

EVOLVING URBAN DESTINATIONS

How the blending of work
and travel is reshaping cities
in Asia-Pacific for the better

CITY APPENDIX





KUALA LUMPUR

1. UNDERSTANDING TRENDS

Malaysia's capital city, Kuala Lumpur, is the economic hub of the country with one of the fastest growing economies in the region. The city currently faces environmental and urban planning challenges exacerbated by the pandemic. However, the outlook of Kuala Lumpur is bright, with its government prioritising the growth of the city's economic and environmental resilience.

1.1. COVID-19

When Covid-19 hit in 2020, the Malaysian economy suffered a - 5.6% contraction, while its real GDP plunged 16% in Q2 2020¹, reporting losses of RM3.37 billion in 2020.² Its closures detrimentally affected its economy, with the country losing RM2.4 billion a day from March to April 2020.² When lockdown measures were relaxed, some economic recovery was seen, but it has been relatively weak and uneven.

1.2. SUSTAINABILITY

With the number of vehicles outnumbering the population with over 33.3 million vehicles registered nationwide,³ Kuala Lumpur faces issues of high congestion, with drivers in Kuala Lumpur wasting the equivalent of 170 hours stuck in traffic in 2019.

Kuala Lumpur is at risk of climate-related events, such as flooding and drought. Current predictions show that annual rainfall is expected to rise by 30% in the next 75 years,⁴ while the length of dry spells is also expected to increase by 18% from 2025 to 2050.⁴

¹ Uncertainties in Malaysia's Economic Recovery, ISEAS Yusof Ishak Institute, 2022

² The Movement Control Order (MCO) for Covid-19 Crisis and its Impact on Tourism and Hospitality Sector in Malaysia, Karim et al., 2020

³ Vehicles outnumber people in Malaysia, New Straits Times, 2022

⁴ Kuala Lumpur Climate Action Plan 2050, DBKL

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To mitigate climate change, Kuala Lumpur City Hall has released its Climate Action Plan 2050. Its strategies work towards making public transportation more attractive and accessible; protecting green spaces; raising energy efficiency in buildings; improving waste management; and improving disaster management. There is however a need for more defined targets by the Malaysian Government to cultivate a greater sense of urgency.

1.3. OTHER TRENDS

Other key trends and actions that will shape Kuala Lumpur's future include digitalisation, urban sprawl, talent attraction, and real estate oversupply.

Kuala Lumpur is a sprawling city, highly dependent on private car ownership. The continuous outer expansion of the city has resulted in incredibly long commute times, worsening air pollution and increased congestion. Furthermore, as a sprawling, low-density city, residents often have poor access to adequate public infrastructure or amenities.

The city also faces issues associated with a housing oversupply, with the number of overhang units continuing to rise. The national residential overhang rose to 24.7% in 2021.¹ The country faces similar issues regarding serviced apartments.

Kuala Lumpur is also taking steps to attract foreign talent. InvestKL was tasked with attracting 100 multinational corporations to establish their regional headquarters in the city.² However, Kuala Lumpur faces tough competition within the region, with cities like Singapore and Bangkok drawing international talent in.

2. FUTURE OF TRAVEL AND WORK

Covid-19 has shifted how Malaysians and Kuala Lumpur residents think about the way in which they travel, work and live, with new habits emerging. In addition, the tourism industry continues to grow, offering new and more unique experiences catering to the changing behaviors of tourists.

2.1. THE NEW NORMAL OF WORK

Kuala Lumpur has seen shifts in employee needs, with flexible work increasing and co-working spaces on the rise. Commercial real estate has also witnessed changes, seeing a growth in demand for flexible spaces such as co-working spaces.

