ASIAONE

"Johor's Stormy Property Landscape"

6/21/2014

AsiaOne's June 21, 2014 article provides a brief overview of Johor's property market conditions and Chinese increased investments in real estate in the area. It is also one of the earlier articles to mention Country Garden's pursuit of the Forest City project.

The author writes that Johor has experienced a booming presence of developers from China in Johor that has caused tensions with local developers, and sparked concerns of the Singapore government due to the massive land reclamation works.

Following the prominent entrance of Guangzhou-based Country Garden Holdings Co Ltd, which launched 9,000 units in Danga Bay at one-go in 2013, focus has shifted on other developers from China who are expected to adopt carpet bombing kind of development.

Country Garden made their first move in Johor Baru, the capital of Johor. It is followed by Guangzhou's R&F Properties Co (R&F) that bought 116 acres near the first link in Johor Baru from the Sultan of Johor for RM4.5bil. Encouraged by Country Garden's development success, R&F could be launching as many as 30,000 units over the next few years on land that is to be reclaimed.

Agile Property Holdings Ltd is another China-based developer that is expected to make its presence felt in Johor Baru after it bought 1.3ha from Tropicana Corp Bhd in Bukit Bintang, Kuala Lumpur.

A study by Khazanah Nasional Bhd, which has undertaken a comprehensive development plan for Johor estimated that the number of new condominiums coming up in Johor Baru is about 30 times over the number of units built in Mont Kiara, an affluent township northwest of the city center of Kuala Lumpur, capital of Malaysia.

"That is the number of new units coming into the market," says an official. But what has caught the attention of the Singapore government is a project near the Second Link involving 5,000 acres (2,023 ha) reclaimed from the sea. Country Garden, one of the Top 10 developers in China, has teamed up

with a subsidiary of Johor's state owned investment arm, Kumpulan Prasarana Rakyat Johor (KPRJ), to undertake the job.
Singapore's concern regarding the development is that it would eventually have an environmental impact on their shore line.

Towards this end, Singapore has sent a note to the Malaysian Ministry of Foreign Affairs expressing concerns over the project.

An addition of 5,000 acres also means that there will be much more land in the southern region, possibly impacting the sustainability of the supply-and-demand chain.

In an interview with *StarBizWeek*, Country Garden regional president for Malaysia project Kayson Yuen says the mega project "Forest City" will span over 30 years and the company had studied it more than a year ago before committing into it. He said the land was bought at a "reasonable price" but does not provide any details for Forest City's land cost.

As for R&F, a very high-density project is in the pipeline, with the company planning to launch 15 blocks in the first phase. R&F plans to develop high-rise residential units, retail properties, offices, hotel and a shopping mall, all of which will be on a saleable floor area of about 3.5 million sq m, which is close to 10 times the floor space of the Petronas Twin Towers in the capital.

Local developers are starting to feel the pressure following the massive developments by the Chinese developers.

But the developers from China are optimistic that Johor will be akin to Shenzhen and the units being built would eventually be absorbed.

Yuen cited the 20 years it took for Shenzhen to develop and estimates that Johor will take a similar timeframe to "develop into the same status."

The Chinese are investing in Malaysia because of political stability, potential from the Singapore spillover effect, low cost of entry, cultural similarities, language and also partly due to the slowdown of the property market in China.

The developers, especially listed companies, come to Malaysia because it is still considered one of the most affordable countries in the region.

"Take Vietnam as an example, the recent (anti-China) riot shows that there is a considerable political risk to invest in the Indo Chinese nation," one developer explains.
As for the Philippines, the political relationship is not amicable over the years. Singapore, on the other hand, is expensive. Betting on Iskandar Malaysia as the next Shenzhen, Johor becomes a natural investment choice for China developers but it is also the very same reason that Malaysia has to strike a balance to maintain a congenial relationship with Singapore.

The article asserts that the sustainability of Iskandar Malaysia is in question due to supply far outstripping demand.

Currently, Iskandar Malaysia has a population of 1.6 million while Singapore has 5.4 million while Shenzhen's population is 11 million while Hong Kong's has 7.2 million.

That leads to another question: **Who will take up the massive supply of houses in Iskandar Malaysia and Johor Baru?**

Country Garden's Yuen says Chinese buyers make up 35%, locals 40% and Singaporeans 20% for its high rise Danga Bay project.

One commercial banker tells *StarBizWeek* that many of the purchasers from China who buys into Malaysian properties range from small business owners, teachers to executives.
He says, "To them, Malaysian properties are very cheap. Some of them do not even bother to take up loans due to the lengthy process of approval."

