

WHAT'S NEXT FOR ISKANDAR MALAYSIA?

Brushing aside sentiments of market stagnancy, industry experts tell us why they remain confident with Iskandar Malaysia's property market.



Iskandar Malaysia (IM) is progressively working its way back up to the top of investors' list. Contrary to the negative sentiment over the region's residential property market in the past two years, investments continue to pour into IM, especially for the manufacturing and services sector. On top of that, news of the confirmed 350km High-Speed Rail (HSR) between Malaysia and Singapore add up to IM's promise of being a world-class metropolis.

REENA KAUR BHATT sat down with **Rachel Lim, Founder of CORE Investors (RL)** and **Chris Tia (CT), Managing Partner at Messrs Tia & Noordin** to gain their insights on IM's property market.

WHAT ARE THE COMMON MISCONCEPTIONS ABOUT ISKANDAR'S PROPERTY MARKET?

(RL) Most people fail to see that IM is a long-term development. IM's main economic growth is in services and manufacturing, not property. Too much emphasis has been placed on the property sector as a measure of IM's performance. Even with the challenging economic climate, Iskandar Regional Development Authority (IRDA) has been receiving consistent investments – to

date its cumulative investments of RM207.99 billion is already 54.3% of the investment target (RM383 billion) by 2025.

In 2015 alone, we have seen billion dollar investments announced by Microsoft, Japan Food Co, Healthcare City, Forest City and Johor Halal Park, among many.

This means that the interest in IM's potential as an international market is actually growing among MNCs and SMEs, even though investors and Johorians remain pessimistic about its long-term prospects. Many of them expect to see results immediately when in actuality it will take time to witness the spillover effects of IM as it matures into an international business haven.

(CT) Many locals believe that IM is a political creation and not a well-planned and sustainable metropolis development. They are not aware that IM's master plan was conceived 10 years ago and that it is envisioned to be an economic region of international standing by 2025. The key word here is future, investors are buying future returns in terms of capital appreciation and rental yields.

Also, many are misguided by the notion that the property market in IM is only driven by 'touristy elements' such as the LEGOLAND and the Hello Kitty theme park. There are many other industries that are accelerating the market; some of them include the industrial, educational and healthcare sectors.

WHAT ARE THE KEY PRINCIPALS FOR INVESTING IN ISKANDAR?

(RL) At the moment, it is be wise to invest in properties that cater to the mass market, i.e residential properties with a monthly rent and/or selling price which is affordable to the middle-income earners.

Affordable housing in IM is actually in short supply and in order to meet market demands, developers are shifting their focus to building more mid-range developments instead of high-end condominiums. Investors have to do extensive homework and figure out which areas will be sustainable for owners-occupiers before purchasing. Similarly, for rental properties, it is important to find out which is your target demographic and who will be willing to pay rent at market rates.

(CT) Besides location, research is extremely important when investing in IM. Investing in Iskandar can be challenging as one has to forecast the next hotspot location in the five different flagship zones of IM and keep up with the ongoing and new developments from IRDA as well as on the latest infrastructure plans.

To alleviate uncertainty, investors must study and determine the track record of the developer, visit the development site and surrounding area as well as understand the development plans for the whole area to make sure that the supporting elements and infrastructures will be in place before they commit financially.

