

Rising investments bode well for building sector

PETALING JAYA: In a promising turn of events for both the construction and property sectors, government-led catalytic developments and a surge in foreign and domestic direct investments are poised to make a substantial impact.

Not only are these initiatives expected to stimulate job opportunities within the construction sector, but also generate positive spillover effects on the property market.

According to RHB Research, the announcements on the Johor-Singapore special economic zone (SEZ) and updates on the proposed Kuala Lumpur-Singapore high-speed rail (HSR) link will be key upcoming events.

Malaysia and Singapore have jointly set up a special task force under the Malaysia-Singapore Joint Ministerial Committee for Iskandar Malaysia to explore the formation of a Johor-Singapore SEZ, said the research firm in its latest report yesterday.

It noted SEZs refers to geographically delimited areas within a country's borders that offer well-developed industrial spaces with special legal regimes, rules, institutional environments and incentives.

The research firm also anticipates the updates on the Johor-Singapore SEZ initia-

tive to be presented at the 10th Malaysia-Singapore Leaders' Retreat scheduled for October.

Regarding the Kuala Lumpur-Singapore HSR project, RHB Research said MyHSR Corp is presently inviting concept proposals from potential contractors.

"Contract rollouts for the HSR may take place in the next two years or so, based on our estimates.

"Nonetheless, the government's move to revive the HSR project, entirely funded by the private sector, provides a potential continuous flow of infrastructure projects for the country, in addition to spillover multiplier benefits," it noted.

Hence, the research firm believes that Johor is transitioning into a "supercharged growth phase".

Additionally, RHB Research said Tier-1 developers continue to hold a positive outlook on Iskandar Malaysia (IM), demonstrating unwavering confidence in the region's long-term prospects.

"Although the IM property market went through a challenging period in 2015-2021, major developers remain confident on the long-term outlook for the region," it noted.

Recently, both Sunway Bhd and Eco

World Development Bhd have expanded their presence in IM.

Sunway acquired the remaining 40% stake in its 1,071-acre land in Pendas, while Eco World purchased 404 acres of land in Kulai for industrial development.

"Given its landbank exposure and growing property sales, IM has been an important market for many developers," RHB Research added.

Meanwhile, it believes that the progress made on the Johor Baru-Singapore rapid transit system link project has significantly bolstered buyer confidence, thanks to the clear growth prospects it offers.

RHB Research noted construction activity in Johor had shown robust growth, with the state's value of construction work done on a quarterly basis reaching RM3.8bil in the second quarter of 2023 – the highest in 13 quarters, and the second largest among all the states.

It has an "overweight" call on the sector. Its thematic stock ideas for Johor include UEM Sunrise Bhd and Sunway in the property space. In the construction sector, it includes Sunway Construction Group Bhd, Kerjaya Prospek Group Bhd, Malaysian Resources Corp Bhd and Ekovest Bhd.