

GCC Investors Bet On Sustainable Real Estate

Gulf money is being ploughed in to create a new city in Malaysia, signaling a rising interest among the regional investors in sustainable urban developments.

At the southern tip of the Malaysian peninsula, just across a narrow channel from Singapore, there is a scene that will be familiar to many people in the Middle East. Half-built towers and cranes are dotted across the landscape as a new urban centre slowly takes shape. The tropical city of Medini is designed to be home to some 400,000 residents once complete, putting it on a par with some of the largest projects in the Gulf.

There are some differences to what you might find in a Gulf mega-development: instead of emerging from dusty desert expanses for example, buildings in Medini are located amid thick groves of palm trees. But some of the companies and individuals involved are familiar names in the Gulf. Dubai-based United World Infrastructure (UWI) is a shareholder in the master developer, Medini Iskandar Malaysia (MIM), and the project has also seen investment from the likes of Abu Dhabi's Mubadala Investment Company and Kuwait Finance House.

As with any self-respecting development these days, Medini has been designed with 'smart city' credentials in mind, to make it more efficient and more sustainable over the coming decades. "The vision is to become a strong and sustainable metropolis," says Zulaifah Abdul Ghani, acting head of MIM.

"Our vision is to have Medini as a smart city of tomorrow and have elements like liveability, connectivity, [and] being safe."

Lessons From Dubai

Imran Markar, principal of UWI, says his company has brought a lot of learnings from Dubai to bear on the project. Among them he cites the need for proper master-planning; high quality infrastructure; attracting anchor tenants which can act as a catalyst for the development of clusters of particular business sectors; and having a 'one-stop shop' for investors to enable them to easily buy or transfer land. "We came with Dubai-centric thinking," he says.

However, he adds that in some ways Medini also represents an effort to improve on what has been done in the Gulf in the past. "They've done a lot of things well [but] I think the Gulf cities have not thought that much about the impact on the environment in their planning," he says. "They're not sensitive to energy-efficiencies. The fabric is very transport-centric, not people-centric. It's not a sustainable model."

Such issues will likely determine the long-term success of Medini. For any new city aiming to be 'smart', it is important these considerations are integrated into a project as early as possible. After all, it is far easier to be efficient in terms of energy use, waste

management, transport if these things have been designed in from the start.

“Our definition of a smart city is something that is designed to meet the human scale,” says Markar. “That means people being able to walk to work and walk home, under covered walkways if needed given the amount of rain in the region. When you plan a city and you have more open spaces, with strategically placed bodies of water and walking and exercise paths built into the city [it means] you don’t have to get in a car and drive for several kilometres to get to a park. That addresses some of the wellbeing issues.”

Medini is not just focused on residential properties though. There has also been attention to the needs of corporate tenants, with infrastructure which is both already in place and hidden from view. “One of the key elements that differentiates us from other developments is that all the infrastructure is ‘plug and play’. Everything’s there: the power, water, sewers, communications are in the ground,” says Sujit Parhap, chief executive of Global Capital & Development, a lead investor in Medini that is part-owned by Mubadala and Abu Dhabi’s Aldar Properties. “The roll-out time and the energy you spend developing a project in Medini is significantly less than anywhere else, because the infrastructure is already in place.”

An Alternate Hub

Medini forms part of the much larger Iskandar development, a wide-ranging plan to develop a huge swathe of southern peninsular Malaysia. Khairil Anwar Ahmad, chief executive of the state-owned Iskandar Investment Berhad, says its business plan for Medini includes “an overarching vision to promote smart and sustainable development”.

“We have developed our own smart city blueprint for Medini and we’ve rolled out a few pilot projects,” he adds. “We have solar panels on our buildings, we harvest rainwater, we have installed ‘green panels’ on some buildings which are plants which reduce heat on the walls, we have electric vehicles, and motion sensors to save electricity.”

In addition, a district cooling system is planned which will help to reduce energy usage in the city. As time goes by, more elements are being introduced, such as hybrid buses which began a five-month test run in July. The number of people there to use such services remains limited for now, although several thousand residents have already moved in to Medini and a number of corporate tenants are also already well-established, including consultancy firm Frost & Sullivan, an arm of Pinewood film studios and Chinese technology giant Huawei.

Critical to attracting such residents is the proximity of Singapore, the most important business hub for the surrounding region. The ultimate aim of the developers behind the project is to persuade people and businesses to relocate from Singapore, helped along by targeted tax breaks and other incentives. In order to try and make potential incomers feel at home, Medini has even adopted some of the standards of Singapore for its own infrastructure.

“When we master-planned we used the guidelines that Singapore uses,” explains Markar. “In Singapore they cut the grass after every 10 days, because after day 12 it is visible to the eye that the grass has grown. The light bulbs on the street [in Singapore] are changed under a service agreement within two hours. Those are learnings that we are hoping to incorporate here.”

Despite Medini's promise to eventually evolve into a smart city, various challenges abound in fulfilling the developer's vision. Medini is far less expensive than Singapore, but this part of Malaysia is seen as something of a backwater by many Singaporeans and it will take time to change perceptions. However, with space at a premium in Singapore, the developers do have some useful cards to play. "The cost of doing business in Singapore is going up all the time and they are tightening the regulations for foreign employment," adds Ahmad. "So we see Iskandar Malaysia and Medini in particular to be well positioned to take advantage of this potential demand."

In the future, some of what is happening in Medini ought to be transferable to other places, whether in the nearby region or the Gulf or further afield. Markar is cautious about the notion of Medini being a definitive model for new city developments, but one thing he is sure of is that more such cities will be needed, given the ongoing trend towards urbanization around the world.

"Do I see an ideal model anywhere? Probably not, because in each country things differ," he says. "It's a new model of delivering on a global urban infrastructure requirement. We know there is a pull factor to cities. Governments cannot afford the burden, they have budgetary constraints already, so who is going to fund them? There is a surplus of capital globally, there is a huge need for this. This is not charity. It's a very interesting model. The proof of concept is there."

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