CHAPTER TWO

AN OVERVIEW OF THE ECONOMY

2.0 The Malaysian Economy: An Overview

The Malaysian economy has undergone rapid structural changes since independence in 1957. In the early days, rubber and tin were the main source of foreign exchange. Since the price of these commodities is unstable, the government introduced various policies to reduce the dependency on these products as main export earners.

As a result, the government has diversified the economy by moving towards industrialisation. Firstly, the government introduced import substitution industrialisation in the late 1950's. To promote such import substituting industries, the government directly and indirectly subsidized the establishments of new factories and protected the domestic market.[1] As a result, many British companies seized this opportunity to consolidate market monopolies by establishing branch plants behind protective tariff barriers.

Therefore, the manufacturing output rose rapidly at an average annual rate of 17.4 per cent

between 1959 and 1968.[2] While its share in Gross National Product rose from 8.5 per cent in 1960 to 12.7 per cent in 1968. This strategy to some extent managed to push up the per capita income, living standards and thus demand for housing especially in the Klang Valley. Furthermore most of the import-substitution industries are located in this region. Apart from that, the employment in the manufacturing sector grew from 6.4 per cent of the labour force in 1957 to 8.4 per cent in 1965 which records a movement from 135 700 to 214 800 workers.[3]

In order to sustain and stimulate the growth, the government introduced the First Malaysia Plan (1MP) in 1966 which covers until 1970. The main objectives of the plan were, firstly to provide steady increases in levels of income and consumption per head.[4] Secondly, to generate employment opportunities at a rate sufficient to productive work for new entrants to the labour force and thus lower the rate of unemployment. It thus appear from the objectives, the main aim is to increase income per head which leads to the improvement of living standards which require housing facilities and basic amenities.

The share of the construction in Gross Domestic Product (GDP) at 1960 constant prices in 1960 was 3 per cent and later in 1965 it jumped to 5 per cent. It is well acknowledged, the importance of this sector to the economy. It was Malaysia's fastest growing industry during that period, with an annual rate of growth of about 18 per cent.[5] The Klang Valley region was the main target due to its strategic location in the heart of Selangor which is linked to the North, South, East and West of Malaysia. Thus Kuala Lumpur and Petaling Jaya experienced rapid growth in the housing sector.

Meanwhile, the Second Malaysia Plan (2MP) which came into practice in 1971 covers until 1975. This is in line with the Outline Perspective Plan I (OPPI) which covers a 20 year period from 1971 to 1990. 2MP's main objectives are, the eradication of poverty by increasing the productivity and income of those in low productivity occupations and restructuring society and economic balance among the region and races in this country.[6]

The Second Malaysia Plan, which is part of OPPI is accompanied by export-oriented industrialisation. This is due to the problems faced by the import substitution industries such as small

domestic market, small population and relatively low average income level. Apart from that, perhaps more importantly, its increasingly skewed distribution of income, and hence of expenditure as well, has shaped the pattern of effective demand, that is, the nature of the domestic market.[7] Jomo argued that "while the average annual growth rate of the manufacturing sector did not rise significantly between 1959 and 1968, real output growth of industries qualifying for pioneer status from the government actually dropped quite dramatically, probably reflecting the inherent limits of import-substituting industrialisation in a small open capitalist economy."[8] The above explanation clearly tells why the government pay more emphasis to export-oriented or export led growth in the early 1970s.

The heavy emphasis on export led growth associated with foreign investment, created huge demand for construction sector to accommodate either the expatriates or the working class people from Klang Valley and later,the ever increasing migrants from other parts of the country. The growing demand for housing particularly in Klang Valley played a vital role in terms of fixed capital formation and increasing the value added resources. The 2MP clearly states that "construction is a key sector because of

its direct involvement in fixed capital formation. It serves every other sector in the economy through creating fixed assets as a basis for generating output, income and employment."[9] Further, it shows that, investments in building and construction grew at an annual average rate of 8.9 per cent and the value added at 9.4 per cent.[10] In the 1960s the value added in West Malaysia increased at an annual average rate of 8.2 per cent.[11]

During the Third Malaysia Plan (1976-1980), the construction sector-performed very well. This can be attributed to rapid industrialisation and migration to the Klang Valley. From 1971 to 1975, it expanded at an annual average growth rate of 8.1 per cent, with a significant rate of growth at 10.9 per cent in 1973,[12] while the share of value added in GDP was 4.5 per cent in 1973. All these imply a close relationship between the nation's growth and the demand for housing and this is very significant in the Klang Valley.

Under the Third Malaysia Plan, RM2.5 million has been allocated for public housing and staff quarters, a three fold increase over the allocation for the Second Malaysia Plan (1971-1975). This allocation was raised to RM3.4 billion under the Fourth Malaysia Plan (1981-1985). It is very clear

that, the huge allocation for public housing would have a greater effect on the inputs for the housing sector such as steel, cement, wood and labour force. As a result, the share of the construction sector out of GDP rose from 4.5 per cent or RM1,185 million in 1980 to 4.8 per cent or RM1,824 million in 1985.[13]

In the early 1980s, the country paid more attention to heavy industrialisation such as in the steel, cement and car industries. The first car industry in Malaysia was located in the Klang Valley. As a result, a greater multiplier effect emerged and stimulated growth in the construction sector and notably in the housing industry. In 1986, the government came up with the Fifth Malaysia Plan which will last until 1990. This Fifth Malaysian Plan (1986-1990) had the same objectives which were directed towards greater economic growth and structural transformation.

Due to the economic slow down in the mid 1980's,the construction sector's growth was affected. In fact, the construction sector's growth fell by 8.4 per cent in 1985, 14.0 per cent in 1986 and 11.8 per cent in 1987[14]. Later, the economy picked up slowly and this directly stimulated the construction sector where in 1989 and 1990 its growth rate was 11.6 per cent and 15.0 per cent respectively. In terms of

value, it rose from RM2,133 million in 1988 to RM3,689 million in 1992 or 13.5 per cent growth compared to negative growth in the mid 1980s.[15]

After the Fifth Malaysia Plan which ends in 1990 and New Economic Policy (NEP) or Outline Perspective Plan I (OPPI) which comes to an end, the government launched a 10 year plan called Outline Perspective Plan II (OPP II) which started in 1991 The OPPII will operate along the Sixth Malaysia Plan (1991-95) and National Development Plan (NDP). During this period, the construction-sector is expected to grow at a faster rate and contribute more towards fixed capital formation and fulfilling the need for housing in Malaysia and particularly in urban areas such as the Klang Valley. In the three decades since achieving independence in 1957, the Malaysian economy has undergone significant transformation and rapid growth. Table 2.1 shows, the economic performance of Malaysia in terms of Gross Domestic Product (GDP).

As we can see on Table 2.1, the gross domestic product (GDP) of the Malaysian economy grew by an average of 4.1 per cent per annum during the

TABLE 2.1

GDP ANNUAL GROWTH RATES, 1956-1992 (GDP IN CONSTANT PRICES (SHOWN AS PERCENTAGES)

Period	1956-60[a]	1961-65[a]	1966-70	1971-75	1976-80	1981-85	1986-90	1991-95
Year	(1960=100)	(1965=100)	(1965=100)	(1970=100)	(1970=100)	(1978=100)	(1978=100)	(1978=100)
First	2.9	1.4	6.2	6.5	11.6	6.9	1.2	8.7
2nd	2.5	6.9	1.0	9.4	7.8	5.6	5.2	8.5
3rd	0.5	5.5	4.2	11.7	6.7	8.3	8.7	8.0*
4th	4.5	5.8	10.4	8.3	9.3	7.6	8.8	-
5th	9.9	5.6	5.0	0.8	7.8	-1.0	9.8	-
Average	4.1	5.0	5.4	7.3	8.6	5.1	6.74	8.4

Note: [a]refers to Peninsular Malaysia

*Estimation

Source: Bank Negara Malaysia, Money & Banking in Malaysia, Table 1.1; Malaysia, Fifth Malaysia Plan, 1986-1990, Table 2-1; BNM, Annual Report 1988, Table 1.1; Economic Report 1985-89, 89/90, 90/91, 91/92, 92/93.

period 1956-1960, and by 5.0 per cent during the period 1961-65. Later, the Malaysian economy recorded a growth rate of 5.4 per cent and 7.3 per cent per annum during 1966-1970 and 1971-1975 respectively. The Malaysian economy performed better in 1976-80 where GDP growth rate was 8.6 per cent per annum followed by a decline to 5.1 per cent per annum in

1981-85 and again picking up to 6.7 per cent per annum in 1986-90 and finally 8.4 per cent per annum between 1991 and 1993. (See Table 2.1).

Malaysia's GDP grew from RM5.7 billion in 1960 to RM7.0 billion in 1965, while Malaysia's GDP (in constant 1970 prices, grew from RM12. 3 billion in 1970 to RM17.4 billion in 1975, RM27 billion in 1980, RM46.0 billion in 1988, RM79.15 billion in 1990, RM93.62 billion in 1992 and expected to reach RM101.08 billion in 1993. (See Table 2.2). Notably, the real GDP growth rate declined in the early 1980s, before picking up in 1984 to an average of 7.3 per cent per annum for 1979-84 and then actually contracting by 1.0 per cent in 1985, growing by 1.2 per cent in 1986, 5.2 per cent in 1987, 8.1 per cent in 1988, 8.8 per cent in 1989, increasing to 9.8 per cent in 1990 and then slowing down to 8.7 per cent in 1991 and 8.5 per cent in 1992. This picture is depicted in Table 2.2. In 1993, the GDP is expected to shrink down to 8 per cent with the value of RM101,084 million.

