

Another China developer flocks to Iskandar, plans RM10bil projects

Short Description:

PETALING JAYA: The Greenland Group is the latest developer from China to buy land for a sizeable property project in Johor's coastal Danga Bay area.

Image type unknown

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PETALING JAYA: The Greenland Group is the latest developer from China to buy land for a sizeable property project in Johor's coastal Danga Bay area.

It struck a deal yesterday to acquire 13.96 acres from Iskandar Waterfront Holdings Sdn Bhd (IWH) at a cost of RM600mil, where it plans to develop properties worth RM2.2bil in gross development value (GDV).

The price works out to RM984 per sq ft - just below the record RM991 per sq ft that Hao Yuan Pte Ltd, a Singapore-based but China-owned firm, paid for 37 acres in Danga Bay last December.

This is Greenland's maiden investment in Malaysia, for which it will form a joint venture with IWH to develop the land into an integrated project within five years.

But the sale comes amid reports of tepid response from buyers for launches in Johor and Iskandar Malaysia.

The latest to feel the heat was Singapore's Pacific Star Development Pte Ltd, which saw bookings for only 25% of the second phase of its condominium in Puteri Harbour.

Even so, the Shanghai-based Greenland, one of China's largest state-owned enterprises, is understood to be eyeing a GDV in excess of RM10bil in Danga Bay by the time it wraps up several more transactions in the coming months.

?This is only the beginning,? a source said.

According to industry executives, Greenland is set to finalise ?very soon? the purchase of two more land parcels on the eastern corridor of Johor Baru near the Permas Jaya township, where Tropicana Corp Bhd is also a landowner.

Previous news reports had said Greenland was keen on acquiring around 60ha in Iskandar Malaysia.

Inclusive of the Greenland transaction, IWH has to-date inked 17 deals with local and foreign partners to develop properties worth RM127bil in GDV, providing a fillip to its ambitious plan of transforming the coastline of Johor bordering Singapore into a waterfront metropolis.

At least four other major China developers were in talks with IWH for mixed-use developments featuring waterfront properties, the company said in a statement.

“This massive influx of foreign direct investment is a boon for Malaysia and Johor because of the economic spillover and thousands of job opportunities that these projects will generate,” IWH managing director Tan Sri Lim Kang Hoo said.

“We believe Greenland Group will pave the way for more China state-owned companies to invest in outstanding property projects in Iskandar Malaysia and IWH’s extensive waterfront landbank in Johor Baru.”

A delegation from Greenland had visited Malaysia in February to explore investment opportunities. The state-backed group has over the past few years snapped up real estate in major cities such as New York, Los Angeles, Sydney, London and South Korea.

IWH is the master developer of 1,620ha of waterfront land in the eastern and western side of the Johor Causeway, with Danga Bay, located in Zone A of Iskandar Malaysia, as its centrepiece.

Other international property players which have secured a foothold in Danga Bay include Singapore’s Temasek Holdings Pte Ltd and CapitaLand Ltd, Australia’s Walker Group and China’s Country Garden Holdings Ltd and Hao Yuan, while local firms with ongoing developments include Tropicana and the Brunfield Group.

Maybank IB Research had recently expressed concern about Iskandar Malaysia’s medium-term prospects, saying the massive incoming supply of residential and retail properties in hotspots like Danga Bay and Nusajaya could be harmful to asset values.

“Judging from the planned launches (serviced apartments, hotels, office and retail spaces) by Country Garden, Hao Yuan, Guangzhou R&F Properties Co Ltd, CapitaLand and Greenland Group, the hotspot areas, ie, Danga Bay and Tanjung Puteri, could be flooded with an enormous supply of high-rise mixed development projects, inducing price volatility,” it said in a client note last week.

?For instance, Guangzhou R&F plans to launch 15 blocks of 35-storey apartment buildings under phase 1 in the second half of this year, which implies an enormous 3,150 units of apartments, assuming six units per floor.

?That said, investor interest could return to developers with projects in Iskandar Malaysia on the finalisation of the Johor Baru-Singapore rapid transit system. Also, the listing of IWH in the second half could re-rate existing players in Iskandar Malaysia.?

PA International Property Consultants Sdn Bhd executive director V Sivadas told *StarBiz* that buyers were in ?transition mode? due to changes in state policy and foreign ownership.

?People still have money, but they are being more careful about how they use it,? he said.

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