IS ISKANDAR MALAYSIA THE NEW HOT SPOTS IN MALAYSIA?

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ABSTRACT

Iskandar Malaysia is one of the five economic corridors introduced during the tenure of Prime Minister, Datuk Seri Abdullah Ahmad Badawi. Its purpose is to attract foreign investments, provide a catalyst for business development and turning it into an economic center.

Preliminary findings by Napic, the National Property Information Center reveals that there is a hotspot for residential development in the Iskandar Malaysia region, although there is presence of unsold and abandoned projects in the area. The odd situation has brought about this study to look into further.

Based on some hotspots drivers of growth i.e. demographic, geographic, social, economic and real estate market drivers, it is found that there is an emerging residential hotspots in Iskandar Malaysia. However due to the global financial crisis, which has slowed down sales transactions and capital growth, and the economy is in a downturn, it is possible to define Iskandar Malaysia as a hotspots based on indicators of hotspots during a downturn i.e. the presence of land development and infrastructure activities. This includes improved road networks and infrastructure activities such as new developments of educational and medical centre, international resort theme park and government office complex.

The growth phenomena and the oversupply situations have different pattern. Growth spots are more closely located in Flagship A and Flagship B of Iskandar Malaysia while the oversupply situations extend further away from Johor Bahru town centre. New developments which incorporate security features and sustainable concepts appeal more to buyers than the conventional developments developed before 2006.

Keywords: residential hot-spots, Iskandar Malaysia

1. INTRODUCTION

1.1 General Background

In July 2005, Khazanah Nasional Berhad (KNB) was asked by the government to carry out a feasibility study of a special economic zone in South Johor or Southern Belt Economic Zone (SBEZ). A comprehensive development plan was then prepared to address the development. The development was announced by the Prime Minister as South Johor Economic Region (SJER). It was renamed Iskandar Development Region (IDR) and soon after as Iskandar Malaysia. Iskandar Malaysia is one of the five economic growth corridors introduced by the government to attract foreign investments to the country. The other four are, the Northern Corridor Economic Region (NCER) and the East Coast Economic Region (ECER), the Sabah Development Corridor (SDC) and the Sarawak Corridor of Renewable Energy (Score).

The Comprehensive Development Plan outlined for Iskandar Malaysia is for the development to take place from 2005 – 2025, spanning a period of 20 years. Guided by its three key fundamental guiding principles; spur and generate the economic growth in a continuous, comprehensive and balanced manner; manage development and the environment intelligence; and enhance the living quality of life of every citizen in the region, Iskandar Malaysia is set to become a successful development and a major economic growth centre in this region.

A recent presentation of some real estate statistics on the housing trends at various stages of development in the District of Johor by National Property Information Centre, NAPIC indicates that there is evidence of residential hotspots in the Iskandar Malaysia region. At the same time, statistics from Ministry of Housing and Local Government (MOH) showed there are presence of abandoned housing projects in these areas. Similarly data of unsold housing compiled by Napic also showed the unsold housing situation in Iskandar Malaysia region is quite substantial. Therefore this study is undertaken to establish whether there is a hotspot for residential property growth in Iskandar Malaysia and explain the current housing situation in terms of the growth trend as well as the unsold and abandoned projects in the Iskandar Malaysia region, especially in the District of Johor Bahru.

1.2 Problem Statement

The pre-planned supply data showed that there is some indication of growth in Iskandar Malaysia and Napic has defined this area as a hotspot. Is this really a hotspot? Since there are also abandoned and unsold housing in the Iskandar Malaysia region.

1.3 Objective of Study

The objectives of this study are:

i. to establish whether there are residential hot spots in Iskandar Malaysia.
ii. to explain the current housing situation in Iskandar Malaysia in terms of the presence of unsold and abandoned projects.

Some of the research questions related to the above objectives are:

i. What is the definition of hotspots?
ii. What are the criteria to define a growth area a hotspots?
iii. Can Iskandar Malaysia be defined a hotspots? iv. What is the current situation of abandoned and unsold housing in Iskandar Malaysia?

1.4 Significance of Study

The findings may be used to identify future hot spots and possibly at the same time, the success of Iskandar Malaysia may serve as a blue print for other developments or replicated by other economic growth corridor.

The remainder of the article is organized into six sections. The next section discusses the current housing trends in Iskandar Malaysia, followed by related literatures on hotspots, methodology and data used in the research, analysis and findings, and the final section presents the conclusions.

2. DATA COLLECTIONS BY NAPIC

Data collected by Napic is differentiated by the development stage of a property in a development cycle. As shown in Figure 1 below, from bare site until completion of a unit, data collections are divided into four development stage, i.e. **pre-planned, planned, incoming and existing stock.** These data are gathered from gazette instruments under the Valuers, Appraisers and Estate Agents Act 1981, submitted by related Land Offices and Local Authorities on a monthly basis.

Pre-planned supply comprised of data collected for land use conversion, change of express conditions, subdivision/amalgamation and surrender & re-alienation; as well as data on planning approvals.

Planned supply comprised of data collected for units with building plan approved but construction has not commenced as well as data of **new planned supply** for the review period. New planned supply relates to data on units with building plan approval obtained during the review period.

Incoming supply comprised of data collected for units which have commenced construction as well as data on starts. Starts relates to data on units with construction permits obtained in the review period.

Existing stock comprised of data of completed units during the review period which is referred to as completion, and existing completed units.

