

# Sarawak Property Market

## 1<sup>st</sup> HALF 2018 PROPERTY MARKET REVIEW & OUTLOOK

The first half of 2018 witnessed a change in the political landscape of Malaysia, where for the 1st time, Malaysia experienced a change in government in her 60 years of independence.

This change to a new government under the election mandate of GE14 has created a sense of euphoria which has generally seen improved sentiments on the ground and in the market. The pensive mood is seen lifted, as marked by Consumer Sentiment Index (CSI) and BCI (Business Confidence Index) surpassing well above the 100 points threshold as at Q2 2018, recording the highest indices in the past decade.

### Improved Market Sentiments

According to Malaysian Institute of Economic Research's (MIER) surveys, Consumer Sentiment Index (CSI) for 2Q 2018 improved q-o-q and y-o-y to 132.9 points, the highest in 21 years, boosted by more positive financial outlook and improved spending. Business Conditions Index (BCI) rebounded to 116.3 points, the highest level in the last 13 quarters with domestic orders remaining strong. Investment in new plant and equipment went up with higher expected production and export sales in the next quarter.

### Economic Growth Sustained

Malaysia's Q1 2018 GDP growth came in at 5.4%, and Q2 2018 GDP growth is expected to expand at a similar rate, below the 5.9% growth rate achieved for 2017 (2016: 4.2%). The economy is expected to continue to be driven by private consumption and services sector. Whilst some research houses have decreased the growth forecast to below 5.4%, World Bank expects the Malaysian economy to remain steady at 5.4% and Bank Negara Malaysia is maintaining its growth prospect of between 5.5% and 5.9% and is confident of maintaining a debt to GDP ratio of 2.8% for 2018. Since the last hike in January 2018, the Overnight Policy Rate (OPR) has remained unchanged, and is expected to be maintained at 3.25% for the rest of the year.

Malaysia's Real GDP is forecasted to moderate to 5.5 per cent y-o-y in 2018 (*Source: MIER Report, July 2018*). However, the outcome of the growing US-China (two of Malaysia's largest trading partners) trade war could alter Malaysia's external trade either way.

Based on the 11th Malaysia Plan (11MP), Sarawak is targeted to reach a 4.7% GDP growth by 2020 and based on MIDF Research and the Department of Statistics Malaysia's (DoSM) reports so far, the state's GDP compounded annual growth rate (CAGR) for the past seven years has reached 3.9% (*Source: Borneo Post Online, July 2018*).



*Hanns Residence, Sibul*



*Gala City, Kuching*



*Miri Times Square*



*Bintulu Boulevard*

## Increase in Domestic Consumption/ Sales

The 2nd quarter of 2018 has seen increased retail and car sales, due largely to the zeroing of the GST and the occurrence of 2 festivals, namely Hari Raya and Gawai. The 3 months' tax holiday gifted by the new government from 1 June 2018 to 31 August 2018 has spurred many to make purchase decisions which had been on hold. Highly noticeable is the increase in car sales figures by more than 50% for June compared to the month before. A jump in big ticket items is expected over the near term. Retail sales will continue to see a boost and gain momentum in Q3 2018, with renewed confidence in the more transparent market post-GE 14. Domestic and household consumption is expected to increase and the 3rd quarter is expected to see a rise in sales, pushing earlier decisions of purchase, in anticipation of a further increase in prices with the new Sales and Service Tax (SST).

## GST and SST on Property

With the goods and service tax (GST) being zeroed effective 1st June 2018, and the implementation of the Sales and Service Tax (SST) effective 1st September 2018, many expect this will boost property sales as SST is expected to have a smaller price increase effect on properties as this tax is imposed on certain manufacturers and suppliers only and on certain category of goods and services and not across every spectrum of the goods and services input/supply. Sales are expected to pick up especially for commercial and industrial properties which would no longer be subject to 6% GST.

