin, Chairman of The Binjai On The Park Tan Kim Seng and spouse Goh Poh Eng, Treasurer of The Binjai On The Park Lim Yee Li, Associate Director of HBMK Paris Tian and Building Manager of HBMK Winnie Chong.

The Binjai On The Park is close to the heart as HBMK has been managing it since 2013. This is a unique luxury project being the only residential complex with the well sculpted KLCC park right at its doorstep.

The Binjai On The Park has an outstanding list of advanced features such as the lift systems, centralised air conditioning, fire fighting system, not forgetting the high standards of security and cleanliness. In the early days, its 24-hour concierge service was also a big question mark with many property players but today it is quite common in many luxury residences in Kuala Lumpur.

As HBMK has managed this property for a decade now and having been a Gold winner in 2017, the main challenge here is the pressure to win the same coveted prize again or "what if it didn't win?" Thankfully, this question never had to be answered.

Completed in 2009, the luxurious The Binjai On The Park certainly requires a different kind of attention when it comes to upkeep, maintenance and repairs having been around for more than two decades. Some of the most significant remedial works undertaken were the repainting of the facade, upgrading of the gym, waterproofing and improvement of the indoor air quality. This is to ensure the building continues to perform optimally before any breakdown occurs.

Taking the facade repainting as an example, the job was not only about painting the exteriors as it also entailed consultation with the developer to ensure the chosen colour is harmonious with its surroundings and not compromise its identity as the only property with the KLCC park at its doorstep.

Another feather on the cap here is the outstanding and often close to the 100% monthly collection of the management fees. This shows that the affluent market are cognizant of the merits of good property management and as such have no qualms paying for quality upkeep. It also reflects on the kind of lifestyle expectations the residents here expect to maintain and as such, the well-travelled residents of The Binjai On The Park are not coy about providing suggestions so their beloved nest continues to be on par with the best around the world.

The Estate
Gold, Below 10 Years: Multiple-owned Strata Residential

(From left) Editor-in-Chief of The Edge Malaysia Kathy Fong, Editor Emeritus of The Edge Malaysia & the Awards' Chief Judge Au Foong Yee, Associate Director of HBMK Jessie Koh, CEO of BON Estates Chan Jin-Wy, Minister of Local Government Development Nga Kor Ming, Group Publisher & Group CEO of The Edge Media Datuk Ho Kay Tat and Editor of City & Country E Jacqui Chan.

The Estate is a relatively new address in Klang Valley having been handed over only in 2021. HBMK's relationship with the project however began about six months before the handover of vacant possession. The earlier appointment called for HBMK to impart discretionary advice to the developer on matters such as the handover process, strata title issuance and property management systems encompassing insurance, M&E, cleanliness, landscaping etc. The developer aimed to maintain a sustainable property management model for its more than 400 units throughout the development.

Renovation was pretty common at the newly handed over The Estate and one of the issues that needed attention the most was to answer questions pertaining to renovation. Among them include providing guidelines for renovation's do's and don'ts and advice against the demolishing of load bearing walls.

The success of managing The Estate can be traced to the swift issuance of the strata titles within just two years and the establishment of the Management Corporation that bypassed the setting up of a Joint Management Body. This can only be made possible with the trust of the developer in HBMK and their appreciation for astute property management from day one.

Part of the winning team from HBMK.

Cheering on for the winner!

Kiaramas Cendana
Gold, Above 10 Years: Multiple-owned Strata Residential

(From left) Editor-in-Chief of The Edge Malaysia Kathy Fong, Editor Emeritus of The Edge Malaysia & the Awards' Chief Judge Au Foong Yee, Senior Area Manager of HBMK Kathrine Yong, Chairman of Kiaramas Cendana Sean Lim Fang Tseng, Minister of Local Government Development Nga Kor Ming, Group Publisher & Group CEO of The Edge Media Datuk Ho Kay Tat and Editor of City & Country E Jacqui Chan.

HBMK was appointed to manage the low density residential development in 2015. The greatest challenge in managing Kiara Cendana is to strike a balance between maintenance standards and the affordable maintenance charges collected from the property owners. At only 30 to 40 sen per sq ft for a development with a big land area that also includes a tennis court among others, it can be tricky to juggle between budget in hand and maintenance issues, repairs and upgrades. To circumvent this limitation, most of the maintenance work carried out here are done by HBMK's very own internal team without engaging the services of external contractors.

Oval Damansara
Silver, Above 10 Years: Multiple-owned Strata Office

(From left) Editor-in-Chief of The Edge Malaysia Kathy Fong, Editor Emeritus of The Edge Malaysia & the Awards' Chief Judge Au Foong Yee, Operations Director of HBMK Lee Choon Hoe, Chairman of Oval Damansara Kerk Boon Leng, Minister of Local Government Development Nga Kor Ming, Group Publisher & Group CEO of The Edge Media Datuk Ho Kay Tat and Editor of City & Country E Jacqui Chan.

HBMK was selected to be the property manager in the pandemic year of 2020. Prior to that, Oval Damansara was managed by the developer itself but they found it unproductive to undertake the hefty responsibility, not forgetting the many compliance matters property management must adhere to. Appointing HBMK as such came as a natural solution for the developer so every foreseeable issue can be noted down and tackled at the right time using the right tools and resources.

After taking over from the developer and thanks to the close working relationship together, Oval Damansara has undergone a sizable amount of upgrades. This includes the indoor air quality at the ground floor lobby near the car park where guests to the building would always come through.

Pearl Suria Residence
Silver, Below 10 Years: Multiple-owned Strata Residential

(From left) Editor-in-Chief of The Edge Malaysia Kathy Fong, Editor Emeritus of The Edge Malaysia & the Awards' Chief Judge Au Foong Yee, Executive Director of HBMK Ronny Yong, Chairman of Pearl Suria Residence Dato' David Lim Boon Huat, Minister of Local Government Development Nga Kor Ming, Group Publisher & Group CEO of The Edge Media Datuk Ho Kay Tat and Editor of City & Country E Jacqui Chan.