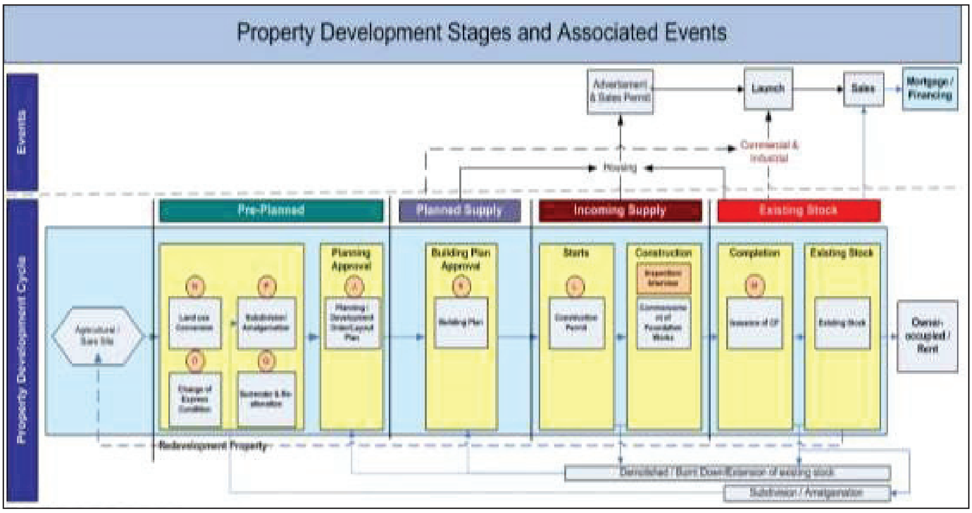

Figure 1: Property Development Cycle in Relation to Napic's Data Collection Process
Source: Napic,2007

3. CURRENT HOUSING TRENDS IN ISKANDAR MALAYSIA

3.1 Iskandar Malaysia

Iskandar Malaysia encompasses 221,634.1 hectares (2,216.3 km^2) of land area within the southern most part of Johor compared to Singapore which is only 682.7 km^2. Prior to 2005, this area was developed by UELand under Prolink which actively developing medium and high end residential units. The secondlink highway acts as an alternative route which connects the southern part of Johor to Singapore. As this area is located very close to Singapore, it was envisaged that the alternative route would attract Singaporean workers to reside in this area and commute to work using the secondlink.

Prior to the setting up of Iskandar Malaysia in 2006, developments in this area were done on a piecemeal basis. Developers developed land on a small scale and there was no comprehensive development for the whole area. Due to such developments practice, pockets of development are seen scattered in Iskandar Malaysia region. With the setting up of IRDA, Iskandar Region Development Authority, developments are much well planned and structured. Developments were undertaken aggressively on a bigger scale with government support. Catalyst development such as development of hospitals, universities, theme parks etc. were started to encourage further related developments. The creation of new economic activities in this area is expected to create demand for housing in this region.

Physically, the area is to be developed into 5 zones known as, Zone A (Johor Bahru City Centre, Zone B (Nusajaya), Zone C (Western Gate Development), Zone D (Eastern Gate Development) and Zone E (Senai Skudai). Please refer to Figure 2 below for development plan map of Iskandar Malaysia.

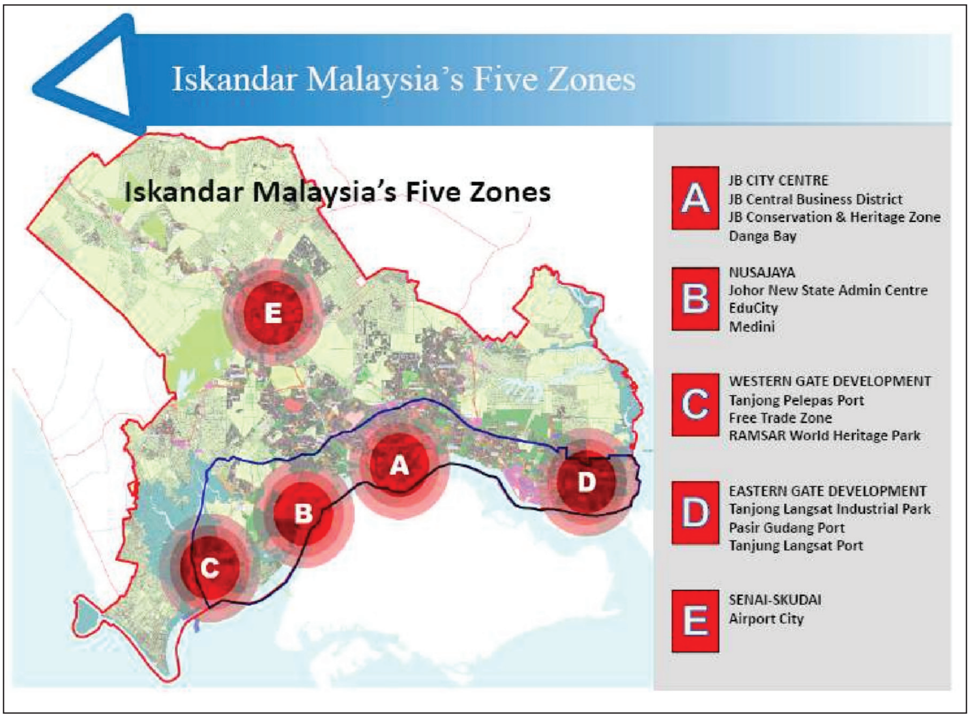

Figure 2 : Iskandar Malaysia Development Plan Map
Source: IRDA's presentation slides

3.2 Growth Trends Analysis by NAPIC

Iskandar Malaysia covers the whole district of Pontian and district of Johor Bahru in the Johor state. However, only areas located in the district of Johor Bahru has shown indications of growth. Further analysis provided by NAPIC showed that only seven mukims under the District of Johor display growth trends. These are Mukim Tebrau, Bandar Johor Bahru, Pulai, Plentong, Sedenak, Senai Kulai and Sg Tiram. Please refer to Figure 3.2 below for locations of possible growth areas in the district of Johor Bahru in the Iskandar Malaysia region.