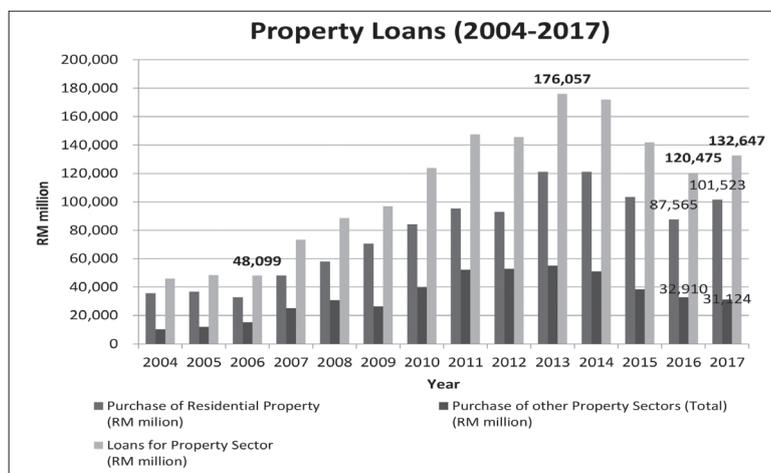
## Property Transactions 2017

According to NAPIC's Property Market Report 2017, the Sarawak property market recorded 22,605 transactions worth RM6.19 billion, a marginal decline of 3.2% in volume. Nevertheless, the value of transactions saw an increase of 5.9%. The residential sub-sector remained the leading sub-sector, dominating 42.6% of the transaction volume, followed by agricultural (40.2%), development land (8.5%), commercial (6.9%), and industrial sub-sectors (1.8%). Industrial sub-sector seemingly showed a downward trend with volume contracting by 9.5% and value declining by 25.6% for 2017. This was mainly due to two large transactions in 2016 involving industrial properties in Sama Jaya Free Industrial Zone, Kuching.

By price range, the most transacted residential units for Sarawak are in the price range of between RM100,000 and RM150,000 and demand continued to be in the region of RM200,000 and below price points, accounting for nearly 50% of the residential market transactions volume. It is also observed that more than 2/3 of the total residential volume transacted for Sarawak are below the RM300,000 price category.

## Property Loans

Banks continue to be stringent and cautious in lendings, with approval rate hovering around around 40% for housing loans applied. Lending rates remained fairly stable in the region of 3.62% in 2017. Loan applications for purchase of residential property and non-residential property grew about 11.5% in 2017 at RM325.8 billion (2016 : RM292 billion). The approved amount also improved about 10% in 2017 at RM132.6 billion (2016 : RM120.4 billion), due to increase in purchase of residential property, despite a slight decline in approval rate to 40.7% (2016 : 41.2%). For non-residential property, the applications rose to RM86 billion in 2017 (2016 : RM79.9 billion) but a decline in approved amount and approval rate was observed.



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## Affordable Housing remains a main concern in the property industry

A key focus of the new Government is to address the issue of affordable housing which has fallen short and which is currently facing a supply-demand mismatch. Among its pledges is to build one million affordable homes within two terms as government, not just to ensure the numbers are met but that these homes are relevant to the needs of the owners in terms of accessibility and connectivity to amenities and transportation. The market concurs that there is demand for affordable homes in Malaysia where the overall house prices in Malaysia are 4.4 times the median income, according to Khazanah Research Institute's "Making Housing Affordable" report as at 2014.

Sarawak residential property is considered moderately unaffordable with a deduced median of 3.6. The state government will endeavour to engage with stake holders to come up with more affordable houses below RM200,000 price range. The present State Government's initiatives for affordable housing include the newly mooted Spektra housing schemes like **Spektra Lite** and **Spektra Medium** which makes it mandatory on developers to build such types where the project covers more than 10 acres and Bumiputra housing units if the housing project involves reclassification of development land from native area land to mixed zone land, and fixing the prices of such houses. Spektra Lite

houses are priced between RM100,000 and RM120,000 per unit, Spektra Medium between RM135,000 and RM168,000 per unit and Bumiputra housing units are between RM150,000 and RM198,000 per unit for such schemes.

It is observed that the housing affordability threshold of the average urban household in Sarawak generally remain below RM350,000. In order to increase affordability, the market could be seeing smaller units in the future.

