

THE EDGE SPECIAL REPORT JANUARY 19, 2015

SCALING NEW HEIGHTS

With impeccable foresight, sheer hard work and measured risk-taking, WCT Holdings develops properties that redefine the landscape and build value for homeowners



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Creating a new retail paradigm

Kelana Jaya was once a quiet neighbourhood with few attractions. WCT changed this with a shopping mall that transformed the landscape. With more to come, the future of this suburb is bright and buzzing.

When WCT Land Sdn Bhd began constructing Paradigm Mall in 2007, industry observers expressed scepticism about its ability to attract shoppers. After all, the mall in Kelana Jaya, Selangor, is located between two bigger and more established malls — Sunway Pyramid in Bandar Sunway and 1 Utama Shopping Centre in Bandar Utama.

The sentiment was that there was an oversupply of retail centres in Petaling Jaya and a real risk of “ghost malls” — lifeless steel and concrete structures devoid of retail outlets and patrons. Malls built by inexperienced developers and smaller malls would be the most vulnerable as customers had become more discerning and would only return if the shopping experience met or exceeded their high expectations.

On top of this, Paradigm Mall was being built on a former dumpsite, which posed a formidable challenge, as it had soft soil and sloping terrain. Also, there were pylons nearby and the traffic flow in the area was especially heavy during peak hours.

Despite this, WCT Land’s parent, WCT Holdings, led by managing director Peter Taing Kim Hwa, recognised the potential. He had envisioned a shopping mall that would offer a sense of community, provide employment, address local environmental issues and provide a better quality of life for the residents of Kelana Jaya.

His ideas aligned with Victor Gruen’s concept of a thriving urban settlement where houses, offices, apartments, schools and facilities cluster around a shopping mall. Also known as the “father of the shopping mall”, Gruen, an architect, designed the world’s first fully enclosed shopping mall in Minnesota, the US.

“Taing saw the potential for a neighbourhood mall in an area surrounded by mid-range and high-end residential buildings. He was confident that the team at WCT could draw upon its years of construction experience and the recent success of AEON Bukit Tinggi Shopping Centre to develop a mall that would improve the quality of life for those living near it,” says Koh Boon Teng, WCT Land’s general manager for sales and marketing.

“The project site was excellent for a shopping mall even though it was originally a dumpsite. There was an immediate customer catchment of more than 300,000 residents and office workers. Furthermore, 1.8 million residents lived in the suburbs in the vicinity and could drive to the mall within 15 minutes,” says Vincent Chong, general manager of WCT Malls.

The construction crew successfully overcame the challenges of preparing the site for the new development. A significant amount of rubbish was cleared, pools were filled up and the soft soil was prepared, making it suitable for heavy structures.

Flooding was also a concern raised by the Kelana

Jaya Residents Association. “At WCT, the focus is on the community. We worked closely with the Kelana Jaya residents from the get-go and still continue to do so. More than 50 dialogue sessions were held and this was when we heard their concerns and provided updates on our construction work. We came to understand that flooding was a problem and the decision was made to upgrade the main drain that runs between Paradigm Mall and Kampung Sungai Kayu Ara, a length of about 875m,” says Koh.

The soft soil and sloping terrain also posed challenges during the construction phase. “We felt that it was very important that the construction of the mall should not cause the land to erode. So we went back to the drawing board and altered the design of the mall to preserve the slope. As a result, the ground floor of the mall is adjacent to the LDP highway. It was also decided to use contiguous bore piles to ensure the stability of the foundations. To harden the soil, WCT could have opted to import suitable soil, but the management decided to retain the existing soft clay-type of soil. This required the soft soil to be dried and hardened before it could be reused. It was extra work for us, but ultimately it was more environmentally friendly,” says Koh.

The biggest challenge in building this shopping mall is not obvious to those outside the construction industry, he adds. “The design called for a basement car park that covered the entire project site. As a consequence, working space was limited, constraining access for machinery and for delivery of materials. To overcome the situation, a schedule for logistics was carefully planned and executed with precision to meet the targeted launch date. This is indeed a testimony to WCT’s construction experience and project-management skills.”

The construction crew and the team that manages the daily operations at Paradigm Mall are locals, says Koh. “This is the first mall by WCT that is planned, designed, constructed and now, maintained and managed by a team of Malaysians. We are very proud of this and believe this raises the bar for workmanship and construction skill in our country.”

Paradigm Mall has a gross development cost of RM540 million. It opened its doors in May 2012 and has established a presence in the neighbourhood. The mall, fronted by a warm earthy brown modern façade, is unusual, recognisable and has become an iconic landmark for Petaling Jaya. It is seen as a community hub that delivers a rich and comprehensive customer experience through its mix of international retail shops and leisure and food and beverage facilities. A respectable footfall of 16 million — the measure

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From top left: The eye-catching frontage of Paradigm Mall; key tenants face the airy 'boulevard' area of the mall; Air Asia travel fair; Miss Astro Chinese International beauty pageant; TVB awards artists' appearance; the launch of DiGi's iPhone 6 and iPhone 6 Plus promotion saw Apple fans queuing up in Paradigm Mall at midnight; Paradigm in Style with kids; and South Korean reality gameshow *Running Man*

used to estimate the number of people entering a shop or shopping mall — was recorded last year. The same number is expected to come through its doors this year.

MORE THAN RETAIL

To ensure that Paradigm Mall successfully draws visitors, the team at WCT knew it had to create a compelling shopping experience, and the experience began with the design of the mall. It would become a mall that serves the needs of retail tenants and visitors by incorporating a sense of belonging that encourages people to come together.

"Successful malls offer more than retail. They offer experiences. At Paradigm Mall, visitors enjoy a mix of retail, restaurants, entertainment and leisure activities. For this to occur, it must be easy for visitors to access. After all, less time on the road is more time for retail adventures," says Chong.

An integrated road system was designed to improve traffic flow along the Lebuhraya Damansara-Puchong (LDP) while ensuring free-flow access to the mall. This required four dedicated interchange tunnels, constructed at a total cost of RM33 million, and six entry/exit points at different levels of the mall.

There are 4,300 parking bays, with 1,600 dedicated for shoppers. A team of 78 security guards — 48 on duty during the day and 30 at night — enables visitors to drive, park and walk to their destination in relative speed and safety.

"Traffic along Jalan SS7/26, Jalan Bahagia and along the LDP highway has improved since the mall opened. It is still heavy, but generally smooth during peak hours. Besides roads, walkways were built for our visitors. For example, there is a pedestrian walkway that extends along Jalan SS7/26 and a walkway tunnel that connects Giant Hypermarket and the mall," says Koh.