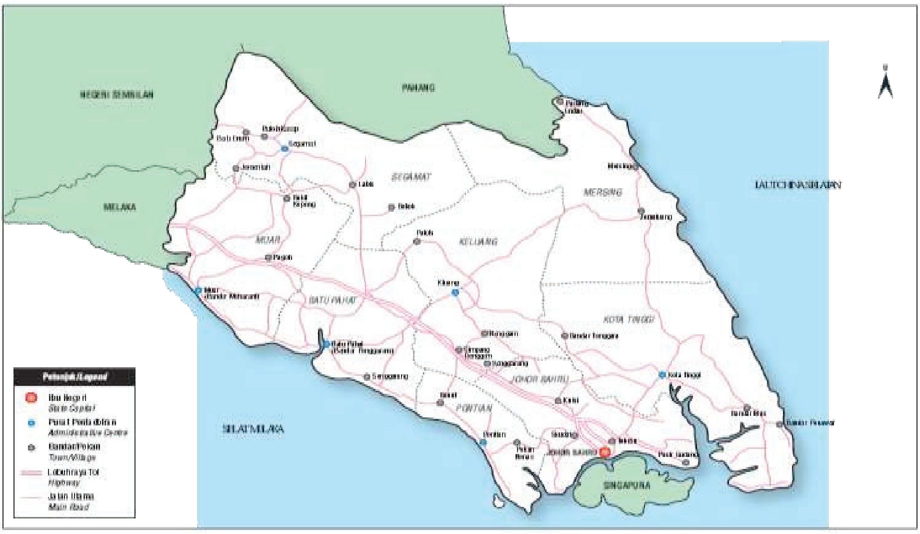

Figure 3: Location Plan Of Iskandar Malaysia

Napic's finding on residential growth areas in Iskandar Malaysia is based on the following data analysis:

i. Pre-planned Supply Data (land use conversion, change of express conditions, subdivision/amalgamation, surrender and realienation)

Table 1: Pre-Planned Supply Data

		2005	2006	2007	2008
1	Mukim of Tebrau Subdivision & Surrender/realienation	**7,096** units *295.61 hec.*	**23,925** units **1,264.48** hec.	**28,500** units **2,141.04** hec.	*0*
2	Bandar Johor Bahru Subdivision & Surrender/realienation	*0*	*6 units 0.2246 hec.*	**3,038** units **136.20** hec.	*0*
3	Mukim Plentong Subdivision & Surrender/realienation	*362 units 104.32 hec.*	**260 units** *6.04 hec.*	**698 units** *28.77 hec.*	*0*
4	Mukim Pulai Subdivision & Surrender/realienation	*2433 units 150.52 hec.*	**137 units** *7.60 hec.*	**1,528 units** *785.60 hec.*	*0*

Source: NAPIC 2017

In terms of pre-planned data, Mukim Tebrau registered a substantial increase of units proposed for residential developments. The number increases from 7,096 units in 2005 to 23,925 units in 2006. Similarly, in terms of land area, land approved for subdivision and surrender realienation increases from 1,264.48 hectares in 2006 to 2,141.04 hectares in 2007. The global financial crisis in 2007 has causes development activities to slow down evident by no new planning approvals obtained in 2008.

ii. Planned Supply Data (building plan approved)

Table 2: Planned Supply Data

		2005	2006	2007	2008
2	District of Johor Bahru - Building plan approval obtained	**88,428 units**	**91,710 units**	**98,750 units**	101,645 units
	Percentage change		3.71%	7.7%	2.9%

Source: Napic 2007

In terms of planned supply, there is a growth trend based on the annual data presented above. The number of units approved increases gradually from 2005 to 2008 at the rate of 3.7%, 7.7% and 2.9% respectively. The most popular type is 2-3 storey terraced house which accounted for approximately 34.4% of the total share (NAPIC, 2007).

Planned supply data may not give an accurate indicator of growth. Building plan approvals are given for a period of two years. Once lapsed, developer may apply for extension or change of plans at minimal costs (Quit rent and assessments are charged based on agriculture use on master title). There is no urgency for developers to start construction.

Increase in the number of planned supply data in a review period maybe due to a situation whereby building plans approvals obtained is higher than the number of units which begin construction.

iii. New Planned Supply (building plan approval obtained during review period)

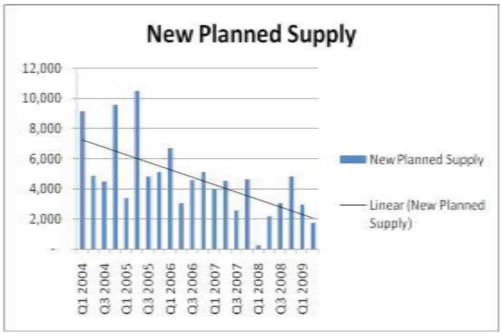

Figure 4: New Planned Supply in the District of Johor Bahru (2003-2008)
Source: Jadual Stok Kediaman (website) (2004-2009)

The quarterly data suggests that there is a decrease in the number of building plans approved. The trend line in the bar chart in Figure 4 above shows the gradual decrease on a quarterly basis from Q1 2004 towards Q2 2009. The effect of the global financial crisis in second half of 2007 causes a dip in building approvals in which the number drops to a mere 218 units in Q1 2008 (218 units). The number however increases to 4,802 units in Q4 2008.

In 2004 and 2005, during the beginning of Iskandar Malaysia, the number of new planned supply shows a substantial increase, the highest being 10,509 at Q2 2005.

3.3 Unsold Housing Situations

Figure 5 below show the unsold situation in the state of Johor from 2004 – 2008 as compared to the whole country's unsold situation. Other than for year 2004, the unsold rates for Johor have been over and above the national unsold rate.

The Q4 2008 Property Market Status on Property Overhangs by Napic, reports that there are a total of 7,001 unsold residential units for the state of Johor of which 3,901 are located in Johor Bahru District and 7 in Pontian District. This means that almost 60 percent of unsold housing in Johor is located in Iskandar Malaysia. Further analysis showed that the unsold housing are mostly scattered in Kulai Jaya (Before 2009, Kulai Jaya was part of District of Johor Bahru).

