

Malaysia Property & Data Centers: Feeling the pulse in Johor

Our site visits to Johor gave us assurance of the **robustness of the industrial sector and data center (DC) developments**. There was **noticeable pick-up in demand for residential properties** although there is still room for population growth at Iskandar Puteri, in our view. We visited several **DC sites, industrial parks and property developments**, i.e. *Eco Botanic, Sunway City Iskandar Puteri and Forest City*.

Data centers – full steam ahead

We observed **bustling construction activities at various DC sites**, reflecting Johor’s position as a key DC hub in ASEAN with over **2,600MW of committed and incoming capacity**, according to CBRE. In contrast, Singapore currently has less than 1,500MW of capacity.

Johor’s DC sites are mainly at **Kulai** (Sedenak Tech Park, YTL Green Data Center Park) and **Iskandar Puteri** (Nusa Cemerlang Industrial Park, Nusajaya Tech Park). **Sedenak Tech Park** is the largest, spanning 745 acres, and houses *Keppel, K2, Bridge Data Centers, PDG and Yondr*.

Figure 1: Data centers under construction at Sedenak Tech Park



Figure 2: Bridge DC (Phase 1); TNB’s grid lines to power DCs



Also in Kulai, **YTL Green Data Centre Park** (275 acres) is the first data center in Malaysia powered by **renewable solar energy**, with 500MW of capacity. 72MW is currently operational with *Sea Ltd* as the anchor tenant. An additional 168MW is under construction in partnership with *GDS*. It is also the first DC site that will host AI infrastructure using *Nvidia’s* GPU chips.

Figure 3: Construction works at YTL Green Data Center



Over at Iskandar Puteri, the 519-acre **Nusajaya Tech Park** is a JV between CapitaLand and UEM Sunrise and features operators like *TM One, Equinix* and *GDS*. *GDS’s* 70MW facility is one of the first hyperscale sites in Johor. Nearby is **Nusa Cemerlang Industrial Park** (527 acres) by Crescendo Corp, mainly populated by SMEs and will likely house *Microsoft’s* upcoming DC.

Figure 4: (L) GDS – early hyperscale DC in Johor at Nusajaya Tech Park; (R) IJM-Woh Hup DC construction at Nusa Cemerlang



What’s next for Johor DCs?

It is evident that Johor is a **beneficiary of strong data center business spillover from Singapore and US-China trade war** given ample landbank, lower costs (energy and labour) and supportive government policies.

Some concerns include **overcapacity and shortage of water and electricity supply** to power the DCs. According to CBRE, overall vacancy rate is projected to be 12-15% in the next 3 years (currently 10%), indicating **decent absorption** of new incoming supply. Future take-up will depend on the pace of technological advancements.

There has been **strong momentum in land transactions for data centers**, benefiting property players and landowners with landbank in Johor. The latest land sale of 38.5 acres by Tropicana Corp to *ZData Technologies* at RM143 psf, set a new record. *Eco World’s* land sale to *Princeton Digital Group* in September was at RM90 psf, higher than a prior sale to *Microsoft* at RM75 psf in June 2024.

Figure 5: Strong momentum in DC land sales in Johor

Transaction Date	Purchaser	Seller	Transaction Price	Location
Mar 2024	BrightRay Science	Johor Corp	RM56 psf	Sedenak Tech Park
Apr 2024	Microsoft	Crescendo Corp	RM120 psf	Iskandar Puteri
Apr 2024	Undisclosed	Axis REIT	RM138 psf	Iskandar Puteri
May 2024	Bridge DC	Paragon Globe	RM114 psf	Plentong
May 2024	Digital Hyperspace	AME Elite	RM138 psf	Iskandar Puteri
Jun 2024	Microsoft	Eco World Development	RM75 psf	Kulai
Jun 2024	Undisclosed	UEM Sunrise	RM115 psf	Iskandar Puteri
Jul 2024	Nanda Digital	Crescendo Corp	RM130 psf	Iskandar Puteri
Jul 2024	Equalbase	Sunway Bhd	RM136 psf	Iskandar Puteri
Aug 2024	Bridge DC	Paragon Globe	RM115 psf	Plentong
Aug 2024	SingTel-TM	Khazanah	RM98 psf	Iskandar Puteri
Aug 2024	NTT GDC	Tropicana Corp	RM128 psf	Iskandar Puteri
Sep 2024	Princeton Digital Group	Eco World Development	RM90 psf	Kulai
Oct 2024	ZData Technology	Tropicana Corp	RM143 psf	Iskandar Puteri

Source: Knight Frank

Bottom line: To ride the DC boom, we prefer **property, construction stocks and DC enablers** vs. DC operators that are more susceptible to competition and oversupply risks. Our stock picks are: **EcoWorld Development & SP Setia** (rising land prices); **Gamuda & IJM** (increase in DC job flows); **Tenaga** (rising power requirements) and **Time dotCom** (growing data demand).

