MGPA Asia Developments, a private equity real estate investment advisory company, purchased an integrated development comprising a hotel, office tower and retail mall in Kuala Lumpur’s city centre in 2007.

A year later, German fund manager SEB Asset Management AG entered into a joint-venture with Malaysian company Puncakdana Group to develop the suburban Citta Mall in Ara Damansara in Petaling Jaya, a city that is a key constituent of GKL.

Pramerica Real Estate Investors (Asia) Pte Ltd also decided on the strategy of building a new suburban mall with the construction of SS Two Mall, also in Petaling Jaya.

Last year, Li Ka Shing's Cheung Kong (Holdings) Ltd purchased Aeon Bandaraya Melaka from a Malaysian company, IJM Land at USD 122 million. The conglomerate through its Singapore-based ARA Asset Management Ltd, which manages Asia Dragon Fund II with a fund size USD 1 billion, has also recently launched 1 Mont’Kiara Mall (1MK) worth RM333 million.

The resurgence of international interest in Malaysian malls can be attributed to growing foreign tourist receipts amounted to RM56.5 billion, of which shopping accounted for almost 30% in 2010.

Currently, there are 300 retail centres in Malaysia offering a total of 114 million sq ft of space and enjoying a healthy average occupancy of 80.2%. Of these, more than 40% consisting of 50.6 million sq ft of available space are located in the Greater Kuala Lumpur (GKL) area. Most of these are located within the city centre, where they enjoy an average occupancy rate of 84.2%.

Over the next two years, another 3.2 million sq ft of retail space is expected to come onboard in GKL alone. While many are predicting an oversupply situation for the retail sector with this influx of new space, optimists point out that the government’s Economic Transformation Programme (ETP) is expected to spur the economy. This will in turn, have a positive impact on all sectors, including retail.

Richard Chan, advisor of the Malaysian Association for Shopping and Highrise Complex Management (PPK) and director of RCMC Sdn Bhd, mentioned that one of the reasons for the interest in suburban malls in Malaysia is because the urban sprawl has generated residential and commercial precincts that are under-served by the retail sector. Some developers that have capitalised on the demand for a retail component to serve a rapidly growing catchment population have enjoyed huge success with their malls.

(continued next page)
One of the stars in the rapidly growing list of suburban malls is The Curve located on the fringe of Petaling Jaya. The mall attracts a steady stream of customers from the surrounding areas of Taman Tun Dr Ismail, Sri Damansara, Kota Damansara, Kepong, Tropicana and other parts of PJ and KL that are further afield.

Other suburban malls that have also been enjoying a good measure of success are Subang Parade, Empire Shopping Gallery and Sunway Pyramid, catering to the core catchments of Subang Jaya and Bandar Sunway.

Amcorp Mall, situated beside the Federal Highway, an arterial road that links Kuala Lumpur, Petaling Jaya, Shah Alam and Klang, is another suburban mall that experienced a renaissance of sorts after the completion of the Light Rail Transit station within walking distance of it.

Chan added that the success of these malls can be largely attributed to a viable retail formula comprising good management, location, accessibility (they are serviced by a network of highways), tenant mix and a critical mass of customers with spending power.

The success of these malls points to the fact that suburban malls are a viable investment option for corporations looking to capitalise on Malaysia's retail sector. Their lower acquisition costs compared with city centre malls in GKL also provide a more affordable entry level into the market. However, Chan said investors will have to use the following as yardsticks to evaluate the profitability of any mall, suburban or otherwise: occupancy rate, optimum income at market rates, ageing, consumer traffic and lean operational costs.

Chan pointed out that high occupancy in a mall does not necessarily ensure profitability unless all tenants are paying rent at optimum rates. Some malls offer long rent-free periods to ensure take-up of space, which in the long-term leads to a dip in revenue collection. If the management is able to rent out more than 75% of space upon opening, with a minimum rent-free period offered, there is a better chance of sustainability for the mall. A prompt return to optimum rental rates thereafter is imperative to ensure profitability.