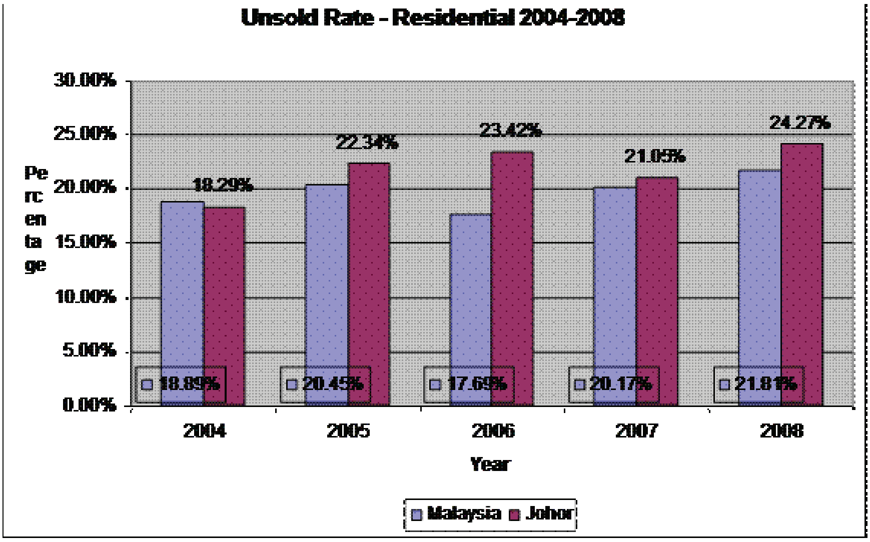

Figure 5: Unsold Situation in Johor (2004-2008)
Source: Laporan Status Various Years From 2004-2008

3.4 Abandoned Projects

The Ministry of Housing and Local Government (MOH) has come up with three categories of projects which have not been completed as scheduled. These are abandoned, sick and late delivery projects.

Abandoned project generally means work at the site has started and halted for more than 6 months. Specifically, there are three instances where a project may be defined as abandoned; i) a wrap up petition has been filed with the High Court under The Companies Act 1965; ii) the developers' company is under Receiver and Manager; or iii) the developer has informed the authority in writing that they are unable to complete the project, and it has been confirmed abandoned by the Minister of Housing and Local Government. Sick projects are those which are progressing more than 30% late behind schedule while late delivery projects are those progressing between 10% - 30% late behind schedule.

According to MOH, until May 2009, there are about 33 projects throughout the state of Johor that have been identified and categorized as abandoned housing projects. 19 projects are located in Iskandar Malaysia, and most are located in Plentong area. Site visits to several of the abandoned projects showed that these projects are not attractive to buyers in terms of poor location, poor accessibility or proper road network, and located in poor neighbourhood. These projects are in various stages of constructions. Some of the projects sale value reached more than 50 million ringgit and most were left abandoned since 2005.

As for sick and late delivery projects, there are 37 sick projects and 14 late delivery projects in Johor, specifically 23 sick projects and 6 late delivery projects are located in Iskandar Malaysia.

4. RELATED LITERATURE

4.1 Hotspots Indicators

In establishing whether a location is emerging to become a hotspot, indicators or drivers of hotspots are identified. Some of the indicators suggested by experts in the property industry are discussed in the following paragraphs.

According to Trass (2006), hotspots is defined as `a location that is experiencing or about to experience rapid, strong and sustainable capital growth'. He further adds that these three growth elements, i.e. rapid, strong and sustainable must be present for an area to be defined as a hot spot.

Rapid means, experiencing or about to experience rapid capital growth within a 3 month period. Strong means registering more than 4 percent for a single quarter; and sustainable means real estate values do not fall back to the level they were at prior to such rapid and strong growth.

Investors are able to identify potential hot spots by analyzing certain drivers which provides early indication of to-be hot spots. These drivers may be classified into demographic, geographic, social, economic and real estate market drivers. Some of the drivers which can be used as an indicators are: population increases; improved amenities (demographic); new or improved transport links, amenities proximity (geographic drivers); major crime reduction, new or improved schooling (social drivers); rental demand strong, affordability improving, real estate values increase (economic drivers); real estate volumes increasing rapidly, shortage of available properties (real estate drivers).

A study undertaken by The Royal Bank of Scotland First-Time Buyer (FTB) Property Index, has indicated five key factors in determining possible property hotspots. These are below average ratio of house prices to local earnings which translate to affordable properties, significant increases in new build supply, strong growth in house prices, urban regeneration and good transport links

The Puget Sound Regional Council (PSRC), a regional planning organization based in Washington, in monitoring growth in a local jurisdiction, identifies the amount, location, and rate of recent growth and development (which is based on data set for recent development is housing permits issued) as one of the factors in providing information on the intensity of recent growth in a geographic area. The result provides an impression of the growth of an area in relation to its target.

4.2 Hotspots Indicators During Economic Downturn

However, during an economic downturn, indicators for a hot spots refer much to land development and infrastructure activities such as regeneration schemes, transport improvements and new development of educational centers or sports facilities.(http://www.primelocation.com/articles/how-to-locate-property-hotspots-in-adownturn/).

4.3 Investors' Hotspots Indicators

Among investors or developers, a common benchmark of a potentially successful residential development is the presence of supermarket chain store (IRDA, 2009). Chain stores operators normally undertook market study before opening up new centers. Demand for such big box stores are generally estimated from population size, income, consumption pattern, consumer expenditure, non-resident shopping etc. (Abdul Hamid, 2006). The existence of these chain stores, signify a growing population which indirectly indicates growth.

The presence of international brand food store in the neighborhood too is another factor to be considered. Famous international brand such as Starbucks, Coffee Bean, Dome etc, opening up at big superstore is also an indicator of growth in such areas. These branded chain stores are normally frequented by the upper middle class people and its presence portrays an upward trend in the area.