- **Flexible work arrangements:** As of September 2022, Malaysian workers can apply for flexible work arrangements with their company.³ This requires a written application that details any changes in work hours, days and location. All rejections require reasons to be provided. The Deputy Minister of Human Resources has revealed that studies are being conducted on four-day work weeks to assess any impact on productivity.
- **Mismatch between employer and employee needs:** 80% of Malaysians prefer working-from-home according to a 2021 UNDP and Talent Corporation Malaysia report.⁴ This survey also found that rigid return-to-office policies generated a steep decline in work satisfaction for 10,818 workers,⁵ as compared to those with flexible schemes. Employers, however, are seeking to implement strict return-to-office policies.

¹ Malaysian property market emerging from the storm, New Straits Times, 2022

² Kuala Lumpur sustainable development initiatives, ASEAN UP, 2016

³ Employees in Malaysia offered flexible work options, HRM Asia, 2022

⁴ The next step in Malaysia's digital transformation, The Edge Markets, 2020

⁵ Making Flexible Work, Work, UNDP & TalentCorp, 2021

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- **Rising co-working spaces:** The demand for co-working spaces has risen. For example, co-working space company, Colony, recovered to pre-pandemic revenue by the end of Q1 2022,¹ while company INFINITY8 will open 5 new outlets in Klang Valley in 2022.² While demand is rising, this remains a weaker trend with offices continuing to act as the primary workspace.
- **Oversupply of commercial space:** Commercial offices are witnessing all-time low occupancy and slow uptake of space, with vacancy levels of office space in Kuala Lumpur's CBD standing at 28.3% in Q2 2022.³ However, new developments continue to emerge in areas like Cyberjaya, Putrajaya and Shah Alam.

2.2. THE NEW NORMAL OF TOURISM

Malaysia's tourism industry has seen massive growth and is one of its fastest-growing sectors, bringing in RM41.69 billion in tourism revenue in 2019, marking a 6.8% growth from 2018.⁴ When Covid-19 hit, its hotel sector was devastated by a loss of RM560 million.⁵ Kuala Lumpur was the worst hit, experiencing RM24.91 million in losses with over 61 thousand booking cancellations in 2020.⁶

To offset the drop in international arrivals, the government introduced measures to boost domestic tourism, by increasing personal income tax relief and providing vouchers for domestic travel – as part of the Visit Malaysia 2020 Campaign.

Malaysia's tourism sector features a myriad of different tourism offerings that have attracted a wide audience of travellers:

- **Halal tourism:** Kuala Lumpur provides Muslim tourists with travel services and products that cater to their needs, seeing significant growth in Malaysia over the last decade.
- **Retail tourism:** 36.4% of domestic travellers cited shopping as the main purpose for trips, with 50.3% of domestic visitor spending going to shopping in 2021.⁶ Kuala Lumpur is well-known as the retail hub of Malaysia, boasting huge malls in the city centre and across the city.
- **Cultural tourism:** The city is home to a diverse multicultural society, boasting unique culture that tourists can explore through offerings of heritage trails and visits to its historical monuments and religious sites.
- **High share of Singaporean travellers:** While inbound tourism revival will take time, Malaysia can achieve quicker gains in some markets to leverage its proximity to the rest of Southeast Asia, including Singapore. Singapore comprised the highest share of inbound tourists into Malaysia in 2019, seeing over 10 million arrivals from Singapore alone. The reopening of land borders between the countries in April 2022 has greatly boosted its tourism recovery.⁴

¹ Coworking spaces in demand as firms opt for flexibility, FMT, 2022

² INFINITY8 is expanding its co-working operations in Kuala Lumpur in response to increased demand, NST 2021

³ Time to 'sell' Kuala Lumpur's office space to MNCs, The Edge Markets, 2022

⁴ The Movement Control Order (MCO) for Covid-19 Crisis and its Impact on Tourism and Hospitality Sector in Malaysia, Karim et al., 2020

⁵ Hotel sector hit by Covid-19, The Star, 2020

⁶ Press Release: Performance Of Domestic Tourism Survey, Department of Statistics, 2022

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Post-pandemic, Malaysia may also see a rise in more conscious and sustainable travel behaviours. According to an Economist Impact study in 2021, 93.5% of Malaysians said that the pandemic has changed their thinking around sustainable tourism, with nearly 76% of respondents showing a willingness to adopt sustainable travel habits.¹

