

REAL ESTATE  
**malaysia**  
A MALAYSIA PROPERTY  
INCORPORATED QUARTERLY

July 2011

**GALLERY UPDATE**

Malaysia Property Gallery  
in Singapore

**OPINION**

Indonesia Eyeing Close Ties with  
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**REGIONAL FOCUS**

Johor: A Mega City in the Making

**SPOTLIGHT**

Going Green

# RISING EXPECTATIONS



JOHOR - SINGAPORE CAUSEWAY



## MALAYSIA PROPERTY GALLERY IN SINGAPORE

By Abraham Philip Jacob

In the recently concluded general elections in Singapore, real estate was arguably the most heatedly contested topic. New Minister, Khaw Boon Wan in an immediate response, has attempted to cool down the runaway housing prices in Singapore by announcing the building of more HDB flats, the dwelling of choice for most of Singapore's populace.

Whether this move will pay off will depend largely on factors such as the recovery of the global economy, the continued position of Singapore as the regional hub for corporations, its strong exchange rate and its burgeoning economy. There is an increase in hiring, talent is in short supply, real estate prices are moving upwards and there is an inherent pressure building up on its economic system. Supply simply cannot keep up with the current demand. Taking the cue from this scenario, developers in Malaysia are in the best position to take advantage of the high prices that are prevalent across the border.

The favourable exchange rate towards the Malaysian Ringgit helps local developers. Typical upper middle class condominiums in either KL, Penang or Johor Bahru would cost

in the region of RM450 - RM700 psf. Earning Singapore Dollars and buying into Malaysian real estate is becoming an increasingly common trend among the island's populace.

The recently-announced joint venture between the two sovereign wealth funds Khazanah Nasional and Temasek Holdings to jointly develop the former KTM Railway station in Tanjung Pagar and more importantly, to develop a parcel of land within Iskandar Malaysia for a wellness retreat, can only spell good news for the future of Singapore-Malaysia relations. In this case, Iskandar Malaysia offers the space and lifestyle that is lacking on the island republic.

Malaysian development can still command a healthy market slice from the Singapore investment crowd and there is eager anticipation for more new Malaysian launches in our Singapore Gallery, driven by the spirit of cooperation between the two governments, the favourable exchange rate and the "bargain pricing" that Malaysian properties offer.

Total sales since opening in October 2010 amounted to RM95.9 million and moving forward, we are confident of increased sales volume for Malaysian properties.

**Abraham Philip Jacob is Vice President 1, Investment Promotions at MPG in Singapore.**



# INDONESIA EYEING CLOSER TIES WITH MALAYSIA FOR BUSINESS GROWTH

ASIDE FROM CONSIDERING MALAYSIA AS A MEDICAL TOURISM DESTINATION, INDONESIANS ARE NOW COMING OVER TO EXPLORE INVESTMENT OPPORTUNITIES

By Hizzan Hamid

Back in 1989, Tun Mahathir, the then Prime Minister of Malaysia, complained about having persistent shoulder pains. An electrocardiogram was done and he was told he would have to undergo a coronary as soon as possible. Everyone expected him to go abroad to get it done; instead, he summoned Malaysia's top cardiac surgeon and directed him to operate on him.

His decision caused a kerfuffle amongst his Cabinet members and his counterpart in Malaysia's southern neighbour. Tun Daim Zainuddin, the then Finance Minister, flew in an American heart specialist to Kuala Lumpur to oversee the operation. Singapore Prime Minister Lee Kuan Yew offered to send prominent Australian heart specialist Dr Victor Chang at his country's expense.

Tun Mahathir remained adamant: the Malaysian medical system was good enough for him.

His decision sent a strong and clear signal to the rest of the world that the quality of Malaysia's physicians and its hospitals were on par with those of the most developed countries. The message was: If the Prime Minister of Malaysia trusts his doctors, so can the rest of the world.

Mahathir's message may or may not have been calculated to send just that message, but inadvertently or not, it marked the beginning of regional interest in what Malaysia's medical sector could offer and spurred the growth of a new industry – medical tourism.

Malaysia has leveraged on this by globally promoting its position as a medical tourism destination of choice. The Malaysian government's efforts to position Malaysia as a world-class healthcare services provider has spurred the emergence of well-equipped hospitals, first-class medical facilities and best expertise from the professionals. The health tourism website [www.malaysiahealthcare.com](http://www.malaysiahealthcare.com) has been set up by the Malaysian government to assist medical tourists globally to acquire more information and understand the regulations and procedures in seeking medical treatment.

As a result of all these initiatives, the Malaysian medical tourism industry has been experiencing consistent growth at a rate of 15% throughout

2008 and 2009. According to Frost & Sullivan's principal consultant of healthcare Asia Pacific, Dr. Pawel Suwinski, at this growth rate, the revenue garnered from this sector will increase approximately 90% from RM204million in (2006) to RM390million (2010).

The number of medical tourists visiting Malaysia has more than quadrupled since 2002 and the trend has been growing despite the 2008/09 sub-prime crisis. The majority of foreign visitors seeking medical treatment in Malaysia are Indonesians (70%) followed by Singaporeans (12%), Europeans (5%), Japanese (4%), Indians (3%) and others (6%).

Indonesians prefer to seek medical treatment in Malaysia due to the close proximity, similar culture and language. Although Singaporeans continue to remain the largest foreign purchasers of Malaysian property, it is the Indonesians who are making a significant impact on the medical tourism sector today.

This was not always the case. Traditionally, affluent Indonesians, especially from Eastern Java, considered Singapore to be the preferred destination when it came to seeking medical services because of its proximity, excellent clinical services and sophisticated healthcare facilities. Many of them also bought property in Singapore for convenience due to their frequent travels there.

However, over the years, increasing property prices and healthcare costs have prompted them to look beyond Singapore. The obvious choice has been Malaysia, where property prices are still attractive and the standard of medical services remains excellent.

Indonesia is currently experiencing exponential growth backed by strong domestic consumption, increasing commodity prices and rising foreign direct investments. According to the International Monetary Fund, Indonesia's GDP growth rate is forecasted to reach 6.2% and 6.7% in 2011 and 2012 respectively.

Foreign direct investment in the country reached a record of USD9.8 billion in 2010. The Indonesian economy was not hit by the 2008/09 global financial crisis as it relies heavily on domestic consumption. All these factors have contributed to enhancing the prosperity of individuals and corporations.

Syahril Syazli, Economic Counsellor at the Embassy of Malaysia in Indonesia said the country's economic growth has resulted in Indonesian entrepreneurs venturing overseas to expand and diversify.

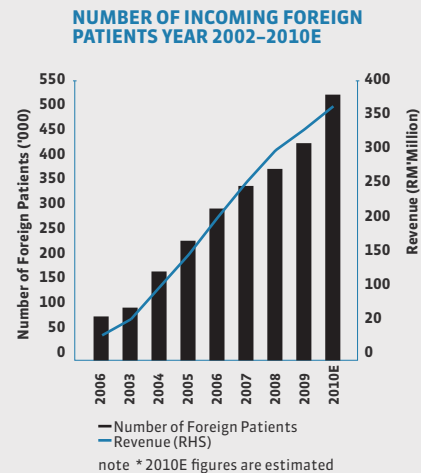
A delegation of Indonesian Chinese captains of the industry known as PERMIT (Perkumpulan Masyarakat dan Pengusaha Indonesia Tionghoa) who are members of KADIN (Kamar Dagang dan Industri), the biggest chamber of

commerce in Indonesia, visited the Minister of International Trade and Industry, Dato' Sri Mustapa Mohamed in February 2011.

The delegation was led by Dato' Sri Dr Tahir, the Executive Chairman of Mayapada Group, who said that besides the property and hotel industries in Malaysia, the group is looking at the possibility of buying up or entering into joint-ventures with private hospitals due to the increasing demand. He added that despite large numbers of Indonesians visiting Malaysia to seek medical treatment, there are many more who are still unaware of this available option.

One of Indonesia's largest conglomerates, Ciputra Group, a major property development company in Indonesia, is also eyeing Malaysia as a next potential investment destination. Currently, they are undertaking large scale urban development in Hanoi, Vietnam and the first and biggest township development in Phnom Penh, Cambodia.

Malaysia Property Inc will be organising a property exhibition in Jakarta, Indonesia from 11 to 13 November 2011. This B2B and B2C exhibition will showcase Malaysian companies comprising developers, healthcare and education companies, government-linked companies and economic corridor corporations. The event will be co-hosted with the Ministry of International Trade & Industry, KADIN and PERMIT. For more information, please contact [hizzan@malaysiapropertyinc.com](mailto:hizzan@malaysiapropertyinc.com).