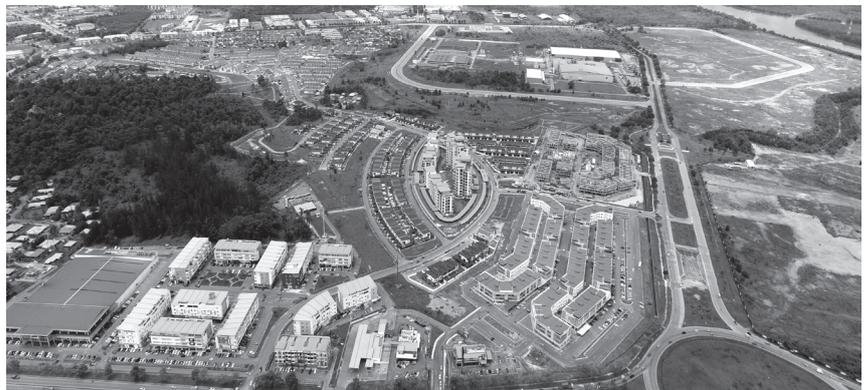
### Significant Projects

Whilst the market is hopeful, some jitters is felt on the ground, as some mega projects that have been approved as well as in the planning, hang in uncertainty with efficiency and cost cutting as one of the hallmarks of the new government administration and the continuing revamp and restructuring of GLCs. When the teething problems have been ironed out and the dust has settled, the market is expected to be positive moving forward.

Nonetheless, the Pan Borneo Highway, which is the biggest infrastructure development project funded by the Federal Government in Sarawak and a crucial part of the regional development plans for East Malaysia, is set to continue its momentum and is scheduled for completion by 2022.

Significant projects in the major towns in Sarawak include the following :

Tabuan Tranquility, an on-going integrated mixed development, as an off-shoot of the established Tabuan Jaya township, comprising landed houses, commercial shophouses, high rise apartments and SOHO is now entering its final phase with its TT3 Plaza offering shophouses, SOHO and retail outlets.



*Tabuan Tranquility project by IBRACO*

Gala City, a mixed development along the major arterial road of Jalan Tun Jugah, offering strata titled shop offices, street mall and service apartments and SOHO, is due to be fully completed by 2018.

Hann's Residence at Jalan Wong King Huo, Sibul developed by M/s Musyati Development, comprising 416 units of 18 storey residences and 49 units of retail arcades shops, 10 units of 3 & 6 storey commercial shops (strata-titled) and 48-room boutique hotel currently under construction.

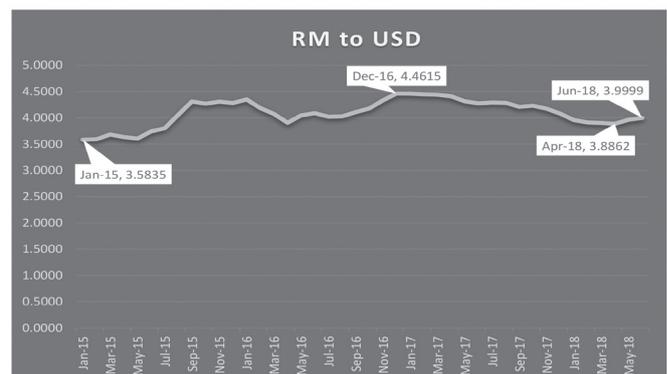
Miri Times Square, a commercial development sited on a 19.2-acre plot in The Marina Park City, comprising offices, SOHO units, arcade-fronting high-street retail shops and elevated courtyard retail units recently completed in 2018.

Bintulu Boulevard, an integrated commercial development in Bintulu, comprising the Imperial Boulevard Hotel & Suites, an 18-storey 508-room four-star deluxe Imperial Hotel which will be the biggest in Bintulu and 201 units Imperial Apartment Suites, and 250,000 square feet of retail, leisure and entertainment space is progressing on schedule and expected to be completed by mid 2019.

### Property Market Review and Outlook

Although slight improvement in the general sentiment in the property market has been observed, the property market remains soft for the 1st half of 2018. Whether the improved market sentiments post-election, will carry through remains to be seen.