Visitors would also find it easy to use public transport. "They can alight at Kelana Jaya LRT station and use the hourly shuttle bus that is provided free of charge by the mall. This option is convenient and environmentally friendly," says Chong. An aerobus connection also links Paradigm Mall with the Kuala Lumpur International Airport (KLIA) and klia2.

The mix of tenants at a mall is considered to be as important as the ease of access for a shopping mall. Retail studies have showed that "mall malaise" occurs when shoppers become bored after seeing the same retail outlets at every mall.

WCT engaged a retail research consultant to conduct a market study on the preferences of potential visitors to minimise the risk of mall malaise, while ensuring that everything a customer could possibly wish to purchase would be available on site. This study identified four categories — teens and young adults who would socialise at the mall; young urbanites who are constantly looking for new dining and entertainment outlets; new families, which are newlyweds or with a young child; and settled households, who are likely to pay for top-quality products and/or bespoke services.

With a gross built-up area of one million sq ft and a net lettable space of 680,000 sq ft, the tenancy mix comprises 22% fashion apparel, 31% food and beverage outlets, 14% health and beauty, 3% digital gadget and 10% shoes, bags and accessories. The highlights include a Tesco hypermarket, a nine-screen Golden Screen Cinema, a Fitness First exercise club and specialty stores like H&M, Uniqlo, Sephora and Marks & Spencer to cater for the value-conscious consumer with a penchant for international brands.

Food and beverage outlets were chosen carefully to provide all the possible options, from fast food to fine dining. Different types of dining experiences were made available to cater for varying tastes and budgets. Key F&B outlets include Bulgogi Brothers, TGI Friday's, Pasta Zanmai, Chili's, Paradise Dynasty, Plan B and D'italiane.

"The current tenant mix is well balanced nevertheless, we are open to expanding the mix based on market demand," says Chong.

The interior design maximises store frontage for tenants, integrates the different sections and is energy efficient. "The inspiration behind the design is a little unusual. It is the shape and function of an amoeba. We liked that this microorganism is self-contained and functions independently, and wanted Paradigm Mall to similarly cultivate activity within itself.

"This concept is known as 'fluid architecture'. The overall design also incorporates natural elements. For example, the main atrium allows natural light to enter the mall. The Boulevard is an open-air area where leisure and entertainment activities are held. The curvature of the two annexed towers, which are part of the Paradigm integrated commercial development, creates a natural wind tunnel, making The Boulevard a pleasant dining and leisure venue," says Chong.

PULLING A CROWD

There is a social component to shopping among the younger middle class as they have substantially more buying power than their peers had a generation ago. To provide them with an extraordinary experience, Paradigm Mall focuses on events like celebrity appearances, fashion shows, exhibitions and road shows. At least one major event is held every month.

"Young adults and teens who are eager to meet their idols head to our mall when there is a celebrity appearance. The audience runs well into the thousands and many stay on to shop and dine," says Koh.

In November, the main cast of *Running Man* (South Korea reality gameshow), met thousands of fans at the mall. "Many of them stood for hours waiting for the cast to appear. Another event that had fans queuing was the launch of DiGi's iPhone 6 and iPhone 6 Plus at midnight on Nov 6. The launch of the most desired gadget of the year in Paradigm Mall surely testifies to its inclusion in the list of top malls in the country," says Chong.

In the retail industry, the "Apple effect" refers to the increase in sales productivity of nearly US\$200 (RM668.98) per sq ft between malls with an Apple Store and those without. **E**

In a league of its own

WCT Holdings Bhd has successfully completed more than 350 construction projects, with a collective value of more than RM23 billion, over the past 34 years. The company has kept a low profile, preferring its developments to speak for themselves. Its better-known projects include Bandar Bukit Tinggi in Klang, the Sepang Formula One circuit, the recently opened gateway@klia2, which is based on “an airport with a shopping mall” concept, and its flagship Paradigm Mall in Petaling Jaya.

Through two subsidiaries — WCT Bhd and WCT Land Sdn Bhd — the group offers a diverse portfolio of services, ranging from engineering and construction to property development, investment and management.

“What is different about WCT? It could be that we value humility and respect. This is our culture and it can be seen in our day-to-day activities. It sets the context for what is to be done,” says WCT executive director Choe Kai Keong.

“As builders, we will do what it takes to complete a project, and this will be done in a manner that considers and respects all parties. Even now, the senior management believes in being humble and working hard to keep growing.”

Choe talks about WCT’s Paradigm integrated commercial development in Kelana Jaya, the group’s business philosophy and its plans for the future. The following is an excerpt from the interview.

The Edge: WCT launched The Azure Residences, the residential tower of Paradigm Kelana Jaya, last year. The units are selling at a premium of about RM1,000 per sq ft. Can you describe the salient points of The Azure Residences?

Choe Kai Keong: We saw the need for a high-end residential component within the Paradigm integrated development. The Azure Residences signifies our entry into the luxury high-rise residential market in the Klang Valley.

Traditionally, we are known as a successful township developer with the success of Bukit Tinggi 1, Bukit Tinggi 2 and Bandar Parklands in Klang. Developing Azure Residences in the overall Paradigm development enriches our experience and expertise as well as our promise to deliver more high-end quality homes.

The Azure Residences has many unique selling points. Consider its design and architecture. The building’s external façade has an unusual corporate feel. It is a 30-storey iconic tower, and glazing was extensively used, along with horizontal aluminium transoms, to shade the building from the sun. This makes The Azure Residences look refreshingly different from other residential towers in the city. With the ceiling height glazing in their units, residents will get to enjoy expansive, natural views of the Petaling Jaya skyline.

The Azure Residences is designed with hotel-style opulence and provides all the expected luxuries such as concierge service and a grand reception in the lobby. So the entrance to your abode is always impressive.

The needs of modern urban living have been considered and this residential tower offers the finest features and very best facilities. The 18th floor is called the OasisZone. The recreational facilities here promote tranquillity, joy and well-being among the residents. The space also helps to nurture the community.

There are only 189 serviced apartments [see box], so it is an exclusive low-density residential tower. Each serviced apartment is partially furnished and designed to be versatile so that the space can be converted based on the residents’ needs and preferences.

The units come with built-in kitchen cabinets, a hood and hob, built-in wardrobes in the bedrooms and split unit air-conditioners in the living area, bedrooms and study. A sprinkler system is placed within each unit as an added safety measure.

A unique point about The Azure Residences is its location and accessibility. There is easy access to the Damansara-Puchong Expressway (LDP), New Klang Valley Expressway, Sprint Expressway and Federal Highway. There is also a direct connection to the LDP via a newly built interchange, while bottlenecks are minimised with multiple ingress and egress points.

Paradigm Kelana Jaya is also near the Kelana Jaya LRT station and there is a free shuttle bus service to this station departing every hour, at the shopping mall. Furthermore, the Aerobus hub is located here and buses to/from the Kuala Lumpur International Airport and klia2 are available at one-hour intervals.

