



Panoramic view of Sunway Lagoon Resort in Bandar Sunway

## Malaysia: Residential property market

### Long term fundamentals remain attractive

In the long term, Malaysia offers attractive dynamics within the residential property sector. Malaysia has a young age profile where 60% of the population is below the age of 30, and the average household size is still large compared to the region at 4.3 persons per household. As the population matures, it could drive increased household formation, leading to strong property demand growth.

Meanwhile, property prices are still the cheapest in the region. The regional property report "Asia Housing Affordability" shows Malaysian mass residential available at only USD56 psf, compared to USD360 psf in Singapore and USD81 psf in Bangkok.

While interest rates rose in 2006, mortgage rates are still at all time low, monetary liquidity remains abundant, and housing buyers can still get a high margin of financing (as high as 90%). Even if interest rates rise next year, growing GDP per capita and flat property prices would mean that affordability would still remain high. Furthermore, job security and economic sentiment are stronger demand drivers of property.

*(Source: JP Morgan: Asia Home Builders Primers Malaysia)*

### Future Market Directions

#### The Buy-to-Stay Interest in 2006

Buying interest in terraced homes and high-end properties is expected to continue to be high. However, there may be some reduction in demand compared to year 2005. Similarly, the demand for high-rise residential is lower. The commercial purpose-built office subsector is expected to attract better buying interest compared with year 2005.

#### The Investors Interest in 2006

Malaysian and foreign investors have significantly varying interests in the property market. However, both Malaysian and foreign buyers are expected to show increasing interest in the condominium/apartment subsector in 2006. Investor interest in commercial shophouse/office is expected to be left in the backburner in 2006 as compared to the previous year.

*(Source: WTW International CEO Opinion Survey Property Sector 2006)*

## Malaysia: Key Growth Drivers for Tourism Industry in 2006

The outlook for 2006 remains robust, notwithstanding lingering concerns about the potential impact of terrorism, natural disasters, the escalating cost of fuel and rising interest rates. Tourist arrival to Malaysia is estimated at 20.9 million in 2006 and 22.6 million in 2007. This represents an average annual growth rate of 20.9% between 2003 and 2007, and reflects the highest growth of all Asia Pacific countries.

Tourist receipts are expected to amount to USD11.0 million in 2006 and USD11.9 million in 2007, representing an average annual growth rate of 20.8% between 2003 and 2007. This conveys the highest receipts growth among all Asia Pacific countries and reflects the continuing massive arrivals growth forecast for the country.

*(Source: Pacific Asia Travel Association (PATA) Asia Pacific Tourism Forecasts 2005 – 2007)*

### Predicted trends:

- Demand for leisure travel services will continue to outpace that for business travel as there are now significantly more leisure travelers filling airline seats, checking into hotel rooms and consuming other travel services than business travelers, and this gap is expected to grow in 2006.
- Activities that promote stress reduction will gain in popularity. This is likely to translate into growing patronage of both amenity and destination spas by both women and men, as well as the growth of amenity spas in urban hotels that cater to business travelers and conference delegates or meeting attendees.
- Meetings and conventions will drive the recovery of demand for business travel services where individual business travelers will continue to seek ways to do business without traveling, while demand for travel services from meeting and convention delegates will continue to grow.
- Hotel room rates will continue to escalate as operators manipulate yield to capitalise on growing demand. "Upscale" and "Luxury" operators are likely to be the biggest beneficiaries of this trend as consumers who traded up in the 90's begin to indulge once again.

*(Source: Yesawich, Peppertine, Brown & Russell)*