

Project URBAN: A Thematic Insight Summary

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Executive Summary

Multiple interconnected factors shape Malaysia's urban future, becoming systemic and determining how cities function and grow. Economic structure, population behaviour, and planning systems jointly influence the pattern of agglomeration and dispersion, resulting in several of today's challenges, including congestion, long commute distances, affordability pressures, urban sprawl, and spatial inequality.

The report highlights that

- **Today's urban challenges are systemic outcomes, not isolated failures.** Urban challenges such as congestion, sprawl, and housing unaffordability are not standalone issues and require action to shift from "fixing symptoms" to managing the structural drivers of spatial outcomes.
- **Alignment of economic policy with spatial planning.** Economic concentration is the primary determinant of agglomeration and dispersion. Economic realignment is the sole intervention that ensures spatial equity and balanced development.
- **Connectivity is a secondary enabler, not a primary driver.** A shift from supply-driven transport planning to behaviour-shaping mobility policy has become critical. Transport investments alone cannot resolve mobility challenges without addressing the location of jobs and housing.
- **Household decentralisation is recognised as a rational response.** Residential dispersal reflects affordability constraints and household trade-offs, not planning failure alone.
- **Embed life cycle and demographic realities into urban policy.** Housing and mobility demands evolve as households age and grow, and their circumstances change.
- **Protect the social purpose of Transit-Oriented Development (TOD).** Safeguarding the social intent of TOD is important by ensuring affordability, integrating housing policy instruments, and monitoring socio-spatial impacts.
- **Strengthen governance coordination and local authority capacity.** Fragmented governance undermines effective management of urban systems.
- **Use urban design as a primary policy tool.** Urban form strongly shapes behaviour, mobility choices, and social outcomes.
- **Shift toward pre-emptive, system-based urban management.** Reactive responses increase long-term costs and lock-in inefficiencies.

Introduction

Malaysia's urban future will be shaped not only by the extent of urban growth but also by how and where that growth occurs. From a policy perspective, the focus has shifted from simply promoting "increased urbanisation" to assessing whether current patterns of concentration and dispersion are spatially efficient, socially inclusive, and fiscally sustainable.

Amid growing urban and ageing populations, and amid less risk-informed urban planning, it is crucial to analyse the factors that influence urban agglomeration and dispersion. Doing so enables policymakers to move beyond addressing symptoms and instead tackle the root causes of urban form, which is essential for designing effective interventions.

Known as Project URBAN, this initiative aims to understand the factors that influence urban agglomeration and dispersion. The workshop brought together experts to discuss agglomeration and dispersion in Malaysian cities, focusing on lived experience, implementation realities, and policy relevance.

Background and Context

PNB Research Institute Sdn. Berhad (PNBRI) is undertaking Project URBAN to better understand the characteristics of "future cities" and the reconfiguration of urban systems in Malaysia's metropolitan regions. The project aims to inform planners and policymakers by examining the key factors shaping urbanisation patterns and the ways cities agglomerate and disperse over time, to address challenges such as declining vibrancy, congestion, and rising spatial inequality, and to support sustainable and resilient urban development strategies. As a starting point, a roundtable discussion was organised.

This roundtable discussion aims to gather expert input and serve as a validation exercise that links urban theory to real-world practice. Drawing on findings from a systematic literature review (SLR) and an initial empirical analysis, the research has identified key themes shaping urban agglomeration, dispersion, and future city outcomes in Malaysia. However, robust policy research requires these themes to be tested against practical realities and practitioners' lived experience.

The primary objective of the roundtable discussion is to verify whether the issues identified through SLR are evident in real-world urban settings. It is also to evaluate their importance and relevance from the perspectives of policymakers, practitioners, and experts. Participants are encouraged to consider whether these challenges manifest in practice and, if so, to identify the underlying drivers and contributing factors that existing data or theories may not fully capture.

