

# CEO Opinion Survey 2007 Property Sector

**Price Movement**

A majority of respondents (about 60%) are still confident that prices for landed residential property (terraced/link and semidetached-detached) will increase in 2007. Last year it was 67%.

An increasing number of respondents express concern with regard to price levels of apartments/condominiums with one-third of respondents expecting decreases in 2007 compared with only under one-quarter last year.

**Supply Situation in 2007**

Respondents express caution with regard to the surplus of residential condominiums/apartments and shophouses/offices in 2007.

**Chart 1**

Property Type	2006	2007
Residential - Terraced Link	15	15
Residential - Semi-detached	15	15
Residential - Condominium	15	15
Commercial - Retail	15	15
Commercial - Shophouse / Office	15	15
Commercial - Office	15	15
Commercial - Warehouse / Office	15	15
Commercial - Logistics / Warehousing	15	15
Commercial - Industrial Land	15	15

**Chart 5**

Factor	2006	2007
Current Level of Income	35	35
Current Level of Employment	35	35
Current Rate of Economic Growth	35	35
Cost of Funds	35	35
Fiscal Stability	35	35
Transportation & Infrastructure	35	35
Stock Market Performance	35	35
FDI Guidelines	35	35
Current Rate of Population Growth	35	35
Urbanisation	35	35
Zoning and Land Use Regulations	35	35
Local Government & Restructuring	35	35
Environmental Considerations	35	35
Foreign Exchange Fluctuations	35	35

**Chart 2**

Factor	2006	2007
Current Level of Income	35	35
Current Level of Employment	35	35
Current Rate of Economic Growth	35	35
Cost of Funds	35	35
Fiscal Stability	35	35
Transportation & Infrastructure	35	35
Stock Market Performance	35	35
FDI Guidelines	35	35
Current Rate of Population Growth	35	35
Urbanisation	35	35
Zoning and Land Use Regulations	35	35
Local Government & Restructuring	35	35
Environmental Considerations	35	35
Foreign Exchange Fluctuations	35	35

**Chart 3**

Property Type	2006	2007
Residential - Terraced Link	15	15
Residential - Semi-detached	15	15
Residential - Condominium	15	15
Commercial - Retail	15	15
Commercial - Shophouse / Office	15	15
Commercial - Office	15	15
Commercial - Warehouse / Office	15	15
Commercial - Logistics / Warehousing	15	15
Commercial - Industrial Land	15	15

**Chart 4**

Property Type	2006	2007
Residential - Terraced Link	15	15
Residential - Semi-detached	15	15
Residential - Condominium	15	15
Commercial - Retail	15	15
Commercial - Shophouse / Office	15	15
Commercial - Office	15	15
Commercial - Warehouse / Office	15	15
Commercial - Logistics / Warehousing	15	15
Commercial - Industrial Land	15	15

**Chart 5**

Factor	2006	2007
Current Level of Income	35	35
Current Level of Employment	35	35
Current Rate of Economic Growth	35	35
Cost of Funds	35	35
Fiscal Stability	35	35
Transportation & Infrastructure	35	35
Stock Market Performance	35	35
FDI Guidelines	35	35
Current Rate of Population Growth	35	35
Urbanisation	35	35
Zoning and Land Use Regulations	35	35
Local Government & Restructuring	35	35
Environmental Considerations	35	35
Foreign Exchange Fluctuations	35	35

**C H Williams Talhar & Wong**



**WTW**  
INTERNATIONAL

# CEO OPINION SURVEY

## PROPERTY SECTOR 2007

### PROPERTY MARKET SURVEY REFLECTS THE CURRENT SUBDUED MARKET MOOD

- The result reflects the current market sentiments. The level of optimism has dropped further from last year.
- Current level of income, cost of funds and political stability moved up the scale in the property investment considerations.
- Future Market Directions? Malaysian investors continue to favour landed property while foreign investors' preference remain with condominiums. Foreign investors are believed to likely show consistent preference for condominiums. Interest in factory premises and industrial land is also believed by a significant number of those surveyed.

The WTW annual Chief Executive Officers (CEO) property sector survey was conducted in September/October 2006. The main objective of this survey is to ascertain the views of CEOs on the prevailing market conditions and their expectations for the year 2007.