TABLE 2.2

GROSS DOMESTIC PRODUCT (GDP) AND GROWTH RATE (MILLON RINGGIT), 1980-1993

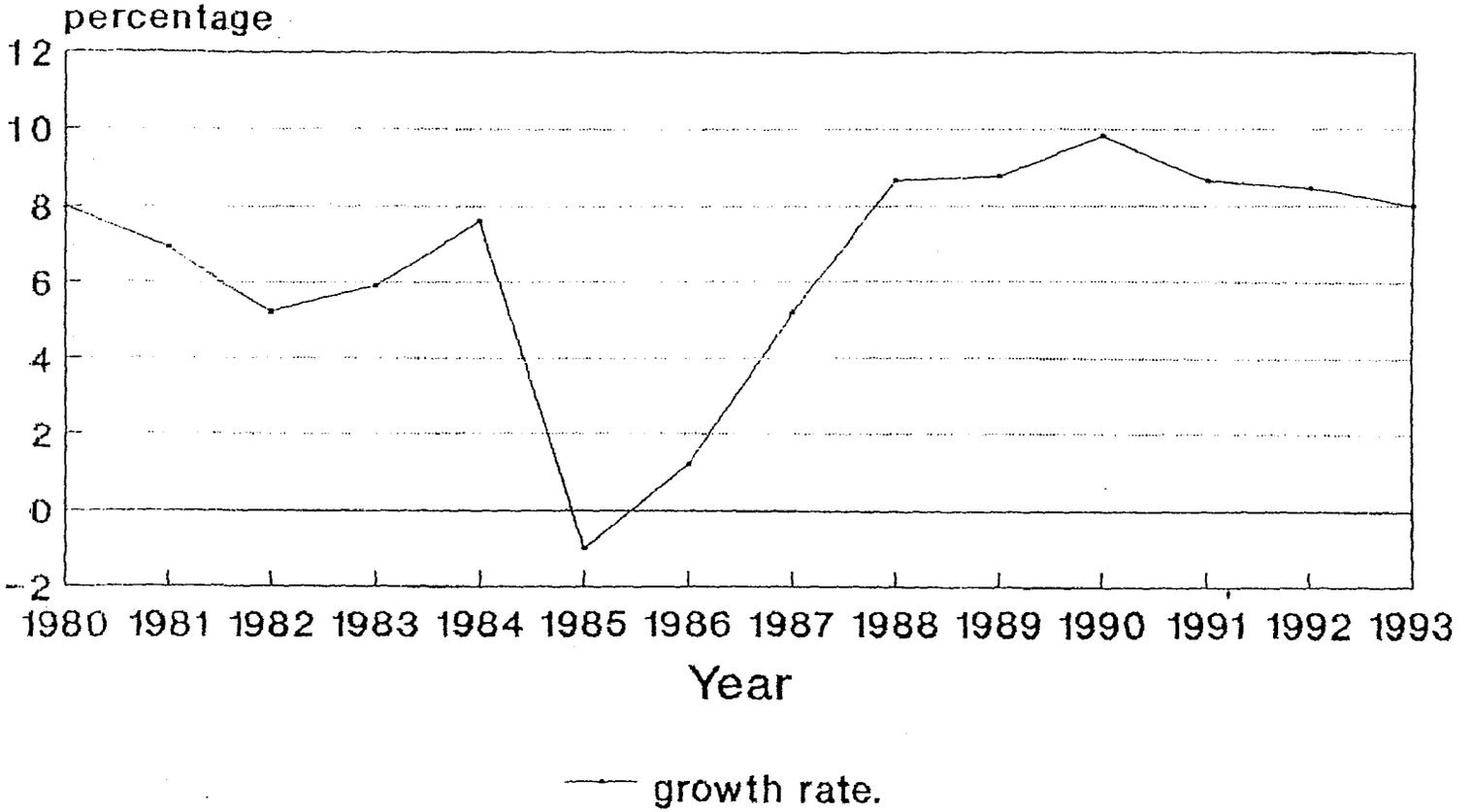
Period	Value of GDP in RM million	Growth Rate (%)
1980	26,118	8.0
1981	28,038	6.9
1982	29,553	5.2
1983	31,442	5.9
1984	57,706	7.6
1985	57,150	-1.0
1986	57,859	1.2
1987	60,846	5.2
1988	66,258	8.7
1989	72,134	8.8
1990	79,555	9.8
1991	86,302	8.7
1992	93,624	8.5
1993*	101,084	8.0

Note: *Estimation

1980-83, GDP at constant 1970 prices.
1984-1993, GDP at constant 1978 prices.

Source: Ministry of Finance, Economic Report, Various Issues, National Printing Department, Kuala Lumpur.

Figure2.0
Malaysia: GDP Growth Rate From 1980 To 1993.



Note:1993 - estimated rate
Source:Bank Negara Malaysia Reports, Various Issues.

A unique feature of the Malaysian experience in economic development since independence is that, rapid economic growth was achieved with financial or monetary stability, particularly before 1972.[16] As a result, the real income of the majority of Malaysians improved significantly. The general lack of inflation has been the result of the maintenance of an open economy, liberal imports, and the general absence of deficit financing of government by the monetary system.[17] This increases real income, directly reflected, in the increase in purchasing power for housing.

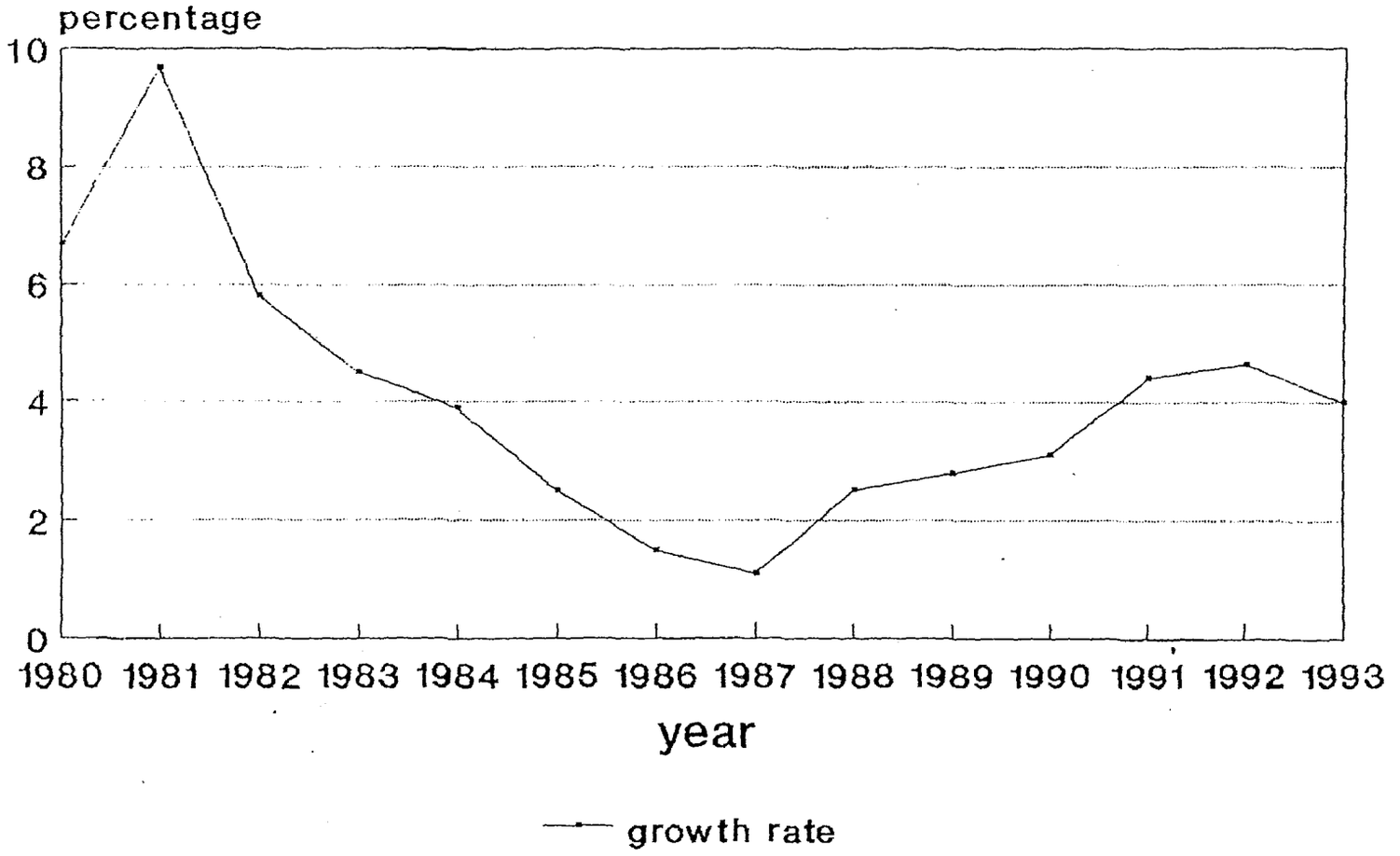
TABLE 2.3

INFLATION TRENDS IN MALAYSIA[1], 1956-1993

Year	1956-60	1961-65	1966-70	1971-75	1976-80	1981-85	1986-90	1991-93
1	1.0	-0.2	1.4	1.6	2.6	9.7	1.5	4.4
2	5.1	0.1	4.1	3.2	4.8	5.8	1.1	4.6
3	-1.0	3.1	-0.2	10.5	4.9	4.5	2.5	4.0*
4	-2.9	-0.4	-0.4	17.4	3.6	3.9	2.8	-
5	-0.2	-0.1	1.9	4.5	6.7	2.5	3.1	-
Average	-0.4	0.5	1.4	7.4	4.5	5.3	2.2	4.3
Average Annual Growth Rate (%)								

Note: * Estimates
1 For 1956-66, 1959 =100; 1968-80, 1967=100; and 1981-83, 1980=100. For Peninsular Malaysia only.
Source: BNM, Money & Banking, 1984, p. 23; Economic Report, Various Issues

Figure 2.1
Inflation Trends In Malaysia,1980-1993.



Note:1993~ estimated figures.
Source:Economic Reports,1979~1992.

The price performance since the mid-1950s is presented in Table 2.3. For the period 1956-60, the rate of growth of consumer prices in Peninsular Malaysia averaged only 0.4 per cent per annum. In 1961-65, it was around 0.6 per cent per annum. In 1966-1970 it started to move up to 1.4 per cent per annum and then in the early 1970's that is from 1971-75, it reached a critical stage where it recorded 7.4 per cent per annum. Later, during 76-80 it went down to 4.5 per cent per annum and in the early 80's during 1981-85 it went up again to 5.3 per cent per annum. During 1986-1990, the growth rate was the lowest since the 1966-70 period, which was 2.2 per cent per annum. This trend slowly changed in the early 90's where prices started to move up again due to an overheated economy.

In terms of yearly growth, the highest inflation rate was in 1973 and 1974. In 1973 it was 10.5 per cent while in 1974 it was 17.4 per cent. (See Table 2.3). This was due to the freeing of the exchange rate in mid-1973, which resulted in a significant revaluation of the ringgit. However, this was not sufficient to offset the impact of the massive bout of world inflation in the early 1970's.[18] Since then, it has been around 2 to 5 per cent per annum except for the late 1970's and early 1980's. It was

slightly higher in 1980 where it closed to 6.7 per cent and reached a critical stage in 1981 where it was 9.7 per cent and in 1982 it went down to 5.8 per cent. Since then, the inflation rate tended to move downwards from 4.5 per cent in 1983, 3.9 per cent in 1984, 2.5 per cent in 1985, 1.5 per cent in 1986 to 1.1 per cent in 1987. Since 1987, the economy improved tremendously with a GDP growth of more than 6 per cent per annum. As a result, the inflation rate started to move upwards from 2.5 per cent in 1988 to 2.8 per cent in 1989, 3.1 per cent in 1990, 4.4 per cent in 1991, 4.6 per cent in 1992 and expected to be 4.0 per cent in 1993. The change in inflation and GDP will directly influence the property value in the Klang Valley. It can be either in the value or rental returns of the particular property.