Chan also mentioned that ageing, which relates to the arrears in rent owing to mall owners, is one of the key factors for a good shopping mall. Ideally, there should not be a lapse of more than a couple of months in rental paid by tenants to the mall owners as this will impact the overall income, and hence, the profitability. Tenancies that lag three to five months behind are a sign that businesses are suffering and could give an indication of the overall performance of the mall.

The mall’s operational costs should also not exceed 30% of the optimum rent that can be collected at 100% occupancy, he added.

Chan advocates that the consistency of the clientele’s visits and their spending habits within the mall should be researched as these visitor’s spending habits tend to reflect the tenant mix most suitable for the mall.

In summary, Malaysians’ voracious appetite for new retail, F&B and entertainment experiences is expected to contribute to the steady growth of the retail sector in 2011. For investors, it should not be a question of whether to invest or not, just which location to invest in.
A TALE OF TWO CENTRES

The Curve

The Curve’s architecture which incorporates both an indoor mall and an al fresco food street has earned it the label of the first “Pedestrianised Mall” in the country.

Boustead group property division director Dato’ Ghazali Mohd Ali said with most successful retail projects, location is crucial in order to attract shoppers with high spending propensity. Boustead is the developer of The Curve, a retail mall located within 10 minutes of precincts that hold some of the country’s highest household incomes. The approach to Mutiara Damansara, where the Curve is located, is via five access points that lead off major highways such as the LDP, Srpint Highway and North Klang Valley Expressway.

Another attraction of The Curve is its physical linkage to other niche retail centres. Presently, there are two on-grade crossings to the IKEA Home Furnishing Store and IPC (formerly Ikano Power Centre), an underground link to IKEA, an overhead pedestrian bridge to IPC and two overhead pedestrian bridges to e@Curve.

The Curve is also connected to Tesco on-grade and to Curve NX via another overhead pedestrian bridge. Connection to the 28-storey Surian Tower office block is via e@Curve. These connections are critical in driving traffic to the Curve.

With a net lettable area of 680,000 sq ft, the Curve is sizeable enough to house more than 10 mini-anchors (over 10,000 sq ft each in size) and another 250 leading fashion and food retailers. Together with e@Curve, the entertainment themed shopping mall next door which has a lettable size of 220,000 sq ft, the combined strength of 900,000 sq ft makes this a formidable shopping destination indeed.

The Curve management strive to engage with retailers on a regular basis to ensure only the best retailers are retained in the Curve and e@Curve to ensure that the mall retains its pole position as a vibrant and attractive lifestyle shopping and dining destination.

The traffic congestion created by vehicles going into the mall during the weekends is a happy problem for shopping mall owners as it means that shopper volume is high. Retailers will also be happy as it means more business for them! While this is still an issue The Curve has to contend with, Ghazali says the Mass Rail Transit service which is expected to be operational in five years’ time, is expected to alleviate the problem.

Another factor expected to enhance The Curve’s attractiveness as an entertainment and shopping destination is the forthcoming opening of the award-winning indoor childrens’ Role Playing Theme Park, “KidZania” in November 2011 in the Curve NX, located across from the Curve. The theme park is linked via a pedestrian bridge at the First Floor to The Curve.

When the 400-room Royale Bintang Damansara Hotel is completed by the end of 2011, it will house an indoor Ice-Skating Rink. The hotel will also be able to accommodate the high demand for tourist hotel rooms that the present hotel is unable to meet. This new hospitality element will also be a plus point in giving The Curve the edge over competition that is expected to come from new shopping centres that are expected to open in the vicinity in the near future.

The Boustead Group as a whole has always taken a long term view as opposed to short term gains in all its investments. The strategy for the Curve and e@Curve are no different. The returns realised are in the form of rental revenue and fair value gains from appreciation in the value of the Curve and e@Curve annually. Dato’ Ghazali mentioned that the Group does not rule out any acquisitions or disposals if there are opportunities available at the right price and terms acceptable to the Boustead Group as there have been many interested suitors over the years.

