



- **Committed Investments Update @ March 2013**
- **Iskandar Malaysia: Gaining Momentum**
(extracted from reports by CIMB "Iskandar Malaysia's Shenzhen and UOBKayHian's 'Unveiling the Opportunities'")

The first quarter of 2013 closed on a high note with strong committed investments from both foreign and local investors of RM5.06 billion (Jan—March 2013) and a slew of positive announcements in the property and tourism sectors led by Khazana and Singapore Government Linked Companies.

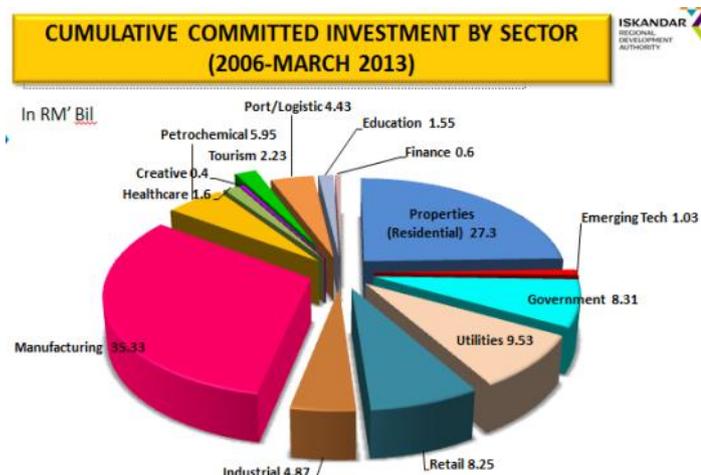


Analysts are very positive about the development in Iskandar Malaysia. UOB Kayhian is expecting the Iskandar Malaysia theme to gain further momentum driven by both foreign and local participation.

The investment community lauded the recent announcements of the bilaterally-agreed High Speed Rail from Kuala Lumpur to Singapore which will bring more economic spillovers to Malaysia especially to Iskandar Malaysia.

Moving into 2013, it is expected that foreign investments will continue to flow into Iskandar Malaysia, particularly those involving reputable non-Malaysian developers.

Cumulative committed investments stood at RM111.36 billion led by the manufacturing sector (RM41.28 billion). Singapore remained our top foreign investor in the manufacturing and services (education and healthcare). This was followed by property (residential) at RM27.30 billion. Within the category of others are the services sector and the retail and industrial component of property.



The strong interest in the property sector (residential, retail and industrial) showed the market confidence of investors to the sustainable development of Iskandar Malaysia. And there is growing interest in developing land for industrial.

High profile investments in Nusajaya and Danga Bay.

1. **Gerbang Nusajaya Industrial Hub (RM18billion GDV) through a JV between UEM Land and Singapore based Ascendas.**
Ascendas is a prominent business space solutions provider based in Singapore backed by Singapore government-linked entity Jurong Town Corporation (JTC Corp). The first 519 acres of freehold land will be developed into tech park offering a GDV of RM3.7 billion. It will be developed in three phases over a period of nine years. Key product mix includes built-to-suit factories, vacant land for factories, semi-detached and detached factories and some commercial components.
2. **Motorsports City in Medini by Singaporean tycoon Peter Lim.**
Peter Lim's FASTrack Autosports Private Ltd plans to develop RM200 million racing circuit that will cater to F1 enthusiasts and can provide a testing platform for automotive companies that want to test drive their vehicles. Components such as showrooms, automotive retail, a workshop, a 5km test track, a go kart track and other automotive-related trades and activities.
3. **Chinese luxury developer Country Garden's RM900 million acquisition in Danga Bay.**
4. **Singapore developer, Link THM (Ltd) acquiring 14.5 acres of land in Medini; and**
5. **Acquisition of RM800 million by CapitaLand and Temasek Holdings on man made Danga Bay island.**

Iskandar Malaysia: Gaining Momentum....

These high profile investments in Nusajaya and Danga Bay are expected to boost investors' confidence to invest in Iskandar Malaysia in a big way in the medium to long term horizon.

Bilateral ties scaling new heights

The resolution of the long standing water dispute and Malaysian Railway land swap deal are critical events that have enhanced joint co-operation by leaps and bounds between Malaysia and Singapore.

The announcement of Rail Transit System (RTS) and High Speed Rail (HSR), discussion on twin airport and the large investments by Singapore state-linked enterprises further cement the relationship.

1. "Rail" Ties Between Two Governments

In February 2013, Malaysia and Singapore agreed to go ahead with the RTS linking Johor Bahru and Singapore.

The RTS is expected to be up and operational by 2018 and will have co-located Customs, Immigration and Quarantine (CIQ) facilities in Singapore and Malaysia so commuters need to clear immigration only once for each way of travel.