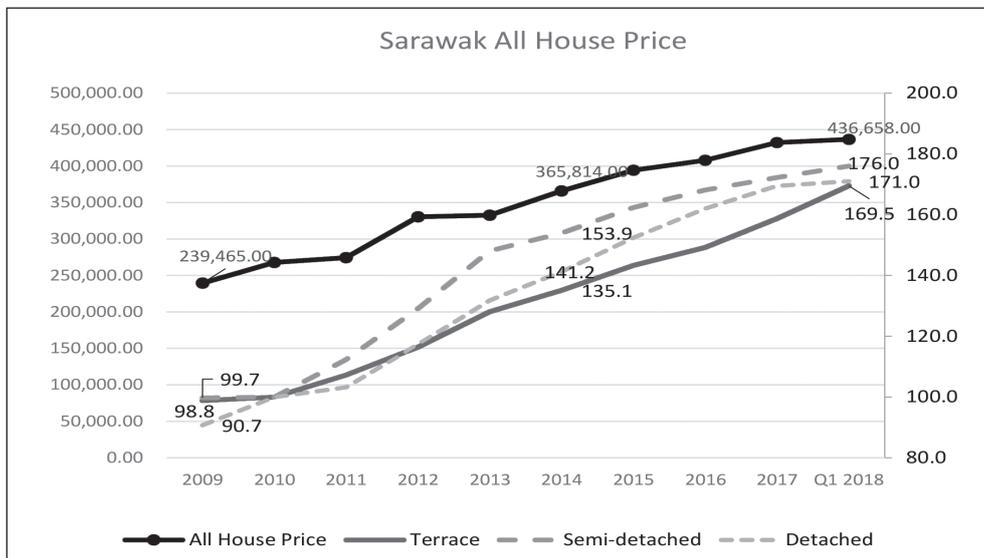
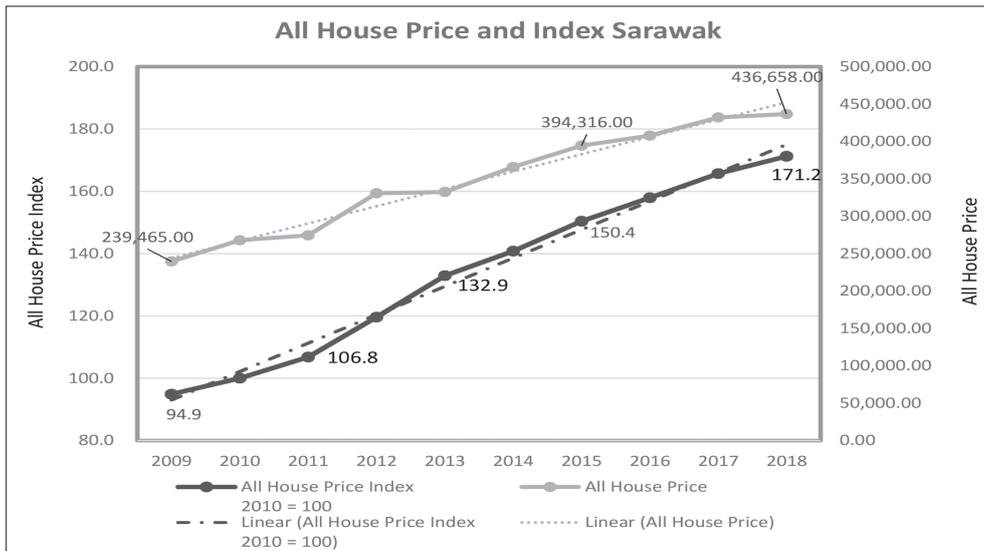
The prospects of better ringgit appreciation and economic growth amidst more clarity and transparency under the new government should encourage more local players and bring in more foreign investments. However, the market would need to tide through a period of adjustment, and clear existing stock, due to the glut from previous years. Property prices remain competitive and will take some time to gradually improve in line with market conditions. The market appears to be mixed for the remainder of the year. 2018 would be a period of corrections and consolidation and an observing period pending the outcome of the next Federal Budget and more clear directions in its fiscal policy.