“The most successful property projects, location is crucial in order to attract the shoppers with high spending propensity”

Dato’ Ghazali Mohd Ali
Director, Property Division,
Boustead Group
 COVER STORY

**Suria KLCC**

Suria KLCC is ranked number four in terms of productivity in South East Asia, says Suria KLCC Sdn Bhd chief executive officer Andrew Brien. What many are not aware of, however, is that the company does not only manage the high-performance Suria KLCC but also Alamanda Putrajaya, the flagship neighbourhood mall of Putrajaya, and Mesra Mall, which is located in Kemasik, Terengganu.

Last year Suria KLCC, Alamanda Putrajaya and Mesra Mall generated 10.2%, 17.6% and 17.5% in specialty sales growth respectively. Investors usually look at specialty sales growth to gauge the success of a mall.

The key to the making of a good shopping mall starts with understanding the customers, Brien says. He mentions that the company put a lot more into research compared with other shopping malls to understand its customer base. Extensive research shows that Suria KLCC’s customer base is predominantly female and that 80% of consumer traffic is local, while the remainder are foreigners.

He added that understanding its customers well made it possible for the centre to have the highest productivity per square foot in the country, generating sales of around RM2 billion last year. Although competition has come from the many neighbourhood malls mushrooming in the suburbs of Kuala Lumpur, they still don’t have what Suria KLCC has. Due to this, almost two dozen Number One stores are located in Suria KLCC.

“We don’t have to be the biggest kid in town to be the best kid in town,” says Brien. To date, Suria KLCC has brought in 40 new brands into Kuala Lumpur.

In terms of retail mix, Brien mentioned that Suria KLCC is continuously looking to plug the gaps that will ensure customer satisfaction and that it usually takes three to five years planning for tenants to come in.

He said that as a strategy to drive traffic to the upper floors, Suria KLCC positioned their F&B section and renowned bookstore Kinokuniya on the uppermost floor.

Brien admitted that this year, Suria KLCC will only see moderate growth of 4% to 5% due to on-going renovation work. Construction of an additional 130,000 sq ft of retail space is expected to enhance the mall’s appeal, especially when it is going to house the first Armani Cafe, larger space for Cartier and a larger departmental store. Suria KLCC is committed to bring in 25 new retailers into the mall.

“Investors usually look at specialty sales growth to gauge how successful a mall”

Andrew Brien
Chief Executive Officer,
Suria KLCC
Ho Chin Soon is the pioneer in producing real estate-based maps in Malaysia. He started producing maps 21 years ago and now a Ho Chin Soon map is a must have for Malaysian companies, investors and home buyers.

Ho has produced maps of Kuala Lumpur, Johor, Penang and Singapore and has written four books: Location, Timing & Branding, Iskandar Malaysia, Penang Island and Greater KL: The Rise of Bukit Bintang. MPI caught up with him to gain some insight into the current and future trends of the real estate market.

**MPI: What are the growth segments (Residential/Commercial) for 2011?**

**HCS:** The residential sector will be quite hot in 2011. Within the residential segment, landed property prices are expected to rise and high-end condominium price growth will flatten out, with prices ranging from RM500 per sq ft and above.

This year will see an oversupply scenario happening in the office space segment but the situation will eventually correct by itself. The retail segment has a fashion element attached to it. The attraction for one shopping centre over the next will depend on the trends and brands it carries.

**MPI: What are the upcoming hotspots in Greater Kuala Lumpur?**

**HCS:** The action is in the southern part of the Golden Triangle. In my latest book, Greater KL: The Rise of Bukit Bintang, I have elaborated on the reasons for my assumption. The Bukit Bintang area will rise because:

- Major projects are located in the south portion of the Golden Triangle
- and south of Bukit Bintang, mainly the Kuala Lumpur International Financial District (KLIFD), Warisan Merdeka and the RMAF Airbase Project in Sungai Besi;
- Three major MRT Stations are located in the southern Golden Triangle. They are BB-Pudu, Pavilion and the KLIFD site; and
- I foresee more parts of the Bukit Bintang area being converted for development.

Another upcoming area would be Cyberjaya. More and more developers are scurrying to secure landbanks as Cyberjaya is slowly turning into a self-sustaining suburban township similar to DesaPark City.