HBMK's appointment began in 2016, about three to four months before the handover of vacant possession. The earlier onboarding provides HBMK with the room to advise on issues related to property management that paved the way for a smooth setting up of the Joint Management Body and subsequently, the Management Corporation after about seven or eight years.

The developer of Pearl Suria Residence is a firm believer of sustainability and this compels the HBMK team to investigate and audit every possible outcome before tabling a proposed solution to the committee.

The challenge of managing a mixed development with residences and retail as one single complex is a demanding one. For example, residents must be given the privilege to enter and exit the retail section of the premises from the comfort of the residential boundaries without compromising the security standards of the mall. In the same way, management on the retail side must also adhere to the policies when it comes to managing visitors entering from the retail side of the building. The same discipline is expected when managing the expenditures so that it leaves no ambiguity or doubts on either party (residential and retail).

Thumbs up for the night of BMSPA 2023.

Part of the winning team of HBMK.

Dedaun
Silver, Below 10 Years: Multiple-owned Strata Residential

(From left) Area Manager of HBMK Keith Lee, Technician of HBMK Mohd Afiq Bin Sulaiman, Secretary of Dedaun Mark Douglas Edmondson and spouse Melissa Tan May Ling, Building Manager of HBMK Farah Wahida, Accounts Executive of HBMK Rozimah Binti Azmi, Treasurer of Dedaun's spouse Vivienne Lee and Treasurer of Dedaun Iskander Bin Mohamed Ali.

HBMK was appointed to the low rise low density luxury residential development in 2021, taking over from the management by the developers.

As a fairly small development with only 70 units of residences, the challenge is more acute than projects with hundreds of units. This is directly correlated with the miniscule fees collected to attend to capital expenditure needs such as upgrades and major replacements without compromising the usage of lifts or damaging the beautiful landscaping work at Dedaun.

The satisfaction of maintaining Dedaun in a pristine condition is a result of regular 2-way communication. This has led to a trusting relationship with the owners and occupiers of the development.

Binjai 8
Bronze, Above 10 Years: Multiple-owned Strata Office

(From left) Editor-in-Chief of The Edge Malaysia Kathy Fong, Editor Emeritus of The Edge Malaysia & the Awards' Chief Judge Au Foong Yee, Associate Director of HBMK Chen Woei Guang, Minister of Local Government Development Nga Kor Ming, Executive Director of HBMK Ho Kim Heung, Group Publisher & Group CEO of The Edge Media Datuk Ho Kay Tat and Editor of City & Country E Jacqui Chan.

HBMK was appointed in 2015 to manage Binjai 8, a commercial soho and retail complex in the heart of the city centre of Kuala Lumpur. Prior to this, the property developer was managing the project.

One of the unique features of Binjai 8 is the chargeable public car park system where its collection has contributed positively to a point where there was minimum adjustment of service charge since HBMK's appointment. In other words, the overall management of the complex is made more sustainable due to the car park income and has created a win-win situation for everyone at Binjai 8.

WISMA JAG

THE SUBJECT PROPERTY

A 12½ storey office building with 2 levels of basement carpark. Each typical floor comprises of 7,590 sq. ft. lettable space, totalling with approx. 91,720 sq. ft. lettable area for the whole building which includes new extension on the ground and mezzanine floor.

It is located in the center of Taman Desa, fronting Jalan Desa Utama. Seated within the well-established neighborhood commercial center, Faber Plaza, and surrounded with residences.

This building was recently renamed to **WISMA JAG**, formerly Wisma TM. There are ongoing works to upgrade the building's common areas and create retail spaces on the ground and mezzanine floor. Apart from that, beautifying the landscape is also in the plan, as to create a sense of 'back to the nature'.

The building is open for lease; Henry Butcher Real Estate Sdn Bhd is the appointed Exclusive Marketing Agent.

FOR LEASE

Available Sizes:

Retail

- From **610 to 3,360 sqft**
- Ground & Mezzanine floor

Office

- From **820 to 7,590 sqft**
- Level 1 to 11
- Flexible layout caters to tenant's requirement

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Henry Butcher Real Estate Sdn Bhd

EXAMINING THE RESILIENCE OF MALAYSIAN PROPERTY DEVELOPERS DURING & AFTER COVID-19

Facing unprecedented challenges, Malaysian developers showcased resilience and adaptability even before the pandemic struck in 2020.

In this sequel from "A Display of Dynamism and Resilience" published in the Jul-Sep'20 edition, we explore the performance of selected Malaysian property developers from 2020 to 2022, including the first quarter financial results of 2023.

The study here continues with a focus to gauge what has transpired since 2020. While not comprehensive, this analysis aims to highlight their performance trends, delving into financial positions, revenue growths, net profit ratios and notable sales performance.

The Score Cards

Business for IOI Properties Bhd has been steady since our last report, recording a net profit ratio of 24.0% in 2020, 26.7% in 2021 and 26.6% in 2022. This comes on the back of stronger revenues of RM2.1 billion in 2020, RM2.5 billion in 2021 and RM2.6 billion in 2022. Net profit also enjoyed a similar uptrend from RM507 million in 2020 to RM663 million in 2021 and RM688 million in 2022.

In terms of net profit ratio in Q1 2023, the developer recorded 12.4% on the back of RM565 million in revenue and RM117 million in net profit.

Based on our past report, EcoWorld Development Group had its best showing of net profit ratio against revenue in 2019 (since 2015) at 8.26%. An almost similar performance continued in 2020 (8.02%) and 2021 (8.95%) at a time when the intense fight against the pandemic was still ongoing. It was only in 2022 when it dipped to 7.69% with RM2.04 billion in revenue and RM157 million in net profit.

