

JUNE 2019

MALAYSIA REPORT

CONSTRUCTION MARKET
UPDATE





PARKROYAL ▲

KUALA LUMPUR, MALAYSIA

CLIENT:	UOL Group Ltd
ARCHITECT:	DP Architect Sdn Bhd
SERVICE:	Quantity Surveying
COMPLETION:	2021

PARKROYAL Kuala Lumpur is situated adjacent to Jalan Sultan Ismail. RLB is the appointed quantity surveyor for the Park Royal Kuala Lumpur. The redevelopment includes a new serviced apartment block with retail and facilities, multiple carpark and basement levels, as well as addition and alteration works to the existing tower and neighbouring office tower. The construction of new serviced apartment block has a total approximate construction floor area of 48,000 square metres.

MALAYSIA ECONOMY

Malaysia is currently in an interim post-election phase where the new government is in the process of reviewing and appraising the country's fiscal and economic policies in the light of falling crude oil prices, high public debt and revenue shortfall.

The World Bank has revised its 2019 forecast for Malaysia's gross domestic product (GDP) downwards from 4.9% to 4.7% after taking rigorous cuts in government spending and a significant slowdown in private and public investments. Bank Negara data also showed that Malaysia's economic growth rates had declined for four consecutive quarters and is expected to worsen in the absence of any economic stimulus. Private consumption will continue to be the main driver of growth, albeit at a more measured pace. Gross fixed capital formation was expected to increase slightly, driven by the private sector, while public investment was expected to remain subdued in the near term.

In terms of risks and challenges, the ongoing uncertainties surrounding the US-China trade tensions and shifts in global financial market sentiment would pose downside risks to Malaysia's economy in the near

term, due to the country's high degree of dependence on international trade and finance. On a brighter note, the Malaysia Finance Minister is confident that the year 2019 will see the beginning of renewed economic development for Malaysia, given the consolidation of the country's fiscal position and the increase in foreign direct investments last year.

Malaysia's central bank, Bank Negara, advised that the strong fundamentals and the diversified nature of the economy will help Malaysia weather these risks and vulnerabilities while preserving macroeconomic and financial stability. These include a healthy labour market, stable inflation rate, continued surplus in the current account of the balance of payments, deep financial markets, as well as a strong financial sector. Exchange rate flexibility and sufficient level of international reserves would further enhance the economy's capability to withstand reserves would further enhance external shocks. The government believes that their commitment to fiscal, structural and institutional reforms will contribute to inclusive and sustainable growth going forward.



MALAYSIA CONSTRUCTION MARKET

The total value of construction work in 2018 stands at an estimated RM 145.5 billion which represents a slight increase of 5.1% over the RM 138.5 billion turnover achieved in 2017. For Q4 2018, the construction sector saw a moderate growth of 4.1% to record RM 36.5 billion of which private sector work comprised 56.2% and public sector work 43.8%. This growth was driven largely by the positive growth in civil engineering, special trades activities and non-residential construction.

The current short-term outlook for the Malaysian construction sector remains slightly weak due to suspension and postponements of several mega infrastructure projects such as the High Speed Rail, and the Mass Rapid Transport 3. However, a few large-scale infrastructure projects such as the East Coast Rail Link and Bandar Malaysia may be revived while others have gone ahead after rounds of cost re-negotiation and cost reduction e.g. the project costs of the Light Rapid Transport 3 and Mass Rapid Transport 2 were reduced by 47%, and 22% respectively. Although many mega projects have been suspended, the government is committed to spending RM2.36 billion to upgrade rural roads, bridges and expanding rural electricity and water supply. Major ongoing projects include the Light Rail Transit 3, Mass Rail Transit 2, East Coast Rail Link, DUKE 3 Highway, and mixed-use development projects, Tun Razak Exchange (TRX) and Bukit Bintang City Centre (BBCC).

Construction companies have become more competitive in their tender bids as the volume of new projects shrinks. The price trends for building, labour and construction materials remain stable, but are anticipated to pick up towards the end of this year and intensify in year 2020 as more mega construction projects are revived and commence work. There appears to be increased construction activity in the private sector in recent months as market confidence by property developers is restored. Construction cost escalation for 2019 is projected at 1% to 2% pa.

Arising from the government's austerity measures, employment in Malaysia's construction and property sector is likely to see less hiring in 2019. Bulk hiring activities have slowed down since May 2018 and developers have since focused on getting their projects approved or re-approved by the new government.

THE ERA DUTA NORTH ◀

SEGAMBUT, MALAYSIA

CLIENT:	JKG Central Park Sdn Bhd
ARCHITECT:	NRY Architects Sdn Bhd
SERVICE:	Quantity Surveying
PROJECT VALUE:	Confidential
COMPLETION:	2021

The Era Duta North Phase 1 of the project is a high-end, high rise, high density project located in Segambut. RLB is the appointed Quantity Surveyor for the Era Duta North. It comprises 2 blocks of Serviced Apartments consisting of 921 units and 8 storey of retail and podium carparks. The mixed development has an approximate construction floor area of 211,000 square metres.

