
Johor

Property Updates & Overview

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JOHOR: PROPERTY UPDATES AND OVERVIEW

As the Malaysian state closest to Singapore, Johor has been a major beneficiary of the Republic's growth into first world status. Singapore is Malaysia's second-largest trading partner after the U.S., with annual two-way trade of \$44 billion, and depends on Malaysia for everything from water to skilled labor. These statistics are manifested in Johor by the tens of thousands of workers commuting daily to Singapore, the lines of weekend cars and visitors from Singapore thronging its shopping malls and leisure outlets, and the large number of Singapore-owned property in the state. But this economic activity and proximity to the Republic has not translated into significant development gains for the State: Johor ranks behind the Klang Valley and Penang in GDP per capita and in recipient of foreign investment.

Implications for Future Developments

1. Singapore's Economic Fortunes

Following its worst recession in 44 years, Singapore's economy has since rebounded from its low, growing 0.8% in the three months to September from a year ago, giving rise to hopes that the worst is over. The outlook, however, remains clouded. Despite increasing signs of stabilization in the global economy and improvements in the region, the advanced economies are not expected to bounce back soon, and recovery, while likely sustainable, is expected to be somewhat bumpy.

Spillover effects of this recovery into Johor state is expected to be slow. Although layoffs seem to have finally declined, unemployment rates in the city state remain high which means the tens of thousands of retrenched workers living in Johor are unlikely to get their old jobs back any time soon. Resumption of construction projects in Singapore has translated into improved economic activity in Johor's critical construction materials sector, stabilizing material prices and denoting positive signs for Johor's property sector, which is closely intertwined with Singapore's.

2. Iskandar Development Region (IDR)

Much hope for Johor's economic future is pinned on projects in the IDR plan. IDR, launched in mid-2006, is the site of an ambitious plan to transform the southern region of Johor, which is already served by three seaports and an airport, into an international address for business, investment, leisure, culture and business haven. The development region covers 221,634 hectares (2,217 sq. km), an area almost 3 times the size of Singapore, and a population of 1.35 million people (43% of Johor's population of 3.17 million). Planned developments include a cyber city, a logistical hub and major financial, tourist, medical and educational centers. Upon completion in 2025, IDR will be Malaysia's largest economic zone, attracting around US\$100 billion in investment, creating some 800,000 jobs and raising Johor's per capita income to RM115,000.

The IDR encompasses the entire district of Johor Bahru, Mukim Jeram Batu, Mukim Sungai Karang, Mukim Serkat and Kukup island in Mukim Ayer Masin. Focal development points will be in the following five flagship development zones:

- a. Zone A: Johor Bahru City Center, the central service and business district, adjacent to the Singapore-Malaysia causeway. A new financial district, the Danga Bay Waterfront City and a mixed development project in Tebrau Plentong are also in this zone.
- b. Zone B: Nusajaya, a 97 sq. km land area, home to Johor state's new administrative center, an alternative business and financial district, and the site of Nusajaya Cyber Park and Medical and Education hubs.
- c. Zone C: Western Gate Development, where the port of Tanjung Pelepas and the second causeway link (Tuas) to Singapore is located, a 161 hectares Free Commercial Zone dedicated to distribution, logistics, and warehousing, a 243 hectares Free Industrial Zone

consisting of manufacturing industries, as well as the site for the RAMSAR World Heritage park.

- d. Zone D: Eastern Gate Development, housing the industrial zone and port of Pasir Gudang as well as the Tanjung Langsat Technopolis and the Kim-Kim regional distribution centre.
- e. Zone E: Senai-Skudai, where Johor state's international airport is sited (Senai International Airport), as well as an integrated logistic hub, the MSC Cyberport City, the Skudai Knowledge Centre and the Senai multimodal terminal hub.

The major stakeholders in IDR are the Johor government, Iskandar Investment Bhd, UEM Land Holdings Bhd and Iskandar Waterfront Development Sdn Bhd. Tangible infrastructure results can now be seen and once more infrastructure work is completed, more buyers and investors are expected. As of late 2009, the IDR has already received RM51 billion of foreign direct investment – in 2009, RM9 billion in investments came in despite the world economic slowdown. Investments have come from a wide range of countries and regions: the Middle East, Hong Kong, South Korea, Singapore, China, India and Europe.

3. Mega Projects

Mega projects in the state are centered around the IDR zones. Recently completed, ongoing and soon-to-be-launched projects include:

- 1. The Johor State New Administrative Center (JSNAC): Spanning 320 acres (1.3 km²), the JSNAC is an integrated development site comprising Johor State and Federal government department offices with landscaped gardens and parks.

