

Ivory to double sales with reclaimed land project

BY C S Tan

Developer Ivory Properties Group Bhd's long wait for the results of its tender for 102 acres of reclaimed land in Penang has proved fruitful.

Large tracts are difficult to come by on the island and it is apt that Ivory, which has its head office located here, won the tender.

Ivory and its partners will have to pay Penang Development Corp (PDC) about RM1 billion over five to eight years as the land is being developed, according to reports.

"We're in discussions with certain parties to become co-developers of this project," Murly Manokharan, Ivory's group operations director, tells *The Edge*.

"We know that 16 parties took the tender documents but only three to four submitted, so we know there are a number of interested

parties. We're in discussions with them to share the cost of the land and the profits but we'll play a lead role in the project," he adds.

The group has learnt some lessons from earlier joint venture projects. "[If] we want to move this project onto a fast track, we'll have to manage the project," says Murly.

In addition to managing the development, Ivory will also undertake the construction work. "We're an integrated developer where we're the main contractor of our projects. So,

we will have construction revenue from the project as well," he says.

Ivory received a letter of acceptance from PDC for its proposal for the purchase and development of the 102.5-acre tract located in Bayan Mutiara, Penang, where about 67.5 acres have been reclaimed from the sea and 35 acres are yet to be reclaimed.

The company will manage construction on the land but it intends to outsource the reclamation works at sea. Ivory will pay cash for the reclamation works and will not swap the valuable land as payment-in-kind.

"The 35 acres to be reclaimed will have sea frontage. We want to keep that. The area of the sea to be reclaimed is quite shallow, so it won't be too difficult, and it's not muddy like some parts of Penang. We can create a beach on the reclaimed land that we'll open to the public," says Murly.

While the land will cost about RM1 billion or RM240 psf, the gross development value for the project is estimated at RM10 billion over five to eight years. That would generate sales of about RM1.2 billion a year on average if the project is completed in eight years. Ivory is targeting sales of about RM600 million to RM700 million this year from its existing projects, compared with RM600 million last year.

The land cost for Bayan Mutiara is a significant sum for Ivory as its shareholders' funds are only RM200 million and its total market value is about RM220 million. "Besides having co-developers, we'll consider a corporate exercise to raise funds. We will also need a syndication of bank borrowings," says Murly.

Ivory's equity and borrowings will enable it to pay PDC for each parcel of land as it gets vacant possession of it prior to development, in a form of bridging finance.

It can start work on the project upon finalisation of PDC's letter of acceptance, which is subject to certain terms and conditions. The initial launch of condominiums is expected to take place early next year.

There is no need to allow more time for settlement of the reclaimed land. The 67.5-acre tract was reclaimed by PDC some years ago and there are already houses built on adjacent land that was reclaimed by PDC at the same time.

According to Murly, Ivory will mainly build condominiums on the land as it is too expensive for landed property.

PDC has built some infrastructure for the project so that the 102 acres will be close to net useable land. "Two flyovers have been built — one for those coming from town and one for those driving down from the airport," says Murly. Some internal access roads have also been built by PDC.

Coming from town, Bayan Mutiara is located after the IJM group's The Light project, which was also built on reclaimed land, and before Pulau Jerejak.

Recently, CP Land Sdn Bhd, a subsidiary of CP Group, which is controlled by Datuk Tan Chew Piau, reportedly sold about 100 acres near Queensbay Mall in Bayan Lepas, Penang, for RM160 million or RM420 psf. Ivory's estimated cost of RM240 psf is comparatively attractive.

Meanwhile, Ivory's Penang Times Square is more than 80% tenanted as several cafés and restaurants recently opened in the commercial property. "The tenants in phase one are mainly food and beverage outlets," says Murly. The group is currently constructing phase two of the development, which will also have a retail component. **E**

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