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Are smart cities that appealing? – P.VI

property

New horizons for Matrix Concepts

Matrix Concepts founder and group MD Datuk Lee Tian Hock (left) and chairman Datuk Mohamed Haslah Mohamad Amin

MATRIX Concepts Holdings Bhd is synonymous with affordable housing projects in Seremban, Negri Sembilan, and Kluang, Johor. It has delivered over 21,000 residential and commercial properties to date, with a combined gross development value (GDV) of more than RM2.4 bil.

The mid-sized developer now aims to make the leap to the next level. It has started the ball rolling with the launch of Residensi SIGC, a high-end residential enclave overlooking the Seremban International Golf Club.

Story on P.II and P.III

Matrix Concepts is best known for its Bandar Sri Sendayan flagship township in Seremban


The first phase of Allora in Residensi SIGC offers 38 semi-detached units with built-ups from 4,054 sq ft

Matrix Concepts moves up value chain

- **Seremban** township player to explore niche projects in KL and Puchong
- **Paroi Jaya** launch underscores developer's venture into higher-end properties and commitment to value for stakeholders


By **Afiff Yusri**

MENTION Matrix Concepts Holdings Bhd, and most people will link the property developer with the building of affordable houses in its Bandar Sri Sendayan township in Seremban, Negeri Sembilan.

Not many realise the company actually started developing townships in Johor given the success of Bandar Sri Sendayan, a bustling community with a current population of over 30,000.

With the slowdown in the property market over the past several years, many developers, including the bigger players, have started focusing on affordable housing projects.

In contrast, Matrix Concepts seems intent on moving up the value chain to the higher-end residential segment while maintaining its core strengths in affordable housing. This is the core proposition of Residensi SIGC, its maiden launch in Paroi Jaya overlooking the Seremban International Golf Club (SIGC).

The residential enclave highlights its ongoing venture into high-end properties, which it is growing to comprise 30% of its product portfolio. The Residensi SIGC development comprises bungalows, and semi-detached and superlink homes with prices starting from RM728,888.

Looking back, Matrix Concepts chairman Datuk Mohamad Haslah Mohamad Amin and group managing director Datuk Lee Tian Hock attribute the developer's rise to a commitment to delivering value to its purchasers and stakeholders.

"Residensi SIGC is an upmarket address which offers larger built-up areas, and a location next to an international golf club, at mid-range prices," Haslah tells *FocusM*.

The first phase of the development comprises Irama, featuring 70 double-storey superlink homes, Allora with 38 double-storey semi-detached units from RM1.34 mil, and Aria, offering 17 double-storey bungalows with prices from RM2.04 mil, for a gross development value (GDV) of RM161.7 mil.

Built-ups range from 2,688 sq ft for Irama, 4,054 to 4,170 sq ft for Allora and 5,041 sq to 5,233 sq ft for Aria, with 4+1 and 5+1 bedroom layouts available.

"The project is a self-sustaining gated and guarded development, with facilities such as a clubhouse, amphitheatre, linear park, recreational lake and more," says Haslah.

The upcoming second phase of Residensi SIGC will comprise a further 58 superlink units for Irama and 14 Aria bungalow units.

Matrix Concepts' conscientious positioning for the project is typical of the developer, which Lee founded in 1997 at the height of the Asian financial crisis.

The move was a natural step for the Universiti Sains Malaysia housing, building and planning graduate, whose previous industry experience included stints with NS Industrial Development Corp Sdn Bhd and Semangat Tinggi Sdn Bhd as general manager and managing director, respectively.

After divesting his equity interest in Semangat Tinggi, Lee established Matrix Concepts with the debut of a 20.3ha medium-cost mixed development dubbed Taman Bahau in Bahau, Negeri Sembilan.

Previously abandoned during the 1985 recession, Lee's team redeveloped Taman Bahau in line with revised housing guidelines by the state government.

"We entered into a joint venture with the landowner in 1996, eventually launching in August 1997 with 581 terrace homes and 14 shop offices," says Lee, the company's principal shareholder with a 15.64% direct stake and indirect interest of 22.51% via several privately-held companies as of Sept 26.

The RM35 mil mixed development achieved a 100% uptake within a year despite the tough economic conditions then, which Lee credits as Matrix Concepts' first major breakthrough in the industry.

Carving a niche

Today, the developer is primarily known as a township player in Negeri Sembilan and Johor, although it is also venturing into smaller projects in other parts of the country and overseas.

These include M Carnegie, a boutique apartment project near Melbourne's central business district, and upcoming high-rise projects in Kuala Lumpur and Puchong, Selangor.

"Matrix Concepts started in the township space with Taman Seri Impian (now Bandar Seri Impian), built on 364ha in Kluang, Johor, followed by Bandar Sri Sendayan, which covers 2,115ha in Seremban," says Haslah.