2. The Legoland Theme Park: Construction of this RM750mil facility in Bandar Nusajaya will start in 2010 and the opening slated for 2012, one year earlier than scheduled. The park, to be built in the city centre of Nusajaya, will take up 5.5 million sq. ft. of gross floor area and is expected to attract between one and two million visitors yearly. Merlin Entertainments which operates various attractions globally including Sea Life, Madame Tussauds and Legoland, will design and operate the theme park of which it will be a 20 per cent shareholder, with a consortium led by Iskandar Investment Bhd (IIB) owning the remainder.
3. Nusajaya "Puteri Harbor" Waterfront Precinct: Three parcels of commercial land in Nusajaya's Puteri Harbor totaling 17 hectares has been purchased by one of the world's leading waterfront developers, Dubai-based Dama Holding. With a gross development value of RM3.8 billion, the project is expected to commence in 2010 and will boast a private marina with a mixture of high-end residential and commercial properties overseeing a panoramic view of the Straits of Johor.
4. Family Indoor Theme Park: A second 5,574 sq. m. theme park, after Legoland, will be developed in Puteri Harbor. This indoor park, housing popular characters such as Hello Kitty, Barney the Purple Dinosaur, Bob the Builder and their friends, will be a joint-venture between UEM Land Holdings Bhd and WalMart Group, a US-based conglomerate. Construction of the RM350mil complex will start in mid-2010 and is expected to be completed end-2012.
5. Medini North Lifestyle Mall: Iskandar Investment Bhd is overseeing a new lifestyle mall in Medini North in the Western Development Zone of Iskandar. With a gross retail space of one million sq. ft., the mall is expected to become the largest in the southern region. A coastal highway linking the area to Johor Bahru, slated for completion in 2012, will ensure easy accessibility from Johor Bahru.
6. Danga Bay Integrated Waterfront City: Nestled in the south-central part of Iskandar Malaysia, Danga Bay is Johor Bahru's first and largest mixed residential-commercial development. Stretching along a 25 km scenic waterfront facing the Straits of Johor and covering an area of approximately 450-acres, the project is expected to take final shape by 2016 when it will

- feature various mega projects, including a new financial and commercial hub, at least three hotel properties, a marina, an international convention and exhibition centre, upmarket residential properties, office towers, an international sized ice skating rink, a 32-lane bowling alley and a 4,645.15 sq. m. Indoor Snow Park with activities like ice sliders and tobogganing. Central Malaysia Properties Sdn Bhd (CMP) in a joint-venture with Johor State Secretary Inc as land owner, started reclamation works in 2009. Gross development cost is estimated at RM2.7 billion and gross development value estimated at RM4 billion.
7. Airport City Project ("Aeropolis"): A multi-billion ringgit 1,133 hectare mixed development project centered around Senai International Airport in the Senai-Skudai area, facilities will include residences, private medical centers, international schools, hotels and retail malls, an air cargo logistic centre and a high-tech park.
 8. Bandar MSC Cyberport: Touted as the first multimedia super corridor cybercity in Johor state, this project will have the participation of Mumbai-based Sunil Mantri Realty Ltd.
 9. A joint-venture Medical Faculty with Newcastle University: This RM100 million medical faculty will offer students a Newcastle University medical degree at about half the cost of doing so in Britain. Newcastle University Medicine Malaysia (NUMed) will be set on a 13-acre site in Nusajaya. With 16,000 sq. m. of academic space, the campus will introduce a Masters Degree in post-graduate medical developments by 2011 and produce 180 medical students per year by 2017.
 10. Trade & Distribution Hub: Malaysia Pacific Corp Bhd is looking to transform the RM1.6 billion Asia Petroleum Hub APTEC into Asia's biggest trade and distribution hub with hotels, service apartments, office towers, retail malls, international entertainment city, factory outlets, Malaysia cultural heritage village, and other tourist attractions. The masterplan has already been approved and MP Corp has started on infrastructures and civil works and is seeking approval for each of the 22 parcels within the development.

Looking Ahead

Developers in Johor Bahru have reported improving sales since 2Q2009 in tandem with the overall economic outlook and aided by low borrowing cost and payment schemes, such as zero- cost packages rolled out by developers. According to the Johor Bahru Housing Property Monitor for 3Q2009, rents and house prices on the secondary market in Johor have stabilised since the beginning of the year. Investors and property purchasers for homes in the secondary market, however, continue to adopt a “wait-and-see” attitude as they seek stronger evidence of a recovery.

As some investors and buyers are still taking a cautious approach, factors such as location become even more critical in motivating buyers. Up until now overseas interest has focused on zone C where the Singapore second causeway link and the port of Tanjung Pelepas is located (which boasts the relocated operations (from Singapore) of the Danish company Maersk and Evergreen Marine of Taiwan and the 2006 winner of the Lloyd’s List Maritime Asia Container Terminal Of The Year Award). Since the launch of the IDR, industrial and residential prices had shot up by 15 to 20 per cent in good locations. Gross rental yield for factories is now nine to ten per cent a year compared with seven per cent previously. The higher yield is due to more quality tenants (multinational companies) in the industrial sites, who are willing to pay for better services and quality. In the next two years, some serious action is expected to take place in the IDR zones covering Johor Bahru, Pasir Gudang, and Nusajaya, in addition to that in the Port of Tanjung Pelepas.

In general, the market slowdown seems to have affected mainly the mass market and lower product segments while the medium-high to high-end sector was still showing potential. Landed property targeting the masses will remain a challenge. There was considerable overhang in properties priced at RM200,000 and below, and clearing them will take some time. Demand for double-storey terrace houses priced between RM280,000 and RM320,000, however, is relatively good, as a result of better design and layout. Consequently, developers are currently focusing primarily on this medium, medium-high and high-end products, with pricing from RM5 million to RM6 million a unit in good locations.