Other transport-related services include a valet service, a public bus stand, a public taxi stand and a taxi

stand dedicated solely to MyTeksi users, as well as ample parking space. This makes The Azure Residences suitable for professionals and families that are looking for luxury accommodation in a strategic location; shopping, entertainment and dining outlets without the commute; and an upmarket lifestyle.

What are the benefits of living in a residential tower that is part of an integrated development?

With The Azure Residences and hotel, Paradigm Kelana Jaya is the first four-in-one integrated development in Petaling Jaya, comprising hotel, offices, residences and shopping mall. As part of a world-class integrated development, residents will enjoy the very best of city life. Paradigm Mall offers one million sq ft of shopping space at their doorstep, so they are spoilt for choice in the daily pursuit of their needs and wants.

Paradigm Mall has leading international brands, an impressive nine-screen cinema, an international hypermarket chain and a variety of signature dining outlets. Thus, residents can walk over from their serviced apartment and enjoy a quick manicure, an hour-long massage or a full day of beauty treatments. They can also easily and quickly browse the latest social and fashion trends, catch the latest box-office movies, grab afternoon tea or meet friends for late-night social events. In other words, the full spectrum of lifestyle and entertainment options is just outside their door.

For their security and peace of mind, a comprehensive security system has been put in place. This system extends to car parks, lifts and lobby, as well as access to the units, so residents will feel secure when they shop, live and dine.

As part of an integrated development, The Azure Residences is a good investment proposition as it benefits from being next to a deluxe hotel and corporate office tower. A hotel will complement Paradigm Kelana Jaya with more amenities, restaurants and business services. The availability of a business hotel within this development is in line with the synergistic concept of work, shop, live and play available here.

What has been the take-up rate for The Azure Residences?

Despite the challenging market sentiment, the take-up rate is encouraging at about 60%. There have been many enquiries. We are confident the take-up rate will increase as Paradigm Mall continues to be busy with activities and shoppers.

Can you tell us a bit more about the hotel?

The deluxe business hotel will comprise 318 rooms, located above The Azure Residences. New World Hotels & Resorts, a hotel chain from Hong Kong favoured among business travellers and conference planners, will manage this hotel.

Existing New World Hotels are located in China, Hong Kong, Vietnam and the Philippines. These deluxe business hotels are known to be ‘retreats’ for travellers who want the highest standards of comfort and personalised service. At these hotels, things are done with a refreshing touch of modern oriental hospitality.

The New World Petaling Jaya Hotel in Paradigm Kelana Jaya will open in the third quarter of 2016. As the first deluxe hotel with international facilities in this suburb, we are confident the occupancy rate will be high.

The office tower in Paradigm Kelana Jaya will be ready this year. Are there any confirmed tenants?

The 32-storey corporate office tower is called The Ascent. DKSH Malaysia Sdn Bhd and WCT will house their headquarters here. The occupancy rate was around 30% during our pre-leasing exercise. This is equivalent to 160,000 sq ft that has been tenanted. We are still securing contracts with other multinational corporations that are considering this location.

The total net lettable area is about 520,000 sq ft. It has one of the largest floor plates in Petaling Jaya at around 18,000 sq ft per floor. Available office sizes range from 5,000 to 18,000 sq ft. There is a dedicated underpass for easier access to the building, a prayer room on the 17th floor, executive washrooms and toilets for the disabled on every floor, a variable air-conditioning system that allows the air-conditioner to be controlled on a zone basis, high-speed broadband infrastructure and fibre-optic cables, advanced CCTV surveillance and an intelligent security system with 24-hour security, a smart card access system, a visitor management system, a fire protection system and, of course, convenient access to the ground floor of Paradigm Mall.



An artist’s impression of WCT’s Paradigm integrated commercial development in Kelana Jaya. The Azure Residences, the Ascent corporate tower and a future residential development are currently under construction.

WCT is known for transforming locations that were once considered obscure. Others have tried to do the same, but have not been successful. What are the differentiating factors at WCT’s developments?

Once an opportunity has been identified, we work the numbers through feasibility studies and estimated outcomes based on different formulations. Senior management led by Peter Taing [looks at] the numbers and then we [look at] them again. All this number crunching may be why some people see WCT as a company with a prudent approach. We are extremely careful when making strategic decisions. Calculated risks are taken, but we prefer the foundations of an opportunity to be solid.

When WCT started developing Bandar Bukit Tinggi in Klang in 1997, the location was considered too far away and there was little chance of attracting people to live there. Industry observers wondered what we were doing.

We started building this township during the Asian financial crisis and, like many other companies, our finances suffered during this period. At the time, no one had heard of WCT [in Klang]. It was an unknown company and an unknown brand.

This challenge was dealt with in very much the same way as the previous challenges that were overcome. We stay completely focused on achieving the objective. This is hard work, but it is what the company was built on.

In 18 years, Bandar Bukit Tinggi has turned into one of the fastest growing townships in the Klang Valley. With two hypermarkets — Tesco and Giant — a hotel and commercial towers, it is the commercial and leisure hub of Klang.

We were an unknown property developer then, but we wanted to do it right. Over time, WCT built its reputation by listening to its customers. We continue to fix defects even after the defect liability period of five years has ended. Now, this committed approach is part of the company’s values reflected in our mission statement and brand promise.

Demand for our properties in Bandar Bukit Tinggi remains stable and this is attributed to a mature community with many amenities, much-sought-after residences built within a gated community and favourable

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demographics. To date, about 12,900 homes and 2,300 units of shopoffices have been completed and handed over to the buyers.

The Paradigm integrated commercial development, which includes the popular Paradigm Mall, is another development that turned out more successful than expected. Some had said there were too many shopping malls in close proximity and that it would fail to attract a large number of patrons.

WCT has kept a low profile and its brand is not well known. Can you tell us about this and what the company stands for?

We prefer that the quality of our work speaks for itself, but now we are looking at promoting more brand awareness and our presence in the property market. We are already well known in Klang, and with our flagship Paradigm Mall, more people are getting to know WCT.

WCT's core philosophy is 'building values' and with this approach, our future developments should continue to transform the surrounding area into prime land. An example of how we are committed to investing for the betterment of the community is the traffic improvement scheme around Paradigm Mall.

As responsible builders, we anticipate what the community needs and we incorporate these requirements into our developments. Since traffic was a potential issue around the Paradigm integrated commercial development, management decided to build four access roads to make it easier for our patrons to visit the mall. A budget of RM33 million was allocated to build these roads. The alternative would have been to use the money for something else, maybe a glitzy promotional activity, but the company's value system is focused on meeting the needs of our targeted customers.

