

THE LEVEL GROUND

Is GuocoLand right to grow in Johor and UOL wrong to wait?

Rewards may outweigh risks as GuocoLand banks on Johor-Singapore Special Economic Zone opportunities



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CHOOSING what market to enter and when can make a huge difference to a property group's fortunes – often far outweighing whether a housing project in Singapore could have fetched marginally higher prices or a land site here could be secured for a slightly lower price.

For example, think of the heavy valuation losses Ho Bee Land took in recent years for its office properties in London, UK.

Early this year, much buzz was generated by the signing of the agreement between Malaysian and Singapore government leaders on the new Johor-Singapore Special Economic Zone (JS-SEZ), which is expected to create 20,000 new jobs on both sides of the causeway.

Is GuocoLand wrong to be lured by the JS-SEZ's promise and its larger peer UOL Group wise to play it cool?

On Feb 27, GuocoLand inked a memorandum of understanding with Malaysia's UEM Sunrise for the partners to develop selected freehold land parcels in Iskandar Puteri, within the JS-SEZ. Bursa-listed UEM Sunrise is the flagship company for township and property development businesses of UEM Group and Khazanah Nasional, Malaysia's sovereign wealth fund.

Iskandar Puteri is one of nine flagship zones in the JS-SEZ, which aims to strengthen the value proposition of Johor and Singapore in competing for global investments. The zone focuses on manufactur-

ing, business services, digital economy, education, health and tourism.

The selected sites that GuocoLand and UEM Sunrise are working on come from the latter's existing land bank in Gerbang Nusajaya and Puteri Harbour – two key master plans within Iskandar Puteri.

On the other hand, UOL is playing it cool on the Johor market. At UOL's results briefing on Feb 27, group chief executive Liam Wee Sin said "it's too early to decide" when asked about moving into the Johor market.

Liam highlighted concerns over unregulated supply and the possible difficulty in attracting talent in Johor due to currency differences. For context, wages are generally much higher in Singapore than in Malaysia in part because of the Singapore dollar-Malaysian ringgit exchange rate.

Early mover

Several factors explain why, despite the risks, GuocoLand might be right to be early in tapping opportunities in the JS-SEZ.

While execution risks abound, the logic behind the JS-SEZ is strong. Global trade is being disrupted by the US and China rivalry, and many countries are turning more protectionist. Against this backdrop, close neighbours such as Johor and Singapore need to work closer together for mutual benefit.

Johor and Singapore are well-connected and complement each other. While being generally stronger in higher economic value areas, Singapore is land constrained and has high costs. Meanwhile, Johor has abundant land and generally offers businesses much lower operating costs.

Given the strong economic rationale for the JS-SEZ, any changes in political leadership or disagree-



GuocoLand has strong Malaysian connections, being part of conglomerate Hong Leong Group of Malaysia.

PHOTO: BT FILE

Selected indicators

As at end-2024

	GuocoLand	UOL Group
	(S\$B)	
Total assets	12.0	22.8
Ordinary shareholders' funds	4.3	11.5
Net asset value per share (S\$)	3.91	13.65

SOURCE: RESULTS ANNOUNCEMENTS GRAPHIC: CHARMINE MARTIN, BT

ments between Malaysia and Singapore over execution can likely be worked through without derailing the JS-SEZ.

Indeed, if the JS-SEZ draws many relatively high value activities and the living environment in the vicinity is pleasant, good jobs will be created and talent will be lured to Johor.

The participation of a leading Singapore property player such as GuocoLand can also bring much

value to projects in the JS-SEZ.

GuocoLand can access a network of leading international companies such as those who are tenants in its premier office-led integrated developments here – Guoco Tower and Guoco Midtown. As it stands, companies from diverse sectors and countries populate Grade A office buildings in Singapore.

In addition, GuocoLand operates in China and is owned by Hong

Kong-listed Guoco Group. Thus, GuocoLand can tap into Chinese businesses that want to be in the JS-SEZ. And many China groups may be keen to work with a trusted Singapore party to set up operations in the JS-SEZ in part to deal with US trade barriers.

Further, GuocoLand has experience in property development and investment in Malaysia through its listed subsidiary GuocoLand (Malaysia).

Importantly, GuocoLand has strong Malaysian connections, being part of conglomerate Hong Leong Group of Malaysia. The group is led by its co-founder Quek Leng Chan, who was ranked second richest in Malaysia in 2024 by Forbes. Its Malaysian business interests include leading financial services group Hong Leong Bank and various manufacturing businesses.

Hong Leong's network in Malaysia could greatly help GuocoLand navigate the landscape there which may involve dealing with a multitude of federal and state agencies. GuocoLand can also lean on Hong Leong's network for market intelligence. In short, GuocoLand is well placed to deftly handle the nuances of operating in the Johor market.

Project execution

Project execution is key in driving success for property groups tapping into opportunities in the JS-SEZ. Here, GuocoLand can bring its experience in developing and managing leading integrated developments in Singapore to Johor, especially as top management sitting in its Singapore headquarters can easily help oversee projects in Johor given the proximity between Singapore and Johor.

As securing land in the JS-SEZ may be a non-issue, what matters is developing the right product that meets the needs of space users as well as providing top-notch asset and property management.

A group that is able to quickly establish itself as providing high quality spaces in the JS-SEZ can enjoy positive momentum and be the property partner of choice in the JS-SEZ. By being early in the game, GuocoLand could emerge as the said leader.

Even with the rise in artificial intelligence, human judgement on capital allocation matters greatly for businesses. Over the last few months, City Developments Limited, Frasers Property and UOL have bought sites in China but not GuocoLand. Is it premature to buy land in China or is it too soon to expand in Johor? Only time and quality execution will tell.

Ultimately, odds are that GuocoLand, which has done well with its Singapore projects in recent years, is right to grow in the Johor market now.

However, GuocoLand's shareholders will need patience for the Johor business to achieve scale and contribute meaningfully to the group, which to date relies heavily on the Singapore market for its profits.

The writer owns shares in GuocoLand and UOL