

Mulpha's international drive pays off

BY Rosalynn Poh

For over a decade, property player Mulpha International has been astutely building an international portfolio of property developments and investments around the region. In fact, Mulpha has surged ahead of its peers to become the largest Malaysian real estate investor and developer in Australia.

The property group also has a presence in Singapore, Hong Kong, China and Vietnam, but more than 50% of its overall assets, comprising hotels, a hotel school, offices, residential developments, a ski resort and investments in associates, are held Down Under through 100%-owned Mulpha Australia Ltd.

Mulpha's properties there include Sanctuary Cove in Queensland, the famous Hayman Great Barrier Reef, the InterContinental Sydney and Bimbadgen Estate vineyard in Hunter Valley. The company also has a 26% stake in FKP Property Group, one of Australia's leading diversified property investment companies and the largest private sector owner-operator of retirement villages in Australia and New Zealand. One of Mulpha's recent acquisitions is the 24-room Marritz Alpine at Perisher Blue Ski Resort in New South Wales.

Lee Seng Huang, the executive chairman of Mulpha who is based in Hong Kong, tells *City & Country* via email that Mulpha's involvement in property development, hospitality and other types of investment is evenly split. He says, "We see lifestyle and high-end residential development as inextricably linked. That is why we have so many lifestyle-type assets like our developments Leisure Farm and Enclave Bangsar back home."

When asked if he considers himself a developer or an investor, Lee says: "I would consider myself both a developer and an investor. There are times in a cycle when it is cheaper to buy completed assets than to build. Sometimes, it is cheaper to buy companies than land or assets. So, it really depends on which part of the cycle we are in."

Lee has held the executive chairman's post at Mulpha since 2004. Prior to that, he had worked extensively in Asia and Australia in various roles in

the financial service and real estate industries. As for his relative youth, the 37-year-old says "age is relative and as they say ... it is not the year of manufacture but the mileage that counts! There are much younger and much more successful people out there. I just try to do my best".

Focus Down Under

On why Australia was chosen as Mulpha's focus, Lee points out that it has a stable real estate market. "Australia has rigid planning rules that have generally constrained supply across residential, hotel and retail. This has resulted in a relatively stable real estate market. It is also a very liquid and institutionalised market, making buying and selling more transparent." More importantly, he says, "we have a good team of people on the ground, which makes it easy to assess and execute our development plans".

Mulpha first acquired shares in HDC Group Ltd, now known as Mulpha Australia, in 1994. "At the time, it was developing the Sydney Opera House car park, which we finally sold in 2005. From there, we just went on to bigger and better things, including Norwest, Sanctuary Cove and the Principal Hotel portfolio," Lee remarks. Mulpha's hospitality portfolio in Australia, includes Hyatt Regency Sanctuary Cove, the InterContinental Sydney and Hayman Great Barrier Reef.

City & Country visited Sanctuary Cove in Brisbane, Australia, recently. As we drove into the resort, the sight of its luxury homes with yachts docked in private jetties along the Coomera River and by the marina, took our breath away. Mulpha had acquired Sanctuary Cove in 2002 for A\$208 million. The 1,171-acre integrated residential resort includes two world-class golf courses, four harbours and 15 restaurants and cafés. The restaurants and boutique retail outlets within Sanctuary Cove give the place a quaint yet exclusive feel. Sanctuary Cove is in the northern end of the Gold Coast, a 45-minute drive from Brisbane Airport. It has a gross development value (GDV) of A\$2 billion.

Since acquiring Sanctuary Cove, Mulpha has invested over A\$250 million in enhancing its infrastructure



The 1,171-acre integrated residential resort Sanctuary Cove in Queensland, with a GDV of A\$2 billion



Lee: We see lifestyle and high-end residential development as inextricably linked

and golf facilities, and expanding the marina, among others. In fact, Sanctuary Cove is one of the few property projects in Australia with Foreign Investment Review Board exemption status, where foreigners can buy and sell properties without restrictions. Lee says over A\$850 million worth of properties have been sold or resold in Sanctuary Cove by Mulpha.

