



Emerging Market Report: Kuala Lumpur, Malaysia

Incentives move multinational companies to Malaysia

By Spring Zhou

Kuala Lumpur, Malaysia's capital, is quickly emerging as a cultural, financial and economic leader in the region. Referred to as A City of Opportunity, Kuala Lumpur offers multiple socioeconomic, security and financial incentives for multinational companies.

Its efforts have started to bear fruit as more than 70 Forbes Global 2000 companies have used Kuala Lumpur as their preferred hub to relocate, expand or enter the Asian market. The city's standing as a cost-effective peer to typical Asian hubs such as Singapore and China also contribute to this trend.

Much of this recent interest by companies has stemmed from active government policies under Malaysia's Economic Transformation Programme (ETP), launched in 2010. As part of this plan, the government set up InvestKL, a dedicated investment promotion

"Kuala Lumpur is a burgeoning location for high-quality service centers and many large multinationals are basing their administrative offices there," said David Enser, founder of The RES Forum. "A highly educated graduate workforce, combined with an attractive working location for expats is making Kuala Lumpur stand out among its neighboring competitors."

Malaysia Key Facts

POPULATION
31.7 million

LABOR FORCE
14.5 million

UNEMPLOYMENT RATE
3%

INFLATION RATE
3%

LANGUAGES
Bahasa Malaysia or English for business

TIME ZONE
GMT+8

MAJOR AIRPORTS
KLIA1 and KLIA2

agency, to draw 100 multinational companies to Kuala Lumpur by 2020.

The Malaysian government has already put its money (billions of dollars) where its mouth is, investing in a massive infrastructure spurt to boost connectivity, communication networks, and quality of life in Kuala Lumpur to offer businesses and their employees easy access to major cities, international education and leisure areas.

Nearby airports, rail systems and a port make travel easy

With two major airports in the area— Kuala Lumpur International Airport (KLIA) 1 and KLIA 2, the latter a low-cost airline hub — Malaysia's capital is connected by weekly, and in some cases daily, direct flights to major cities, including Hong Kong, Dubai, Abu Dhabi, London, Beijing and Tokyo.

In addition to easy access to flights, Kuala Lumpur is building an integrated urban mass rapid transit system that will connect Kuala Lumpur to Singapore with a high-speed rail system. Slated for completion in 2026, the high-speed rail will take travelers from the heart of Kuala Lumpur's central business district into Singapore within 90 minutes — rivalling the 60-minute flights between KLIA and Changi airports currently.

Kuala Lumpur's investment proposition is amplified with the completion of the Mass Rapid Transit Line 1 in 2017, which significantly boosted urban connectivity. The city has two additional Mass Rapid Transit lines planned for 2022 and 2025.

The three Mass Rapid Transit lines add an additional 142 kilometers to the already massive integrated rail system within the Greater Kuala Lumpur area, which includes the capital and several popular suburban residential districts that surround it that account for a population of more than seven million.

"With construction already in full swing, the rail-based transportation system will integrate with the region's existing public transportation systems and is aimed not only at saving commuting time, but catalyzing greater commercial activity," Malaysia's Economic Transformation Programme website states.

"Fourteen of [Mass Rapid Transit Line 1's nineteen] stations are strategically located in densely populated areas, which have never been served by any urban rail services," said Mass Rapid Transit strategic communication and stakeholder relations director Datuk Najmuddin Abdullah.

For instance, the popular upper-class suburban neighborhood of Mutiara Damansara is now only a 30-minute ride away from Tun Razak Exchange, a financial district in Kuala Lumpur's city center, connecting expatriates from their homes and schools to offices quicker than an hour's drive into the city in rush-hour traffic.

Greater Kuala Lumpur is also home to Port Klang, which, thanks to access to the busy container traffic on the Straits of Malacca, is the 11th busiest container terminal in the world and is the fastest-growing port globally outside of China.



Port Klang, Kuala Lumpur

With the launch of the world's first Digital Free Trade Zone in 2016, Port Klang is expected to benefit further from a spurt in intracontinental e-commerce trade and Kuala Lumpur's historical role as the preferred logistics gateway to Asia.

High quality of life paired with low cost of living

Despite the increased investments in infrastructure and improved quality of life, the cost of living in Kuala Lumpur remains far less than many popular expatriate destinations.

Rentals, even in the more expatriate-friendly neighborhoods with proximity to international schools, have stayed affordable at around \$0.50 per square foot in 2017. This is significantly cheaper than Asia's two favorite expatriate destinations, Hong Kong and Singapore.

"Monthly rent for a 900-square-foot furnished residence in an expensive area costs about \$2,600 in Singapore, while the equivalent in Hong Kong costs almost \$4,900," Bloomberg reported in 2017.

International schools have high literacy rate, offer multicultural experiences

Recognizing that a strong education system is vital to attracting businesses and their employees, Malaysia's government set a goal to have 87 international schools by 2020 and has already surpassed this with 106 schools in the region.

"This [project] aims to position Malaysia as a destination of choice for parents seeking foreign education for their children. At the same time, [it] will allow Malaysia to benefit from the foreign exchange income earned from international school student spending," according to Malaysia's Economic Transformation Programme.