LABOUR PRICES

SELECTED OCCUPATIONS	UNIT	KUALA LUMPUR AVERAGE LABOUR RATE (MYR)			
		2015	2016	2017	2018 [#]
General Worker (Foreign)	Day	57.80	58.00	60.10	60.20
Concretor (Skilled - Local)	Day	103.30	100.50	104.30	97.00
Brick Layer (Skilled - Local)	Day	106.95	101.00	104.70	100.80
Plasterer (Skilled - Local)	Day	112.95	108.20	112.20	106.80
Tiler (Skilled - Local)	Day	105.90	117.30	121.70	115.30
Steel bar worker (Skilled - Local)	Day	106.80	103.00	106.80	106.00
Carpenter (Formwork) (Skilled - Local)	Day	111.25	107.00	111.00	106.20
Carpenter (Joinery) (Skilled - Local)	Day	118.60	121.40	125.90	111.00
Roofer (Skilled - Local)	Day	103.70	109.10	113.20	108.30
Structural Steel Worker (Skilled - Local)	Day	133.55	130.00	134.80	111.20
General Welder (Skilled - Local)	Day	120.00	119.40	123.90	109.30
Plumber (Skilled - Local)	Day	116.45	122.70	127.30	109.80
Painter (Skilled - Local)	Day	105.15	103.10	106.90	107.50
Scaffolder (Skilled - Local)	Day	115.80	100.60	115.90	100.00
Electrician (Semi-Skilled - Local)	Day	106.00	118.80	123.20	115.00

Data Sources: Construction Industry Development Board (CIDB); Market sources
[#] Published average labour unit rates up to July 2018

CONSTRUCTION MATERIAL PRICES

MATERIAL	UNIT	AVERAGE SUPPLY RATE (MYR)			
		2Q2018	3Q2018	4Q2018	1Q2019
Concreting Sand	Tonne	46.47	48.96	49.49	49.49
Stone Aggregate (20mm)	Tonne	34.34	33.66	33.51	33.35
Ordinary Portland Cement	Kg	17.67	17.53	17.48	17.30
Reinforced Concrete (Grade 30 MPA)	m ³	233.00	232.20	232.20	232.20
Reinforced Concrete (Grade 40 MPA)	m ³	270.00	280.00	280.00	280.00
High Tensile Steel Bars (10 - 32mm)	Kg	2.39	2.33	2.32	2.33
Mild Steel round bars (10 - 25mm)	Kg	2.47	2.53	2.54	2.55
Structural Steelwork (200x200mm U-beam)	Tonne	3,284.67	3,300.00	3,300.00	3,300.00
Plywood Formwork (2438x1219x20mm)	Pc	59.73	59.00	59.00	59.00
Clay Bricks (100mm thick wall)	Pc	0.45	0.45	0.45	0.45

Data Sources: Market sources

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

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

CURRENCY EXCHANGE

CURRENCY	UNITS PER USD			
	2Q2018	3Q2018	4Q2018	1Q2019
Malaysia Ringgit (MYR)	3.950	4.094	4.173	4.090

Data Source: IMF

KUALA LUMPUR CONSTRUCTION PRICES

DEVELOPMENT TYPE	COST PER CFA MYR / m ²	COST PER CFA USD / m ²
OFFICE		
Standard	1,400 - 3,200	340 - 780
Prestige	2,600 - 4,500	640 - 1,100
HOTEL (Excluding FF&E)		
Three Star	2,500 - 3,500	610 - 860
Four Star	3,500 - 4,500	860 - 1,100
Five Star	5,000 - 7,000	1,220 - 1,710
COMMERCIAL		
Retail	2,100 - 3,500	510 - 860
RESIDENTIAL		
Good Quality Condominium	1,900 - 3,000	460 - 730
Luxury Condominium	2,400 - 4,500	590 - 1,100
INDUSTRIAL		
Warehouse	1,000 - 1,800	240 - 440
Factory	1,000 - 1,900	240 - 460
CARPARK		
Multi Storey	800 - 1,200	200 - 290
Basement, outside CBD	1,200 - 2,300	290 - 560
Basement, CBD	1,400 - 3,400	340 - 830

DEVELOPMENT TYPE	COST PER ACRE MYR / ac	COST PER CFA USD / ac
EXTERNAL WORKS		
External Works	350,000 - 550,000	85,570 - 134,470

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

All Kuala Lumpur construction prices stated herein are as at 1st Quarter 2019, and include a general allowance for foundation and 8% of preliminaries based on competent local contractors. The price ranges herein are indicative and due consideration should be given to the different specification, size, location and nature of each project when utilising this information. The prices here may not fully reflect the extent of current market forces and tendering conditions.

Exchange Rate Assumption: 1 USD = 4.09 MYR

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

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