

Industrial and Business Park Development and Prospects

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Abstract

There has been many talks about the economic growth in the ASEAN region and it has since secured the focus and attention of investors from all over the world. At the same time the government of Malaysia has put forward a comprehensive strategy to attain a developed country status, evident by the policies and strategies adopted and implemented. One of the issue that surface is that of the industrial sector development, its prospects and future. With these background, this paper was prepared to look at the prospects, direction and trend of future development pertaining to industrial property in light of the more environmental conscious attitude from both, local and international community.

1.0 INTRODUCTION

"Manufacturing sector continues to attract foreign capital with RM10.5b in new investments in the first half of 1994"

The above statement made by government officials prove to us two things.

1. The government in line with the Vision 2020 has to a certain extent succeeded in its effort to attract foreign investment into the country. This continued investment will definitely help the country to maintain its excellent economic performances in the years to come. The enthusiasm reflected in this statement also implies that the government are doing whatever possible in the effort to attract these investments and it is therefore fair to assume that the effort will be continuously reviewed and upgraded to achieve the targets set forth.
2. The foreign investors are confident to invest in Malaysia proven with the massive funds committed thus far. The figure of RM 10.5b invested in the first half of 1994 has outperformed that of the whole of 1993 and if we put these two factors together, and coupled with the local investors participation in the industry, it would be fair to expect more and more investment in this industrial sector.

What does the above scenario means as far as property is concerned? In our attempt to answer this question, perhaps its best to consider the impact that it brings and derive whatever conclusion thereof. From the general economic perspective, we can safely conclude that these investment will have the typical multiplying effect including: better income leading to an increment in quality and standard of the facilities sought , migration of people from less active to a more active location and etc. However, what is more relevant or important to us is the fact that this phenomena will increase the space required and to a certain extent the type that is desired. This paper is prepared in light of these issues with an emphasis to identify the gaps or voids in the market and how one can take advantage in the opportunities created by the situation.

2.0 PAST AND PRESENT INDUSTRIAL PROPERTY MARKET SCENARIO

In the early days, the important elements to an industrial developments are basically associated to the issues of accessibility. Even though different types of industries have different requirements, their location determinant evolved around three main elements: transport, labour and raw materials, and point of export. As a result, industrial developments were forced to locate near to the input requirement such as raw materials, labor and the like. Inefficient transportation has also forced these industries to locate near to the pick-up points namely the ports (air and sea). These elements are still important but where the industry locates is not as critical now since transportation efficiency has increased tremendously. The evidence of this trend can be seen by looking at Klang Valley, Penang and Johore where major industrial property development took place. On the other hand, new industrial settlement (such as Pekan, Kulim, Malacca etc.) emerge and note that they are not located anywhere near the main ports. This is a result of better and more efficient transport system thus reducing the importance of location requirement in an industrial property development.

A survey of firms (industrial sector) within the Johore Bahru City area were carried out to see and appreciate the present industrial property market scenario. For the purpose of this paper, findings from the survey of firms in Johor which can be deduced to reflect the situation throughout the peninsula will be discussed. The survey was also directed to explore requirements that is yet to be fulfilled, hence creating opportunities and prospects for investments in this sector.

Survey of Firms in Johor

The survey looks at the local industrial trend in terms of preference from the operators standpoint and the findings of the survey can be summarized as follows:

1. The survey establishes that most of the industries are relocations and expansions of industrial operations from other countries particularly Singapore involving both supporting service industries and principal industrial operations.
2. Majority of such major principal industries are accommodated in the industrial estates developed by the Johor State Economic Development Corporation (JSEDG). They are generally developed on prepared industrial sites between 3 to 10 acres with provision of power and communication facilities.
3. The relocated support service industry on the other hand are generally accommodated in the privately developed industrial estates comprising of ready- built factory premises.
4. The survey also indicate that the industrial space required are mainly for production purposes. Even though research and development (R&D) activities are carried out on site, they are rather minimal since most firms undertake R&D oriented activities, support services and training from outside the state mainly from Kuala Lumpur and Singapore. Even though 70% of the firms interviewed, prefer offices within the industrial premises, office space administration, showroom and marketing does not exceed 15% of the overall space. This is due to the lack of a proper, high quality and nice environment in the existing industrial estates.
5. 65% of the 84 respondents are presently occupying a specially design building, whilst the remainder occupies a normal or typical buildings with few minor improvements carried out to serve their requirements. As of now 40% of the respondents claims that they

experience a shortage in the space occupied.

6. Firms mainly categorized their staff into three levels: managerial, supervisory and others. Except for the managerial level which is made up of 40% foreign, the other categories are of local personnel. The foreign labour inputs to these firms are the ones who keep pushing for improved and quality facilities and environments.
7. Accommodation for personnel were provided by 70% of the respondents whilst transportation in one form or another is provided by all firms.
8. Discussions with industry groups (FMM) suggested that there are demands for high quality premises, prestige address, environmental friendly and locations where they can source expertise easily.
9. The survey also indicate a strong preference of industries to locate their operations within close vicinity of higher academic institutions. This preference is seen to help facilitate their research activity, where researchers, facilities and equipments can be sought rather easily.

Based on the above findings, we can conclude that there still is a lot of potential for industrial property development and the problems of unfulfilled requirement are areas where one can exploit to ensure success in such developments.