SOURCE Association of Private Hospitals of Malaysia

**COST COMPARISON (USD)**

| Procedure            | USA    | UK     | Germany | Singapore | Malaysia |
|----------------------|--------|--------|---------|-----------|----------|
| Heart Bypass (CABG)  | 30,000 | 27,395 | 14,310  | 9,643     | 9,220    |
| Hip Replacement      | 44,816 | 21,335 | 10,856  | 8,359     | 5,000    |
| Cataract             | 5,510  | 5,296  | 2,159   | 1,433     | 895      |
| Rhinoplasty          | 6,000  | 8,264  | 6,168   | 4,478     | 2,500    |
| Eye Tuck (Both eyes) | 5,500  | 8,401  | 3,454   | 2,388     | 1,425    |
| Tummy Tuck           | 8,000  | 10,227 | 4,318   | 4,500     | 3,395    |

SOURCE KPJ Healthcare

# EXPANDING HORIZONS

By S. Sulocana

The Ciputra Group is a leading property developer in Indonesia involved in township development in more than 20 cities. They also have businesses in Vietnam, Cambodia and China and are constantly seeking new markets in the region.

MPI caught up with Ciputra Group Director Artadinata Djangkar during his recent visit to Malaysia, during which he shared his views and insights on the real estate market and his group's expansion plans.



ARTADINATA DJANGKAR

### How would your business model be in Malaysia?

The most difficult part of entering a country to do property development is securing land banks. As such, we are looking for joint-venture opportunities with Malaysian companies to embark on our township development projects. So far, we have met up with MRCB, UEM Land Corporation Berhad and Iskandar Region Development Authority to explore opportunities.

### What makes Malaysia attractive to your company?

Malaysia is attractive because of the close proximity, economic growth, minimal cultural differences, transparent regulations, conducive investment environment and the Malaysian Government's upbeat efforts in facilitating investment. We want to explore opportunities in Malaysia, especially in Kuala Lumpur and Johor Bahru. Besides that, Malaysia has a large Indonesian population who are working and studying here that we can tap into.

### What value-added features can you bring from your home base in Indonesia?

We have expertise and know-how in township development and we bring this concept into all the countries that we invest in. We would like to explore opportunities for a similar concept here in Malaysia.

### What opportunities are there for Malaysian companies to embark on property development in Indonesia?

There are vast opportunities. Indonesia has a huge population of 238 million and its GDP is expected to reach 7 to 8 per cent in 2011. The Indonesian economy relies heavily on domestic consumption, hence it is shielded from the global economic crisis. The real estate outlook in Indonesia is very promising this year; for instance, the price of high-rise residential units has grown by 20% from Rp1.95m psf (US\$234 psf) to Rp2.33m psf (US\$279 psf) in the first half of this year. Currently, there is interest from Korea, China, the Middle East and Singapore to invest in real estate and other industries. Areas of concentration for development are major cities such as Jakarta, Surabaya, Makassar and Medan.



CIPUTRA WORLD JAKARTA

### MPI: Besides township development, what other businesses is Ciputra involved in?

Artadinata: We are involved in commercial projects as well. We have a mixed development project called Ciputra World in Jakarta's Central Business District area which comprises an office tower, a hotel by Fairmont Raffles Hotels International Group, serviced apartments by Ascott Singapore and a shopping complex by Lotte, Korea. The total gross floor area is 6 million sq ft, with gross development value of US\$700 million over a period of four years.

### Apart from Vietnam, Cambodia and China, what other countries are you interested in?

We are interested in investing in countries that have a growing population with strong economic growth. This is very important because our business model of township development will only be feasible in countries with strong fundamentals.

# BRIDGING ACROSS TO EAST MALAYSIA

By Afiq Syarifuddin

## SPREADING MPI INITIATIVES TO SARAWAK AND SABAH DEVELOPERS

Sabah and Sarawak offers untapped, unique real estate investment opportunities with capital appreciation growth in the long run. Realising this potential, Malaysia Property Inc has expanded its coverage to East Malaysia in an effort to raise awareness on its initiatives and activities and how the local developers can be part of it. A one-day briefing was held on 5 July 2011 in Sarawak and 7 July 2011 in Sabah.

In both states members of the Sarawak Housing Developers Association (SHEDA) and Sabah Housing and Real Estate Developers Association (SHAREDA) congregated to gain insights on how they can leverage and participate in activities to promote their respective real estate investment opportunities.

### Kuching, Sarawak (5 July 2011)

With strong demand exceeding current supply for housing worth above RM500,000 in Kuching, the Sarawak market can prove to be a formidable investment destination for foreigners. The Sarawak State Government initiative through the Sarawak Corridor of Renewable Energy (SCORE) is the primary catalyst in creating spillover from the heavy industries and manufacturing projects to housing and town developments.

Areas identified are the Tanjung Manis cluster earmarked for a halal hub; Mukah cluster for Smart City, Services, R&D and Education Hub; Samalaju cluster as the center for heavy and energy-intensive industries; Baram cluster for Oil Palm cultivation and eco-tourism; and Tunoh cluster for Forestry, Plantation and Agricultural industries. The current investment breakdown for SCORE is RM67mil (Government-initiatives) and RM267mil (Private-initiatives). Interest from Chinese and Korean investors have been rising in this energy and resource rich state, Malaysia is leading in Halal food certification especially for the Middle East market which India and China wish to penetrate.



The majority of the developers from Sarawak were interested to showcase their property in MPI's Malaysia Property Gallery located at SGX Centre 1, Shenton Way in Singapore as a start to market and promote the state globally. They also grasped at the opportunity to tap into Kalimantan investors' interest in Sarawak properties by organising an MPI-led event in Pontianak, East Kalimantan.



### Kota Kinabalu, Sabah (7 July 2011)

Kota Kinabalu aims to be the most livable tourism state in Malaysia by 2015. Sabah is well known internationally for its diverse and vibrant tourism industry. By leveraging on this, Sabah plans to brand itself as the destination for business and tourism. Kota Kinabalu is developing eco-tourism projects such as the Karambunai project which is part of the Kinabalu Gold Coast located in Tuaran, the Jesselton waterfront and the Oil Palm cluster which has generated interest amongst Korean investors.

Presently the Korean population residing in Kota Kinabalu stands at 900 people who have primarily invested in the condominium market. Nonetheless, the current housing market scene is mainly fueled by local purchasers due to the windfall from rising palm oil prices. Developers in Sabah also point out that strong interest has come from Indonesian investors. This can be attributed to the clear business opportunities present as developers seek to sell land and indicate their openness to joint-ventures with foreign partners. Following MPI's overseas seminars and conferences, Sabah developers have expressed keen interest to feature developments in specific overseas target markets and capture investment interest.

# A MEGA CITY IN THE MAKING

WITH COMPARATIVE ADVANTAGES AND A MYRIAD OF INVESTMENT INCENTIVES, ISKANDAR MALAYSIA IS ON ITS WAY TO BE A SUSTAINABLE METROPOLIS OF INTERNATIONAL STANDING

By S. Sulocana

JOHOR STATE ADMINISTRATION CENTRE



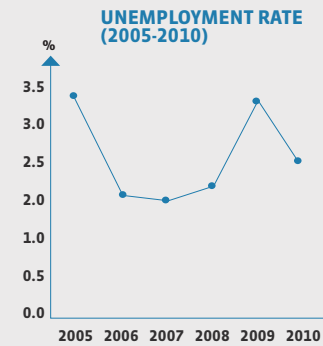
According to McKinsey Global Institute's Urban World report titled; "Mapping the economic power of cities", China's rapid growth is fueled by the continued growth of its megacities and the emergence of new ones. Emerging cities are important as they spread wealth, reduce concentration and enhance per capita income.

The largest city in Malaysia is the capital, Kuala Lumpur, which contributes eight times the GDP of any other city in Malaysia and about RM263 billion to the nation's Gross National Income. In order to spread the wealth of the nation, the government has announced five "economic corridors" to develop the various states and propel Malaysia into a fully developed nation by 2020.

Iskandar Malaysia development, launched in November 4, 2006, is one such corridor that has been strategically planned to jumpstart the urbanisation of Johor Bahru (JB) and its surrounding areas.

## Johor as a hub

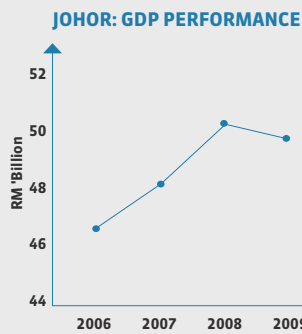
JB, the state capital of Johor, is strategically located within six to eight hours flight radius from Asia's growth centres such as Bangalore, Dubai, Hong Kong, Seoul, Shanghai, Taipei and Tokyo and has a reach of a global market of some 800 million people. With an urban population of 2.2 million and rural population of 1.1 million, the state of Johor is serviced by three major ports, Pasir Gudang Port, Port of Tanjung Pelepas and Tanjung Langsat Port.