Malaysia leads Southeast Asia in terms of students enrolled in international schools with English as its teaching language in addition to

a 94 percent literacy rate. Another advantage of international schools is that expatriates' children mingle and adapt to local cultures, typically learning multiple languages from other students (most Malaysians speak three to four languages, including English).

“Most international schools in Malaysia, if not all, are comprised of students from around the world as they have diverse student bodies compared to public schools. I strongly believe this would expose the students to a culturally diverse environment, and simultaneously help them broaden their horizons,” said a parent.

There are more than 50 international schools in Kuala Lumpur, offering diverse national systems such as British, English, German and Japanese education, for those expatriates planning to return home in several years.

Different cultures of Malaysia can be seen, heard and tasted

Another important factor to attracting families is entertainment and lifestyle.

“The River of Life (RoL) project aims to transform specific areas within Kuala Lumpur facing the Klang River into a vibrant waterfront with high economic and commercial value,” according to Malaysia’s Economic Transformation Programme.

The project will include bringing a 110-kilometer stretch of the river to recreation standards, beautifying the river, specifically around landmarks such as Dataran Merdeka, Bangunan



Sultan Abdul Samad Building, River Of Life Project

Sultan Abdul Samad and Masjid Jamek, and developing surrounding areas in an effort to spur economic investment in the area.

The River of Life project is 80 percent complete, with full completion targeted for 2020. For the project alone, it is estimated that by 2020 it will deliver one million square meters of commercial space and create more leisure spaces for locals, as well as the more than 12 million annual visitors.

As the 10th most visited city in the world, Kuala Lumpur tourists are drawn to its rich heritage landscape of colonial-era buildings and cultural villages such as Little India, Chinatown and Kampung Baru — representing the three major cultures of Malaysia: Indian, Chinese and Malay.

As a result, the food, lifestyle and entertainment scene in the capital offers an eclectic mix of tastes reflecting the melding of these cultures seamlessly with Western influences, allowing limitless experiences that continue to make Kuala Lumpur a favorite of the global expatriate community.

A relocation partner makes it easier to enjoy benefits

For many years, expatriates have praised Kuala Lumpur for its dynamic, multicultural city life, low cost of living, high degree of regional connectivity and wealth of things to see and do.

Malaysian investment promotion agency InvestKL, which is driving the effort to attract 100 multinational companies by 2020 into Greater Kuala Lumpur, has been ensuring support for expatriates and their families throughout the process of relocation since 2011.

With the increased livability standards and spurt in projects to boost connectivity, it is no wonder that an InterNations survey of 8,000 expatriates living in 40 countries around the world revealed Kuala Lumpur to be the fourth best city for expatriates, and the top Asian destination.

As more expatriates enter Malaysia it is important to establish a good foundation of assignee support in areas including cross cultural readiness, housing and settling-in services during assignment planning.

“This is especially important where high-touch guidance is necessary to help assignees navigate through existing challenges and infrastructure gaps in developing locations [such as Malaysia],” Lexicon® Relocation Director of Global Client Services Helio DeAndrade said. “Expatriate satisfaction is resulting in higher levels of employee productivity, successful assignments and return on investment.”

Lexicon Relocation leads the way in providing relocation and advisory services for businesses and their employees looking to establish a meaningful presence in the 600 million-strong (and growing) regional consumer market in Kuala Lumpur, and eventually the entire 4.5 billion market across the continent. 

This article was written in collaboration with InvestKL.

About Lexicon Relocation

Lexicon Relocation is a leading provider of global mobility services. With a focus on providing flexible solutions for clients of every size, Lexicon Relocation supports corporate and government organizations, their employees and their mobility programs throughout the world. Lexicon Relocation has full-service facilities strategically located around the world in Shanghai, China; Newbury, England; Shelton, CT; Atlanta, GA; Cincinnati, OH; and Irvine, CA, with corporate headquarters in Jacksonville, FL. By staying true to the basic principles that have been in place since Lexicon Relocation’s inception in 1993, most importantly listening to the needs and the voice of customers, Lexicon Relocation focuses on what is on the horizon and creates effective and economically grounded solutions. Innovation is at the very core of Lexicon’s business model and they continually reinvent the way they serve customers. Lexicon Relocation brings the world to your doorstep, one employee at a time. Learn more at lexiconrelocation.com.

About InvestKL

As part of the Economic Transformation Programme, the government set up InvestKL, a dedicated investment promotion agency to draw 100 multinational companies to Kuala Lumpur by 2020.

InvestKL targets Fortune 500 and Forbes 2000 companies to establish their regional hubs in Greater Kuala Lumpur in Malaysia. The multinational companies gain an opportunity to tap into the local pipeline of highly skilled talent and innovation while leveraging Malaysia’s strategic location as an Asian growth hub to scale up the value chain. This is aided by Greater Kuala Lumpur’s infrastructure, which includes the Digital Free Trade Zone, mass rail transit, ports and highways, as well as connectivity to other major Asian cities.

The Malaysian government meanwhile has been investing in a massive infrastructure spurt to boost connectivity, communication networks, and quality of life in Kuala Lumpur to offer businesses and their employees easy access to major cities, international education, and leisure areas. Learn more at investkl.gov.my.



Interested in learning more?

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