

From scepticism to excitement

Property developers and buyers, both local and foreign, are making a beeline for Iskandar Malaysia seven years after its launch. Once viewed with scepticism, the tipping point came last year, with the completion of catalytic projects and basic infrastructure works. More catalytic projects are in the pipeline. This, coupled with warmer ties with Singapore, has turned initial investor scepticism into excitement. New property developments, large and small, are being launched and planned in Iskandar, attracting investors from across the region. To ensure long-term sustainability of this region, property players say it's crucial that the next stage of Iskandar's growth focuses on ramping up economic activities, increasing employment and improving the overall infrastructure.

BY SREEREMA BANOO

The excitement level in Iskandar Malaysia appears to be hitting a fever pitch — more catalytic projects, from theme parks to medical and educational institutions, are being planned, more local and foreign property developers are flocking to this region, some making their maiden appearance in Johor and some hailing from as far away as China, and investor interest seems to be at an all-time high.

In the words of one property watcher, Iskandar is experiencing a quantum leap in terms of development activities never before seen in Johor.

The much talked about “tipping point” came as predicted last year with the completion of key catalytic projects. Many analysts believe that critical mass has been achieved through the completion of these infrastructure and real estate projects, which include the Johor State New Administrative Centre in Kota Iskandar, Legoland Malaysia, Hello Kitty Town, Johor Premium Outlets, Newcastle Medicine University Malaysia and Marlborough College.

The completion of the new highways such as the New Coastal Highway, the Eastern Dispersal Link Expressway and the Senai-Pasir Gudang-Desaru Highway also boosted investors' confidence.

In the second quarter of 2013 (2Q2013), Iskandar received new investments worth RM7.56 billion, bringing cumulative investments to RM118.93 billion as at June 30. Of this, property development contributed RM45.18 billion and manufacturing, RM43.42 billion.

“We are excited to see Iskandar taking shape and meeting the expectations of not only foreign investors but local players as well. We can see local investments are steadily increasing every year,” Johor Menteri Besar Datuk Seri Mohamed Khaled Nordin, who is Iskandar Regional Development Authority (IRDA) co-chairman, said in July.

Developers, too, are displaying similar optimism. “We are very excited. The tipping point has materialised as we predicted and the numbers speak for themselves,” says UEM Sunrise Bhd managing director/CEO Datuk Wan Abdullah Wan Ibrahim. UEM Sunrise, the master developer of Nusajaya, one of the five flagship zones in Iskandar, is planning close to RM10 billion worth of new projects for 2013 and 2014. These include CS1@Puteri Harbour, D'Estuary@Puteri Harbour and Emerald Bay.

Mah Sing Group Bhd, whose latest project in Iskandar is Meridin@Medini, also has its hands full. “We have enough to keep us busy, with remaining gross development value (GDV) of RM6.4 billion, and RM276 million in unbilled sales,” says COO James Bruyns.

With three landbanks totalling 1,860 acres — located in Medini (672 acres), Pendas region (1,100 acres) and JB (88 acres) — Sunway Bhd, a relative newcomer to the Iskandar property scene, is excited about its upcoming projects.

The group recently launched the 88-acre Lenang

Heights, and is planning the first launch at its Medini land late this year. Boasting GDV of RM300 million, the first launch will offer serviced residences and retail and commercial units, says joint MD Sarena Cheah.

INVESTOR INTEREST AT ITS PEAK

Three times the size of Singapore and twice that of Hong Kong, Iskandar — previously known as the Iskandar Development Region — covers the southern part of Johor from the Senai International Airport, to the eastern and western coastal areas, including the state capital, Johor Baru.

Measuring 2,217 sq km, the region comprises five flagship zones. Flagship A consists of JB Central Business District, JB Conservation and Heritage Zone and Danga Bay. Nusajaya, comprising Kota Iskandar, EduCity and Medini, makes up zone B, and Port of Tanjung Pelepas and the Free Trade Zone covers zone C. Zone D covers the industrial and manufacturing hub, including Pasir Gudang Port, Pasir Gudang Industrial Park, Tanjung Langsat Port and Tanjung Langsat industrial complex, and zone E, the Senai-Skudai area (see map on Page 40).

Launched in 2006, the region initially received lukewarm response, with sceptics questioning its long-term prospects. Across the Causeway, many didn't think Iskandar had much chance of success. But that changed in 2010 — with the thawing of relations between the governments of Malaysia and Singapore.

