Why Invest in Malaysia? Why Johor Bahru Is Emerging as Southeast Asia's Next Investment Gateway

By Dato' Albert Ding Choo Earn

Albert Ding, Lee & Partners

For decades, Malaysia has positioned itself as one of Southeast Asia's most accessible destinations for international business and investment. Today, that proposition is becoming even more compelling.

At the centre of this new chapter is **Johor**, particularly Johor Bahru and the wider southern economic corridor.

Located immediately across the border from Singapore, Johor is no longer merely a neighbouring market benefiting from Singapore's growth. It is increasingly developing into a complementary investment destination of its own — offering investors access to land, infrastructure, talent, manufacturing capabilities and operating opportunities while remaining connected to one of Asia's leading financial and commercial centres.

The development of the **Johor-Singapore Special Economic Zone ("JS-SEZ")** further strengthens this proposition.

Malaysia: A Strategic Gateway into ASEAN

One of Malaysia's greatest advantages is geography.

Malaysia sits at the heart of Southeast Asia and provides businesses with access to the wider ASEAN market. It has established infrastructure, international ports and airports, mature banking and professional services, an English-speaking business environment and a legal system based substantially on the common law tradition.

For foreign businesses seeking to establish manufacturing operations, regional headquarters, distribution centres, technology businesses or service operations in Southeast Asia, Malaysia therefore offers an attractive combination of connectivity and operating capability.

Investor confidence can also be seen in recent investment figures.

Malaysia recorded **RM218.5 billion in approved investments during the first six months of 2026**, involving 2,746 projects. Foreign investment accounted for approximately RM126.9 billion, or 58.1% of the total approved investments.

Johor alone recorded approximately **RM59.4 billion** in approved investments during this period, making it one of Malaysia's leading investment destinations.

Why Johor?

Johor has something that no other Malaysian state can replicate: its immediate geographical relationship with Singapore.

The traditional question was:

"Should I invest in Singapore or Malaysia?"

Increasingly, investors should consider a different question:

"How can I use both Singapore and Johor as part of one regional business strategy?"

Singapore offers a sophisticated financial ecosystem, international connectivity, capital markets and a strong concentration of multinational headquarters.

Johor complements those strengths with comparatively greater availability of industrial land, manufacturing capacity, logistics infrastructure and room for large-scale development.

This creates the possibility of a **Singapore + Johor strategy**, rather than treating the two jurisdictions purely as competitors.

The Johor-Singapore Special Economic Zone

The JS-SEZ represents an important development in the economic relationship between Malaysia and Singapore.

Its significance is greater than simply establishing another industrial zone.

The long-term opportunity is the creation of a more integrated cross-border economic ecosystem where capital, technology, talent, manufacturing, services and supply chains can benefit from the complementary advantages of both Johor and Singapore.

Potential growth sectors include:

- advanced manufacturing;
- digital economy and technology;
- data centres;
- logistics and supply-chain activities;
- financial and business services;
- healthcare;
- education;
- energy;
- tourism; and

- other high-value industries.

For international investors, particularly those considering Southeast Asia as part of a “China + 1” or supply-chain diversification strategy, this deserves serious consideration.

Connectivity Is Changing the Investment Landscape

Connectivity between Johor Bahru and Singapore is also undergoing a major transformation.

The Johor Bahru–Singapore Rapid Transit System Link connects Bukit Chagar in Johor Bahru with Woodlands North in Singapore.

Improved cross-border transportation can have consequences far beyond passenger convenience.

It can influence where people live, where companies locate operations, how businesses recruit employees, where consumers spend and how property and commercial centres develop around transport nodes.

Johor Bahru may therefore increasingly function as part of a larger cross-border metropolitan economy.

A Growing Industrial and Digital Economy

Johor's investment story is not limited to real estate.

The state has developed significant industrial clusters and is attracting investment into manufacturing, technology, logistics and digital infrastructure.

Iskandar Malaysia and the wider southern Johor region contain numerous established and emerging industrial parks supporting manufacturing, technology and logistics activities.

The growth of the data-centre sector is particularly noteworthy. Johor's land availability, proximity to Singapore and developing digital infrastructure have contributed to its emergence as an important regional data-centre location.

This creates secondary opportunities beyond the data centres themselves.

Large investments generate demand for contractors, engineers, professional advisers, logistics providers, accommodation, food and beverage operators, property services, technology providers and numerous other supporting businesses.

In other words, investors should not look only at the headline investment.

