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EXPERT-BASED FORECASTING FOR MALAYSIAN PROPERTY MARKETS

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Abstract

This research attempt to develop a property forecasting procedure for the various Malaysian property markets to enable more informed decision-making by using local property experts' opinion. Data were collected from two sources using two methods: interviewing property players and conducting participant observation about self-directed learning of property players in the property investment practice. Unlike other research that heavily rely on the econometrics model to forecast the property markets, this research based on the perception which is also major contribution to the property market growth. The findings from this research provide a detailed depiction of the many facets of property forecasting, revealing in particular the nature and extent of the critical role performed by human judgement. This research study on the Malaysian property markets comprises office and retail space demand.

1.0 Introduction

Having a strong and vibrant international investment market increases investment opportunities for property investors and fund managers. The Asian region provides many opportunities for investment opportunities and a vast range of different investment criteria. Foreign investment in Asian countries has been increasing significantly in recent years and is promising to recover after suffering a downturn as a result of the Global Financial Crisis (GFC). Asian countries have shown remarkable economic performances in recent years, although affected by several financial crises, namely the GFC and the Eurozone crisis. This trend is seen by way of the increasing foreign capital flow in all economic areas and the improvement in the business environment in recent years. Real estate investment is strongly influenced by economic conditions such as economic growth, inflation, interest rates, employment rates and financial crises. Asian countries have proven to be the best in terms of economic growth globally.

With the recent increasing significance of property portfolios in the financial investment markets, Asian property companies have come to the attention of regional and international investors. With the fast growing economies throughout the continent, Asia has several national markets that are mature in terms of market complexity, transparency and competitiveness (Nguyen, 2011). Recent years have also seen a significant improvement in the level of maturity and transparency in the Asian property market (Chin *et al.,* 2006). With the maturation of the Asian markets, cities such as Shanghai, Beijing, Hong Kong, Singapore, Kuala Lumpur, Seoul and Tokyo are emerging as global major cities. Currently, Asian property markets make up 50% of global property transactions, 46% value of investible commercial property, and 47% of cross border investing (RCA, 2011). Commercial property value in Asia contributed approximately USD 279 billion in 2010 compared to only USD 147 billion in 2007 (RCA, 2011). These figures clearly show that Asia plays a significant role in global commercial property with sophisticated commercial property and financial markets.

Investors are no longer considering property as seclusion, but opportunities of investment to gain more profit. Property has always been perceived as a long-term asset class with higher returns and lower risk. Investing in property is very different from investing in stocks and bonds. Property assets are relatively illiquid and trade in private local markets; property is also geographically fixed and it trades as a whole asset rather than in small shares. However, public markets are well known for generally high levels of liquidity and informational effectiveness. Real estate investment has experienced some evolution since 1970, such as the introduction of the Commingled Real Estate Fund, REITs and Commercial Mortgage Backed Securities. Publicly traded real estate investment vehicles, such as property stocks and REITs, have become more developed and tend to respond more effectively to the daily price. The information of the market situation brings greater efficiency into segments of the property market as well. Information effectiveness refers to the tendency of an assets' market price to quickly respond and reflects all public news and information relevant to the value of the assets. These features are vital attributes for most investors involved in property investment.

Forecasts are used to improve decision-making and planning. Even though forecasts usually contain some degree of error, it is better to have the limited information provided by a forecast than to make decisions in total ignorance about the future. While all real estate forecasting is subject to some degree of uncertainty, a high degree of sophistication has been developed over recent years, with a range of advanced quantitative and qualitative procedures now used by institutional investors in real estate forecasting. Such procedures include judgmental, causal/econometric and time series/trend analysis procedures (Higgins, 2000). There have been numerous studies on property forecasting in recent years. However, in many forecasting situations, the uses of statistical and econometric models are either impractical or impossible. This may be because obtaining the necessary historical, economic or technical data can be costly or impossible. Furthermore, econometric models will usually be more useful in forecasting certain elements real estate sector, such as rents, demand and supply or house prices, but not the property market as a whole. To highlight the need for accurate property forecasting in Malaysia, a significant registry of commercial property in Malaysia needs to be established. The property sector in Malaysia has shown significant growth since the 1997 Asian financial crisis, as well as the recent GFC. Basically, forecasting techniques can be separated into two general categories – quantitative and qualitative methods. Quantitative forecasting methods use historical data to predict the future; accordingly this requires access to large amounts of data. This technique can then be further categorised into either the time-series or the causal method. According to Sharma (2007), qualitative methods consist of collecting the opinions and judgments of individuals who have expertise in a certain area to predict future events.

The judgmental method is based on subjective estimates and expert opinion rather than on hand data. Judgmental methods are split into two categories, namely predicting one's behaviour and experts predicting how others will behave. The branch labelled "others" draws upon experts' knowledge of how people or organisations act in various situations. If experts' forecasts are derived in an unstructured way, the approach is referred to as an unaided judgment. Unaided judgments can be done quickly and are inexpensive when only a few forecasts are needed. When examining structured forecasting approaches, there are a range of methods, such as expert forecasting, structural analogies, decomposition, judgmental bootstrapping and expert systems. But still, the basis of these methods is the use of an expert's opinion.

Expert judgment has also been called *expert opinion, subjective judgment, expert forecast, best estimate, educated guess* and most recently *expert knowledge*. In this research, the term experts' opinion will be used instead of expert judgment. The next chapter elaborates on how experts' opinion forecasting methods are used.

2.0 Literature Review

Property has always been seen as a major investment in economic sectors. Given the significance of property investment in Malaysia, it is crucial to assess the performance of property portfolios, and in particular, listed real estate companies in mixed asset portfolios. Therefore, the performance also needs to be compared with other Pan Asian countries.

The property market in Malaysia has shown significant growth and potentially has a major impact on international property portfolios. In 2010, Malaysia recorded USD 2.9 billion in property transaction volume; was ranked eighth amongst the Asian countries; and had a significant role with international property investors, although domestic investors still played a major role in the local property market (RCA, 2011). In 2011 (until September), Malaysia recorded USD 1.5 billion in property transactions. Since the recovery from the Asian Financial Crisis (AFC) in 1997-98, the government of Malaysia has developed investment-friendly policies to encourage foreign investment in the Malaysian property market as well as for local investors.

In terms of ranking, Malaysia consistently ranks between sixth and eighth among the Asian countries. From a global perspective, over the past 5 years, Malaysia continuously contributed to global property transactions (between 0.2% and 0.8%). In terms of global ranking, Malaysia has shown moderate levels of improvement, moving from 37th in 2007 to 19th in 2010. Interestingly, Malaysia was able to demonstrate sustainable growth of 0.3% - 0.7% and 1.3% - 4.1% of global and Asian property transactions, respectively during the 2007 - 2011 period.

In some countries, institutions consider commercial property as the primary form of property investment. For instance, Malaysia's residential investment plays a dominant role in local property investment. Other types of property investment include commercial property and property securities. Table 1 presents the real estate market versus listed real estate in 2011 for emerging Asian countries. From the data, Malaysia has the highest percentage of total real estate versus listed property companies and is the second highest for stock market versus listed property companies. The small size of the listed real estate sector in Malaysia compared to other major Asian markets, such as China and India, has been attributed to Malaysia's far less developed equities investing culture. It has also contributed to the dominance of local banks' investment distribution and advisory networks, which market the Malaysian open-ended property fund products, as a type of conservative real estate market.