He says such buyers will opt to buy in cash and the property prices here are much cheaper compared with those in China.

Some buy the houses as investment while others buy for their children, so that when they send their children here, there will a place for them to live.

"Other countries like Australia, Singapore and Hong Kong are too expensive for the middle-income Chinese buyers while in Thailand, foreigners cannot own property there," he explains.

Depending on the bank, the process to approve the loans may vary.

He says normally foreign buyers can get 50% to 60% loan of the total purchase price and banks may request for the foreign buyers to deposit few more months of instalments upfront.

“To prevent the risk of default, banks are usually more cautious with the approval process as the checking of the income statement can be different from the local buyers.

“Some banks may also perform a credit checking on the buyers in their country,” he adds.
It is usually easier for buyers to borrow from the developers’ panel banks, which can also be a local bank.

As for Country Garden, analysts say the company raises bonds in Hong Kong and utilizes the funds for its expansion overseas. While listing can be another way of raising funds, in Country Garden’s case, analysts opine that floatation of its Malaysian unit is unlikely to happen in the near-term.

As for project execution, industry players note that besides developers from China, many contractors from the mainland are also moving into Malaysia.

However, Country Garden’s Yuen says it engages with mostly local contractors for its projects in Johor and hired an Australian consultant for the gargantuan reclamation works.

Property Bubble Reaction from China?

So far, Country Garden has the most number of notable projects in Malaysia. R&F is fast gain prominence with its launches in a big way.

Country Garden’s Danga Bay project has a gross development value of RM10bil while its projects in Semenyih and Serendah in Selangor, Malaysia are estimated at RM3.5bil jointly. It also has the major capital commitment for the land reclamation activities for the Forest City off the coast of Pendas, Johor.

Some quarters are concerned that the property growth in China will have an impact on the Chinese developers that have ventured into Malaysia following reports of property bubbles in some of the cities in China.

John So of RHB Research who is based in Hong Kong tells *StarBizWeek* that the perception that there is a property bubble in the third and fourth-tier cities in China is a “simplistic view”. “The national home sales (of China) has gone down 10% for the first five months while developers like Country Garden and Evergrande Real Estate Group have experienced robust growth for the same period,” he says.
He notes that sales in certain tier-one and two cities have slowed down by some 20% and it will be impacted by affordability and demand.

Source:
http://www.asiaone.com/malaysia/johors-stormy-property-landscape

MALAYSIAKINI

“Johor sultan initiated Forest City mega-project”

3/19/2015

A March 2015 article in Malaysiakini reports that the Forest City megaproject was initiated by Johor Sultan Ibrahim Ismail to ensure that the state’s southern region is evenly developed. “This area was spotted by our sultan who in fact wanted to see balanced development,” Country Garden PacificView executive director Md Othman Yusof told a media briefing in Kuala Lumpur.

This, he said, is because the focus of development under the Iskandar masterplan was on the south-eastern side of the state while the south-western side appeared to be left out. Therefore, Othman said, the sultan set out to convince investors to develop an area that was at that time nothing more than sea water.

“We have a sultan who is very visionary... he is the one who urged investors to come in, to convince investors - which is Country Garden - to come to invest in this area,” he said.

Even though Forest City was initially not part of the Iskandar Development Region, Othman said the project was added to the masterplan in January 2015. Forest City will enjoy similar benefits such as tax relief as other projects in the Iskandar zone. CGPV is 66 percent owned by Guangdong-based Country Garden Holdings and 34 percent by Esplanade Danga 88 Sdn Bhd.

In turn, Sultan Ibrahim holds a controlling stake of 64.4 percent in Esplanade Danga 88, while the remaining 20 percent and 15.6 percent are respectively held by state-owned Kumpulan Prasarana Rakyat Johor (KPRJ) and a member of the royal court of advisers to the Johor sultan.

The project, which initially proceeded without a detailed environmental impact assessment (DEIA), was temporarily halted following a protest from Singapore.

Othman also played down concerns that Forest City will lead to an oversupply of properties, stating that its target is not solely locals but an international market.

“If you look at Kuala Lumpur and Selangor, it’s all about migration. We have to think the same (for Johor).

“Look at Dubai. If we’re talking about the new Dubai city, they managed to build migration within eight years where they attracted a million migration,” he said.

Source:
http://www.malaysiakini.com/news/292541

STRAITS TIMES

Johor to earmark zones for foreign home buyers

5/17/2015

The *Straits Times* reported in a May 2015 article that the state of Johor was taking measures to restrict foreign home buyers to several new “international zones” in order to protect locals from being priced out of the housing market.