The housing sector, is always exposed to the overall economic performance. Since 1957, various five year policies have been introduced by the government. This includes the New Economic Policy and Outline Perspective Plan I (OPPI). The main targets of these policies are to maintain economic growth and reduce the uncertainties from external economies. The government realised that agricultural or primary products are exposed to the risk of uncertainties in the world market. To overcome these porblems, the

government paid more attention to secondary and tertiary sectors. These two sectors are found to be more reliable and less exposed to the world market situations.

The secondary sector consists of manufacturing and construction. Tertiary sector consists of transport, communications, storage, finance, insurance, real estate, business services, government services, ownership of dwellings, electricity, gas, water and other services. As we can see, the housing sector is directly involved in both the secondary and the tertiary sectors. For example, under the construction sector, the housing sector has a greater influence compared to the commercial and industrial sectors. Moreover, in the tertiary sector, housing plays an important role especially in the finance, insurance, business servicing, communication, transport, gas, water, electricity and government services.

As we can see from Table 2.4, during the 1970s and 1980s, the secondary sector (manufacturing and construction), grew much faster than the primary sector, with the tertiary sector more or less keeping pace with overall GDP growth. During 1961-70, the primary sector's growth averaged 6.2 per cent

compared to 12.2 per cent in the secondary sector and 8.2 per cent in the tertiary sector. In the following decade, the average growth rates were 7.2 per cent, 12.4 per cent and 7.8 per cent respectively.[19] However, in the 1980's, growth in all three sectors had fallen, averaging 4-5 per cent in all sectors during 1981-86.

TABLE 2.4

GROSS DOMESTIC PRODUCT (GDP) BY SECTOR, 1960-1985 (IN RINGGIT MALAYSIA) (MILLIONS)

Sector	1960	1965	1970	1975	1980	1985
Primary	2501	2838	4575	5596	9155	11261
% share of GDP	(43.7)	(40.4)	(37.2)	(32.2)	(32.8)	(30.4)
Secondary	670	1018	2125	3504	6861	8986
GDP	(11.7)	(14.5)	(17.3)	(20.2)	(24.6)	(24.3)
Tertiary	2552	3163	5152	7811	11,2126	16305
GDP	44.6	45.1	41.9	45.0	39.9	44.0
GDP	5723	7019	12308	17365	27885	37019

Sources: FMP, 1966, p. 37, Table 2.11; SMP, 1971, p. 31, Table 3.5; FMP, 1976, p. 11. Table 2.1, FMP, 1986, p. 46, Table 2.2; MOF, Economic report 86/87, Statistical Appendix 2.2; BNM, Annual Report 1988, Table 1.2, p. 1.

Due to the government policies, the sectoral performance changed considerably in the 1970's and

1980's. The structural transformation of the Malaysian economy is reflected in the changing sectoral shares of the GDP. The primary sector's share reduced from 44 per cent of the Malayan (Malaysia) GDP in 1960 to 40 per cent in 1965, 37 per cent in 1970, 32 per cent in 1975, 33 per cent in 1980, and to 31 per cent in 1988.

On the other hand, the secondary sector's share had risen from 12 per cent of the Malayan (Malaysia) GDP in 1960 to 15 per cent in 1965, 17 per cent in 1970, 20 per cent in 1975, 25 per cent in 1980 and 27 per cent in 1988. Meanwhile, the tertiary sector's share had fluctuated around 45 per cent of the Malayan GDP in 1960 and 1965, and varied from 42 per cent of the Malaysian GDP in 1970 to 45 per cent in 1975, 40 per cent in 1980, and 42 per cent in 1988. The rapid increase in the secondary and tertiary sector shares of the GDP to some extent can be attributed to the development in the housing industry and its influence on the other sectors of the economy. These influences are greater in the Klang Valley due to its rapid urbanisation compared to other regions in the country.

2.1 A Brief Study Of The Construction Sector In Malaysia

In this section, the study will basically focus on the construction sector's growth in Malaysia from 1970 to 1992 and secondly on the labour force participation in this sector. First, of all let us start with the construction sector's growth in Malaysia. Table 2.5 gives a clear picture of this situation.

Table 2.5, indicates that, the construction sector performed remarkably well during the 1970's and moderately in the early 1980's. However in the mid 1980's its performance was severely affected by the economic recession and property market downturn. From 1971 to 1975, the construction sector grew with an average annual rate of 12.2 per cent where in 1974 it achieved the highest growth rate up to 13.6 per cent per annum. Due to strong economic growth, the performance of this sector was improved during 1976 to 1980, where it attained a 12.7 per cent average annual growth rate.

In 1979 and 1980 it recorded the highest growth rate with 14.0 per cent and 14.2 per cent respectively and this is due to the property market boom at that time. In the early 1980's it

performed around 4 to 9 per cent per annum. In 1985, 1986 and 1987 this sector was severely effected by economic recession and poor performance at the property sector.

TABLE 2.5

Malaysia: Construction Sector's Growth Rates 1970 to 1992 (current value)

Period / Year	1971-75	1976-80	1981-85	1986-90	1991-95
1st.	10.1	11.6	9.0	-14.0	14.6
2nd.	11.2	12.6	10.8	-11.8	13.5
3rd.	12.7	10.5	10.6	2.7	11.0*
4th.	13.6	14.0	4.2	11.6	-
5th.	13.4	14.2	-8.4	15.0	-
Average	12.2	12.7	5.24	0.7	13.0

Note:* Estimation

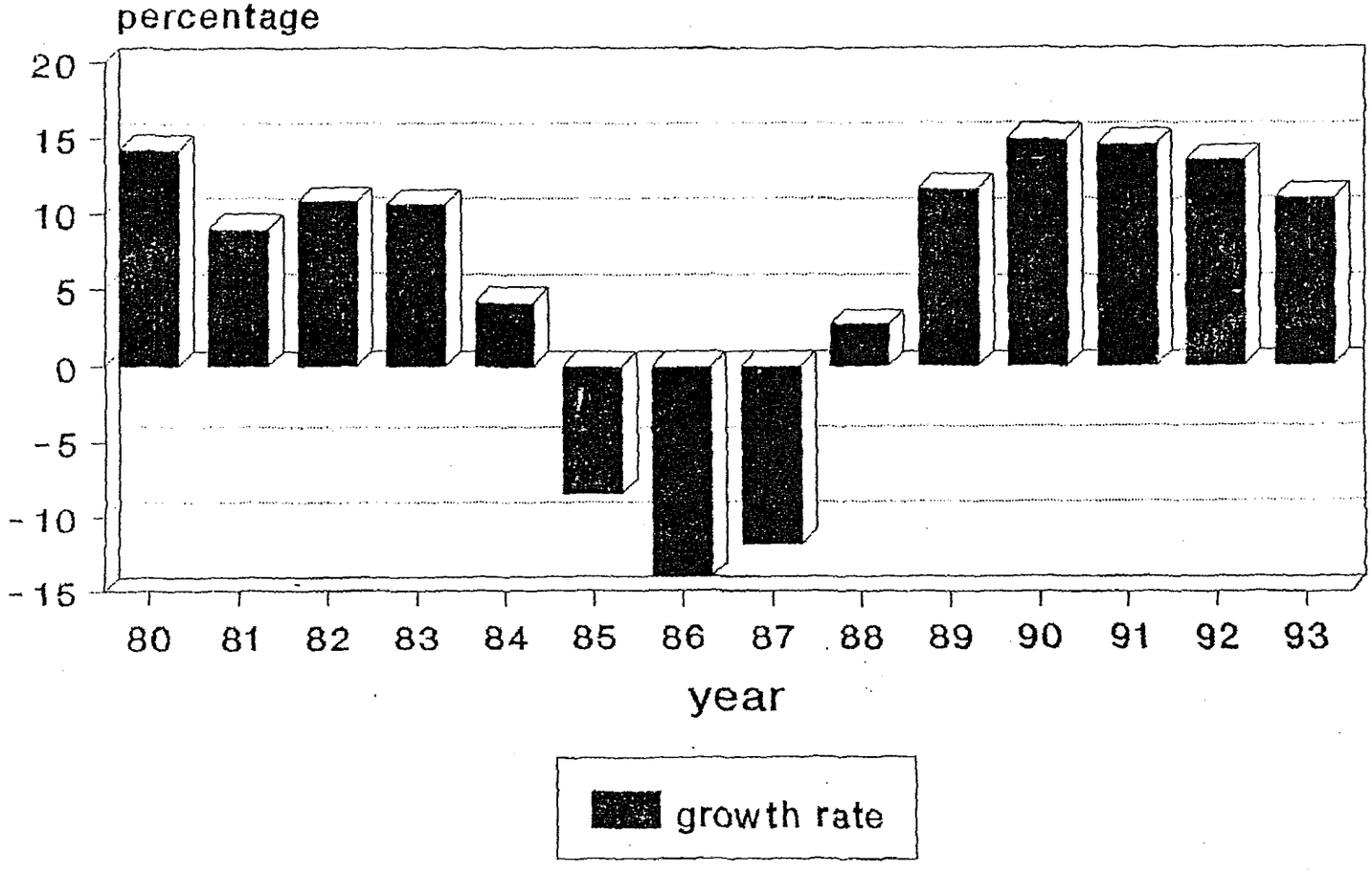
Source: Ministry of Finance, Economic Report, various Issues.

Therefore, in 1985, 1986 and 1987 this sector records negative growth rates of -8.4 per cent, -14.0 per cent and -11.8 per cent respectively. As a result, during 1981-85, it records 5.25 per cent average annual

growth rate which is anytime lower than the previous decade. Then in 1988 its performance improved to 2.7 per cent, 11.6 per cent and 15 per cent in 1989 and 1990 respectively. Therefore, during 1986-90, the construction sector's performance was 0.7 per cent and later picked up during 1991-93 to 13.03 per cent.

In terms of value, to the economy, it contributed RM158 million in 1960, RM269m in 1965 and then went up to RM475m in 1970. In the 1970's, this sector's contribution to the economy increased tremendously. In 1975 it was RM841m and then went up to more than hundred per cent to RM3,474m in 1980. This figure continued to climb up to RM2,988m in 1984. As a result of the economic downturn in 1986, its contribution decreased to RM2,355m. After the economic recovery, the construction sector recovered as well and performed better in the late 1980's and early 1990's. In 1987 it went up to RM2,077m and in 1992 it was RM3,689m. This figure is expected to increase up to RM4,095m in 1993. In future, this figure is expected to grow at a faster rate due to a steady and stable economic and property market growth. Overall, the construction sectors's contribution is expected to increase from RM475m in 1970, RM2,785m in 1990 to RM5,470m by the year 2000 in terms of GDP in 1978 prices[20].