Table 1: Property transactions in Malaysia: 2007 - 2011

	2007	2008	2009	2010	2011	2007-2011
USD	1.6B	2.7B	0.6B	2.9B	1.5B	9.3B
% of global transactions	0.2	0.7	0.3	0.8	0.2	0.4
% of Asian transactions	2.2	4.1	1.3	4.6	1.8	2.7
Rank (Asia)	7	6	8	7	7	7
Rank (global)	32	23	29	19	24	25

(Source: Author's calculation from RCA, 2008, 2009, 2010, and 2011)

Malaysia has seen significant growth in recent years, with a GDP growth of 7.2% in 2010 and 5.5% in 2011. This was a significant improvement from 2009, which showed a contraction (-2.9%), due to the GFC. This percentage is also above the average world GDP, which was 4.2% in 2010. In addition, Kuala Lumpur, as the capital city of Malaysia, has commercial property investment worth USD 2.0 billion (RCA, 2011). Since the recovery from the AFC in 1997/98, the government of Malaysia has implemented investment friendly policies to encourage foreign investment in the property market. These endeavours have enhanced the transparency of the real estate sector in Malaysia, which is reflected in the

global real estate transparency index. With various economic plans by the government, Malaysia still stands as a competitive market in this region.

Considering the challenging economic environment, the Malaysian government has attempted to provide a more favourable environment for the growth of the property market, particularly the direct and indirect property markets. Sustained efforts have been undertaken by the government to improve the structure of the property market and to stimulate its growth. These efforts include, among other things:

i. The introduction of a new scheme of Real Property Gain Tax (RPGT);
ii. Microfinance for first home buyers;
iii. Abolishment of Bumiputera (Malay race and indigenous people) quotas in foreign companies;
iv. Tax transparency for REITs;
v. Stamp duty for properties that are transferred to REITs; and
vi. Malaysia My Second Home programme to accelerate property selling.

Hence, the government sees Malaysia as being on the radar for property fund managers and investors. Moreover, global property securities have more focus on the role of securitised property markets in Malaysia in international property portfolios.

Malaysia has one of the highest numbers of listed property companies in Asia, only outperformed by Japan, Hong Kong and China. This indicates that many companies have confidence conducting property related business in Malaysia, hence contributing to the progressive growth in the Malaysian property sector. However, in terms of market capitalisation, Malaysia contributes only 1% or USD 15 billion in global property securities market transactions. Unlike Singapore and Taiwan, who have only 65 and 47 listed property companies respectively, both countries contribute 6% and 1% in global property equity markets respectively. This indicates that Malaysia still needs to improve its current position in terms of its contribution to the global property securities market. Other new emerging countries, such as Indonesia and Vietnam are increasingly improving their presence in the global property market. As such, to remain a major Asian player in property investment, Malaysia needs to evaluate its performance in property investment, and in particular, in listed real estate companies.

Investors are no longer considering property as a single property investment, but are including property investment with other asset classes. Property investment has to compete against other asset classes, primarily equities and bonds. Expected return, risk and diversification are all important in determining whether to invest in these assets. In Malaysia, institutional investors for the most part, invest in commercial property such as retail, office space and the industrial sector. Investment in property can also be achieved through securitised property vehicles, such as property companies' shares and REITs. The property market in Malaysia has evolved considerably over the last 30 years. The property index in the Kuala Lumpur Stock Exchange was established in 1970. Malaysia developed the property trust market in 1986, known as the Property Trust Fund (PTF). However, the poor performance of the PTF forced the government of Malaysia to introduce REITs or M-REITs in August 2005. Later in 2006, Malaysia was the first country in the world to introduce the Islamic M-REIT that has strict compliance rules regarding tenant activities.

According to the RICS Global Commercial Property Survey 2010, emerging economies are continuing to outperform those in more advanced economies. The surveys were sent to real estate organisations to compare conditions over the current situation of any particular subject. The findings show that capital value ranked first by net balance scores. Malaysia ranked twelfth and out performed the USA, Australia and France. This indicates that Malaysia is one of the preferred destinations from a property investment perspective.

From 1990 to 1997, prior to the AFC, property prices were at their peak. During this time, significant foreign capital inflow invested in Malaysia, created a strong demand on the property sector and related areas, such as construction and infrastructure development. The downturn of the Malaysian property market commenced in September 1997, during the AFC. The tight credit policy introduced by the federal government affected the local and international property players. Many developers were struggling, and in turn abandoned their projects. Financial institutions were facing non-performing loans. To overcome this problem, the Malaysian government established the two entities, Danaharta and Danamodal, to inject funds into the market by introducing several stimulus package plans to potentially save some companies. This situation influenced foreign investors to invest in Malaysia. As a result, FDI dropped significantly during the AFC.

The significance of the property market in Malaysia can be seen from the listed property securities market from 2008 to 2011, as evidenced in Figure 1. Market capitalisation in Malaysia increased significantly from USD 9 billion in 2009 to USD 23 billion in 2010. Until September 2011, market capitalisation of listed property securities recorded impressive performances, although there was an unfavourable global economic environment due to the Eurozone crisis. Malaysia contributed 1.02% to the global listed real estate equities market as at September 2011, which ranked Malaysia as among the highest in emerging Asian property markets. Malaysia was underperformed only by China and the Philippines in terms of the global real estate equity market. Furthermore, in the global ranking, Malaysia ranked 16th in terms of global property securities composition. Malaysia was placed among the top 20 countries out of 64 major global securities markets. These figures indicate that Malaysia is competent to play a major role and contribute significantly in the global real estate equity market. The details of the ranking of global property securities composition in 2012 is tabulated in Table 2.

Improvement in GDP growth and the stabilisation of the credit markets, shore up investors' confidence. Market fundamentals were weak in 2008 and 2009, but it was a range of capital market factors that led the recovery. Singapore, along with Hong Kong and Malaysia, has staged an impressive recovery in 2010 (RREEF, 2011). However, with uncertainty in the world's economy, Malaysia must always be prepared for any challenges. With economic prospects in Europe and the USA weakening, a significant reliance on exports will limit Malaysia's ability to sustain its recent level of growth (RREEF, 2011).

Table 2: Ranking of global property securities composition 2012

Rank	Country	% Of global transactions
1	USA	27.66
2	Hong Kong	16.06
3	Japan	7.93
4	Singapore	6.27
5	China	5.52
6	Australia	4.87
7	France	3.86
8	UK	3.64
9	Canada	3.19
10	Brazil	2.24
11	Qatar	1.28
12	Sweden	1.19
13	Philippines	1.17
14	India	1.12
15	South Africa	1.05
16	**Malaysia**	**1.02**
17	Taiwan	0.94
18	Germany	0.9
19	Switzerland	0.89
20	Indonesia	0.84

(Source: Author's calculation from Macquarie Securities, 2013)

