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Making homes affordable

Scientex is 28,000 units away from its target of delivering a total of 50,000 homes priced below RM500,000 by 2028. Its chief operating officer Alex Khaw says its strategies to control costs include land-banking and offering one type of product in high volume. **Racheal Lee** has the story on Page 4.

Scientex's strategies to make homes affordable



An aerial view of Scientex Tasek Gelugor in Penang

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Scientex Bhd, which started out as a manufacturer of PVC leather cloth and sheeting more than 50 years ago, has made a name for itself in industrial packaging products and the manufacturing and distribution of automotive components. It is now one of the world's largest producers of industrial stretch film.

Incorporated in 1968, Scientex has been listed on Bursa Malaysia since 1990. It currently has 19 manufacturing facilities in Malaysia, Vietnam, Myanmar and the US.

In 1995, it ventured into property development in Pasir Gudang, Johor. Its aim is to provide affordable homes, as it recognises that affordable home ownership remains a challenge to lower- and middle-income earners owing to escalating prices and the scarcity of reasonably priced land for development.

In 2018, it set a target of delivering a total of 50,000 affordable homes priced below RM500,000 by 2028. So far, it has delivered almost 22,000 of these homes.

In addition, Scientex has set a sales target of RM1.2 billion for its property development division for FY2021 ending July 31. It is a target that even many pure-play property developers will not aim for in this time of economic uncertainty.

In a recent interview with *City & Country*, chief operating officer Datuk Alex Khaw says the group currently has a land bank of 5,706 acres in 24 locations across Peninsular Malaysia. The states in which it has land banks are Perak, Penang, Selangor, Negeri Sembilan, Melaka and Johor. Of the total land bank, 1,987 acres have been developed,

1,510 acres have been reserved for future use while the remaining 2,209 acres have been identified for ongoing and planned projects.

"We strongly believe a house needs to become a home for enjoyment and for living. The function of a home is not only to provide shelter or accommodation but to create an opportunity for greater 'happy family' bonding and healthy living, in line with our corporate tagline of 'healthy, friendly and happy,'" says Khaw.

"With the vision of providing a total of 50,000 affordable homes by 2028, we have since acquired more land to achieve the vision. It is something that we have been doing and it is also in line with the government's aim of providing housing for the people. We used to complete 1,000 homes a year on average, and the vision has made us more focused."

Affordable homes

What is Scientex's definition of "affordable homes" and how will it achieve its vision? Khaw explains that for Scientex, affordable homes mean properties priced below RM500,000. It is looking to launch 6,000 properties worth a total of RM1.6 billion in FY2021. These properties include 2- and 3-storey terraced homes, shops as well as Rumah Mampu Milik (terraced houses and flats).

Khaw says Scientex has several strategies to control costs. These strategies include offering only one type of product in high volume to control the building cost. Another strategy is to consider the cost of the land.

"We need to have a strategy on how to make homes affordable. To build affordable homes, we have to be very sensitive about cost. Developing one type of product brings down the cost, and the volume also makes the difference as it is about economies of scale. When we manage to bring down

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KENNY YAP/THE EDGE

the cost, we can make homes affordable," he says.

"Over the years, we have developed our own IBS (Industrial Building System). It can help to reduce the cost of construction as well as to speed up the process, and all these factors can save costs. The construction division builds the homes, but we [put our heads together] to bring down the cost. That's also why we seldom do high-rises now, because we want the construction team to focus on the bread and butter. The motto for the construction team is 'speed, cost and quality'."

PICTURES BY SCIENTEX



The 2-storey terraced houses in Durian Tunggal 2, Melaka



Above: The 3-storey terraced houses in Kundang Jaya, Rawang

In terms of land bank, Khaw reckons that it is impossible to build affordable homes on expensive land, hence Scientex normally goes for parcels located on the outskirts as they are cheaper. Applying the same concept of economies of scale, the company also goes for large tracts — 100 acres and above — but he notes that prime locations normally do not have such large parcels of land. For every piece of land it purchases, Scientex aims to recoup the cost within two years of the completion date of the sale and purchase agreement.

Eye on the goal

Scientex still has to complete 28,000 homes in eight years. Khaw notes that the company has set a target of completing at least 3,000 homes a year. It aims to complete about 4,000 units for FY2021.

The yearly target for completed homes is supported by the yearly target for property sales. FY2021's sales target is RM1.2 billion and planned launches will total 6,000 units worth a total of RM1.6 billion, or less than RM270,000 each on average.

"In FY2020, the revenue contribution from the manufacturing and property development divisions was 73:27 while the profit contribution was almost 50:50. In fact, we were supposed to hit property sales of RM1 billion in FY2020, but we missed the target slightly because of Covid-19. We are confident of the RM1.2 billion sales target for FY2021 because of the launches we have planned," says Khaw.

"This is the first time we are developing in the northern region and the response has been very encouraging so far. In the next two years, Penang, Kundang (in Selangor), Melaka and Johor will be the four key areas for us, and we will focus mainly on landed homes."

Four main launches

Upcoming launches include the company's four main projects: Scientex Tasek Gelugor in Penang,

Kundang Jaya in Selangor, Durian Tunggal 2 in Melaka and Amber Land in Pulai, Johor.

Unveiled earlier this year, the 179.7-acre Scientex Tasek Gelugor is a RM910 million township that will have 3,405 properties upon completion. The properties will include 2-storey terraced homes and 2- and 3-storey shopoffices. The facilities will include a recreational park, kindergarten, school, mosque and community hall.

Upcoming launches there include Lily 2 and Lily 3, which will comprise 979 units of 2-storey Rumah Mampu Milik terraced homes with a built-up of 1,123 sq ft. Priced from RM200,000 to RM300,000, the people targeted for these units are Penang registered voters, first-time homebuyers, young couples and low- and middle-income earners:

With a gross development value (GDV) of RM1.71 billion, Kundang Jaya will comprise 4,883 units on a 184.1-acre parcel in Rawang. The Lavender and Orchid phases will comprise 525 units of 2- and 3-storey terraced homes with built-ups of 1,628 and 2,082 sq ft. Targeting the middle-income group, first-time homebuyers and growing families, these units will be priced at RM300,000 to RM500,000.

The 208.9-acre Durian Tunggal 2 in Melaka is

an RM802 million township. The Ruby and Pearl phases will have 953 units of 2-storey terraced homes for the low- and middle-income groups and first-time homebuyers. With built-ups of 958 and 1,334 sq ft, these units will sell for RM100,000 to RM300,000 each.

Amber Land in Pulai, Johor, has a GDV of RM2.89 billion. The 336-acre integrated township will have a total of 8,330 residential and commercial properties. Its upcoming launches are Dahlia 2 and Cassia 2, which will comprise 759 units of 2- and 3-storey terraced homes. Targeting middle-income Malaysians as well as those working in Singapore, these units will be sold for RM400,000 to RM500,000.

Khaw says Scientex is open to developing projects in other states. It recently purchased a 108.5-acre tract in Seremban, Negeri Sembilan — a new state for the company. It will launch its development there in FY2022.

"We will study the other states but for now, we are concentrating on the west coast of Peninsular Malaysia. We are confident of hitting the sales target for FY2021 and we are looking at RM1.5 billion in sales in FY2022. We have enough land to develop."



Right and below: Amber Land in Johor