5. METHODOLOGY AND DATA

5.1 Methods and Source of Data

For the first objective, the first step is to establish whether a location can be classified as a hotspot is to determine whether that particular location has the potential to emerge as a hotspot based on current development. This is done by checking the current progress in Iskandar Malaysia with a list of key drivers of hotspots identified earlier from previous literatures.

Irrespective of whether the particular site showed positive results as having potential to become a hotspot or otherwise, the next step is to check against hotspots indicators in order to define a location as hotspots or provide evidence of no hotspots.

Data on Iskandar Malaysia are gathered from various sources. Transactions data on future supply of housing and sales transactions are gathered from Napic. Where data on district level is unavailable, data on state level will be used. Similarly, where data on quarterly basis is not available, data on semiannual basis or annual basis will be used. Data on demography such as household income, age, ethnic group etc are gathered from the Department of Statistics. Recent development is gauged from site visits to the region.

Current data on progress of Iskandar Malaysia will be gathered and assessed against the checklist of indicators. If the results show that there is a high possibility of hotspots, the real estate market indicators pertaining to capital value will be tested. This would indicate the presence of the three growth elements mentioned earlier i.e. rapid, strong and sustainable growth.

As for the second objective, in order to explain the current housing situation in Iskandar Malaysia, the general location of the three housing situations i.e. growth, unsold and abandoned will be identified. Characteristics of each housing situations will be determined based on site visits and explanations from valuers in the public and private sectors as well as estate agents to gain insight on the current housing situation.

5.2 Hotspots Drivers

A checklist of hotspots driver to detect emerging hotspots are listed in Table 3. Current available data on Iskandar Malaysia will be checked against these hotspots drivers checklist.

Table 3: Key Hotspots Drivers

	Hotspots Drivers	Factors to be Considered
1	Demographic Drivers	1. Population increase
		2. New/Improved Amenities
		3. Zoning amended for intensification
		4. Employment growth
2	Geographic Drivers	1. New/improved transport link
		2. Inferior location bordering highly desirable areas
		3. Amenities proximity
3	Social Drivers	1. Renamed neighbourhood
		2. New/improved schooling
		3. Cafe set
4	Economic	1. Rental demand is strong
		2. Affordability improving
		3. Real estate value increasing
5	Real Estate Market	1. Real estate sales volume increasing rapidly
		2. Multiple offers are common
		3. Shorter time taken to sell properties

5.3 Hotspots Indicators

Table 4 is a list of hotspots indicators. It is basically monitoring the capital growth of residential properties in a particular area over a period of time. If the current growth trend is as described in the table below, then that area may be defined as a hotspot.

Table 4: Hotspots Indicators

	Hotspots Indicators	Factors to be Considered
1	Rapid capital growth	There is some growth in terms of residential values for every quarter detected measured quarterly from 2004 – 2008.
2	Strong capital growth	At least 4 percent increase in residential values recorded for every quarter from 2004 – 2008.
3	Sustainable capital growth	Values are consistently at par or higher than previous quarters for 2004 – 2008.

6.0 ANALYSIS AND FINDINGS

6.1 Detecting Emerging Hotspots

6.1.1 Demographic Drivers

The four factors to be considered are population increase, new or improved amenities, zoning amended for intensification and employment growth.

Table 5 : Population Growth (2000- 2009) & Migration Rate (2000-2003, 2007)

a) Population Growth (2000 - 2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Malaysia	23,494.9	na	Na	na	na	Na	na	na	27,728.7	28,306.7
State of Johor	2,762.5	na	Na	na	na	Na	na	na	3,312.4	3,385.2
Dist. of J. Bahru	1,171.2	1,206.2	1,241.6	1,278.0	1,315.2	1,353.2	1,389.2	1,425.6	1,462.5	1,499.9
% change from 2000 to 2009										**28.06%**
Mukim Tebrau	205.9	212.8	219.7	226.7	233.9	241.2	248.1	255	262.0	269.0
% change from 2000 to 2009										**30.64%**
Bandar J. Bahru	154.3	154.5	154.8	155.1	155.5	155.9	156.1	156.4	156.7	157.0
Migration in Johor (2000 - 2003, 2007)										
Rural to Urban	23.3	16.8	20.9	38.7	na	Na	na	20.6	na	na
Urban to Urban	36.3	64.1	48.2	42.6	na	Na	na	69.1	na	na
Urban to Rural	20.2	15.9	20.6	10.8	na	Na	na	9.1	na	na

Source: Department of Statistics

In terms of population, the statistics as tabulated in Table 5 above showed that the population in the district of Johor Bahru has increased by 28.06% from 1,171.2 million in 2000 to 1,499.9 million in 2009. Mukim Tebrau registered a higher growth of 30.64% compared to Bandar Johor Bahru which registered a growth of 1.74% from 2000 to 2009. This may be attributed by the migration of people from rural to urban areas in which the migration rate in 2007 is 20.6%, or urban to urban migration of 69.1%.

b) New or Improved Amenities

Various projects have been outlined for Iskandar Malaysia under the Ninth Malaysia Plan. Please see appendix I. Based on site observations of physical developments in November 2009, a few of the planned development have progressed to completion. These include the Federal Government Complex while the coastal highway linking Johor Bahru to the Federal Government Complex is only at 10 percent complete. Others such as the Medical Hub, Educity, Theme Park, Waterfront City and New Police Stations are still on the plan with signboards at site indicating development to begin in the near future.

c) Zoning Amended for Intensification

The Comprehensive Development Plan (CDP) which encompasses development of Iskandar Malaysia for 2005 – 2025 has proposed zoning for landuse in the region. Being the federal agency responsible for the development and success of Iskandar Malaysia, IRDA has taken steps to ensure that development plans are implemented. These include developing catalytic projects which create a synergy for new other economic developments.

d) Employment Growth

Catalytic projects which are undertaken by Iskandar Investment Berhad (IIB) includes Medini City, Educity, Iskandar Waterfall Development and Infrastructure development.