Worthy to note is that although EcoWorld's revenue has been increasing since 2020 - RM2 billion in 2020 and RM2.04 billion in both 2021 and 2022, it is still below the RM2.5 billion in 2019. But it goes without saying that performance from 2020 onwards were marred by a host of issues that also affected the entire market. The developer's sales from 2020 onwards were otherwise impressive ie. RM2.3 billion sales in 2020 (15.0% higher than the RM2 billion target), RM3.52 billion in 2021 (22.4% above the RM2.88 billion target) and RM3.84 billion in 2022 (9.7% exceeding the RM3.5 billion target).

UOA Development Bhd deserves a mention in terms of net profit ratio as it registered 47.33% in 2020, 41.71% in 2021 and 49.32% in 2022; among the highest in this report. Revenue however dropped from RM1.1 billion in 2019 to RM845 million in 2020, RM547 million in 2021 and RM452 million in 2022. Net profit also slowed from RM400 million in 2020 to RM228 million in 2021 and RM223 million in 2022.

The slide continued in Q1 2023 with a revenue of RM85 million and a net profit of RM47.2 million but generating a strong net profit ratio at 55.34%. In the previous report, the developer recorded revenues in the region of RM1 billion annually from 2015 to 2019, attributed mainly to its ongoing developments in the market.

Business for OSK Holdings Bhd's property business fluctuated from 2020 to 2022 as it dropped from a revenue of RM703 million in 2020 to RM357 million in 2021 before increasing to RM539 million. Net profit was the strongest in 2020 at RM149 million, recording a net profit ratio of 21.2%.

Performance among the larger players with footprints around Peninsular Malaysia were a little mixed although most spotted increasing revenues from 2020 to 2022 such as SP Setia Bhd, Sime Darby Property Bhd, Mah Sing Bhd and Sunway Property.

Setia went from RM3.9 billion in revenue in 2019 to RM3.2 billion in 2020 before picking up again to RM3.8 billion in 2021 and leaping further away to RM4.5 billion in 2022. Net profit also rose from a loss of RM245 million in 2020 to RM347 million in 2021 and RM364 million in 2022. Net profit ratio in the three years under observation was the best in 2021 at 9.2%.

The developer's actual sales did not deviate far from its targets with 2020 registering 0.6% above target to record RM3.8 billion followed by RM4.3 billion in 2021 (12.11% above target) and RM4.1 billion (2.8% above target).

Sime Darby Property Bhd on the other hand recorded RM3.2 billion in 2019, its highest since then, before dropping to RM2.1 billion in the pandemic stricken 2020 and rising again to RM2.2 billion in 2021 and RM2.7 billion in 2022. Net profit on the other hand increased from a loss of RM516 million in 2020 to RM163 million in 2021 and higher to RM312 million in 2022.

From 2020 onwards, net profit ratio was the highest in 2022 at 11.4%. The promising momentum continued in Q1 2023 with a revenue of RM685 million and a net profit of RM61.2 million, recording a net profit ratio of 8.9%.

In terms of sales, Sime Darby has consistently broken its targets by convincing margins. In 2020, its RM2 billion sales was in fact 42.9% above the target of RM1.4 billion whereas 2021's RM3 billion sales was 25% above the RM2.4 billion target. In 2022, actual sales brought home RM3.7 billion or 40.9% higher against the modest RM2.6 billion target.

For Mah Sing Group Bhd, the pandemic was never quite a deterrent to its business from a big picture perspective. Its 2019 revenue of RM1.8 billion had only dipped for one year in 2020 to RM1.5 billion before levelling back in 2021 to RM1.8 billion and RM2.3 billion in 2022. Profitability registered a peak of 9.8% in net profit ratio in 2021.

Sunway Property's development business generated increasing revenue year-on-year with RM528 million in 2020, RM691 million in 2021 and RM1.4 billion in 2022. Its net profit position however eroded from RM274 million in 2020 to RM122 million in 2021 and RM107 million in 2022.

The Verdict

Out of the 12 companies under observation, eight public listed property developers registered a

Financial Performance (Revenue & Profitability) of Selected Malaysian Public Listed Property Developers (2020 - Q1 2023)

Company	Revenue (RM, mil)				Profit After Tax (RM, mil)			
	2020	2021	2022	Q1 23	2020	2021	2022	Q1 23
Eco World Development Group	1,996,681	2,042,767	2,043,570	484,734*	160,150	182,740	157,209	57,000*
IOI Properties Group Bhd	2,116,346	2,488,611	2,590,332	564,666	508,639	663,313	688,069	117,039
LBS Bina Group Bhd	1,096,331	1,365,757+	1,721,040+	NA	66,735	114,922+	134,476+	NA
Mah Sing Group Bhd	1,530,754	1,753,977	2,317,228	643,454	97,545	172,264	186,798	52,276
Matrix Concepts Holdings Bhd	1,283,406	1,127,599	892,396	302,208	234,453	253,082	200,866	54,564
OSK Holdings Bhd#	703,126	357,147	538,502	174,500	149,018	29,204	69,388	NA
Paramount Corp Bhd	593,562	681,351	847,464	194,555	31,337	42,711	75,138	15,994
Sime Darby Property Bhd	2,062,781	2,216,557	2,742,136	685,332	-515,683	162,698	311,698	61,195
SP Setia Bhd	3,228,000	3,763,000	4,454,000	967,665	-245,000	347,345	364,000	62,932
Sunway Property ^	528,160	691,046	1,350,744	259,112	274,287	121,639	107,425	19,052
Tropicana Corp Bhd	1,062,571	876,015	1,014,488	256,731	146,557	-30,073	-394,761	3,002
UOA Development Bhd	844,597	547,484	451,653	85,235	399,733	228,344	222,760	47,168

** Ended 31 January 2023* *+ Unaudited* *# Property segment* *^ Property development, excluding property investment* *NA - not reported by company*
Source: Henry Butcher Research

year-on-year increase in revenue since 2020 and this presents a better picture than the previous report where only three out of 21 companies experienced the same from 2015 to 2019.

