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Property | Real Estate

Real Estate

Overweight (Maintained)

Beyond Borders: Unleashing Potential Via JS-SEZ

- Maintain sector OVERWEIGHT.** We are upbeat on the initiatives outlined in the MoU signed between the Malaysia and Singapore governments on the Johor-Singapore Special Economic Zone (JS-SEZ). Although its specific location was not mentioned as expected, the MoU highlighted how both governments will cooperate and jointly develop the JS-SEZ, and efforts include expediting approvals and the clearance of people and cargo at land checkpoints. UEM Sunrise (an Iskandar play), Sunway, IOI Properties and AME Elite Consortium should benefit from the strong growth in Johor.
- Good initiatives to spur growth in the southern region.** A few initiatives were mentioned including: i) A one-stop centre to facilitate business applications and approvals for licenses; ii) implementation of a passport-free QR code clearance system at both sides for clearance of people at land checkpoints; and iii) the adoption of digitised processes for cargo clearance at land checkpoints. In our view, these are the important steps to attract local and multi-national corporations in Singapore to expand to Johor. We also understand that new investments that will have their operations at other industrial parks (outside the JS-SEZ) may also qualify for perks under the new system, as long as they fit certain criteria.
- Still favour areas closer to the borders.** The market has been speculating on the potential location of the JS-SEZ. In our view, given the emphasis of the smooth movement of people and cargo by both governments, we believe areas closer to the borders would make sense. UEM Sunrise and Sunway, which own 2,334 acres and 1,770 acres of land near the Tuas link, could be the biggest beneficiaries – since Johor's economic growth is expected to be robust in the coming years. Other than these players, AME Elite Consortium (a leading industrial developer in Iskandar Malaysia), IOI Properties and Eco World (ECW MK) – which have their respective industrial/business parks in Johor – should also benefit from the influx of investments from Singapore.
- Construction progress of the Rapid Transit System (RTS) is on track.** Yesterday, the prime ministers of Malaysia and Singapore also witnessed the physical construction works of the RTS link connecting Johor Bahru and Singapore. The progress of construction on this project is well on track – it was 65%-completed at the Singapore side and 55% completed at the Malaysia side, as at end-2023.
- More details in 4Q24.** According to an earlier media report, Johor State Investment, Trade and Consumer Affairs Committee chairman Lee Ting Han said that the definitive agreement – which includes details of the JS-SEZ, including its physical location – is expected to be signed in 4Q24. We believe some tax incentives related to this may be introduced. Overall, we remain upbeat on Iskandar Malaysia, as news flow on foreign investments and the Kuala Lumpur-Singapore high-speed rail project should continue to keep sentiment afloat.

Stocks Covered 12
 Rating (Buy/Neutral/Sell): 9 / 3 / 0
 Last 12m Earnings Revision Trend: Positive

Top Picks

Company	Target Price
UEM Sunrise (UEMS MK) - BUY	MYR1.18
Sunway (SWB MK) - BUY	MYR3.00
IOI Properties (IOIPG MK) - BUY	MYR2.10

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Malaysia's and Singapore's Prime Ministers Dato' Seri Anwar Ibrahim and Lee Hsien Loong commemorate the completion of the RTS Link connecting span



Source: X.com

Company Name	Rating	Target (MYR)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
AME Elite Consortium	Buy	2.00	12.0	14.9	1.3	8.9	2.4
Eastern & Oriental	Buy	0.88	16.8	14.8	0.5	3.7	1.5
IOI Properties	Buy	2.10	11.3	12.9	0.5	3.5	3.3
LBS Bina	Buy	0.82	34.0	6.7	0.7	10.1	4.6
Mah Sing	Buy	0.98	16.2	8.9	0.5	6.1	4.3
Matrix Concepts	Buy	1.88	10.8	8.3	1.0	12.1	6.1
Sime Darby Property	Buy	0.93	37.5	11.8	0.5	3.9	3.7
SP Setia	Neutral	0.93	9.6	14.0	0.2	1.7	1.9
Sunway	Buy	3.00	30.0	18.5	1.0	5.7	2.4
Tambun Indah	Neutral	0.91	2.2	7.6	0.5	6.6	6.2
UEM Sunrise	Buy	1.18	23.8	54.9	0.7	1.2	-
UOA Development	Neutral	1.86	4.5	19.1	0.8	4.4	5.6

Source: Company data, RHB

The initiatives that both Malaysia and Singapore governments will explore include:

- i. A one-stop business/investment service centre in Johor to facilitate the application processes for various approvals and licenses necessary for the setting up of Singapore businesses in Johor;
- ii. Adoption/implementation of a passport-free QR code clearance system on both sides, to facilitate more expeditious clearance of people at land checkpoints;
- iii. Adoption of digitised processes for cargo clearance at the land checkpoints;
- iv. Co-organising an investor forum to gather feedback from Singapore and Malaysia businesses on the JS-SEZ;
- v. Facilitating Malaysia-Singapore renewable energy cooperation in JS-SEZ;
- vi. Curating training and work-based learning initiatives to address the talent and skill gaps for relevant industries in JS-SEZ;
- vii. Developing joint promotion events between Johor and Singapore to promote trade and investment into JS-SEZ.

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
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