

PROPERTY **SEKSYEN** 1 20162017 **TARIKH** RUANGAN **MUKA SURAT**

Raising the bar for Bandar Malaysia

- · New master developer has mammoth task to ensure project matches increasing land value
- As the nexus for High Speed Rail linking Kuala Lumpur to Singapore and other nations, project has potential to draw multinationals



HE Ministry of Finance's (MoF) move in May to terminate the deal to sell 60% of the Bandar Malaysia mega project may well have a silver lining despite the controversy and con-cerns that it generated.

Now that the dust has settled. some property players say the government has the opportunity to revalue and capitalise on the vast potential of Bandar Malaysia as a transport nucleus serviced by the High Speed Rail (HSR), Mass Rapid Transit (MRT), KTM train line and 12 highways.
With the value of the 196,7ha

(486 acres) parcel of land, which is the old Sungai Besi air force base, having risen from its 2015 valuation of RM12.35 bil, the project is now more than what was envisioned by the original master developer.

"The new master developer cannot make Bandar Malaysia anything less than it deserves. That parcel of land is prime properly," says Daniele Gambero, CEO and co-founder of strategic marketing consultancy firm REI

Group of Companies.

"That parcel of land has increased in value and being the confluence of the HSR station, two MRT stops and major highways

it needs to be tapped to its full potential.
"The location is unparalleled

especially when the HSR is extended northwards," he tells

Gambero points out that if proposals to extend the HSR all the way to China become a reality, Bandar Malaysia, by virtue of it being a rail nexus for Singapore and China, will boom. To recap, Iskandar Waterfront Holdings Sdn Bhd (IWH) and

China Railway Engineering Corp (CREC) signed the deal to buy a 60% stake in Bandar Malaysia from 1Malaysia Development Bhd (1MDB) for RM7,41 bil on Dec 31, 2015. IWH is owned by tycoon Tan Sri Lim Kang Hoo while CREC is controlled by China's central

government. Under the deal, IWH would hold 60% of the venture and CREC 40% through the IWH CREC Sdn Bhd consortium (ICSB). The remaining 40% belongs to TRX City, formerly 1MDB Real Estate Sdn Bhd. The entire 196.7ha parcel was valued at RM12.35 bil and

ICSB's 60% portion at RM7.41 bil.

The deal was terminated as "the buyers failed to meet the

payment obligations", according to MoF.

"Looking ahead, given a significant appreciation in the value of the Bandar Malaysia land, TRX City's sole shareholder, the MoF. will now be retaining 100% ownership of the site to ensure that the Malaysian people benefit from its development in its entirety," TRX City said in a statement.

Bigger and better

A number of developers and property professionals believe the aborted deal is just a step back to

something bigger.
"I don'tknow what will replace

the original design, but I believe it will be something bigger and better as the prime minister has implied," says a property investor. "What IWH-CREC had pro-posed earlier looked impressive,

but I believe it can be much more. I hope the new developers will maintain a sizeable area of greenery to reflect a healthier environment, not just in an eco-logical sense but economically as

well," he says.

The question is how much more different can Bandar Malaysia be compared to what was planned by ICSB?

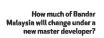
Rehda past president and Rehda Institute chairman Datuk leffrey Ng Tiong Lip thinks there

will not be many changes, espe-cially the size of the development.

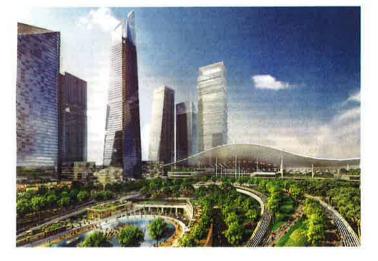
Bandar Malaysia follows a long-term master plan, and as such is unlikely to change direc-tion due to short-term market fluctuations such as the current oversupply of office space and so on," he says.

"However, it should naturally evolve with time as the market develops, though it's unlikely this

develops, though It's unlikely this will be to a drastic degree," says Ng, who is also CEO of Sunway REIT Management Sdn Bhd, Another developer says the size of the development will remain unchanged but the designs will likely be different from ICSB's. "Any master developer will want



The new developer cannot make Bandar Malaysia anything less than it deserves, says Gambero



Huge disparity in land values

HE government's termination of the Bandar Malaysia deal with a Malaysia-China consortium brings into focus the possibility that the land may have been

grossly undervalued. Observers note that the parcel was sold to the Iskandar Waterfront Holdings 5dn Bhd-China Railway Engineering Corp consortium at RM583.30 per sq ft (psf) based on a land size of 196.7ha (486 acres) and an estimated price of RM12.35 bil.