Roundtable Approach and Analysis

The roundtable discussion is facilitated by trained facilitators and guided by an interview protocol to ensure focused, inclusive, and consistent discussions across groups. Issue cards are used to provide clear definitions of themes derived from the SLR and to serve as a common reference point for participants. This approach and structure support the systematic validation of issues, identification of underlying drivers, and assessment of policy alignment and gaps.

Twenty-one experts from various organisations participated in the discussion. Participants included representatives from PLANMalaysia, URBANICE Malaysia, Think City, Prasarana, UNICEF, the Malaysian Urban Design Association (PEREKABANDAR), Sime Darby Property, Kuala Lumpur City Hall, Ipoh City Council, City Council of Penang Island, Iskandar Puteri City Council, UiTM, UTM, and Monash University. All participants were divided into four small discussion groups, and the session was led by trained facilitators.

Discussions are conducted under the Chatham House Rule, allowing participants to speak openly and honestly, drawing on their professional experience, without attribution. This approach aims to build trust, reduce self-censorship, and yield more truthful, practice-based insights to enhance evidence validation and policy diagnostics. The conversations are recorded to ensure the accuracy and completeness of the insights captured, with key points synthesised and anonymised for reporting. Participants are informed of the purpose of the recording and given the option to consent before the discussion begins.

All discussion points are transcribed and analysed thematically by multiple researchers with diverse backgrounds to capture a range of views and interpretations. AI tools are used to support pattern detection and enhance analytical rigour by synthesising recurring themes, with final interpretations remaining the researcher's judgement.

Key Takeaways from the Thematic Insights

In summary, across all conversations, the following highlights key points and concerns that influence the characteristics of Malaysia's future cities.

Overall, **urban connectivity, economic factors, and population structure** were recorded as the most influential themes. This suggests that issues of spatial equity emerged implicitly through these themes. It was observed that inequities are not isolated failures but outcomes of economic centralisation, affordability pressures, and household coping strategies.

1. Urban connectivity: Connectivity issues are ultimately behavioural and a form of derived demand.

- **Car-centricity remains a key factor in people's daily mobility choices.** The widespread availability and affordability of car parks, the lack of first- and last-mile connections, vulnerability to climate impacts with limited covered walkways to stations, and few obstacles to owning a private vehicle all reinforce this preference.
- **Low public transport ridership persists despite the availability of infrastructure, highlighting behavioural, affordability, and integration challenges.** Simultaneously, weak enforcement of bus lanes, inefficient lane merging and demerging, and other issues that undermine reliable public transportation discourage users from relying on public transport.
- **The value of time as an opportunity cost is not fully considered** when mobility and migration decisions are made. The need for better housing deals (value for money) and the high availability of education and childcare services outside the city continue to drive individuals to the periphery.
- **Transit-Oriented Development (TOD) deviates from its original social goal** of drawing people back to the inner city by offering affordable housing for urban residents while reducing travel costs. Without accompanying affordability measures, pricing factors and demand may lead to transit-induced displacement, pushing residents further out and increasing commuting difficulties.
- **Connectivity should be understood as a form of derived demand¹.** It develops in response to economic and social activities, including work, education, shopping, tourism, and social interaction. People travel and commute because transport enables work, education, consumption, and social interaction. Long commutes and congestion are therefore outcomes of job and service concentration, not failures of transport alone. Here is the scenario:
 - The demand for roads is derived from job distribution, the demand for public transport is derived from employment concentration, and the demand for housing in certain areas is based on workplace location.
 - If jobs are concentrated in the city centre, travel demands will increase. If jobs decentralise, travel patterns will shift. Transport demands do not exist independently; they reflect the spatial structure of the economy.
 - Hence, urban connectivity is not a main factor but acts as an enabler for transportation.