The move serves to assuage local complaints that the tens of thousands of residential units being constructed by dozens of developers are mainly targeted at foreigners, including those from Singapore. These units, including luxury condominiums and three-story landed homes in gated communities, are often priced beyond the reach of most Johoreans, officials say.

The Malaysian government’s move last year to set a minimum price of RM1 million for foreign buyers has worsened the situation as many developers keen on selling to foreigners now put RM1 million as the minimum price, said Datuk Abdul Latif Bandi, Johor’s Minister for Local Government and Housing.

“We do not want foreigners to buy all over (Johor), as prices would then go up and the locals can’t afford them,” he said. “We will decide on these areas after engaging with the public and others.”

Foreigners are generally allowed to buy into property projects in Iskandar with a maximum quota of 50 per cent of the units as long as its minimum price is RM1 million. They are barred from buying units built for low-income Malaysians or for the indigenous bumiputera and Malay communities.

Mr Abdul Latif had previously said that the new zones would also allow the government to charge a “different” property tax rate for foreign buyers.

The Malaysian government last year effectively created the first “international zone” in Iskandar by allowing foreigners to buy units without any bumiputera quotas in the upcoming Medini township - just across the Tuas Second Link.

Another upcoming township that has shown interest in selling its houses to foreign buyers without quota limits is the Forest City luxury reclamation project.

Tan Sri Lim Kang Hoo, deputy chairman of developer Iskandar Waterfront Holdings, said he supports having local housing zones to keep prices affordable for Johoreans. Restricting housing only to Johoreans may limit development in Iskandar. Kang Hoo reminded Malaysians that Iskandar can thrive only if more foreigners snap up units there.

Source:
http://www.asiaone.com/malaysia/johor-earmark-zones-foreign-home-buyers

KINIBIZ

Sultan of Johor’s RM4.5 Billion Backlash?

7/11/2015

A June 2014 article from *KiniBiz* investigates the Sultan of Johor’s business dealings and the public’s growing public backlash as part of a three-part investigative series.

Public and political opposition have increased to the Sultan of Johor’s commercial dealings and business interests. The backlash was a reaction to Johor’s new Housing and Real Property Board Bill that was initiated to give the Sultan of Johor sweeping executive powers in the property industry.

Many observers cite the Sultan's sale of 116 acres of prime land in Johor Bahru, the capital of the state of Johor, last December to Chinese developers Guangzhou R&F last year as a major turning point.

The deal earned the Sultan RM4.5 billion. Although scant details have been released, unconfirmed sources told *KiniBiz* that much of it is prime land in the Johor Bahru (JB) city center and seafront designated as development zones in the Iskandar region.

The special economic zone of Iskandar has been buzzing with big Chinese mainland developers such as Country Garden constructing projects on a massive scale that has dwarfed other local developments.

The Sultan's RM4.5 billion land sale to China developers especially concerned local developers who are worried that the local market could be swamped with units made by China developers and cause a property glut.

Ironically, only last July Iskandar Investment Bhd or IIB announced that it was limiting the sale of land in Iskandar through a "controlled release" strategy. The move was deemed necessary because Iskandar "is still a relatively small and fragile region" and to "allow investors to make money", said IIB president and CEO Syed Mohamed Ibrahim at the time.

There were also concerns that selling prime state land to China was a politically insensitive move.

Nevertheless, there was little opposition at the time when the RM4.5 billion land sale was announced.

The Sultan of Johor is often treated with a mixture of respect, awe and even fear especially among Johorians. Open criticism of the Sultan is seen as social taboo. Local professionals and businessmen keep their lips pursed for fear of repercussions.

"Yes, there definitely is a fear factor," said a local Johor businessman. The housing bill could be triggering a change of attitude towards the Sultan. "With all due respect, [the Sultan] shouldn't be involved in business. This is the first Sultan known to Malaysians to sell land to China. And it is prime city land. It is unprecedented. Even the previous late Sultan Iskandar (Sultan Ibrahim's father whom the Iskandar region was named after) did not engage in such public business dealings," said a practicing lawyer in Johor who spoke on condition of anonymity.

In theory, the RM4.5 billion land sale to Guangzhou R&F alone could place Sultan Ibrahim among the richest men in Malaysia.

The Sultan's Business Dealings

The Sultan subsequently made several other prominent moves in the corporate world. He has been acquiring shares in other existing businesses in deals worth more than RM600 million.