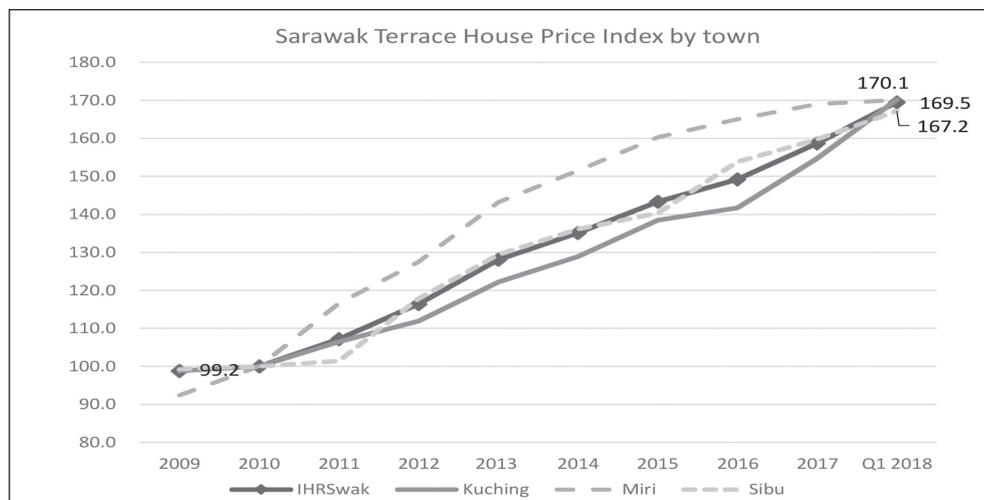
*Source : Compiled from BNM, 31/7/2018*

## PROPERTY INDICATORS

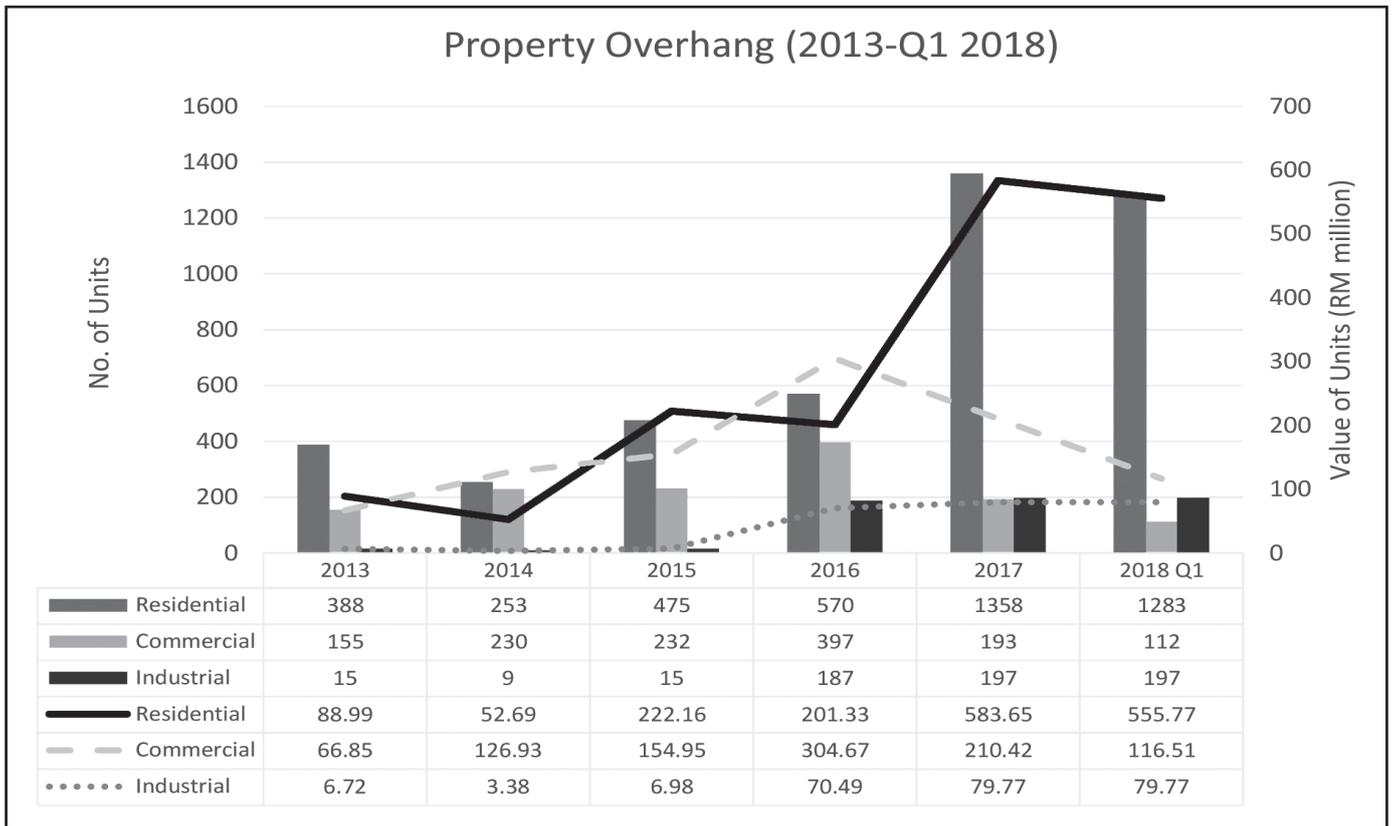
The All House Price Index of Sarawak has increased by 20.8 pts over the last 2 years and 76.3 pts since 2009, which is an average growth of 8.5% per annum, with highest growth registered between 2011 and 2013 at an average of 13% per annum.