The 30km line will run through the north south corridor of Singapore, starting in Woodlands, the area in Singapore closest to Johor Bahru via causeway and passing through industrial, residential and shopping districts before ending at Marina Bay.



RTS Line To Enhance Connectivity Between The Two Cities

Source: UEM Land

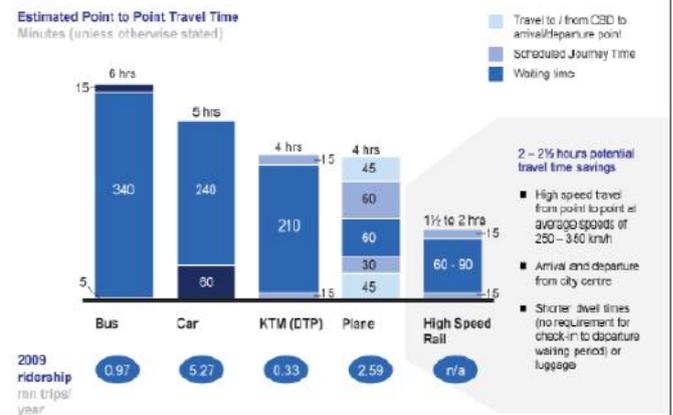
The RM44 billion line will be expected to serve 400000 commuters daily.

Besides the existing coastal highway that connects Medini to Johor Bahru city through Danga Bay with a travelling time of 15 minutes, the RTS will improve connectivity and infrastructure between Singapore and Iskandar Malaysia and thereby drive traffic to Iskandar Malaysia.

2. High Speed Rail

Malaysia and Singapore have mutually agreed to a HSR system linking Kuala Lumpur and Singapore, which is targeted to be completed by 2020. The travel time between the two cities will be shortened to 90 minutes and this alone has significant long term implications for various sectors in Malaysia.

High Speed Rail vs Other Means of Transport



Possibility: Changi-Senai Twin Airport??

An interesting value proposition is the possibility of Changi-Senai twin airport.

London (estimated population of Greater London 7.7 mil) has London Heathrow complemented by Gatwick, Luton, Stansted and London City Airport.

New York City (estimated population 8.3 million) is served by John F Kennedy International Airport, Newark Liberty International Airport and LaGuardia Airport.

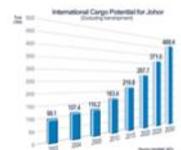
Iskandar Malaysia + Singapore (estimated combined population of 6.7) makes a logical value proposition for better air connectivity through twin airports.

Of course, there will be challenges from regulatory, security, cross border processes and many more but the ultimate goal could be a win-win situation for both Singapore and Iskandar Malaysia.



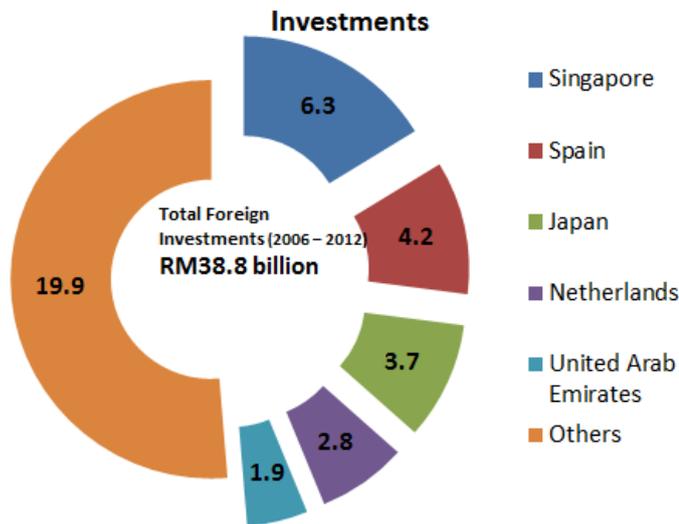
SENAI AIRPORT PLAN for
 5 mil. Passengers pa (1.6 pop factor)
 2 mil. Tons of cargo pa

Potential pax: 12 mil pa and
 5 mil tons pa air cargo by 2025



3. Singapore Buy-in Gaining Momentum

Singapore is the largest foreign investors in Iskandar Malaysia with Singapore investors accounting for about RM6.3 billion or 16% of total foreign investment in manufacturing projects and other developments as at December 2012.



Source: IRDA

Investments from Singapore are predominantly in the manufacturing sector, education, healthcare and the property sector.

Some notable investments are:

Manufacturing

- Superfood
- Food Empire
- Apex Cosmeceutical

Education

- Raffles Education Group (Raffles University Iskandar, Raffles American School)
- Management Development Institute of Singapore
- Excelsior International School
- Kinderworld Group (Pegasus International School)

Healthcare

- Health Management International (HMI) Ltd (Regency Specialist Hospital)
- China Healthcare Ltd (ECON Healthcare)
- Parkway Pantai Ltd (Gleneagles Medini—upcoming)
- Thomson Medical Centre Pte Ltd (upcoming)

Tourism

- Peter Lim (Motorsports City)

Property



Industrial

The tightening of foreign labour policies and increasing industrial land prices in Singapore have led SMEs in Singapore to invest outside Singapore. Close proximity and lower operating costs (labour, utilities, rentals etc) are the two main attractions that make Johor and Iskandar Malaysia an 'ideal' location to set up operations support facilities for many Singapore companies, especially the SMEs.