2010 saw the settlement of the Points of Agreement between Malaysia and Singapore — resolving 20-year-old land and water disputes between the two countries. Both countries are also committed to jointly developing projects in Iskandar and Singapore through their state-owned investment companies, Khazanah and Temasek Holdings.

In Iskandar, Khazanah and Temasek are jointly developing a wellness-themed integrated development in Medini. The first launch, in June, was met with resounding success — all 147 units of Afiniti Residences, pegged from RM850 to RM1,000 psf, were snapped up.

With the warming of relations between Malaysia and Singapore, observers say investor interest in Iskandar is now at its peak.

In February, Singapore's CapitaLand Group inked a deal to jointly develop an RM8.1 billion waterfront township in Danga Bay. The agreement, between CapitaLand, Temasek Holdings and Iskandar Waterfront Holdings, marks CapitaLand's first direct large-scale township investment and development in Malaysia. In addition, The Ascott Ltd (Ascott) has been awarded a contract to manage its second serviced residence in Iskandar. The 310-unit Somerset Medini Iskandar will be Ascott's largest property in Malaysia when it opens in late 2015.

Other large-scale Singaporean investors are also sharing their government's optimism in the economic corridor. In October last year, Ascendas Land entered into a joint venture with UEM Sunrise to develop an



integrated eco-friendly technology park in Nusajaya. In December, FASTrack Autosports Pte Ltd, a company controlled by Singapore billionaire Peter Lim entered into a joint venture with UEM Sunrise to develop the RM3.5 billion Motorsports City.

Even fund managers and analysts are revising their earlier scepticism to optimism. CIMB Research, in an extensive report on Iskandar, is bullish on the growth corridor. It warmed up on the region six years ago when it visited Johor.

Genting Plantations president and COO Yong Chee Kong says fund managers and analysts who track the company are showing a greater interest in its property development. “In the last two years, many are asking for more than just visits to our estates...they want to see the new property offerings and industrial parks,” says Yong.

MORE PLAYERS, PRICES ON THE UP AND UP

Over the years, the growth corridor has seen the entry of many developers, introducing master-planned townships with unique living concepts, amenities, tighter security and improved accessibility.

One of the pioneers, S P Setia, says its master plans have always focused on self-contained townships that offer a wide spectrum of amenities and excellent accessibility. “We built dedicated interchanges for Bukit Indah Johor and Setia Tropika for easy connectivity. Bukit Indah Johor is connected to the Second Link, Setia Tropika to the North-South Highway and Setia Eco Gardens to the Second Link Expressway via the



CHU JUCK SENG/THE EDGE

Pontian Link," says S P Setia divisional general manager Property Division South Hoe Mee Ling.

Property consultants say the areas that appeal the most to prospective buyers are in Zones A (JB City Centre and Danga Bay) and B (Nusajaya), which include addresses such as Leisure Farm Resort, Horizon Hills, East Ledang, Setia Tropika and Setia Eco Garden, to name a few. The popularity of these locations has resulted in significant appreciation in their capital values.

Ronn Yong, Mulpha International Bhd deputy CEO, Property, recalls that in 1996, the one-acre lots at Leisure Farm Resort were going for RM25 psf. Today, these lots are changing hands in the secondary market at RM130 psf. Prices are also on the uptrend for its more recent offerings. For instance, its Pendas Creek semidee units were launched at RM1.5 million in 2011. The next phase launching this month will have price tags of about RM2.5 million. Bungalow units were launched at RM2.8 million in 2011, and for the next launch, they will be priced at about RM4 million, says Yong.

Jim Woon, assistant general manager for Horizon Hills, reckons that prices in the golf-themed development have easily appreciated 200% across all property types since the launch of the address in 2007.

In the primary market, generally, two-storey terraced units in Nusajaya are pegged at RM700,000 while semidees have price tags beyond RM1.5 million, says KGV International Property Consultants (M) Sdn Bhd executive director Samuel Tan. Prices of high-rise units, meanwhile, range from RM800 to RM1,500 psf in Nusa-



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MAKING SECURITY A PRIORITY

Security is an issue that crops up often in Iskandar Malaysia. "It is both a perception and real problem. Perception because it is exaggerated to the extent the entire Iskandar is seen to be unsafe, and real because there are still many cases of snatch thefts and minor crimes that are not totally resolved. It is a major concern to prospective investors," says KGV International Property Consultants (M) Sdn Bhd executive director Samuel Tan.

To address this issue, in 2009, Iskandar Regional Development Authority came up with a Safety

and Security Blueprint outlining initiatives to be implemented by all stakeholders which include enforcement agencies, the private sector and the community itself.