¹ *Theory of derived demand* explains how transport infrastructure and travel patterns emerge because economic and social activities are spatially organised in particular ways

2. Economic structure: The long-term effects of spatial outcomes in a centralised economy.

- **Economic activity is the main independent variable** with agglomeration and dispersion as outcomes. Employment density and opportunities, sectoral diversity or specialisation, wage gradients, and cross-border income flows (e.g., explicitly framed as geo-economic, such as Johor-Singapore) are indicators to prioritise in a functional economic system.
- **Misalignment between economic restructuring and the planning framework causes the regional imbalance to persist.** This reflects a mono-centric economic structure, where metropolitan areas like KL, Penang, and Johor dominate high-value employment. The heavy concentration of economic opportunities in these metro areas trickles down through conurbations², leading to a regional imbalance. In the long term, this economic centralisation increases commuting costs, land speculation near transit hubs, and pressure on urban infrastructure.
- **The way businesses and people work today is evolving** (e.g., digitalisation, co-working spaces, work from home, and online), and future economic activities are expected to become decentralised (no longer tied to the CBD) and digitalised (less space-dependent). In the future, it will create new demand for adaptive reuse and mixed-use development, enabling existing buildings to be repurposed and allowing multiple economic activities to coexist in the same space. However, this demand is changing and will challenge current governance, particularly in the planning system and building regulations.

3. Population structure (Socioeconomic structure): Rational household response to opportunities and challenges as adaptive behaviour.

- **People are rationally decentralising their residences to the periphery while working in the city.** The ever-increasing price of land in the city, due to its decreasing availability, shapes developers' profit-optimisation behaviour towards more vertical and mixed-use³ projects. Additionally, investor demand continues to drive the appeal of these housing types. These have intensified the rise in property prices and the affordability of living in the city. At the same time, people are carefully balancing the benefits of proximity to amenities and job opportunities. As a result, urban sprawl has occurred, forcing households to trade affordability for longer commuting times. The decentralisation of residence reflects coping strategies, not planning or policy failure alone.

² Conurbation refers to a coalition of two or more urban entities, such as cities or towns, that merge to form one continuous developed area due to population increase and physical expansion.

³ Mixed-use development refers to a building or project that houses both residential and commercial units and has a commercial land title.

- **Residential choices vary, shaped by life-cycle considerations.** Residential choices and preferences are not static. They evolve as households adjust their decisions based on childcare requirements, caregivers, lifestyle aims, daily needs, and proximity to work or family. With Malaysia anticipated to become an aged nation by 2048, discussions about ageing in place have gained prominence and influenced household preferences. The older demographic prefers apartments and smaller homes with amenities, security, and access to healthcare facilities.
- **Demographics and housing affordability determine how cities agglomerate and disperse.** Different demographics prefer different housing types. Family households typically require larger housing units, often located outside KL, where they are more affordable, while single individuals can stay within the city by renting a room. Housing affordability, in the context of growing households, has created a natural dispersal factor, pushing families to the periphery, while younger, mobile, working adults dominate the core city. These demographics lead to temporal fluctuations, including differences between weekdays and weekends, greater reliance on commuting, and a growing need for differentiated housing and transport policy measures.
- **Malaysia is currently benefiting from a demographic dividend⁴,** specifically among cohorts born in the 90s, who now form the core of the working-age population that shapes housing demand, mobility patterns, and urban economic activity. However, there is concern that the existing spatial, housing, and transport systems are misaligned with this demographic's needs, underscoring the need for reform to incorporate age-inclusive urban design.

⁴ The demographic dividend is the accelerated economic growth that can result from a rapid decline in a country's fertility and the resulting change in the population's age structure (Bank, n.d.)