The setting up of the new Industrial Workgroup under the Joint Ministerial Committee (JMC) is one of Singapore government's proposal to encourage more 'non-strategic' operations of Singapore companies to locate outside Singapore. This strategy with Iskandar Malaysia is similar with Singapore's partnership with Batam, Bintan and Karimun (BKK) in Indonesia.

The CIMB Report "Iskandar Malaysia's Shenzhen" noted that EDB is in discussions with companies to facilitate the 'twinning of manufacturing activities between Singapore and Iskandar Malaysia'.

Companies that have shown interest include those from the transport engineering, electronics, precision engineering and energy and chemicals sectors.

Residential/ Commercial / Mixed development

Singapore real estate investors have been key investors in Malaysia property, especially high end properties in Kuala Lumpur, Iskandar Malaysia and Penang. In Iskandar Malaysia, Singaporeans and other foreigners accounted to almost 80% of the purchasers at UEM Land's development Imperia at Puteri Harbour and Impiana at East Ledang.

The seven rounds of property cooling measures in Singapore's residential segment and the more affordable options in Iskandar Malaysia are prompting many Singaporeans to consider Iskandar Malaysia as an investment option.

Singapore's interest in residential/commercial/mixed development:

- CapitaLand Ltd (waterfront development at Danga Bay)
- Temasek Holdings (Afiniti Medini, Avira)
- Rowsley Ltd (integrated development at Stulang)
- Imperial Marina Pte Ltd (Azea at Danga Bay)
- Tang Group (iMedini Walk)
- Link THM Holdings (media village @ Medini Iskandar)



Afiniti Medini, **urban wellness** centre at Medini North and Avira, **resort wellness** centre at Medini Central.

Iskandar Malaysia: Gaining Momentum....

Having said all the good things about the development that are taking place in Iskandar Malaysia, there are also corresponding risks. Some of the risks are deliberated below:

Risks

Entry of more speculators

It is only natural for a property boom to attract strong participation from speculators. In Iskandar Malaysia's case, the speculators are mostly from Singapore given the currency advantage over the Ringgit. However, speculators who buy high-end properties usually have the ability to hold on to their property investments.



Besides speculators from Singapore, there is also increasing interest from other parts of Malaysia to invest in the buoyant property market in Iskandar Malaysia.

The test of a sustainable property market will be the market for secondary sales. This may only be seen in 2014/2015 when some of the residential projects in Nusajaya are handed over to the purchasers.

Challenges:

1. Should the Government step in to manage the speculation element?
2. If so, how best can this be managed?

Rising property prices increase the social gap

The demand for quality property and rising prices is more prevalent in Nusajaya and Danga Bay. This has already created a lopsided property development skewed towards Flagship A and Flagship B. The rising prices are pushing the ownership of quality properties beyond the reach of many ordinary middle income Johoreans. There will be concern on the affordability of homes to Johoreans (both the lower income and middle income groups) and what kind of measures to be taken to mitigate this.

Increasing pressure on the human capital market in Johor

New investments and relocation of manufacturing operations from Singapore to Iskandar Malaysia will bring in more job opportunities. The adjustment in the demand and supply of skilled labour as well as wages level may result in short term under supply of talent in Iskandar Malaysia.

More tightening of lending policies from Bank Negara

Further tightening policies would dampen buying interest, which could lead to a fall in asset prices.

BizWatch

Development in Iskandar Malaysia is gaining momentum. This can be witnessed from the development that are taking place in Iskandar Malaysia and through our engagements with investors as well as foreign Chambers of Commerce based in Malaysia and Singapore.

With most of the tipping point projects are in place such as the LEGOLAND and Puteri Harbour Family Theme park, investors now realized that Iskandar Malaysia is definitely the place to invest, work, live and play.

With the involvement of Temasek and other Singapore's big names into Iskandar Malaysia; we can expect more investments to flow into Iskandar not only from Singapore but from other ASEAN countries (Indonesia, Brunei, Thailand) and Asian countries (China, Japan, Korea and India). At the same time, with continued uncertainties in Eurozone and uneven recovery of the US markets, Asia will represent a 'safer' alternative for investments with Iskandar Malaysia being one of the strategic location for investments.

As we have a sustainable agenda for development, it is even more important now to look beyond investments to the other two key element of our sustainable development which are:

- **Social development**
- **Environment**

Editorial

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