SOURCE: Labour Force Survey, Dept. of Statistics Malaysia

Johor's business concentration has been primarily on the manufacturing and agricultural industries. The state was the third largest contributor to the nation's GDP at 9.3%, behind Selangor and Kuala Lumpur at 22.1% and 14.8% respectively in 2009.

The steady flow of foreign investments and low unemployment rate in the state has increased its appeal for foreign and domestic investors alike to participate in its growth. The foreign direct investment as at March 2011 stood at RM1.05 billion despite the global economic situation.



SOURCE: Malaysian Investment Development Authority

Although the economy of Johor is experiencing steady growth, the urbanisation level still lags behind Kuala Lumpur's. The services and real estate sector is stagnant with low per capita gross national income. Analysts say the state has been experiencing the "middle income trap" dilemma – a phenomenon that leads to migration of talented workers to Kuala Lumpur and Singapore where salaries are higher and living standards much better. Hence, to draw Johor out of the trap and create a vibrant city, Iskandar Malaysia was conceptualised to jumpstart and propel economic growth.

## Developing Iskandar Malaysia

Iskandar Malaysia was established on 30 July 2006. Spanning across 547,830 acres, it is divided into five flagship zones and each flagship has its own sector concentration. These flagships are designed to create a conurbation that completes the characteristics of an emerging city.

### Flagship A: JB City Centre

This comprises the Central Business District and the State Capital of Johor. It is also the main gateway into and out of Singapore; thus it will be the primary business district complementing Singapore's vibrant financial industry and act as a platform to support local businesses.

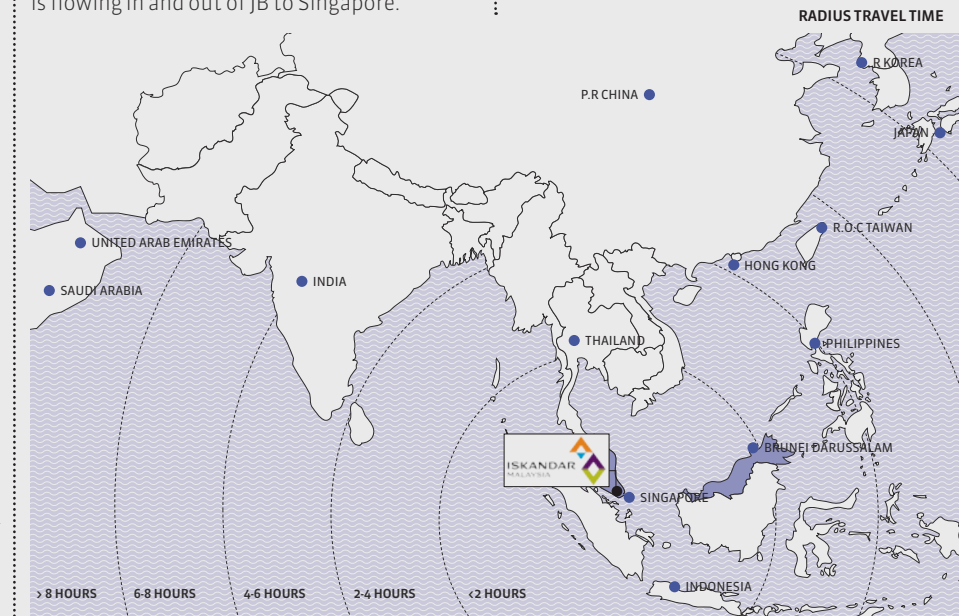
To improve accessibility between JB City Centre and Singapore, both Governments are in talks to implement the RTS-MRT project, connecting Polytechnic station (Singapore) to JB Central. The project is in its initial study stage and the transportation linkage will support the heavy traffic that is flowing in and out of JB to Singapore.

### Flagship B: Nusajaya

Nusajaya is the 2,400 acres of residential and commercial development that comprises seven signature developments: Kota Iskandar (Johor state's new administrative centre); the Southern Industrial and Logistics Clusters (SiLC); Puteri Harbour Waterfront Development (residential and commercial development); EduCity (Education Cluster); Afiat Healthpark; International Destination Resort; and Nusajaya Residences. Nusajaya is positioned to be primary residential and commercial enclave.



RESIDENTIAL DEVELOPMENT IN NUSAJAYA, ISKANDAR



**Flagship C: Western Gate Development**

This industrial development area covers 30,000 acres comprising a port terminal, Port of Tanjung Pelepas (PTP) and Tanjung Bin Power Plant. PTP spans across 3,500 acres comprising 2,000 acres of port Terminal and 1,500 acres of free trade zone. It is Malaysia's busiest container terminal - handling approximately one-third of Malaysia's total containers. The terminal handled 6.5m TEU's in 2010 and is expected to handle 7.5m TEU's in 2011.

**Flagship D: Eastern Gate Development**

This development is the industrial and manufacturing hub covering 31,132ha comprising Pasir Gudang Port, Pasir Gudang Industrial Park, Tanjung Langsat Port and Tanjung Langsat Industrial Complex.

Key economic activities in the Pasir Gudang area are electrical and electronic, chemical, oleochemical, chemical biofuels, food products, engineering-based industries, ports and logistics, warehousing, research and development and plastics. Heavy industries relating to Oil & Gas activities like engineering, fabrication and shipyard are also located this area.

Currently more than 10 Oil & Gas related multinational corporations have set up operations with over RM4 billion (USD1.3 billion) invested. Notable Oil & Gas investments are:

- Technip Group's RM700 million (USD225.8 million) plant to make flexible pipes in Tanjung Langsat
- EEW's investment of RM250 million (USD80.6 million) in building its fifth plant in Tanjung Langsat to produce steel pipes
- Halliburton's RM200 million (USD64.5 million) manufacturing centre in Johor Technology Park to supply completion equipment and cementing tools.
- Dialog Group Berhad and Vopak invested RM5 billion (USD1.7 billion) to develop a deepwater petroleum terminal and storage capacity in Pengerang.

**Flagship E: Senai-Skudai**

This project is synonymous with Senai International Airport and Universiti Teknologi Malaysia (UTM). Senai Airport is envisaged to become the No. 2 airport in the region after Changi Airport by 2025. It takes only 30 minutes to drive from Johor Bahru to Senai Airport.

Another major development is the opening of Johor premium outlets by Premium Outlets, a division of US-based Simon Property Group and Genting Berhad by the end of 2011. The RM149 million outlet with 330,000 sq ft built up area on a 17.8ha site, is the first of its kind in South East Asia and is expected to open in the third quarter of 2011.

Mohamed Basir bin Mohamed Sali, the General Manager of the Johor State Investment Centre (JSIC) reiterates that the primary motive behind Johor's flagship developments is to increase investment in the manufacturing and oil and gas sector which can lead to a spillover effect into the real estate and services sector.

At the same time, JSIC is adopting a holistic approach to development by improving the infrastructure landscape, healthcare, education facilities and improving the government's delivery process to increase the ease of doing business in Johor and sustain investors' interest.