At times, this approach will affect how much returns are made. During the planning stage, one proposal was to develop seven corporate towers within the integrated development. This would have maximised the net lettable area, thus increasing the returns that can be made. But we felt this was not the best decision for the community living in Kelana Jaya. The area would become overbuilt and would lead to increased traffic and other issues. The decision was made to scale down to the three towers that are currently being constructed.

WCT is very community-centric. This reflects humility and respect — values that are important to the company. When we started building Paradigm Mall, we had more than 50 discussions with the residents' association. We wanted to hear their concerns and also wanted to keep them informed about what we were doing. At the

start, they were very concerned that our construction work would cause the area to flood. In response, we upgraded the drainage system and there hasn't been any flooding since.

Before we could begin building, we had to clear the land. The mall sits on what used to be a rubbish dump and the soil was very dirty and soft. It took us nearly two years to dig deep to clear the rubbish and secure the foundation. Then, observers were asking why it was taking WCT such a long time to start construction. They couldn't see the amount of effort it took to dig underground and remove the rubbish.

Paradigm Mall was launched in 2012 and attracted 16 million visitors in 2013. As a shopping mall operator, we have continued to engage with the residents' association and ensure that it is informed if an activity takes place at the mall, especially at night.

What's next for the company?

WCT got its start in earthworks and has moved up the construction value chain to compete in the industry. We have expanded the company's capabilities to survive and have built highways, airports, dams, F1 circuits [Sepang, Bahrain and Abu Dhabi], townships, and commercial and residential properties.

The plan is to keep on growing as a company. A key focus is integrated commercial developments that are anchored by shopping malls. Property investment and management will provide recurring income for the company. We want to build on the Paradigm brand and have plans for another two Paradigm integrated commercial developments — in Johor Baru and Overseas Union Garden (OUG), Kuala Lumpur.

Paradigm Johor Baru is on a 12.4-acre freehold tract in Jalan Skudai. This integrated development includes a nine-storey shopping mall with multi-level car park, 22-storey serviced apartments and a 18-storey hotel. The mall is targeted for launch in the second half of 2016. Paradigm Mall OUG is part of a RM4 billion mixed-use development on an estimated 60-acre site. It is targeted for launch a year after Paradigm Mall Johor Baru.

What will continue in the future is our strict financial discipline and prudent cash flow management. We will still be careful when choosing projects and aim to pick those that fit our strengths.

Of course, the values of the company will continue to be practised and shared. There is a lot of hard work and challenges ahead, but this is not new to us. In fact, it is the foundation of WCT's success. Everyone in the company is very excited and committed towards driving the company even further in the years ahead. **E**



THE AZURE RESIDENCES

Paradigm Mall is part of a 14-acre dynamic integrated mixed-use commercial development. Besides the mall, there is an office tower; two residential towers, one of which incorporates a hotel; a multi-storey car park and a banquet hall.

The Azure Residences are serviced apartments in this RM1.8 billion development by Jelas Puri Sdn Bhd, a 30:70 joint venture between the Employees Provident Fund and WCT Land Sdn Bhd. To be launched in September, they are located above the deluxe business hotel.

The overall design concept is modern, urban hotel-style living. The units come with opulent fixtures and fittings. Prices range from RM788,000 to RM1,973,080.

"Azure is the colour of the clear blue sky. The Azure Residences were inspired by the reflection of summer skies over crystal-clear water. These serviced apartments are unique because they are part of the Paradigm integrated commercial development in Kelana Jaya. Accessibility is a unique selling point for The Azure Residences. There are four ingress and egress points which regulate the flow of traffic to and from Paradigm. This reduces the chances of a traffic pile-up despite the busy activity in the area. The Azure has its own multi-storey car park for residents and visitors," says Koh Boon Teng, general manager for sales and marketing at WCT Land.

A unique advantage of The Azure Residences is its location next to Paradigm Mall. "All the outlets, restaurants and entertainment outlets are at their doorstep. Residents can walk to the mall quickly and enjoy the complete Paradigm experience. This is ideal for modern families who want the dazzle of hotel-style living with hotel-like facilities, quick and easy access to retail shops and

dining and entertainment outlets, and a refreshing environment. This is where grandness meets comfort," says Koh.

There is also a shuttle bus that connects Paradigm Mall with the Kelana Jaya LRT station and an aerobus service to KLIA and klia2. It is about 1.5km from the New Klang Valley Expressway (NKVE), 1.2km from the Federal Highway and 1.8km from the Kelana Jaya LRT Station.

Residents, meanwhile, can enjoy a number of features. "There is a grand reception area in the lobby, a concierge and what we call the Oasis Zone on the 18th floor, which houses facilities such as a swimming pool, reading and relaxation areas, a playground, Jacuzzi, gymnasium and meeting room. At this high level, the view of Petaling Jaya is amazing," says Koh.

Since safety and security is a rising concern, CCTV surveillance cameras are available on every floor and in lifts, while units are secured with a card-access system and guards are stationed at the entrance to the lobby and the car park.

WCT Land is the property development and investment and management division of WCT Holdings Bhd, a listed company. WCT Land is known as a capable and efficient developer, having delivered more than 15,000 units of residential and commercial properties amounting to a gross development value of RM4 billion.

The Azure Residences has 189 serviced apartments, from Level 5 to Level 17. There are 14 to 16 units on each floor. These are the types and sizes available:

- 30 Type A units (2 bedrooms), ranging from 1,061 to 1,181 sq ft;
- 50 Type B units (1+1 Bedroom), ranging from 756 to 790 sq ft;
- 50 Type C units (1+1 Bedroom), ranging from 945 to 959 sq ft;
- 25 Type D units (1+1 Bedroom), at 1,004 or 1,005 sq ft;
- 14 Type E units (1+2 Bedroom), at 1,172 or 1,240 sq ft;
- 10 Type G units (3+1 Bedrooms), at 1,677 or 1,678 sq ft; and
- 10 Type H units (3+1 Bedrooms), at 1,809 or 1,815 sq ft.

Notable tenants at Paradigm Mall Kelana Jaya

- | | | |
|--------------------------|-----------------------------|--------------------------------|
| 1. Tesco | 13. Poh Kong | 24. Fish & Co |
| 2. Harvey Norman | 14. Kaisan | 25. Plan B |
| 3. H&M | 15. Daiso Japan | 26. Spaghetti Grill |
| 4. Golden Screen Cinema | 16. Fitness First | 27. TGI Fridays |
| 5. Mac Studio | 17. Heritage Village | 28. Komugi Cafe |
| 6. Marks & Spencer | 18. Penang Road Famous | 29. Sushi Zanmai |
| 7. Uniqlo | Teochew Chendul | 30. Fa-Ying by Rama V |
| 8. Brands Outlet | 19. See U Village Steamboat | 31. Paradise Dynasty |
| 9. Zara | 20. Serai | 32. Purple Cane Tea Restaurant |
| 10. Padini Concept Store | 21. Uncle 'K' | 33. Seoul Garden |
| 11. Sephora | 22. Chili's Grill & Bar | 34. The Loaf |
| 12. Popular | 23. D'Italiane | |



Enhancing property values in Kelana Jaya

Prices can be quite telling. After Paradigm Mall opened its doors in May 2012, the price of homes in Kelana Jaya surged. This was especially evident among the residential developments nearby. Condominiums behind Paradigm Mall have seen prices go up 18.5% to 73.7% in the past two years (see table).

