

JOHOR GROWTH PHASE

'OVERWEIGHT' CALL ON 2 SECTORS

RHB Research prefers UEM Sunrise and Sunway for property, and Sunway Construction, Kerjaya Prospek and Malaysian Resources Corp for construction

KUALA LUMPUR

THE local property and construction sectors are set to benefit from Johor's supercharged growth phase, spurred by government-led catalytic developments as well as influx of foreign and domestic direct investments.

Although the Iskandar Malaysia property market went through a challenging period in 2015 to 2021, major developers remain confident on the long-term outlook for the region.

Just recently, Sunway Group acquired the remaining 40 per cent stake of its 433ha land in Pendas, while Eco World Development Bhd bought 163ha of land in Kulai for industrial development.

RHB Research said given its landbank exposure and growing property sales, Iskandar Malaysia had been an important market for many developers.

The firm has maintained an "overweight" call on the property and construction sectors.

"We like UEM Sunrise Bhd and Sunway in the property space,"

the firm said.

Johor is bustling with construction activity, with construction work done on a quarterly basis reaching RM3.8 billion in the second quarter of 2023, the highest in 13 quarters, and the second largest among all the states.

Concurrently, Johor saw RM9.6 billion worth of construction projects awarded as of end-August 2023, spread across 913 projects. In terms of the value of projects awarded year-to-date August, Johor is just behind Selangor.

For construction, RHB Research prefers Sunway Construction Group Bhd, Kerjaya Prospek Group Bhd and Malaysian Resources Corp Bhd, with Ekovest Bhd as a non-rated idea.

According to RHB Research, recent announcements on the Johor-Singapore special economic zone and updates on the proposed Kuala Lumpur-Singapore high speed rail are key upcoming events for the sector.

It noted that work progress on the Johor Baru-Singapore Rapid Transit System (RTS) link project has significantly boosted buyers' confidence, given the visibility of

growth prospects.

"The RTS is a game changer, as increased cross-border traffic and the powerful 'SGD (Singapore dollar) factor' should benefit the local real estate sector, including housing, retail and hospitality.

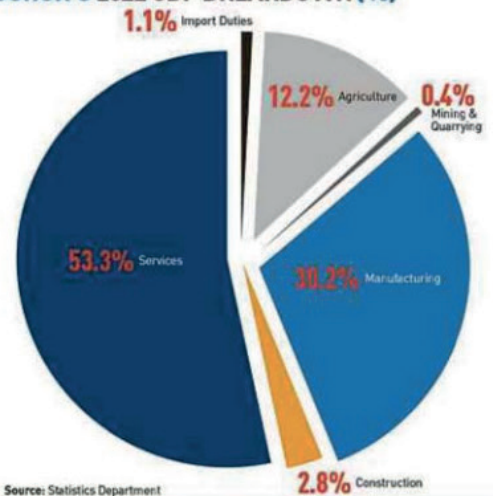
"Demand for rental and houses in the central region of Johor is likely to grow more significantly in the coming years, while the influx of new investments is expected to lift the state's gross domestic product per capita over time, translating into higher affordability for housing in the long run."

Favourable labour conditions and more manageable building material price trends enabled contractors to leverage on Johor's infrastructure revolution.

Notable opportunities available for contractors in Johor include the remaining packages of the RTS project, Iskandar Rapid Transit and data centres in industrial parks.

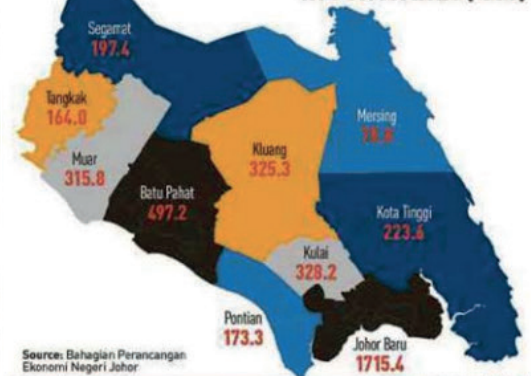
"Spillover effects from the growth in Iskandar Malaysia will benefit residential property contractors."

JOHOR'S 2022 GDP BREAKDOWN (%)



Source: Statistics Department

POPULATION DISTRIBUTION IN JOHOR 2020 ('000)



Source: Bahagian Perancangan Ekonomi Negeri Johor

INFOGRAPHIC NST



Sunway City Iskandar Puteri's current development that includes Sunway Emerald Lake, Sunway Emerald Residence and Sunway International School. Although the Iskandar Malaysia property market went through a challenging period in 2015 to 2021, major developers remain confident on the long-term outlook for the region.



Work progress on the Johor Baru-Singapore Rapid Transit System link project has significantly boosted buyers' confidence. FILE PIC