

# City & Country

## Luxury condo prices fall 3.7% in 1Q2015

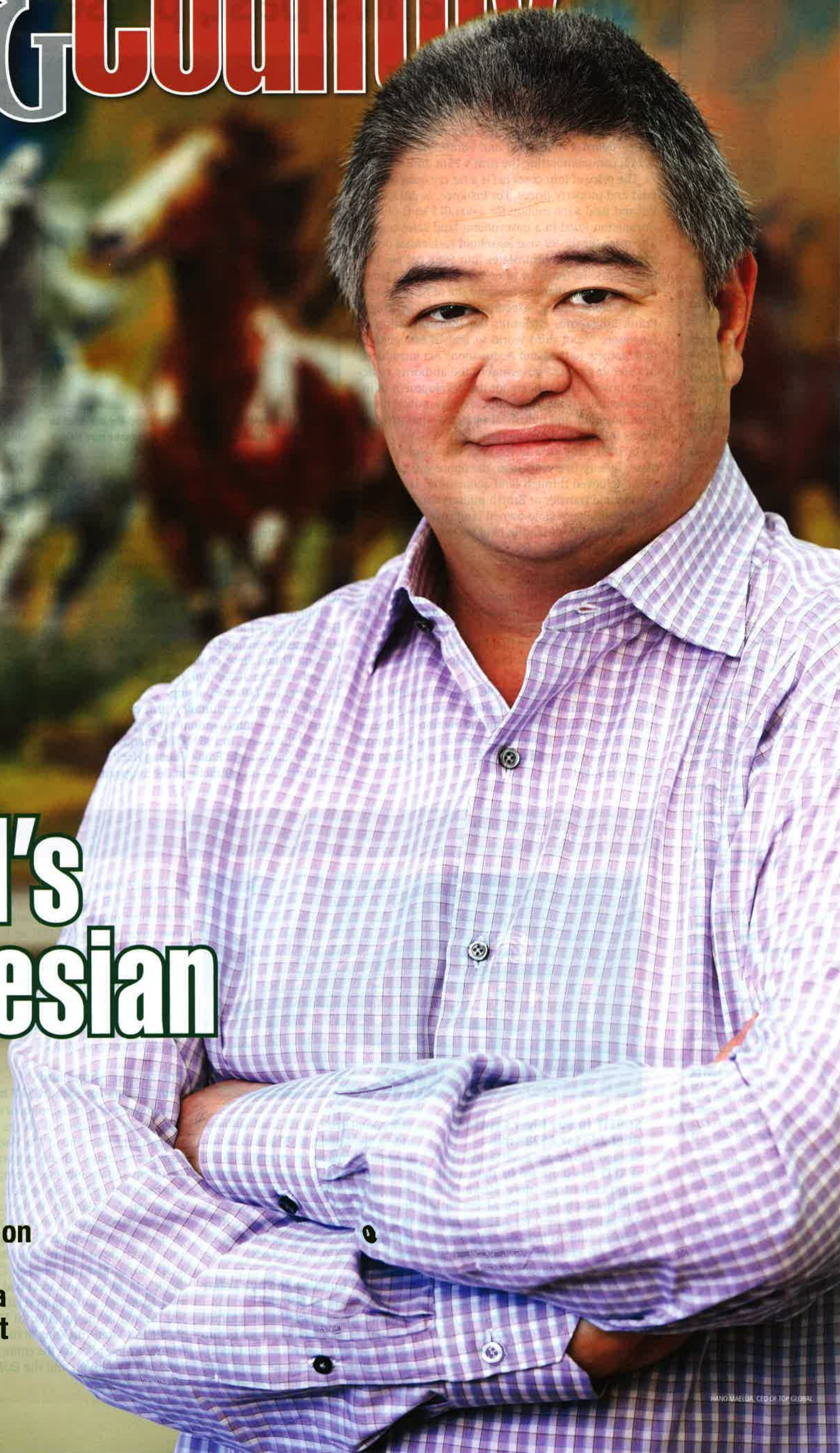
More sellers willing to stomach small losses when offloading their units

## Knight Frank's Singapore journey

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# Top Global's Indonesian play

The Singapore-listed company capitalises on its Indonesian family ties, know-how and a sizeable development landbank



RANO MAELOR, CEO OF TOP GLOBAL

## COVER STORY

Given the success of Royal Tajur Phase 1, the developer is now in the midst of developing Royal Tajur Phase 2



PICTURES: TOP GLOBAL

# Top Global's Indonesian play

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| BY CECILIA CHOW |

**H**ano Maeloa, CEO of Singapore Exchange-listed property group Top Global, has been shuttling between Singapore and Jakarta more frequently ever since the company completed the acquisition of a 71.52% stake in PT Suryamas Dutamakmur Tbk on Oct 16 last year.