People are now more interested in buying homes in suburban areas closer to their workplace and away from the hustle and bustle of the city. An attractive feature of Cyberjaya is that it travel time to Kuala Lumpur is only 20 minutes through the Maju Expressway.

The authorities have changed the plot ratio and allowed high density development, attracting more developers to build in this area. SP Setia, Mah Sing and Glomac are some of the 12 or so developers that have started residential and commercial projects there.

Having said that, affordable homes are still available at KL Fringes away from the city. Major parts of the Rubber Research Institute Sungai Buloh development are designated for the development of medium-cost houses catering to rising demand for affordable homes and to somewhat stabilise property prices.

The government’s efforts to improve the transportation system in Greater KL will encourage more people to live away from the city as they will be able to travel within minutes to their workplace.

**MPI: How do you think industry players could curb the looming office oversupply situation?**

**HCS:** Industry players are already cautious about releasing more space into the market and it will correct by itself. I think the authorities should develop a mechanism to continuously monitor and try to curb this situation as empty buildings will portray a negative image to the investor.

**MPI: To what extent do you think the Economic Transformation Programme (ETP) will influence the Property Market?**

**HCS:** The Greater Kuala Lumpur development is one of the most important initiatives to drive the economy because wealth is generated in concentrated urban cities. Kuala Lumpur contributes eight times the GDP of any other geographic cluster in Malaysia.

The most exciting project in the Greater KL development is the high speed rail to Singapore and the MRT System. These two projects will spur development of the surrounding areas and increase commercial and residential activities.

The designation of specific areas to specific activities, for example, Financial Hub (Kuala Lumpur International Financial District), Shopping Area (Jalan Ampang to Jalan Bukit Bintang) and Central Business District (KL Sentral) are important to create focus and rejuvenate these areas.

**MPI: What is your take on the concerns of rising residential property prices in the Klang Valley?**

**HCS:** This is a global phenomenon and we are not the only country facing this. The prices of properties will continue to rise and are unlikely to decline.

The government’s efforts to improve the transportation system in Greater KL will encourage more people to live away from the city as they will be able to travel within minutes to their workplace.

**MPI: How does Malaysia fare compared to Singapore and other regional markets in terms property market outlook?**

**HCS:** Malaysia is a safe haven with stable returns! Other markets in the region are highly volatile and exposed to the global economic situation.

**MPI: What are the characteristics that should be incorporated to make the Malaysian Property Market attractive to foreign investors?**

There should be an end to flip-flop policies. For instance, the Real Property Gains Tax was removed in 2007 and then re-introduced in 2009. The Government should guarantee that there will be no changes in such policies for say, 10 years, so that foreign investors will be comfortable and confident about investing in Malaysia. All states should have consistent rules and regulations. Currently, different states have different regulations and this is creating unnecessary confusion amongst foreigners and also locals.
GETTING PAST IRREGULAR REGULATIONS

Foreign purchasers should not be deterred by fluctuating rules from owning property in Malaysia

by Michael A. David

Imagine, if you will, a young man setting out to woo the woman of his dreams. He promises her a happy and prosperous life and dedicates himself to taking care of her for the rest of her life if she will marry him. Convinced by his sweet words and description of what could be, she accepts his proposal, expecting his family to welcome her with open arms.

Alas, before she can set foot in his home, she is faced with pre-conditions put forward by his mother. She finds ways to conform, thinking she will be given the green light to move in. But then her young man’s father comes up with different conditions that put a spanner in her plans. Fed up, she tells him to get his house in order and sort out his parents’ contradictory dictates if she is ever to wed him and move into his home.

If you haven’t quite got the point to this story yet, it is a metaphor for Malaysia’s efforts to woo foreigners into purchasing property here. The parents in this story are a representation of the Economic Planning Unit (the mother) and the State government (the father). The lack of a common guideline between the two parties on property purchase by foreigners is causing no small measure of confusion in the minds of genuine investors who sincerely want to make Malaysia their home.