By revenue, companies like Setia, Sime Darby, Mah Sing and EcoWorld all had a better showing in 2019 when compared to the pandemic year of 2020. But it didn't take long to make a comeback with some keeping pace as soon as 2021.

The story is almost similar in terms of profitability as six or half of the 12 companies enjoyed a consistent rise in net profit, which is also a better showing than the previous report's zero companies with increasing profits year after year.

The possibility of incremental profits year-on-year may be unrealistic for the seasonal nature of the property business, more so in the post-pandemic era. Another glaring factor at play in the last few years is the rising construction costs in Malaysia. This has given property developers a new set of challenges to grapple with especially those that have launched their projects into the market. Inadvertently, such pressures have eroded the developers' profit margins.

As property development is also a mid to long term game, which has a stronger than usual reliant on its most prized but scarce commodity of land banks, it makes the business more challenging when the market is shrouded by uncertainties and influenced by factors like the US-China trade war, the Russia-Ukraine war, geopolitical tensions around the world, rising inflation, a new government in Malaysia and the changing market appetite for affordable properties, the list goes on.

But judging from this round of performance, it is representative that the market may be split between those that are consistently still able to launch properties and secure sales at any time of the season, and those that need to revert back to the drawing board before the next release. Hence the varied financial performance by the different developers in different times and seasons. The good news is that despite the stifling lockdown periods, most property developers assessed in this report continued to record positive net profit positions. This is vital for the sustenance of the industry and to a large extent, the wellbeing of the country's economy.

With the government having launched "Ekonomi Madani" on 27 July 2023, aimed at raising Malaysia's standing in the regional and global stage, a shot in the arm has also been introduced in the property sector. The initiative involves RM5 billion of financing guarantees from the government for up to 120% of the property value for first time house buyers buying homes worth up to RM300,000.

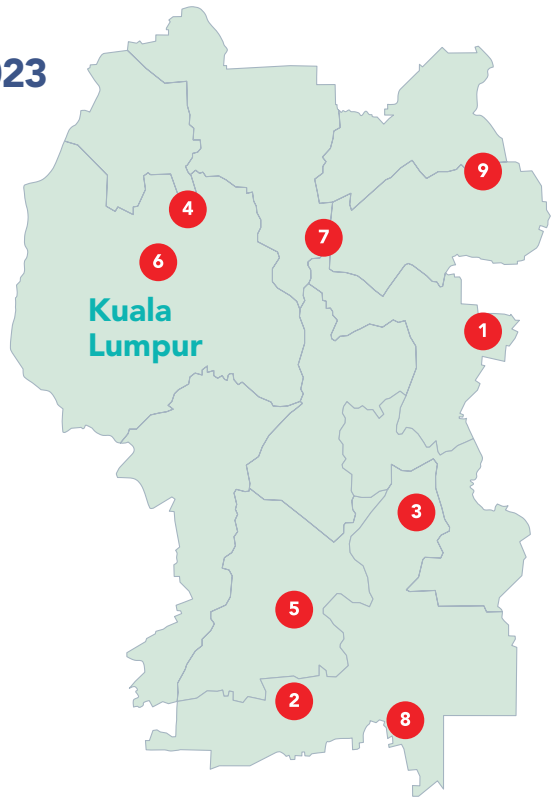
Other initiatives include RM1 billion investment to support local start-ups and enabling the trading of smaller share lots and fractional shares to boost the domestic capital markets.

How fruitful these programmes will be remains to be seen but with the objective of thrusting Malaysia into the Top 30 biggest economies in the world within 10 years, it should inject some zest back into the economy ahead of the all important State Elections scheduled for 12 August 2023.

Sources of information for this report are theedgemalaysia.com, www.thestar.com.my, www.edgeprop.my, www.nst.com.my and www.freemalaysiatoday.com.

INCREASE IN NEW LAUNCHES IN 1H 2023

Klang Valley experienced more property launches in 1H2023 compared to 1H2022.



Kuala Lumpur

1) **Ampang = 2 Projects**
   Highrise = RM900 - RM1,100psf
2) **Bukit Jalil = 2 Projects**
   Highrise = RM400 - RM700psf
3) **Cheras = 2 Projects**
   Highrise = RM600 - RM800psf
4) **Dutamas = 1 Project**
   Highrise = RM600 - RM750psf
5) **Kuchai Lama = 1 Project**
   Highrise = RM600 - RM700psf
6) **Mont Kiara = 2 Projects**
   Highrise = RM550 - RM1,100psf
7) **Setapak = 2 Projects**
   Highrise = RM500 - RM700psf
8) **Sungai Besi = 1 Project**
   Highrise = RM500 - RM600psf
9) **Wangsa Maju = 1 Project**
   Highrise = RM800 - RM900psf