Upon completion, these projects are expected to generate employment in the region. As projected by IRDA, the employment growth with Iskandar is expected to increase to 4.3% as opposed to 3% without Iskandar, for the development period between 20052025. Please refer to data tabulated in Appendix II. Currently, some 44,000 jobs have been created since Iskandar was launched in 2006.

6.1.2 Geographic Drivers

Geographic drivers refer to developments in terms of transport link, location bordering highly desirable areas and proximity to amenities.

a) New/Improved Transport Link

Iskandar Malaysia has the advantage in terms of connectivity with the outside world. Supported by three world-class ports (Port of Tanjung Pelepas, Pasir Gudang port and Port of Singapore), two international airports (The Changi Airport and Sultan Ismail International Airport), two causeways (Tambak Johor and Secondlink) highways and railway links, makes Iskandar Region a strategic location for growth.

Various plans for new roads network and upgrading of existing roads are well mapped out and will be carried out in stages under the Ninth Malaysia Plan.

b) Inferior Location Bordering Highly Desirable Areas

Iskandar Malaysia is a well conceived plan of development as such, within Iskandar Malaysia itself, there are inferior locations bordering highly desirable areas such as the agricultural land at traditional kampong at Gelang Patah, bordering link houses developed at Nusajaya.

On a wider scale, Iskandar Malaysia itself is bordering Singapore whose limited land supply has increased land values beyond affordability. By theory, such conditions may in the long run increase values in Iskandar Malaysia.

c) Amenities Proximity

As mentioned in paragraph 6.1.1 above, there are various projects outlined under the Ninth Malaysia Plan as in Appendix I. As the development is on a big scale, proximity to amenities may only be quantified upon completion of the whole development.

6.1.3 Social Drivers

Social drivers are difficult to quantify as it is very subjective and involves human perception. Public perception in assessing safety environment of a location for example, may view reduced crime rate as a favorable condition and hence increase level of demand for house purchase or rental, in the long run, triggers growth.

Three factors considered as social drivers in detecting growth is discussed below:

a) Renamed Neighborhood

Prior to the announcement of the new economic growth corridor, development in this region is sporadic as development is undertaken in a small scale by individual developers. This region was then renamed as Iskandar Malaysia, to be developed as one of the economic growth corridor in Malaysia for the southern region.

b) New/Improved Schooling

Educity, and education hub city planned in Iskandar Malaysia has lined up few prestigious universities and colleges to set up their branches here. This includes Marlborough Overseas Ltd from United Kingdom to set up a college; Maritime Institute Willem Barentsz (MIWB) and Maritime Institute de Ruyter (MIR) from Netherlands to set up a Dutch Maritime Institute; and Newcastle University Medical Malaysia (NUMed) scheduled to open its campus in May 2011.

c) Café set

The emergence of café set as a result of increase in number of people with above-average income moving to the location is another perception of growth in the area. Famous brand café set such as Star Bucks, Kenny Rogers etc can be found in the new opened shopping complex in the vicinity. The pictures in Figure 6 - 10 below show Bukit Indah shopping centre which was opened recently in November. 2008; Giant super store was opened in November 2009, while Tesco shopping complex is still under construction.

Figure 6: Bukit Indah Shopping Centre (open in August 2009)

Figure 7: TESCO Shopping Complex (under construction)

Figure 8: Giant Super Market opened in November 2009

Figure 9: Starbucks Coffee Café operating from Bukit Indah Shopping Complex

Figure 10: Bread Talk and Kenny Rogers Café operating within Bukit Indah Shopping Complex

6.1.4 Economic Drivers

Economic driver indicators are the result of demographic, geographic and social growth. While the three earlier drivers are the early detection of hotspots, economic drivers are efficient mid to late indicators of hot spots.

Rental Demand

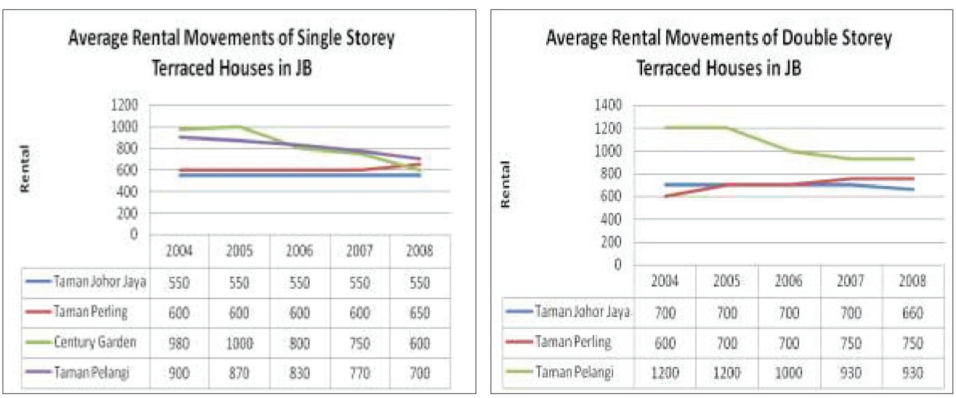

Figure 11: Average Rental Movements in Johor Bahru
Source: PMR 2008

Rentals of terraced residential units in Iskandar Malaysia are generally declining. As stated in the Property Market Report 2008, rentals are facing a downward pressure as evident by some of the housing schemes rent rates in Figure 11 above.

a) Affordability in House Purchase

Based on household income data available for year 1995, 1999 and 2002 for Johor, it was forecasted that, the income level of approximately 45 percent of the household is between RM1,500-RM3,000 per month, in 2009. Such income bracket may not afford locals to purchase residential units in Iskandar Malaysia which are priced much higher.