The selected nationwide sample is represented by a cross-section of businesses and professions related to the property sector. This year the representative sample comprises property developers (40%), financial institutions (5%), consultants (19%), construction companies (12%), manufacturers and suppliers of building material (7%), plantation management and utility services companies (9%); and government agencies, investment holding and trading companies.









Whilst 52% of the participants conduct most of their activities in Klang Valley, 14% of the sample operate in the northern region of the peninsula, 15% from the southern region, 5% from the east coast states and 14% from East Malaysia.

Of the property developers who participated in this survey, 52% are involved in predominantly the residential sector, 34% in commercial developments, 10% in the industrial sector and 4% in the hospitality & leisure sector.

### expectations for 2007

#### Legend for Charts 1 to 4

All figures in percentage. Colour indicators for rates of increase / decrease :

 Increase more than 20%	 Increase 10% to 20%	 Increase less than 10%
 Stable	 Decrease less than 10%	 Decrease 10% to 20%
 Decrease more than 20%	 Don't Know/ No Opinion	

### Price Movement

A majority of respondents (about 60%) are still confident that prices for landed residential property (terraced/link and semidetached-detached) will increase in 2007. Last year it was 67%.

An increasing number of respondents express concern with regard to price levels of apartments/condominiums with one-third of respondents expecting decreases in 2007 compared with only under one-quarter last year.

Chart 1

Residential - Terraced Link	5	17	40	27	8	3
Residential - Semidetached/Detached	4	25	32	25	5	4
Condominiums / Apartments	3	11	20	26	21	9
Residential - Holiday Homes	4	9	18	22	19	4
Commercial - Purpose built office	4	15	22	32	11	4
Commercial - Retail	4	15	17	34	14	3
Commercial - Shophouse / Office	5	18	28	24	16	3
Industrial Manufacturing Premises	4	5	19	33	15	6
Industrial - Logistics / Distribution / Warehousing	4	8	17	36	10	2
Industrial Land	6	6	20	30	14	4
Hospitality - Business Hotel	4	14	22	33	5	3
Hospitality - Tourist/Resort Hotel	6	15	24	33	4	2
Dev't Land - Agri Land with building potential	6	18	32	28	8	1
Dev't Land - Agri land approved for building	7	21	30	28	6	2
Agri land - Plantation	4	21	33	25	3	1
Agri land - Smallholding	4	22	28	27	3	1

## Rental Movement

About 70% of the respondents expect rentals of landed residences and commercial properties to increase or at least remain stable in 2007. This is slightly less than the three-quarters who felt likewise in last year's survey.

More respondents continue to expect rentals of apartments/condominiums to fall.

Chart 2

Residential - Terraced Link	4	22	56	11	2	4
Residential - Semidetached / Detached	2	4	21	49	16	3
Condominiums / Apartments	2	5	18	40	23	3
Commercial - Purpose built office	1	10	22	37	17	3
Commercial - Retail	1	7	24	38	14	4
Commercial - Shophouse/Office	1	9	28	38	15	4
Industrial Manufacturing Premises	1	3	13	46	13	2
Industrial - Logistics / Distribution / Warehousing	3	16	46	11	2	20
Hospitality* - Business Hotel	3	7	26	38	7	2
Hospitality* - Tourist/Resort Hotel	3	5	29	38	6	2

\* room rates

## Cost of Construction

Almost all respondents believe that all construction cost constituents will increase.

A larger majority ( about 60% compared to less than 50% last year ) believe that cost of building materials will go up by more than 10%.

Chart 3

Building Materials	10	50	32	7
Labour Costs	4	32	47	16
Plant & Equipment*	9	38	40	11

\*Including lifts, air conditioners, escalators, etc

## Number of Sales Malaysian & Foreign buyers

The current lackadaisical mood is expected to carry on into 2007, with more respondents generally being less optimistic about sale prospects. Almost double ( about 20% compared to 10% last year ) believe that the number of transactions will decrease by about 20%.

There is generally no change in expectation as regards foreign buying.

Chart 4

Malaysian Buyers	3	9	27	39	17	2
Foreign Buyers	2	11	33	29	13	4

## socio-economic scenario

### Property Investment Considerations

The current level of income, employment and economic growth is considered by a majority to be most relevant when making property investment decisions.

