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HD SP Setia's new Aussie land to boost overseas sales  
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LP **SP Setia Bhd's prospects have been brightened by its new land purchase in Melbourne, Australia, analysts said.**

**The land, measuring 1.02 acres and acquired for A\$101 million (US\$75.75 million), is the property developer's fifth acquisition in the country.**

**TD It was won through a bidding exercise from Telstra, an Australian telecommunications company.**

Public Investment Bank Research said the estimated gross development value (GDV) of A\$640 million and land cost of about 16 per cent of the total GDV were fair, given the site location and shorter time frame needed to launch the project.

"We understand that the land is the largest east-end CBD development site in Melbourne to be sold in over a decade. The demand for the project should be good, judging from its successful previous launches in Australia.

"Also, this project will be substantially bigger than its remaining two sites and hence, could provide potential sales boost from overseas next year," the research house said, giving the stock an "outperform" call with a target price of 3.85 ringgit (97 US cents) with 20 per cent discount to revalued net asset valuation.

The new piece of land will be developed as a mixed development with an estimated gross development value (GDV) of A\$640 million, slated to be launched by the second half of 2017.

Positioned in the upper east-end of Melbourne CBD, on the corner of La Trobe Street and Exhibition Street, the site featured 160 acres green frontage of Unesco World Heritage listed Carlton Gardens and Royal Exhibition Centre, a vibrant Chinatown precinct, the historic Greek precinct as well as Melbourne's Little Italy known as Lygon St.

Neighbouring communities included the Parliament House, Melbourne University, RMIT and several hospitals as well as nearby amenities such as rails, trams, bus routes and freeways.

SP Setia intended on transforming the land into a development with a "combination of multi-level retail, prime A-grade office space and luxurious apartment towers".

With the developer's gross cash pile of 3.8 billion ringgit and net gearing of 0.18x, Public Investment Bank Research believes SP Setia could finance the deal easily.

"All told, we still favour SP Setia for its sizable and well located landbank, consistent performance, good earnings visibility and decent dividend yield," the research house said.As of Dec 31, 2015, the group has 27 ongoing projects, with an effective stake of 3,907 acres in undeveloped land bank remaining and RM70.6bil in GDV.

On Tuesday, shares of SP Setia closed down three sen at 3.19 ringgit with over one million shares changing hands.

The stock has fallen from a recent high of 3.31 ringgit on April 20.

(US\$1 = AS\$1.33; US\$1 = 3.98 ringgit)

CO spsmal : SP Setia Bhd

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