6.1.5 Real Estate Market Drivers

Real estate market drivers are also mid to late indicators of hot spots. The following discusses some of the indicators using data from 2003-2008 in the District of Johor Bahru.

a) Real Estate Sales Volume in the District of Johor Bahru

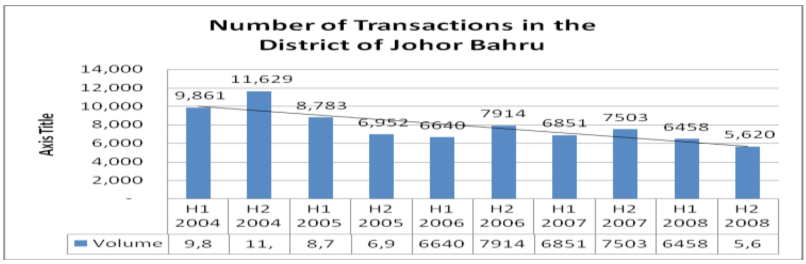

Figure 11: Sales Transaction In District In Johor Bharu
Source: PMR 2003-2008 Figure 6.10: Sales Transactions In District Of Johor Bahru

Semi annual data of number of transactions in the district of Johor Bahru from 2004 to 2008 in Figure 11 showed that the number of transactions is gradually decreasing. The volume of transactions was at the peak at H2 2004 (11,629 transactions) and the lowest at H2 2008 (5,620 transactions).

b) Multiple Offers on Property Sales

If a property is put up for sale and there are many potential buyers competing for the same property, then it indicates that there is competition in the market which will eventually increase prices. However, site visit to few housing estates in Nusajaya and checks with local estate agents revealed that sales activities are not active.

c) Time Taken to Sell Property

Based on queries from local estate agents, the time taken to sell a property is taking longer and longer. Second transfer is less attractive as purchasers have more choices from new launches which offer bigger built up area or additional sales package. This applies to terraced, condominiums and bungalows units.

Summary of Analysis of Hot Spots

Table 6: Summary of Analysis of Hotspots Drivers

	Hotspots Drivers	Factors to be Considered	Findings
1	Demographic Drivers	1. Population increase	Yes, in Mukim Tebrau and Bandar Johor Bahru
		2. New/Improved Amenities	Yes, road infrastructure
		3.Zoning amended for intensification	Yes, CPD
		4. Employment growth	Not yet
2	Geographic Drivers	1. New/improved transport link	Yes
		2. Inferior location bordering highly desirable areas	Yes
		3. Amenities proximity	Yes
3	Social Drivers	1. Renamed neighbourhood	Yes
		2. New/improved schooling	Yes
		3. Cafe set	Yes
4	Economic	1. Rental demand is strong	No
		2. Affordability improving	No
		3. Real estate value increasing	No
5	Real Estate Market	1. Real estate sales volume increasing rapidly	No
		2. Multiple offers are common	No
		3. Shorter time taken to sell properties	No

Table 6 above summarises the findings of current situation in Iskandar Malaysia. The early indicator of hot spots i.e demographic, geographic and social drivers indicate that there is an emerging hot spots. However, the mid to late indicators of hot spots, i.e. economic and real estate market drivers have yet to suggest hotspots.

6.2 Defining a hotspots

The hotspots indicators are measures of changes in capital value in a region. Figure 12 shows the average price movements of residential units in the District of Johor Bahru on a semi-annual basis from 2004-2008.

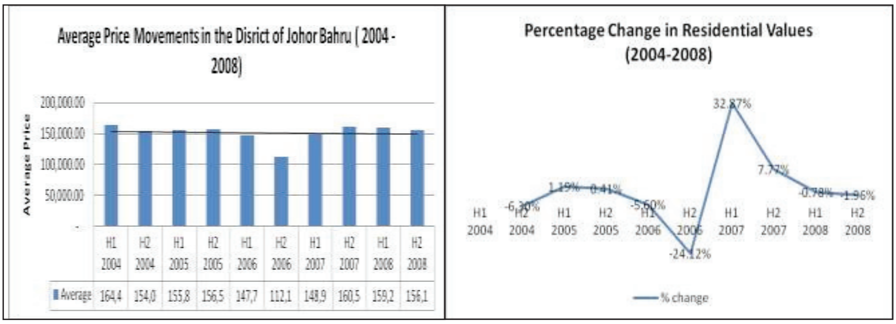

Figure 12: Capital growth of residential values in the District of Johor Bahru
Source: First Half Report (2004-2008)

The values of residential units in the District of Johor Bahru are stable throughout the study period. Surprisingly, the financial crisis during second half of 2007 does not affects much of the residential prices in the Iskandar Malaysia Region. Average prices remain high around RM160,000.00 during 2007 and 2008.

There is certainly no rapid, strong or sustainable capital growth according to the parameters set by Trass, (2008) in defining Iskandar Malaysia as a hotspots. However, considering the downturn in the economy as a result of the global financial crisis in 2007, it is fair to establish Iskandar Malaysia a hotspots as defined by Prime Location (2007) in which it is suffice to define a hotspots when there are land development and infrastructure activities in a region.

As the whole of Iskandar Malaysia is scheduled for completion in 2025 from its inception in 2005, the current state of development is progressing well. At present in 2009, in just four years, Iskandar Malaysia has exhibits signs of growth. The global financial crisis has somewhat slowed down the development pace, but with strong support and commitment from the government, Iskandar Malaysia is envisaged to grow further.