However, the cost of funds and political stability are now considered to be of greater importance in the list of other factors when making property investment decisions.

Chart 5

Current Level of Income	52	35	11	1
Current Level of Employment	51	33	13	2
Current Rate of Economic Growth	50	43	6	1
Cost of Funds	48	36	14	2
Political Stability	42	35	17	5
Transportation & Infrastructure	39	44	16	1
Stock Market Performance	35	43	18	3
FIC Guidelines	24	28	40	3
Current Rate of Population Growth	22	46	26	4
Urbanisation	20	46	30	3
Zoning and Land Use Regulations	19	40	32	8
Corporate Governance & Restructuring	15	36	32	16
Environmental Considerations	13	39	42	5
Foreign Exchange Fluctuations	11	39	46	3

Major Effect Moderate Effect Minor Effect  
No Effect No Opinion

## supply scenario

### Supply Situation in 2007

Survey respondents express caution with regard to the surplus supply situation of residential condominiums/apartments and commercial shophouses/offices in 2007.

Chart 6

Residential - Terraced / Link	13	41	33	3	8	2
Residential - Semidetached / Detached	8	36	44	2	8	2
Residential - Condominiums / Apartments	32	45	18	3	2	2
Residential - Holiday Homes	13	29	33	6	18	
Commercial - Purpose built office	11	40	26	6	8	9
Commercial - Retail	17	38	32	6	1	6
Commercial - Shophouse/Office	20	42	28	4	3	3
Industrial - Manufacturing Premises	12	21	39	3	6	19
Industrial - Logistics / Distribution / Warehousing	7	13	44	5	9	22
Industrial Land	8	19	41	5	7	20
Hospitality - Business Hotel	6	17	46	2	13	16
Hospitality - Tourist / Resort	6	19	41	3	14	17

Substantial Surplus Moderate Surplus Balance  
Substantial Shortage Moderate Shortage No Opinion



## government actions

### 9<sup>th</sup> Malaysia Plan

The 9<sup>th</sup> Malaysia Plan 2006-2010 (9MP) was unveiled on 31<sup>st</sup> March 2006 with some specific thrusts to boost the property and construction sector. The 9MP identified projects and plans to develop growth corridors including the Eastern Corridor, Northern Corridor, East Malaysia, South Johor Economic Region (SJER) and E-Central Region.

The most significant 9MP proposals influencing real estate activities identified by respondents include:

- the Penang Outer Ring Road (PORR) and the 2<sup>nd</sup> Bridge
- SJER (South Johor Economic Region)
- infrastructural proposals nationwide

A substantial majority (over 80%) do not think that the SJER growth could surpass Klang Valley as the nation's number one growth area though it is anticipated that it will have impact on infrastructural and commercial projects in Johor.

Category	Significant Effect	Minimal Effect	No Effect
Infrastructural Projects	84	11	5
Residential	50	44	6
Commercial	63	30	7
Industrial	58	36	6
Hospitality & Leisure	37	52	11

### Real Estate Investment Trusts (REITs)

(previously known as Property Trust Funds in Malaysia)

Property trust funds were initially introduced in Malaysia with the listing of Arab Malaysian First Property Trust Fund (now known as AmFirst Property Trust) in 1989. Malaysia currently has 9 listed existing players, 5 of which were listed in 2005/2006.

Respondents opine that the favourable REITs regulations and attractive yields were major reasons for the increase in REIT activities in 2005/2006.

Despite the growth, the major reasons cited for the lacklustre performance of the newly issued REITs have been identified as follows:

- Uncertain growth prospects
- Quality and reputation of management company
- Quality of property
- Increasing interest rates

Reason	Major Reason	Moderate Reason	Minor Reason	No Effect	No Opinion
Quality of Properties	36	44	17	1	2
Quality & Reputation of Management Company	39	38	21	1	1
Increasing Interest Rates	35	36	19	6	4
Lacklustre Performance in Capital Market	33	45	16	4	2
Uncertain Growth Prospects	42	40	15	2	1
Unattractive Tenancy Terms	21	48	26	2	3
Quality of Tenants	25	39	29	4	3

## future market directions

### The Buying Interest in 2007

Buying interest in residential units is expected to continue to be high. However, respondents do expect some reduction in demand compared to the previous years.