Suryamas is an established Indonesian-listed property developer founded in 1990 by Maeloa's mother, Sukmawati Widjaja aka Oei Siu Hoa, and his stepfather, Kenneth Lian. While Lian is president director of Suryamas and oversees the operations of the company in Jakarta, Sukmawati is executive chairman and controlling shareholder of Top Global.

The 71.52% stake in Suryamas was valued at \$152.95 million, and was acquired via a share swap with 19 billion shares and five billion options in Top Global issued to Sukmawati at 0.8 cents a share. She now owns 81.58% of Top Global's shares.

Top Global's share price was 0.7 cents on April 23, and it has a market capitalisation of \$213 million. Meanwhile, Suryamas' share price was IDR148 that day, with its market capitalisation at IDR706.3 billion (\$73.5 million).

There are no plans to take Suryamas private for now, and it continues to be listed on the Indonesian Stock Exchange. "It's good for the company to stay listed because it's more transparent," he adds.

According to Maeloa, the acquisition of Suryamas was not unexpected. "When we took over Top Global in 2010 — because of our family base [in Indonesia] and name — our shareholders were asking us whether in

the near future we would be injecting our assets in Indonesia into the company," he explains. "And our answer then was yes, when the time is right we would do that. So, when the Singapore property market was getting a bit tough to invest in, we looked at the Indonesian market."

The acquisition of Suryamas has had a significant impact on the FY2014 (ended Dec 31) results of Top Global. Revenue recorded a 258% increase to \$50.2 million, from \$14 million a year ago. The increase was largely attributable to the sale of units in its residential developments in Braddell and Bartley, which amounted to \$32.6 million, and the maiden contribution of \$13.1 million from Suryamas. Top Global swung from a loss of \$5.3 million in FY2013 to earnings of \$2.8 million in FY2014.

## Family connections

Incidentally, Sukmawati is the daughter of Eka Tjipta Widjaja, the fourth-richest man in Indonesia, according to *Forbes*, and the founder of Sinar Mas Group. That makes Maeloa his grandson. Maeloa's uncles handle the different businesses under the Sinar Mas Group, which include Singapore-listed companies such as Sinarmas Land, which is involved in property; Golden Agri-Resources in the resources business; and Golden Energy and Resources, formerly known as United Fiber System, the 10th-largest coal producer in Indonesia.

Like Maeloa, his cousins who make up the third generation of the Widjaja family are also involved in the various businesses headed by their parents. The cousins meet up very regularly. "They come to Singapore quite often now, and we meet up when I go back to Ja-



Maeloa: Since the merger with Suryamas, we have seen a lot of interest from foreign investors looking to form joint ventures with us

karta for family gatherings," he says.

While the families keep their business lines and managements separate, they are open to doing joint ventures with each other. "Because they are more Indonesian-based and didn't have any exposure in Singapore, they wanted to come to Singapore, [and] we talked to them about [investing here]," says Maeloa. "When the time is right, and when they need joint-venture partners, we will talk."

For now, Maeloa's focus is on development projects in Indonesia, as development margins

there have proven to be more attractive than in Singapore. Indonesia had been the bright spot in Asean for the last few years, with economic growth averaging 5.4% a year between 2000 and 2014, and GDP having grown more than fivefold to US\$900 billion (\$1.2 trillion) so far. The expectation is that the Indonesian economy will grow 5.2% this year.

While he notes an increase in foreign investor interest in Indonesia, they are also cautious as they are unfamiliar with the rules and regulations of the country. "They want to look for good local partners in Indonesia," says Maeloa. "Top Global is going to position itself as a bridge between the two countries [Singapore and Indonesia] because a lot of Indonesians want to invest in Singapore and vice versa. And now, all the big developers in Singapore are looking to Indonesia as part of their diversification strategy. Investors are quite reluctant to invest directly into companies in Indonesia. But we have an Indonesian story, and we have a foothold [there], so they can invest in Top Global. We will be that bridge."

