

Sunway to launch first Iskandar project next month

Sunway Bhd
(June 5, RM3.19)

Maintain buy with target price of RM3.60: Sunway hosted a site visit and briefing for analysts at its sales gallery in Iskandar Malaysia, Johor, on June 4. The first component of its development there, Citrine (gross development value: RM300 million), will be officially launched in July. Located opposite Eastern & Oriental Bhd's Avira project, the first batch of Citrine's terraced units is already 70% booked.

We are impressed with the lake view and the site's greenery. Currently, Sunway has 3,000 registrants on its list, out of which 60% are from Malaysia, 30% from Singapore, and 10% from other countries.

Citrine comprises 328 units of serviced apartments, 167 designer

office units and 51 boutique retail lots. The serviced apartments, with built-ups of 618 to 1,571 sq ft each, are priced at RM700 per sq ft (psf) (almost fully furnished) while the office units are priced at RM550 to RM650 psf.

Management relies on the company's track record in building townships (Bandar Sunway in Selangor and Sunway City Ipoh) and its product offerings to differentiate itself from other developers in Iskandar.

We also concur with management's strategy to concurrently build an international school (with a student capacity of 600) next to Citrine, so that critical mass can be achieved, especially in the initial phases, to attract tenancy and population. We view the product

pricing as reasonable, and a tad lower than the neighbouring projects' prices.

Hence, we were not surprised when management admitted that Citrine's gross margin would be in the low teens, but will be mitigated by the corporate tax exemption in the Medini zone.

Meanwhile, Sunway's construction arm will undertake the construction of Citrine to ensure the quality of its maiden phase in Iskandar.

In a few months' time, a joint venture (JV) partner is likely to participate in developing one of the precincts of Sunway Iskandar. We understand that this JV partner could add value to the township and, at the same time, commit equity. —
RHB Research, June 5