"Paradigm Mall was clearly a catalyst in propelling property prices. Prices were already going up and Paradigm Mall accelerated the increment. I think the jump in price for all types of property was about 20%," says James Tan, a partner at Raine & Horne International Zaki + Partners Sdn Bhd. According to his data, prices of apartments, terraced houses and bungalows in Kelana Jaya were flattish before 2010. But from 2010, prices saw a steep increase. This applied to all property types in all of Kelana Jaya's districts — SS3, SS4, SS5, SS6 and SS7 — as well as in neighbouring areas (see charts).

Property prices are generally determined by demand and supply. A property's physical characteristics, such as its look and feel, does impact its value but these factors are not as important as its location. Kelana Jaya is part of Petaling Jaya, a satellite town — some prefer to call it a metropolitan city — which has seen sustained demand for properties in the past decade, largely due to its prime location between Kuala Lumpur and Subang Jaya, Puchong, Shah Alam and Klang.

According to the Department of Statistics, the total population of Petaling Jaya, a 97 sq km area, was 613,977 in 2010. This number is believed to have increased to about 700,000, with about two million people from other parts of the Klang Valley passing through every week day in 2013.

But demand is rarely uniform and some districts have received even more attention from property buyers and developers. Property prices in Bandar Utama — one

of the more popular townships in Petaling Jaya and home to 1 Utama Shopping Centre, the largest mall in the country — demand a premium and are constantly trending up. A 2-storey terraced house, which sold for about RM180,000 in the early 1990s, costs more than RM1 million now.

Kelana Jaya is a quieter neighbourhood with a mix of upmarket bungalows, semi-detached homes, 1-storey and 2-storey houses and a number of high-density condominiums. There are public parks and lakes, but before Paradigm Mall was constructed, there wasn't a major landmark or attraction that pulled the crowds. Many passed through the town via the main highway, Lebuhraya Damansara-Puchong (LDP) or to use the light rail transit at the Kelana Jaya LRT station.

The status quo changed with Paradigm Mall. Its retail brands, dining options, cinema and fitness centre were suddenly a compelling reason to spend a few

Paradigm Mall transformed a dumpsite into a buzzing hot spot and an iconic venue for Kelana Jaya. The residential tower (under construction) sets a new benchmark for property prices in this neighbourhood.

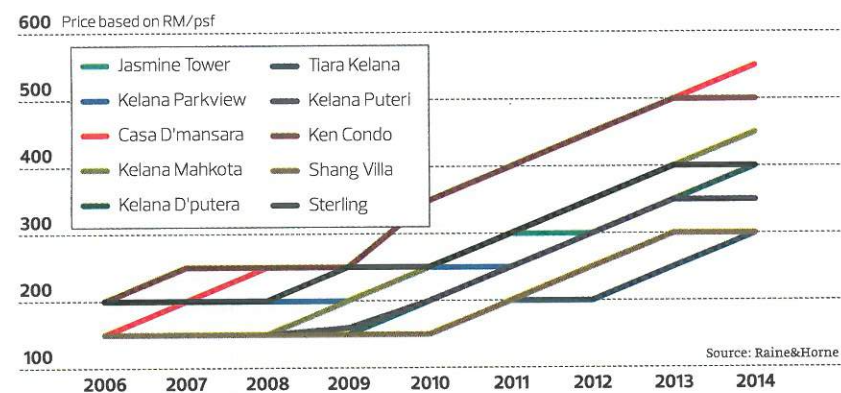
SOURCE: WCT LAND

RISING VALUES IN KELANA JAYA

DEVELOPMENT	2012 (RM PSF)	2014* (RM PSF)	INCREASED BY (%)
Sterling@PJ Condo	420	530	42.9
Zenith Residences	540	640	18.5
Kelana Putra/Putri	262	455	73.7
Kelana Mahkota	413	520	25.9
Tiara Kelana	365	440	20.5

*As at October

CHART 1: INCREASE IN PRICE OF RESIDENTIAL CONDOMINIUMS/APARTMENTS AROUND KELANA JAYA



“ The landscape in Kelana Jaya has changed. Now it is buzzing and more happening > TOH ”

“ There is quite a big Giant hypermarket in Kelana Jaya, just opposite Paradigm Mall. It opened before 2012, but it did not push property prices up the same way Paradigm Mall did. > TAN ”