## Landbank

Suryamas' flagship development is Rancamaya Estate, which sits on a sprawling 778ha site, located on the outskirts of Bogor, with views of the majestic Mount Salak, about an hour's drive from Jakarta. The residential lifestyle development includes Rancamaya Golf & Country Club Resort and the R Hotel, a 140-room hotel with 10 luxury golf-course-facing rental villas, which soft-opened last July. So far, only 37% of the land area has been developed. Hugging the golf course are mansions built by owners who purchased land parcels from the

SAMUEL ISAAC CHIA/THE EDGE SINGAPORE



The 16-storey Summit Heights, located within Rancamaya Estate, is Suryamas' first high-rise block



A completed double-storey detached house in Rancamaya Estate, which has a total of 778ha

developer. The parcels are at least 50,000 sq ft each and, according to Maeloa, prices have trebled in the past three years.

The houses developed within the Rancamaya Estate range from high-end villas to affordable houses for the mass market. For instance, in a precinct called Richmond Hills, a mid-tier cluster housing development is slated for launch later this year. Another development called Summit Heights is Suryamas' first high-rise residential project in Rancamaya Estate. Soft-launched last weekend, about 60% of the units released were said to have been snapped up by local Indonesian buyers.

Another development, called Royal Tajur, is located in the CBD of the City of Bogor, about an hour's drive from Jakarta. The first phase of 158 houses on a 7.2ha area was launched in June 2012 and fully sold. The second phase of houses, which will occupy a land area of 48.5ha is currently under development. Royal Tajur has a total landbank of 81.7ha, of which 91% is still undeveloped.

The largest development parcel in Suryamas' portfolio is Harvest City, located 15km east of Jakarta. Harvest City has a total land area of 1,050ha, which is twice the size of Sentosa Island. It will be a massive mixed-use development, with communities made up of low-end to medium-range housing, as well as amenities such as shops and schools. So far, only 13% of the entire area has been developed. "This is a long-term project, stretching 10 to 15 years," says Maeloa.

In Indonesia, land acquisition is a challenging undertaking. To purchase a parcel of land, a developer will have to obtain a licence from the government, then proceed to buy out each of the small landowners currently occupying the land. The developer is responsible for acquiring the land and then relocating the displaced owners. "It's called land clearing," says Maeloa. While it is a slower and tedious process compared to buying a clean title from a single landowner who has already cleared the land for sale, he acknowledges that it is less expensive.

"We have bought most of the land for our developments, like Rancamaya and Harvest City, with just a few small remnant plots, where we are in the midst of relocating some people," says Maeloa. "It has to be done in phases."

Developers engage agents to handle the land acquisitions on their behalf. "We cannot send a representative from the development company to negotiate for the piece of land because when the landowner finds out who we are, they will immediately jack up the price," explains Maeloa.

#### Jakarta — main stop

Foreign developers who enter Indonesia need to tie up with Indonesian landowners or developers to buy land. Maeloa has already been approached by Singapore-based investors and developers. While some are looking at jointly acquiring new sites in the CBD of Jakarta, others

are looking at carving up a development parcel within Suryamas' landbank and jointly developing the project.

Jakarta was recently voted the worst city in the world for traffic congestion, according to an index published by British motor oil company Castrol. The Jokowi government is reported to have pledged IDR290 trillion (US\$23.2 billion) for infrastructure spending this year, which is 60% higher than in 2014, and double that of 2013. Construction of the first MRT rail system linking the north and south of Jakarta is already underway, with talks of a second rail system linking the east and the west.

Even though he has been offered many other sites across Indonesia, Maeloa is sticking to Jakarta and its suburbs for now. Most foreign investors who want to gain a foothold in Indonesia prefer their first investment to be in the capital city, he points out.

He is also looking at resort development opportunities in Bali. In Knight Frank's *Global Wealth Report 2015*, Bali was voted Asia's leading second home destination. Jakarta, which had topped Knight Frank's prime international residential index for two consecutive years in 2012 and 2013, slipped to 12th spot this year, an indication of the luxury market slowdown evident across many cities in Asia, according to the property consultant.

