Demand for industrial real estate building up

Country's industrial progression stokes desire for land

PROPERTY

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>
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PETALING JAYA: Several companies have been announcing significant land deals within the industrial property space recently, as they look to capitalise on its growing demand and popularity.

Last month, Eco World Development Group Bhd (EcoWorld Malaysia) announced that Microsoft Payments (M) Sdn Bhd was acquiring freehold industrial land measuring 138.532 acres at the developer's Eco Business Park I in Iskandar Malaysia for RM693.96mil.

The group also announced last week that it had signed agreements with Pearl Computing Malaysia Sdn Bhd for the sale of industrial land and development of a data centre in Eco Business Park V, Selangor, in a deal worth RM266.14mil.

In the same month, Hektar Real Estate Investment Trust (Hektar-REIT) announced that it was acquiring a light-industrial asset in the Bayan Lepas Free Industrial Zone, Penang, for RM30mil from Microlead Precision Technology Sdn Bhd, a wholly owned subsidiary of MQ Technology Bhd.

Steel manufacturer Ann Joo Resources Bhd also announced last month that it was acquiring the remaining 45% equity interest in Konsortia Etiqa Sdn Bhd, the owner of 437 acres of industrial land in Kedah, for RM96mil.

Property experts believe more industrial-property deals are on the horizon, with Olive Tree Property Consultants chief executive officer Samuel Tan saying he wasn't surprised by the recent spate of land acquisitions.

"There are a few reasons. Firstly, Malaysia is transforming into an advanced industrial economy.

"Moreover, government policies are pro-active, with initiatives such as the National Energy Transition Roadmap, New Industrial Master Plan 2030, National IOT Strategic Roadmap, and Industry4Wrd – National Policy on Industry 4.0. These initiatives attract investors who like a business-friendly environment," Tan told *StarBiz*.

He noted that Malaysia's infrastructure is constantly being upgraded to meet increasing demand, as seen from the building and expansion of highways, ports and airports.

"The industrial sector is an asset class with good yields and this attracts the real estate investment trust companies."

Moving forward, he said the sector will shift to digitalisation, artificial intelligence, innovation and automation.

"Jobs will be created and lots of upskilling will be needed. Bottom line, the industry must move towards environmental, social and governance and be sustainable."

Commenting on EcoWorld Malaysia's latest industrial deal with Pearl Computing, CGS International Research noted that the sale marked the group's fourth land monetisation to data centre operators over the last year, bringing total data centre-related land sales to RM1.6bil across 377 acres of land.

"We expect the revenue from land sales to be booked into earnings in the financial year 2026 (FY26)," the research house said.

Meanwhile, MIDF Research said it viewed the deal positively, as it would increase recurring income of EcoWorld Malaysia, considering the group's gearing is healthy at 0.19 times as at the fourth quarter of FY24.

This, the research house said, would allow EcoWorld Malaysia to build a portfolio of investment properties.

"Net gearing is estimated to decline to 0.13 times from 0.19 times after completion of the land disposal," said MIDF Research.

Separately, Hong Leong Investment Bank Research said it viewed Hektar-REIT's industrial land deal positively.

"The acquisition of the industrial property is yield accretive, as it fetches a yield of 7.5% versus Hektar-REIT's FY25-FY26 net property income yield of 5.5% to 6%.

"We are positive on the acquisition, given Hektar-REIT's strategy to diversify its portfolio."

Meanwhile, TA Research in a recent report highlighted that the Johor-Singapore Special Economic Zone (JS-SEZ) is poised to be a transformative catalyst, driving substantial demand for industrial and residential property.

The research house said the surge, which was underpinned by increasing foreign direct investment, significant infrastructure enhancements and strengthened cross-border connectivity, would benefit developers with a presence in Johor.

"The JS-SEZ and improved cross-border connectivity are set to transform Johor's property market, creating unprecedented opportunities for growth and investment.

"Developers with strategically located land, expertise in industrial and transit-oriented developments, and a strong track record in integrated townships are best positioned to capitalise on the growth."

While admitting that challenges exist, TA Research said it believes the long-term outlook for Johor's property market remains highly optimistic, especially for the industrial segment.

"Demand for logistics hubs, data centres, and high-tech manufacturing facilities is rising, benefitting industrial developers like Crescendo Corp Bhd, EcoWorld Malaysia, IOI Properties Group Bhd, S P Setia Bhd and UEM Sunrise Bhd.

"Despite the proposed restrictions on exports of artificial intelligence chips by the United States, global tech players continue to seek data-centre space in Malaysia, drawn by cost advantages and strong infrastructure," the research house said.

Indeed, Malaysia has become one of the most sought-after locations in South-East Asia in terms of industrial and logistics spaces.

Property consultant Knight Frank in its Asia-Pacific's logistics highlights for the second half of 2024 revealed that the Greater Kuala Lumpur area had the highest rental growth for warehouses and manufacturing facilities among South-East Asian metropolises.

It said Greater Kuala Lumpur came up tops in South-East Asia and third in the Asia-Pacific region, recording the highest half-yearly rental growth of 5% in the second-half of 2024 compared with the same period a year ago amid a broader regional slowdown.

Knight Frank Malaysia senior executive director of land and industrial solutions Allan Sim said the industrial market in Greater Kuala Lumpur continued to experience stable growth, underpinned by demand from foreign manufacturers for warehouses and manufacturing facilities.