With the tourism industry playing a significant role in Malaysia's economy, the country is actively working towards expanding these tourism offerings:

- **Growth of eco-tourism:** There are growing eco-tourism offerings not far from Kuala Lumpur which highlight Malaysia's natural assets, such as Taiping mentioned previously, as well as Templer Park. There has been a rise in day trips and overnight stays of camping, glamping and farm stays in rural areas.
- **Smart tourism:** The government has recently launched its Smart Tourism 4.0 Initiative. This initiative will produce apps that will allow travellers to cut across information silos and access diverse offerings with tools such as social media, and QR codes between providers and tourists – moving away from traditional marketing and promotion.²

As a result of these trends, tourism suppliers can expand their reach through digitising operations, developing unique offerings and highlighting their sustainability efforts.

Finally, there are goals within the National Tourism Policy focusing on principles of sustainability, competitiveness, and inclusiveness to make Malaysia a global top 10 tourism destination.²



TEMPLER PARK, SELANGOR

Located just 25 kilometres north of Kuala Lumpur, Templer Park has grown popular as a hiking spot, with its waterfalls, streams and wildlife.

Templer Park Rainforest Retreat is a luxury accommodation offering that opened in 2018, to provide a private stay within the nature reserve.³

¹ Rebuilding tourism in Asia-Pacific: A more conscious traveller?, Economist Impact, 2022

² National Tourism Policy 2020 - 2030, Ministry of Tourism, Arts and Culture Malaysia

³ As nature intended, The Edge Markets, 2018

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2.3. THE GREAT MERGING – NEW LIFESTYLES

Working from anywhere has also increased in popularity, with tourism operators catering to the needs of remote workers. To respond to trends of flexible work arrangements, luxury hotels across Kuala Lumpur has expanded their offerings, catering 3 days, 2 nights packages for workers by offering amenities and services such as high-quality broadband, gym access, set lunch meals and free parking.

Furthermore, **Malaysia is actively working to position itself as the preferred digital nomad hub** in Southeast Asia. The Malaysia Digital Economy Corporation (MDEC) launched a digital nomad visa in September 2022 called the DE Rantau Nomad Pass. Previously, visitors from specific countries could work in Malaysia for up to 90 days, but the launch of the DE Rantau visa lengthens this to 12 months, with the opportunity to extend by another year.¹ This scheme is eligible for workers earning a minimum of US\$24,000/year, making the requirements accessible and affordable¹. Digital nomads must show proof of 3 months of employment either full-time, part-time, freelance or contract, aiming to attract IT workers.¹

However, Kuala Lumpur faces serious competition from Bali, which pulls the highest number of digital nomads within Southeast Asia as of early 2022. *"Travellers without the time to do reading about destinations get influenced by popular destinations like Bali,"* says Marco Ferrarese, a travel expert with 13 years of living in the region. To overcome this, Malaysia's new DE Rantau Pass is predicted to catapult the country's position as a digital nomad hub within the region – with a growing need to ramp up its marketing and partnerships to pull a wider audience.



WORK FROM VILLA

A 3-hour drive from Kuala Lumpur, Mangala Resort & Spa in Kuantan, Pahang, has launched a "Work-from-Villa" package for remote workers, which includes complimentary use of the resort's conference rooms, strong Wi-Fi connection and free-flow refreshment services.²

This resort overlooks the Mangala Lake and offers outdoor activities like kayaking and paddle boating, catering to the desires for an experience in nature, in line with the growth of eco-tourism in Malaysia.

¹ Malaysia is the latest country to launch a 'digital nomad' visa, TimeOut, 2022

² Kuantan luxury resort to launch a "Work from Villa" experience for hybrid professionals, Vulcan Post, 2022

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3. A NEW WAY FORWARD

Needs from the new normal of work and travel must be embedded into the city design of Kuala Lumpur, and although the pandemic has created some challenges, there are a number of opportunities that can be leveraged for the city's future.

