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DECEMBER 2019

# MALAYSIA REPORT

CONSTRUCTION MARKET  
UPDATE

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## PARKROYAL A&A WORKS ▲

**KUALA LUMPUR, MALAYSIA**

|                    |                      |
|--------------------|----------------------|
| <b>CLIENT:</b>     | UOL Group Ltd        |
| <b>ARCHITECT:</b>  | DP Architect Sdn Bhd |
| <b>SERVICE:</b>    | Quantity Surveying   |
| <b>COMPLETION:</b> | 2022                 |

PARKROYAL Kuala Lumpur is situated adjacent to Jalan Sultan Ismail. The redevelopment of the Parkroyal KL includes a new serviced apartment block with retail and facilities and multiple carpark and basement levels, as well as addition and alteration works to existing wing and neighboring tower President House.

## MALAYSIA ECONOMY

Malaysia's gross domestic product (GDP) rose 4.4 per cent year-on-year (y-o-y) in the third quarter of 2019, its slowest pace in a year amid declining exports and weaker factory output. The slower growth comes after Malaysia's economy bucked the regional trend in the previous quarter by expanding 4.9 per cent in the same period - its fastest pace in more than a year. The central bank, Bank Negara Malaysia (BNM), maintained its full-year forecast of 4.3 per cent to 4.8 per cent GDP growth for 2019.

The global downturn has put pressure on the government which widened its 2020 budget deficit to support growth, delaying its goal of fiscal consolidation previously set by the Finance Minister. The World Bank projected Malaysia's GDP to inch down to 4.5 per cent y-o-y in 2020 and 2021, with a weak export expansion partly offset by strong domestic demand.

Despite the overall decline in exports as global growth slows, trade tensions between the United States and China have allowed Malaysia to ship an additional US\$1.4 billion of goods to the world's two largest economies from January to August of 2019.

For 2020, overall investment activity is expected to record a modest recovery, underpinned by ongoing and new public

sector and private sector projects, the central bank said. The revival of the Belt & Road Initiative (BRI) in Malaysia is expected to boost Chinese investment in 2020. However, downside risks to growth remain. These include uncertainty from various trade negotiations, geopolitical risks, weaker-than-expected growth of major trade partners, heightened volatility in financial markets and domestic factors including weakness in commodity-related sectors and delays in implementation of projects.

In the third quarter of 2019, Malaysia's labour productivity, as measured by value added per hour worked, rose 2.6 per cent y-o-y after registering 2.4 per cent in the preceding quarter. Simultaneously, employment growth sustained at 2.1 per cent y-o-y. The unemployment rate will remain under a full employment condition, with unemployment rate sustained at 3.3 per cent for 2020.

Meanwhile, Consumer Price Index (CPI) for the year 2019 registered an increase of 0.7 per cent as compared to 2018. In 2020, headline inflation is expected to average higher albeit the introduction of targeted fuel subsidy, foreign exchange rate movements and uncertainties in the global oil prices due to trade and geopolitical tension.



## MALAYSIA CONSTRUCTION MARKET

The value of construction work done in the third quarter of 2019 contracted by 0.6 per cent y-o-y to RM36.1 billion. The construction value in the preceding quarter was RM35.9 billion. On a quarter-to-quarter (q-o-q) basis, the value of work done recorded a growth of 0.4 per cent in the third quarter of 2019, compared to a contraction of 4 per cent in the second quarter of 2019.

The private sector continued to propel the construction activity with 54.3 per cent share of the value of construction work done at RM19.6 billion. The Civil Engineering sub-sector registered the highest growth in the third quarter with 7.5 per cent, followed by Special Trade Activities sub-sector at 2.8 per cent. On the other hand, the Residential Buildings and Non-Residential Buildings sub-sectors declined by 2.7 per cent and 11.6 per cent respectively.

The labour productivity by hours worked for the Construction sector grew 1.6 per cent y-o-y in the third quarter of 2019, a drop from 3.3 per cent for the same period for the second quarter of 2019. In terms of labour productivity by employment, the sector recorded a growth of 2.1 per cent as employment growth declined further to 3.5 per cent from negative 2.6 per cent recorded in the preceding quarter.

The construction sector is expected to see growth of 3.7 per cent in 2020, an increase from the 1.7 per cent predicted for 2019, according to the Ministry of Finance. Part of the reason for this growth is the revival of the mega project East Coast Rail Link (ECRL). The Malaysian government is also investing in other infrastructure projects, with RM1.6 billion set aside for the building of new hospitals in 2020.

