

Headline	Population slowdown concern		
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Journalist	JOSEPH WONG	AdValue	RM 38,964
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Strategising to changing demographics

Malaysia is experiencing a gradual slowdown in population growth in line with the trend in developed and developing nations. With 2017's estimate hitting a record low of 1.1%, the property market is seeing a shift in product offerings. Developers must take into consideration the changing population demographics so they can leverage it to their advantage. **P.20-21**



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Population slowdown concern



Mah Sing's RM11.1 bil Southville has a wellness component to cater to the increasing number of retirees

- **Slower population growth will affect the growth of the property sector**
- **Malaysia's ageing population to hit 5.6 million by 2035**



by Joseph Wong



In the next few years, the population will continue to support the property sector.
- Gambero

As a nation becomes more developed, the tendency is for its population growth to begin to slow. This phenomenon is being experienced in almost every developed country around the world.

Similarly, Malaysia in its pursuit to achieve developed nation status is also seeing a slowing pace of population growth.

The annual population growth rate of Malaysia is estimated to be 1.6%, according to the World Population Review which bases its data on United Nations population estimates and projections.

But according to Department of Statistics Malaysia, the country's population growth has already declined past the 1.6% level. Data shows that Malaysia's population growth rate is becoming slower each year.

From being at 2% in 2000, the natural population growth rate went down to 1.8% in 2005, and then declined to 1.72% in 2009. It slipped further to 1.6% in 2010, then to 1.3% in 2011 and 1.2% in 2016. It is estimated to have fallen to 1.1% in 2018.

The nation chalked a popula-

tion of 32.6 million people in 2018. This includes the non-citizens residing in Malaysia.

But how does this impact the property market?

"Everything falls back to figures. Malaysia has a population of over 32 million. There is an existing stock of 5.5 million homes. Do the math. We are still short of three million homes," REI Group of Companies CEO and co-founder Daniele Gambero points out.

The median age of Malaysians is 28.3 years as of 2017. This shows that in the next few years, the population will continue to support the property sector because this is the age group that will be

looking to buying a property of their own, he adds. The reason why the current "population of age" is not buying homes is due to a mismatch between demand and supply, he argues.

First-time home buyers need affordable homes but what is being built or completed are not within their price range, he adds.

In addition, the banks have tightened their housing loan requirements and are more stringent in giving out financing to young buyers.

As such, developers should take a closer look at more specific data of the population like its demographics to forecast future development, Gambero says.

If the bulk of the buyers are young people with a graduate-level salary, then homes should be built with this group in mind, he advises.

For example, Malaysia's ageing population is expected to hit 5.6 million by 2035, so the kind of properties to be constructed then should suit this age group, says a property observer.

"This represents 15% of the population make-up by 2035 which represents a huge target market for developers in the future," he says.

When the population growth starts to stagnate, the demand for homes for the younger market will decrease, he adds.

Smaller families

Chairman of Ho Chin Soon Research Sdn Bhd Ho Chin Soon says the decline in population growth is quite normal for developing or developed nations.

"When people start earning more and have a lifestyle to maintain, their desire to have children lessens. It is not like in the past where in an agrarian

state, families have many kids, particularly sons, because they are seen as the bread winners. The daughters are usually married off.

"And nowadays, it is very expensive to raise children. So modern couples tend to have smaller families and this contributes to the drop in natural population growth," he says.

In the future, the population will drop if not boosted by immigrants, Ho says. "This is also normal as we can see the same trend in other countries," he adds.

Likewise, Singapore is seeing fewer citizens tying the knot, so it is looking to immigration to keep its population growth steady, he says.

The same will take place in the Greater Kuala Lumpur (KL) if it is to hit the 10 million population target, he says.

Ho adds that there will be resistance to an outward expansion as people are now more aware of the dreaded urban sprawl/pitfalls.

However, the property observer says this does not mean smaller families will demand for



An artist's impression of The Parque Residences which incorporates a healthcare component

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smaller homes.
 "Homes may again shift to become generational ones where three generations reside under one roof. This is because both parents will likely be working and grandparents will take care of their grandchildren.
 "Our Asian culture could likely reassert itself as property prices continue to escalate. There are some nations where housing loans are extended beyond one generation so generational living becomes mainstream," he notes.

Invest in receiver states
 Gambero also points out that investors, in particular, should take note of inward and outward



Malaysia's natural population growth is on the decline as it becomes more developed

migration of the population as people shift from one state to another.
 To him, it's just logic - the migration flow from rural to

urban areas and vice versa show that there are donor and receiver states.

The donor states nine years ago were Kelantan, Pahang, Perlis, Kedah, Negri Sembilan and Terengganu while the receiver states were Perak, Johor, Melaka, Penang, Selangor and KL. Sabah and Sarawak remain neutral.

But in 2015-2016, internal migration in Malaysia was primarily urban-to-urban, says the Statistics Department.

A recent report points out that urban-to-rural migration constitutes 15.2% of all internal migration, while the percentage of rural-rural and rural-urban migration are 7.0% and 4.2% respectively in 2017.

These numbers are the culmination of a trend of increasing urban-to-urban migration and decreasing rural-rural and rural-urban migration.

Interestingly, the main migration suppliers in 2017 were KL and Perak, while the main destinations for migrants were Selangor, Penang and Johor.

"The particularly high outflows from KL and inflows into Selangor can be accounted for by the fact that KL is enclaved within Selangor state and has a very high population density of about 6,800 per sq km.

"Pushed by factors such as rising house prices and high cost

of living, while attracted by the availability of new residential areas outside KL, migrants are moving out of the city into the surrounding Klang Valley," says the report.

Gambero says property demand is dependent on the population and when there is an inward flow of population into an area, that is the area to invest in.

"Do not invest in donor states. Invest in the receiver state where property is concerned," he says. "The receiver states will experience growth as more people flow into them. The donor states are losing people.

"There will be fewer demand for homes in donor states. More people are flowing into the receiver states so it means that they will need more homes," he reasons.

Property value and prices will increase faster in receiver states,

he reasons.

Factors attracting migrants to the Greater KL, include rapid industrialisation in Selangor, where at third of manufacturing projects are located, says a property observer.

In addition, most tertiary institutions are located in Greater KL, and with its improved infrastructure and amenities such as roads and entertainment services, it will be a draw for employment.

Need to increase birth rate

There is a need to increase the birth rate in order to raise its population growth rate, says Ho.

Some measures have to be taken by the government to increase the population growth rate otherwise the nation will eventually have to rely on immigration for its population growth, he notes. **FocusM**