- The number of new project launches in 1H2023 more than doubled that of 1H2022 with 43 against 21 projects.
- Selangor launched 29 projects, an increase from 15 projects in the same period in 2022. Kuala Lumpur also increased to 14 projects in 1H2023 from 6 projects in the corresponding period last year.
- By units, Selangor registered a dramatic uptick to 12,799 units in 1H2023 from 6,642 units in 1H2022 while Kuala Lumpur also experienced a healthy increase to 10,554 units in 1H2023 from 3,312 units over the same period last year.
- March 2023 recorded the highest number of launches with 13 projects followed by February with 9 projects and May with 8 projects. In 1H2022, March also had the highest number of launches with 5 projects followed by January, February and June with 4 projects each. The month of March has understandably more launches as developers tend to hold back property launches until all the festive holidays such as Christmas, New Year and Chinese New Year are over.
- By type, the terrace/superlink houses dominated the market with 16 projects launched followed by 11 condominiums and 8 serviced residences/serviced apartments in 1H2023. In 1H2022, terrace/superlink houses led with 8 projects followed by 6 serviced residences/serviced apartments and 3 semi-detached projects.
- High-rises commanded 53% or 26 projects launched compared to landed with 47% or 23 projects in 1H2023. This is in contrast with 1H2022 where landed properties had a larger share of 57% or 13 projects compared to 43% or 10 high-rise projects.
- By units, high-rises contributed a substantial 85% or 19,773 units to the market compared to only 15% or 3,580 units of landed properties in 1H2023. The newly launched high-rises also thump 1H2022 by a large margin which saw 7,084 units launched.
- In terms of built-ups, the 801 to 1,000 sq ft and the above 2,000 sq ft units were featured in 20 and 19 projects respectively in 1H2023. This is followed by units measuring less than 600 sq ft with 12 projects. The somewhat surprising trend is the units exceeding 2,000 sq ft where developers may have launched these in both 1H2023 and 1H2022 because they were already planned much earlier on, and most certainly before inflation became a thorny issue in 2023.
- 57% or 28 projects launched in 1H2023 had units priced between RM401,000 to RM600,000, followed by 49% or 24 projects between RM601,000 to RM800,000. This confirms the inclination towards affordability as the RM401,000 to RM600,000 price bracket was also tagged with the most number of projects in 1H2022 at 48% or 11 projects.
- A further indication for the affordable appetite is in the price per sq ft comparisons where 39% or 19 projects launched in 1H2023 were below RM500 per sq ft. Pricing then cascades down to 18% or 9 projects at RM501 to RM750 per sq ft, 12% or 6 projects at RM751 to RM1,000 per sq ft, 8% or 4 units at RM1,001 to RM1,500 per sq ft and only 2% or 1 project at above RM1,500 per sq ft. This is a similar trend as the previous year with the exception of only the RM1,500 per sq ft category where no project was launched at this premium price point.
- Sepang was the most active in 1H2023 with 6 projects launched followed by Ampang, Subang jaya and Sungai Buloh with 3 projects each. In 1H2022, Setia Alam was the most active with only 2 projects.

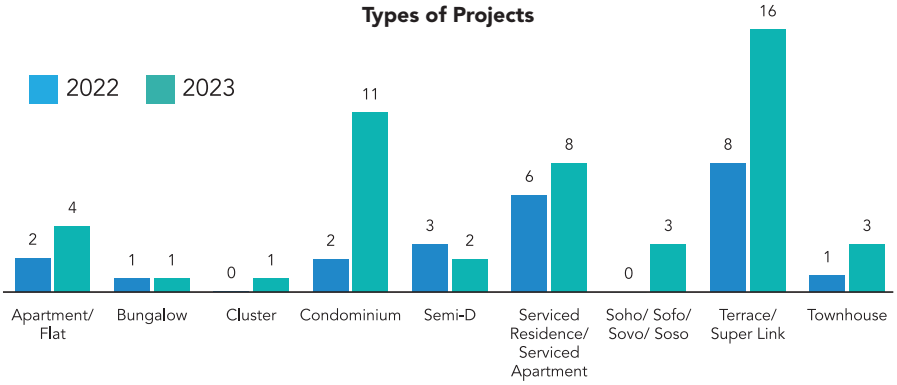
Total Projects Launched

	2022	2023
Projects	21	43

Total Units Launched

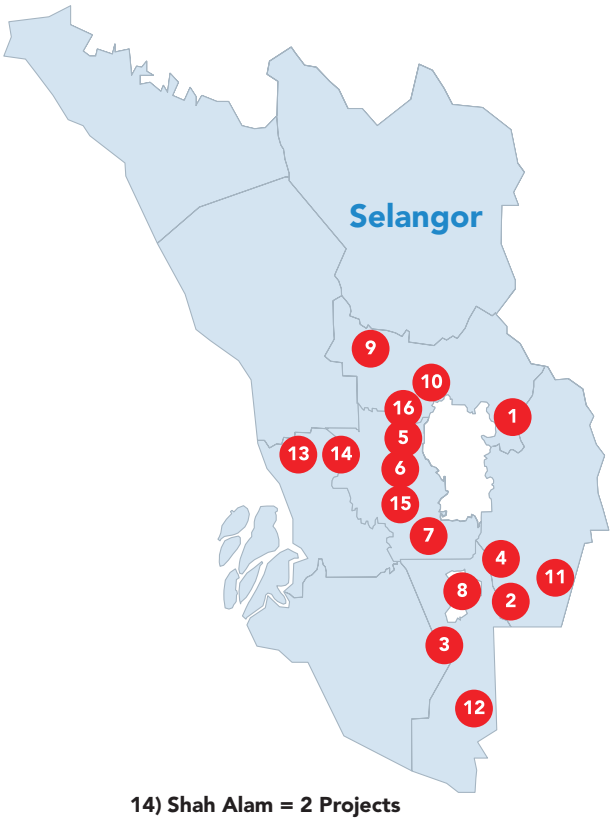
	2022	2023
Units	9,954	23,353

Types of Projects



Selangor

1) **Ampang = 1 Project**
   Landed = RM500 - RM750psf
2) **Bangi = 2 Projects**
   Landed = RM350 - RM550psf
   Highrise = RM400 - RM500psf
3) **Dengkil = 2 Projects**
   Landed = RM300 - RM500psf
4) **Kajang = 1 Project**
   Highrise = RM400 - RM450psf
5) **Kota Damansara = 1 Project**
   Highrise = RM250psf
6) **Petaling Jaya = 1 Project**
   Highrise = RM900 - RM950psf
7) **Puchong = 1 Project**
   Highrise = RM400 - RM500psf
8) **Putrajaya = 1 Project**
   Highrise = RM400 - RM500psf
9) **Rawang = 2 Projects**
   Landed = RM250 - RM400psf
10) **Selayang = 1 Project**
    Highrise = RM500 - RM600psf
11) **Semenyih = 1 Project**
    Landed = RM300 - RM450psf
12) **Sepang = 6 Projects**
    Landed = RM200 - RM500psf
    Highrise = RM250 - RM750psf
13) **Setia Alam = 1 Project**
    Highrise = RM550 - RM850psf



