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IGB mulls over megamall in JB

It may take up 70% in project spanning 16ha and costing RM2b-RM3b

Kamarul Azhar

PETALING JAYA: IGB Corp Bhd is looking to develop a megamall in Johor Baru (JB), similar to the multi-billion ringgit Mid Valley Megamall in Kuala Lumpur that was built by the group about 12 years ago.

According to sources in the property sector, IGB is to sign a memorandum of understanding (MoU) with Selia Pantai Sdn Bhd today for the joint development of the megamall in JB.

The JB megamall project is estimated to cost RM2 billion to RM3 billion, and will take up some 40

Sources said the new megamall will be an integral part of the South-Key development in JB, featuring a mixture of commercial, residential as well as office components. According to news report, the South-Key development currently undertaken by Selia Pantai spans over some 330 acres and is located just a five minutes' drive from the Sultan Iskandar Customs, Immigration and Quarantine (CIQ) complex.

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JV will be timely boost for IGB if it materialises

acres (16.19ha) of land, with about three million sq ft in built-up area. In comparison, the Mid Valley Megamall has a built-up area of about 4.5 million sq ft.

The sources said IGB may take up a 70% stake in the JB megamall project, with Selia Pantai holding the rest. Selia Pantai is a joint venture between Teluk Zamrud Sdn Bhd and Kumpulan Prasarana Rakyat Johor (KPRJ), which is the Johor state investment company.

A press invitation was sent out yesterday, stating that a "prominent public listed company" would be signing an MoU with Selia Pantai "for the establishment of a 70:30

joint venture (JV) for the purpose of acquiring and developing three parcels of leasehold land situated in Mukim Plentong, Johor Baru, into a retail mall and/or mixed development".

The signing is to be held in The Gardens Hotel & Residences, Mid Valley City, and will be witnessed by Johor Menteri Besar Datuk Abdul Ghani Othman.

Although its name is not in the press invite, IGB on March 26 announced to Bursa Malaysia that it now owns 100% of Dimensi Magnitud Sdn Bhd and Southkey Megamall Sdn Bhd, each with a RM2 paid-up capital, to facilitate

"potential joint ventures".

Note that "SouthKey" is the name of Selia Pantai's integrated mixed development in JB, where the new megamall is to be sited.

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"If the JV materialises, it will also be a timely boost for IGB because for quite some time, the group has been dubbed as a 'one location' property development company," said an analyst.

IGB, controlled by the Tan family, has been focusing the bulk of its resources on the Mid Valley City development over the past 12 years, having successfully developed the Mid Valley Megamall, The Gardens Mall, as well as the office towers and hotels components there.

But with Mid Valley City now reaching its final phase of development, IGB needs to find new areas of growth, said analysts.

"The new project in JB should be interesting, considering that Robert Tan [IGB group managing director] has been very selective on land purchase over the past

10 years," said a person familiar with the Tan family.

"As he [Tan] likes to say, the group is very fussy when it comes to buying land because they don't buy land to flip, they buy land and then develop properties on it for long-term holding," he added.

Analysts said the IGB business model is very different from the "usual" developers whose core business is to develop land and sell the units, rather than keep them.

It is worth noting that IGB and its subsidiary KrisAssets Holdings Bhd have been keeping all the components developed in Mid Valley City for recurring income,

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except for a row of shop offices that was sold to raise funds during the early development stage of Mid Valley City.

Interestingly, the signing for the JB project has come amid IGB's plan to do a retail real estate

investment trust (REIT), based on the Mid Valley Megamall and The Gardens Mall currently held under KrisAssets.

"It is clearer why the group wants to do the REIT now. Other than to unlock value, it could be looking at raising some fresh capital from the REIT in order to fund the development of new investment properties in JB or elsewhere," said an analyst.