Allison Quinn, the executive general manager of the development, says 31 waterfront homes, priced from A\$1.7 million, were launched in May. Early last year, in a bid to offer a greater variety of properties



Bimbadgen, Mulpha's 99-acre picturesque vineyard

for sale, Sanctuary Cove went into a joint venture with Australia's Sunland Group involving 117 luxury homes and duplexes with golf course and lake views.

The five-star Hyatt Regency Sanctuary Cove, with 247 rooms is situated in the heart of the resort. The colonial architecture and rustic furnishings of the hotel, inspired by the 1940s homestead design, help it blend seamlessly with the surrounding developments.

After slightly over an hour's flight from Brisbane, we visit another hotel owned by Mulpha — the InterContinental Sydney. Perhaps what is most attractive about the hotel, aside from its well-equipped rooms and great service, is its location — less than a

five-minute walk from the Sydney Opera House. The five-star hotel has 509 guest rooms and suites.

The InterContinental Sydney opened in September 1985 and Mulpha acquired the hotel in 2003. The Club InterContinental Lounge (at Level 32) offers views of the Harbour Bridge to the Pacific.

Lloyd Donaldson, Mulpha's head of hotel investments, says: "The InterContinental Sydney has exceeded our expectations. As for future acquisitions, we are also open to distressed assets, not just hotels."

Beside the InterContinental Sydney is 99 Macquarie Street, also owned by Mulpha. This property was acquired in 2005 together with the hotel.

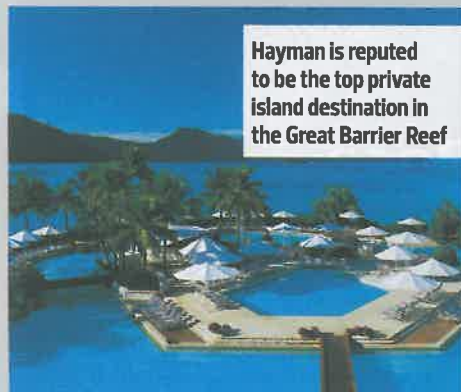
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Hayman Great Barrier Reef

Often described as the most celebrated private island destination in the Great Barrier Reef, Hayman reopened on Aug 1 following five months of repair and restoration works after being damaged by cyclones Anthony and Yasi.

The resort, which is about 45 minutes by boat from Hamilton Island in Queensland, features 210 rooms, suites and penthouses, and a beach villa. According to its website, published rates start at A\$466 per room per night for four nights and above. Also on the 731-acre island are the exclusive Hayman private residences. According to Lloyd Donaldson, Mulpha's head of hotel investments, four of the eight plots have been sold. Houses and land went for a little below A\$20 million on average. Only 20% of the island can be developed due to its steep terrain.

Situated on the island's eastern hillside, each residence has complete privacy within a natural sanctuary. To add to the exclusivity, Amanresorts architect Kerry Hill has created residences that



Hayman is reputed to be the top private island destination in the Great Barrier Reef

combine privacy with generous light-filled spaces, contemporary design and a spacious swimming pool.

FKP Property Group

FKP is a leading Australian property and investment group. Over more than 30 years,

FKP's portfolio has grown to include mixed-use, land, retail, residential, retirement, industrial and commercial assets that define how hundreds of thousands of people live, work, retire and invest.

Operating under the Aveo Live Well brand, FKP is the market leader in the Australian retirement village sector, owning and managing 79 retirement villages across Australia. The scale of its portfolio enables FKP to offer senior citizens access to a full scope of lifestyle choices. Its strongest presence is in Queensland, Victoria and South Australia.

FKP's villages have about 12,500 residents and offer a diverse range of products aligned to the needs of the ageing population. The biggest retirement village is Aveo Durack, 13km south of Brisbane's central business district. The 84-acre tract includes a vacant site for future extension.

