

**SI Research:**

Pacific Star Development — A Showcase Of Development Expertise Through A Masterpiece In Puteri Cove

Back in October 2017, Pacific Star Development (PSD) sparked off new attention when it announced that it is partnering up Dubai-listed DAMAC International to develop luxury properties across Southeast Asia.

PSD is a newly-minted listed entity, which celebrated their 1st year anniversary in February this month, since its listing on the Catalyst of the Singapore

Exchange in 2017 through a reverse takeover of LH Group.

With over a decade of proven track record in real estate investment management and development, the property division of PSD has acquired both an extensive regional network as well as a solid background in development management, counting among its past investments the highly successful mixed-use project Pavilion in Kuala Lumpur. The Property Division has previously invested

in and completed several residential projects in prime locations of Bangkok and Kuala Lumpur. Currently, the Group has two joint-venture development projects on hand, Puteri Cove Residences and Quay-side (PCRQ) in Malaysia, and in Thailand, The Posh Twelve. Currently, PSD has a market capitalisation of approximately \$120 million.

On the other hand, DAMAC International is part of DAMAC Properties, a prominent de-

veloper in the Middle East of substantial scale. The Dubai-based developer has a market capitalisation of AED20.1 billion or about US\$5.6 billion on the Dubai Stock Exchange. So what attracted the much larger DAMAC International to enter into a collaboration agreement with PSD?

Intrigued, Shares Investment spoke to Mr Glen Chan, Chief Executive and Managing Director of PSD, to understand more about this interesting company. We were subsequently invited to go on a site visit to PCRQ, PSD's flagship development, located in Puteri Harbour, Iskandar Puteri, Malaysia. Walking through the grandeur of PCRQ opened our eyes to PSD's development expertise and unique selling propositions. Here lies a master-conceptualised property in a high potential growth location with stunning views. So bowled over that we decided to arrange a second visit, this time with our readers, so that they can experience first-hand of what PSD and PCRQ are all about.

Topnotch Efforts For The Flagship Masterpiece

PCRQ is a flagship development masterpiece by PSD and the company has spared no efforts to ensure that the completed project displays its topnotch property development capabilities.

PCRQ is an award-winning freehold luxury marina-front mixed-use development comprising Puteri Cove Residences (PCR) i.e. two towers of 658 units of luxurious apartments, four blocks of 56 SOHO/Loft units, including a separate tower of 340 premium serviced suites. The commercial component is called Puteri Cove Quayside (PCQ), a two-level waterfront retail promenade which is built to mirror world-class marina projects offering a comprehensive range of prime waterfront retail and F&B choices, through a quality tenant mix carefully curated and managed by PSD. This stunning development augments Puteri Harbour's position as the ultimate marina-front dining, leisure and social destination

and is today one of the most successful projects in Iskandar Puteri with buyers from more than 28 different countries.

PCRQ spans a gross floor area of 1.4 million square feet and it took PSD only three years to complete the project. As of February 2018, the company has already obtained the Certificate of Completion and Compliance to handover units to buyers. In addition to providing luxury finishes and fittings in all the apartment units, PSD has also provided 11 bespoke interior design concepts that offer a hassle-free and defining identity for the well-heeled homebuyers.

The mixed-use development has swept up one of the most eminent international property awards – Asia Pacific Property Awards – across 7 categories last year. Multiple industry accolades continue to prove its success story, with the mixed-used development winning ten industry awards in 2016, 2017/2018, including “Best Residential High-Rise Development”, “Best Residential Landscape Architecture”, “Best Residential Interior Design”, and 2016's “Best Luxury Condominium Development in Malaysia”.

On the back of PSD's expertise in waterfront mixed-use developments and its success and branding of PCRQ, PSD entered into a MOU in September 2017 with the established Indonesian master developer, PT Kukuh Mandiri Lestari (KML) for a joint venture on approximately 10 hectares of prime sea front land parcels in Pantai Indah Kapuk 2 (PIK 2) to repli-



All units of Puteri Cove Residences offer exceptional stunning views of the private marina, sea and Singapore skyline and come in move-in-condition that is fully fitted with the finest fixtures and fittings.

cate the PCRQ template. PIK 2 is a new integrated township spread across approximately 1,000 hectares of land parcels comprising high rise residential, retail and hospitality with sea frontage in Jakarta, Indonesia.

PSD certainly displays an aptitude for sourcing and identifying prime locations on the cusp of its growth potential. Nestled at heart of Puteri Harbour, PCRQ is a mere 10 minutes' drive from Tuas Second Link and offers every resident an interrupted view of the Straits of Johor. Truly, it is enviably one of the most exclusive and prestigious waterfront properties in the enclave that offers a luxury respite in Iskandar Puteri Malaysia, the key commercial zone in the region's largest metropolis in the making.

