

# Industrial properties still going strong



Improved infrastructure, government incentives, cheaper cost of labour and a lower ringgit are some of the factors driving the industrial property segment in Iskandar Malaysia, says VPC Alliance (JB) Sdn Bhd director Tan Beng Sooi.

These factors have made it the most resilient property subsector in the growth corridor. In addition, apart from the industries relocating from across the Causeway, the local and Singapore companies already operating in Iskandar are expanding, say property consultants.

Tan, a registered valuer based in Johor Baru, says his firm continues to receive enquiries from industries in Singapore that are looking to relocate their operations to Iskandar. This is not surprising, he adds, given the scarcity of land on the island, which does not offer industries the opportunity to expand.

Alpha Marketing director Ryan Khoo is similarly positive on Iskandar's industrial property segment. "Johor has achieved record highs in manufacturing investments in the past three years and has the highest investments among the other states in Malaysia ... much of this is due to the oil and gas work in Pengerang and the ongoing migration of Singapore-based manufacturers to Iskandar," he says.

Savills (Malaysia) Sdn Bhd deputy managing director Paul Khong also attests to the subsector's vibrancy, pointing to the land sale transactions as well as relocations. "It is a natural and cheaper alternative for companies to look into JB, which has been dubbed the Shenzhen of Singapore," he says, adding that the firm is currently undertaking a major relocation and expansion exercise of a large multinational corporation (MNC) to Iskandar.

"This will be its new regional logistic distribution centre with a total built-up exceeding 500,000 sq ft," Khong says. More of such relocation exercises can be expected in the next few years, he adds.

Just last month, Coca-Cola announced that it would be winding down its manufacturing operations at its bottling plant in Tuas (eventually closing it in February 2016), and moving its operations to Malaysia.

Outlining some of the developments on the industrial front, Knight Frank Malaysia says in its Real Estate Highlights for 1H2015 that apart from the Pengerang Terminal Phase 1 at the Refinery and Petrochemical

Aerial view of i-Park@Indahpura (top) and the detached factories (right)



Integrated Development (Rapid), Petronas is working together with Dialog Group Bhd and Royal Vopak to develop Phase 2, which is estimated to cost almost RM12 billion. It includes the construction of a storage facility of about 2.1 million cu m and a deepwater jetty to be built on a 157-acre site. The first commercial crude oil tank farm in Southeast Asia by Vopak started operations in March.

Earlier this year, Telekom Malaysia Bhd signed an agreement with Nusajaya Tech Park Sdn Bhd for the purchase of a 7.94-acre freehold land parcel in Nusajaya Tech Park, where it plans to develop a data centre.

## A DRAW FOR DEVELOPERS

The factors drawing industries to set up shop in Iskandar are also attracting developers of industrial property to the region. One newcomer to the scene is Harvest Land, a Malaysia-Singapore joint venture that began operations last year.

The company cites the close proximity to Singapore, good infrastructure and competitive operating cost as among the reasons why it picked Iskandar. "We are further encouraged by the pro-business and pro-investors policies there. With more than 15 years' experience in developing industrial and utility space





**Top: Nusajaya Tech Park in Gerbang Nusajaya continues to receive encouraging interest**

**Left: Harvest Green @ Sime Darby Business Park is Harvest Land's maiden project in Iskandar**



In addition, i-Park@SME City — located adjacent to i-Park@Indahpura — was fully taken up when it was launched in March 2013. The development is now fully completed and has been handed over to buyers.

“We are expecting operators such as retailers, branded machinery/construction equipment servicing centres, F&B operations and hardware warehouse/showrooms — for example, furniture distribution showrooms and tile and sanitary ware showrooms,” says Lee.

#### SEIZING THE OPPORTUNITY

Despite the segment's resilience to the general slowdown felt in the market, developers concede that there have been challenges. Falling commodity and oil prices have contributed somewhat to the subdued sentiments, says Foo. To mitigate this, the developer is working closely with manufacturing associations and property agents to educate SMEs on how to identify industrial locations and the key aspects in setting up operations.