Some of the measures include increasing police presence in Iskandar, launching additional beat bases, establishing a special task force for investors, installing CCTVs at hot spots and upping police presence with auxiliary police.

Developers, however, have implemented their own security measures such as creating gated and guarded communities, having single entry and

exit points, card access and round-the-clock patrolling. Mah Sing COO James Bruyns says the company has been a proponent of the gated and guarded system for its townships since the inception of the Perdana series of townships such as Sri Pulai Perdana and Austin Perdana.

"In fact, we were among the pioneers for this concept," he says, adding that increasingly, safety and security features have been more on the cutting edge with the advent of smart home features that integrate both energy efficiency elements and a home alarm system. **E**



Legoland and Puteri Harbour (previous page) are some of the catalytic projects that have been completed, making Iskandar a leading destination in the region

jaya, and from RM700 psf in JB city centre.

The good take-up rates in the primary market, especially in prime locations, have also resulted in an improved secondary market, says Tan (see Page 30).

In addition, higher prices in JB city centre and Nusajaya, spell good news for townships located in other zones such as Genting Plantations Bhd's Genting Indahpura and IOI Properties' Bandar Putra and Taman Lagenda Putra in the Senai-Kulai area. What's more, the improved accessibility and increase in the number and variety of amenities being offered in these addresses have been an added boost.

In the last 1½ years, the market witnessed the launch of several high-rise developments such as Tropicana Corp Bhd's Tropez Residences in Tropicana Danga Bay and S P Setia's Setia Sky 88.

The Medini address, considered as Nusajaya's central business district, is seeing a slew of new launches thanks to the various incentives for foreign investors and developers such as income tax breaks and exemption from Foreign Investment Committee rules.

WCT Holdings Bhd (1Medini & Medini Signature), Mah Sing (Meridin@Medini) and Distinctive Resources (Iskandar Residences@Medini) are just some of the developers in the Medini address.

The boom in Iskandar has also attracted many developers new to the Johor market such as Sunway and Eastern & Oriental Bhd (E&O).

With 1,860 acres, Sunway, the second largest landbank owner in Iskandar (after UEM Sunrise), is embarking on Sunway Iskandar. "This will be our third integrated township, after Bandar Sunway and Sunway City Ipoh, and what's also interesting is its proximity to the Second Link," says joint MD Ong Pang Yen.

Joint MD Sarena Cheah concurs: "The proximity to Singapore and that the land faces the Straits of Johor gives us the opportunity to design something that complements these attributes."

Another newcomer, E&O, is developing Avira in Medini, a 210-acre mixed development anchored on the wellness concept. Avira will feature terraced and semidees, bungalows, condominiums, serviced apartments, a retail village and a 12.5-acre wellness sanctuary.

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BOOSTING CONNECTIVITY

The proposed high-speed rail link between Kuala Lumpur and Singapore seems to be moving a step closer to reality, with technical teams from both sides reported to be ironing out details on the modality and cost structure.

A news report early last month, quoting Land Public Transport Commission (SPAD) CEO Mohd Nur Ismail Mohamed Kamal, said Malaysia had finalised its

full report on the proposed rail link. He said with the completion of the baseline alignment, the next step would be discussions with Singapore.

The proposed high-speed rail link is set to cut travel time between KL and Singapore to 90 minutes. Estimated to cost US\$10 billion (RM32 billion), the high-speed rail link is expected to be completed by 2020. To date, the

project has reportedly attracted keen interest from various international companies, including those from China, Japan, France and Spain as well as local consortiums such as MMC Gamuda, UEM and YTL Corporation. Open tenders are expected to commence next year.

At the end of last month, SPAD chairman Tan Sri Syed Hamid Albar disclosed that the proposed rail link would not be built along the North-South Highway. It is expected to pass

through Nusajaya before crossing the Johor Straits into Singapore, thus giving Iskandar Malaysia a shot in the arm in terms of connectivity.