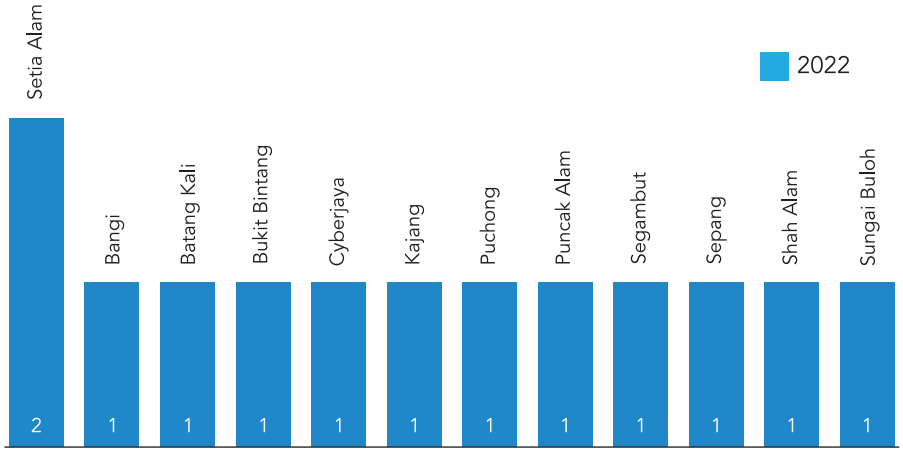
14) **Shah Alam = 2 Projects**
    Landed = RM350 - RM800psf
15) **Subang Jaya = 3 Projects**
    Highrise = RM450 - RM900psf
16) **Sungai Buloh = 3 Projects**
    Landed = RM400 - RM600psf

UNIT SIZES BY PROJECTS		
2021		2022
13%	Below 600sf	24%
22%	601sf - 800sf	18%
30%	801sf - 1,000sf	41%
17%	1,001sf - 1,200sf	27%
35%	1,201sf - 1,500sf	20%
13%	1,501sf - 1,800sf	14%
4%	1,801sf - 2,000sf	16%
30%	Above 2,000sf	39%

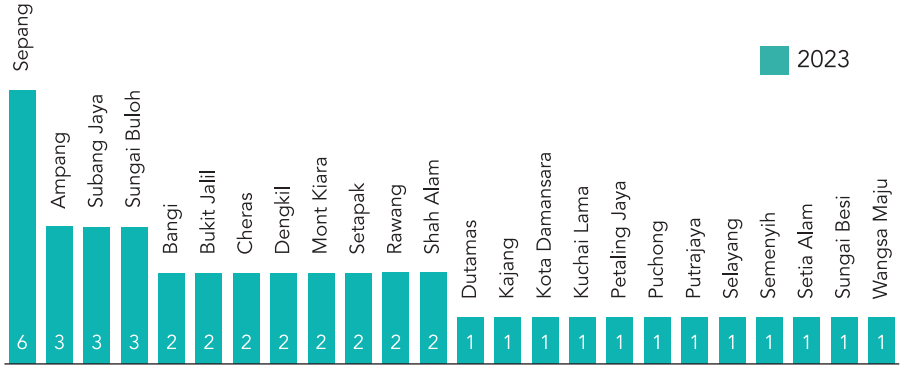
PRICING BY PROJECTS		
2021		2022
26%	Below RM400,000	27%
48%	RM401,000 - RM600,000	57%
30%	RM601,000 - RM800,000	49%
17%	RM801,000 - RM1,000,000	33%
39%	Above RM1,000,000	39%

PRICE PER SQUARE FEET (PSF)		
2021		2022
50%	Below RM500	39%
50%	RM501 - RM750	18%
24%	RM751 - RM1,000	12%
5%	RM1,001 - RM1,500	8%
0%	Above RM1,500	2%

Location



Location



NB: The percentages shown in the table are based on our analysis of the projects that we surveyed but they are not computed based on the number of units within those projects. The way to read this table is as follows eg. based on the projects that we analysed, 56% of them included units of above 2,000 sq ft in size. It however does not mean that 56% of all the units are above 2,000 sq ft. Each project will probably only have very few units of above 2,000 sq ft in size.

COMMENDABLE PERFORMANCE AT THE HENRY BUTCHER MALAYSIAN & SOUTHEAST ASIAN ART AUCTION

The auction achieved RM3.5 million sale on 25 June 2023.

The Henry Butcher Malaysian and Southeast Asian Art Auction accomplished a remarkable achievement by generating a total sales revenue of RM3.5 million within a mere four-hour duration, resulting in the successful sale of 141 Lots. This auction, which took place on 25 June 2023 at Galeri Prima, showcased a significant improvement of over 25% compared to the previous auction held in March, which achieved RM2.77 million in sales. This commendable accomplishment mirrors the positive economic performance of the country, as reported by government leaders and economists.

The top-selling lot for this auction went to a seminal masterpiece painted by Datuk Ibrahim Hussein titled *Sunset Garden*, which sold for RM504,000. Another exquisite painting by Datuk Ibrahim Hussein dated 1973 was sold for RM224,000.

Awang Damit Ahmad's Essence Of Culture (E.O.C.) *Nostalgia (White Series No. 2)*, 1994 achieved RM123,200, while another piece by the same artist titled *Rumbia Dan Orang-Orang (Sago And People)*, Essence Of Culture (E.O.C.) Series, 1992 was sold for RM106,400.