The government in its Budget 2020 speech proposed to continue developing the Bandar Malaysia project, after having negotiated for better terms. Malaysia also announced their decision to proceed with the

cross-border MRT link project with Singapore in October 2019, with proposals to reduce project costs by 36 per cent.

The revival of ECRL and Bandar Malaysia, along with other mega-projects such as Penang Transport Master Plan and cross-border MRT link, are set to make up majority of the construction activities in 2020. Meanwhile, major projects that remain on hold include the Kuala Lumpur-Singapore High-Speed Rail (HSR) which has been postponed until end-May 2020 and the review of Mass Rapid Transport Line 3.

Construction, labour and material prices remain stable within a small range as seen in data coming out of Construction Industry Development Board of Malaysia and Department of Statistics Malaysia.

However, Master Builders Association of Malaysia also cautioned that the cost of raw materials would rise if China ceased to be a viable source due to the ongoing coronavirus (COVID-19) that has caused a slowdown in trade and disrupted supply chains.

The government have also committed to ease the availability of housing loan to boost the property sector while the threshold for foreigners to purchase urban high-rise properties will be lowered from RM1 million to RM600,000 for 2020. This is to address the existing glut in housing units in the big cities.

For 2020, barring any unforeseen market conditions, the estimated construction tender price escalations for Kuala Lumpur is anticipated to remain unchanged at 1 per cent to 2 per cent.



## LABOUR PRICES

| SELECTED OCCUPATIONS                      | UNIT | KUALA LUMPUR AVERAGE LABOUR RATE (MYR) |        |        |        |
|---|------|--|--------|--------|--------|
|   |      | 2016                                   | 2017   | 2018   | 2019   |
| General Worker (Foreign)                  | Day  | 58.00                                  | 60.10  | 60.20  | 60.00  |
| Concretor (Skilled - Local)               | Day  | 100.50                                 | 104.30 | 97.00  | 104.30 |
| Brick Layer (Skilled - Local)             | Day  | 101.00                                 | 104.70 | 100.80 | 108.50 |
| Plasterer (Skilled - Local)               | Day  | 108.20                                 | 112.20 | 106.80 | 110.30 |
| Tiler (Skilled - Local)                   | Day  | 117.30                                 | 121.70 | 115.30 | 126.80 |
| Steel bar worker (Skilled - Local)        | Day  | 103.00                                 | 106.80 | 106.00 | 111.50 |
| Carpenter (Formwork) (Skilled - Local)    | Day  | 107.00                                 | 111.00 | 106.20 | 113.90 |
| Carpenter (Joinery) (Skilled - Local)     | Day  | 121.40                                 | 125.90 | 111.00 | 120.80 |
| Roofer (Skilled - Local)                  | Day  | 109.10                                 | 113.20 | 108.30 | 110.50 |
| Structural Steel Worker (Skilled - Local) | Day  | 130.00                                 | 134.80 | 111.20 | 117.80 |
| General Welder (Skilled - Local)          | Day  | 119.40                                 | 123.90 | 109.30 | 121.30 |
| Plumber (Skilled - Local)                 | Day  | 122.70                                 | 127.30 | 109.80 | 120.80 |
| Painter (Skilled - Local)                 | Day  | 103.10                                 | 106.90 | 107.50 | 110.60 |
| Scaffolder (Skilled - Local)              | Day  | 100.60                                 | 115.90 | 100.00 | 113.50 |
| Electrician (Semi-Skilled - Local)        | Day  | 118.80                                 | 123.20 | 115.00 | 110.00 |

Data Sources: Construction Industry Development Board (CIDB)