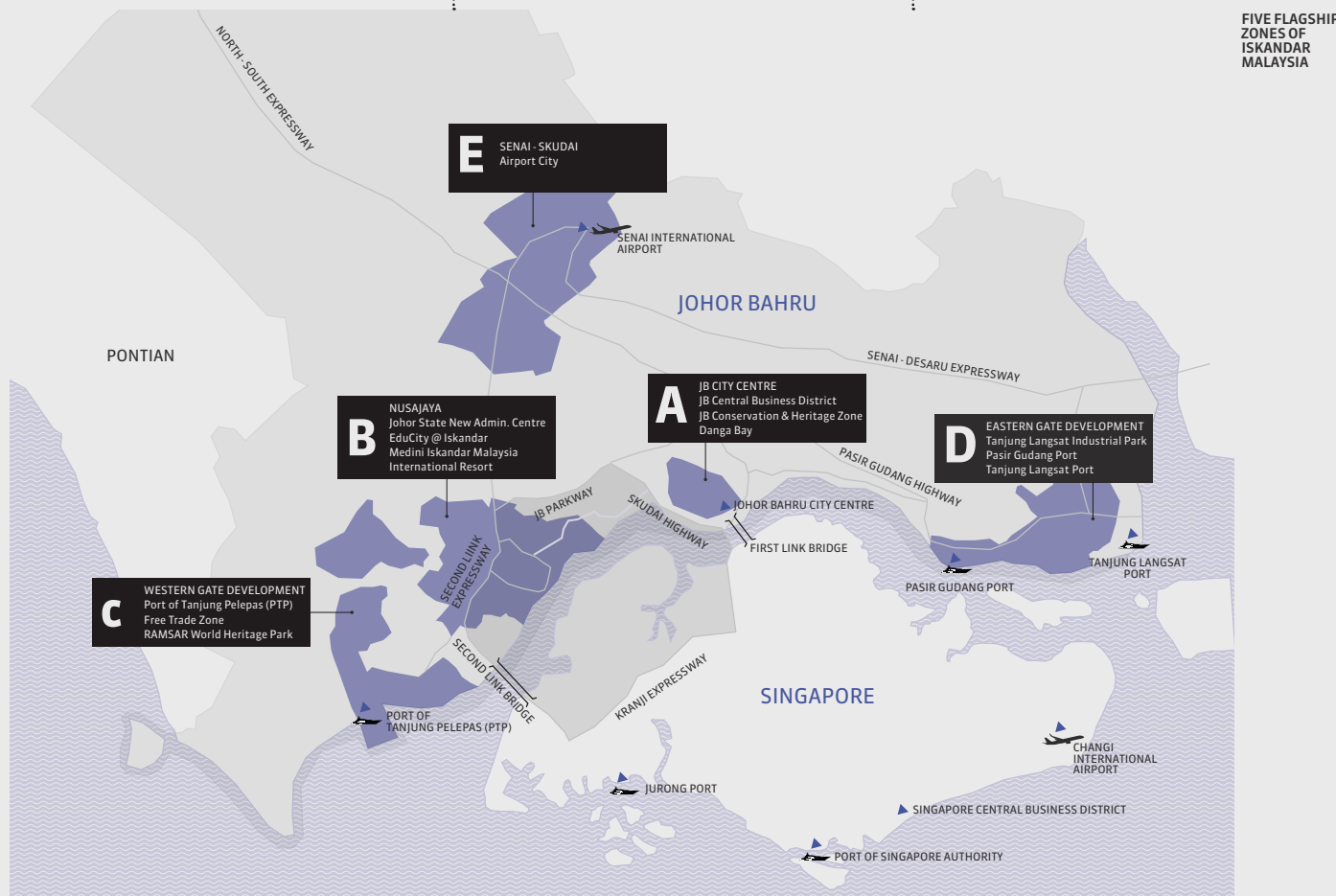
**Notable Investments in Iskandar Malaysia**

The biggest investments in Iskandar Malaysia are from Acerinox SA of Spain and Japan's Nisshin Steel, which have committed RM5 billion (USD1.64 billion) in investments to build a stainless steel plant.

From the Middle East, Mubadala, Millenium, Kuwait Finance House and Aldar have committed USD1.2 billion to develop properties in Medini in Nusajaya. Ongoing projects in Medini include the development of Legoland Malaysia by Merlin Entertainment for USD200 million.

The UK's Newcastle University of Medicine is setting up a branch campus for USD100 million in EduCity. Some of the other notable companies in Iskandar Malaysia are Newcastle University Medicine (NuMed), Management Development Institute of Singapore (MDIS), Netherlands Maritime Institute of Technology, Marlborough College, Pinewood Studios, Halliburton, BASF, Maersk Logistics, Trafigura Pte Ltd, FMC technologies and Biocon Limited.

From 2008 to March 2011, Iskandar garnered RM73.2 billion worth of investments comprising RM43.3 billion (59%) of domestic investments and RM30 billion (41%) foreign investments. The investments were primarily from the manufacturing sector followed by utilities, tourism & others, properties and government.



incentives are being offered to companies. Some of the incentives are exemption from income tax and withholding tax for a period of 10 years and unrestricted employment of foreign-knowledge workers. In addition, companies are allowed to borrow any amount in foreign currency, onshore and offshore.

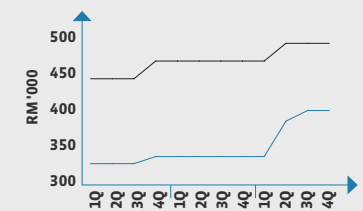


PUTERI HARBOUR

The steady inflow of operational plants relocating from Singapore has increased the demand for industrial land. Hence, the price of industrial land has increased from RM20-25 psf in 2008 to RM35-40 psf in 2010. Southern Industrial and Logistics Clusters (SiLC) developed by UEM Land Berhad in Nusajaya, comprising 1,300 acres of managed industrial park, is set to cater for the increasing demand.

Prices of residential properties have started to pick up and the take-up rate is strong, averaging about 70 per cent. The prices of medium cost and high-end residential properties hover around RM250,000 – RM400,000 and RM 401,000 – RM2 million respectively, almost similar to prices in the Klang Valley. The residential sector is burgeoning due to interest from foreigners, especially Singaporeans. Presently, 60 per cent of the residential properties are owned by foreigners and 40 per cent by locals.

**SELLING PRICES FOR SELECTED ISKANDAR MALAYSIA RESIDENTIAL AREA (IN RM'000)**

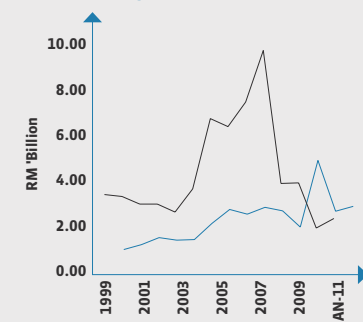


● TAMAN AUSTIN HEIGHT  
● TAMAN SUTERA UTAMA  
SOURCE: KGV Lambert

**Real Estate Outlook**

The real estate sector is also booming due to the Iskandar Malaysia development. Presently, the residential and industrial segments are experiencing consistent growth.

**DOMESTIC DIRECT INVESTMENT AND FOREIGN DIRECT INVESTMENT**



● DDI  
● FDI  
SOURCE: Johor State Investment Corporation

Ismail Ibrahim, CEO of Iskandar Region Development Authority explains that Iskandar Malaysia is targeted to garner investments worth RM60 billion in 2011 and has already exceeded its target.

"The development has already attracted a total of RM73.2 billion in the first quarter of 2011 despite the global financial crisis," he says.

To increase the attractiveness of investments into Iskandar Malaysia, fiscal and non-fiscal

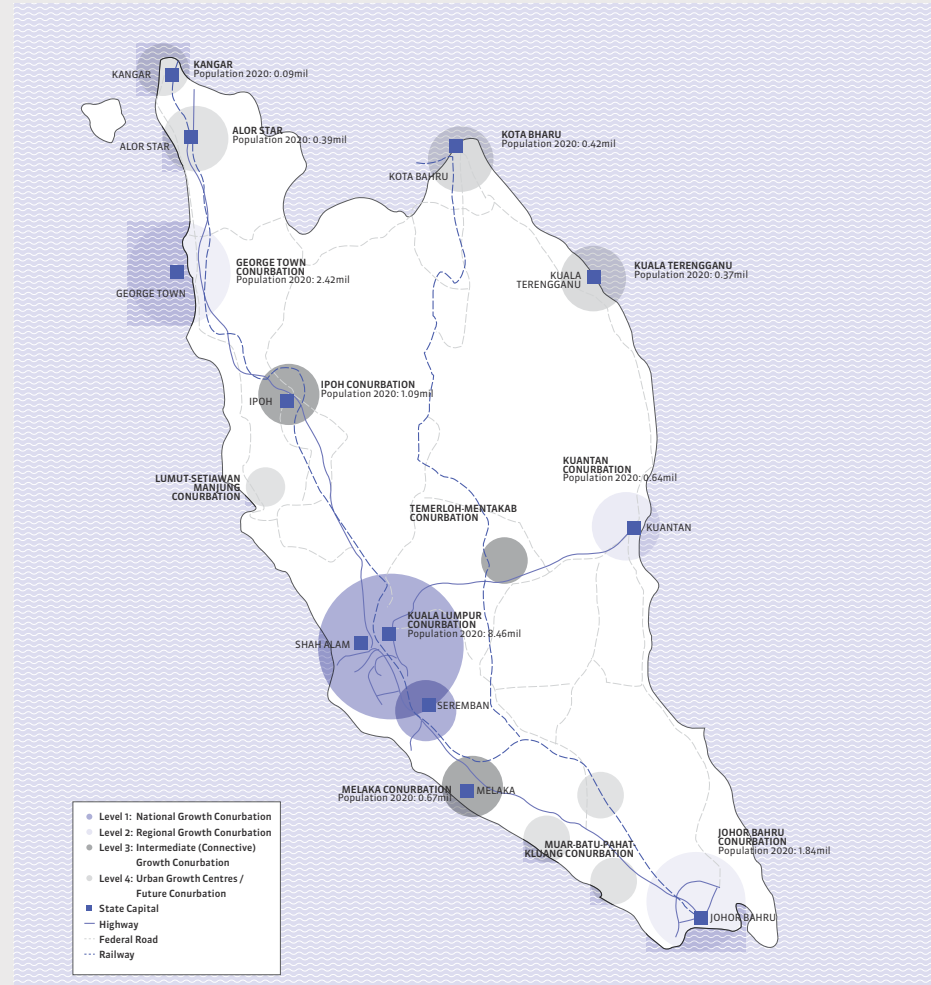
**Residential Projects in Nusajaya - Launched - Total Area (acres)**

| Projects         | Total Area (acres) | Price Range (RM) | Take Up (%) |
|------------------|--------------------|------------------|-------------|
| East Ledang      | 365                | 600k - 1.1m      | 100         |
| Ledang Heights   | 360                | 1.28 - 1.60m     | 100         |
| Nusa Idaman      | 250                | 200k - 800k      | 70          |
| Nusa Bayu        | 250                | 250k - 400k      | 70          |
| Ujana Apartments | 172                | 300k - 460k      | 100         |
| Horizon Hills    | 1,227              | 290k - 2.6m      | 80          |