This is a far cry from what WCT Group and Tabung Haji paid for their parcels in the Tun Razak Exchange (TRX) development, a short distance from Bandar Malaysia. WCT Group bought a 0.69ha

residential land at RM223 mil or about RM3,100 psf, and Tabung Haji paid RM188.5 mil or RM2,773 psf. Land transactions in the city centre area close to Kuala Lumpur City Centre

fetched about RM3,000 psf. fetched about RM3,000 pst.
Both transaction prices
are much lower than what
Indonesia's Multa Group and
Affin Bank Bhd paid for their
parcels. Mulia Group bought 1.38ha at RM665 mil or about RM4,490 psf, and Affin Bank paid a record of about RM4,691 psf or RM225 mil for 0.5ha. All four deals were transacted in 2015. The Bandar Malaysia deal was sealed in December 2015.

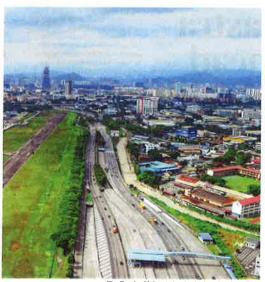
As both TRX and Bandar Malaysia come under TRX City, the price tag for Bandar Malaysia has come under renewed scrutiny. TRX City, formerly IMDB Real Estate Sdn Bhd, is now wholly owned by the

Ministry of Finance.

However, there are counter arguments that the Bandar Malaysia land was priced at RM583.30 psf as it did not take into account access roads, parks and other public amenities that need to be



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The Bandar Malaysia land, which is the old Sunga Best air force base, was sold at RM583.30 psi



Bandar Malaysia should naturally evolve with time as the market develops, says Ng

to have its own identity imprinted into its project.

into its project."

Though the bulk of the development will likely be high-end properties, property investor, speaker and author Ahyat Ishak wants to see some affordable high-rise components too.

"Bandar Malaysia is to benefit Malaysia is cooperation to the project of the pr

Malaysians, so some attention has to be given to the mid and lower income groups," he argues.

ncome groups, 'ne argues,
Regardless of whether these
developments would be on the
periphery of Bandar Malaysia,
he says they would still make
good investments as their values
"would rise along with the Bandar
Malaysia kidong

New players

The other question on everyone's lips is who will take the helm as Bandar Maiaysia's master developer.

There are several possibilities Prime Minister Datuk Seri Najib Razak wooed Dalian Wanda Group in his recent trip to China while IWH-CREC may still be in the running.

Najib made it clear the new

consortium could include the previous consortium players, according to Minister in the Prime Minister's Department Datuk Seri Abdul Rahman Dahlan, "They can still participate, as long as the numbers are okay," he said

as the infinite sare okay, he said in an earlier report.

"The deal was never a flip flop. There were certain conditions not fulfilled by the previous consortium, so the government terminated the deal, legally, and called for neutber term which called for another tender, which is beneficial to the country as the value (of the land) has now appreciated a lot," he explained,

The government is soliciting new bids for the project with the doors opening for the bidding

process on July 5.

TRX City's newly-appointed head Irwan Serigar Abdullah, who is the Treasury secretary-general. initially targeted the appointment of a new master developer on July

However, the deadline has



The subterranean concept was planned for Bandar Malaysia

been pushed back, giving him some breathing space, says a source.

"The bidding process will take some time. No date has been fixed for the new master developer to be announced, but TRX City is giving more companies the time to decide if they want to come aboard," he says.

A source reveals that three companies are in the queue to be selected as the master developer,

REI's Gambero says for mega projects like Bandar Malaysia, there will be no shortage of applicants.
Whether that developer will

be Dalian Wanda Group, owned by one of China's richest men Wang Jianlin, remains to be seen,

observers say,
While Wang had been
reported to be interested, he
did not seal the Bandar Malaysia deal when Najib met up with the billionaire during his recent trip to China, says a prominent devel-oper who declined to be named. Any possible move by China's

big boys may have become more complicated as the country's banking regulator recently stepped up scrutiny of its most prolific overseas deal makers such as Dalian Wanda Group, Anbang Insurance Group Co, HNA Group Co and Fosun International Inc.

