

PROPERTY

Sime Darby Property to keep inventory low

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AS appetite for purchasing property continues to hold up among the general public during this Covid-19 pandemic, Sime Darby Property Bhd continues to focus on reducing its inventory levels.

The company has seen a reduction in its inventory of late and would like to keep it at a low level, moving forward.

Group managing director Datuk Azmir Merican tells *StarBizWeek* he is expecting sales of completed inventory for financial year 2021 ending Dec 31 (FY21) to hover at around RM400mil.

"The group aims to keep the completed stocks at a low and manageable level. For the first quarter (Q1) of FY21, most of our sales achieved was generated from ongoing inventories of about 79% as mentioned through effective marketing activities," Azmir tells *StarBizWeek*.

"As of March 31, the cost of our completed inventories declined by 12.2% to RM500.7mil from RM570.4mil. (The decline) is mainly from our Integrated Development at KL East, Taman Melawati and KLGCC Resort," he adds.

He also notes that the RM500.7mil of inventory levels as at the latest reported quarter only makes up about 8% of the total property developer's inventories of RM6.1bil.

"We are one of the lowest among our peers. About 61% of our sales made in Q1 was derived from the 'Not New Launch' category and around 18% from 'Incoming Completed'. This in a way shows that we have managed to reduce inventories and the steps we have taken are effective," Azmir says.

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proven to be effective," he adds.

In the recent reported Q1, Sime Darby Property saw a huge year-on-year (y-o-y) jump in its net profit to RM60.61mil from RM2.72mil previously.

It appears that property demand continues to remain resilient, aided by the record low interest rate as people continue to look for comfortable living spaces as the present prospect of lockdowns continue.

"Our sales growth in the recent quarter was driven by demand for residential landed type of products, mainly for our townships in the City of Elmina and Serenia City," Azmir says.

"Industrial developments saw good sales as well, with Elmina Business Park contributing RM102mil. The prospect for these two property products remains positive as we continue to launch at the right price points and locations," he adds.

Azmir points out that other than the low overnight policy rate, its sales were aided by the ongoing Home Ownership Campaign (HOC), stamp duty exemption and the removal of the 70% margin financing cap for the

third housing property.

Other than that, he also credits the good sales to its new way of marketing its products, which is the preferred channel during this pandemic period.

"Our effective digital marketing and implementation of an online booking system for new launches led to good take-up rates, especially for new launches, which registered more than a 90% take-up rate. We launched projects that we were confident would have a 70% take-up rate upon launch to ensure that our cash flow is protected," he says.

"We also carefully considered the market demand for these projects in our decision to launch. We tailored product launches to new market norms by reviewing all upcoming projects to ensure that the product meets the latest customer demands," he adds.

The company had projected demand trends to shift towards consideration of the new normal which translates to increased time spent at home.

"We took into consideration the post-Covid-19 demands. And these are the need for home workstations and larger living spaces,

including sustainability features," Azmir says.

And future launches which are in the pipeline are strategically planned and purposefully tailored to this market demand, he notes.

"We are still maintaining the RM2.4bil sales target. With RM630.2mil in sales achieved in Q1, we are on track to meet the target (26% already met).

"The group is confident of meeting the set sales target for the year with the government's recent announcement on the extension of the HOC until the end of the year with the low interest rate environment," Azmir says.

He says it is key for it to have an agile launch plan in place which would be reviewed with the times to ensure its products meet market appetite and areas of demand.

"Product launch events have been innovated to reduce physical contact with customers, in adherence to social distancing. Customers can now participate in virtual events and book their desired property from the comfort of their own homes without having to go to our sales galleries," Azmir says.

Sime Darby Property is anticipating RM3bil of new launches for the remaining FY21 from Q2, of which would constitute residential landed (34.9%), residential high-rise (45.6%), industrial landed and lots (9.7%), statutory (7.6%) and commercial (2.2%).

"This is an agile launch plan with the right products to offer a healthy mix at the right pricing," he says.

Among the key focus areas moving forward for the group are to ensure a sustainable development pipeline for its land banks and to also strengthen its balance sheet in the meantime.

"The digitalisation of our land management system will be the key enabler in achieving this," Azmir says.