**Residential Projects in Nusajaya - Newly Launched**

| Projects                | Launch date | Total area (acres) | Indicative Price (RM) |
|-------------------------|-------------|--------------------|-----------------------|
| Imperia Condominium     | August 2011 | 9.7                | 700psf                |
| Crescent Condominium    | August 2011 | 6.1                | n/a                   |
| *One Medini Condominium | n/a         | 6.4                | 380psf                |

Note: \* One Medini Condominium is a 99-year leasehold development with no minimum threshold value for foreign purchase  
SOURCE: Company data, MPI Research



**HIERARCHY OF CONURBATION**  
SOURCE: National Physical Plan, Dept. of Town Planning

**The Singapore Factor**

Partly due to its proximity to Malaysia, Singapore is the country's largest investor. Statistics from the Malaysian Investment Development Authority (MIDA) have put Singapore's investments at approximately USD700.2 million in 2010.

Prime Minister Datuk Seri Najib Tun Razak's two day visit on May 21 and 22 in 2009 to Singapore has strengthened and forged closer bilateral relations between the two countries. Cross-border investments have since seen a steady increase.

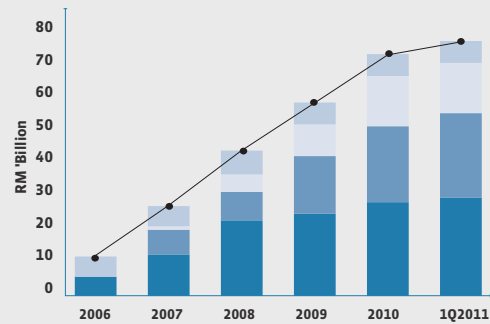
An investment worthy of note is the joint venture investment by Malaysia's Khazanah Nasional Berhad and Singapore's Temasek Holdings Pte Ltd in a USD8.9 billion mixed-development project comprising hotels, apartments, offices and shops in 5.4 million square feet of space in Singapore and a USD980 million project in Iskandar Malaysia comprising residential development, retail space and a wellness centre. These investments fortify Iskandar Malaysia's position as the hinterland to Singapore; similar to that of Shenzhen to Hong Kong.

**2012 Tipping point**

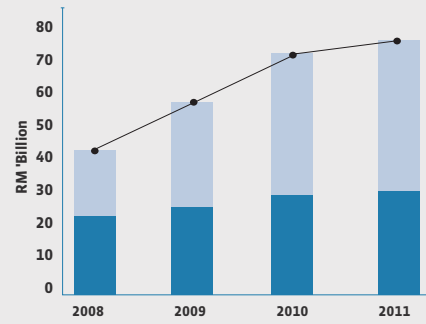
The tipping point for Iskandar Malaysia is expected to be in 2012 with the launch of the Educity Cluster, Indoor Theme Park, Legoland and Marlborough College. Investments in various sectors are also taking shape in this region. Increasing population growth, retaining human capital and rising living standards are among issues that need to be addressed as cities are moulded through high per capita gross national income, commendable lifestyle benefits and capacity to attract higher investments and talented workers.

Johor is on its way to becoming a force to be reckoned with, balancing the robustness of Kuala Lumpur and Penang and making its way to become Malaysia's next metropolis.

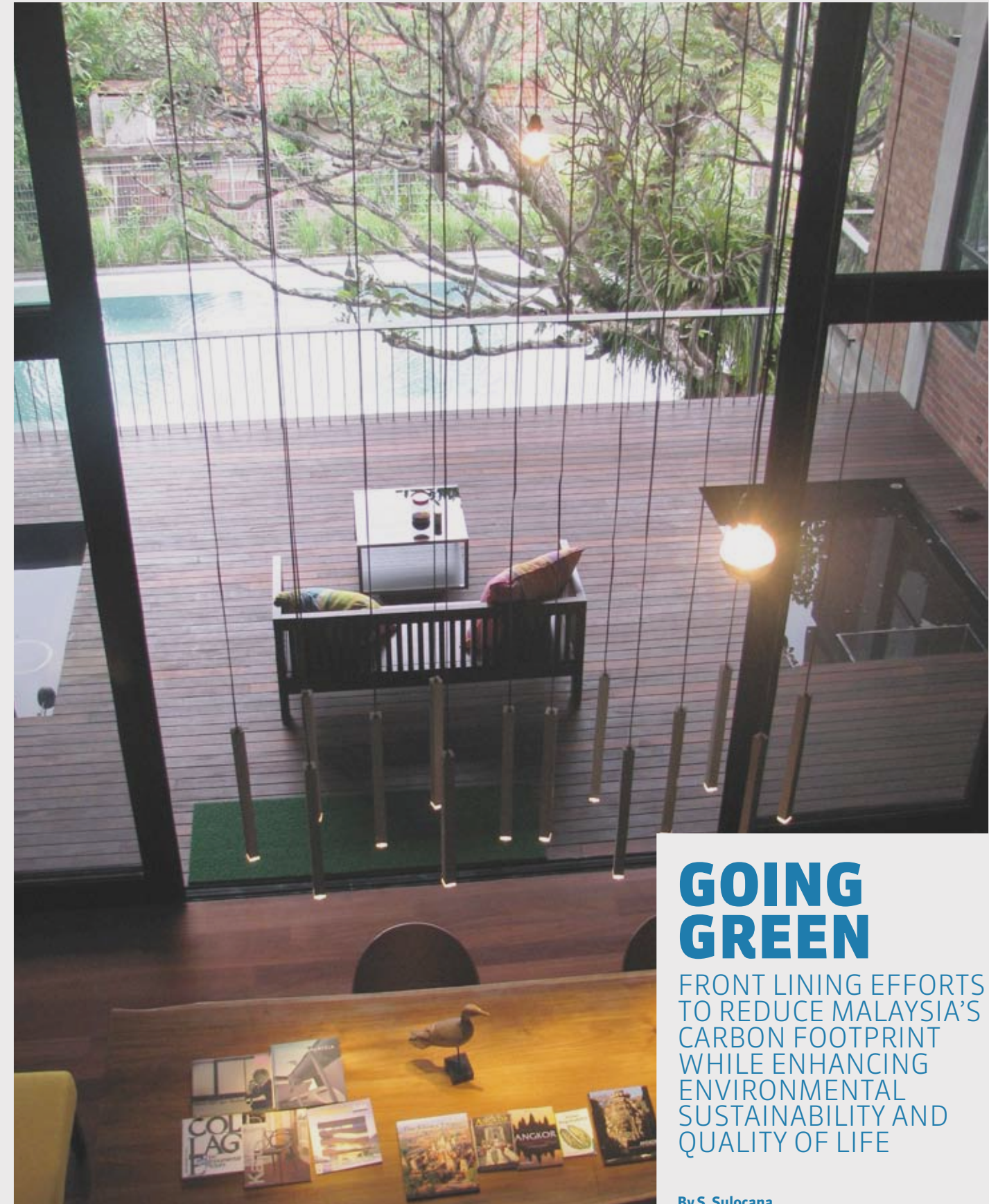
**PROPERTY PRICES ARE APPRECIATING AFTER A PERIOD OF STAGNATION**



**SOURCE** IRDA, Khazanah, Iskandar Investment Berhad, MIDA, corporate announcements



**SOURCE** IRDA, Khazanah, Iskandar Investment Berhad, MIDA, corporate announcements



**GOING GREEN**

FRONT LINING EFFORTS TO REDUCE MALAYSIA'S CARBON FOOTPRINT WHILE ENHANCING ENVIRONMENTAL SUSTAINABILITY AND QUALITY OF LIFE

By S. Sulocana

The construction and design of sustainable buildings using green technology has been gaining momentum in Malaysia. In 21 May 2009, the Green Building Index (GBI) Malaysia was launched to encourage developers to adopt this method. GBI sets a benchmark to developers on green buildings within the Malaysian context. These buildings are constructed to provide energy efficiency, water efficiency, healthier indoor environment, better connectivity to public transport, innovation and the adoption of recycling and greenery for their projects.