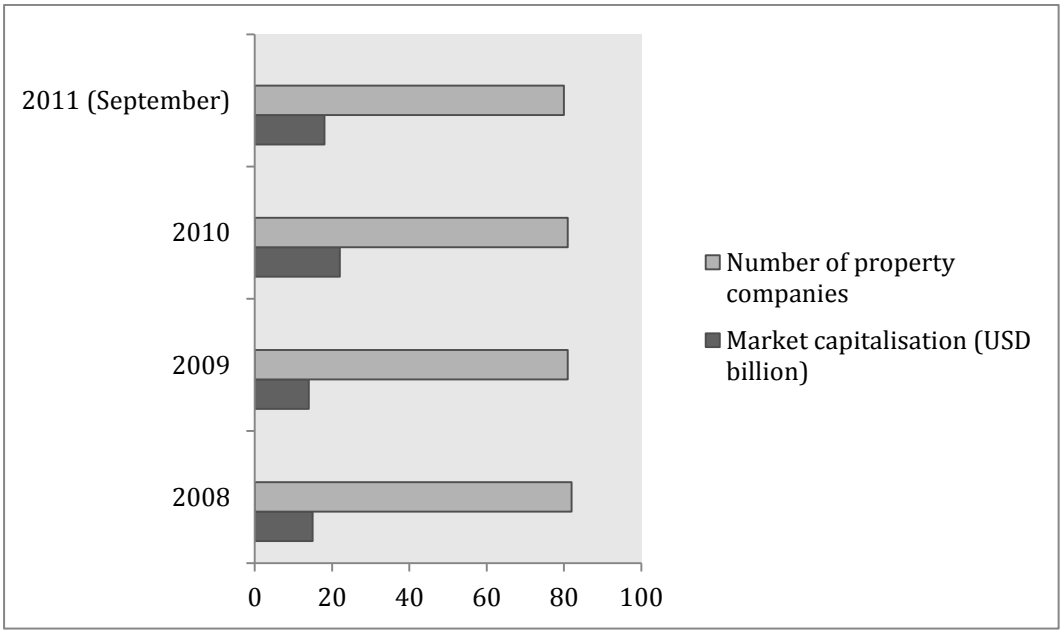

Figure 1: Significance of listed property securities markets in Malaysia: 2008 - 2011
(Source: Author's calculation from Macquarie Securities, 2009, 2010, and 2011)

2.1 Forecasting Procedure In Developed Countries

Experts' opinion data has been widely used, especially in technical fields. This type of data provides information when other mathematical and statistical data are unavailable. Furthermore, it can be employed to supplement existing data when those are sparse, questionable or only indirectly applicable (Meyer & Booker, 2001). In broader forecasting research, the role of judgment in statistical procedures and pure judgmental forecasting itself has been a well-established research area for two decades (Gallimore & McAllister, 2004).

The degree to which the forecast is either the result of models, a combination of econometric models and judgment or solely judgment depends on a variety of factors. There are numerous studies in the business economy and finance fields on experts' opinion forecasting and on how experts' opinion is used to adjust quantitative forecasts (Brooks & Tsolacos, 2010). This chapter draws upon selected research on experts' opinion forecasting to predict what really is going to happen in real estate sectors around the globe.

In UK, the Investment Property Forum (IPF) which has been setup in 1998, is now recognised as one of the leading specialist property industry bodies in the UK. It comprises an influential network of senior professionals active in the property investment market. IPF real estate forecast surveys have been conducted since November 1998 and have been conducted quarterly (February, May, August and November) since 1999. These IPF expert opinion forecasting surveys collect information on future rental growth, capital growth and total returns from a range of UK real estate forecasters, including real estate advisors, fund managers and equity brokers. These rental growth, capital growth and total return forecasts are presented at the "total" UK property level, with office, retail and industrial property sub-sector forecast results not available (McAllister *et al.,* 2008). The IPF UK real estate forecasts were then compared with the respective Investment Property Databank (IPD) actual UK annual real estate returns. The IPD real estate indices represent the commercial real estate performance benchmarks for the UK. The IPD annual database is the most reliable benchmark of direct real estate performance in the UK. Full details of the IPD UK real estate indices are available from www.ipdindex.co.uk (McAllister *et al*., 2008).

The Australian Property Institute (API) conducts the Australian Property Directions Survey on a six monthly basis (API, 2005). Surveys are conducted in April and September each year, commencing in September 1998. A wide range of commercial property information is collected, including percentage market growth projections above CPI over the next twelve months. These one-year ahead real capital growth forecasts are available for the Sydney CBD office, Sydney non-CBD office, Sydney retail and Sydney industrial property markets (Newell & McFarlane, 2006), as well as Melbourne and Brisbane.

Respondents to the survey are property experts, such as valuers, fund managers, property analysts and property financiers, and are drawn from a range of organisations with national representation (API, 2011). The forecast results are presented at a consensus level, with individual respondent results being anonymous and not reported or recorded by the API. As such, the performance of individual property forecasters is unable to be evaluated. Whilst the respondents are not specifically professional property forecasters, they are major users of property forecasts, and hence have a good understanding of commercial property market dynamics. One year ahead forecasts are presented for the total group of respondents, as well as for the sub-groups of property fund managers, property analysts and valuers. An average of 29 respondents have participated in these API forecasting surveys (Newell & McFarlane, 2006), with the respondent profile and numbers similar to that of the IPF survey of (IFAs) forecasts conducted in the UK (IPF, 2005).

Another survey used for forecasting the Australian property market is obtained from the Jones Lang LaSalle (JLL), Survey of Investor Sentiment. Property forecasts were obtained for:

- Office markets (six): Sydney, Melbourne, Brisbane, Canberra, Perth, Adelaide;
- Property sectors (six): prime CBD office, suburban office, CBD retail, regional retail; and
- Neighbourhood retail, prime industrial.

The JLL survey is conducted six monthly, with over 300 surveys distributed to property investors (largely institutional). Respondents per survey typically account for approximately AUD 60 billion in property portfolios (Newell et al. 2002).

To determine the six month property forecasts, respondents are asked to indicate whether they would buy, hold or sell in the property markets for the above six cities and six sectors. A "net balance" for each of these markets is determined as the percentage of respondents who respond, "buy" minus the percentage of respondents who respond, "sell". The larger the "net balance", the more positive is the specific market outlook or forecast. These property forecast ranks are then compared with the respective Property Council of Australia actual returns (IPD, 2001), which are also ranked for comparison purposes with the JLL forecasts (Newell *et al.,* 2002).

3.0 Research Methodlogy

This section provides details of the research area, data collection and analysis process used in this study. The main research instrument used in this study is the survey tool, together with several technical questionnaires. Three similar questionnaires were developed and personal interviews were conducted for three distinct groups of participants; property advisors, property fund managers and equity brokers. The common themes in the questionnaires included:

i. Property investment criteria;
ii. Macro economic influences; and
iii. Risk/portfolio management strategies.

A three-phased research approach was used in this study, where in-depth interviews with a selection of property players were conducted. The three phases conducted in this research are as follows:

i. Phase 1: Exploratory research: Developing frame of reference and undertaking literature review of key points;
ii. Phase 2: Pilot interviews: Testing draft questionnaires and fine tuning approach; and
iii. Phase 3: Conducting final in-depth interviews with key decision makers of the property sector.

This survey approach was beneficial in obtaining a more detailed insight into the views and decision-making process of the three groups regarding the property investment scenario in Malaysia. Participants were asked to assess the future of property investment and opportunities in Malaysia. Some of the questions asked respondents to tick the best answer based on their point of view, while others requested respondents to score answers using a five point rating scale, ranging from 1 to 5, and depending on each question. Arithmetic means of the Likert scale scores were calculated to determine the ranking attributed to the various factors regarding investing in Malaysia.

Contact information was obtained from published resources such as websites, prospectuses and annual reports to enable the researchers to conduct these personal interviews. Opinions from these three distinct participant groups are very important and will benefit current and future property players and investors in Malaysia. The outcomes from this survey will only be presented at the aggregate level to ensure the confidentiality of the respondents who participated in the survey. Further, the percentages attributed to the key categories in the survey were used to determine the overall percentages.

This survey focused on the impact a range of factors had on property investment, and did not consider other groups, such as property developers. Overall, 420 questionnaires were distributed and a total of 320 questionnaires were returned (see Table 3 below). A snowball sampling approach was employed (Zikmund, 2003) for both the exploratory and final research phases, whereby referrals from prominent industry specialists opened the doors for the initial interviews. From these interviews, further referrals were obtained for the remaining the interviews.