Previously, foreigners intending to buy property in Malaysia needed the approval of the Foreign Investment Committee (FIC). This prerequisite was removed in January 2008 to facilitate foreign investment in Malaysian real estate. This has to some extent made it easier for foreigners to purchase property here.

However, the increase in the minimum foreign investment value (MFIV) by 100% to RM500,000 by the Economic Planning Unit (EPU), also in January 2008, succeeded in countering the benefits brought about by the removal of the need for FIC approval. Prior to that, in the period between January 2004 and January 2008, the MFIV was RM250,000, a comfortable figure for many foreign investors. The increase came as a jolt to many prospective foreign investors looking to buy real estate in Malaysia.

The really keen ones still forged ahead, however, willing to pay upwards of RM500,000 to own a property here, only to come up against different policies on the MFIV set in place by the various State governments in the country.

To date, 11 of the 14 Malaysian states have observed the EPU regulation by setting a MFIV of RM500,000. The latest to do so was Selangor, which amended the MFIV from RM 250,000 to RM500,000 on 1 April 2011.

Sarawak, however has chosen to stick with its MFIV of RM300,000, which was the value it put in place even when the EPU, which comes under the purview of the Federal Government, had pegged it at RM250,000. Despite the EPU decision to increase it to RM500,000, Sarawak continues to maintain the MFIV at RM300,000.

The state of Pahang, while largely adhering to the MFIV of RM500,000 in most areas, has opted to increase the amount for purchase of property in three prime districts, namely Cameron Highlands, Bentong and Kuantan, to RM750,000. As most of the properties in these areas are pegged below this value, it in effect, makes them inaccessible to foreign property purchasers.

The state of Johor, while adhering to the EPU guideline, has, for historical reasons, chosen to levy a sum of RM10,000 on all foreign home buyers.

Some other states are giving approvals for foreign purchase under RM500,000 on a case-to-case basis, which works in favour of foreign investors, but also contributes to confusing them as to what the actual regulations are. It appears from these cases that it is the State governments that are calling the shots when it comes to land ownership by foreigners. Although the Federal Government sets the policies on foreign property investment, particularly with regard to minimum purchase price for foreigners, the State governments have the authority to overrule these policies and put their own in place.

Having said that, these differing regulations need not be a deterrent to foreigners looking to invest here as they can turn to Malaysia Property Incorporated to clarify the rules and regulations for purchase. MPI, which plays the role of matchmaker between property purchasers and vendors, is also a one-stop information centre for foreign investors needing more information on the Malaysian real estate scenario.

It is hoped that consistency in foreign property purchase guidelines is reached at some point, but until then, investors should look beyond to the advantages of owning property in Malaysia.

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**Figure 3: Minimum Foreign Investment Values (MFIV) For Each State**

<table>
<thead>
<tr>
<th>State</th>
<th>MFIV (RM)</th>
<th>Levy (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kuala Lumpur, Labuan, Malacca, Negeri Sembilan, Terengganu, Perak, Penang, Selangor</td>
<td>500,000</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Johor</td>
<td>500,000</td>
<td>10,000</td>
</tr>
<tr>
<td>(Cameron Highlands, Bentong, Kuantan)</td>
<td>750,000</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Sarawak</td>
<td>300,000</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Kelantan</td>
<td>Not allowed to purchase</td>
<td></td>
</tr>
<tr>
<td>Sabah</td>
<td>Not applicable</td>
<td></td>
</tr>
</tbody>
</table>

Source: EPU, State Government
REMOVING THE BLIGHTS ON OUR LANDSCAPE

How can we addressed the issue of distressed properties in the heart of Kuala Lumpur?

by Kumar Tharmalingam

Why do parts of central Kuala Lumpur still look distressed so many years after the 1997 crisis?

Currently, there is no mechanism to track if any projects in Kuala Lumpur City Centre are half-finished or abandoned for any number of reasons. The City Hall of Kuala Lumpur (Dewan Bandaraya or DBKL) has cautioned that some of these projects cannot be considered abandoned as they might be in a new approval phase and their building plans may be still valid.