The terraced house has increased the most since 2009 with an average increase of 8.8% per annum.



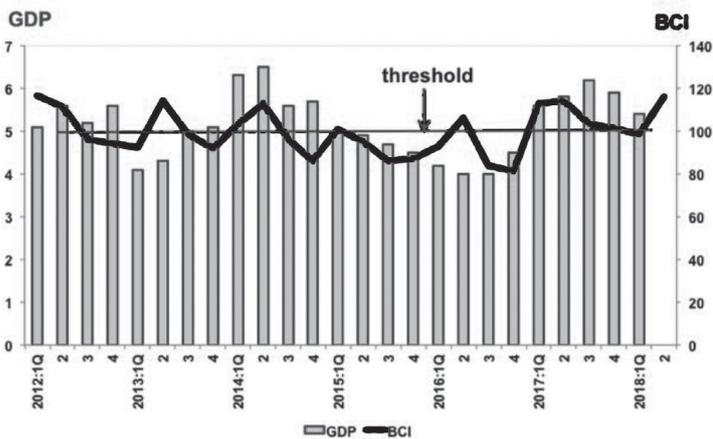
Miri has increased the most for terraced house pricing over the past decade but with slowing growth in recent years whilst Kuching has registered a steeper increase over the last couple of years, probably due to limited transactions, and in prime areas only.



Note: Overhang - Units issued with CPC but not sold after 9 months from date of launch

The tremendous increase in property overhang recorded by NAPiC for the residential sub-sector, mainly contributed by high rise apartment units completed but unsold in the past couple of years, is seen to improve slightly as at first quarter of 2018, with continuing improvements also noted for commercial units, as the number of units launched have slowed down whilst the market gradually absorbs existing stock.

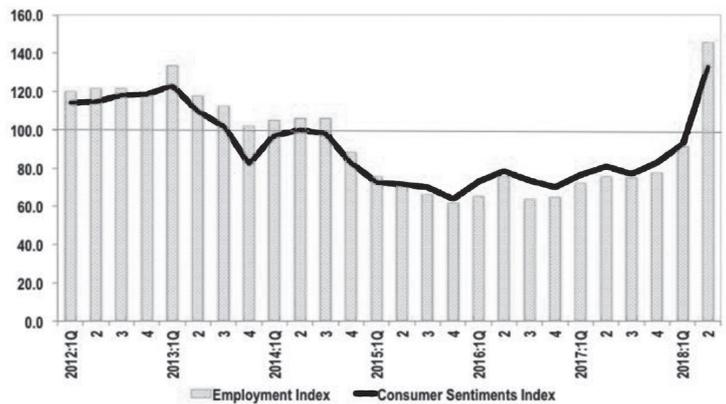
## BUSINESS CONDITIONS INDEX



### CONFIDENCE SHOOTS UP

- The MIER Index of Business Conditions registers a level of 116.3 points
- Index reaches highest level, over the last 13 quarters
- New orders, particularly domestic orders remain strong
- Investment in new plant and equipment goes up
- Higher expected production and export sales in the next quarter