CHART 2: INCREASE IN PRICE OF BUNGALOWS IN AND AROUND KELANA JAYA

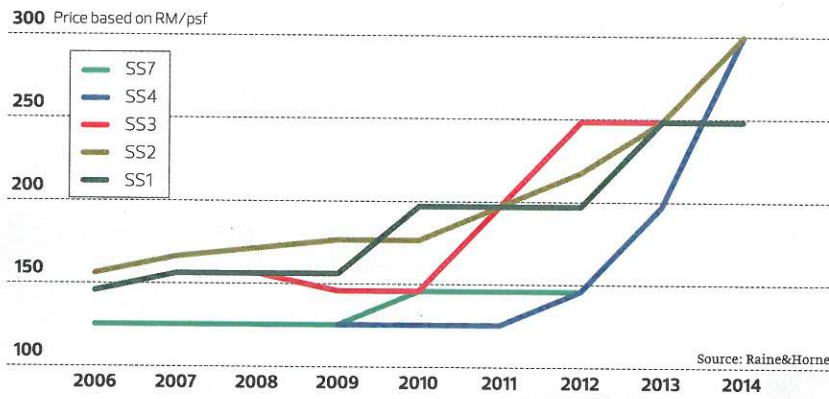


CHART 3: INCREASE IN PRICE OF 1-STOREY TERRACED HOUSES IN AND AROUND KELANA JAYA

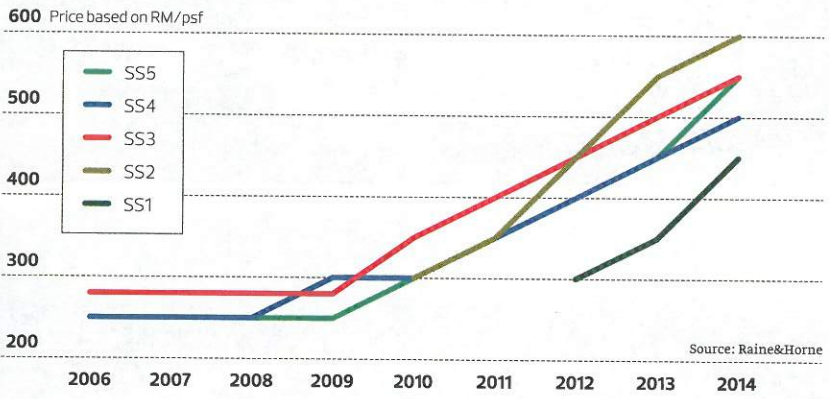


CHART 4: INCREASE IN PRICE OF 2-STOREY TERRACED HOUSES IN AND AROUND KELANA JAYA

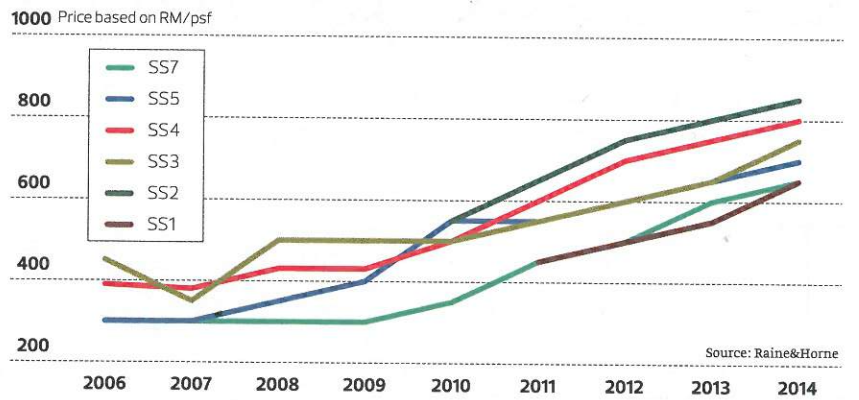


CHART 5: INCREASE IN PRICE OF 1-STOREY SEMI-DETACHED HOUSES IN AND AROUND KELANA JAYA

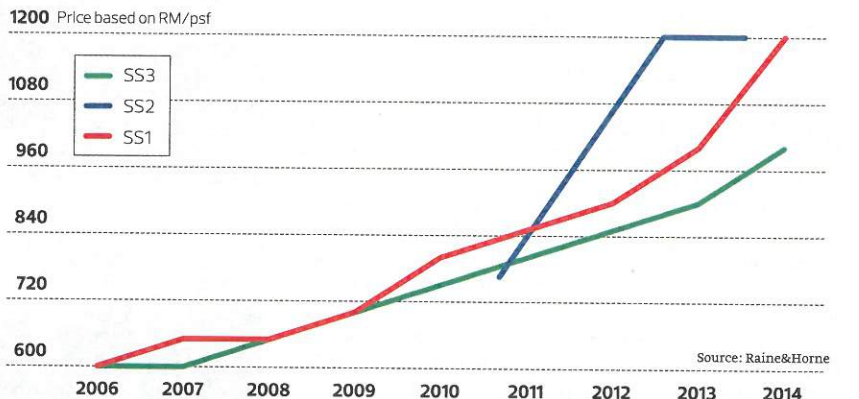
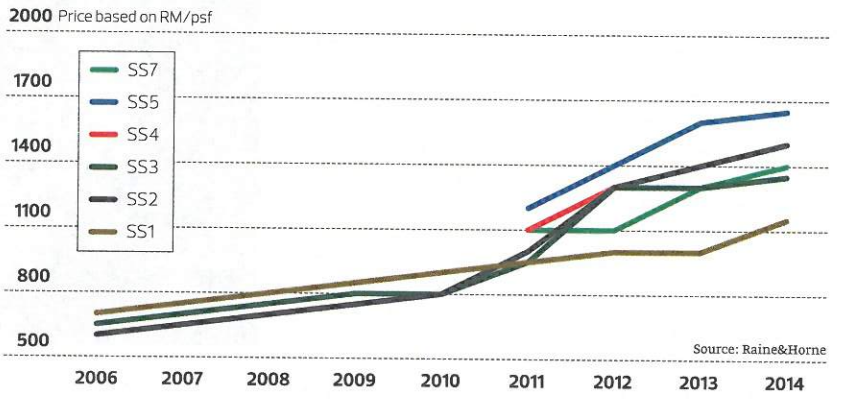


CHART 6: INCREASE IN PRICE OF 2-STOREY SEMI-DETACHED HOUSES IN AND AROUND KELANA JAYA



hours in Kelana Jaya. "Before Paradigm Mall, residents would go to Sunway Pyramid, Tropicana City Mall or 1 Utama for shopping or dining. Now they don't have to. Younger adults are also coming here. They like the events and activities held at the mall," says Tan.

Another sign that Paradigm Mall has boosted property values can be seen in the price per sq ft (psf) of new launches in Petaling Jaya. The Azure Residences, part of the RM1.8 billion integrated commercial development which includes Paradigm Mall, was launched at an average price of RM1,000 psf last September. Another integrated development located further down the LDP is Icon City PJ by Mah Sing Group Bhd. It has an average price of RM860 psf. This is also the average price in Pacific Star @ Section 13, another retail mall and serviced residence development in Petaling Jaya.

The Potpourri in Ara Damansara and The Hub @ SS2 have an average price of RM900 psf and RM970 psf respectively, while Cyperus Serviced Residences in Kota Damansara has the highest price of RM1,300 psf.

CHANGING TRENDS

Shopping centres have a unique influence on housing prices. The benefits associated with the close proximity to a concentrated variety of retail stores and restaurants are arguably offset by increased levels of traffic, noise pollution and crime. However, studies have found that prices of residential properties near shopping centres tend to command a premium. This was seen in Singapore and the US. Furthermore, house prices tend to increase as their distance to the retail centre decreases.

"Shopping centres, as an externality, simultaneously exert both attractive and repulsive effects which can impact a household's location choice. It is attractive when it provides convenience to the residents (such as savings in travel time) in close proximity to it. It becomes a negative externality when it generates too much traffic, noise and pollution that disturb the peace and tranquillity expected by residents," according to a study titled *Shopping Centres and the Price of Proximate Residential Properties* by the National University of Singapore's Department of Real Estate.

This situation could be driven by a shift in consumers' shopping habits in recent years. One trend is described as "Destination versus Convenience" in the Knight Frank Malaysia Real Estate Highlights 1H2014 report.

"Most consumers expect their shopping experience to be of a certain standard, yet affordable for their income range. With heightened competition on the horizon, shopping centres are reinventing themselves into multi-dimensional retail and lifestyle destinations to attract consumers," says the report.

