



# MALAYSIA COMMERCIAL REAL ESTATE INVESTMENT SENTIMENT SURVEY 2020 (CREISS 2020)

## ■ Johor Sentiment

Since the COVID-19 pandemic outbreak, investors are more cautious and defensive on their investments in the commercial property market.

Tourism, one of the promoted sectors, is focused mainly in Iskandar Malaysia. However, with the unavoidable catastrophe of the COVID-19 outbreak, the hotel / leisure segment is severely impacted following cancellation of hotel bookings, flights, and tour packages.

Our respondents are also taking a cautious stance on the office sub-sector in 2020. With slower absorption rate notably on the newer office buildings, particularly in Johor Bahru, this sub-sector is deemed less attractive.

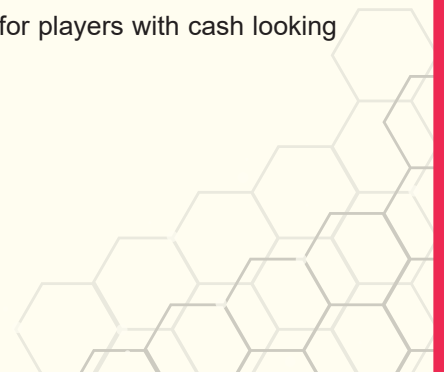
Although we were pleasantly greeted by our respondents' positive sentiments on the retail sector, the current widespread transmission of COVID-19 and the prolonged movement control order (MCO) will be a double-whammy to both consumers and investors.

The healthcare sub-sector, however, continues to receive confidence in the market. In terms of return and yield, more than half of the respondents are more optimistic on the sub-sector in 2020 compared to 2019.

The logistics / industrial segment stood out as the most encouraging sub-sector with a few announcements that include the expansion of Port of Tanjung Pelepas and the development of the bunker island in Tanjung Bin. These developments, once in fruition, will become catalysts that will strengthen the sub-sector in Johor.

Amid this current cloud of uncertainties, there are tremendous opportunities for players with cash looking for bargains.

**Debbie Choy,**  
**Branch Head**  
**Knight Frank Malaysia, Johor Branch**



## Logistics to remain upbeat

The outlook for the state's logistic sub-sector remains upbeat supported by the presence of three seaports, namely Port of Tanjung Pelepas, Johor Port and Tanjung Langsat Port as well as the Senai International Airport. With its strategic location at the southern tip of Peninsular Malaysia, Johor is well positioned in the region to facilitate the transshipment of goods domestically and internationally.

Port of Tanjung Pelepas is the world's top 18 port by container throughput in 2018, third in Southeast Asia after Singapore (2) and Port Klang (12) (Source: World Shipping Council). In 2019, the port handled circa 34% or 9.1 million TEUs (2018: 9.0 million TEUs) of the total container throughput of 26.4 million TEUs (including transshipment) via ports in Malaysia (2018: 24.9 million TEUs) (Source: Ministry of Transport Malaysia, MOT). Moving forward, the expansion plan of Port of Tanjung Pelepas Free Trade Zone Area shall further enhance the capacity of the port.

Hotspots for big-box logistics premises include Pasir Gudang, Tanjung Langsat, Port of Tanjung Pelepas, Gelang Patah, Senai and Kulai. There were two notable acquisitions by Axis REIT in 2019 at Port of Tanjung Pelepas and Nusajaya Tech Park in Gelang Patah.

We anticipate that REITs will resume their search for similar assets post-COVID-19 as demand continues to remain strong within these localities. Knight Frank continues to receive active enquiries on industrial type opportunities. Amongst the REITs that have significant asset presence in Johor include Axis REIT, AmanahRaya-Kennedix REIT and Mapletree REIT.





## Healthcare sector, the unveiled hidden gem

In our 2019 CREISS survey, we have labelled the healthcare sub-sector as the "diamond in the rough". The COVID-19 outbreak sets the healthcare sub-sector in the spotlight and is putting the country's healthcare system through a stressful test.

In Johor, the healthcare sub-sector has been growing steadily with the completions and expansions of more private medical facilities. The year 2019 saw the completions of three hospitals, namely Columbia Asia Tebrau Hospital, KPJ Bandar Dato' Onn and KPJ Batu Pahat while KPJ Puteri Specialist and KPJ Kluang are currently under expansion.

Johor's proximity to Singapore creates demand from foreign patients due to the favourable currency exchange and quality of medical services offered.

The 2020 survey also revealed that interest in healthcare investment is not limited to hospitals offering medical treatment but also other alternative investments focusing on wellness such as retirement village and senior living. Circa 45% of the survey respondents who are already investing in Johor, are exploring such alternative concepts.

Johor's population, estimated at 3.76 million in 2019 is made up of circa 7.1% or 269,000 persons in the aging population category of 65 years and above (Source: Department of Statistics Malaysia, DOSM). Across the border, there are some 581,700 seniors in Singapore, accounting for up 10.2% of the republic's population (Source: Department of Statistics Singapore, DOSS). With favourable exchange rate and lower cost of living across the causeway, there is potential demand for these products from Singaporeans.

The outlook for the healthcare sub-sector appears to be promising. Over 50% of survey respondents foresee higher yield and returns in 2020 compared to the previous year. The hidden gem has been discovered.

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