

Land acquisition deals positive for Sunway

Company committed to long-term development goal

PETALING JAYA: Sunway Bhd's acquisitions of three urban land parcels in the Klang Valley and Penang have drawn positive views from analysts, as the deals reinforce the company's long-term development pipeline.

This also underscored its continued emphasis on pricing discipline rather than aggressive land bank expansion.

The company announced that it is acquiring the land parcels totalling 8.94 acres for a combined consideration of RM180mil, to be developed into mixed-use integrated projects with an estimated gross development value (GDV) of RM1.25bil.

The sites comprised a 6.77-acre leasehold plot in Puchong, 1.12-acre freehold parcel in USJ-1, Subang Jaya, and 1.05-acre freehold site along Jalan Pangkor in Georgetown, Penang.

Hong Leong Investment Bank (HLIB) Research viewed the acquisitions favourably.

"Overall, the land costs are within a reasonable range for mature urban locations, supported by strong accessibility, established townships and clear development visibility," it said.

It noted that the implied land cost-to-GDV ratios for the Puchong and USJ 1 sites – 12.6% and 10.1% respectively – fall comfortably within the typical 10% to 20% range for urban developments.

While the Georgetown land cost-to-GDV ratio of 22.4% is higher, HLIB Research said this is mitigated by stronger achievable selling prices and product flexibility.

The research house added that higher selling prices would allow margins to

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TA Research

remain healthy, particularly as construction and labour costs are largely fixed on a per-sq-ft basis.

It maintained its forecasts and reiterated its "buy" call with an unchanged target price of RM6.05, describing Sunway as "a compelling proxy to domestic growth".

MBSB Research struck a more cautious tone, though it also acknowledged the strategic merits of the land bank expansion.

It pointed out that the Penang parcel carries a relatively higher land cost to GDV ratio of 22% which could be due to the

prime location of the land in Georgetown.

Nonetheless, the research house said the acquisitions would strengthen Sunway's property presence in Malaysia particularly in the key growth cities and support its long-term property sales prospects.

From a balance-sheet perspective, MBSB Research expected the impact to be manageable, estimating that net gearing would edge up only marginally to 0.48 times from 0.47 times previously.

However, it maintained a "neutral" rating on Sunway, arguing that most of the

positives are largely priced in, despite revising its target price higher to RM5.34 after incorporating the new land into its valuation.

TA Research also viewed the acquisitions positively, saying they are in line with Sunway's disciplined approach to land bank replenishment and its focus on established, demand-proven urban locations.

"The implied land cost-to-GDV ratio of around 14% remains within Sunway's historical comfort range, indicating that capital discipline has been maintained despite a more active acquisition pace.

"This helps limit margin risk and suggests management remains focused on earnings quality rather than expanding landbank size," it said.

That said, the research house cautioned that while the projects would enhance medium-term earnings visibility, contributions would follow the normal development cycle, with launches expected from 2027 onwards.

As such, it said the acquisitions are unlikely to trigger a near-term earnings re-rating, even as they bolster Sunway's longer-term growth runway.