According to Ar Dr Tan Loke Mun, Chairman of Malaysian Institute of Architects Sustainability Committee responsible for the development of the GBI and also a pro-tem member of the Malaysian Green Building Council (MGBC), so far the take up and buy-in rate from Malaysian developers has been very high. Since the launch more than 150 projects have already applied for certification.

Commercial buildings that are certified as green buildings in Kuala Lumpur are G Tower, Ken Bangsar, 1st Avenue, Challis Damansara, Menara Binjai, Menara Worldwide and DiGi Technology Centre. Residential developments that have adopted the green technology are 3 Harmoni, S11 House, Ken Rimba Legian, The Light Point, Sime Darby Idea House and The Light Linear. Towards developing sustainable townships Putrajaya and Cyberjaya have been designated as flagship green townships for other suburban areas to be modeled after.

The Government is proactively taking steps to drive the green technology initiative by reinforcing all government buildings to be built and designed to meet green standards. The Prime Ministers's office complex in Putrajaya has been upgraded to meet the Gold Standard Green Rating. The following are the main incentives allocated by the government to promote green technology:

- Building owners obtaining GBI Certificates from 24 October 2009 until 31 December 2014 be given income tax exemption equivalent to the additional capital expenditure in obtaining such Certificates; and
- Buyers purchasing buildings with GBI Certificates from developers will be given stamp duty exemption. The exemption amount is equivalent to the additional cost incurred in obtaining the GBI Certificates.

Walking the talk.

**Ar Dr Tan Loke Mun's residence in Petaling Jaya is Malaysia's first platinum-rated GBI residence. He aims to inspire more residential houses to incorporate green concepts from inception to completion.**

The components encompassing the construction of green buildings are building orientation, façade selection, rain water harvesting, natural lighting, air change effectiveness, design, recycled content materials and construction waste management. Although the cost of constructing green buildings is higher, the cost of maintaining these buildings in the long run is relatively lower.

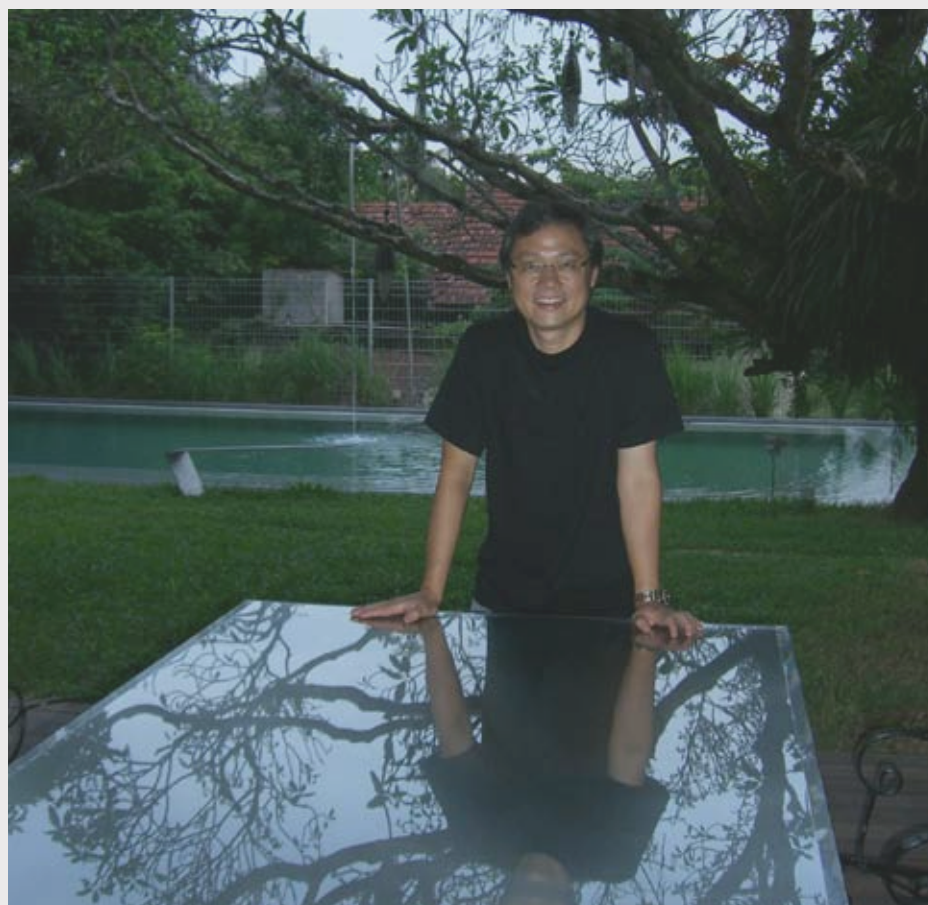
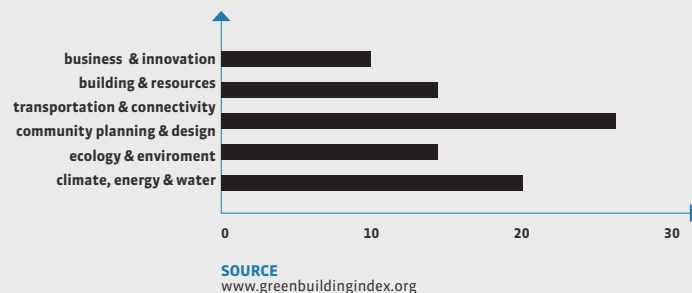
Increased sensitivity towards environmental conservation and rising fuel prices have prompted many Malaysian homebuyers to opt for sustainable townships. MNCs also prefer to set up offices in green buildings to adhere their organisation's corporate social responsibility initiative.

#### 6 Characteristics of Green Townships

1. Reduce or eliminate fossil-fuel use
2. Adopt sustainable building practices
3. Promote green-space and clean air quality
4. Implement energy-efficient and widely available public transportation
5. Create walkable city (pedestrian-friendly) designs
6. Develop well-organised mixed-use neighbourhoods that combine living, working and shopping

Source  
<http://www.gnpm.org/conf/confParallelC.htm>

#### GBI TOWNSHIP TOOL POINTS ALLOCATION CHART



# EASING YOUR WAY INTO AND OUT OF INTERNATIONAL REAL ESTATE INVESTMENT

Many investors have real estate as one of the asset classes in their investment portfolio. There is no doubt that real estate provides a good hedge against inflation, may provide a regular income stream in the form of rental and allows for long term capital growth, however, it also requires a large initial investment and has a potentially high holding cost.

Retail investors need to carefully understand and appreciate these risks in light of their investment and exit strategies. Individuals or a grouping of individuals may often have a shorter term investment horizon as compared to institutional investors and without careful planning they may find that the once perceived lucrative real estate investment proposition is now no longer so!

Offshore vehicles such as investment holding companies and funds are very useful tools used as conduits to real estate investment. Besides the obvious lower tax; for example there is no tax levied on investment holding vehicles in Labuan; these structures may also be used to pool investment capital and facilitate an investor's smooth exit.

Structures mentioned below are particularly useful for small to medium sized companies, retail investors or a group of retail investors, all of whom generally have a limited capital base and a shorter investment timeframe.

So let's see how these entities can be potentially used in real estate investment:

- Offshore companies and entities such as Labuan Funds, Labuan Companies or Labuan Limited Partnerships and Labuan Limited Liability Partnerships can be used to gather a larger pool of investment capital from shareholders. Please refer to the chart to see how each vehicle is interposed in a real estate purchase and how each company or entity provides benefit either with the initial investment or with the subsequent disposal of the property.
- These entities may even ease the process of soliciting the initial investment capital from a suite of potential shareholders as companies and entities provide better protection to investors, compared to a standard legal agreement. In Labuan Limited Partnership and Labuan Limited Liability Partnership an ordinary shareholder's liability is always limited to the capital invested as opposed to a company where all shareholders are equally liable for the total liability.
- The shares or interest in these companies or entities can be disposed-off without having to dissolve the company, hence, shareholders are able to partially or fully exit their investment via the disposal of their shares or interest in these companies or entities, instead of disposing the actual property to realise their investment.

Hiu Chee Fatt is a Trust Advisor at Labuan IBFC Inc. Sdn Bhd, the official Malaysian Government agency authorised to market Labuan as the premier international business and financial centre in Asia Pacific. For more information on Labuan IBFC please visit, [www.labuanibfc.my](http://www.labuanibfc.my) or email to [info@labuanibfc.my](mailto:info@labuanibfc.my).