Table 3: Respondents' profiles

No.	Experts	Total	Percentage (%)
1.	Property advisors	120	28.6
2.	Fund managers	80	19.0
3.	Equity brokers	120	28.6
4	Total	420	100

3.1 Interviews

A personal interview of approximately 30 minutes was also conducted to obtain further information regarding property investment in Malaysia. Overall, the quality of respondents was excellent, with all respondents consisting of either senior or mid level employees; further reflecting the quality of the data obtained by this forecasting method. Berry (1999) suggested that researchers should elicit information by using in-depth interviews in order to achieve a holistic understanding of the interviewee's point of view or situation. The data obtained by qualitative inquiry techniques is usually verbal responses and observations of behaviour; as such researchers need to adopt appropriate methods that allow them to capture such data. To this end, the in depth interview approach was ideal for the purpose of this research, since it was necessary to ascertain a detailed understanding of:

i. How fund managers developed decision making criteria for making investments;

ii. How they perceived business, industry and portfolio risk;

iii. How they viewed environmental factors and situational challenges within the context of their investment decisions; and

iv. What strategies they employed to mitigate investment and portfolio risk.

For the purpose of this research, the respondents' consent to participate in the study was required to be obtained. As such, the procedure for gaining informed consent was as follows:

i. A letter of request, together with information for participants and the consent form were sent to each participant for approval;

ii. Making clear in the information provided to the participants and on the consent form, that participating in this research would not result in any private or confidential information relating to the participant's company being disclosed; and

iii. Making clear to the participants that the researchers would gather all the completed forms and keep them secure.

Prior to the commencement of the project, a preliminary meeting was held so that the researcher could give details of the study to the participants. The participants had an opportunity to ask questions during the meeting. At this time, they were also asked to sign the consent forms. The researcher scheduled interviews and times they could observe participants working in the day-to-day activities at the company. In addition, confidentiality was ensured. No names were used in reporting the results of the study. Each participant's name was replaced with an encoded number and enumerators keyed this data in. In addition, the transcript of the interviews was returned to the participants to allow them to check for accuracy. Further, the participants were consulted about the findings of the research before the results were reported.

The objectives of the exploratory and pre-test research phases were as follows:

i. To get a better insight into the dynamics and functioning of the commercial property industry in Malaysia;

ii. To gain an understanding of the environment and the challenges facing property industry decision makers, and thus also direct the course of the literature review;

iii. To develop questions which would more effectively elicit answers to the research questions, within the business context of each decision maker;

iv. To test the content and sequence of questions in the questionnaire; and

v. To test the length of the interview and the optimal number of questions.

Numerous adjustments were made to the questionnaires during the exploratory and pre test research phases before the final document was produced.

4.0 Data Analysis Approach

For this research, phenomenological analysis was applied. This involved the recording of the key interpretations and observations of the participants, thus allowing the researcher to understand the interviewee's experiences, within each case discussed. The tape recordings of the interviews were transcribed and analysed with reference to the research objectives. In addition, common responses and themes were identified and interesting and unusual findings were noted.

The phenomenology theory was developed by Husserl (2012). When using phenomenology as a research method, the researcher starts with the lived experiences of the participants, uncovering their own level of understanding of their experiences. In this case, the opinions of property analysts are very important in order to explore the forecasting

procedure, as well as to achieve the objectives of the research. Two approaches of phenomenology research were used in this research; descriptive and interpretive.

In this method, researchers are required to put aside preconceived ideas about the phenomenon being researched, and to check with the participants as to whether their interpretation of the account given is an accurate reflection of the participant's intention (Porter, 1998). Interpretive phenomenology was developed by the philosopher, Heidegger (1962), who contended that it is neither possible nor necessary to attempt to separate one's experience from the phenomenon being observed and interpreted. As such, this method is aim to create mutually understanding between participants and researchers. Furthermore, this method has been use by various researchers in many disciplines.

The researchers spent a year (June 2011 to June 2012) collecting data. They collected qualitative data by conducting semi-structured interviews with property players about their ideas, opinions and experiences, and by recording the professional observations of the participants regarding the commercial property markets in Malaysia. Interviews can provide information about a person's attitudes, values and what the person thinks they can do. In this research, a semi-structured interview using close-ended questions was one of the two methods employed to collect data.

The first interview was conducted when the data collection began in June 2011. It was a semi structured interview conducted online and by phone about the property forecasting procedure in Malaysia. After the entire interview data was gathered, researchers transcribed the interviews and then summarised the answers to each research question. Upon completion of the first semi-structured interview for all respondents, the researchers analysed and synthesised the data in order to write a summary of the findings from each interview.

The data gathered from the interviews and fieldwork needed to be checked to ensure that the data was valid and reliable according to the real conditions of the phenomenon. The validity of the data was maintained by transcribing the interview sheet word by word. The data was analysed using an inductive approach allowing the prevailing patterns, themes and categories of the research findings to emerge from the data, rather than being controlled by factors predetermined prior to their collection and analysis. For this research, there were two sources of data that were analysed inductively; the data from the interviews and the data from the respondents' observations.

The analysis of the transcripts and field notes comprised of labelling the data, creating a data index, sorting the content of the data into meaningful categories and determining a list of themes. The constant comparative method was used in conducting this analysis, which involves recording, categorising and comparing the data across categories. The process of categorisation entails revisiting the logical explanation and the concrete data whilst looking for significant relationships. The main task of categorisation is to organise data that appear to relate to the same content into temporary categories.

The researchers undertook participant observation by working with each participant using the cutting edge technologies such as e-mail, videoconferencing and text messages. In addition, the researchers used data from the field notes of participants, being observations of the property market in Malaysia as part of participants' day-to-day work activities. All the notes were transcribed, retyped and systematically coded by using SPSS predictive analytics software. The codes were grouped to form categories by re-reading the data from the field notes and the account using the constant comparative method by reviewing the relevant literature of self directed learning of property players. Information from the participants' observations was summarised based upon the categories developed from the data analysis.

Next, the researchers identified the themes that related to each research question, by comparing the data from the different data sources. These included secondary reports from international property analyst companies such as CB Richard Ellis, Jones Lang LaSalle, Cushman & Wakefield and Knight Frank. The researchers studied all the data regarding the property players' observation in each category, and then compared the results in each category in order to identify the themes. This resulted in the merging of codes and sub-categories from the different data sources into categories for each research question. These categories were the preliminary findings of this research. Documenting the emergence of a singular primary system found in each of the data texts and identifying the most important data concluded the data analysis.

Several features were built into the design and conduct of the study to ensure that the research outcomes were reliable. These features included using multiple sources of information, employees from different levels in an organisation and also several methods of data collection, namely interviews and observations. The settings and the participants of the study have been described so that the findings can be understood in this context and applied to other settings where appropriate. There were also specific features built into the design and conduct of the study to ensure that the results were considered trustworthy. Firstly, the findings are detailed in the research report using some quotes from the respondents and the conclusions are drawn using the terms of the participants. Secondly, a second interview was conducted to check the accuracy of the findings. Thirdly, the roles and responsibilities of the researcher have been described in this chapter, so that the researcher's knowledge and experience could be seen as being related to, but separate from the findings of this research.

4.1 The Experts

For this survey, the data was obtained from the individual property players in January, June, September and December 2014. Organisational forecasts were also provided on an anonymous basis. This section explores issues regarding forecasting procedures by using experts' opinions from companies involved in the Malaysian property markets. The outcome of this research will benefit institutional investors (for example, insurance companies and fund managers) holding property portfolios. So far, government regulators, companies and investors, have concentrated on property market issues, as real estate is one of the major components in the economic transformation plan (ETP), in order to become a high-income country in the future.