Recommendations and Suggestions from Workshop

Several recommendations to improve current practices and address key challenges identified during the discussions are explained:

- **Strong coordination and an adaptive governance model** to overcome long-standing institutional barriers to improve vertical (national-state-local) and horizontal (cross-sector or ministry) alignment, thereby making policy execution more effective.
- The **local authority should be empowered** with a clear mandate and function as a neutral oversight body, enabling a bottom-up approach that incorporates local perspectives and knowledge, ensuring policy directions are translated into place-based practice.
- **Aligning investment with real urban needs in response to changing population demands and lifestyles.** Investment and development decisions require recalibration to reflect how people live, work, and travel today, rather than being driven by speculative market behaviour or outdated assumptions about demand. For example, housing demand should be planned based on life-cycle needs, affordability, and access to jobs and services, rather than speculative investment trends or uniform density targets. The Housing Development Board (HDB) Build-To-Order (BTO) system is an example of housing built in response to real demand.
- **Discouraging prolonged vacancies** in the housing stock through measures such as an Empty Home Tax, strengthening banks' requirements to assess broader social value before financing major rezoning or large-scale developments, and involving financial institutions earlier in the planning process to align funding with sustainable spatial outcomes.
- **Cross-border economic dynamics** such as regional job markets and income differentials should be explicitly considered. Future framework should be refined and aligned with Environmental, Social, and Governance (ESG) principles to ensure that investment supports long-term economic resilience, social well-being, and effective urban governance.
- Urban spatial policy should be recalibrated to support **inner-city revitalisation by prioritising infill development and adaptive reuse of vacant buildings or land** for future development, as deemed necessary by people's needs, including jobs, services, and amenities, with urban design quality elevated as a core planning principle.
- Efforts to drive **infill development require spatial tools, such as the agglomeration index and urban profiling**, to systematically identify signs of urban decay or hollowing, thereby enabling targeted intervention.

- Improving urban connectivity and mobility should move beyond **supply-driven infrastructure or transport provision towards behavioural shaping policy**. Travel demand does not exist independently of where jobs, housing, and schools are located; rather, it is shaped by commuting patterns and daily activities.
- The human dimension in urban policy needs to be reframed, with **live experience, household behaviour, and socio-economic diversity at the centre of spatial planning**. Promoting intergenerational mixing, avoiding isolated or mono-functional residential enclaves, and ensuring an appropriate social mix across neighbourhoods become critical. On another point, life-cycle demand realities and local context scenarios should be understood to ensure that urban form evolves in tandem with demographic transitions.
- **Urban design needs to be the foundational lever** for liveability, safety, mobility, and behavioural change. It is a behavioural intervention tool, as changing the physical urban form is often more effective at shifting habits.

In summary, the roundtable discussion's findings reaffirmed that agglomeration and dispersion are not direct problems of growth but rather outcomes of structural and behavioural embeddedness in the interactions among the economy, population, and planning systems. Among the factors these works have identified, some are perceived as problems when, in fact, they are manifestations of deeper root causes, particularly a monocentric economic structure, misaligned governance and planning frameworks, distorted investment and financial incentives, and rational household responses to affordability pressures, life-cycle needs, and mobility trade-offs.

It was also concluded that the future development of cities requires a decisive shift towards pre-emptive, system-based urban management, grounded in real demand, human behaviour, and lived experience. Rather than responding to problems after they emerge, future city planning should anticipate predictable spatial, social, and economic outcomes by managing interactions among factors, rather than reacting to isolated urban symptoms. Nonetheless, deploying proactive, system-supported urban management faces analytical and institutional hurdles due to the complexity of urban systems, limitations in prediction, measurement challenges, fragmented governance, and a limited understanding of how human behaviour, household choices, and institutional responses interact dynamically within these systems.

Closing

This report serves as both a foundation and a policy-relevant synthesis for Project URBAN. It validates the literature and certain concepts or theories against practitioners' lived experience, thereby strengthening the project's analytical robustness. The findings from this roundtable discussion will ensure that subsequent empirical analysis and scenario development are grounded in reality.

Insights outlined in this report will guide the refinement of research assumptions and problem framing, with a focus on prioritising key variables. Building on this, Project URBAN will expand its empirical research on these priority variables and their interactions, supporting the development of scenarios and practical urban policies. The findings will be compiled into a flagship report that presents a unified framework, linking analysis to policy strategies for Malaysia's future cities.