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SINGAPORE NEWS

Iskandar Malaysia attracts investment buying of homes

By Wong Siew Ying | Posted: 20 February 2013 2311 hrs

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SINGAPORE : Iskandar Malaysia, a special economic zone in Johor Bahru, has been in the media spotlight in recent years.

It is attracting new investments and there is growing interest in residential properties there as well.

Property analysts say the publicity has heightened interest in homes in Iskandar, but buyers should evaluate other options as well.

Medini is one of the five flagship zones at Iskandar Malaysia which will see many property developments.

Avira, a resort wellness project in Medini Iskandar Malaysia, will feature a mix of bungalows, semi-detached and terrace homes as well as condominiums.

And that's just one of the projects that are being developed in Iskandar.

Over the past two years, some analysts say the interest in homes there has doubled, mostly from retail investors.

There are also some buyers who are seeking a future home for retirement.

Market watchers say retail investors are drawn to properties in Iskandar Malaysia largely due to the investment potential there.

On top of that, they add that the cooling measures and high home prices in Singapore are also driving some investors to look across the Causeway.

Property agency OrangeTee says some home prices in Iskandar have doubled in the last two years.

And while it presents investment opportunities, buyers who are after short-term gains may be disappointed.

Johnny Chng, Head, International Projects, OrangeTee, said: "The full capital appreciation would come in when commercial activities start to take off. At this point you only have the EduCity and the old JB town. For the entire mega project to be completed, it would take maybe 5 to 10 years. So for investors is to look at a slightly longer term and anyway the Malaysian property market is not a "flipper" market all these while."

Industry watchers say home buyers need to evaluate options in other markets as well including Bangkok, Jakarta and Vietnam.

In fact, Kuala Lumpur and Penang in Malaysia are also potential investment destinations.

Ku Swee Yong, CEO, International Property Advisor, said: "How come these launches are held in Singapore and not Kuala Lumpur? Because Kuala Lumpur would not accept a price of 900 ringgit per square foot (psf) at Puteri Harbour when in KL, Bukit Bintang, your new launches are selling up to the most expensive 2000 ringgit psf. Slightly older properties that are freehold are 900 ringgit psf at Bukit Bintang, that's where the experienced investors who are seriously keen to get a pad in Iskandar, look around at second-hand properties at Johor Bahru City Centre, second hand properties could still be at the 400 ringgit psf mark."

Analysts also warn investors that it may not be easy selling a resale home in Malaysia.

Mr Ku said: "Resale is a very thin market, could be less than 10 percent of the total volume per year. So many investors are sitting on paper gains who have gone into Iskandar in 2006, 2007, prior to Lehman crisis. Today, they are sitting on paper gains of maybe 100 percent, but to find a buyer to take over your property on the resale market is very tough, because of the abundant supply of new sales."

Iskandar Malaysia is three times the size of Singapore and it is estimated to have a population of over 1.3 million people by 2025.

Analysts say there may be a need to ramp up population growth and job creation in order to drive rental returns for property investors.

Mr Ku said, "Rental returns there then depends on job creation, so with so much residential launches we need to see a significant level of commercial and industrial investments, where enterprises are creating new jobs there."



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Medini (Photo/GCD)

Video



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