A monumental piece from Yusof Ghani titled *Senggarang (Hijau Series)* dated 1999 was sold for RM134,400, as collectors took the chance to bid for the beautiful masterpiece.

Ahmad Zakii's still life dated 1997 sold for RM145,600 after an intense bidding war from an initial starting bid of RM60,000 while Chang Fee Ming's *Long Life To The Past (Langkawi)* also enjoyed good value as it achieved RM106,400.

Meanwhile, Khalil Ibrahim's painting titled *Abstract* dated 1991 was sold for RM89,600 while Redza Piyadasa's *Malay Wedding Couple* (1988) achieved RM67,200. Another exceptional and vivid piece by Dato' Sharifah Fatimah Syed Zubir also caught the eye of collectors as it was sold for RM89,600.

From the Southeast Asian region, collectors also took the opportunity to acquire Putu Sutawijaya's *Pemenang*, 2002 which was sold for an impressive RM100,800.

Ibrahim Hussein, Datuk, *Sunset Garden*, 1989
Sold for RM504,000.

Awang Damit Ahmad, Essence Of Culture (E.O.C.) *Nostalgia (White Series No. 2)*, 1994
Sold for RM123,200.

Yusof Ghani, *Senggarang-Hijau Series*, 1999
Sold for RM134,400.

"We are delighted to see an increased interest in Malaysian and Southeast Asian art from local and international collectors. The auction also witnessed participation of new bidders from various backgrounds," said Sim Polenn, Director of Henry Butcher Art Auctioneers.

"Compared to the March 2023 auction, June's auction registered a 26% growth. We will continue to work hard, to present even better auction Lots for the auction coming up in September."

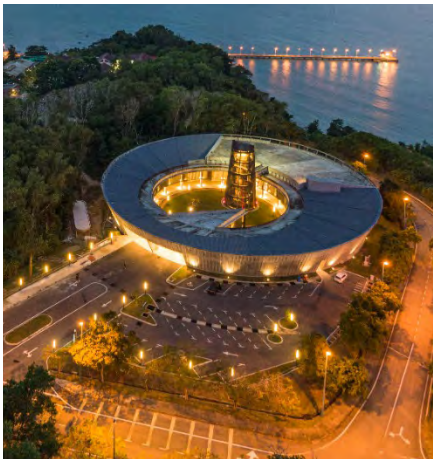
Awang Damit Ahmad, *Rumbia Dan Orang-Orang (Sago And People)*, Essence Of Culture (E.O.C.) Series, 1992
Sold for RM106,400.

Tuan Yang Terutama Tun Datuk Seri Panglima Haji Juhar Bin Haji Mahiruddin, Yang Di-Pertua Negeri Sabah officiated the grand opening of University Malaysia Sabah Azman Hashim Gallery on June 10, 2023. Tun Juhar was attracted by Sabah artist Awang Damit Ahmad's Garismega series (background). The artist presented his books (published by Henry Butcher Art Auctioneers & Pantaulraga Art Space) to Tun Juhar. (From left) Sim Polenn, Tan Sri Azman Hashim, Tun Juhar, Awang Damit Ahmad, Dr. Puad, Toh Puan Datin Seri Panglima Hajah Norlidah Binti Datuk R.M. Jasni.

Before the auction, Henry Butcher Art Auctioneers were also at the grand opening of University Malaysia Sabah Azman Hashim Gallery on 10 June 2023. Yang Di-Pertua Negeri Sabah Tuan Yang Terutama Tun Datuk Seri Panglima Haji Juhar Bin Hj. Mahiruddin was the guest of honour invited to officiate the event.

Prior to that on 10 May 2023, Minister of Communications and Digital YB Fahmi Fadzil was invited to officiate the Book Launch of renowned Malaysian artist Awang Damit Ahmad.

The two books published by Henry Butcher Art Auctioneers and Pantaulraga Art Space are Awang Damit Ahmad's Biography (documenting his 4 decades of journey in Art) and ADAlogy: Eastern Aesthetics which revealed his latest series and some important works from private collections.



Philanthropist Tan Sri Azman Hashim donated this Gallery to University Malaysia Sabah (UMS). The UMS Azman Hashim Gallery won the prestigious Pertubuhan Akitek Malaysia's (PAM, also known as the Malaysian Institute of Architects) Gold Prize, in the Public & Institutional Category in May 2023. The architects are GDP Architects & KEAN Architect. Yayasan Azman Hashim fully sponsored the construction of the gallery costing RM15 million.

(From left) Group Managing Director of Media Prima Rafiq Razali, Datuk Vincent Sim, Awang Damit Ahmad, Minister of Communications and Digital YB Fahmi Fadzil, High Commissioner of Singapore to Malaysia H.E. Vanu Gopala Menon and spouse Jayanthi Menon, Sim Polenn.

BUSINESS VALUATION FOR TRANSACTIONS IN UNCERTAIN TIMES

By Adie Gupta

In the current challenging business and economic landscape, the uncertainties have increased, making it challenging for investors and stakeholders to determine the value of a business for a potential acquisition/ transaction. This is true for most parts of the world and certainly true for countries like Malaysia and Singapore, which have been affected by various economic and geopolitical factors and are not immune to higher inflation and negative impacts of the Russia-Ukraine war. In this article, we will explore key considerations to arrive at business transaction value, ensuring informed decision-making in challenging and uncertain times.

1. **Understanding the Market**
   Before determining the value of a business, it is crucial to gain a thorough understanding of the economic and regulatory environment in the country of operations of the target company. This includes analysing macroeconomic indicators, industry-specific trends, and regulatory framework that impacts the relevant business. Factors to consider include GDP growth rate, interest rates, inflation, size of skilled labour force (for labour/people intensive businesses) and government policies which play a crucial role in evaluating the future business prospects, and as such the business value for transaction purposes.