3.1. OPPORTUNITIES

Both government and industry need to capitalise on the city's emerging trends. Some opportunities for the city include:

- **Disperse tourism beyond the city centre:** While Kuala Lumpur offers a myriad of tourism offerings (e.g. shopping, Halal tourism), the city faces an overconcentration of tourism within the city centre (e.g. KLCC, Petronas Twin Towers). To reduce pressure on the city centre and distribute economic activity, Kuala Lumpur has an opportunity to promote its outer nodes as tourism spots, by highlighting offerings of cultural tourism or eco-tourism in these areas (e.g. Cyberjaya, Putrajaya).
- **Rural areas as eco-tourism destinations:** Malaysia boasts beautiful natural assets country-wide. To meet the demand for eco-tourism, sustainable travel and workcations, rural areas can act as eco-tourism hubs, drawing tourists from Kuala Lumpur. A notable destination is Taiping, Perak, ranked the 3rd most sustainable city globally, boasting eco-tourism activities in its mangroves and lakes. Diversification of tourism away from Kuala Lumpur and into more eco-tourism offerings can distribute economic activity, propelling lesser-known local towns to become international hubs for eco-tourism.

- **Leverage high supply of commercial space:** Kuala Lumpur's low uptake and high supply of commercial office spaces, provides the city with great opportunity. Kuala Lumpur has 58.76 million sq ft of office space in its CBD, far more than Singapore and Hong Kong, which are cities traditionally known as regional hubs for international businesses. While these cities face tight space constraints, Kuala Lumpur can leverage on high availability of space which can be used for multiple functions instead (e.g., co-working space, tech incubation hubs, workshop areas, etc.). This can provide options to travellers, tenants with different types of business activities, and tenants that may require smaller space, or a flexible lease vs traditional long-term leases.

“ Although there is an issue of oversupply, [...] high supply of space can also be an opportunity to attract businesses, given how resource-tight other cities have been. ”

Cha-ly Koh,
CEO
UrbanMetry

¹Sustainable Top 100 Destination Awards, 2019

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3.2. CHALLENGES

While Kuala Lumpur has great opportunities, the city will face several challenges in harnessing these opportunities. These are primarily related to adequate infrastructure, both physical and digital. Some of the key challenges include:

- **Poor digital adoption hindering tourism dispersal:** A major challenge to the expansion of tourism beyond Kuala Lumpur is the rest of the country's low digital adoption rates, low coverage of fixed broadband services across Malaysia, and low access to fast broadband networks. According to the 2022 EY Business Pulse Survey, 51% of Malaysian businesses are in need of support to upgrade their digital technology, especially necessary to prepare for post-pandemic business recovery.¹ The World Bank's Digital Adoption Index also reveals that Malaysian businesses are lagging far behind their peers in Southeast Asia such as Singapore, Thailand and Vietnam. Without adequate digital resources, local tourism operators across the country are slow to digitalise their operations and marketing, hindering the growth of tourism in areas outside Kuala Lumpur.
- **Poor urban transport connectivity:** Malaysia faces heavy dependency on private cars, lacking serious effort to transition to more efficient, accessible and inclusive modes of transport needed to promote dispersal. The government continues to provide the infrastructure that furthers car dependency (e.g. widening roads, accommodating rising demand for car usage, subsidising fuel prices). According to a study conducted by Think City and Studio 25, three times

more space was dedicated to vehicle lanes than pedestrian pathways in downtown Kuala Lumpur. Of these pathways, 77% were deemed not conducive to walking due to reasons like poor lighting, poor safety and poor shading. Other crucial issues include poor first- and last-mile connectivity (e.g. no walkways from residential areas to bus or train stations), and poor reliability (e.g. inconsistent scheduling). Without efficient connectivity, travellers and residents are limited in their mobility, reducing the potential for the dispersal of travel.