Figure 2.2
Malaysia:Construction Sector's
Performance,1980-1993.



Note:1993-estimated figures.

The construction sector's share to Gross Domestic Product (GDP) in percentage is expected to increase from 3.8 per cent in 1970 and 3.5 per cent in 1990 to 3.7 per cent by the year 2000.[21] The above figures indicate that, the construction sector has a bright future overall and Klang Valley is obviously expected to benefit most out of it. The long - term prospect for the construction sector and the building industry is bright if the economic targets of Malaysia's vision 2020 to achieve fully developed status is to be met and construction sector is expected to grow at an average of 7.2 per cent per annum.[22]

In terms of employment, the construction sector's share to the total employment was 2.7 per cent in 1970, increased to 5.2 per cent in 1980 and in 1990 it was even higher with up to 6.4 per cent. By the year 2000, this sector is expected to absorb 7.4 per cent of the labour force in this country.[23] Therefore, the contribution of this sector to the whole economy in increasing from time to time.

Table 2.6 indicates that, the employment share of the construction sector from the whole labour force shows an upward trend from 1970 to 1985 except for 1990. In 1970 it was 2.7 per cent, in 1975 it

TABLE 2.6

Malaysia: Labour Participation In The Construction Sector

Year	Employment ('000)	Share (%)
1970	179.8	2.7
1975	203.5	3.9
1980	269.9	5.2
1985	429.4	7.6
1990	426.9	6.4

Sources: Ministry of Finance, Economic Report, 79/80, 80/81, 85/86, 90/91, 91/92.

Outline Perspective Plan 2, National Printing Department, Kuala Lumpur 1991, Table 3-10, p. 90.

increased to 3.9 per cent and then it reached 5.2 per cent in 1980. It reached the highest share in 1985 that is 7.6 per cent before declining to 6.4 per cent in 1990. This is due to the economic slump in the mid 1980's which hampered the construction sectors' growth as well as employment creation.

Therefore, overall the previous analysis shows that the construction sector plays a big role in terms of job creation, raising the income level

and of course providing shelter for the people. This trend is expected to continue in the near future based on the growing need for new homes and infrastructure facilities. This is more serious in the Klang Valley where local people have to compete with foreigners to own a house.

2.2 Background of the Study Area

The Klang Valley consists of five divisions.

It includes the Federal Territory of Kuala Lumpur , the Petaling, Gombak, Klang, and finally the Hulu Langat District. This covers a total land area of approximately 423.6 Square Kilometres (284,342 hectares) and a 1990 population of 2.78 million (18 per cent of the nation's).[24]

Federal Territory comprises Bangsar, Ampang, Cheras, Damansara Utama, Damansara Jaya, Damansara Heights, Sentul, Setapak, Bukit Tunku, Pantai Dalam, Taman Tun Dr. Ismail and others. While Gombak District consists of Batu, Rawang, Setapak and Ulu Kelang. Klang District includes Kapar, Klang and Bandar Klang itself.

Next to Kuala Lumpur is Petaling District which covers Damansara, Petaling, Sungai Buloh and Bandar Petaling Jaya. And finally the Hulu Langat District which comprises of Ampang, Cheras, Beranang, Kajang, Semenyih, Ulu Langat and Ulu Semenyih.

TABLE 2.7

LIVING QUARTERS, HOUSEHOLD AND POPULATION, 1980 AND 1991

Administrative District	1980			1991		
	Living quarters	Household	Population	Living quarters	House hold	Population
Federal Territory (Kuala Lumpur)	169,776	188,969	919,610	265,487	246,024	1,145,075
Petaling	76,185	75,769	360,056	148,006	132,969	633,144
Klang	50,985	48,442	279,349	84,913	78,181	406,832
Gombak	35,545	31,743	166,059	82,317	73,341	352,906
Hulu Langat	36,382	32,264	177,877	109,730	87,666	410,491
Total	368,873	377,187	1,902,951	690,543	618,181	2,948,448

Source: Department of Statistics, Population And Housing Census of Malaysia, 1991, Preliminary Count Report For Local Authoority Areas, Kuala Lumpur, 1993.

Table 2.7 depicts that, the Kuala Lumpur, Petaling and Hulu Langat districts are major growth areas in the Klang Valley. In Kuala Lumpur the number of living quaters increased from 169,776 in 1980 to 265,487 in 1991 which records 56 per cent growth. This can be attributed to the massive urbanisation in the city which coupled with migration and natural population growth. Moreover, the city is slowly transformed into an international trade, communication, transportation, finance and education centre. All these factors create huge demand for the housing supply which stimulated property market growth.

While Petaling records an increase of 71,821 living quarters from 1980 to 1991 or 94 per cent growth. Massive development in Subang Jaya, Shah Alam, Batu Tiga coupled with the Damansara area obviously increased the demand for the living quarters. Major highways, railways and airways are located in the Petaling District. Therefore, Petaling District has transformed from a basic indusrtrial centre, towards international industrial, finance, real estate and transportation centre. On top of that, the introduction of the International Islamic University, as well as other private institutions boost the growth around this area.

Therefore, the need for housing is always increasing either from students, expatriates or working class people.

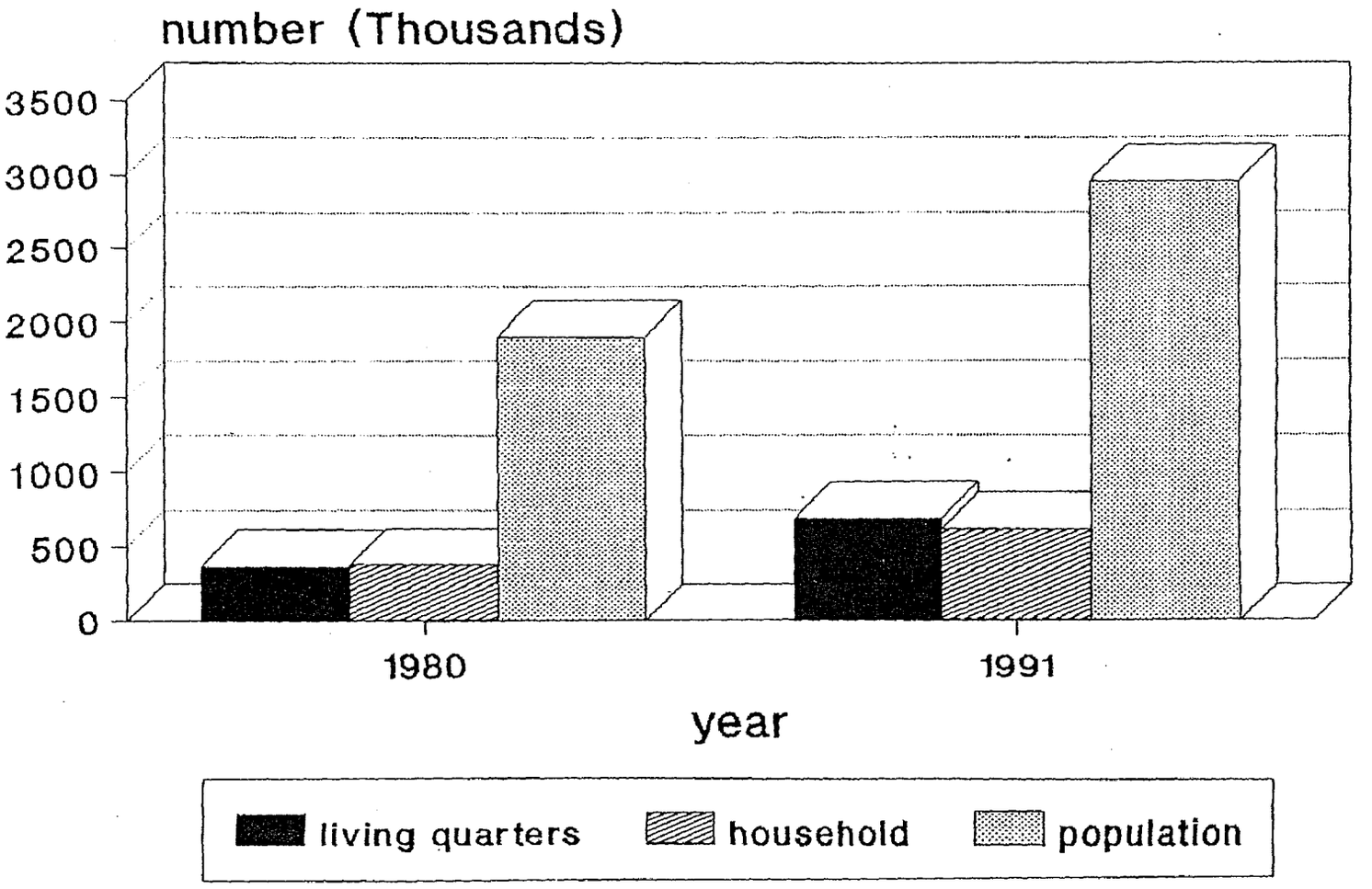
To the South of Kuala Lumpur, the new township, was created in the early 1970's. The creation of the National University of Malaysia (UKM Bangi) and the Agricultural University of Malaysia (UPM Serdang) are the main factors which transformed this place into a mega residential area. The population in Hulu Langat increased from 177,877 in 1980 to 410,491 in 1991. As a result, the need for living quarters has obviously increased tremendously. In addition, the creation of the Bangi Industrial Estate along the Kuala Lumpur-Seremban Highway which links to the South obviously boosts the growth in this district. Thus, the living quarters increased from 34,382 in 1980 to 109,730 in 1991. This growth is above the growth of other districts in the Klang Valley.

In 1970, the Klang Valley population was only 1.27 million, but it increased to 1.91 million in 1980 and in 1991 it reached 2.95 million. Table 2.7 shows that, the number of living quarters in 1980 was 368,873 and it increased tremendously to 690,453 which shows 100 per cent growth. It clearly depicts the

need and demand for housing in this area. In future, the demand is expected to increase further to meet the population growth. The city of Kuala Lumpur, has slowly developed into an administrative capital, major transport centre, principal commercial, industrial, educational, cultural and tourist centre. According to the Regional Perspective Plan (RPP), with the population increase at 2.1 per cent, Malaysia is expected to have 18.1 million people in the Peninsular by the end of the decade, which implies that, urban population proportion will increase from the current 44 per cent to 60 per cent at the end of the decade.[25]

As a result of massive urbanisation in the Klang Valley, principal problems would arise. This includes competition for land, shortage of living quarters and phenomenal population growth, long and inconvenient journeys to work including extremely bad traffic and parking conditions, scarcity of housing finance, health hazards, particularly due to the absence of a proper sewage system and inadequate infrastructure and environmental neglect. All these will lead to shortage of land for residential purpose in which land prices will increase tremendously. As a result, the suppliers, in order to maximise their profit will only undertake luxury projects which will

Figure 2.3
Klang Valley:Living Quarters,Household
And Population.