Iskandar's connectivity will be further boosted by the proposed Rapid Transit System (RTS) linking Johor Baru and Singapore. The RTS is targeted to be up and operating by 2018 with a co-located facility in Singapore and Johor Baru so that commuters need to clear immigration only once for each way of travel. Details on the RTS

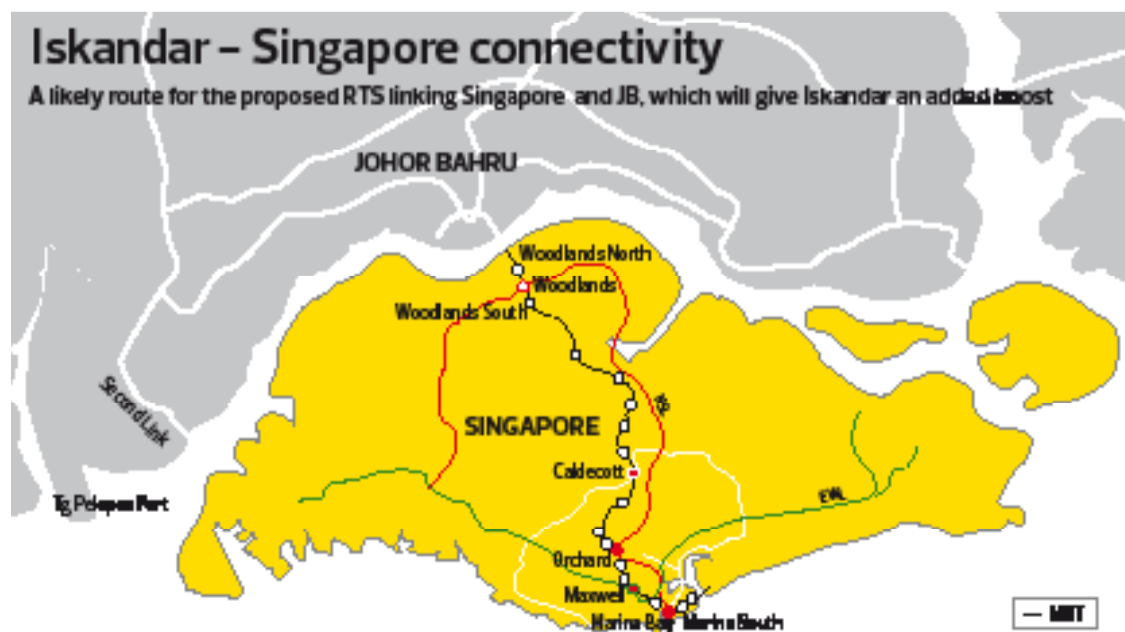
project have not been announced, but it should be forthcoming as soon as Malaysia and Singapore have a one-year time frame to make the announcement on the project. That one-year time frame comes up in November this year.

The RTS is planned to integrate with Singapore's Thomson Line at its northernmost Woodlands North station.

According to reports, the terminating stations of the RTS link would be at the former site of the Tanjung Puteri Lorry Customs Complex in JB and in the vicinity of the Republic Polytechnic in Singapore.

The arrival of visitors from Singapore to Iskandar will also be facilitated with the completion of a new Customs, Immigration and Quarantine complex and ferry terminal in Puteri Harbour. The ferry terminal began operations in May, offering services to Harbour Bay in Batam, Tanjung Balai in Karimun (both in Indonesia) and Harbour Front in Singapore.

The master plan for Iskandar also outlines plans for an LRT (for intercity connection), a monorail (within JB's central business district) and KTM Komuter train.





The popularity of addresses such as Horizon Hills has resulted in a significant increase in their capital values

GAMUDA LAND

FROM PAGE 12

"The overall master plan for Avira has been approved by the authorities and we are targeting to launch 208 terraced houses within the second half of this year.

"We have also selected a lead international wellness consultant — responsible for Thailand's most-acclaimed six-star boutique wellness destination — to define and come up with the details of Avira's wellness concept, plan the facilities and services at the wellness centre, which forms the core of Avira as well as their holistic integration into the development," says deputy MD Eric Chan.

Foreign names are also entering the market such as China's Country Garden, Zhuoda Real Estate Group and Hong Kong-based New World Development Co Ltd (see Page 50).

BUILDING THE ECOSYSTEM

With all the action that's taking place in Iskandar, it's easy to get carried away and pronounce the growth corridor a success. But as property players point out, although Iskandar has taken off successfully, the next few years are going to be crucial. Iskandar's size, its planned completion by 2025 and that to date most of the development is focused in areas like Medini and Puteri Harbour (both in Nusajaya), worry some property watchers.

"It is a huge area to be developed within such a short period of time," says Ricky Lee, Knight Frank Malaysia's resident director for Johor. "If there are more things happening such as more economic activities, then things will move faster." The challenge, he opines, is for private-sector-led catalytic projects to boost and create sustainable demand for properties.

Particular attention needs to be paid to building up the entire ecosystem in Iskandar, reiterates Ong Choon Fah, DTZ Debenham Tie Leung (SEA) Pte Ltd COO. "We in Singapore want Iskandar to be a success because it will be a win-win for all. So it's important that a firm foundation is laid for long-term growth," she says, adding that this includes looking at increasing the amenities available and ramping up employment.