Sources: CIMB CIO Office, company websites, various media reports

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Forest City - now a Special Financial Zone

Forest City has been designated a **Special Financial Zone (SFZ)** on 20 September 2024. Key incentives include **0% tax rate for family offices, 0-5% corporate tax rates** for eligible businesses, **flat 15% income tax** for skilled professionals, among others.

There was minimal footfall during our visit at lunch hour on a weekday. About 10% of the 7k acres of planned reclaimed land have been completed, with 28k housing units handed over, with more than 80% sold to foreigners. There are currently 9k residents (mostly tenants), vs. the targeted 700k residents by 2035, as per media reports. Our channel checks indicated there have been **more enquiries from Malaysians and Singaporeans** recently. Overall, while we are encouraged by the recent initiatives to reinvigorate Forest City, it **could take a longer gestation period** as more needs to be done to **regain confidence to drive population base and increase commercial developments**.

Figure 6: (L-R) Retail area at Forest City; SFZ sign; high rise units



Eco Botanic – still room for growth

Eco Botanic by **EcoWorld Development** is located at Iskandar Malaysia, next to Educity and close to Legoland. The first two phases have been handed over, with **buyers comprising mostly locals and owner-occupiers**. EcoWorld had purchased an **adjacent 240-acres land in January 2024** for **Eco Botanic 3 targeting the M40 group**, which we believe will be well received. The commercial area was bustling and the **Eco Galleria mall** houses the largest **Jaya Grocer** in Malaysia and **The University of Southampton**.

Figure 7: (L-R) Eco Botanic 2, bustling commercial area, Eco Galleria mall, Jaya Grocer in Eco Galleria



Sunway Iskandar – well planned township

Sunway City Iskandar Puteri, spanning over 2,000 acres (RM30bn GDV) is a **sustainable and integrated township** comprising retail malls, hotels, educational institutions, theme parks and recently, industrial development. In July 2024, Sunway sold **two parcels of land (64 acres)** to **Equalbase** for DC development for RM380mil.

About **80% of buyers are local Malaysians** with about 20% foreigners (with a Korean community there). Most of the purchases are for **own-stay** except for Sunway Grid Residence which allows for Airbnb stays and has a higher investor mix. Phase 3 of Sunway Aviana (landed terrace homes) achieved **95% take-up rate within a month**. The first 2 phases (259 units) launched end-2023 are fully sold.

Figure 8: (L-R) Sunway International School, Horse X-Park, Sunway Big Box Hotel, Sunway Big Box Retail Park, sales gallery



What are the implications for JS-SEZ?

The site visits gave us **assurance of the robust industrial sector** in Johor, especially for DCs. There is also **encouraging pickup in demand for quality residential launches** by more Malaysian and Singaporean nationals, indicating increased confidence.

In our view, besides **execution risks**, the key challenge is to **drive population growth especially in the Iskandar region** whereby competitive salaries (compared to neighboring Singapore) remains a key gap. There also needs to be **more incentives to ensure the DC developments attract highly skilled workforce** with knowledge transfer to bring broader economic benefits, and not just large capex.

We believe that the **JS-SEZ is a game changer if implemented well** but it will be a **long term play**. This is given 1) **strong G2G support**, 2) **incentives to be announced by year end** (as per Budget 2025) and 3) the **Rapid Transit System (RTS)** linking Johor-Singapore by **January 2027**. There are also plans for an Automated Rapid Transit (ART) system to improve connectivity.

Bottom line: Our stock picks for this thematic are **SP Setia** (laggard play at 0.46x PB vs peers at 0.9x), **EcoWorld Development** being a best-in-class developer trading at 1.07x PB with 3.7% yield and **IJM Corp** to position for potentially more DC wins in Johor. Our fund picks are **Principal Malaysia Titans** and **Principal Lifetime Balanced Income**.

Sources: CIMB CIO Office, company websites, various media reports

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