Source:Department of Statistics.

deprive the lower income group. It is against such a back-drop that this study is cast, dealing with perhaps the most serious problem: shortage of adequate quality housing within prices, households can afford.

The city of Kuala Lumpur has become the largest metropolis in the Klang Valley and also Malaysia. The rapid urban growth which the country has been experiencing is well manifested by Kuala Lumpur, the major parts of which are the product of modern economic, social and political forces in interaction with traditional culture. While the "heart" of Kuala Lumpur is several centuries old, the metropolitan complexes and modern sectors are products of the past hundred years and particularly of rapid growth since Malaysia attained independence on the 31st of August, 1957. The Klang Valley region experienced spectacular growth since 1970 after the implementation of the New Economic Policy (1970-1990). Therefore, housing will always remain as an interesting issue to study.

2.3 The Land and the Structure

The Klang Valley area has been defined as to include, firstly, the City and Federal Territory of Kuala Lumpur, the boundaries of which coincide.

Secondly, the urban areas including the suburban districts which are parts of Selangor Darul Ehsan. The region is highly structured by its topography, which has largely determined the pattern of settlements and routes. The main study area is the catchment of the River Klang, whose headstrands fall steeply from West Malaysia's main North-South mountain ranges. The state boundary between Selangor and Pahang follows the crest of the ridge, which is crossed by Federal Route II to Kuantan and the east coast states.[26]

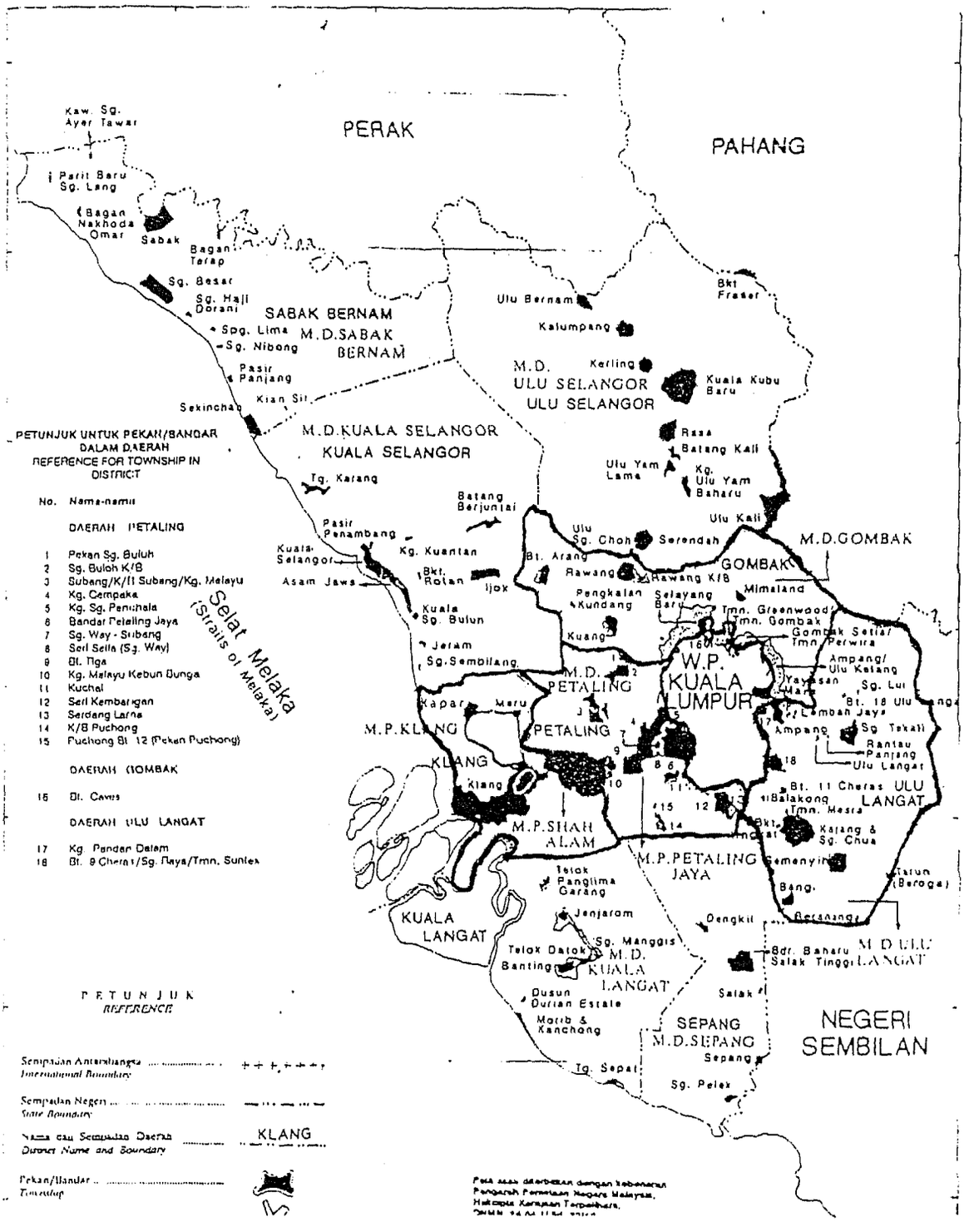
While on the west of the city, the Klang River meanders across a widening plain mostly no more than 50 feet above sea level.[27] Then, the Federal Highway links the city to Petaling Jaya, Subang Jaya, Shah Alam, Klang and finally to Port Klang. To the east, the Karak Highway links the city to Pahang and other two states in the east coast. On the other hand, towards the South, the Kuala Lumpur - Seremban Highway links the city to Kajang, Bandar Baru Bangi, Nilai, Seremban, Malacca, Johor and finally to Singapore. The North-South Highway, links the city to Selayang, Rawang, Tanjung Malim, Ipoh, Penang, Kedah, Perlis and finally to Thailand.

Figure 2.4, depicts the location of the Klang Valley in Malaysia, while figure 2.5 explains the infrastructure pattern of the Klang Valley and how it is linked to other parts of Malaysia.

Hence, we can conclude that the location of Klang Valley is in such a way that it is linked to various parts of the country. It is located in their heart of Peninsular Malaysia and also Selangor. The Klang Valley is well connected with other parts of Peninsular Malaysia either by road, rail, sea or air networks.

FIGURE 2.4

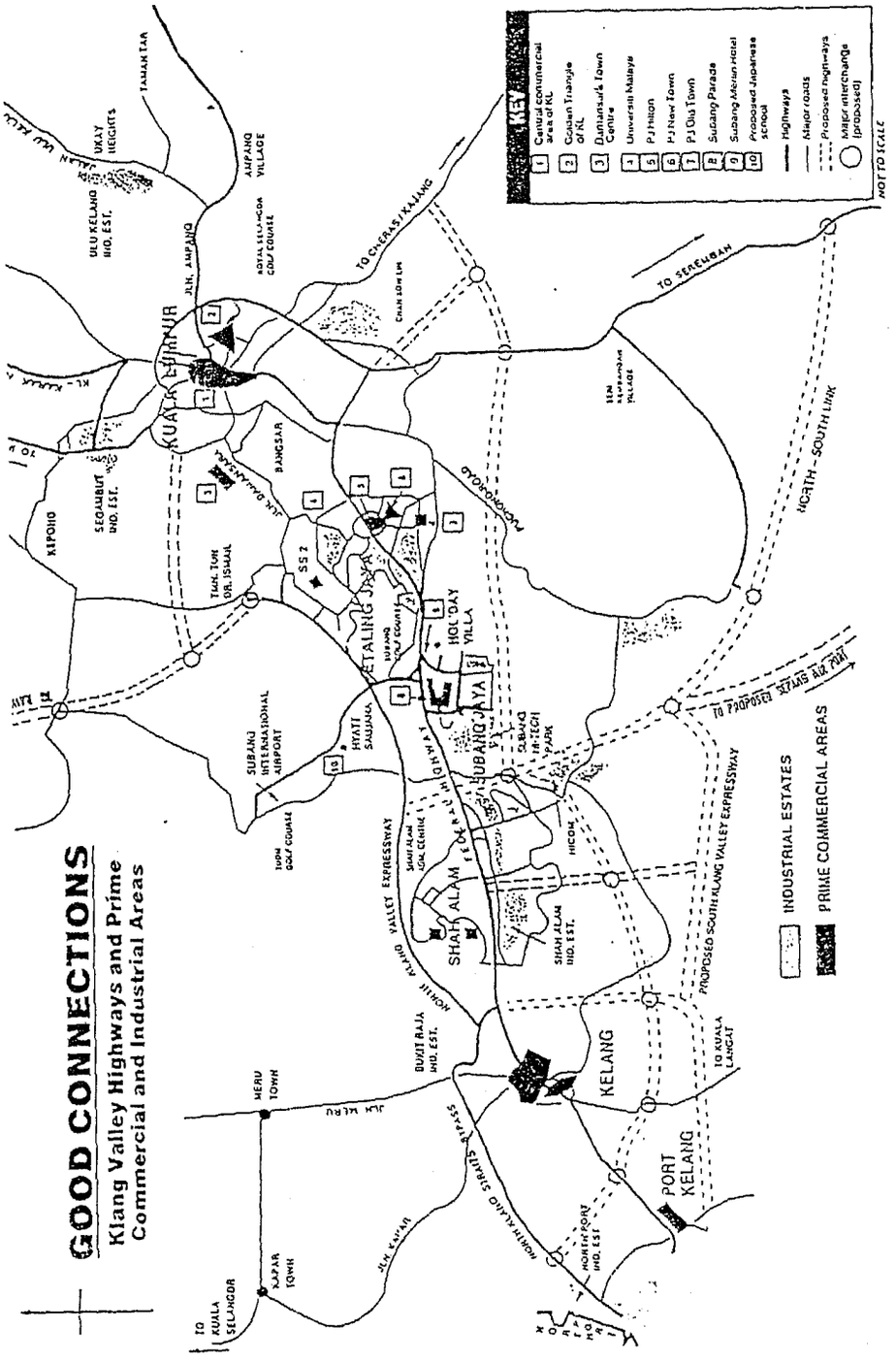
LOCATION AND PHYSICAL EXTENT OF THE KLANG VALLEY



Source: Department of Statistics, Malaysia, 1992.

FIGURE 2.5

MAP SHOWING INFRASTRUCTURE PATTERN IN THE KLANG VALLEY



Source: Department of Statistics, 1992.