Thanks to the state's government comprehensive planning to turn the area into a tech city, foreign investments from global companies from Singapore, Korea, Hongkong and Europe have been pouring into Iskandar Puteri over the last 10 years. Directly beside Medini lies Nusajaya Tech Park and Ascendas-Mitsui TeckPark, both joint collaborations between Temasek-JTC owned Ascendas-Singbridge and Malaysia's leading developer UEM Sunrise. In fact, many renowned international colleges such as Marlborough College, Raffles American School and Newcastle University Medicine are being over-subscribed in Medini's EduCity. Driving down to Medini Iskandar takes 10 minutes where Legoland theme park and Gleneagles Hospital are located.

Iskandar Puteri is also expanding its transport infrastructure, with a high-speed rail station to be built just 8 minutes' drive away from Puteri Harbour. Meanwhile, the international ferry terminal which is just a five-minutes' walk from Puteri Cove Residences is already in the process of establishing routes to Singapore's ferry terminal.

To PSD, all these means that Iskandar Puteri is looking at a great influx of economic activities in the near future which bodes well for home owners of PCR and the retail and F&B dining scene of PCQ.

An Exceptionally Well-Received Project

And the records show. As of 2017, more than 75 percent of PCR's two towers have already been sold. Below the luxury apartments, the lifestyle retail promenade PCQ will offer the vibrancy of well selected niche F&B outlets and specialty services where residents can

indulge all day long. By second half of 2019, PCQ will likely be flanked by a 280-berth brand new private marina branded as ONE°15 which will be operated by Singapore-listed SUTL.

Homeowners are really given excellent long-term value for their investment in PCR. A 1+1 680 square-foot apartment is priced at RM995,000 or at about RM1,400 per square feet, coupled with 11 bespoke interior design packages ranging between S\$30,000 to S\$90,000 and a comprehensive range of more than 30 world-class facilities and amenities. In setting a new benchmark in exceptional service, Puteri Cove Ambassadors are on hand to welcome homeowners at the start of their handover experience and support them throughout their residency, including overseeing the liaison and completion of the renovation of these selected ID package. As a celebratory offer to mark its recent completion, attractive incentive packages tailored to owner-occupier and



Multiple award-winning Puteri Cove Residences offers more than 30 world-class facilities and amenities including the beautifully appointed Grand Lounge and Club for all day leisure.

investors are currently in store. All-inclusive, buyers enjoy “Sentosa-resque” living at almost a fifth of what it will cost for similar apartment in Sentosa Cove but with a superior freehold tenure for PCR.

Creating more Iconic Properties in ASEAN Gateway Cities

Moving forward, PSD has its sights on replicating its development and project management success across various gateway cities in Southeast Asia primarily Jakarta, Bangkok, Kuala Lumpur and Singapore. In particular, it is focusing on prime luxury mixed-use projects in city-centre or waterfront locations, resort hotels and villas in well sought-after destinations, branded residences and resort retirement communities that feature active-aging resorts offering health and wellness amenities.

Mr Chan says, “As an ASEAN developer, PSD is unique in its ability to originate deals and identify prime projects for investment and development, by tapping on our strong network of established relationships with leading real estate players throughout ASEAN. By working with local partners, buyers have familiarity with the local land owners and developers, while PSD brings to such joint ventures its expertise in conceptualizing unique developments.”

“Buyers, be it home owners or investors, from home countries as well as internationally, who value and appreciate the universal real estate aspects of prime location and premium quality, and who share the view

of ASEAN’s growth prospects, will be attracted to the type of developments we are bringing to the markets,” he adds.

Indeed, Southeast Asia is increasingly gaining more attention as it gradually ascends to become the global growth leader in the coming decades. ASEAN-members boast some of the world’s fastest growing economies like Philippines and Vietnam, which are registering robust growth rates of more than 6 percent. Our nearest neighbour Malaysia is a consistent example, reportedly growing by 6.2 percent in 3Q17 and full-year growth is expected to exceed 4.8 percent for 2017.

Many countries in ASEAN are also densely populated and the increasingly literate workforce is ballooning, allowing them to enjoy the benefits of a demographic dividend. The bright outlook of the region is underpinning the huge prospects of ASEAN’s property market and this means tremendous opportunities for PSD as an ASEAN developer.

The ASEAN countries offer land and development at significantly lower costs, which gives rise to higher margins and growth prospects. In addition, spreading PSD’s exposure in ASEAN gateway cities also helps to diversify cyclical risk.

What This Means For Shareholders

Like DAMAC, we realise it is easy to see PSD’s clear value propositions as an ASEAN



Mr Glen Chan, CEO and Managing Director of Pacific Star Development Limited, has more than 30 years of experience in real estate investment and development in Asia.

developer, with established networks and know-how in the burgeoning region. The finished state of PCRQ is a resounding testament that PSD has delivered par excellence value propositions that all savvy investors should take heed. In fact, due to its limited capital size as newly listed property counter, PSD is punching above its weight in demonstrating its well differentiated development know-how in PCRQ to create long term value for all its shareholders and homebuyers alike.

Due to its enlarged share capital after the RTO of LH Group, PSD is merely trading at about 10 times PE multiple of its latest announced financial results. Moreover, with the overwhelming success of its flagship masterpiece in Iskandar Puteri, investors will find confidence in PSD’s ability to replicate such par excellence execution in future projects hence realizing value premium that will continue to boost its PE multiple. 