- **Unfavourable quality of cheap commercial spaces:** Despite the affordability of office spaces, these commercial developments are lacking amenities such as good location, strong internet connections and environmentally-friendly features. Firstly, some developments are spread across Kuala Lumpur in an irregular way, due to leapfrog development. Leapfrog development occurs because developers can choose to carry out their development at sites that are cheap, skipping over parcels of empty land. These cheap areas are often far away from prime locations (e.g. CBD) and difficult to access without a car. Secondly, many vacant office buildings such as those in Raja Chulan were completed in the 1990s and lack modern amenities such as energy efficiency, good lighting and ventilation – with little being done to refurbish these old buildings. As such, despite the availability of cheap commercial spaces, its lack of amenities reduces its attractiveness for businesses to set up offices there – causing issues of vacant office buildings to persist.

¹ EY survey: The majority of Malaysian businesses are prepared to live with COVID-19, and are progressing the adoption of technology into their operations, EY, 2022.

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3.3. KEY ACTIONS TO BE TAKEN

In order to overcome these challenges and seize the many opportunities presented, there are a variety of actions that can be taken by the public and private sector alike.

BY POLICYMAKERS

- **People-centric and transit-oriented planning:** To address Malaysia's challenge of poor public transport mobility, the government can shift from a car-centric to a people-centric approach. To do so, the government can focus on walkability (e.g. redesign of land use policies to account for pedestrian networks, sheltered walkways, and streetlighting) and transit-oriented development (e.g. improvement of first- and last-mile connectivity, consistent bus and train schedules). When improvements are made to public transport, more will be encouraged to utilise public transportation over private vehicles, alleviating congestion issues in the long term. According to the Association for the Improvement of Mass Transit, "citizens are looking for user-friendly, convenient, frequent, and highly accessible public transport. At a minimum, they want their buses and trains to be safe and reliable".
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- **Improve nationwide transport connectivity:** While Malaysia offers many unique travel destinations outside Kuala Lumpur, issues of poor transport connectivity hinder travel movement. To overcome this, the government can develop a nation-wide plan for building train and bus infrastructure, creating a network for travellers to traverse the country easily. The Malaysian Government aims to improve connectivity under the National Land Public Transport Master Plan, setting targets to increase public transport modal share in urban areas to 40% by 2030, as well as improve public transport from urban to rural areas.
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- **Mandate and incentivise refurbishment of old buildings:** Policymakers can incentivise and mandate developers to recycle old buildings instead of building new, by revamping its strict zoning regulations (e.g. reducing land use conversion charges, relaxing set limits on mixed-use) as well as introducing incentivisation schemes (e.g. grants for adaptive reuse, retrofitting subsidies). The government hopes to pave the way, by introducing a plan to retrofit 50 government buildings with more energy-efficient facilities.

“ Pedestrian usage and connectivity to public transport need to be at the forefront of Kuala Lumpur's urban planning strategies.”

Shi Ying Ooi,
Architect in
Kuala Lumpur

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BY INDUSTRY

- **Upgrade older commercial spaces to boost demand:** To address the issue of vacant commercial buildings, developers can rejuvenate these spaces through retrofitting with more energy-efficient facilities to meet sustainability targets, flexible work floor plans to match flexible working styles, such as co-working, open floor plans, and accelerator spaces. Developers can also upgrade developments to incorporate mixed-use functions, to attract a mix of residential, retail and commercial tenants. Historical data in Kuala Lumpur show that buildings that had undergone extensive upgrading experienced huge increases in rent.
 - **Digitalise tourism operations:** As the Malaysian government works to accelerate digitalisation across the country, tourism operators both in Kuala Lumpur and rural areas simultaneously work to digitalise their operations, in order to address gaps in online information available for tourists. by developing online marketing strategies, adopting e-payment methods, and registering in travel e-commerce platforms. Expanding digital operations can raise visibility of lesser-known tourism offerings in the outskirts of Kuala Lumpur, and expand reach to wider demographics online, drawing more international visitors to more rural areas. Creating easy digital access to information can also draw more digital nomads, accelerating Malaysia's goal to become the preferred hub for digital nomads in the region.
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