2. **Thorough Due Diligence**
   Performing comprehensive due diligence is crucial in the transaction process and such findings can be incorporated into the valuation of a business. In the current uncertain environment, due diligence is more important than ever. It should not only consider the financial, tax and legal aspects but the commercial and operational aspects too.

   The idea of the due diligence exercise is to make the potential acquirer become aware of the various risks associated with the target company which could then be incorporated by way of assumptions and adjustments in the valuation to arrive at the transaction value, as relevant and in legal documentation and by other means to manage/ protect the potential acquirer from those risks.

3. **Assessing Historical and Prospective Financial Performance**
   A thorough analysis of both historical and prospective financial performance is a fundamental step in determining the business value for a transaction. Identifying key trends by using various tools such as vertical and horizontal analysis, segment analysis (if relevant) and key financial ratios analysis would throw up very useful data, which can be used to develop various assumptions including, growth and profit margins, working capital, capital expenditure as well as accommodating the risks.

   In addition, understanding the impact of factors including the Russia-Ukraine war, exchange rate and higher prices for certain commodities or raw materials, on the target company's financials is important to estimate the value for transaction purposes.

4. **Evaluating Synergies**
   Potential synergies evaluation between the acquiring company and the target company is critical not only in arriving at the transaction value but also for decision making and negotiation purposes.

   Identifying areas of commonality (eg. same/similar customers, product(s)/service(s) which could facilitate cross selling), cost savings (eg. rationalisation of office space, functions such as IT, Finance, HR etc.), and overall revenue growth can contribute to a higher valuation.

   Once the acquirer is better informed of the synergies, the data can be used in the negotiation process for the eventual transaction value to be paid.

5. **Factoring in Risks and Uncertainties**
   Uncertain times come with inherent and unusual risks which need to be incorporated in determining the business value for a transaction. Risks can come in various forms, such as economic volatility, political instability, regulatory changes, higher inflation, higher interest environment, exchange rate risk, supply chain disruptions, shortage of skilled staff, high staff turnover, litigation against the target company, and rapid technological changes making the business model of the target less relevant.

   Identifying the key risks and incorporating those by way of cash flow assumptions or in the discount rate or the earnings multiple (depending on the valuation method used) can help acquirers ascertain the business value which is risk-weighted for transaction purposes.

   Without understanding the risks and uncertainties involved in detail, the potential acquirer may overestimate the transaction value.

6. Scenario Analysis
It is very useful to develop multiple scenarios that reflect different outcomes from using different sets of assumptions (eg. low, medium and high growth) and assess their impact on valuations. This also helps to capture a range of potential future developments and outcomes as well as providing a more comprehensive understanding of risks and opportunities.

7. Utilising Comparable Transactions Data
Analysing comparable transaction data and earnings multiples (eg. EBIT, EBITDA or P/E) implied by those transactions can provide useful insights into the potential market value of a business. This involves researching and analysing similar/ broadly similar transactions within the industry, but also considering factors such as transaction size, market conditions, differences and strategic motivations.

However, it should be noted that comparable transaction data and earnings multiples may be impacted by synergies or over-payment in transactions. Appropriate adjustments may need to be made, subject to availability of information, to be able to make like to like comparisons.

8. Engaging Professional Valuation Services
In uncertain times, seeking services of a professional valuer can assist in making better decisions and also help in saving money (sometimes in significant amounts!).

Appointing an experienced and independent valuer with a deep understanding of the industry and the local environment thus ensures a robust and defensible exercise to value the business for transaction purposes.

Valuation is a subjective exercise and requires usage of judgement which is only possible with deep understanding and experience.

Conclusion

Determining the value of a business for transaction purposes in uncertain times requires a multifaceted approach that combines in-depth market analysis, comprehensive due diligence, and a thorough understanding of historical and prospective financial performance along with synergies, risks and uncertainties involved. Some things are more prudent and cheaper when it involves the professionals/experts!

This article is written by Adie Gupta, Managing Director of Spring Galaxy, an Associate of Henry Butcher Malaysia. Adie provides valuation and related advisory services to the corporate sector in Malaysia, Singapore and the wider AsiaPac region. He has close to 25 years of valuation and corporate finance experience. He is a regular speaker at conferences and other forms on valuations, M&A and Intellectual Property (IP) topics.

Spring Galaxy is a corporate advisory firm specialising in business valuations and transaction support services. For more information, please visit www.springgalaxy.com

HENRY BUTCHER
ART AUCTIONEERS

Malaysian & Southeast Asian Art Auction
SEPTEMBER 2023

Highlight pieces successfully sold in recent years

IBRAHIM HUSSEIN, DATUK *Figures On The Beach*, 1980
acrylic and ink on canvas, 150 x 150 cm, estimate RM525,000 - 850,000
PRICE REALISED **RM588,000**

IBRAHIM HUSSEIN, DATUK *Untitled*, 1970s
acrylic on canvas, 37 x 67 cm, estimate RM40,000 - 70,000
PRICE REALISED **RM112,000**

IBRAHIM HUSSEIN, DATUK *Hillview (Pemandangan Bukit)*, 1984
acrylic on canvas, 102 x 102 cm, estimate RM380,000 - 550,000
PRICE REALISED **RM588,000**

IBRAHIM HUSSEIN, DATUK *Sunset Garden*, 1989
acrylic on canvas, 101 x 101 cm, estimate RM300,000 - 500,000
PRICE REALISED **RM504,000**

2016 **RM 2.4** million auction sales
2017 **RM 3.3** million auction sales
2018 **RM 5.8** million auction sales
2019 **RM 8.3** million auction sales
2020 **RM 8.5** million auction sales
2021 **RM 11.6** million auction sales
2022 **RM 8.4** million auction sales

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