Based on the data obtained from the interviews, it can be concluded that there are some key points regarding the forecasting procedure for the Malaysian property market. The following points are relevant in terms of establishing a Malaysian property forecasting procedure:

i. Diversification and modern portfolio theory (MPT)

   The aim of applying MPT is to create a portfolio of investments that a procedure is a predictable return. The risk in the system is the volatility of the return on the portfolio. By increasing the number of investments in the portfolio, the specific risk is reduced.

ii. Understanding of property assets by fund managers.

   Fund managers who specialise in financial matters are often less confident in the property market and are prone to misjudge property investments, with the results that the properties may decline in value, more so than other types of investment.

Consequently, MPT should be adopted and applied primarily as a risk management tool, rather than a return management tool.

iii. Investment and portfolio strategies

A good starting point when looking at decision-making behaviour when investing in property is to establish what the investment objectives are. At a fundamental level, there are two mutually exclusive types of investment objectives. These are:

a. The growth objectives, where there is a relatively long-term approach with no immediate need for the cash being invested.

b. The income (or current cash flow) objective, which implies that the investors have a short term and ongoing need for the cash generated from the investment.

In Malaysia, the government plays a major role in accelerating activities involving the economy, as compared to the private sector. With the market being so small and stocks being so limited, the notion of satisfying becomes less relevant. Virtually all the funds commented that there is no tradable stock available. Taking advantage of phases in the property cycle seems beyond the Malaysian funds ability. Firstly, none of the respondents mentioned it in the interviews, and secondly there were comments about not being sufficiently financially nimble in order to take advantage of opportunities because of liquidity issues, due to the distribution of profits and the cost of debt. There appears to be a massive demand for dominant property sectors such as retail and housing, particularly those in upper income areas in the Great Klang Valley (for example, Damansara and New Iskandar Development in Johor). The funds and financial institutions, who own such assets, seem to be enjoying normal good returns in spite of the economic down cycle.

The respondents were also asked which economic factors were most influential on property investment decisions. Table 4 tabulates the results from the data analysis, based on interviews of the respondents.

Table 4: Most macroeconomic influential factors on property investment decisions

Ranking	Macroeconomic factor
1.	Inability to raise finance
2.	Uncertainty impacting on appetite for risk taking
3.	Politics
4.	Cannot develop purchase property
5.	Cannot issue shares
6.	Impact on consumer/client
7.	GDP growth
8.	Oversupply
9.	Interest rate
10.	Property prices and funds

The results indicate that inability to raise finance and uncertainty impacting on appetite for risk taking are the two major macroeconomic factors that influence the factors on property investment decisions. On the other hand, interest rates and property prices and funds are the two least factors. The general sentiment of the interviewees towards the macro business

environment was very positive. On the whole, there was little concern expressed over the political uncertainty in the country, the global financial crisis and high inflation rate. No one mentioned that the property index on the Kuala Lumpur Stock Exchange (KLSE) has shed around 40% of its value since the previous year. Some interviewees mentioned that property fundamentals in Malaysia were still sound. These being satisfied vacancy rates, strong tenants and inflation-beating escalation clauses built into the leases.

Past research has consistently shown that commercial property performance is closely aligned to GDP changes, employment, interest rate and inflation. It is also evident that due to property supply characteristics, the property cycle lags behind movements in macroeconomic variables. Various studies have shown that vacancy rates are the key variables linked to rent and building cycles. Building cycles consistently lagged the vacancy rate cycles peak through by approximately a year. Another aspect of the cyclical pattern is the psychological aspect of human behaviour. The authors suggest that during extended periods of prosperity, people adopt the psychology of affluence and its by-product, economic optimism. They become economic risk takers and rationalise that what has happened, will continue to happen and thus see less risk than there actually is. The literature supports the key points coming from the data analysis, namely that factors such as interest rates, vacancy rates and availability of stock have a direct impact on the industry.

The interviews with the interviewees revealed that in the Malaysian property market the variable most frequently forecast is change in rental value. This is largely so because information to support modelling of these rents is more widely available than for other property specific variables. Forecast in rent is usually for prime locations. This was referred to as top rent, but also as prime and average rent, and in certain cases, average rather than prime rent, indicating the variation in perceptions of this benchmark. Almost invariably, nominal rents are being forecast. In some cases, these prime forecasts are augmented by forecasts for other grades of property, usually where the forecasting organisation owns such property and wants to project returns for existing assets or funds.

The forecasting of yields is also undertaken, to a lesser extent than rents, and usually in conjunction with total return forecasting. There is wide variation across markets and the geographical scope of coverage. In Malaysia, the majority of forecasts are done on a national and regional level for the main market sectors (for example, retail, office and industrial) and a selective sub-analysis of these either by type or location. While providing a broad overall service, some forecasters focused on specific sectors in particular states, the most obvious example being prime offices or retail on one or more of the Klang Valley sub-markets, because that is where the organisation's or client's property focus lies.

5.0 Results And Discussions

This section discusses the research findings based on the interviews with the respondents. The analysis highlights a number of issues relevant to the investment industry regarding the implications of inevitable changes in the property market in Malaysia. These issues include:

i. The lack of attention given to unavoidable impacts resulting from changes in the economy may have significant long term implications for companies and their investors;

ii. The need to develop tools to aid companies and investors to understand the risks and opportunities associated with economic change;

iii. The risks associated with economic change needs to be incorporated into investment analysis and decision-making, as they may affect the timeframes over which investment decisions are made.

iv. Investors need to engage with companies to ensure that they have the appropriate economic change adaptation systems in place.

v. Investors also need to engage with policy makers to ensure that the views of long-term investors are taken into account in policy formation relating to this area.

Forecasts are important components of property investment decisions for several purposes such as:

i. Strategy
ii. Stock selection
iii. Asset pricing - setting target rates of return
iv. A framework for analysis.

For this survey, the data obtained among the property players in January, June, September and December 2014. Individual organisation forecasts have been provided on an anonymous basis by researchers. This section explores forecasting procedure issues by using experts' opinion among companies involved in the Malaysian property markets. The outcome of this research will benefit the institutional investors (e.g. insurance companies and fund managers) holding property portfolios. The government, regulators, companies and investors have so far concentrated on property market issue, as real estate is one of the major components in the ETP in order to become high-income countries in the future.

An overall assessment of the data obtained from industry professionals on their experiences regarding the property sector is depicted in Table 5. The findings were based on the information obtained from respondent interviews compared to the literature reviews.

Table 5: Summary of the interviews

Main issue	Comments
Property investment criteria	A much broader understanding of the criteria was gleaned from the interviewing process rather than the literature review. Substantially supported by the literature.
Macroeconomic influences	A much broader scope of factors was revealed by the research findings. Using case studies was valuable to create context.
Risk/portfolio management strategies.	The Malaysian property industry is unique and the interviews revealed this. The fund managers and decision makers shared some highly innovative strategies.

5.1 Future of Property Market In Malaysia: Experts' Survey

This section will discuss the data findings from the surveys based on the close-ended questions. 320 property players were involved in this survey. All respondents had current and prior involvement in the production of property market forecasts. While all had responsibility, mostly at senior level, for some or all of the organisation's forecasts, their role in production varied along a spectrum from detailed involvement in the mechanics of statistical modelling through to mere oversight of the process, the implementation of which was carried out by others.

