PROPERTY

Radium thrives on its city niche

Developer aims to meet housing supply shortage in KL

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WHILE the Malaysian initial public offering (IPO) market has experienced a flurry of new issuances over the last few years, property listings have been on the low given the industry's soft outlook.

However, Radium Development Bhd, which has received the green light to list on the Main Market of Bursa Malaysia, is bucking this trend. Its promoters reckon that their company would pique investors' interest due to its unique niche.

Radium managing director Datuk Gary Gan Kah Siong tells *StarBizWeek* that unlike its peers, the group only has development projects in urban Kuala Lumpur (KL).

It seems to have made a success out of that niche. The company has so far completed and delivered four projects, namely Residensi Semarak Platinum, Residensi Platinum OUG, Residensi PV9 and Residensi Wirajaya, with a total gross development value (GDV) of RM2.1bil.

Radium has an additional RM1.1bil of GDV in another three ongoing projects namely Residensi Vista Sentul, Residensi Platinum Mira, and R Suites Chancery Residences.

Moreover, the group has plans to launch a development in the Salak South, Sungai Besi in the second quarter of 2023 (2Q23).

Comprising urban residences and affordable homes with 1,218 units for each component, Radium Development expects a sales take-up of 60% following its launch.

The developer recorded revenue of RM472.8mil, RM588.1mil and RM563.7mil in its financial years of 2019 to 2021. Profits after tax attributable to shareholders amounted to RM128mil, RM87.9mil and RM101.6mil respectively.

Contrary to popular opinion, there is a supply shortage in the KL property market in tandem with its growing population, says Gan.

"According to a market research by an independent party, 300,000 more homes are needed in KL for it to keep up with regional cities," he says.

He explains that the data he has shows that KL has a ratio of 24,800 houses per 100,000 population.

In comparison, the figure is 45,968 houses in Taipei, 43,103 in Shanghai, 37,037 for Hong Kong and 31,056 for Singapore.

"KL doesn't even meet the average of 39,291 houses per 100,000 population of all these cities," he adds.

"The research also suggests that urbanisation is driven by demands for job opportunities resulting from a growing population, and Radium is stepping up to meet these demands," he says. The developer boasts impressive take-up rates.

"Generally, all our projects are completely sold or close to 90% sold within a year. We hope the IPO can enable us to continue to concentrate on facilitating home ownership in KL, particularly in the affordable-homes category. We aim to launch at least one project a year in the next three to five years," says Gan.

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Radium intends to use most of its IPO proceeds to expand its landbank in the Klang Valley.

"We are continuously looking for new landbanks in KL which requires a lot of investment and tenacity. We have entered into a joint venture agreement with landowners to develop 2.08 ha in Mukim Batu. We have also shortlisted three parcels of land located in Mukim Petaling," Gan says.

However it should be noted that there remains an overhang of properties in Malaysia especially in cities like KL.

Deputy Finance Minister Steven Sim has noted that almost 62% of the residential overhang consists of condominiums and apartments, with almost half of them priced above RM500,000, and 23.5% priced at RM300,000 and below as of the end of last year.

Last year, the sale of new units moderated from 39.3% in 2021 to 36%, with new launches mostly confined to Selangor, KL, and Johor.

Condominiums and apartments accounted for 45% of the new launches, followed by terraced homes (42.2%).

For Radium, securing a strategic location is pivotal in laying the groundwork for the success of its launches.

Gan say home buyers in KL are on the lookout for modern housing that is not only in close proximity with public amenities but also within an affordable price of around RM400,000.

"Location is still the No.1 priority for a buyer in deciding to own a property. This is where Radium has the upper hand as our developments are located in high-demand areas with ample job opportunities.

"There are no overhang units in our projects. The overhang properties in the market are priced above RM600,000 while the price range for our units is between RM300,000 and RM600,000," he says.

Moreover, the group is also actively involved in the development of affordable housing projects under the government's affordable housing schemes, namely Residensi Wilayah and Program Perumahan Awam Malaysia.

Gan points out that 88% to 90% of sales across Radium's projects come from first-time home buyers.

"Developing affordable housing has always been our strength. At the core of our philosophy, is a desire to build places that people are drawn to, and thriving communities that people want to live in and invest in," he says.

Radium is also foraying into the hotel segment. Its project called R Suites Chancery Residences (Chancery) in Ampang, KL, is a commercial cum residential project coupled with a four-star hotel.

Launched in early 2023, the project has a GDV of RM521mil and is expected to be completed by 4Q25.

"As a developer we generate income through our property launches. we hope the hotel will help us to create a baseline income to pay our overhead costs, in the absence of launches. The expected additional net inflow after deducting expenses from the hotel operation can potentially come up to between RM500,000 and RM600,000 per month," Gan says.

He is confident the hotel's occupancy rate will be supported by the recovery of the tourism industry which has started to pick up gradually.

"The Chancery is not only located less than 8km from the city centre but also between two prominent private hospitals – Gleneagles Kuala Lumpur and KPJ Ampang Puteri. This positions the hotel to tap into the growing medical tourism industry," Gan says.

He is also bullish on the take-up rate of Chancery's residential suites given the positive outlook of the local property market especially in the affordable housing segment.

"We expect Chancery to achieve 80% take-up rate by the end of 2023 with the remaining 20% in 2024, due to its strategic location and modern facilities. The price for the Chancery units ranges from RM422,000 with a special package for a limited time.

"Overall, the bottom is already there for the property market in Malaysia. There is not much room for prices to fall further. The housing market is expected to move upwards, particularly in the affordability segment.

"For us, we strive to entice buyers by providing attractive packages that cater to their needs and preferences," says Gan.