3.0 TECHNOLOGY TRENDS

International technology trends and national technology development policies and initiatives provide an important context for planning the characteristics and market orientation of industrial property market. The government of Malaysia has produced a comprehensive technology development plans in the last four years. This plan which was produced in 1990 designate priority areas for technology development including information technology (IT), advanced materials, electronics, automated manufacturing and biotechnology. The plan also identifies technology as the key constraints on Malaysia's industrial development. It sets out recommendations and actions to address five "strategic challenges":

1. provide leadership to strengthen the technology infrastructure
2. diffuse, apply, adapt and improve technology more widely and effectively
3. build competence for specialization in key emerging technologies
4. expand and enhance human resource base
5. elevate science and technology awareness to provide a conducive environment for technological innovation and enhancement.

In the international front, technology and business trends in the country's major manufacturing sectors suggest that there will be a substantial change in emphasis with regards to the property or space requirement. Apart from the obvious requirement for improved technological know how, industrial property developed with a touch of aesthetic beauty and a nice overall surrounding and environment will also help attract industrialist to locate their operations. This trend is ongoing and is very much apparent in the western market. A good example of this trends is the North Ryde Industrial area in Western Sydney.

The industrial park was developed on several thousand hectares of land adjoining to a university. The area was originally regarded to have some very good features for residential development and does not have

the ingredient for a typical industrial development. The land is pleasantly undulating and provides a scenic beauty via its natural landscape and environment. However, creativity, vision and commitment from the local authority managed to turn the place into the most successful and expensive industrial park.

The development concept which was based on high quality landscape and architecture, integration of buildings with the natural environment contribute to the success. Massive investment were also made to handle the diseconomies and maintain the nature friendly environment. The development of office space adjoining to the industrial site complement the overall development concept and as a result, it managed to attract top executives from established organizations such as Helena Rubenstein, etc to work in that industrial park. It may be also important to note that apart from the scenic beauty, environment friendly and prestigious reputation, the locational advantage vis-a-vis the university also contributed to the success.

4.0 INDUSTRIAL, SCIENCE AND BUSINESS PARKS EXPERIENCE

There has been a dramatic increase in the number of science and business parks worldwide over the past twenty years. This development was based largely on the well publicized success of early schemes (such as Cambridge Science Park and Stanford Research Park) in stimulating growth of high technology businesses and linkages between industry, higher education and research institutes. Several distinct models that have emerged over this period includes:

- "traditional" industrial park, with a strong link to a university and catering primarily for local technology based business

- a large scale business park, designed primarily to attract investments by major firms and often including some other facilities such as recreation, housing and shopping.

- the science city or technopolis, an attempt to create a complete technology based community for living and working.

- specialist parks designed for particular types of activities or technologies such as medical parks and research parks.

The developments of these business parks can be found within the Asia Pacific region. Outside Japan, the two main success story of business parks are the Hsinchu Science based Industrial Park (HSIP) and the Singapore Science Park. The success of these parks is partly due to the careful planning of the property development concept, government support through incentives and technical support from universities and research institutes.

In Malaysia developments of the same nature includes the Taman Teknologi Malaysia (TTM) located at Bukit Jalil, Taman Teknologi Johor (TTJ), Penang Technology Park and Kulim High Technology Park. Of these, TTM is probably the most advanced and has been in operations for the last four years in temporary premises in the form of converted shophouses in Cheras. The shortcomings of TTM are expected to evolve around the availability of suitable range of accommodation units which is a key issue to the success of the property development of this sort.

5.0 BUSINESS TRENDS AND INVESTMENT MOBILITY

Although most MNCs keep the greatest part of their R&D in their home countries, there is an increasing

number who undertake regional R&D to redesign or modify products to the local market. Their willingness to invest however depended heavily on the quality of technological infrastructure, and particularly by the availability of trained scientist and engineers.

Even though foreign investors have the confidence in the Malaysian economy and are willing to invest, due consideration should also be given with regard to competitions from lower cost locations. To remain attractive to mobile investment, the country must strive to improve and enhance the quality and standard of technological infrastructure including the property development schemes.

6.0 CONCLUSIONS AND RECOMMENDATIONS

Based on the above discussion, we could establish some facts and from there evaluate the prospects for the industrial property development. These facts can be summarized as follows:

1. The future outlook for industrial property market is encouraging. The governments commitment and confidence of foreign investors will help maintain demand in this sector.
2. The foreign labour engaged in local operations especially at the managerial level will always push for good quality working environment and coupled with the preference of locating offices within the industrial premises, industrial property development should be of high quality to satisfy this requirement and help sustain the project in the long term.
3. The experience and trends in the more developed countries are expected to make an impact locally and future industrial property projects should also focus to satisfy the more sophisticated requirement of the industrialist.
4. The proposal to establish industrial/science/technology park in the country has been well received and the trend is expected to continue.
5. The existing industrial estates developed either by SEDCs or private organization lacks in the overall quality, aesthetic and nature friendly environment.
6. The future of the Malaysian industrial activity will depend very much on the ability to secure competitive edge in the form of science and technology advancement since the country can no longer rely on the lower cost attributes of industrialization.

In the effort to successfully participate in the industrial property market via industrial and business parks, we could conclude and recommend the following:

1. Appreciate and translate government policies and strategies into the planning of industrial/business park development. Development should concentrate on the emerging industry and try to avoid sunset industries.
2. The locational importance of industrial/business parks development is not seen in the context of transportation requirement. Even though that requirement is significant in its

right, emphasis should be given to location where industrial can source facilities, equipments and experts, scientist and researchers. Foreign experience prove that locating such parks in the vicinity of higher education and research institutes propel the development into successful and exemplary project.

3. Developments of industrial/business parks should not be based on the typical industrial estates. Effort must be made to create aesthetic beauty either through building architecture or landscape and it should be developed with the non-offensive pollution concept so that it could be integrated with housing developments which will be an added advantage to the development. It may be costly and slightly expensive but in the long run it could prove to be vital in sustaining its performance and market acceptance.

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About the author

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