Lee shares that both townships

Rising prices in Bandar Sri Sendayan

LANDED residential property transactions have risen steadily in Bandar Sri Sendayan, Seremban since 2012, according to Brickz property portal, based on data from the Valuation and Property Services Department.

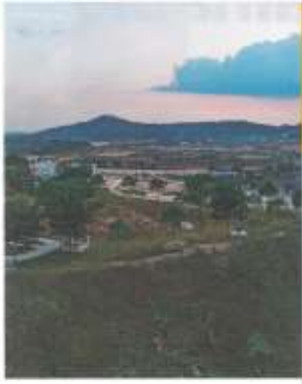
Median subsale prices for bungalows, semi-detached homes and terrace houses in the township grew from RM166.23 psf in Q1 2012 to RM218.07 in Q1 this year.

Shoplots there exhibited more volatile growth, with significant price drops in Q2 2015 and Q2 2016, but as a trend have risen from RM262.37 psf in Q3 2014 to RM319.62 in Q2 this year.

"The primary challenge that Bandar Sri Sendayan faces as a subsale market is that the income per capita in Seremban and surrounding areas has yet to reach levels commensurate with Kuala Lumpur," says SkyBridge International Sdn Bhd CEO Adrian Un.

While this is offset by the influx of Kuala Lumpur purchasers, he highlights the need for a retail or commercial landmark to round out Bandar Sri Sendayan's pull factors, without which it will remain a primarily owner-occupier or upgrader phenomenon.

Purchasers from Kuala Lumpur comprise up to 50% of Bandar Sri Sendayan's customer base, according to developer Matrix Concepts Holdings Bhd, with particular interest from families seeking larger built-ups at affordable prices.



Targeting the regional market

SEREMBAN-focused Matrix Concepts Holdings Bhd marked its overseas debut with a boutique apartment project in Melbourne, Australia in June last year.

The M Carnegie development has achieved an 80% take-up rate, with completion targeted for Q1 next year.

Named for its location in the city's Carnegie suburb near the central business district, the project offers 52 apartment units with a total gross development value of A$32.8 mil (RM108.48 mil).

Despite M Carnegie's success, the developer has no immediate plans to further explore the Melbourne market, citing unfavourable regulations as a factor.

"If you purchase property as a foreigner in Australia, any subsequent sale must be to the domestic market, which rules out a lot of potential buyers. There are also different pricing strategies for local and international purchasers," says chairman Datuk Mohamad Haslah Mohamad Amin.

Group managing director Datuk Lee Tian Hock adds that returns in relatively mature localities such as Melbourne are less lucrative than those in emerging markets, where demand frequently outstrips supply.

"As a listed company, we're obligated to maximise value for shareholders. With that said, if an attractive opportunity presents itself in Australia, we would certainly be open to exploring it further," he says.

Moving forward, the developer has set its sights on both domestic and international expansion. "We want to position ourselves to be the go-to developer in Malaysia while pursuing a more active role in the regional market," Haslah says.

M Carnegie features 52 boutique apartments with a total GDV of RM108 mil

trace their roots to 2005, which he deems as a pivotal year for the company as it marked the start of its partnership with Koperasi Kemajuan Tanah Negeri Johor Bhd to develop Taman Seri Impian.

Its township in Kluang was awarded city status in 2015 to become Bandar Seri Impian, with a reported GDV of RM530.5 mil in FY17, including new launches worth RM206.7 mil.

Bandar Seri Impian itself comprises residential projects such as Impiana Bayu and Impiana Heights, along with commercial zones Impiana Square and Impiana Avenue. As of October, the developer has ...ha remaining for future development in Kluang.

Lee says the group is actively seeking to increase its land bank in the area to leverage on its existing brand presence there, as well as anticipated demand for housing in the near future.

For Bandar Sri Sendayan, the project moved forward in 2005 via a joint venture with Negeri Sembilan's Menteri Besar Inc.

The township was launched in 2008 with 1,139 terrace homes under Nusari Bayu 1 and 18 commercial plots in Sendayan Metropark.

SkyBridge International Sdn Bhd CEO Adrian Un says when Bandar Sri Sendayan first started, it comprised low- to medium-cost housing for army and armed forces personnel in bases in the area.

"The township grew more prominent with the announcement last year that the draft alignment for the Kuala Lumpur-Singapore High Speed Rail (HSR) would run through Seremban, along with the launch of the Malaysia Vision Valley initiative this year.

"The real turning point in terms of buyer interest in the township, however, came this year with the construction of its [d'Tempat Country Club] clubhouse and the nearby [Matrix Global Schools] international campus," says Un.

Southern growth corridor

Today, Bandar Sri Sendayan is a thriving township with an anticipated population of 120,000 once fully completed in 2020.

Launches are spread across residential projects and commercial zones such as Hijayu Resort Homes, Suriaman, Sendayan TechValley and Sendayan Merchant Square.

According to Haslah, the developer has 485.6ha left in Seremban for future development as of October, which he estimates will support further launches until 2025.