Still, one cannot help noticing that some parts of the city centre in full view of the Twin Towers even now have cladding veiling them from sight after more than 10 years, while in other parts of the city, large holes appear to be permanently etched in the ground.

The most prominent of these is the old site for the Grand Duta Hyatt at the corner of Jalan Ampang and Jalan Sultan Ismail. This eyesore has been around for more than a decade since it was mothballed after the 1997 financial crisis. Visitors coming into the city have to pass this unfinished structure every day. A check with DBKL showed that the development order for the project is still valid but no work has been done on the site for many years, leaving it as a blight on the landscape of a fast-evolving city.

A hundred metres away is the Vision City project started by RHB Capital when it was still owned by Tan Sri Rashid Hussain. Also a victim of the 1997 financial crisis, it has remained unfinished for more than a decade, an unsightly shell spurned by the Korean contractor who has vanished from the scene.

In 2007 it was sold to Quill-Capita, a joint venture between the Malaysian Quill organisation and Singapore Capitaland, which paid a princely sum of RM430 million, much to the relief of RHB Capital. The new owners are now trying to find the best solution to unlock its potential value. DBKL has indicated that a new building plan was approved in 2010 and is valid till 2013.

The most famous hole in the ground is perhaps Plaza Rakyat in Jalan Pudu, which was a project begun before the financial crisis as a joint-venture between DBKL and Plaza Rakyat Sdn. Bhd. Due to legal complications, DBKL has been unable to terminate the joint-venture, so we can expect to see that hole in the ground for some time to come.

Both the Vision City and Grand Duta Hyatt projects are within a kilometre of two other unfortunate developments that have also floundered along the way. These are Berjaya Group’s Ritz Carlton project and Y&H Tower. I suppose one can’t blame the superstitious if they decide to label this stretch of Jalan Sultan Ismail as “suey” – a Cantonese term used to refer to something or someone that is cursed.

The Berjaya Group’s Ritz Carlton project at the corner of Jalan Sultan Ismail and Jalan Ampang was launched with fanfare in 2005, yet six years down the road, only the substructure has been completed.

Abandoned Plaza Rakyat in Jalan Pudu effected DBKL - Plaza Rakyat Sdn.Bhd joint-venture

(continued next page)
Further down the road, across the site from Concorde Hotel is the Y&H Tower which was purchased by a tender exercise from Danaharta. Y&H is the third developer to purchase this site as two other previous owners were unable to bring the project to market and went under. The site is a difficult one as the only green lung in Kuala Lumpur city centre—the hill called Bukit Nanas— is directly behind it. Under current planning restrictions, this hill slope would require major structural ramifications.

Other buildings within this location are the old, incomplete D&P office which is now owned by the Wing Tai Group. Wing Tai has submitted fresh plans for the project but these have still not been approved. It may be 2012 before it gets off the ground.

Another of Kuala Lumpur’s barren sites that sticks out like a sore thumb as you drive past is a prime parcel of land on Jalan Sultan Ismail owned by UDA and approved for a high rise condo before UDA’s management changed hands.

At the end of May 2011, Mutiara Goodyear Development, a boutique apartment developer from Subang Jaya, purchased the site from UDA for RM215.5 million. As the premier owner and developer and promoter of Bumiputra interests in the capital, was it necessary to sell such a site without due consideration to other government-linked corporations that could have purchased the site?

The city centre of Kuala Lumpur is an exciting location to be in right now and much sought-after by property developers who wish to establish their brand here while having regional project bases. This site will certainly be more valuable when Capitaland re-starts the Vision City project. It is hoped that this will spur the resurrection of the other

In conclusion, construction activity is the lifeblood of any growing city and shows growth and vibrant economic activity. Moth-balled sites, especially those neglected for more than a decade, represent low economic activity, poor planning and poor enforcement by the planning authorities. Perhaps it is time to put some thought into how we can get these sites geared up for the next decade.