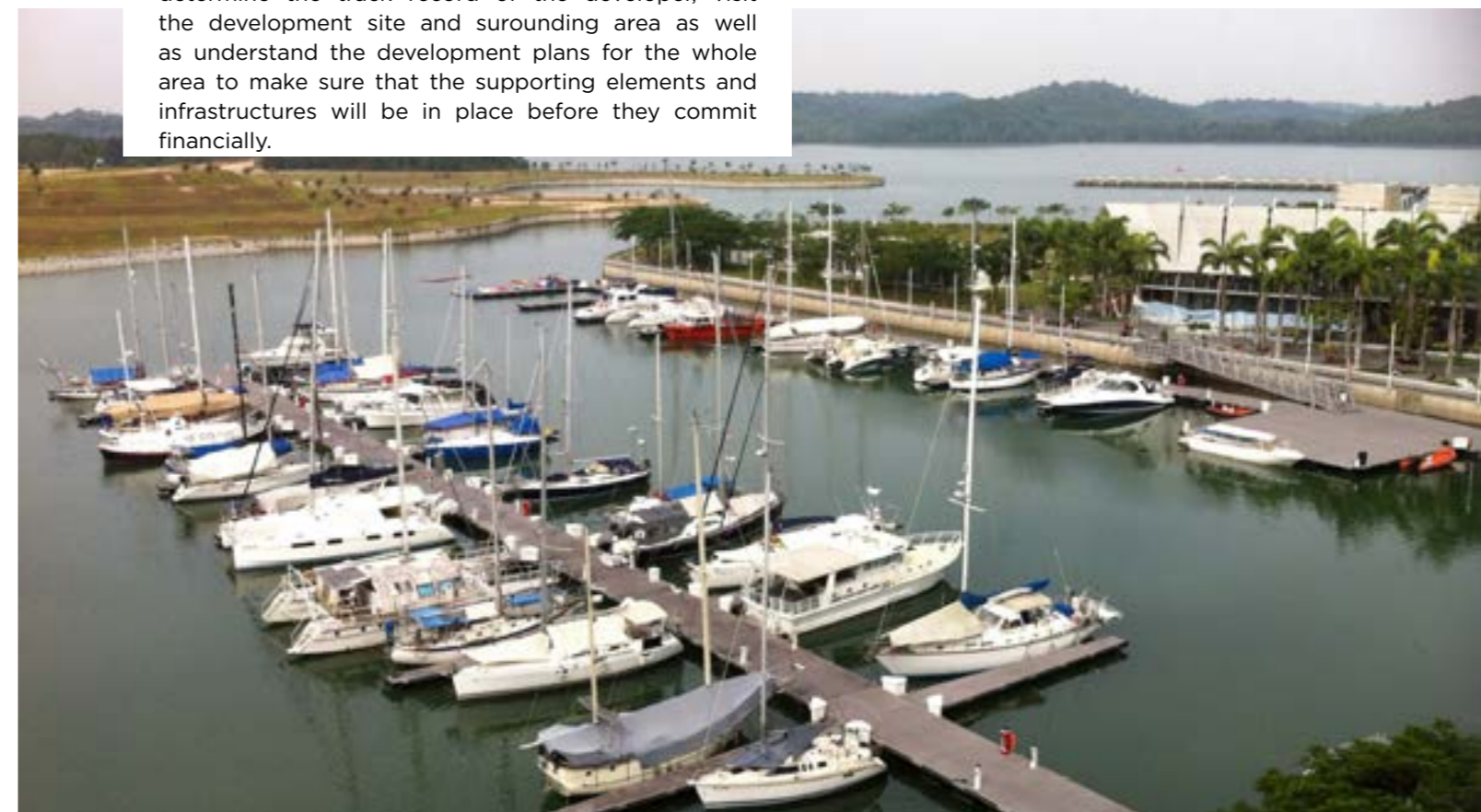
IS NOW THE RIGHT TIME TO BUY RESIDENTIAL PROPERTIES IN ISKANDAR AND WHICH AREAS/ DEVELOPMENTS SHOULD HOMEBUYERS FOCUS ON?

(RL) Based on general principle, it is always the right time to buy property and this applies for IM too. Homebuyers should look to Iskandar Puteri for options - there are many viable housing developments near the town area, namely Horizon Hills, East Ledang, Senibong Cove and Eco Botanic.

Most of them are gated and guarded developments and boast modern designs, fantastic landscaping, as well as high-quality workmanship. Most importantly, they come with affordable price tags. Now will be the right time to purchase as prices have softened as compared to prices 2 years ago. At the moment, the rental yield for landed properties ranges from 3% to 6%.

(CT) The Johor state government continues to inject in capital and IRDA is extensively promoting IM to foreign markets. Homebuyers will have to be realistic and not expect immediate occupation as IM is still undergoing its development phase and lacks the maturity and facilities to cater to the mass market. The nearest mature town will be Gelang Patah in the Johor Bahru district.