UEM Sunrise's Wan Abdullah concurs. "Employment creation is going to be key, (but) having said that the issue is also about getting the employees," he says. "We're having meetings with Mida (Malaysian Investment Development Authority), the Malaysian government and IRDA to resolve this issue," he adds.

Property players here say as employment grows, so will economic activities which are crucial for the long-term sustainability of Iskandar. Already, we're seeing how a rise in employment has positive spillover benefits — the opening of Johor Premium Outlets, for instance,

saw rising demand for shop offices in the immediate vicinity and subsequently, an increase in business activity with the opening of more eateries and shops in the neighbourhood.

LOCALS PRICED OUT?

Related to this is the concern that prices have increased to the extent that locals are being priced out of the market.

KGV's Tan says while prices should be left to market forces, there is a social aspect to this equation. "Those in the low and low-middle income segments should be taken care of," he says. In this respect, a new category known as affordable houses (priced between RM90,000 and RM150,000) has been made compulsory for developers and the government agencies, he adds.

Then there is the issue of supply, and concerns that supply may outpace demand. Knight Frank's Lee says that unless readily absorbed by a growing number of investors and end-users, there may be a glut in the market, which could possibly lead to a price war and subsequent downward spiral of prices.

In this regard, the planning authority has a role to play, says WCT Holdings Bhd managing director Taing Kim Hwa. "Regulate supply by providing planning approvals on a staggered basis instead of giving blanket approvals to avoid an oversupply in the property market," he adds.

Wan Abdullah, however, does not believe that Iskandar faces an oversupply issue. "One only needs to go to Dubai to understand what overbuilding is...I don't think we're anywhere near Dubai, even if we go at full swing," he says.

Comparing the two locations, he reckons Iskandar is more attractive. "Dubai was trying to attract Middle Eastern high net worth individuals to have their playground in Dubai. They looked at Europeans to spend those few months in Dubai and they were hoping for Dubai to become a hub for the Middle East, and yes, they have succeeded, but they built too quickly.

"On the other hand, here in Iskandar, we are in close proximity to Singapore. Singapore is an economic hub that is continuously reinventing itself to cater to the needs of the global fraternity. And we (Iskandar) are the hinterland...we have the land and the means to do this together to create a position globally," he says.

And although Iskandar has often been referred to as the Shenzen of Malaysia, Wan Abdullah prefers to liken it to New Jersey, in the context that Singapore is comparable to New York City's Manhattan. "Both can thrive," he adds.

For all stakeholders, that is the hope. ■

HOW IT ALL BEGAN

The origins of this development corridor lie in the early 1990s when Renong Bhd (later renamed UEM World) conceived the Prolink 2020 project, to take advantage of the Second Crossing that ran through the 23,000-acre landbank. The master-planned township, Nusajaya, was estimated to have a GDV of RM8 billion to RM9 billion and a population of 500,000 when completed within 20 years.

KGV International Property Consultants (M) Sdn Bhd executive director Samuel Tan, who has been involved in the JB property market since 1985, says back in the 1990s there were basically two groups of developers.

"The first were those who developed housing schemes from the oil palm and rubber estates such as Genting Plantations Bhd and IOI Properties, and the second category comprised pure property developers such as Pelangi Bhd, Daiman Development Bhd, Crescendo Bhd and Tasek Maju Sdn Bhd, to name a few.

"The developments were typically self-contained townships of over 500 acres. Residential properties such as terraced, semi-detached houses and shop offices were generally quite standard and similar in design and outlook," he says.

Following the 1997 Asian financial crisis, the ownership of the Renong-UEM Group changed hands from Tan Sri Halim Saad to Khazanah Nasional Bhd. Under the latter, the group underwent several restructuring exercises, which resulted in Nusajaya being listed under UEM Land Holdings in 2007.

In 2005, Khazanah — owing to its position as one of the largest development landowners in Johor — became the planner for the Iskandar Malaysia development corridor.

The launch of Iskandar in 2006, however, did not immediately result in any increase in property prices, says Tan. "The first two years were spent trying to establish the foundation of Iskandar. In 2008, when the Lehman Brothers crisis happened, it had an adverse impact on Iskandar.

"By the second half of 2009, the market began to show signs of recovery. The ongoing infrastructure development gave confidence to the purchasers. New areas were opened for development, and from then on, property prices started to move upwards." ■