Ranges of statistical analysis procedures were used to assess the forecasting procedures among the property industries key players in Malaysia. This expert opinion forecasting survey collected information on future rental growth, capital growth and total returns from a range of Malaysian property forecasters, including property advisors, property fund managers and property equity brokers. The target is to predict property rental growth, capital growth and total returns for the end of the calendar year.

In this survey, participants were asked to make forecasts on property performance in terms of rental growth, capital growth and total returns to the end of the current calendar year, as well as forecasting these property performance measures to the end of the year for the next two years. This saw property forecasts presented for up to 35 months in the future. This allowed the researchers to assess the accuracy of the property forecasting, as the time difference between the property forecast and the actual property performance data reduced on a quarterly basis from 35 months to two months.

An interesting feature of forecasting is that the participants are predicting rental and capital growth and total returns at a given number of points during the year. As the year progresses, it would be expected that forecasting accuracy increases as the target end of year date becomes closer. The participants are receiving regular signals about market returns in a similar sub-market that should help them to update their property forecasts. These forecasts also provided this research with some insights about the efficiency of property forecasters in reacting to new information.

Table 6 presents the descriptive statistics of the three-year ahead forecasts for change (%) in property rental and capital growth and total returns. For rental growth forecast, most respondents predicted almost similar growth for the next three years. However, based on past experiences during the AFC and GFC, the impact will not last for a long period of time. In 2016, the rental growth will increase almost the same percentage as in 2015. The median and the mean forecast tend to be similar, providing a preliminary indication of normality in the distribution of forecasts.

The range between minimum and maximum for forecasts tend to remain relatively constant over a period of time. Some respondents did forecast extreme minimum growth for rental growth over the next three years. In addition, the standard deviation of forecast fluctuates slightly over the years. This suggests that the level of agreement among respondents is relatively unstable around the one-year ahead forecasts. This indicates that respondents have substantially different opinions regarding rental growth forecasts.

Table 6: Descriptive statistics results: Rental growth forecast

	2015	2016	2017
Mean	0.82	0.81	0.84
Median	1.25	0.36	1.32
Maximum	13.55	23.18	15.25
Minimum	-15.22	-17.90	-19.80
Standard deviation	20.44	6.47	5.26
Skewness	-0.41	0.25	-0.46
Kurtosis	2.47	1.50	2.99
Jarque-bera	1.84	4.78	-0.46
Probability	0.48	0.47	2.99

Forecasts were also generally optimistic for the capital growth of the property market in Malaysia. Table 7 presents the forecast for capital growth in the Malaysian property market. Capital growth forecasts tend to be stable over the next three years. The trend for 2015 and 2016 of the capital growth should be increase significantly in 2017. The median and the mean forecasts tend to be diverse, providing a preliminary indication of non-normal distribution in terms of forecasting of the capital growth for the Malaysian property market in the next three years. The range between maximum and minimum for the forecast tends to remain relatively constant over the period of time. Additionally, the standard deviation of the forecast remains relatively stable from year to year. This suggests that the level of disagreement among respondents is relatively stable for the one-year ahead forecasts. The range will also be relatively small over the next three years.

Table 7: Descriptive statistics results: Capital growth forecast

	2015	2016	2017
Mean	4.84	5.88	13.82
Median	0.45	0.35	0.15
Maximum	34.23	48.71	65.85
Minimum	24.77	20.36	20.12
Standard deviation	10.16	12.29	14.07
Skewness	0.77	1.47	1.97
Kurtosis	1.83	3.53	6.54
Jarque-bera	11.22	26.88	84.31
Probability	0.54	0.32	0.16

The descriptive statistics for total return forecasts are depicted in Table 8. The range between maximum and minimum forecasts and the standard deviation of forecasts indicates forecast disagreement. Similarities are the dominant theme. The median and the mean forecast for total return tend to be similar except for 2015. Furthermore, the range between maximum and minimum forecast tends to remain relatively constant except for 2017, which remains at a minimum. In addition, the standard deviation of forecasts remains relatively stable from year to year. This suggests that the level of disagreement among respondents is relatively stable for the one year ahead forecast. These results indicate that over the next three years, 2014 will see a totally different growth in terms of total returns. Overall, from 2015 to 2017, a majority of the respondents' view that the total returns will increase significantly for the next three years.

Table 8: Descriptive statistics results: Total return forecast

	2015	2016	2017
Mean	1.57	2.53	8.84
Median	0.52	2.23	1.13
Maximum	8.63	15.44	23.53
Minimum	-2.07	-2.07	-23.57
Standard deviation	1.45	1.45	7.95
Skewness	2.35	2.35	0.16
Kurtosis	11.73	11.73	1.30
Jarque-bera	295.15	295.15	8.96
Probability	0.14	0.38	0.13

The evidence of consensus among the property players predicts that the three main indicators of property markets in Malaysia over the next three years are strong. In all but one case, the annual distribution of the forecasts is normal for all forecasts. The only exception is capital growth where the distribution is slightly non-normal. This may reflect negative sentiments following the perceived increase in downsize risks following the Eurozone crisis and the next global financial crisis.

5.2 Property Sectors

The survey further assesses the forecasting for each property sector, such as residential, retail, commercial and industrial. Property sectors in Malaysia have been impacted by current global situations, such as the GFC and political situations. As for future forecasts of each property sector in Malaysia, GDP growth is highly correlated with predictions of growth in the property sectors in Malaysia. Following the escalation of the Eurozone crisis, the growth forecasts for most of the Asia Pacific countries have been scaled back. The consensus forecast for GDP growth in the Asia Pacific region in 2012 has been downgraded from 5.8% to just 5.1% (DTZ Research, 2011).

The results from the survey will be presented in the format of a property clock diagram at shown at Figure 2. The increase in the official interest rate in the past 12 months has had an impact on various property sectors, including the office property market in Malaysia. In this regard, 82% of the respondents indicated a moderate to low impact, only 8% indicated a strong impact and the remaining respondents indicated that there would be no impact on the office property market. In relation to the property clock, respondents' thought overall that the office property market in Malaysia would peak in 2014. The office property market is still seen as being in the early stages of a downswing in the cycle one year from now and it is also expected that this market will see some downswing in 2016. Majority of the respondents predict Malaysia will face over supply office space in next three years. As a result, the office market will experience downswing condition especially in 206. Figure 3, Figure 4 and Figure 5 show property clock diagrams for the office property market in Malaysia over the period 2015 - 2017.