Nevertheless, I would argue that this IS the right time to commit in residential properties, especially those nearby the upcoming HSR stations as these properties' prices will definitely see a spike in the next few years.



IS NOW THE RIGHT TIME TO BUY COMMERCIAL PROPERTIES IN ISKANDAR AND WHICH AREAS/ DEVELOPMENTS SHOULD INVESTORS FOCUS ON?

(RL) I feel that commercial properties in IM will be facing a tough time in the near future. Reasons being that most areas do not yet have the supporting neighbourhoods to serve as a population catchment. It is basic economics – business activities will not thrive in places where the population is insufficient, making it difficult for business owners to pay the rent. The current rental yield is moderate at best, ranging from 4% to 6%.

However, currently, there are a few good deals for commercial properties in areas such as Bukit Indah, Skudai, and Tebrau. When it comes to commercial property investment, it is not about the right time, rather it is all about purchasing the right property at the right price.

(CT) I believe that there is a strong demand for shophouses in IM, especially in the industrial and manufacturing zones. There is a demand for basic convenience stores such as laundrettes, convenience stores and mamak restaurants from existing workers there. Commercial shophouses are also a niche product in IM, one which is not yet in oversupply in the prominent locations.

Developers such as CI Medini and Sunway Group are offering attractive products, especially in Medini and Iskandar Puteri. Currently, shophouses that are ready for occupation could fetch a rental yield of approximately 4% per annum. There are some property owners offering 1-year free rental bound within a 3-year contract to attract the ‘early birds’ to begin operating their businesses in IM.

HOW WILL THE HSR AND THE RAPID TRANSIT SYSTEM (RTS) SERVE TO ACCELERATE PROPERTY DEVELOPMENT AND INVESTMENT IN ISKANDAR?

(RL) The HSR is expected to be up and running by 2026 and land prices along the line will definitely experience an appreciation in prices. However, I feel that major developments will materialize only later down the road. The RTS which directly connects Woodlands in Singapore to the Bukit Chagar station in Johor Bahru city centre will generate a direct and positive impact on Flagship A of IM.

The increase in traffic flow will result in an uptick of commercial, business and tourism activities. Investors who purchase the right rental properties in strategic locations will enjoy a high return on investment in the long term.

(CT) Both projects will undoubtedly boost property development – connectivity is key in bringing in

footfalls into an area and foreigners as well as tourists adore the convenience of such public transportation. The HSR and the RTS will set the path for IM to grow into a business and tourist hub.

WHAT DO INDUSTRIAL COMPONENTS SUCH AS THE PENERANG INTEGRATED PETROLEUM COMPLEX (PIPC) AND THE SEDENAK ISKANDAR DATA HUB (SIDH) MEAN FOR ISKANDAR'S POPULATION AND ECONOMIC GROWTH?

(RL) As of 2016, the PIPC project has brought in more than 10,000 construction workers into Pengerang, causing a spike in housing demand. House prices have increased as a result and rental rates have also appreciated by 15%.

The 60 billion PIPC project will continue to bring in more people into the Pengerang and the surrounding areas, i.e Desaru and Kota Tinggi. The project is estimated to contribute RM18.3 billion to the Gross National Income (GNI) upon completion by 2020. Well planned residential developments will be necessary for the existing and incoming workers.

The 283.27ha Sedenak Iskandar Data Hub (SIDH) has been earmarked as the second data hub in the country after Cyberjaya in Selangor. Due to the slowdown in the local and global economy, however, the hub is seeing slow progress. Many MNCs and technology giants are adopting a wait and see attitude before they decide to commit to opening a branch or establishing a regional headquarter here in IM.

(CT) There is still a shortage of hostels and middle-class accommodation in and around the Pengerang area. The PIPC project has brought in thousands of workers and created many jobs for the local population. Higher and middle management staff might have to look beyond Pengerang for standard accommodations. The area is certainly thriving, weekend visitors to the Pengerang town will observe long queues at the local restaurants and convenience stores. 📍



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