AME Group managing director Kelvin Lee points out that although the pace of the overall market has moderated since its peak in 2012 and 2013, prices are still holding up well. “End users who need space immediately and are serious about their expansion plans are definitely seizing the opportunity to invest at this time. For instance, some investors have taken the opportunity to buy now because of the weaker ringgit. After all, it is now 20% to 30% cheaper. Some tenants have also turned into buyers after renting factories from us as it will be more cost-effective,” he says.

VPC's Tan, however, is more cautious, saying that although the lower ringgit can translate into lower cost and attract investment, these may be negated by the Goods and Services Tax and current downturn in the global economy.

UEM Sunrise is nonetheless confident of the long-term outlook. “Although there is a softening of markets globally, we see that industrialists place more emphasis on their long-term operational needs,” Anwar Syahrin says, adding that the recent conclusion of the Trans-Pacific Partnership Agreement and the forming of the Asean Economic Community by end-2015 will open up many opportunities for businesses in Southeast Asia and provide impetus for Malaysia's further growth.

That said, developers feel that the state government and local authorities also have a continued role to play, especially in creating a pro-business environment.

“As an industrial developer, we are encouraged by the establishment of the Johor State Investment Centre (JSIC) to improve the overall business environment over the long term. We think it will further enhance the mutually beneficial relationship shared by the state and businesses,” says Foo.

“We also believe the JSIC will continue to work closely with the Iskandar Regional Development Authority and the Malaysia Investment Development Authority to establish a cohesive business-friendly climate in Johor for local and international businesses, including industrial players.” — *By Sreerema Banoo*

in Singapore, we see the continued potential of Iskandar to provide complementary services to the manufacturing and support services to Singaporean small and medium enterprises (SMEs) to maintain growth and sustainability over the long term,” says its chief operating officer Foo May Ling.

Harvest Land, says Foo, was started with the aim of offering industrial property with ready-built facilities to facilitate the setting-up process for manufacturers in Iskandar. “We are committed to designing and developing industrial units by understanding what an industrial player wants when setting up operations in a foreign location,” she says, adding that it pays particular attention to the stability of utility supply.

The company launched its first project, Harvest Green @ Sime Darby Business Park, in November last year. The 87 units of industrial properties in a gated and guarded development, offered at RM330 psf, are targeted at SMEs. To date, 70% of the units have been taken up.

“The development is located within the well-designed Sime Darby Business Park, which is strategically located at the centre of Flagship Zone D, where it is easily accessible by four major highways and two major ports. In addition, it is about 25 minutes' drive from Singapore via the Causeway,” says Foo.

#### GOOD TAKE-UP IN RECENT YEARS

The continued interest in industrial properties is certainly good news for developers already in Iskandar. UEM Sunrise Bhd, which is jointly developing the Nusajaya Tech Park with Ascendas, reports an encouraging response. Managing director and CEO Anwar Syahrin Abdul Ajib says the commitment to the tech park stands

at more than 70% for its ready-built facilities and 40% for build-to-suit developments. This is even before the park is completed.

“Of these, 85% of the customers are Singapore/international companies while the remaining 15% are from Malaysia. Our customers represent sectors such as manufacturing (precision engineering, marine and security systems), oil and gas, logistics and distribution as well as telecommunications, ICT and BPO operations,” he says.

Nusajaya, in particular, with its strategic location near the border with Singapore, is well positioned as a base for companies to tap the region's high growth and good infrastructure.

“Companies can enjoy the best of both worlds when locating in Iskandar — the abundance of low-cost natural resources and human capital in Malaysia, while tapping the high quality infrastructure and financial services available in Singapore,” Anwar Syahrin says.

AME Development Sdn Bhd, which is the developer of industrial properties such as i-Park@SME City, i-Park@Indahpura and i-Park@SILC (launched over phases beginning December 2011), says its projects have received a good response from the market over the past few years.

AME Group director Simon Lee says i-Park@SILC and phase 1 and 2 of i-Park@Indahpura are fully taken up and completed, with the majority of industries at the latter being from Singapore, Australia, Japan, the US and Europe. Phase 3 of i-Park@Indahpura is under construction (launched in 2013), boasting about 40 acres for ready-built and build-to-suit detached factories, he adds.