

Right move

TSI's early venture into property pays off

By **DARSHINI M. NATHAN**
dmnathan@thestar.com.my

THERE is no better time than the present for companies to get involved in the local property development scene. Recently introduced investor-friendly measures to boost the sector are spurring sales like never before.

TSI Holdings Sdn Bhd could not have anticipated this seven years ago when it made the move to venture into property development after years spent providing specialist contracting work. So it is fortunate that what was deemed as a natural progression then for the company is paying off well now.

With contributions from its property development arm growing, it makes good sense that the group is now paying more attention to this division.

Although by no means a big player, TSI has been steadily building a track record, particularly in the Cheras area. To date, it has undertaken property projects worth a gross development value (GDV) of more than RM350mil.

The company is now keen to pitch its appeal to other potential buyers, as its next growth phase will involve

ventures into new areas like Kepong and Puchong.

TSI has amassed a land bank of just over 60 acres: 10 acres in Kepong; 7 acres in Puchong and 44 acres in Kuantan.

While this is by no means sizeable on a relative scale, it will leave the group with plenty to do over the next few years. The projects that have been earmarked for these areas carry an estimated GDV of RM510mil.

"We are open to the idea of entering into joint ventures with landowners. What's important is to come up with a concept that is appealing so that the units are easy to sell," says group managing director Lim Seng Kok.

From specialist contractor to developer

The group started out as a specialist contractor, with a niche in interior fit-out work, 20 years ago.

In the last ten years, it expanded by broadening its offerings to cover different products and services, although its attention remained trained on the building and construction industry.

"Still, we tried to cover as many sub-sectors within the construction industry. In the mid 1990s, we started to undertake packaged fit-outs, which is essentially a selection of jobs packaged together and handed out.

"Traditionally, the main contractor, once they have been awarded the package, will break the jobs down and hand them out to other companies.

"We found ourselves playing that role as well, which is to say that apart from our other units, we worked with other companies that could complement our business when tendering for those jobs," Lim elaborates.

From thereon, going into property development seemed like the obvious next step for TSI.

There is also the fact that profit margins from specialist contracting work tend to be rather thin.

As the company's earnings grew, Lim saw the wisdom of acquiring some land bank.

"It made a lot of sense to move up the value chain as there are lots of synergies that can be reaped from our interior fit-out work and the property development business."

TSI's maiden property develop-

ment project was undertaken on a small piece of land, which TSI purchased from one of its shareholders, in Kuantan, Pahang. "We learnt the trade and only then embarked on our projects in Cheras," Lim says.

Property development now contributes about 40%-50% of group revenue, with the balance coming from its specialist contracting businesses.

Lim says TSI will continue to focus on the Klang Valley property market for now. The strategy, which has stood TSI in good stead to date, is to venture into areas that already have a critical mass.

From there, a keen attention to quality and the provision of some value-added features has helped the group sell its products to first-time owners and upgraders alike.

Says Lim, "We still see very good demand for the types of property we are offering. The latest selling price in the area is around RM220 psf. Per unit, we are looking at selling prices in the range of RM150,000 and RM300,000. For that price, we provide a lot of value adds like full guard house facilities and a mini theatre."

He points out that the response to the group's D'Alamanda project is



TSI will continue to focus on the Klang Valley property market for now, says Lim

testimony that demand in the area for those type of products is not being fully met.

The first phase of TSI's D'Alamanda @ Pudu Impian serviced condominiums and commercial development project is fully sold.

Last October, TSI launched the second phase, comprising 380 units of serviced condominiums and 67 shop lots, worth a combined GDV of RM90mil. The condo units, with sizes ranging from 682 sqft to 1,424 sq ft, are priced from RM143,000 to RM350,000.

The group's upcoming developments include a residential and commercial development along Jalan Kepong, a mixed residential project in Batu 14, Puchong and a mixed development in Tanjung Putus, Kuantan.