2.4 The People

The Klang Valley is racially mixed, with the Chinese making up 49 per cent of the population, Malays 34 per cent, Indians 16 per cent, and others 1 per cent.[28] In Kuala Lumpur, the proportions are: Chinese 55 per cent, Malays 25 per cent, Indians 19 per cent, others 1 per cent.[29] Between 1957 and 1970 the Malay population in the city more than doubled while the Chinese increased by only a fifth.

The Kuala Lumpur population increased from 648,276 people in 1970 to 919,610 people in 1980 and in 1991 it reached 1,145,075 people. This reflects average annual population growth by 3.50 per cent and 1.99 per cent respectively between 1970 - 1980 and 1980 to 1991[30]. As a result, population density per square kilometer increased from 2,668 to 3,784 and then 4,712 between 1970, 1980 and 1991.[31]

For the whole of Klang Valley, based on the 1991 census, the outer periphery of the national capital registered a substantial increase in population with an average annual growth rate of 4.3 per cent. On the other hand, the inner areas experienced only 1.99 per cent compared to the national level which is 2.64 per cent between 1980 - 1991.

According to the Klang Valley regional planning and development study, "of the total labour force of 431,000 in 1970, some 62 per cent were in service sector, 19 per cent in manufacturing, 5 per cent in construction, 12 per cent in agriculture, and 2 per cent in mining". This pattern slowly changed due to rapid industrialisation in the Klang Valley from 1970 onwards. In 1991, service and manufacturing sector absorbed more labour force compared to others.

And these tendencies are likely to continue in the 1990's given the current policies and continuing economic growth. Among the major infrastructural projects include the West Port Development Project in Port Klang, the New International Airport in Sepang, the Second National Car project in Serendah, and the New Economic Development Zones such as between Port Klang, Kuala Lumpur and Tanjung Malim.

At present, residential areas reflect the multi racial society with new townships paying more emphasis onto the society's unification. But in the early 1970's most of the residential areas tend to be racially segregated, which imply economic and cultural differences. Nowadays the Malays, Chinese and

Indians are neighbours and are beginning to mix in social and recreational activities as well as at work.

So, the increase in population, directly influences the demand for housing. In considering housing requirements, one needs to make an important distinction between urban and rural areas. But when an urban area is concerned, as in the case of Klang Valley, the migration component becomes dominant. Migration is an important component in the size and distribution of population within a country, the most notable being the rural-urban drift. The effect is that areas of emigration may be left with an excess of housing units while receiving areas, for example Kuala Lumpur, is faced with the problem of trying to house the inflow of new residents. As a result, house prices increase tremendously due to escalating land prices. These changes have great influence on rentals, investments and speculations.

The Klang Valley study reveals that, population growth can be divided into three groups. First, natural increase; second, nett migration into the Klang Valley from the rest of the country; and third, natural increase of the migrants. In addition, it shows that the nett migration to the Klang Valley

between 1970 and 1980 was 240,000 or 24,000 a year in average. From 1980 to 1990 the nett migration was 290,000 or 29,000 a year. It thus appear that the nett migration would account for 38 per cent of the total population growth, and nett migration plus its natural increase of 49 per cent.[32]

Among the Malays, Chinese and Indians the Malay migrants constitute a greater proportion. In *1970-75 they formed 42.5 per cent of the migrants. 45.0 per cent in 1975 - 1980, 47.5 per cent in 1980 - 85 and 50.0 per cent in 1980 - 90.[33] As a result, the Malay population's proportion would increase faster than any other in the Klang Valley. The Malay population in the Klang Valley increased from 28 per cent in 1970 to 31 per cent in 1980 and to 34 per cent in 1990.[34] This can be attributed to higher fertility rates and an ever increasing proportion of migrants. The Chinese proportion decreased from 53 per cent to 51 and 49 per cent in 1970, 1980 and 1990 rerspectively. The Indian proportion also dropped from 18 per cent to 17 and 16 per cent in 1970, 1980 and 1990 respectively in the Klang Valley. *(See Table 2.8).

TABLE 2.8

KLANG VALLEY POPULATION STRUCTURE FROM 1970 TO 1990

Year	Malays (%)	Chinese (%)	Indians (%)	Other (%)
1970	28	53	18	1
1980	31	51	17	1
1990	34	49	16	1

Source: Department of Statistics, Kuala Lumpur, Various Publications.

Presently, the Klang Valley population is very well educated, well equipped with industrial skills, business skills and others. Employmentwise, more women are now employed in either factories, banks or as civil servants. Almost half of the Klang Valley population is between the ages of 15 to 55 which is a very productive age group. Due to this, the earning capacity always tend to increase which in turn pushes up the need to own a family and a house. As a result, the demand for the various types of houses is always there.

The foreigners have had a great effect on the housing sector since the early 1970's. In the 1980's and 1990's their influence have been greater in terms

of luxury houses or condominiums. Due to rapid industrialisation, more foreigners are encouraged to invest here. This at the end increases the need for housing for expatriates. They bring along their living styles such as condominium living and other luxury living concepts.

At the end of 1990, in Klang Valley alone, 4730 expatriates were living here.[35] They occupied 5350 units, of condominiums which cost around RM1,4018,100m and usually the price range is above RM300,000 due to their earning capacity.[36] As a result, the competition for land will always be higher which in turn will push up the value of land which will later push up the property value. Most of the expatriates are from Singapore, Japan, Taiwan and South Korea.

Apart from that, the local higher income groups, tend to follow the life styles of their foreign counterparts. So, for developers it is an opportunity cost either to invest in low-cost, medium cost or high cost houses. But as evidences show, they always prefer the high cost houses due to the greater profit margin. In future, this situation is expected to continue.

2.5 Klang Valley: An Overview Of The Economy

The behaviour of the housing industry is very closely integrated with the national economy. During economic booms, the housing sector will experience a higher growth rate and during recession or slump it will experience a lower growth rate. Therefore, in order to analyse the housing economy, one at first should analyse the economy of the study area which will give a clearer picture of the past, present and future trends of the economic growth.

Since, the previous part was focussed on the national context, now we direct our attention towards the Klang Valley region.

In the Klang Valley, the nett output grew at an average rate of 7.8 per cent a year between 1970 and 1980. Bewtween 1980-1990, it increased to 9.6 per cent a year.[37] Therefore, between 1970-1990 (twenty year period), nett output grew at an average annual rate of 8.7 per cent. In addition, the region's share of West Malaysia's GDP increased from 24.5 per cent in 1970 to 28.5 per cent in 1980 and further up to 32 per cent in 1990.[38]

Apart from that, employment in the Klang Valley has experienced tremendous growth since the 1970s. In 1970, the total number of people employed were 403,6000 and it increased to 630,900 in 1980 and in 1990 it reached up to 1,048,900 people.[39] Since 1990, labour shortages have occured, implying that this region has already attained full employment. As a result, production costs tend to increase due to labour shortage. This leads to higher prices of houses to cover higher producation costs. It thus appears that, new houses tend to be more expensive and beyond the reach of the lower income groups and, even the middle income groups find it hard to own a house.

In terms of labour participation in 1970, out of 431,000 workers, 62 per cent were in the service sector, 19 per cent in manufacturing, 5 per cent in construction, 12 per cent in agriculture and 2 per cent in mining.[40] In 1990, out of 1,048,900 workers, almost 52 per cent were in the service sector, 29 per cent in the manufacturing sector, 10 per cent in construction, 8 per cent in agriculture and 1 per cent in mining.[41] It's very clear that, the manufacturing sector and the construction sector absorb almost half of the labour forces. In the 1990's, this trend is expected to continue due to huge housing needs.

The above trend is related to the changes in the manufacturing sector. The manufacturing sector's growth was 10.6 per cent a year between 1970-1980 and 13.5 per cent a year between 1980-1990. And its share increased from 32.5 per cent in 1970 to 40.0 per cent in 1980 and 45.7 per cent in 1990.

TABLE 2.9

KLANG VALLEY: SECTORAL SHARES OF NETT OUTPUT, 1970, 1980 AND 1990

(% OF NETT OUTPUT)

Year / Sector	1970	1980	1990
Agriculture	29.5	22.3	15
Mining	6	2.5	1
Manufacturing	13	22.6	33
Construction	4	5.6	6.7
Utilities	2.5	2.8	2.9
Transport	3	3.6	3.9
Commerce	17	16	14
Dwellings	4	4.6	5.2
Administration/ Services	17	19	16

Source: Department of Statistics, National Printing Department, Kuala Lumpur, Various Issues, 1992.

From 1970 to 1990, (from Table 2.9) it is very clear that the manufacturing sector has made greater contribution to the Klang Valley's output. This is followed by the tertiary sector which includes services, dwellings, commerce, transport and utiliities. The higher growth in the manufacturing sector, tends to attract more domestic and foreign investments. To generate the production, more work force will be needed. This can be met by either the local labour forces or domestic migrants.

The inflow of migrants, natural population increase and an increase in the number of expatriates will increase the demand for houses. This is reflected in Table 2.9, where the construction sector is expected to contribute 6.7 per cent of the nett output in 1990 compared to 4 per cent in 1970. Dwellinge are also expected to increase from 4 per cent of nett output in 1970 to 5.2 per cent in 1990. Apart from that, if we assume that the average household size would fall from 5.7 persons in 1970 to 5.0 persons in 1990, and that 23 per cent of existing dwellings should be replaced by 1990, there will be a need for 445,000 new homes which means, 22,000 new houses every year in the Klang Valley.[42]

As a result, the housing sector will contribute more towards the development and welfare of the society in the Klang Valley. Apart from that, the huge demand would tend to create environmental problems since the supply of land is fix . To make the situation worse, the demand for industrial land, commercial land and service sector's land will also increase. These changes will definitely increase the land value and thus property value. Therefore, these sectors will be more profitable for the investors and developers and will further increase the participation among developers.

In 1990,the manufacturing and housing sector in the Klang Valley contributed 42 per cent and 43 per cent of West Malaysia's output respectively. This is followed by utilities and administration or services sector which contributed 37 per cent and 35 per cent respectively (See Table 2.10). This region will lead the country's growth in the future and thus generate greater growth in terms of housing and economy.

These changes indicate that, the per capita income will increase at a faster rate during the 1980's compared to the 1970's. The average household income increased from RM353 a month in 1970 to

TABLE 2.10

KLANG VALLEY SHARES OF WEST MALAYSIA OUTPUT
(% OF WEST MALAYSIA OUTPUT)

Year / Sector	1970	1980	1990
Agriculture	5.6	5.0	4.01
Mining	17	15	11.0
Manufacturing	54	49	42
Construction	24	23	20.9
Utilities	38	39	37
Transport	31	30	28
Commerce	28	32	34
Dwellings	40	42	43
Administration/ Services	27	29	35

Source: Department of Statistics, National Printing Department, Kuala Lumpur, Various Publications, 1992.