A local bid?

There is also speculation that the Employees Provident Fund, Retirement Fund Incorporated and big government-linked agen-cies such as Khazanah Nasional Bhd, Permodalan Nasional Bhd (PNB) and Lembaga Tabung Haji are mulling teaming up with top developers to snap up the prized project.

However several developers contacted by *FocusM* such as SP Setia Bhd, Sime Darby Bhd, UEM Sunrise Blid, Malaysian Resources Corp Blid and Gamuda Blid have distanced themselves from such speculation.

speculation.
"It is not that easy as anyone taking up the mantle as master developer will need over RMy bil for the project, Which one of us has that kind of money at hand?" asks one of them.

Nevertheless, an observer suggests that PNB seems the like-liest candidate, being the largest investment manager handling

funds of over RM255 bil. It also has investments in over 200 companies involved in key economic sectors, including property development, SP Setia, Sime Darby and I&P Group Sdn

Bhd are part of its stable, he says. TRX City's selection process, he adds, involves "very strict criteria, including track record. speed of delivery and financial capability for such a large-scale development", and most of these can be met by companies under

PNB.
China's current stance to curb capital outflows and tight monetary policy may be the key reasons Malaysia is facing difficulty getting a new master developer for Bandar Malaysia from China, says another developer "[In the event that no ideal

bidder is identified], it may have to be done on a govern-ment-to-governmentlevel to find

Benefiting from China contractors' exit

HE China government's move to curb capital outflows and tighten monetary policy may have prompted several of the country's contractors and subcontractors to pull out of Malaysia A local contractor

involved in development projects with China contractors and subcontractors has indicated that several of them have "packed up and left the country", leaving a vacuum to be filled

He says these smaller companies suddenly closed shop with no explanation, adding that bigger developers were largely unaffected, "Smaller developers may face some difficulties if this scenario escalates," he tells **FocusM** However, Master

Builders Association
Malaysia president Foo
Chek Lee believes this is an opportunity that would benefit local contractors and subcontractors.

"Contractors are always open to new businesses and opportunities to replenish their order books I strongly believe Malaysian contractors have the capacity and resources to fill the gap if the business terms and contractual obligations are favourable

to them, "There will of course be some impact as some of the Chinese contractors are directly financing the projects." Malaysia has 80,600

registered foreign and local contractors as of March 31, according to the Construction Industry Development Board

Special skill

Zenith Group chairman

Datuk Zarul Ahmad Zulkifli savs most developers use local contractors unless the construction work requires expertise that cannot be

sourced locally.

He says the Malaysian
work practice is to source for registered local contractors first, "For our project in Penang, most of the construction work is



Foo belleves Malaysian contractors have the capacity and resources to fill



Most developers use local contractors, says Zarul

by local contractors. The by local contractors, The exception is the undersea tunnelling works which are done by our China counterparts," he says, referring to the 7.2km undersea tunnel linking the

island to the mainland.
Zarul's special purpose
vehicle Consortium
Zenith BUCG Sdn Bhd is constructing a RM6.3 bil infrastructure package involving three highways

involving three highways and the undersea tunnel. The highways are the paired road from Tanjung Bungah to Teluk Bahang, the elevated four-lane expressway from Ayer Itam to Tun Dr. Lim Chong Eu Expressway and the Gurney Drive to Tun Dr Lim Chong Eu Expressway By-Pass.

Drive to full Drum Chong Eu Expressway By-Pass.
"We have no expertise full miderse at unnelling in Malaysia. The advantage of working with BUCG is the technological and knowledge transfer which we can apply to future projects," he says.

a suitable candidate," he adds. The capital outflow stance has also seen other setbacks like a slowdown of China investors into Malaysia and a pullout by several contractors and subcontractors (see sidehar)

However, Zenith Group chairman Datuk Zarul Ahmad

Zulkiffi believes there are always opportunities in uncertainties. "We have to look positively in such matters," he says. TRX City's task, he says, is

to ensure there is no detrimen-tal impact on the long-term development of Bandar Malaysia following the recent fallout.