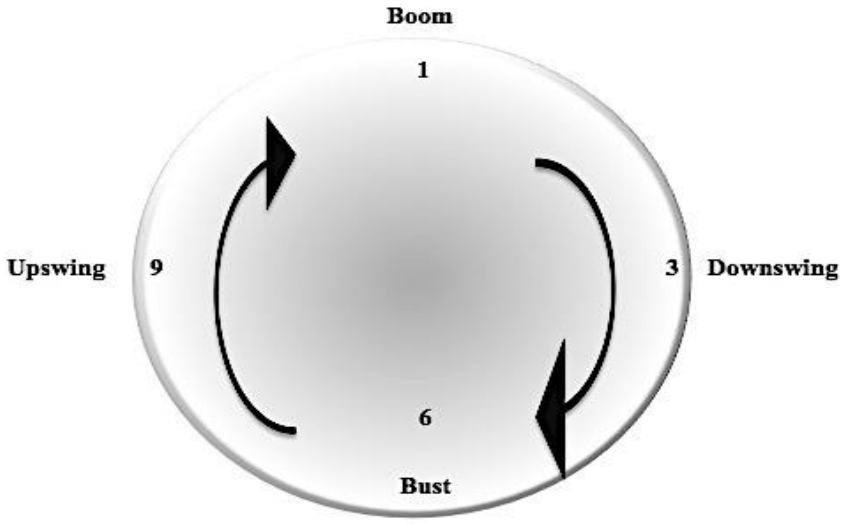

Figure 2: Property Clock

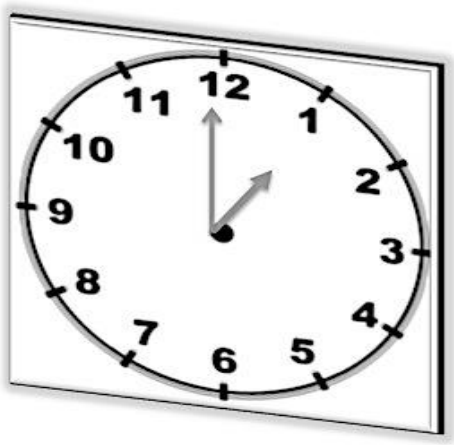

Figure 3: Office property market clock: one year's time

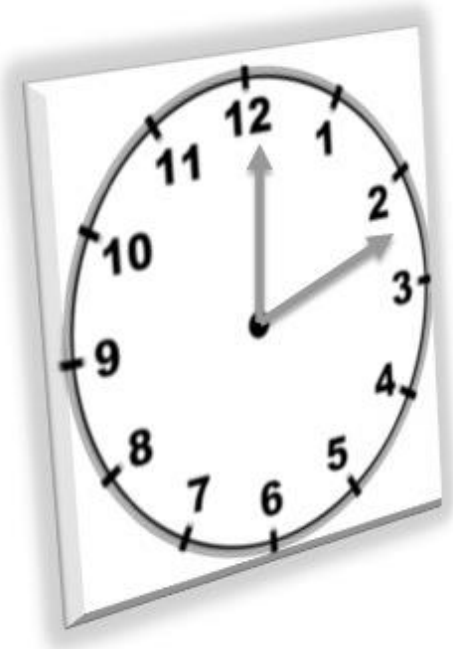

Figure 4: Office property market clock: two year's time

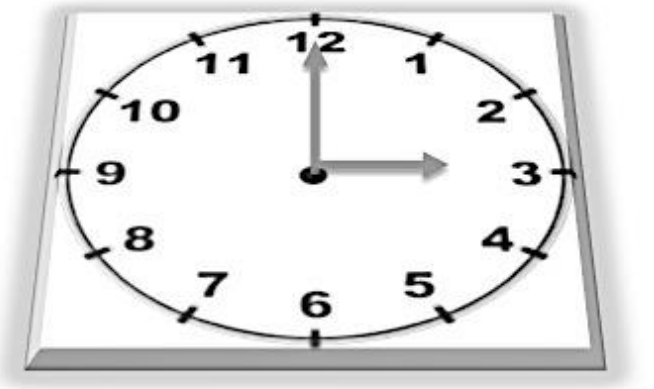

Figure 5: Office property market clock: three year's time

5.3 Retail Property

Based on the opinions of the surveyed property players in Malaysia, a limited supply of good quality space and sustained occupier demands are likely to exert upward pressure on rental values over the next few years. Located in Kuala Lumpur's golden triangle, one of the cities prime locations, the Twin Towers centre is a retail attraction expected to perform well and maintain a high occupancy rate. However, there is concern that the high inflation rate and the subdued external demand will have a significant impact on the retail property growth in Malaysia. This correlates with the results of the study by RREEF (2013) which put Malaysia as an average market in 2014.

Despite the divergence of rental movements in Malaysia, prime retail locations will be dominated by major international luxury brands, which remain competitive. However, the risk associated with the sizeable new retail supply in the pipeline remains high in major cities in Malaysia. Nevertheless, demand is expected to pick up gradually in the next three years based on the growth of inbound tourism and the strengthening consumer power. Moreover, Malaysia retail brands are considered less expensive on a global scale, due to the foreign exchange, compared to certain countries like Singapore, Australia and European countries. Growth of retail property in Malaysia is driven by the luxurious business sector, but some cities such as Johor Bahru, located in the south of the Malaysian Peninsular, saw most new retailers succeed in attracting customers from a wide range of sectors. Kuala Lumpur remains a hub for the retail sector, especially that of fashion, with the majority of new entrants coming from the luxurious business and fashion sectors.

The results from the survey for the retail property sector for the next three years are depicted in property clock diagrams. The increase in the official interest rate in the past 12 months has had an impact on various property sectors, including retail property. 35% of the respondents indicated a moderate impact on retail property in Malaysia, 5% indicated that a high interest rate will give a strong impact and the remaining respondents saw no impact on the retail industry. Figure 6, Figure 7 and Figure 8 present the property clock over the period 2015 – 2017. Respondents still see that the greatest growth potential is the retail property in Malaysia for the next few years.

Some further growth potential is indicated for retail property in Malaysia in 2017. Similarly, in one year's time the respondents continue to see retail property in Malaysia as

having the best growth potential. In two year's time, the respondents will see some growth in retail property. However, most of the respondents are doubtful that retail property in Malaysia will achieve a property boom (stage-delete) in the next few years. Most of the respondents still think that it will all depend on the global economic situation.

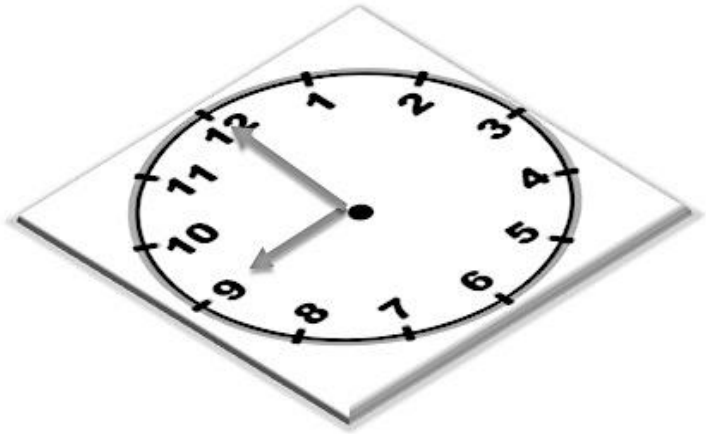

Figure 6: Retail property market clock: one year's time

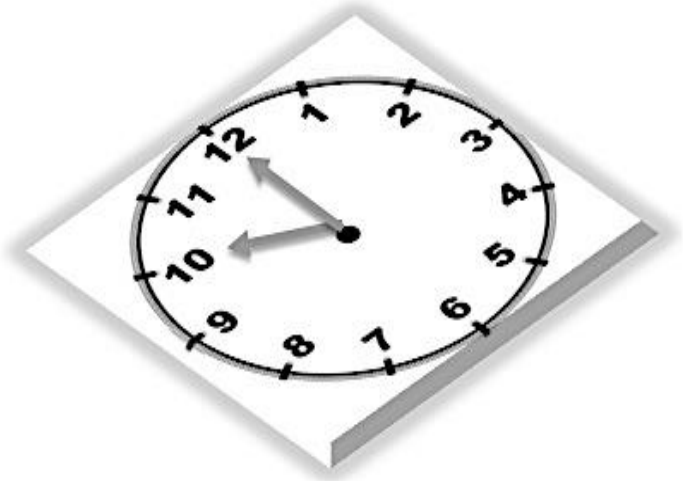

Figure 7: Retail property market clock: two year's time

Figure 8: Retail property market clock: three year's time

6.0 The Implications To Property Sector

Malaysia was able to recover from the economic slowdown in 2010-2011 that was caused by the GFC and Eurozone debt crisis. With a 5.3% increase in GDP, Malaysia is set to continue its strong growth for the future years ahead. However, with a gloomy outlook for the economic conditions due to the European and USA debt crisis, the Malaysian economy is still volatile and not immune to any crisis. Malaysia, as an export oriented and open economy, will expand more slowly compared to other closed economies, such as China, Indonesia and India. Inflation will remain a challenge as the price for certain goods is expected to be very high, especially food and manufacturing based products. It is expected that Bank Negara Malaysia will suspend their rate hike cycle for as long as the climate of uncertainty remains exceptionally high. 2015 will see a moderate growth but a slowing in activity in the occupier's market.