After the RM4.5 billion land sale, the Sultan of Johor bought a 15% stake in MOL AccessPortal (MOL) for RM396 million and 20% stake in Berjaya Times Square Sdn Bhd (BTS) for RM250 million.
A consortium of SIPP (SIPP) Energy Sdn Bhd, YTL Power International Bhd and Tenaga Nasional Bhd (TNB) was conditionally awarded the development of Project 4A, a new 1,000 megawatt (MW)–1,400MW combined cycle plant in Johor.

The project is reported worth approximately RM6 billion, according to a CIMB report.

The Sultan of Johor owns a 51% stake in SIPP with the balance shareholding split between two company
directors — Daing A Malek Daing A Rahman (24.5%) and Anuar Ahmed (24.5%).

With such high-profile business acquisitions, many have questioned whether it is appropriate for a sitting ruler to be so distinctly involved in the business world.

"The constitution says that they (the royals) should be ceremonial bodies and above politics. They get a lot of remuneration and grants from the state government. These are all from public funds. They don't need to be in business. It is also not right for a Sultan to be in competition with the [the people] for businesses. How can they compete? It is the Malay "adat" (or norms) not to go against the Sultan," said the Johor lawyer to *KiniBiz*.

The lawyer is also concerned that the Sultan's various business dealings could expose himself to potential lawsuits. "If the Sultan is involved in companies and business entities, he is liable to be sued in court if anything goes wrong. That could tarnish the royal family's image and bring the country into disrepute," said the lawyer.

This is not the first time that the Sultan of Johor has been linked with prominent local businessmen. Previously, he was heavily linked with Lim Kang Hoo, majority stakeholder of Ekovest and Iskandar Waterfront Holdings (IWH). Property tycoon Lim is ranked number 19 in the latest Forbes Malaysia's 50 richest list with an estimated net worth of over RM3 billion (US$ 975 million).

During the 1997 financial crisis, Lim took over RM200 million debts of state investment agency Kumpulan Prasarana Johor (KPRJ) in return for land reclamation rights. With the value of land skyrocketing in Iskandar in recent years, so has Lim's fortunes. IWH is a public-private partnership between the state of Johor and Lim, with KPRJ having a 40% stake. Lim holds the balance 60% through his vehicle Credence Resources Sdn Bhd (CRSB). Lim is also executive chairman of public listed property company Tebrau Teguh.

Lim owns vast tracts of land in JB's waterfront especially in Danga Bay. Last April, Shanghaibased developer Greenland Group paid RM600 million to IWH for 13 acres of land in Danga Bay. IWH and Greenland will be in a joint venture (JV) for a mixed development worth a gross development value (GDV) of RM2.2 billion.

Previously, IWH sold 58 acres of land to Country Garden for RM900 million to develop its Danga Bay project that includes 9,000 units of high-end condominiums units and commercial development with a RM18 billion GDV. IWH is also planning an initial public offering (IPO) later this year that could be worth up to $300 million (RM960 million).

The Sultan's son crown prince Tunku Ismail Sultan Ibrahim was appointed last August 2013 as chairman and non-independent nonexecutive director in another of Lim's vehicle Knusford Bhd, a construction and heavy machinery company. Knusford's CEO is Lim Keng Cheng, a nephew of Lim Kang Hoo. Sultan of Johor confirmed that billionaire Lim is his business partner in a 2012 interview with a few local bloggers, including Ahirudin Attan (or Rocky as he is more popularly known as). During the interview, the Sultan also angrily dismissed accusations that he is a "30% man" based on rumors that he was asking for a cut of major business dealings in the state. The Sultan explained that the "30% is for the state", according to the 2012 interview.

Major Chinese developers in Iskandar include Country Garden, Guangzhou R&F, Agile Property Holdings and Greenland Group that have invested a combined US$6 billion (RM20 billion).

In 2013, Chinese institutional and retail investors poured US$1.9 billion (RM6 billion) into Malaysia properties. However, there has also been growing unease with the increasing Chinese ownership and presence in vast tracts of waterfront land in JB.

"Technically, it could compromise the security of the nation and is not in the best national interest. The Chinese have bought land all along Danga Bay up to Tanjong Pelepas. They are developing all sorts of projects without any restrictions," said the Johor lawyer.

The cocktail of big business, land, politics, royalty and foreign ownership could be a political time bomb for Johor. Both sides of the political divide are already up in arms over the Sultan of Johor's potential involvement in state administration via the Housing and Real Property Board Bill.

Major developments and investments in the southern state such as Iskandar and Pengerang could be placed in delicate positions in light of these recent developments in Johor.

Source:
http://www.kinibiz.com/story/issues/90213/sultan-of-johor%E2%80%99s-rm4.5-billion-backlash.html