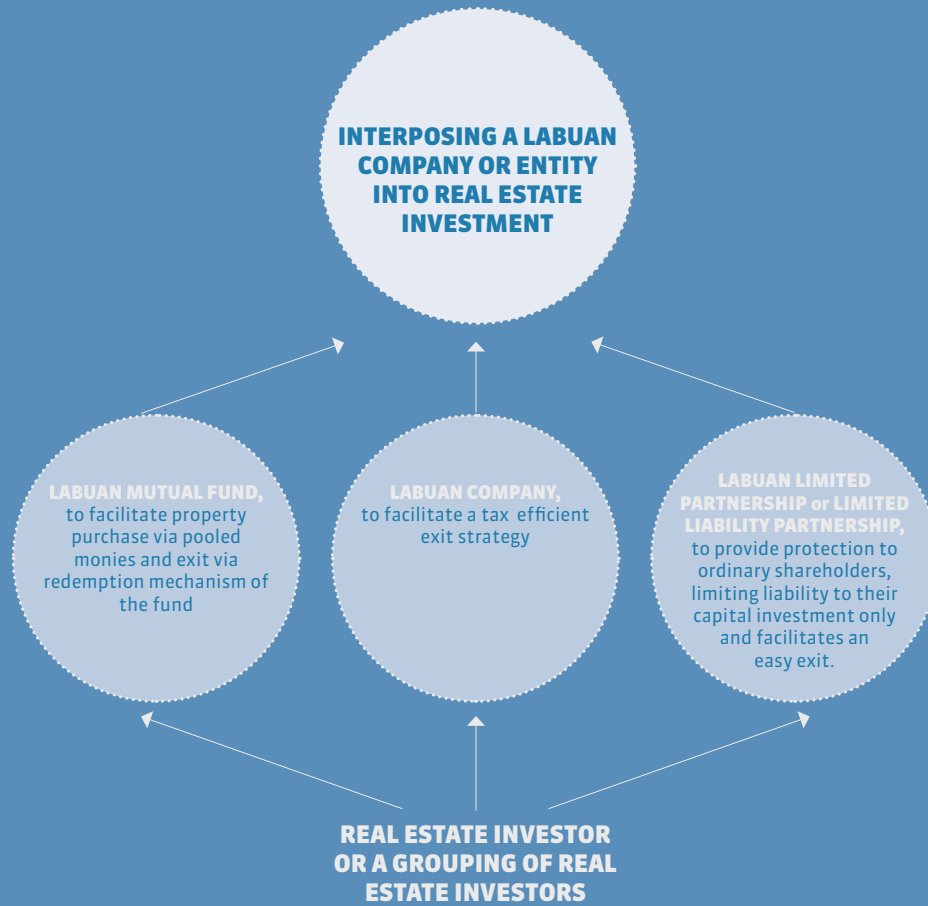
Similarly, a mutual fund can be set-up in Labuan and this allows a collective pool of monies with the same investment objective to be created. Funds are easily established, for example, a private fund can be registered in Labuan by simply lodging the fund's information memorandum with the Labuan Financial Services Authority. The fund can then offer regular redemption periods as a built-in exit strategy for investors.

In fact, a real estate developer himself, may consider structuring a property fund investing into his own development projects. The property fund structure can solicit investment from a larger pool of institutional and qualified retail investors, who then jointly fund the development project as an investment.

Clearly, for all parties concerned, this is simpler way to participate and benefit from the real estate development project. This is especially true when one considers that the regulatory cost of registering a fund in Labuan is merely RM2000. In addition, private funds are not required to be licensed as a fund manager in Labuan.

These instruments become relevant when investing long term into foreign real estate especially in jurisdictions which have property gain tax and /or in the event of an inheritance, inheritance tax. A Labuan company can be used to protect real estate investors from these taxes, as, instead of selling the property directly to a buyer, the shares of the company or Labuan entity are sold instead. Hence, the title of the property does not change and the investor will not be subjected to any property gain tax and/or in the event of an inheritance, inheritance tax.

In a nutshell, when real estate developers and investors start thinking outside the box and look beyond the conventional real estate investing framework, a whole new world of investment vehicles open up to them, promising tax efficient returns and allowing for painless investment entry and exit paths.



**PLEASE NOTE:**

The Labuan structures detailed above are available for use by a Malaysian entity or individual/s to purchase foreign, specifically non Malaysian, cited property.

Should the property being purchased be Malaysian then the usage of these structures are subject to approval from Labuan Financial Services Authority, regardless of whether the entity or individual/s purchasing the property is Malaysian or foreign.



# FUELING THE ECONOMY

BY 2020, THE ECONOMIC TRANSFORMATION PROGRAMME (ETP) IS EXPECTED TO GENERATE 3.3 MILLION JOBS AND IMPROVE THE QUALITY OF LIFE IN MALAYSIA

By Hazrul Izwan

The primary notion of the ETP is to propel Malaysia to become a high-income nation that is both inclusive and sustainable by 2020. Malaysia aims to move away from the middle income trap and increase its gross national income (GNI) per capita from USD6,700 (RM23,700) in 2009 to more than USD15,000 or RM48,000 in 2020.

The ETP focuses on 12 national key economic areas (NKEAs) which are selected based on Malaysia's competitive advantages which are: Oil, Gas and Energy; Palm Oil; Financial Services; Tourism; Business Services; Electronics and Electrical; Wholesale and Retail; Education; Healthcare; Communications Content and Infrastructure; Agriculture and Greater Kuala Lumpur. This programme will be led by the private sector, which will account for 92% of the RM1.4 trillion investment required for the NKEAs from 2010-2020 and public funding for only 8%. Since the launch of the ETP, a total investment of RM 169.78b from 87 projects has been secured. These investments have created approximately 362,396 jobs and raised RM220.15 billion in GNI.

ETP works in tandem with the Governmental Transformation Programme (GTP). The GTP focuses on reducing crime, fighting corruption, improving student outcomes, raising living standards, improving basic infrastructure and improving urban public transportation to ensure that the additional GNI and growth is equitably distributed amongst all Malaysians. Over a period of 12 months (January-December 2010) the efforts under GTP has shown positive results. Some of the results of the GTP efforts are as follows:



- The crime index has dropped by 15% and street crime is down by 35%. This has been made possible with the mobilisation of more than 14,000 police officers to 50 crime hotspots. In addition, close to 5,000 Rela (People's Volunteer Corps) and JPAM (Civil Defence Force) members were deployed to the hotspots.
- To improve pre-school enrolment, 1,500 new pre-school classes have been set up with an enrolment of 55,056 children.
- Hardcore poverty has been reduced to just 0.2% through improving the income levels of more than 44,600 hardcore poor households.
- Efforts to improve urban transport have also shown positive results, with LRT (light rail transit) ridership increasing by 2.43 million.
- Applicants spouse and children to receive Permanent Resident status within six months of application and allowing the children to study in International Schools.

The ETP also addresses the issue of brain drain and the need for foreign professionals. The government has set up Talent Corporation to attract skilled human capital back to the country to ensure the high income economy status is reachable. To attract Malaysians, Talent Corporation launched Returning Expert Programme (REP) which entails the following incentives:

- The incentive of up to two tax-free vehicles is now strictly limited to locally assembled vehicles. Previously, this incentive applied to imported vehicles as well;
- Returning Malaysian professionals who qualify under the REP will now be eligible for a transitional income tax incentive, which accords a flat income tax rate of 15% for five years (as opposed to prevailing progressive scale rates of income tax);
- Tax exemption for all personal effects brought into Malaysia; and
- Applicants spouse and children to receive Permanent Resident status within six months of application and allowing the children to study in International Schools.

To attract and retain foreign talent, the government is relaxing regulations by replacing employment passes with Residence Pass. The Residence Pass provides foreign professionals with a longer tenure of up to 10 years and greater flexibility in changing employment.