In the interim, Bandar Sri Sendayan's inclusion in Malaysia Vision Valley has raised its profile significantly, allowing it to leverage on the initiative's anticipated investment draw of RM290 bil.

"Technology and connectivity are driving development southwards from Kuala Lumpur, supported by the existence of large land banks in the area," says Knight Frank Malaysia Sdn Bhd managing director Sarkunan Subramaniam.

"With projects such as the Tun Razak Exchange, Bandar Malaysia, KLIA Aeropolis and Malaysia Vision Valley, townships in the southern growth corridor benefit greatly in terms of infrastructure and potential," he adds.

Envisioned as a 153,000ha metropolis encompassing the Seremban and Port Dickson districts in Negeri Sembilan, Malaysia Vision Valley's 30-year development cycle is projected to create 1.38 million job opportunities.

With regard to the HSR, Un acknowledges its catalysing role in Klang Valley's southern development corridor as a whole, while downplaying its impact on Bandar Sri Sendayan's prospects.

"The HSR primarily caters for the Singaporean market, while the township is currently geared more towards domestic owner-occupiers and upgraders, which is why it picked up after the clubhouse and international school came in," he says.

Townships driving growth

Matrix Concepts reported an overall take-up rate of 83.8% across the township in FY17, contributing the lion's share of the developer's annual revenue.

"About 70% of the group's earnings come from our Bandar Sri Sendayan launches, supplemented by our Kluang and Melbourne properties," says Haslah.

"About 70% of the group's earnings come from our Bandar Sri Sendayan launches." – Haslah

In total, the developer has delivered over 21,000 residential and commercial properties across its projects to date, with a combined GDV of more than RM12.4 bil.

Within Bandar Sri Sendayan, these include 7,862 residential and commercial units from 2008 to 2016, with 2,315 units under construction this year and 8,429 units projected for future launches from 2018 to 2020.

Total group revenue came to RM780.5 mil in FY17 ended March 31, with residential properties accounting for 76.5% (RM596.8 mil).

Commercial properties contributed RM76.4 mil or 9.8% of total revenue, industrial properties accounted for RM80 mil (10.2%) and investment properties the remaining RM27.3 mil (3.5%).

Lee expects the group to perform better in FY18 despite dampened market sentiment, banking on increased demand for homes across Bandar Sri Sendayan and Bandar Seri Impian.

"I don't believe in property boom-bust cycles. I launched Matrix during the 1997 financial crisis, and we did well then ..." – Lee

"I don't believe in property boom-bust cycles. I launched Matrix during the 1997 financial crisis, and we did well for ourselves then, and sustained through the later 2007 crisis as well," says Lee.

"There will always be demand for housing, but you need to position yourself to leverage on it."

Haslah notes the group's townships have also benefited from a range of consumer-friendly features implemented under Lee's stewardship, such as the 24-month limited liability period and spacious service roads up to 40ft wide.

While pursuing higher-end properties in Residensi SIGC and projects such as Hijayu Resort Homes in Bandar Sri Sendayan, the group will stay true to its roots in the affordable segment with plans for the launch of 3,000 affordable homes in the township by year-end.

Haslah, whose background in the financial sector includes experience with Malayan Banking Bhd, Peregrine Fixed Income Ltd in Hong Kong and FleetBoston NA in Singapore prior to joining Matrix Concepts in 2012, shares the group prefers a conservative management approach to cash flow.

"Our net gearing ratio is currently 0.25, with an upper limit of 0.5, and we stagger our launches to ensure it stays within this range while re-investing what we make back into the company," he says.

Lee says the current gap between supply and demand for affordable homes is largely a product of developer priorities, with local players often citing profit margins as a concern at lower tiers of the market.

"This is just an excuse. With cost-optimisation and design innovation, it's definitely possible to deliver in this segment while maintaining returns of up to 10%," says Lee.

Looking to the future

Industrialised building systems (IBS) are seen as a key step towards achieving the economies of scale required to make affordable housing practical on a large scale.

Matrix Concepts has invested RM30 mil in the construction of an IBS factory in Sendayan TechValley, with a manufactured component output equivalent to 700 terrace houses per annum once completed in Q3 next year.

The plant is developed through a joint venture between the developer with an 80% stake, and Japan-based Nisshin Es Co Ltd (12%) and Nihon House Corp (8%).

Output is expected to go towards future in-house launches, such as Matrix Concepts' upcoming high-rise mixed developments closer to the city. "Moving towards city developments, we have acreage behind the Putra World Trade Centre in Kuala Lumpur, as well as another project in Puchong," says Haslah.

"These are still in the planning and approval stage, as we feel the Kuala Lumpur market is still a little slow right now, though we may look into launching next year."

While plans for the projects are still in the pipeline, the Kuala Lumpur development was reported to have a GDV of RM230 mil, following the acquisition of two parcels totalling 0.4ha for RM43.6 mil in 2015.