

DATE	8 / 5 / 2015	SECTION	NATION
PAGE	4	COLUMN	

Tabung Haji defends decision to buy TRX land from 1MDB

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KUALA LUMPUR: Lembaga Tabung Haji is buying the plot of land in the Tun Razak Exchange (TRX) from 1Malaysia Development Bhd (1MDB) at a discount of about 3% from the fair value of the real estate assessed by an independent valuation firm.

Tabung Haji defended its decision to purchase the land, saying it was forking out RM188.5mil for the 1.6 acre (0.64ha) parcel while its fair value was RM194mil.

The fund's deputy chief executive officer Datuk Johan Abdullah said the decision to buy the land went through the fund's "usual and strict investment processes" involving its own valuation committee, the board, external independent valuation firms and brought up to the ministry.

"When negotiations started early this year, it was offered by 1MDB at over RM200mil," he said.

Tabung Haji is buying the land at RM2,773 per sq foot and it comes with a plot ratio 10.47 times, which means that the parcel of land can be developed with a floor area of more

than 10 times the size of the land.

Land transactions in the city centre area close to KLCC are being done at RM3,000 psf. However, those are mature pieces of land with infrastructure in place and within walking distance of the iconic twin towers.

As for TRX, the infrastructure is still in progress and development in the area of 70 acres (28ha) is expected to go on for another 10 to 15 years.

1MDB paid RM194.1mil for the entire 28ha, according to the company's 2011 annual report.

Johan said that as part of the condition for the purchase, 1MDB

would undertake to build "state of the art" infrastructure.

"If the conditions are not fulfilled, we have the right to walk away from the deal," he said.

Tabung Haji plans to build high-end residential property on the parcel of land that will be completed within three years.

Tabung Haji's property arm, TH Property Sdn Bhd, will undertake the development of the property.

"We want to be part of the development as well but with the right and optimal value to match our risk appetite," he said.

Tabung Haji expects a return of 27% from its investment in the parcel of land in the first three years, which works out to 9% per annum. The returns exceed the investment fund's risk-return threshold of at least 6%.

Johan said the proposal to buy the Signature Tower, another parcel within TRX, was rejected because it did not meet the risk-return requirements of the fund.

Watch the video
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