There are 548 residents in Aveo Durack, which has a total of 527 units, made up of 423 independent living units (ILUs) and 104 serviced apartments (SAs). Terms and conditions vary

from retirement village to retirement village as some villages were acquired with pre-existent terms.

How does the retirement village concept work? When FKP sells a unit to a purchaser (whether strata or lease), it receives a settlement of the deferred maintenance fee (DFM), which is usually 25% or 30% of the gross selling price upon exit — either the purchaser moves out or exits.

The prices of the units are from A\$92,000 to A\$580,000 (for the ILUs) and A\$72,000 to A\$320,000 (for the SAs). Typical DFM terms are 30% over five years (for ILUs) and 33% over three years (for SAs).

The retirement division is the largest in terms of profit delivery for the group. It accounts for about A\$1 billion in FKP's balance sheet. Aside from retirement, FKP's second largest division in terms of profit delivery is residential communities, contributing 16% to the underlying profit as at June 30, 2010.

Optimistic about prospects for retirement homes

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It was originally built in 1938 and was previously known as the Sydney Transport House as it was built for the New South Wales department of motor transport. It is now home to Mulpha Australia as well as M&C Saatchi and JB Fairfax-related Cambooya and Marinya Media.

Perhaps, one of Mulpha's most exclusive assets is Hayman, which is reputed to be the top private island destination in the Great Barrier Reef. It takes about 45 minutes by boat to reach Hayman from Hamilton Island in Queensland. Hayman had reopened on Aug 1 after closing for repairs due to the damage caused by tropical cyclones.

Meanwhile, over at the famous Hunter Valley in Sydney lies Mulpha's 99-acre picturesque vineyard called Bimbadgen, which is an aboriginal term for "place of good view".

Property outlook

On the outlook for the property market, Lee says, "We are in a strange market at the moment and in the hands of the wider global macroeconomic environment. The continued liquidity push in the US and European markets is going to cause more inflation in Asia, which will continue to drive real estate prices up. So long as the supply side is constrained, we will see solid appreciation of prices."

Lee also believes that "he who has the gold makes the rules". "In real estate, it is really about holding power and the ability to ride the cycles. We never want to be in a position where we are over-leveraged and as a result, we cannot determine our own destiny. That is why Mulpha has been able to take such a long-term view of assets such as Sanctuary Cove, Leisure Farm and Hayman," he observes.

The company is on a constant lookout for investment opportunities in Malaysia and other countries, he adds.

Asked how different it is to develop in Australia than in Malaysia, Lee says that because of the high value of land in markets such as Australia, the developers there tend to spend more on the physical structure and as a result, the quality of products and services is normally higher.

"As the supply side is more controlled, there is more price stability. For example, because of the tough planning laws in Australia, prices generally held quite steady throughout the global financial crisis. At Mulpha, we are trying to lift the standard by bringing back our offshore development experience in terms of product design and planning for our Malaysian projects."

Retirement business

As a 26% stakeholder of FKP Property Group (see sidebar), Lee is optimistic about prospects for retirement homes in Malaysia. "I think there is a market for retirement homes in Malaysia, but as it is quite a nascent and novel concept, it will take more time to develop.

"I believe the developed world is facing a demographic issue [ageing population]. The more developed a country, the more critical the issue. Malaysia and Singapore are potential markets, but more so are countries like China.

"The problem becomes more acute every year and there is no quick fix. Families are also generally getting smaller, making it harder to care for the older generation," he explains.

In Australia, Lee believes the retirement industry, which is dominated by FKP, Stockland and Lend Lease, is poised for consolidation. When asked, he says there is still plenty to do before Mulpha brings the retirement home business to Malaysia. "Currently, we're focusing on our product in Australia. We still have landbank in Queensland, New South Wales, Victoria and South Australia for the development of retirement homes." **E**