Knight Frank also found a trend of decreasing volume of local shopper traffic in Kuala Lumpur and attributed this to the proliferation of international and regional brands in suburban malls. These malls are more reachable and convenient for shoppers and this heightens the need for them to differentiate themselves to draw the crowds.

"There is quite a big Giant hypermarket in Kelana Jaya, just opposite Paradigm Mall. It opened before 2012, but it did not push property prices up the same way Paradigm Mall did. I think this is probably because it is not a lifestyle centre. People would prefer to go to a lifestyle centre," says Tan.

Paradigm Mall is designed to be a lifestyle hub as well as a neighbourhood mall. The developer, WCT Land Sdn Bhd, wanted to build a shopping mall that would also act as a community hub. The land was initially a dumpsite and appeared to lack potential even though it was very well located.

To ensure a paradigm shift would take place, WCT Land focused on the look, feel and build quality of this mall. As a result, it is easily accessible and recognisable. Since its launch, many bloggers have commented on the aesthetics, often drawing similarities between its external frontage and a brown Louis Vuitton handbag.

"Besides the build quality and design, there are two reasons why Paradigm Mall has managed to draw the crowds. Firstly, it is well located — it faces a highway and this gives it a lot of visibility. The other reason is its tenancy rate. Paradigm Mall opened with full occupancy and this continues to this day. The malls that don't do well are usually those that open without full tenancy," observes Tan.

As noted in Knight Frank's report, it is the prime and established shopping centres in the Klang Valley that enjoy good occupancy (> 90%). This includes Suria KLCC, Pavilion Kuala Lumpur, Mid Valley Megamall, The Gardens Mall, Sunway Pyramid, 1 Utama Shopping Centre, Empire Shopping Gallery, Subang Parade, The Mines, Setia City Mall and Paradigm Mall.

"Paradigm Mall created a buzz in Kelana Jaya. Now other developers are looking to develop spots of land there. Mah Sing Group Bhd is constructing an integrated development called Icon City at the end of the LDP. Crest Builder Holdings Bhd, together with Syarikat Prasarana Negara Bhd, recently won a bid to develop the vacant land around Kelana Jaya LRT Station. This project with a gross built-up area of one million sq ft has yet to be named, but it will be a combination of residential and office properties. The landscape in Kelana Jaya has changed. Now it is buzzing and more happening," says Stanley Toh, director of Laureicap Sdn Bhd.

He adds that shopping malls do not always increase

property prices in a neighbourhood. "The mall needs good exposure to attract visitors. Paradigm Mall, 1 Utama and Sunway Pyramid all face very busy roads and are all doing very well. If the mall is hidden, people don't even know it is there. Properties do not benefit from being near an empty mall or a very quiet one. Of course, the location could be highly sought after, in which case prices will trend up but the increase is not due to its proximity to an unpopular mall," says Toh.

OUTLOOK

Cooling measures implemented by Bank Negara Malaysia to stem speculative property purchases dampened activities in both the primary and secondary markets in the first half of the year. Observers cite fewer previews and launches during this period as buyers adopt a wait-and-see approach. Sales of new launches were highly dependent on location, product, pricing and other key factors.

"Despite a lower volume of transactions, prices continued to hold firm in the secondary market. Demand is still there and upcoming supply, although there are a few new projects, is limited. This is because there is no more land to develop in Kelana Jaya. Every empty plot that can be used already has a building or will soon have a building on it," observes Tan.

Tan and Toh expect the prices of properties in Kelana Jaya, like the rest of Petaling Jaya, to continue to trend up in the foreseeable future. "But it won't be as exciting as in the past two years. You won't lose money, but the incremental gains will not be as much as before. Even if demand slows down and new properties are launched, developers cannot reduce prices since the price of land is already much higher and the Goods and Services Tax will push the price of raw materials up next year. I expect the secondary market to be slower, less active, next year but prices will not fall," says Toh.

On solid ground

These places were not even on the radar screens of property investors, but WCT saw their potential. Today, south Klang and Kelana Jaya have been transformed into thriving suburban hubs.

The property market has started to slow down and, like other developers, WCT Holdings Bhd has had to revise its sales target for this year.

According to the Property Industry Survey conducted by the Real Estate and Housing Developers' Association Malaysia (Rehda), properties in the affordable range (less than RM1 million) were not selling well in the first half of the year.

During the period, there were 9% more condominiums on sale than in the previous six months, but there were 4% fewer homebuyers in the market. Even Selangor — a property hot spot — was affected, with about 31% of the properties in the RM500,000 to RM1 million category unsold.

This was largely attributed to the tighter measures implemented by Bank Negara Malaysia to reinforce responsible lending practices and mitigate surging household debt. Many of the measures, including preventing banks from offering financing via the developer interest-bearing scheme (DIBS) and using the net selling price of a property as a benchmark in a loan application, which raises the amount buyers need to pay upfront, has made it harder for prospective homebuyers to obtain a loan. A glut of unreleased bumiputera lots and the Real Property Gains Tax (RPGT) of 30% imposed on properties disposed of within three years of acquisition have further damped the once-buoyant property market.

With property developers announcing lower-than-expected results, analysts have been busy revising earnings estimates and profit forecasts every quarter this year. With weak market sentiment affecting property companies, the focus now is on valuations. This brings about an unfortunate situation — companies with a resilient share price could see themselves downgraded even if their fundamentals remain intact.

After announcing its financial results for the third quarter, WCT received a mix of "buy", "hold" and "sell" calls on its stock. Analysts point to the slower sales of its properties, an order book (of future work) that is replenishing slowly and stiffer competition in the industry.

However, they add that these are short-term challenges and the company remains fundamentally strong with a management team that proactively looks at ways to diversify its revenue and to keep growing despite the weak external environment.

Indeed, WCT is known for its resilience, having bounced back from many down cycles over the last 34 years. Meeting challenges, defraying criticism and succeeding on the back of sheer hard work is part of its history. When the company decided to venture into property development in the mid-1990s, many questioned its decision to build in south Klang, an area that was once considered remote and quiet, and the price paid for the land — at RM500,000 an acre — was thought to be expensive.