RM473 in 1980 and RM741 in 1990 in real terms.[43] During this period, the proportion of households in the lowest income range (up to RM300) would fall from 61 per cent in 1970 to 32 per cent in 1990 while the proportion in the highest income group would rise from

6 per cent to 21 per cent.[44] In addition to that, there would be a more even spread of incomes with only 54 per cent of households receving under RM500 a month, against 80 per cent in 1970. The above figures, signify a greater improvement in living standards in the 1980's and 1990's. In addition, the per capita income of Klang Valley is above the national average. In 1990, per capita income in the Klang Valley was RM6,659 while for the national level, it was only RM6,147.[45] This reflects that, the potential house buyers can afford to own a house if it is priced within their reach.

But, based on the price trends of the transacted houses, it seems that only the higher income groups can afford to own a house in the urban areas. It has increasingly become more difficult for the average or middle income and low income groups to own a house in the urban areas which are closer to the city. As a result, more sub-urban areas are growing fast to absorb the ever increasing demand for houses such as Puchong, where almost half of the area is now experiencing high growth in housing construction. Apart from that, Selayang, Batu Caves, Sungai Buloh and Rawang in the North are becoming more famous among house developers and buyers. To the South, Cheras,

Kajang, Bangi and Bandar Baru Bangi have become more popular due to its strategic location along the Kuala Lumpur - Seremban Highway. Shortage of land and higher land prices near the city turn the developers and house buyers to these sub-urban areas.

In future this trend is expected to continue. Therefore, there will be a greater demand for land, house and basic amenities in this region. It will be more interesting to study how the society, government and developers cope with these challenges.

2.6 The Klang Valley's Economic Outlook

Previous studies reveal that the Klang Valley's economy is closely integrated with the national economy. Therefore, any change in the Malaysian economy will have significant effect on the Klang Valley's economy. Therefore, in order to analyse future growth trends in the Klang Valley, one at first should at least analyse the Malaysian economic prospects.

The national economy is expected to grow at an average of 7.0 per cent per annum in the 1990's compared to the 6.7 per cent per annum achieved over the past twenty years.[46] The private sector-led export-oriented economy is expected to dominate the

economic growth in the future. Therefore, privatisation is expected to continue. The service sector has been spotted as another leading growth sector. The manufacturing sector will lead the growth as the main export earner.

In terms of structural change, the primary sector which consists of agriculture and mining will still be important but its share out of the GDP is expected to decline from 28.1 per cent in 1990 to 18.3 per cent in the year 2000. Meanwhile, the secondary sector's share of GDP, which consists of manufacturing and construction, is estimated to increase from 30.2 per cent in 1990 to 38.7 per cent in the year 2000, while the tertiary sector, is estimated to increase from 41.7 per cent in 1990 to 43.0 per cent in the year 2000 (Table 2.11).

Based on Table 2.12, the Malaysian economy is expected to grow at 7 per cent per annum during OPP2. The unemployment rate is estimated to be around 4 per cent while savings and investment as a percentage of GNP is expected to be 35.2 per cent and 34.6 per cent respectively. The targets reflect the strength of inter-sectoral linkages between agriculture and industry and precisely increasing linkages with agro based industries.

The construction sector will grow at a higher rate during OPP2 compared to what has been achieved during OPP1. This can be attributed to the alleviation of infrastructure problems faced by the economy. The construction of highways, airports, housing areas, industrial areas, ports and railways generates huge investments into this sector. Apart from that, greater private sector participation is expected to boost the growth of these facilities.

TABLE 2.11

SECTORAL TARGETS AND ACHIEVEMENTS, SECOND OUTLINE PERSPECTIVE PLAN (OPP2)

I. Share of GDP (%)

	1970	Target 1990	Achieved 1990	Target 2000
Agriculture & Forestry	29.0	19.7	18.7	13.4
Mining	13.7	2.6	9.7	5.7
Manufacturing	13.9	26.2	27.0	37.2
Construction	3.8	4.7	3.5	3.5
Services	36.2	48.3	42.3	45.4

II. Average Growth rate (% per annum)

	Target OPP1	Achieved OPP1	Target OPP2
Agriculture & Forestry	5.4	4.4	3.3
Mining	3.8	4.9	1.5
Manufacturing	12.2	10.3	10.5
Construction	3.3	6.4	7.0
Services	8.5	7.6	-

Source: Kamal Salih, National Housing And Property Conference, The State of the Malaysian Property Cycle, Boom or Bust, Kuala Lumpur, 1993, p. 13.

TABLE 2.12

MACROECONOMIC TARGETS AND ACHIEVEMENTS. SECOND OUTLINE PERSPECTIVE PLAN (OPP2)

	Average Annual Growth Rate (% Per Annum)		
	Target OPP1	Achieved OPP1	Target OPP2
GDP	8.0	6.7	7.0
Private Consumption	6.2	6.3	7.2
Public Consumption	91.	7.1	5.8
Private Investment	8.5	9.4	8.0
Public Investment	10.1	10.0	-0.4
Exports	7.1	9.2	6.3
Imports	5.2	10.0	5.7
Employment	3.3	3.4	3.1
Labour Force	3.1	3.3	2.9
Unemployment rate (%) of GNP	3.6	6.0	4.0
- Savings	16.5	30.3	35.2
- Investment	22.3	35.1	34.6

Source: Kamal Salih, National Housing and Property Conference, The State of the Malaysian Property Cycle, Boom or Bust?, Kuala Lumpur, 1993, p. 12.

Table 2.11, reflects that the construction sector will grow at a higher rate during OPP2 compared to what has been achieved during OPP1. This can be

attributed to the alleviation of infrastructure problems faced by the economy. The construction of highways, airports, housing areas, industrial areas, ports and railways generates huge investments into this sector. Apart from that, greater private sector participation is expected to boost the growth of these facilities.

The future of the construction industry and particularly the housebuilding industry will be determined by four factors, namely, the economic growth achieved through industrialisation; population growth and its impact on urbanisation; infrastructure development; and, the environmental challenge of sustainable development. According to the Malaysian Institute of Economic Research (MIER), the national economy is expected to grow at an annual average rate of 7.2 per cent and 8.2 per cent respectively during 1990 and 2000 and between 2000 and 2010. Moreover , the gross domestic product (GDP) is expected to grow from RM79 billion in 1990, to RM158 billion by the year 2000. It will further increase up to RM349 billion and RM516 billion during the year 2010 and 2020 respectively.

The growth is expected to decline during 2010 and 2020 at around 4 per cent per annum. As a

result, the per capita income is expected to reach up to RM15,000 by the year 2020. In addition, private consumption is expected to grow at about 12 per cent per annum during 1990 - 2010 before moderating sharply to 4.3 per cent per annum as the economy reaches its maturity.[47] The rate of economic growth is obviously expected to increase the demand for housing and as a result, the supply will also be expected to increase tremendously during that period.

To cope with this economic growth, new townships are expected to emerge at a faster rate not only in the Klang Valley but in Malaysia overall. To meet the new growth targets, the Klang Valley is expected to be a hot spot for urbanisation. This is coupled with population and industrial growth which will in turn create a huge need for housing to house the ever increasing population. According to MIER's forecast, the Malaysian population is expected to increase from 18 million in 1990 to 22.7 million in the year 2000 and finally to 34 million people by the year 2020.

To meet this population growth, the level of urbanisation is also expected to attain 50.2 per cent by the year 2000, 60 per cent by the year 2010 and 74 per cent by the year 2020 compared to the level of 43 per

cent in the year 1990.[48] As a result of rapid urbanisation, the need for new housing, transportation, communication facilities, water supply, and energy is expected to increase. Therefore, the construction sector is expected to grow around 19 per cent per annum between 1990 and 2000.[49] Later, this growth is expected to increase up to 11 per cent per annum from the years 2000 to 2010 and then projected to slow down to about 5 per cent per annum from 2010 to 2020.[50] The construction sector's share to the GDP is expected to be 3 per cent throughout that period. The manufacturing sector is expected to lead the growth of the country in coming years. This sector is expected to grow at 14 per cent per annum during 1990 - 2000 and increase to 16 per cent per annum between 2000 - 2010, before slowing down to about 5 per cent per annum between 2010 and 2020.[51] Meanwhile its share of the GDP is projected to increase during that period. It is expected to increase from 27 per cent in 1990 to 32 per cent in the year 2000 and further up to 38 per cent in 2010. By the year 2020, this sector is expected to contribute 40 per cent to the GDP of the country.[52]

Finally, the long-term prospects of the Malaysian economy and to the housebuilding industry

particularly, is positive and bright. Apart from that, the rapid economic growth coupled with population growth will definitely create a huge demand for residential properties. The higher per capita income throughout Malaysia and particularly in the Klang Valley will obviously create more opportunities for the development of the housebuilding industry. According to Kamal Salih, "the positive outlook on the building industry will of course be subjected to the growth cycle effects of the Malaysian economy and the impact of the global economic environment, we at the same time are entering a more competitive environment, for which we need to be even more prepared by adequate investment in human and physical capital formation."

Based on the past and present trends in growth, the Klang Valley is expected to experience a rapid growth in coming years. The economy is likely to be controlled by the service and manufacturing sector. The share of the agriculture, mining and forestry sectors to the economy are expected to decline rapidly in the Klang Valley compared to the other parts of the country. The per capita income is expected to increase from RM6,700 in 1990 to RM15,000 by the year 2020.[53] Due to higher earning capacities, the purchasing power is obviously expected to increase in coming years.

As a result, the need to improve the standard of living, will increase the demand for home ownership. Since this is associated with purchasing power, urbanisation is expected to grow at a faster rate. Therefore, in the Klang Valley, the creation of new townships is vital in order to house the population. The existing townships such as Shah Alam, Klang, Subang Jaya, Petaling Jaya, Damansara Jaya, Damansara Utama, Bangsar, Cheras, Bangi, Kajang, Rawang, Selayang and others would not be able to absorb the growing needs for houses in the future. Therefore, the Klang Valley must come up with new housing areas and this will boost the growth of the housebuilding industry.

In addition to these changes, due to rapid economic growth, the number of expatriates who are staying in the Klang Valley would also tend to increase. To meet their demand for high cost housing such as condominiums, the existing land around the urban areas will be more expensive. These changes will sooner or later drive out low and middle income earners out of existing townships to new townships which are currently ongoing such as the Sungai Buloh New Town, Rawang New Town, Sepang, Batang Kali, Batang Berjuntai and so on.

The supply of shopping and office centres would also influence future housing markets in the Klang Valley. Growing numbers of shopping complexes will increase job and business opportunities in those areas and this will finally increase the demand for houses either for rent or owned around these areas. Therefore, big urban centres like Kuala Lumpur and Petaling Jaya are expected to provide more shopping facilities for the growing number of consumers.