#### Betting on Singapore's luxury market

In Singapore, the luxury market has been hit by successive rounds of property cooling measures since September 2009. From Maeloa's boardroom window, symbols of the last property boom are in full view — The Orchard Residences sitting on top of ION Orchard and The Marq on Paterson Hill — where prices soared beyond \$5,000 psf.

Maeloa himself was a beneficiary of the sizzling property market then. He purchased a four-bedroom unit at The Orchard Residences for just under \$7 million when the project

was launched in 2007. He came across many purchasers who bought properties on the deferred payment scheme and flipped them within months of their purchases in 2007. "You could tell that the market was getting a little out of hand then," he recalls.

Maeloa sold his unit at The Orchard Residences in 2010 in a sub-sale for \$8.3 million (\$3,351 psf), a few months before the project's completion. Based on the price difference, he made a profit of more than \$1 million. But that was his personal investment, he says.

When Hotel Properties Ltd previewed its luxury condo, Tomlinson Heights, in September 2010, Maeloa swooped in and bought two 2,734 sq ft three-bedroom units priced at \$8.28 million (\$3,029 psf) each. This time, the purchases were made on behalf of Top Global. "We bought [the units] for investment," he explains.

One of the units was sold for \$9 million (\$3,292 psf) when the 70-unit Tomlinson Heights was completed in 3Q2014. The buyer is believed to be a mainland Chinese who was willing to pay the 15% additional buyer's stamp duty (ABSD). The other unit was rented out at a monthly rate of \$14,500, which translates into a gross rental yield of 2.1%.

"Initially, we wanted to keep both [units] for rent, but the rental market has softened, and we thought we should mitigate our risks," says Jennifer Chang, chief operating officer and executive director of Top Global.

The 15% ABSD levied on foreigners and companies, which came into effect in January 2013, has deterred Top Global from making further residential property purchases in the Singapore market. Instead, Maeloa has turned his attention to the commercial sector. "We're looking to buy entire blocks of office buildings," he says. "In Singapore, we will continue to look for development projects, but we're [also] on the lookout for investment assets to diversify our income stream."

#### 'Price adjustments' and 'value enhancements'

Top Global has launched three residential projects in Singapore. All three projects are en bloc purchases and freehold. Two of the projects, E Maison and R Maison (collectively known as The Maisons), made their debut in March 2013. Meanwhile, The Quinn was launched a few months later in July. Only 45 units (35%) of the 130-unit E Maison had been sold as at end-March, according to URA data. The 45-unit R Maison sold 27 units (60%) as at-end March, with the latest transacted at \$1,279 psf. The Quinn has sold 79 of 139 units, or 57% of the units in the project.

The Maisons are located just off Braddell Road, while The Quinn is just a short distance away, and located off Bartley Road. As they were launched around the same time and are in proximity to each other, the three projects share the same sales gallery. Last month, prices were adjusted at E Maison as part of a sales promotion, and 13 units were sold at a median price of \$1,217 psf, compared with more than \$1,400 psf when the project was launched.

"We're not relaunching, but we have been promoting the project," says Chang. "As you know, [some developers] have been cutting prices to get rid of unsold stock. Instead of price-cutting, we're looking at ways to enhance our property."

For instance, on Jan 12, 2013, URA implemented revised guidelines that treated private enclosed space and private roof terrace in condominium developments as gross floor area (GFA). Therefore, owners of units in these developments can erect a covering over their roof terraces or private enclosed spaces.

Top Global took the initiative to erect the roof coverings for the owners in their developments, and not just for the unsold units, but for those that have been sold as well, at no additional charge to the buyers. The roof structure will provide shading, and create a comfortable semi-outdoor environment, notes Chang.

The developer is exploring giving buyers of large units in its development the flexibility to convert their units into dual-key apartments. While the layout of the units will remain intact, the developer is providing two distribution boards and additional power points, as well as other mechanical and electrical services.

When it comes to the Singapore residential sector, Top Global will remain "very prudent", as the property cooling measures are still in place. "We will not try to speculate about when the property cooling measures will be lifted," says Chang. "As a listed company, we just want to manage and deliver our existing projects, and make sure the cash flow is properly utilised."

For now, Maeloa will concentrate on Indonesia. "Since the merger with Suryamas, we have seen a lot of interest from foreign investors looking to form joint ventures with us," he says. "We are there, and we know the game. So, why look elsewhere?"



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