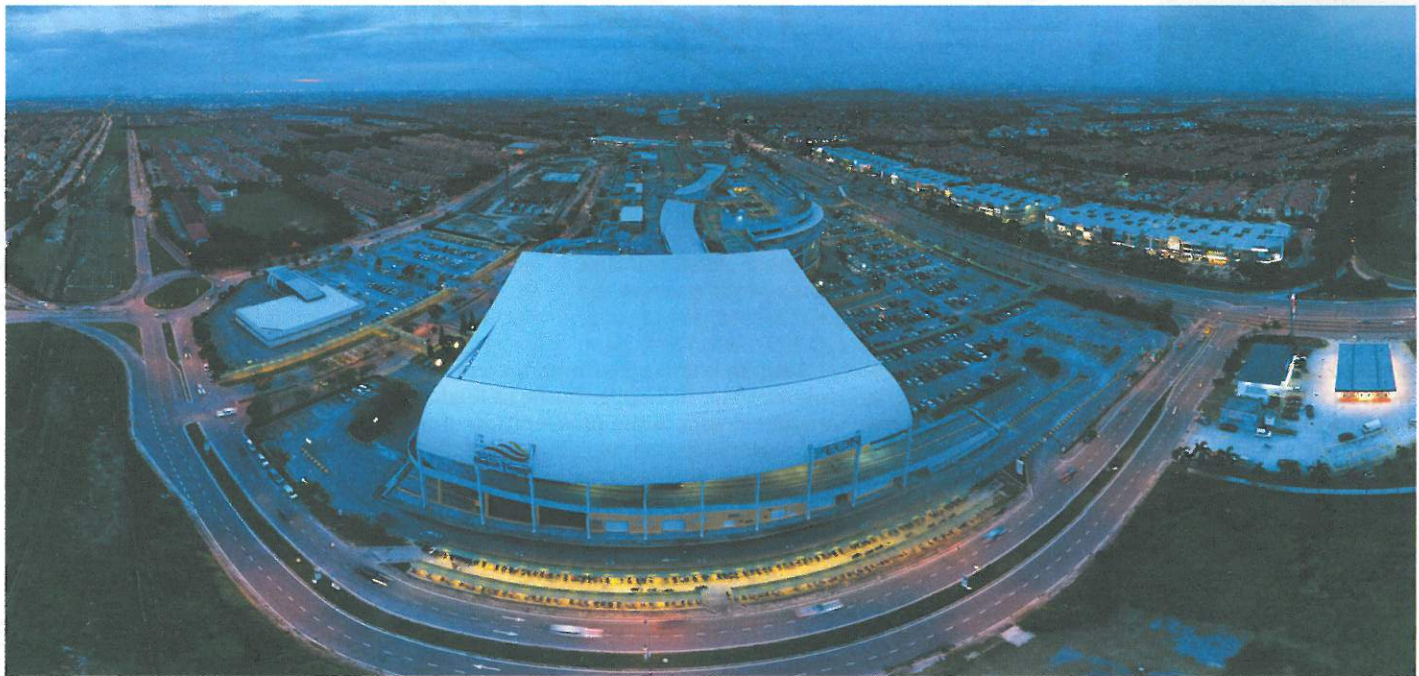
Furthermore, WCT started building the first phase of its integrated township, called Bandar Bukit Tinggi, just before the Asian financial crisis hit in 1997. This was an extremely challenging period when cash flow was tight, demand was non-existent and the outlook was bleak.

As an unknown and unproven property developer, WCT initially found it difficult to sell the houses in its township. But the situation was not deemed insurmountable. After all, the company had already survived, even prospered, during tough periods, with its humble beginnings as a six-man company specialising in earthworks back in 1981.

Starting a small company in the competitive construction industry has its share of challenges. WCT's history book talks of bidding for projects in remote locations where competition was less intense, working extremely hard to meet impossibly tight deadlines and of difficult days without pay when cash flow dried up.

One of the four founders, Peter Taing, is at the helm as managing director. He and other senior management personnel that have been with the company for two decades are still making key decisions. They are why, analysts concur, the company is well managed, experienced and capable.

By going the extra mile to deliver quality workmanship and a well-planned township complete with amenities and accessible roads, demand for homes in Bandar Bukit Tinggi took off. WCT then added two more phases — Bandar Bukit Tinggi 2 and Bandar Parklands. When these developments were completed and sold, Bandar Bukit Tinggi was recognised for transforming south Klang and putting it on the map.



When a township establishes and matures, land and property values move up. Property values in and around Bandar Bukit Tinggi have appreciated significantly. The market value of a 2-storey link house in Taman Sri Andalas, a residential area near Bandar Bukit Tinggi, was about RM150,000 in 1995. The current market value for a 2-storey link house in Bandar Bukit Tinggi 1 (measuring 20ft x 70ft) is about RM550,000, while a 2-storey link house in Bandar Bukit Tinggi 2 (measuring 24ft x 75ft) is about RM800,000.

There isn't any information on the number of people living in Bandar Bukit Tinggi before it was developed, as the area was largely oil palm plantations. Now, there are an estimated 65,000 people living in this fast-growing commercial and leisure hub.

WCT, via Bandar Bukit Tinggi, has played a key role in changing the landscape in Klang. Not surprisingly, many other developments have mushroomed in the vicinity.

In 2006, WCT embarked on another project that also initially raised eyebrows but eventually successfully transformed the surrounding land. This is the RM1.8 billion Paradigm integrated commercial development in Kelana Jaya, which is anchored by Paradigm Mall.

Building another shopping mall in Petaling Jaya was a questionable venture at the beginning. There were already large, successful shopping centres nearby. There were also malls that opened within the vicinity that failed to attract visitors. At the time, analysts also had mixed views about WCT's undertaking.

The company managed to surprise critics yet again when Paradigm Mall opened in May 2012. From day one, crowds flocked through the doors. It continues to be popular, with a current tenancy rate of 97% and events planned every month to entertain visitors. Its attractive brown façade that faces the Lebuhraya Damansara-Puchong, a highway which cuts through this district, is a recognisable landmark for Kelana Jaya today. Property consultants talk about Paradigm Mall propelling the township onto the list of desired locations for homebuyers.

As in Bandar Bukit Tinggi, property values around

WCT's projects include (clockwise from top): the Yas Marina Circuit in Abu Dhabi; d'Banyan Residency@Sutera, luxurious resort-style homes in Kota Kinabalu, Sabah; and Bandar Bukit Tinggi, Klang, which used to be an oil palm plantation

Right: WCT's klia2 worksite



Paradigm Mall have increased significantly (see story on page 6). The Azure Residences, the residential component of this integrated development, was launched last September. Its launch value of about RM1,000 per sq ft sets a new benchmark for upcoming high-rise residences in Kelana Jaya.

Having succeeded twice despite the odds, WCT continues to go from strength to strength and is prepared to traverse and grow in a soft property market. There is already talk about establishing a real estate investment trust (REIT) for its shopping malls. In addition to Paradigm Mall in Kelana Jaya, it has a shopping mall in Bandar Bukit Tinggi and owns 70% of gateway@klia2, with a total property value of more than RM2 billion according to Kenanga Research. With the same tenacity, hard work and foresight, the long-term outlook for WCT is bright. **E**