In 1992, the supply of shopping centres was 7.37 million square feet in the Klang Valley and this figure is expected to double up to 15.67 million square feet by the year 1996 if all the existing projects are completed.[54] In Kuala Lumpur and Petaling Jaya itself there are 41 shopping centres.[55] By the end of 1996, there are expected to be 57 shopping centres around this area. Out of this, in the Golden Triangle area alone, there are 14 centres providing 2, 961,100 square feet with the city itself providing 4,199,200 square feet with 24 centres.[56]. The total in Federal Territory is 4,973,000 square feet in 27 centres providing 13 anchor tenants in 1,191,700 square feet and finally the suburbs and

Petaling Jaya providing 2,399,201 square feet in 14 centres with 13 anchor tenants in 1,098,822 square feet.[57]

Apart from these, the new projects when completed are expected to provide more businesses, job and investment opportunities around these areas. This is further expected to increase the need for housing demand around these areas. The new projects announced are, the Kuala Lumpur City Centre (KLCC) which is expected to be completed by 1996 with a retail area of 1.1 million square feet. This covers a land area of 39 hectares which costs RM3 billion.[58] This is to be built along Jalan Ampang and therefore expected to have a greater multiplier effect around this area for housing.

The second shopping centre is, Pernas - Sogo Complex along Jalan Tuanku Abdul Rahman. This is expected to provide 630,00 square feet of retail area with a land area of 6 hectares. This project is expected to cost RM400 million (Phase I) and RM1.1 billion (Phase 2).[59] Apart from shopping centres, new mega projects are expected to create huge demand for houses in the Klang Valley. This include new ports, highways, airports, township and so on. Usually new townships are planned for 30,000

persons and above **with a multi-user commercial/urban** project having 50,000 square metres of commercial space and costing $200 million and above. In addition, it should contain schools, sports facilities, recreation centres, gymnasium and others.

Bukit Jalil Games Village fits into this category. It will cost RM500 million and a land area of 87 hectares. This includes hotels, stadium, sports training centre and outdoor entertainment centre. Second is Bandar Sunway on the land area of 200 hectares and which will cost RM1 billion. This includes theme park, hotel, Sunway College, commercial complex, shopping mall, condominimum and others. Third is the Rawang New Township towards the north. This includes residential areas, industrial and business complexes, recreation parks and others. Next on the list is, the Sungai Buloh New Township. This covers a land area of 1,588 hectares.

Sungai Buluh is expected to be the biggest town in coming years. This area is expected to provide 16,000 units of houses which consists of low-cost, medium cost and high cost houses. This area would be built at the cost of RM 1 billion. In addition, it will provide 10 schools in which each school could

accommodate 400 students. Futhermore, it will include industrial areas, commercial centres, golf course, recreation parks and new road systems'.[60]

To the Southern part of the Klang Valley, the new Kuala Lumpur International Airport will be built at the cost of RM20 billion on the land area of 10,000 hectares. This includes, the terminal complex, cargo complex, duty free emporiums, car parks, two parallel runaways and 4 parallel taxiways. This mega project is expected to boost the growth around that area. Therefore, the Klang Valley has a bright future especially in the housebuilding industry.

The construction of the West Port in Pulau Lumut, Klang is expected to further increase the demand for houses around the Klang area. Located on an area of 482 hectares, it is expected to be operational in 1993/94. The first phase costs RM238 million and the second phase is expected to cost more than that. This project will spur the development of neighbouring areas and stimulate further investments.[61]

The second national car project in Serendah is targeted to stimulate huge growth around Hulu Selangor. The whole development project covers 647 hectares, out of this, 81 hectares are proposed for a

car factory and the remaining land allocated for downstream car-related industries and training complex for its workers.[62] This car project is expected to create another big suburban area like Shah Alam. This is expected to boost the housebuilding industry and other related downstream activities in the Klang Valley.

The new International Islamic University (I.I.U.) campus will be built in the Gombak District around Sungai Pusu area with the land area of 272.6 hectares. This campus wil cost RM580 million and is expected to be completed by the year 1995.[63] Therefore, the Gombak area would spur another big residential centre.

The construction of dual railway tracks which would link Kuala Lumpur - Seremban - Rawang and Port Klang is expected to create a major boost for investors. This project is expected to cost RM543 million and also reduce the travelling time between those locations.[64]

Improvements in infrastructure would also contribute to the creation of new townships, such as, the construction of new highways and improvements on existing ones. The existing Klang - Kuala Lumpur

highway will be widened in certain areas to accommodate increasing numbers of vehicles due to the creation of new residential areas. Secondly, the New Klang Valley Expressway (NKVE) will be build between Bukit Raja, Klang, Jalan Duta and Kuala Lumpur. This would consist of 6 lanes covering 37 kilometers. Thirdly, is the Kuala Lumpur - Tanjung Malim Highway which has already been completed. This highway will be linked to the New Klang Valley Expressway. Fourth, the Shah Alam Highway which links Sri Petaling in Sungai Besi to Pulau Lumut. This covers 33 kilometers and is expected to increase the demand for housing along those areas. Finally, the North-South Expressway with the Kuala Lumpur - Seremban Highway.[65]

In addition, the government has proposed to build a Light Rail Transit System (LRT) to reduce the traffic congestion around the city centre. With the completion of this LRT system, condominiums and apartments would be the favourite type of dwelling in the heart of the city. Increasing land prices in the city had forced developers to develop such high rised

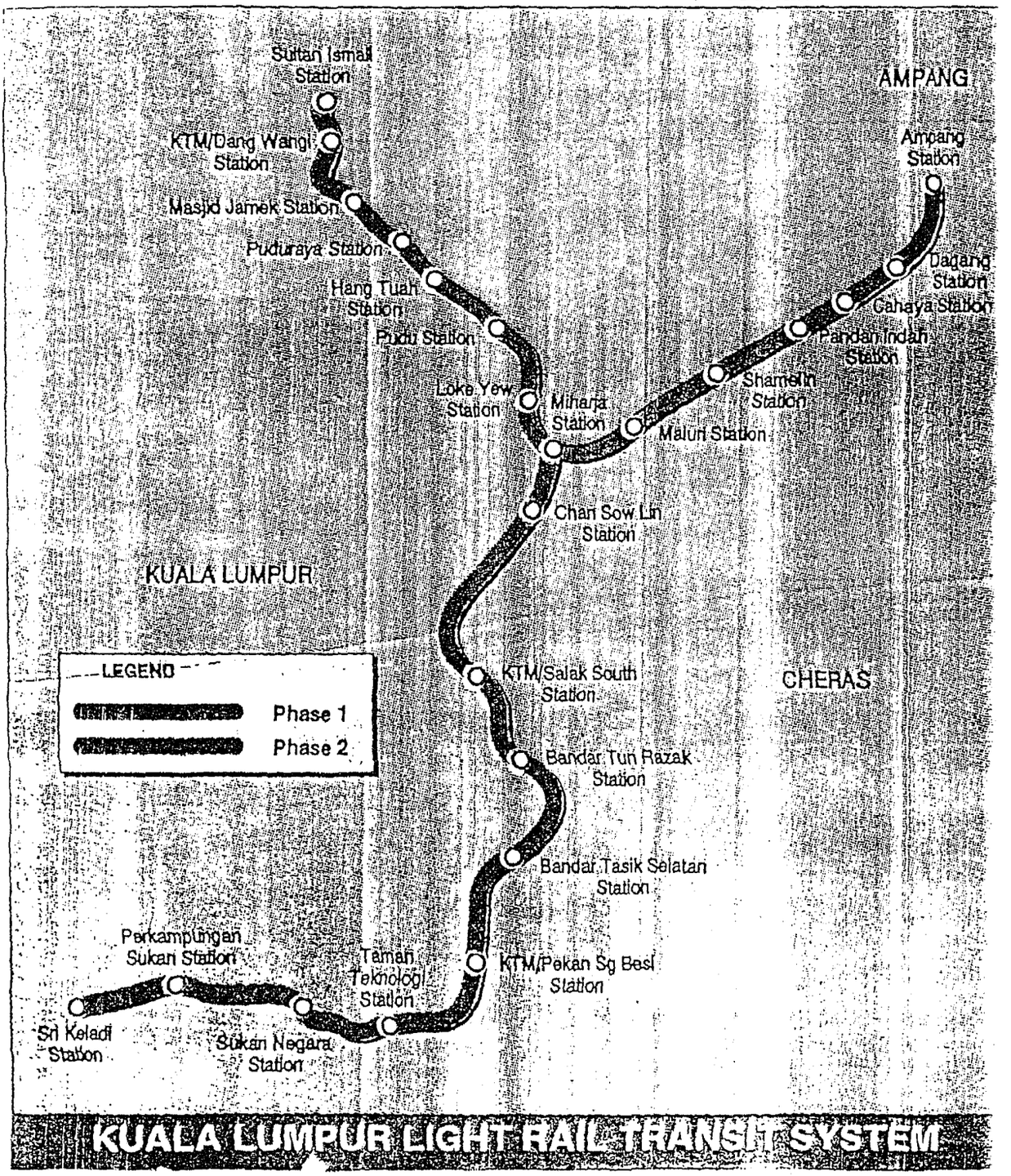
buildings to minimise land cost. These types of units are preferred by expatriates, investors and higher income earners and therefore the market for these units is expected to be stable in the future.

Furthermore, the construction of LRT systems along major centres in the city will further boost the growth around neighbouring areas. The LRT is divided into Two Phases. (See Figure 2.6). Phase one is expected to cost RM 1.2 billion and Phase Two is expected to cost RM2.2 billion.[66] Phase one will start from Ampang Station to Dagang Station and then from there to Pandah Indah Station to Maluri Station and finally at Miharja Station. Phase One will also link Sultan Ismail Station to KTM/Dang Wangi Station and will lead to Puduraya Station, Hang Tuah Station, Loke Yew Station and finally Miharja Station. Phase Two will start from Miharja Station and link to Salak South Station, Bandar Tun Razak Station, Bandar Tasik Selatan Station, Pekan Sungai Besi Station, Taman Teknologi Station and to Sukan Negara Station.

Overall, the Klang Valley is expected to grow at a faster rate compared to other parts of the country. The planning and implementation of mega projects are expected to boost the investment in this area. Apart from that, the creation of new towns will

FIGURE 2.6

KUALA LUMPUR: LIGHT RAIL TRANSIT (LRT) SYSTEM



Source: The STAR, July 3, 1993. p. 1.

definitely increase the demand and supply for new houses. With the multiplier effect of the housebuilding industry, this is expected to speed up the growth in this area. Therefore, the future of the housebuilding industry is very bright in the Klang Valley.

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