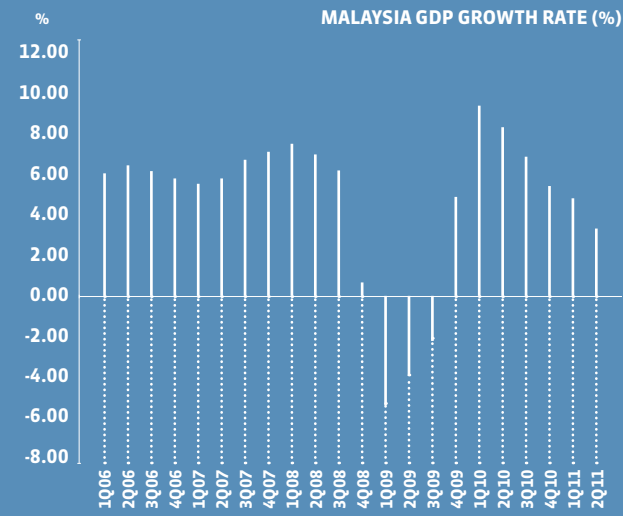
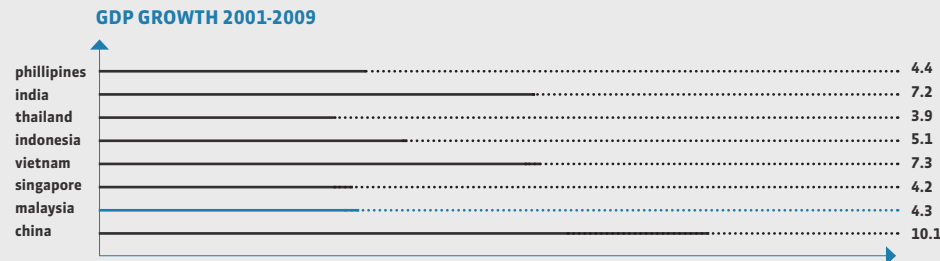
It is expected that by 2020, the ETP will generate approximately 3.3 million job opportunities directly from the 131 Entry Point Projects (EPPs) with 60% of them being medium to high-income jobs, but also upgrade existing jobs to higher income group. In addition to experiencing higher income, Malaysians can look forward to an overall better quality of life, be it in terms

of education, healthcare, housing or public transportation and infrastructure.

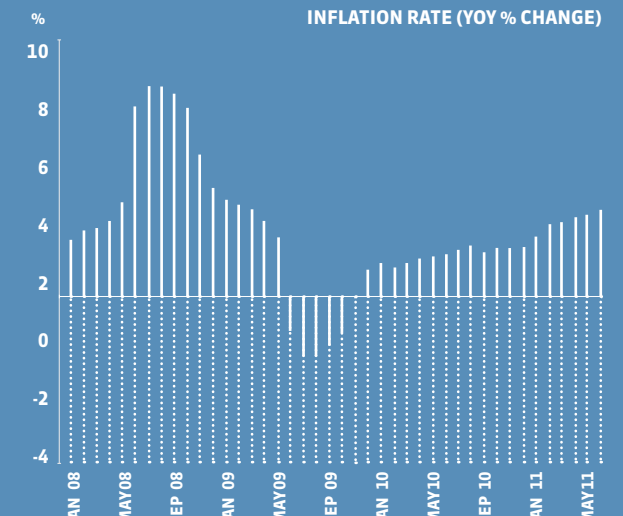
The purpose of the ETP is succinctly summarised by Senator Dato' Sri Idris Jala, Minister in the Prime Minister's Department and CEO of Performance Management and Delivery Unit, "It is about managing the present by standing in the future".

**MALAYSIA ENJOYED STRONG GROWTH IN THE PAST, BUT HAS LOST MOMENTUM SINCE THE ASIAN FINANCIAL CRISIS**

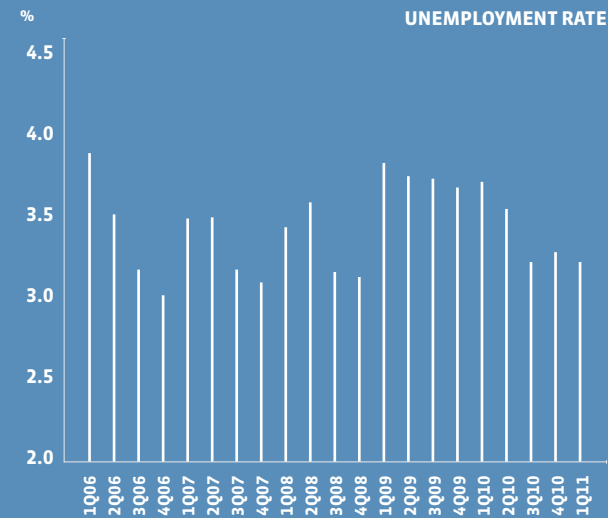
Source: World Economic Outlook (April 2010), International Monetary Fund



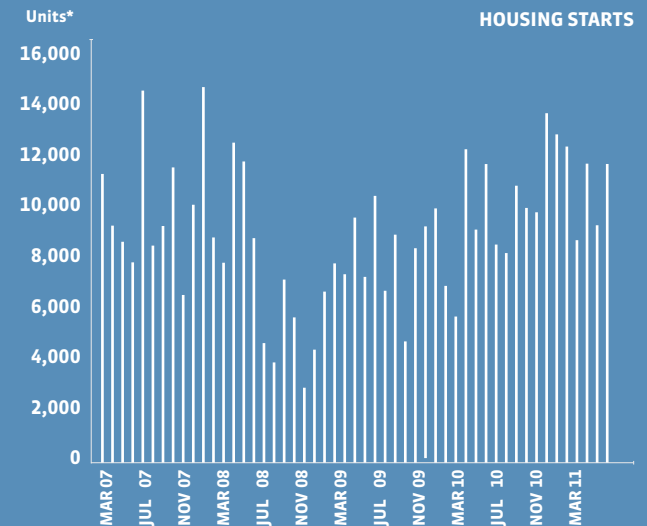
SOURCE: Dept. of Statistics



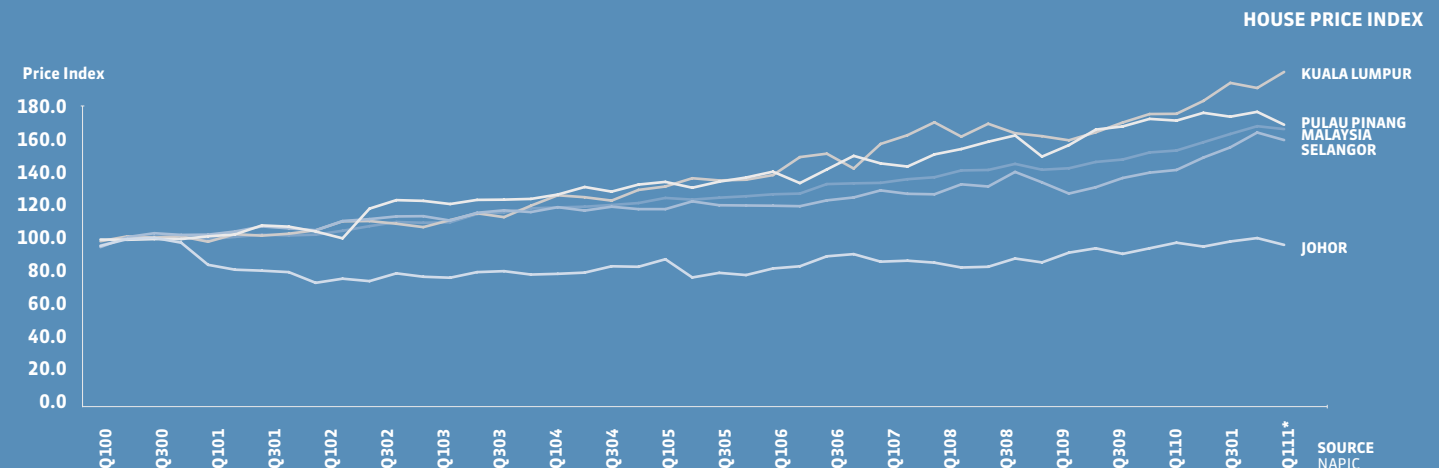
SOURCE: Dept. of Statistics



SOURCE: Dept. of Statistics



SOURCE: NAPIC. \* Number of housing units by private developers approved for construction in Peninsular Malaysia by the Ministry of Housing and Local Government



SOURCE: NAPIC



## ABOUT US

Malaysia Property Incorporated is a Government initiative set up under the Economic Planning Unit to drive investments in real estate into Malaysia.

As the first port-of-call for real estate investment queries, Malaysia Property Inc. connects interested parties through an extensive network of government agencies, private sector companies, real estate firms, business councils and real estate related associations.

MPI has two core objectives; to create international awareness and to establish connections between foreign interests and Malaysian real estate industry players, ultimately contributing to real estate investments into the country.



### Malaysia Property Incorporated

Unit 6-03A, Level 6  
Menara UAC, No 12  
Jalan PJU 7/5, Mutiara Damansara  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Tel +603-7724 1878  
Fax +603-7724 1877  
info@malaysiapropertyinc.com

### Office Hours

Monday to Friday  
8.30am – 5.30pm



### Malaysia Property Gallery, Singapore

2 Shenton Way  
#01-02 SGX Center 1  
Shenton Way  
Singapore 068804

Tel +65-6438 0312  
Fax +65-6438 0875  
infosg@malaysiapropertyinc.com

### Office Hours

Monday to Friday  
9:00am – 7:00pm

Weekend & Public Holidays  
10:00am – 5:00pm