6.3 The Current Housing Situation in Iskandar Malaysia

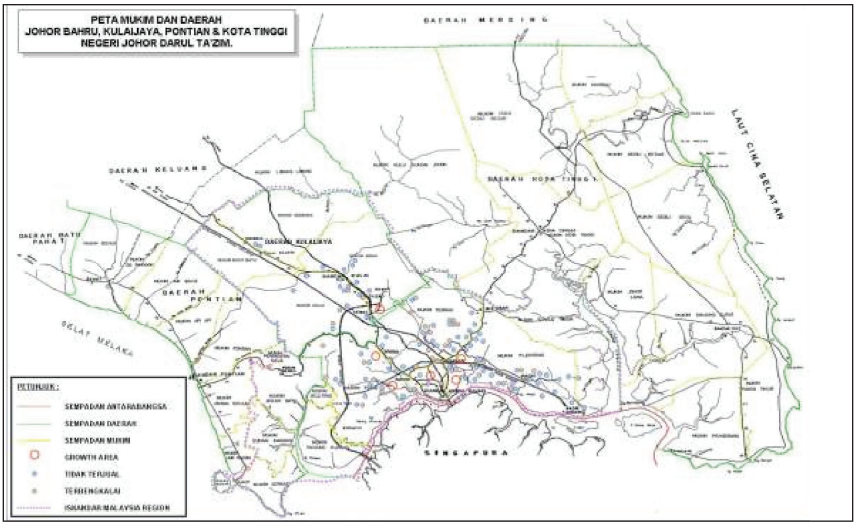

Figure 13: Current Housing Situations in Iskandar Malaysia

As shown in Figure 13, the housing situation in Iskandar Malaysia is peculiar. However on close examination of locations of the two housing situations i.e. growth spots and oversupply situations (unsold and abandoned/sick/delayed projects), it is found that there are distinctions between the two situations.

Growth spots and oversupply situations projects are located not far from one another in Mukim Pulai and Bandar Johor Bahru. While growth areas are spotted in these two areas, the oversupply situations extend further away in Mukim Kulai, Tebrau and Plentong. It is clear that housing developments are concentrating towards Bandar Johor Bahru and Mukim Pulai, which coincides with Iskandar Malaysia developments in Flagship A - Johor Bahru City Centre and Flagship B – Nusajaya. It is evident that the catalytic development by Iskandar Investment Berhad has sparked growth in these part of Iskandar Malaysia.

It is a consumer market and buyers are becoming more demanding in their choice of houses. Although there are oversupply in the region, developments which incorporate security features such as gated development and sustainability concepts are likely to interest buyers compared to conventional housing developments.

7. CONCLUSIONS

This paper seeks to determine whether there are residential hotspots in Iskandar Malaysia and explaining the current housing situation in Iskandar Malaysia.

In defining a location as hotspots, several indicators are relied upon i.e. rapid, strong and sustainable capital growth. However, these indicators may not be applicable during economic downturn. During economic downturn, it is sufficient to define hotspots if there are land development and infrastructure activities such as regeneration schemes, transport improvements and new developments.

Since the country was hit by the global financial crisis, there was no rapid, strong or sustainable capital growth in Iskandar Malaysia. However, the early hotspots drivers in detecting a hotspots, i.e. demographic, geographic and social drivers, indicate there is emergence of residential growth in some parts of Iskandar Malaysia. The current land development activities such as road improvements, international resort theme park, education city, government complex and manufacturing sites, are positive indications of growth. There is no doubt that within a few years of the birth of Iskandar Malaysia, signs of growth have emerged.

The growth phenomena and the oversupply situations have different pattern. Although both situations exists in Iskandar Malaysia, the exact locations and types of residential development differs. Growth spots are more closely located in Flagship A and Flagship B of Iskandar Malaysia while the oversupply situations extend further away from Johor Bahru town centre. New developments which incorporate security features and sustainable concepts appeal more to buyers than the conventional developments developed before 2006.

In conclusion, there is an emergence of hotspots in Iskandar Malaysia and the current performance of residential growth and oversupply are very much related to individual housing projects. New creatively design housing concepts is expected to appeal to buyers while typical housing at poor locations will lose out. As the economy is getting better, Iskandar Malaysia is expected to grow further.

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APPENDIX I

	Projects	Current Progress (Nov. 2009)
1	Johor State New Administrative Completed Center at Nusajaya	Completed
2	Medical Hub	Columbia Asia (completed but not in operation yet)
3	EduCity	Notice of Constructions are at site and construction is expected to begin soon
4	International Resort & Theme Park	Tenders for constructions are now offered for bidding
5	Southern Johor Industrial Logistic Cluster	Industrial units are in operational
6	Waterfront City	Under construction
7	Coastal Highway	Under construction
8	Upgrade JB-Kota Tinggi & Pasir Gudang Interchange	
9	Skudai Interchange	
10	Inner Ring Road Interchange	
11	Rail Track to Port Tanjung Pelepas	
12	Upgrade Perling Interchange	
13	Permas Jaya Interchange	
14	Senai Interchange	
15	Nusajaya Road	
16	Jalan Tampoi Interchange	
17	Upgrade Jalan Tampoi	No developer
18	Upgrade Ulu Tiram- Kota Tinggi Road	
19	Senai-Desaru Highway	
20	Senai Airport Infrastructure	
21	Senai-Skudai Highway	
22	Cleanup Sg Segget, Sg Skudai & Tebrau Straits	
23	Coastal Highway	
24	Drainage Upgrades	
25	Traffic Dispersal at interchanges	
26	Upgrade traffic dispersal system	

APPENDIX II

Projected Growth Rates and Selected Economic Indicators With or Without Iskandar Intervention

INDICATOR (2005-2006)	NOTE	JOHOR STATE (%)	ISKANDAR (%)	REST OF JOHOR (%)
GDP Growth	With Iskandar Without Iskandar	7 5.6	8 6	5.2 4.7
GDP per Capita Growth Rate	With Iskandar Without Iskandar	4.6 3.4	3.8 3	4.7 3.5
Productivity Growth	With Iskandar Without Iskandar	4 3	3.3 1.7	4.2 2.8
Employment Growth	With Iskandar Without Iskandar	2.8 2.3	4.3 3	0.9 1.8
Unemployment Rate	With Iskandar Without Iskandar	(3.5) – 3 (3.5-6.2	(2.2) -2.1 (2.2)-5.2	(4.8)-4.5 (4.8)-6.7
Population Growth	With Iskandar Without Iskandar	2.3 2.1	4.1 2.9	0.5 1.4

Source: Iskandar Regional Development Authority (IRDA), 2008