Although the outlook is dominated largely by ongoing challenges in the USA and the Eurozone that could shake investors' confidence, the Malaysian economy remains intact, and is expected to expand to a healthy 5.0% - 5.5% for the next three years. Steady economic growth will continue to fuel employment and income gains and in turn, will buoy investors' sentiment. This, together with the vibrant tourism sector, will continue to bode well for the retail sector. As for the office property market, competitive rent prices together with a strategic location and high tech office facilities, will contribute to the success of this market.

Commercial property forecasting is essential in the process of property investment decision-making, whether for institutional investors or individuals. While all forecasting is subject to some degree of uncertainty, a high degree of sophistication has been developed over recent years, with a range of advanced quantitative and qualitative procedures now used in commercial property forecasting, including judgmental, causal/econometrics and time series/trend analysis procedures (Higgins, 2002). Despite this increased sophistication in commercial property forecasting methodologies, discrepancies in property forecasts still occur due to, among other things, differences in structures of econometric models, statistical procedures and data used (Mitchell & McNamara, 1997).

Commercial property forecasting is an important but difficult process in property investment decision making due to uncertainty and the impact of unexpected shock, such as financial crises and natural disasters. Therefore, this research highlighted a number of issues for the commercial property investment industry regarding the potential of investment in commercial property in Malaysia. These issues include:

i. The lack of research regarding the impact of financial crises that may have significant long term implications for companies and their investors;

ii. The need to develop tools to aid companies and investors to understand the risk and opportunities associated with commercial property investment;

iii. Investment risks need to be incorporated into investment analysis and decision making as they may have an effect on the timeframes over which investment decisions are made;

iv. Investors need to engage with companies to ensure they have appropriate information on the current situation of the property investment scene; and

v. Investors also need to engage with policy makers to ensure that the views of long term investors are taken into account in policy formation relating to this area

It is important that investors take into account the extent to which individuals and companies are risk proofing their business models, rather than just dealing with extreme events through business continuity and crisis management planning. Incremental changes to property businesses are subtler and their impacts on business models and individual commercial property investment may pass undetected until critical thresholds are breached. Business continuity and crisis management responses are appropriate to manage the impacts of unexpected events such as financial crises and natural disasters, but have little relevance to incremental change. The latter require companies to carry out fundamental reviews of their business models and to check that investments are fit for the purpose, meet occupier and market expectations and are risk proofs under operating conditions.

This research is an attempt to survey the opinions of the property players in Malaysia, regarding the forecasting of commercial property in Malaysia. The macroeconomic factors are the pillars of the questionnaire and are as follows:

i. Inability to raise finance;
ii. Uncertainty impacting on appetite for risk taking;
iii. Politics;
iv. Cannot develop purchase property;
v. Cannot issues shares;
vi. Impact on consumer/client;
vii. GDP growth;
viii. Oversupply;
ix. Interest rates; and
x. Property prices and funds.

7.0 Summary

In summary, the results from the interviews and surveys indicate that the inability to raise finance and uncertainty impacting on appetite for risk taking are two major macroeconomic factors that influence the factors on property investment decision-making. Property players were also concerned about the political uncertainty in the country, as it will affect the stock market and in turn the property market. However, a majority of the property players believed that the property fundamentals in Malaysia were still sound, namely satisfaction with vacancy rates, tenants and inflation rates. From the interviews, property players also understood the criteria that was garnered from the literature review, thus supporting the survey findings in this research. In terms of macroeconomic influences, using case studies revealed a much broader scope of factors. In addition, the property industry in Malaysia is unique, as such a range of highly innovative strategies are needed to ensure that the property industry in Malaysia moves forward.

Overall, based on the results from the three key factors which indicates how commercial property investment in Malaysia will perform over the next three years, it seems 2015 will experience some difficulty due to several reasons. Capital growth in Malaysia will severely negatively impact commercial property growth, although some other indicators show some positive signs. However, the majority of property players in Malaysia are optimistic about growth levels following the financial crisis, as it is thought that it will only have a minor impact on the Malaysian economy. Unlike a decade ago, where the Malaysian economy was highly dependent on trade with western countries, Malaysia has diversified its trading partners, especially with many Asian countries, as Asian is now a centre of trade growth. As such, from 2015 onwards, property players are confident that Malaysia will experience significant growth due to the strong domestic economy.

This research illustrated property clock diagrams for office and retail property markets for the next three years. The property clock diagrams portray the findings based on the surveys and interviews of the respondents, who have broad experience in property analysis and industry research. For the office property market, the forecast for the next three years seems to show some downswing, from 1'o clock to 3 o'clock. This implies that the office property market in Malaysia will move from high growth in 2015 and will eventually become slower over the next few years. 2015 began strongly with a robust leasing activity, outpacing 2014. The Kuala Lumpur office market will expect a growth of 21% in 2015 and rent will grow constantly. The stability in the official interest rate for the past 12 months has influenced the predicted moderate growth rate for 2014. However, it will begin to slow down in 2016 and 2017 due to the impact of the Eurozone crisis and other domestic factors, which have to be taken into consideration when using forecasting based on judgements. Overall, respondents' view that from 2015 to 2017 the office market will be in the early stages of a downswing cycle.

International trade substantially contributes to the growth in Malaysia's GDP. As such, any financial crises will significantly impact the local market, as it will affect the demand of Malaysia's products. Malaysia will experience a slower than expected pace in export growth, largely on account of lower growth in export and manufacturing output. However, on the positive side, international retail brands will find a new market, as Malaysia offers low labour costs and attractive tax incentives. Malaysia is able to attract the investment of international brands by opening their retail centres. The recent luxury store opening of in Johor is proof that Malaysia is considered one of the attractive destinations for luxury brands and other retail brands. From the survey results, expert's project that there could be some potential growth in the retail property market for the next three years. In two year's time, the retail property market in Malaysia may see a property boom, however it will depend on the unpredictable

global economic situation. Nevertheless, the majority of experts are very optimistic about the future of the retail property market in Malaysia. Retail property in Malaysia will also expand in three year's time. The property clock refers to this as the boom stage. As such, property players foresee that the momentum of retail property growth will continue in 2015, as a result of the influence from the strong GDP increase in 2014. Hence, the period from 2015 to 2017 could prove to be notable years for retail property growth in Malaysia. Table 9 summarises the property clock for property market in Malaysia for the office and retail market.

Table 9: Summary from Property Clock

	1 year's time	**2 year's time**	**3 year's time**
Office property	1	2	3
Retail property	9	10	11

Overall, property players believe that the retail market in Malaysia will experience a further growth potential over the next three years. In one year's time, respondents believe that there will be good growth, and then the market will continuously grow for the next few years. It is predicted that retail property will experience a property boom in 2015, but this will still depend on external and internal factors such as financial crises, natural disasters and consumer spending.

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