## CONSUMER SENTIMENTS INDEX



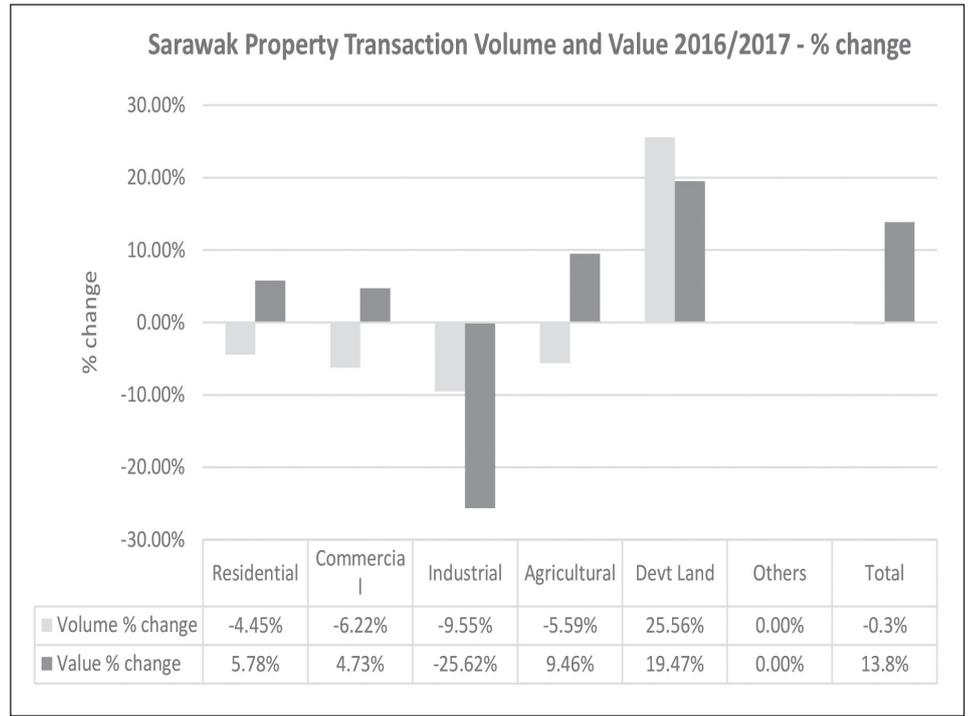
### A VOTE OF CONFIDENCE

- CSI soars to 21-year high of 132.9
- Current household finances in better shape
- More hirings and incomes expected
- Inflationary jitters dissipate
- Spending plans catching fire