More respondents (about 55% compared to over 40% last year) believe that there will be less buying interest in condominiums and apartments.

Chart 7

Category	Very High	Moderately High	Balanced	Moderate Low	Very Low	No Opinion
Residential - Terraced / Link	12	38	39	9	2	
Residential - Semidetached / Detached	4	33	44	14	3	2
Residential - Condominiums / Apartments	1	13	27	42	13	4
Residential - Holiday Homes	7	25	34	23	11	
Commercial - Purpose built office	2	12	32	35	12	7
Commercial - Retail	3	11	38	33	8	7
Commercial - Shophouse/Office	4	21	39	28	6	2
Industrial Manufacturing Premises	10	40	30	5	15	
Industrial - Logistics / Distribution / Warehousing	1	11	40	25	6	17
Industrial Land	13	40	28	3	16	
Hospitality - Business Hotel	12	38	28	3	19	
Hospitality - Tourist / Resort	1	14	31	32	4	18

### Interest of Investors

Malaysian investors' interest in residential property are considered as relatively consistent over the years, with preference for landed residential units. Foreign investors are believed to likely show consistent preference for condominiums.

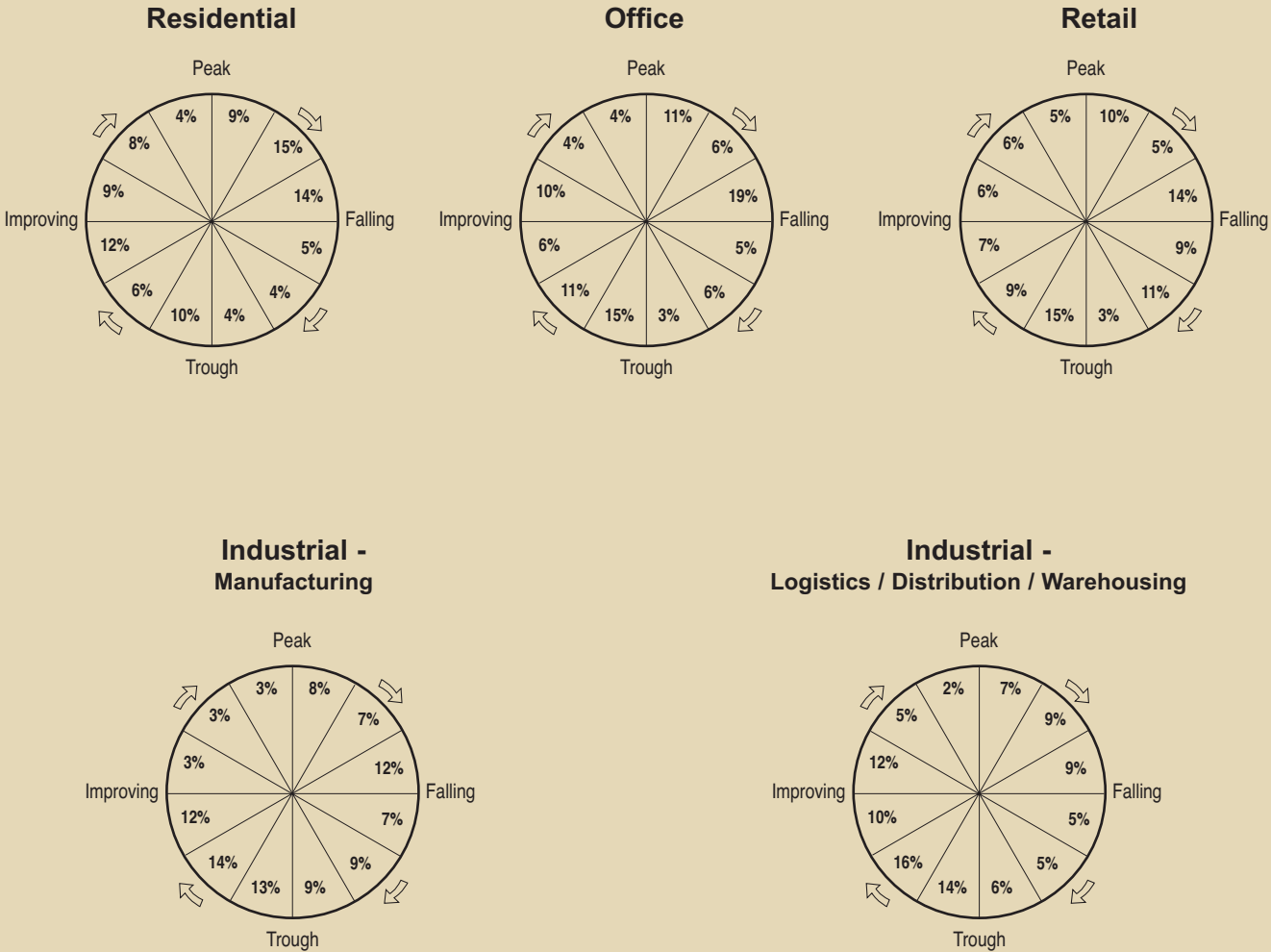
Respondents also believe that foreign interest in factory premises and in industrial land is on the increase.

