

PKNS ups affordable-home target by 42%

BY SULHI AZMAN

KUALA LUMPUR: The Selangor State Development Corp (PKNS) has set an ambitious new target of building and delivering 12,883 units of affordable homes in Selangor by 2020 — a sharp 42% more than the 9,065 target it was keeping to as recent as March this year.

"We are confident of achieving this target and I don't think there will be delays. The state government has issued a directive to all the local authorities to prioritise the agenda of housing the rakyat," said PKNS chief executive officer Noraida Mohd Yusof in a recent interview, when asked if the new target was a realistic one.

"Housing is an important agenda for Selangor, and the menteri besar has given that mandate to PKNS to ensure that there is an adequate and equitable supply of houses for Selangor citizens," Noraida said, but declined to reveal the number of houses that PKNS has built to date this year.

"We have to go on constructing these homes as this is an important state agenda to provide affordable housing to the citizens of Selangor," she added, noting that PKNS has set aside close to RM2 billion in budget for 2017, of which nearly

RM1 billion is allocated for development expenditure.

This year, it is targeting to launch 1,157 affordable homes — together with some commercial units — via 12 projects, spread out in Kota Damansara, Rasa, Kota Puteri, Bernam Jaya, Antara Gapi, Selayang, Shah Alam, Kuala Selangor and Selangor Cyber Valley.

It has launched four projects so far and is optimistic about launching the remaining eight before November despite the prolonged soft property market, said Noraida, which will bring its full-year worth of launches to RM800 million.

"PKNS is actually on track to meeting the target for this year, despite slow demand from buyers due to the difficulties in getting relevant financing," Noraida said.

The target, however, is lower than the combined units it sold in both 2015 and 2016 of 1,242 units, which generated a sales value of RM600 million.

Meanwhile, Noraida said PKNS owns some 10,000 acres (4,047ha) of undeveloped land in Selangor, with future developments that could include commercial, industrial and residential — spanning more than 10 years — which may generate a potential gross development value (GDV) of RM5 billion.

Besides affordable housing, PKNS, via its subsidiary Datumcorp International Sdn Bhd, is also in premium developments. It started with an integrated mixed project in Keramat, which is Datum Jelatek.

The project — comprising high-end residential units and a retail mall — has an estimated GDV value of RM1.2 billion.

"Datumcorp's projects are premium, catering for different market segments. For example, the residential units could fetch a sales price of between RM800,000 and RM1.5 million [per unit], which is higher than [our] normal developments," she said.

Noraida noted that Datumcorp's two upcoming developments — Datum InCity in Kelana Jaya and Datum EduCity in Sungai Buloh — could potentially generate a GDV of RM2.4 billion over an eight-year period, or RM5 billion over a 10-year horizon.

"Altogether, PKNS is set to be busy in the next 15 to 20 years," she added.

As for PKNS' construction business, Noraida said PKNS has encouraged its relevant subsidiaries — PKNS Infra Bhd and PKNS Engineering and Construction Sdn Bhd — to look for construction jobs elsewhere in order for them to

maintain a healthy profit margin.

"Ideally, 60% of the total contracts should be sourced externally and the remaining 40% in-house. Competing outside Selangor will make PKNS' construction arm more competitive, which translates into better productivity," she said.

"It (PKNS' construction subsidiary) cannot depend on PKNS solely for construction contracts. PKNS will keep them financially sustainable but to move further, the construction business must find its own jobs," she said.

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Declining to disclose the outstanding order book, Noraida noted that PKNS' construction business managed to turn a small profit in the financial year ended Dec 31, 2016 (FY16).

Meanwhile, Noraida said PKNS is expanding its healthcare business, which is currently undertaken via Selgate Corp Sdn Bhd. Selgate, which Noraida also chairs, will construct three new hospitals in Rawang, Shah Alam and Bangi in the next five years.

"The hospitals will be branded Selgate Hospitals, and will be developed in partnership with Hatimuda Sdn Bhd. By 2020, PKNS expects

Selgate to have around 1,000 beds that will be in operation," she said.

Hatimuda currently owns and operates three hospitals in Selangor, Negeri Sembilan and Terengganu, under the brand Salam Hospital.

This year, Noraida said PKNS — which has been financially autonomous for more than two decades — is hoping to maintain its financial performance in FY17.

At the group level, Noraida said PKNS hopes to clock in a profit of RM200 million to RM300 million in FY17, on the back of a revenue that is expected to hover around RM900 million to RM1 billion. In FY16, PKNS's net profit came in at RM226.7 million, with RM968.4 million revenue.

Property and real estate contributed around 80% of its total revenue, followed by construction (10%), while the remaining businesses contributed another 10%.

"The property development division will continue to contribute around 80% of the total revenue, followed by construction and other businesses parked within various divisions of PKNS," she added.

As for its debt level, Noraida noted that it stood at RM1.1 billion as at end-2016, and that it is still manageable, with room for more leverage.