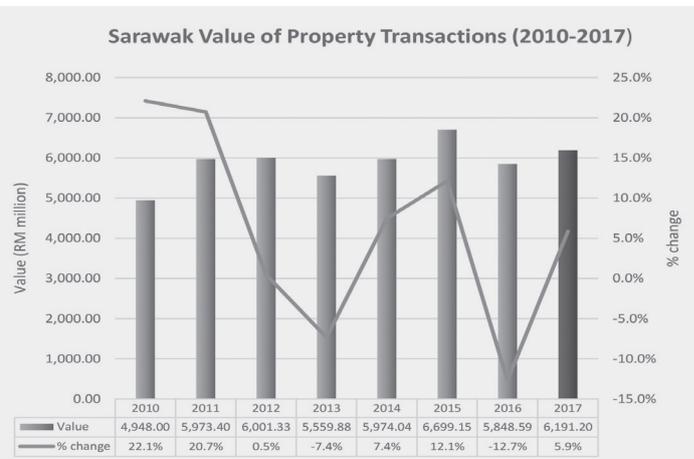
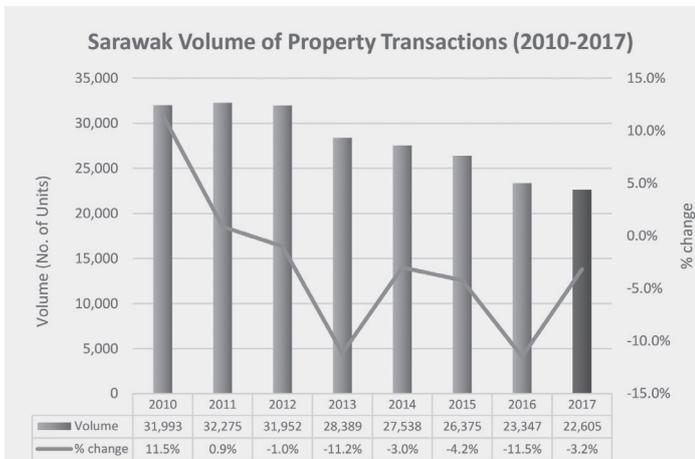
Source: MIER July 2018

# NAPIC'S PROPERTY MARKET REPORT 2017

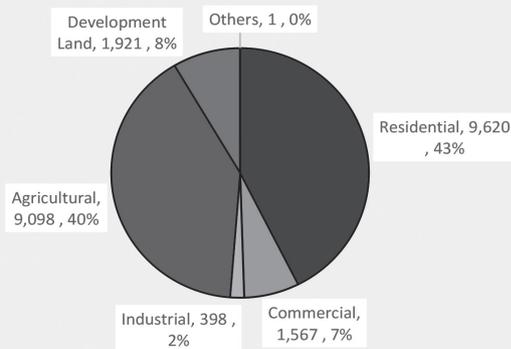
- ❖ 22,605 units worth RM6.19 billion were transacted in 2017
- ❖ Volume of transactions have decreased marginally by 3.2% in total, with decreases in all sectors (4.5% to 10.0%) except development lands which increased by 25.6%
- ❖ Values of transactions, however, have improved by an overall 13.8%, with increases in all sectors (4.7% to 19.5%) except industrial which recorded a drop of 25.6%
- ❖ Development lands have been the best performing sub-sector, having increased the most both in volume (25.6%) and value (19.5%)



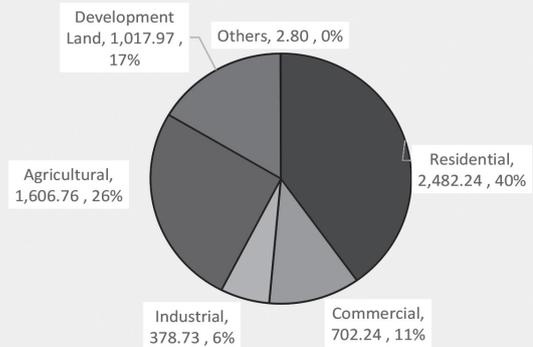
A comparison of the past 8 years' transaction by volume and value as depicted in the respective chart, shows that although the past year's transacted volume has decreased, it is at a declining rate of 3.2% whilst the value of transaction has shown improved values of close to 6% as a whole.



Sectoral share of Transaction Volume, 2017  
(No. of units)



Sectoral share of Transaction Value, 2017  
(RM million)



The RESIDENTIAL SUB-SECTOR continues to be the largest contributing sector, comprising 43% and 40% respectively in volume and value of the total property transactions for Sarawak.

## WTWY OFFICES



*Kuching*



*Miri*



*Bintulu*



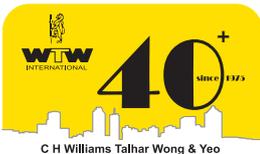
*Sibu*

### WTWY New Appointments

Name	Commencement Date	Position	Office
Ting Hua Hua	8/1/2018	Valuation Executive	Sibu
Wong Tong Qi	2/7/2018	Valuation Executive	Kuching



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C H Williams Talhar Wong & Yeo

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