Figure 4: Selected Distressed Properties Within Kuala Lumpur City Centre

Source: MPI Research
RESIDENTIAL SECTOR CONTINUES STRONG GROWTH TREND

Healthy demand for houses not curbed by inflationary measures

by S. Sulocana

Malaysia’s GDP for the first quarter of 2011 declined to 4.6% compared with 4.8% in the previous quarter. The 1Q2011 GDP rate is below consensus estimates of 4.9%. The reported figure indicates Malaysia will be going through a bumpy year ahead amidst rising inflationary pressures and commodity prices.

Decelerating global economic growth fuelled by the escalation of fiscal conditions in advanced economies and possible global supply disruptions following the developments in Japan are expected to exacerbate the situation.

Inflation continues to rise, reaching 3.2% in April 2011 and signalling a possible rate increase by Bank Negara Malaysia (BNM) in the second half of 2011. The rise in the inflation rate is due to rising oil prices and subsidy cuts.

On 5 May 2011, BNM increased the overnight policy rate (OPR) by 25bp to 3.0%, consequently increasing the Base Lending Rate (BLR) by 30bp to 6.6% to combat inflation.

The current BLR of 6.6% is supportive of growth in the residential real sector but further rate increases might prove otherwise.

The average Malaysian residential house price has been increasing gradually with low volatility, indicating that the rise is due to demand and not to speculative buying.

The 1997/98 Asian Financial Crisis

Y2K bubble burst in 2001 & Sept 11 terrorist attack

2008 / 2009 Subprime crisis

Inflation continues to rise, reaching 3.2% in April 2011 and signalling a possible rate increase by Bank Negara Malaysia (BNM) in the second half of 2011. The rise in the inflation rate is due to rising oil prices and subsidy cuts.

The recent subsidy cuts were in sugar and diesel, resulting in prices increasing from RM1.45 to RM2.30 per kg and from RM1.45 to RM1.80 respectively. The government has also announced that all subsidies will be reviewed every six months.

The average Malaysian residential house price has been increasing gradually with low volatility, indicating that the rise is due to demand and not to speculative buying.

(continued next page)
Rising residential property prices are not broad-based and occur in specific pockets in Kuala Lumpur City Centre where branding has been prominent by either location or developer, for example Desa ParkCity or SP Setia.

The growth in residential properties is expected to be strong as Malaysia has a large young population entering the workforce. They represent a growing group of prospective first time home buyers.

Close to 60% of the population are below the age of 30 and the 10-year population growth rate stands at 2.2%. Malaysian has a high savings rate; household debt-to-GDP of 76% is supported by high household deposit-to-GDP of 53%. A high saving rate on the back of healthy demand provides ample room for growth in the residential property segment.
AVERAGE PRICE OF PROPERTY IN SELECTED STATES

Figure 10: Average Price of Property in Kuala Lumpur, 1Q2006-1Q2011

Figure 11: Average Price of Property in Selangor, 1Q2006-1Q2011

Figure 12: Average Price of Property in Johor, 1Q2006-1Q2011

Figure 13: Average Price of Property in Penang, 1Q2006-1Q2011

Note:
- Transactions in Selangor comprise districts of Petaling, Gombak, Sepang and Hulu Langat only.
- Transactions in Kuala Lumpur comprise municipalities of Batu, Seksyen 1-100, Kuala Lumpur, Ampang and Petaling only.
- Transactions in Johor comprise districts of Johor Bahru, Pontian and Kota Tinggi only.
- Transactions in Penang comprise districts of Batu Daya and Timur Laut only.

Source: NAPIC
ABOUT US

Malaysia Property Incorporated is a Government initiative set up under the Economic Planning Unit to drive investments in real estate into Malaysia.

As the first port-of-call for real estate investment queries, Malaysia Property Inc. connects interested parties through an extensive network of government agencies, private sector companies, real estate firms, business councils and real estate-related associations.

MPI has two core objectives; to create international awareness and to establish connections between foreign interests and Malaysian real estate industry players, ultimately contributing to real estate investments into the country.

For further information and up-to-date tracking of Malaysian real estate data, visit:
www.malaysiapropertyinc.com

For further enquiry, write to:
info@malaysiapropertyinc.com

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