They should also consider the **ecosystem that develops around it**.

Property Opportunities — But Due Diligence Matters

Economic expansion naturally creates interest in Johor property.

Residential, industrial and commercial property may benefit differently from population growth, infrastructure improvements and increased business activity.

However, foreign investors should avoid approaching Malaysian property investment purely from a speculative perspective.

Before acquiring property, an investor should consider:

- **Location:** Is the property actually positioned to benefit from economic and infrastructure development?
- **Purpose:** Is it intended for own occupation, rental, industrial operations, development or long-term investment?
- **Foreign ownership restrictions:** Different rules, thresholds and approval requirements may apply to foreign purchasers.
- **Land use:** Industrial, commercial, residential and agricultural land are subject to different legal and planning considerations.
- **Title conditions:** Restrictions in interest, category of land use and express conditions should be reviewed.
- **Tax and transaction costs:** Stamp duty, legal fees, financing costs, taxes and other transaction expenses should be incorporated into the investment calculation.

A property that appears commercially attractive may not necessarily be legally suitable for the investor's intended purpose.

Malaysia as a Base for Foreign Businesses

Malaysia also provides various structures through which foreign investors can establish their presence.

Depending on the nature of the investment, an investor may consider establishing a Malaysian company, entering into a joint venture, acquiring shares in an existing business, establishing manufacturing operations or undertaking a specific investment project.

There is no single structure suitable for every investor.

For example, a foreign investor considering a manufacturing operation will have different regulatory, licensing, employment and land requirements from an investor establishing a technology company or acquiring commercial property.

The investment structure should therefore be determined **before capital is committed**, rather than after the transaction has already been agreed.

Legal Due Diligence Should Come Before Investment

Investors naturally focus on return on investment.

However, an attractive ROI means little if the underlying investment structure cannot legally achieve the investor's objective.

Before investing in Malaysia, foreign investors should consider questions such as:

1. Who should be the investment vehicle?
2. Can the foreign investor own 100% of the proposed business?
3. Are sector-specific licences or approvals required?
4. Can the company acquire the intended property?
5. Are there foreign ownership restrictions?
6. What investment incentives may be available?
7. How should funds be introduced into Malaysia?
8. How can profits or investment proceeds ultimately be repatriated?
9. What protections should be included in a shareholders' or joint-venture agreement?
10. What happens if the local and foreign partners disagree?

These questions should form part of the investment planning process — not merely become legal problems after the investment has been made.

Why Now?

Investment opportunities are often most interesting when several structural developments occur simultaneously.

Johor is currently experiencing that convergence.

The JS-SEZ is creating a new framework for Singapore–Malaysia economic integration. Cross-border connectivity is improving. Major investments are entering manufacturing, digital infrastructure and other sectors. Industrial ecosystems are expanding, and Johor's strategic relationship with Singapore is becoming increasingly important.

The numbers already demonstrate considerable investment interest.

Johor recorded approximately **RM110 billion in approved investments for 2025**, and another approximately **RM59.4 billion during the first half of 2026**.

Those figures do not guarantee that every investment in Johor will succeed.

They do, however, demonstrate that international and domestic investors are paying serious attention to the state.

Think Beyond Johor Bahru

Perhaps the greatest mistake is to view Johor Bahru simply as another Malaysian city.

Its future economic role may be better understood within a larger regional picture:

Johor + Singapore + ASEAN.

For a manufacturer, Johor may provide production capability while Singapore provides regional financial and commercial connectivity.

For a technology company, Johor may provide infrastructure and operating capacity while serving customers throughout Southeast Asia.

For a property investor, new infrastructure and economic activity may create opportunities around emerging employment and transportation nodes.

For an entrepreneur, the growing ecosystem may create demand for supporting services that did not previously exist at the same scale.

The opportunity therefore extends beyond purchasing an asset.

It is about positioning a business within a changing regional economy.

Conclusion

Malaysia continues to offer international investors a combination of strategic location, established infrastructure, a diversified economy and access to the wider ASEAN market.

Within Malaysia, Johor deserves particular attention.

Its proximity to Singapore, the development of the Johor-Singapore Special Economic Zone, improving connectivity, industrial expansion and increasing foreign investment are creating a distinctive proposition.

The opportunity can be summarised simply:

Singapore provides global connectivity. Johor provides space for growth. Malaysia provides the gateway to ASEAN.

For investors looking beyond short-term returns and considering where Southeast Asia's next phase of economic growth may emerge, Johor Bahru should be firmly on the radar.

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