## CONSTRUCTION MATERIAL PRICES

| MATERIAL                                | UNIT           | AVERAGE SUPPLY RATE (MYR) |          |          |          |
|---|----------------|---------------------------|----------|----------|----------|
|   |                | 4Q2018                    | 1Q2019   | 2Q2019   | 3Q2019   |
| Concreting Sand                         | Tonne          | 49.49                     | 49.49    | 51.69    | 51.69    |
| Stone Aggregate (20mm)                  | Tonne          | 33.51                     | 33.35    | 33.32    | 32.55    |
| Ordinary Portland Cement                | Kg             | 17.48                     | 17.30    | 17.25    | 17.32    |
| Reinforced Concrete (Grade 30 MPA)      | m <sup>3</sup> | 232.20                    | 232.20   | 175.00   | 175.00   |
| Reinforced Concrete (Grade 40 MPA)      | m <sup>3</sup> | 280.00                    | 280.00   | 205.00   | 205.00   |
| High Tensile Steel Bars (10 - 32mm)     | Kg             | 2.32                      | 2.33     | 2.32     | 2.40     |
| Mild Steel round bars (10 - 25mm)       | Kg             | 2.54                      | 2.55     | 2.37     | 2.40     |
| Structural Steelwork (200x200mm U-beam) | Tonne          | 3,300.00                  | 3,300.00 | 2,650.00 | 2,650.00 |
| Plywood Formwork (2438x1219x20mm)       | Pc             | 59.00                     | 59.00    | 55.33    | 55.33    |
| Clay Bricks (100mm thick wall)          | Pc             | 0.45                      | 0.45     | 0.40     | 0.40     |

Data Sources: Market sources

**Notes:** All supply prices stated above are only applicable for building construction projects in Kuala Lumpur. Specific cost consultancy should be sought for your particular factual situation prior to utilising this information.

**Exclusions:** • Plant and Equipment • Transport • Wastage • Overheads and Profit • Import Tax • Goods and Services Tax (GST)

## CURRENCY EXCHANGE

| CURRENCY               | UNITS PER USD |        |        |        |
|------------------------|---------------|--------|--------|--------|
|                        | 4Q2018        | 1Q2019 | 2Q2019 | 3Q2019 |
| Malaysia Ringgit (MYR) | 4.173         | 4.090  | 4.149  | 4.166  |

Data Source: IMF

## KUALA LUMPUR CONSTRUCTION PRICES

| DEVELOPMENT TYPE                  | COST PER CFA MYR / m <sup>2</sup> | COST PER CFA USD / m <sup>2</sup> |
|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>OFFICE</b>                     |                                   |                                   |
| Standard                          | 1,400 - 3,200                     | 340 - 770                         |
| Prestige                          | 2,600 - 4,500                     | 620 - 1,080                       |
| <b>HOTEL (Excluding FF&amp;E)</b> |                                   |                                   |
| Three Star                        | 2,500 - 3,500                     | 600 - 840                         |
| Four Star                         | 3,500 - 4,500                     | 840 - 1,080                       |
| Five Star                         | 5,000 - 7,000                     | 1,200 - 1,680                     |
| <b>COMMERCIAL</b>                 |                                   |                                   |
| Retail                            | 2,100 - 3,500                     | 500 - 840                         |
| <b>RESIDENTIAL</b>                |                                   |                                   |
| Good Quality Condominium          | 1,900 - 3,000                     | 460 - 720                         |
| Luxury Condominium                | 2,400 - 4,500                     | 580 - 1,080                       |
| <b>INDUSTRIAL</b>                 |                                   |                                   |
| Warehouse                         | 1,000 - 1,800                     | 240 - 430                         |
| Factory                           | 1,000 - 1,900                     | 240 - 460                         |
| <b>CARPARK</b>                    |                                   |                                   |
| Multi Storey                      | 800 - 1,200                       | 190 - 290                         |
| Basement, outside CBD             | 1,200 - 2,300                     | 290 - 550                         |
| Basement, CBD                     | 1,400 - 3,400                     | 340 - 820                         |

| DEVELOPMENT TYPE      | COST PER ACRE MYR / ac | COST PER CFA USD / ac |
|-----------------------|------------------------|-----------------------|
| <b>EXTERNAL WORKS</b> |                        |                       |
| External Works        | 350,000 - 550,000      | 84,010 - 132,020      |

**Notes:** Construction Floor Area (CFA) - The area of all building enclosed covered spaces measured to the outside face of external walls including covered basement and above ground car park areas.

All **Kuala Lumpur** construction prices stated herein are as at **3rd Quarter 2019**, and include a general allowance for foundation and 8% of preliminaries based on competent local contractors. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

**Exchange Rate Assumption:** 1 USD = 4.166 MYR

**Exclusions:** • Land cost • Legal and professional fees • Development charges • Authority fees • Finance costs • Future cost escalation • Models and prototypes • Diversion of existing services • Resident site staff cost • Service Provider Fees • External Works within project development • Site infrastructure work in master development • Tenancy work • Loose furniture, fittings and works of art

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- Litigation Support
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