Chart 8

Category	Malaysian			Foreign		
	'07	'06	'05	'07	'06	'05
Residential - Terraced / Link	1	1	1	9	7	6
Residential - Semidetached / detached	2	2	2	3	4	5
Commercial - Shophouse / Office	3	4	3	6	5	3
Residential - Condominiums / Apartments	4	3	4	1	1	4
Commercial - Retail	5	5	5	5	2	1
Commercial - Purpose Built Office	6	6	6	4	3	2
Industrial - Manufacturing Premises	7	7	-	2	6	-
Industrial Land	8	9	-	7	9	-
Industrial - Logistics/Dist/Warehousing	9	8	-	8	8	-

Scale of 1 - 9 : 1 - the most sought after 9 - the least preferred

**expected property cycles in 2007**



**DISCLAIMER**

This report is the culmination of an annual survey conducted by C H Williams Talhar & Wong (WTW). The views stated herein is that of public and private voices (all property related) and their opinion on the prevailing property market conditions and their expectations for the year 2007. The information herein cannot form part of an offer or contract. All views are that of the respondents of a survey and should not be construed as WTW professional advise or opinion. Every reasonable care has been taken in providing this information and WTW cannot be held responsible for any inaccuracies. No part of this report can be reproduced in other publications without the prior permission of WTW.



## C H Williams Talhar & Wong

### C H Williams Talhar & Wong Sdn Bhd (18149-U)

Kuala Lumpur	kualalumpur@wtw.com.my	603 2693 8888
Georgetown, Penang	penang@wtw.com.my	604 263 3377
Petaling Jaya	petalingjaya@wtw.com.my	603 7956 9211
Johor Bahru	johorbahru@wtw.com.my	607 224 3388
Kuantan	kuantan@wtw.com.my	609 515 0000
Seremban	seremban@wtw.com.my	606 763 7373
Malacca	malacca@wtw.com.my	606 281 2288
Butterworth	butterworth@wtw.com.my	604 398 1188
Batu Pahat	batupahat@wtw.com.my	607 434 6122
Alor Star	alorstar@wtw.com.my	604 730 3300
Ipoh	ipoh@wtw.com.my	605 241 0611
Kuala Terengganu	kualaterengganu@wtw.com.my	609 626 2760
Kota Bharu	kotabharu@wtw.com.my	609 748 7070

### C H Williams Talhar & Wong (Sabah) Sdn Bhd (34874-P)

Kota Kinabalu	kotakinabalu@wtw.com.my	6088 248 801
Sandakan	sandakan@wtw.com.my	6089 217 025
Tawau	tawau@wtw.com.my	6089 774 349
Lahad Datu	lahaddatu@wtw.com.my	6089 882 393
Labuan	labuan@wtw.com.my	6087 416 341

### C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T)

Kuching	kuching@wtwy.com	6082 246 262
Sibu	sibu@wtwy.com	6084 319 396
Miri	miri@wtwy.com	6085 432 821
Bintulu	bintulu@wtwy.com	6086 335 531

### C H Williams Talhar & Wong (Brunei) Sdn Bhd

Bandar Seri Begawan	brunei@wtw.com.my	673 228 050
---------------------	-------------------	-------------

### WTW Bovis Sdn Bhd (305506-K)

Kuala Lumpur	wtwb@ap.bovislendlease.com	603 2163 4511
--------------	----------------------------	---------------