

RED FOCUS

'Malaysia going strong for the next 5 years'



POSITIVE OUTLOOK: The next five years is going to be good on Malaysia with encouraging economic growth, says consultant

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During a recent talk by Dr Daniele Gambero on the "Malaysian Economy and Property Market Outlook: The Upcoming 5 Golden Years", he shares multiple points which explains why Malaysia is expected to perform well in the next five years in terms of the economy and property market.

Stable economy

Gambero states that Malaysia is transitioning from being an efficiency-driven economy to innovation-driven economy based on the "Global Competitiveness Report 2012-2013." He also adds that Vision 2020 might happen one or two years earlier which again confirms that the nation's economy and property market are going strong.

Gambero further justifies his statement by showing some statistics. For example, in the last eight years, year-over-year (YoY) basis saw a +/- 5 per cent basis which indicates a stable economic growth.

Besides that, he also points out that government debt to GDP (Gross



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Domestic Product) is at 52 per cent, which still needs to be improved 'but Malaysia is doing much better compared to other countries.' Malaysia's migration rate to the urban areas is at 72.5 per cent with a 3.5 per cent growth every year. This again gives the assurance that the economy is on the right track.

During a separate conference at the 16th National Housing and Property Summit 2013: Scaling New Heights, Strengthening Growth organised by



Asian Strategy & Leadership Institute (ASLI), Gambero shares that the average per capita income for a Malaysian is RM3,000 per month (USD10,304 per annum), with the majority of 55 per cent falling under the middle class income bracket. However, this 55 per cent is now moving to the high-end income group which currently is at only 20 per cent. This again shows that the economy is growing steadily, Gambero stresses.

Sustainable property market

Gambero also points out that the Malaysian Housing Index has been on a stable note for the last 12 years. Besides that, our nation's Base Lending Rate (BLR) has also shown the same reading of 6.53 per cent for both 2011 and 2012.

Another interesting point that Gambero points out to show our

country's sustainability is when the Malaysia affordability index is marked at 1.33 compared to other countries such as Singapore and Indonesia which have only 0.70 and 0.49 reading respectively. This clearly shows that property in our country is generally in the affordable range.

According to Gambero, the year 2020 will be an exciting year for Malaysia as it will be a fully developed country by then. This will be achieved with the construction of the Light Rapid Transit (LRT) extension, MRT 1, MRT 2, MRT 3, LRT 3 and KLIA 2. Besides that, the Economic Transformation Programme (ETP) is also expected to spur the interest of locals and foreigners in Malaysian property as a result of improved public transportation.

The Outlook - Iskandar Malaysia

The recent hype over Iskandar

Malaysia is undoubtedly a foretaste of the outlook for Malaysia, stresses Gambero. Known as Malaysia's very own Shenzhen, Iskandar should not merely be looked at from a property angle but also be measured based on its economic progress.

The authorities should identify other sectors that will benefit directly or indirectly the development of the Iskandar region. Some of the sectors that should be

focused on are Electrical & Electronics, Petro & Oleo-chemicals, Food & Agro Processing, Logistics, Education Services, Financial Services, Tourism, Health Services and Creative Industries.

Besides that, the cumulative committed investment as of March 2013 shows that 64 per cent are local investors as compared to 36 per cent foreigners. Contrary to popular belief, properties in Iskandar are mostly bought by the locals and not Singaporeans.

Gambero also opines that areas such as Nusajaya, Danga Bay and Medini will have great investment potential only if the investors have the holding power. He further explains that all these places are a long term investment, which means an investor should not expect to get immediate tenancy after purchasing the property.