

INVESTING IN INDUSTRIAL LAND IN JOHOR

The announcement from the Malaysian Investment Development Authority (MIDA) titled "*Johor has attracted RM10.6 billion in committed investments in the first half of 2023*" has captured Malaysians' attention, shedding light on Johor's emergence as a prime investment destination. Nestled in the heart of Malaysia, Johor has become synonymous with economic dynamism and industrial expansion. Its strategic location at the crossroads of international trade routes has transformed it into a thriving hub for industrial development, garnering interest from discerning investors worldwide.

Beyond its geographical advantage, Johor's allure is enhanced by a robust infrastructure framework and a government dedicated to fostering industrial progress. From state-of-the-art industrial zones to specialized sectors, Johor presents a diverse array of investment opportunities.

In this article, we explore the current state of industrial development in Johor, key factors that position this region as a compelling choice for forward-thinking investors and essential consideration for those contemplating investment in Johor's industrial land.

Current State of Industrial Development

The present state of industrial development unfolds through various key initiatives and projects:

(a) New Industrial Master Plan

On 1 September 2023, the New Industrial Master Plan (NIMP) 2030 was introduced, showcasing the devotion of Malaysia to foster the development of the manufacturing industry of the nation. As part of this initiative, the government has proposed allocating a

fund of RM8.2 billion to support the new master plan, which includes providing support for eco-industrial park development and industrial cluster developments. Maju Johor 2030, being Johor state's government's initiative, is integral to ensure the well-rounded development of the state.

(b) Pengerang Integrated Petroleum Complex (PIPC)

In 2011, PETRONAS kick started the project to create PIPC, aiming to create a world-class petrochemical facility. The PIPC spans over 20,000 acres of land along the coastline of Pengerang, housing oil refineries, naphtha crackers and more. Currently in its second phase, PIPC has received a committed investment of approximately RM 140 billion, with projections indicating an additional RM60 billion from the third phase of the development.[1]

(c) i-TechValley

In addition, Iskandar Malaysia, the first economic corridor in Malaysia spanning approximately 2,300km² of land in Johor has driven growth in various industrial sectors including electrical and electronics, food and agro-processing, petrochemical and oleochemical and more. i-TechValley, a part of Iskandar Malaysia, serves as an industrial park focusing on the sustainable development of the industry. In February 2023, Oliver Healthcare Packaging, a well-known American manufacturer specializing in the manufacture of medical packaging, announced its plan to establish a 6,400 m² manufacturing facility within i-TechValley, marking its first plant in South-East Asia.[2]

Why Invest in Johor's Industrial Land?

In the midst of Johor's current industrial development boom, there's a noticeable uptick in investment interest in the region. The question that beckons is: What sets Johor's industrial land apart and makes it the preferred choice for astute investors? Among the various Malaysian states vying for attention in industrial land investment, Johor distinguishes itself for the following key reasons:

(a) Strategic Location

Johor, being located at the southern tip of the Peninsular of Malaysia, holds a strategic location along one of the busiest shipping routes, the Strait of Malacca.

In addition, its close proximity to Singapore, connected by road links such as the Johor-Singapore Causeway, has rendered Johor easily accessible to international opportunities available in Singapore a world-renowned economic and trading hub.

(b) Amenities & Accessibility

Johor offers convenient amenities and accessibility, including regional ports such as the Port of Tanjung Pelepas and Port of Pasir Gudang (also known as Johor Port). The Port of Tanjung Pelepas, ranking among the top 20 container ports globally^[3], stands out for its state-of-the-art facilities and equipment as well as the Pelepas Free Zone which allows seamless movement of cargo. Johor Port, a significant regional commodity hub, holds distinctions such as being the world's largest Edible Oil Terminal and one of the country's largest terminals for Fertilizer and Cement.^[4]

Moreover, the recent resumption of the construction of the Rapid Transit System (RTS) Link between Johor and Singapore underscores the region and the country's commitment to continuous development. The RTS Link anticipates accommodating a peak capacity of up to 10,000 passengers per hour in each direction, which not only reinforces accessibility but also aligns with the flourishing industrial sector of Johor.

(c) Government Initiatives

Delving into the future development of Johor's industrial sector reveals a shared commitment from both Malaysia's and Johor's governments to foster growth, with a particular focus on manufacturing. From the overarching NIMP 2030 and Maju Johor 2030 schemes outlining the next decade's vision to the more immediate Johor 2024 Budget, much focus is placed on expanding and developing the industrial sector.

The NIMP 2030 portrays the government's commitment to fortifying Malaysia's industrial landscape, with a specific focus on the manufacturing sector. As outlined through the four missions of the plan, Malaysia aims for technological advancement, sustainability, and more extensive involvement in the global value chain. An allocation of RM8.2 billion further demonstrates the government's commitment to realising these missions and enablers following the NIMP 2030.^[5] This signifies that Malaysia's industrial sector is poised for continued success in the upcoming decade. The recent collaboration between the state of Johor and Singapore, formalised in a Memorandum of Understanding (MoU) on 11 January 2024, marks a significant development. The MoU aims to establish a Special Economic Zone (SEZ) in Johor, focusing on sectors such as electronics and healthcare necessitating the acquisition of industrial land. The successful establishment of the SEZ would be able to elevate both Johor and Singapore's markets, enhancing cross-border flow in various aspects.

Collectively, these nationwide and state initiatives signal a clear trajectory toward industrial development, inevitably driving the demand for industrial lands in Johor in the near future. The alignment of strategies, such as the NIMP 2030 and Maju Johor 2030, has the potential to instil confidence among investors, catalysing heightened business activity and, resulting in

a heightened demand for industrial land.

Key Considerations for Successful Investments in Johor's Industrial Land

Johor's industrial land beckons with its enticing potential, however venturing into any investment requires careful strategizing. In this regard, investors should consider the following key considerations when contemplating a leap into this dynamic market:

(a) Market Demand and Economic Trends

In order to make a prudent investment decision, it is imperative for the investors to analyse the current market demand, economic trends as well as the competitors of the chosen industry when embarking on a new business venture. A thorough research of these areas will unveil the sustained demand for the chosen products or services, while identifying potential competitors and discerning their strengths and weaknesses.

As a result, an investor can make an informed decisions based on a profound understanding of the market dynamics, identify potential opportunities and tailor its strategies to exploit competitor vulnerabilities and differentiate itself in the market.

(b) Location and Zoning Restrictions of the Industrial Land

Proximity to infrastructure such as ports, highways, and airports can impact logistics and operational efficiency. The investors should analyse their specific industry needs and prioritise land with better access to transportation networks. In addition, it is crucial to be aware of the zoning restrictions in different areas and ensure the chosen land aligns with the permitted industrial activities to avoid any issues such as incompatible land uses. By taking these factors into account, investors can make more informed decisions and set the groundwork for successful and compliant industrial operations.

(c) Government Approval and Permits

An essential consideration for the investment in Johor's industrial land includes examine the requirement of government approval and permits. The acquisition of an industrial land and the commencement of an industrial activity may require an approval or license from the local authorities or government agencies, depending on the type of industrial activities involved and any restrictions associated with the land. If the investors failed to obtain the necessary approvals prior to the acquisition or use of land, it can potentially lead to legal consequences such as fine, shutdown orders, or even legal action.

Before making any commitments in an industrial land investment transaction, an investor

should consult a legal advisor in verifying land ownership, identifying any potential encumbrances as well as examine the environmental liabilities associated with the land.

(d) Legal Clarity and Due Diligence

The legal advisor can help investors navigate the intricate details of property ownership, ensuring that the title is clear without encumbrances that could hinder land use. In addition, they can also guide investors in understanding and complying with environmental laws, ensuring that the property meets the necessary standards and minimizing the risk of regulatory issues or legal actions related to environmental concerns. Consequently, the investors may navigate legal complexities and mitigate potential risks and thereby safeguard their interests in the property.

Conclusion

In a nutshell, investing in industrial land in Johor emerges as a strategically sound decision for forward-thinking investors. The region's current state of industrial development, characterized by its advantageous location, robust infrastructure, and government-backed initiatives, positions Johor as an attractive destination.

Nevertheless, the investors should consider key considerations such as market demands and economic trends, locations and zoning restrictions, governmental approval and permits as well as legal clarity and due diligence for successful investments in Johor's industrial land. With its pivotal geographical position and commitment to responsible growth, Johor offers not only economic opportunities but also a chance for investors to contribute to a dynamic and forward-looking industrial landscape.

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3. The Top 50 Container Ports, World Shipping Council. Available at: <https://www.worldshipping.org/top-50-ports>.

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5. New Industrial Master Plan 2030 (2023), Ministry of Investment, Trade and Industry. Available at: https://www.mdbc.com.my/wp-content/uploads/2023/09/NIMP_2030.pdf.

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