

1ST HALF 2016 PROPERTY MARKET REVIEW & OUTLOOK

The property market for the 1st half of 2016 was observed to be subdued and cautious, a reflection of the poor sentiments felt on the economic front. Compared to the same period last year, the property market this year was rather flat with much fewer launches. Construction activities have also generally slowed down as the market adjusts to weak economic conditions.

The 1st half year has seen a significant drop in oil prices and weakening growth in the region especially affected by slower growth in China, Asia's giant market. Emerging economies, of which Malaysia is one, are especially facing challenging times with falling commodity prices, exports and currencies. The falling prices of crude and palm oil, decreased exports amid weak external demands and depreciation of the Ringgit against other major currencies have affected Malaysia considerably, which has jolted investors' confidence, as reflected in the decreased Business Confidence Index (BCI) and Consumer Sentiment Index (CSI) which have dropped below the 100 threshold. Some restructuring and downsizing of companies and corporate entities were seen, with more envisaged in the coming months.

The property sector was seen to be slow in the 1st half of the year, due to uncertainties arising from the gloomy economic outlook. GDP growth rate is forecast to drop to 4.2% from 5% a year ago, and will continue to be primarily driven by domestic growth, especially private investments. Most businesses are bracing for worse times.

The general consensus regarding the Malaysian property sector in 2016 is that it's going to be a sluggish year with most preferring not to make long term financial commitments such as property purchases. However, properties in attractive locations are still in demand and despite the lower demand, prices have generally not gone down, albeit even gone up marginally for those in good areas. That said, prices of properties which have gone beyond their upper threshold, are expected to remain flat.

The property prices which have surged to new highs in recent years have pushed up house prices beyond the affordability of the general population. This has resulted in many new residential areas opening up, mostly in secondary locations, offering cheaper housing alternatives.

According to the Valuation & Property Services Department of the Ministry of Finance Malaysia (NAPiC), 2015 continued to record a drop in property volume transacted for Sarawak compared with the previous year but noted an increase in value due to higher prices of property in general. This shows that the average property price per transaction continued to increase for Sarawak whilst nation-wide, the volumes and values of property transacted have both dropped for 2015.



Taman Malibah Jaya, Kuching



Emart at Riam, Miri



Pine Garden Hotel, Kuching



Sentral Park Residences, Bintulu

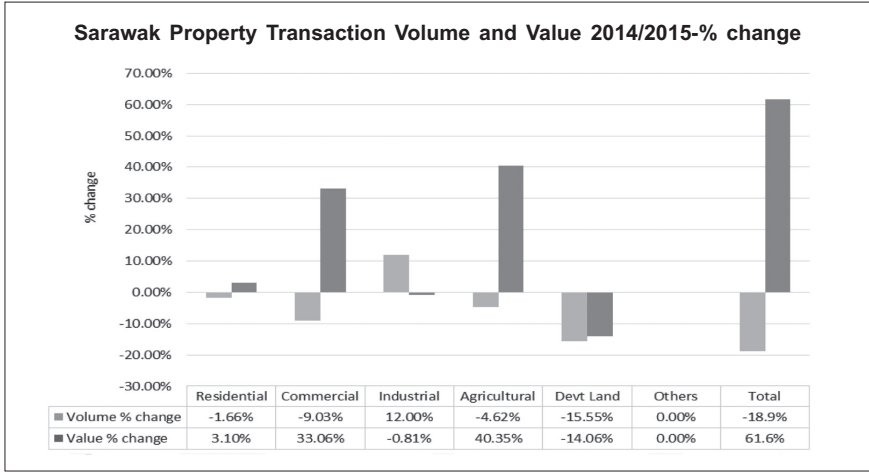
Sarawak Property Transactions by Volume and Value, 2015

Property Sub-sector	Volume (no. of units)	%	Value (RM million)	%
Residential	10,993	41.68%	2,459.30	36.71%
Commercial	1,914	7.26%	1,084.61	16.19%
Industrial	560	2.12%	344.55	5.14%
Agriculture	11,170	42.35%	1,867.38	27.87%
Detached Lot	1,727	6.55%	941.71	14.06%
Others	11	0.04%	1.60	0.02%
Total	26,375	100.0%	6,699.15	100.0%

Source : Compiled from NAPIC figures by WTWY Research (2016)



Roses Garden at Jalan Tun Ahmad Zaidi, Bintulu



Newly completed Urbanese apartments at Jalan Ketek, Off Jalan Penrissen, Kuching

Fewer transactions could be expected for 2016 as property purchases take a back seat in light of other household expenditure priorities. Household debts which have increased further from 86.8% in 2014 to 89.1% in 2015 is expected to increase further, if left unchecked.

Residential

Housing will remain the mainstay of the property sector with more than 40% of transactions contributed by the residential sector. The Sarawak property market is seeing a lot more strata-titled developments in order to maximize on development costs e.g. mixed developments of retail and apartment units especially with the growing urban population in the major cities in Sarawak such as Kuching, where apartment units make up more than 40% of the residential units under construction.

Type of residential units completed (2010-2015)

Type/Town	Terraced	Semi-detached	Detached	Apartments	Others
Kuching	54%	17%	0.3%	26%	3%
Miri	46%	36%	2.0%	12%	3%
Bintulu	80%	16%	0.3%	3%	0%

** Based on housing completed from 2010-2015 (6 years)*

Source : WTWY Research (2016)



Desa Senadin Phase 7, Miri

In terms of number of units, terraced units continue to dominate the market as shown in the table above.

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Eco Garden Residence sited opposite Sibujaya Township currently under construction

Residential Sale Prices by type (2015/2016)

Type	Kuching	Miri	Bintulu
1ST	220,000 - 450,000	260,000 - 430,000	180,000 - 200,000
2ST	285,000 - 700,000	460,000 - 700,000	480,000 - 650,000
1SSD	350,000 - 750,000	460,000 - 530,000	300,000 - 450,000
2SSD	560,000 - 1,400,000	680,000 - 800,000	350,000 - 900,000

Source : WTWY Research (2016)

Despite the slow-down in the general market, house prices continue to uptrend albeit at a lower rate.



Rivervale Residences at Stutong developed by MIs CMS under construction

Commercial

The large number of commercial units under construction and coming into the market from previous years of prolific launches spell an impending oversupply/glut for this sub-sector in the overall Sarawak market. These will take time to absorb, with take up rates further hampered by the current poor economic climate. Occupancies are also seen to be falling for existing commercial units with no improved rentals. At the moment, commercial prices continue to be sustained despite slower sales, with marginal increase in prices for commercial units in good locations.

Type of commercial units completed (2010-2015)

Type/Town	2-storey shophouse	3-storey shophouse	4-storey shophouse	Lock-up shops	Others
Kuching	6%	79%	13%	2.5%	0.4%
Miri	39%	51%	6%	4%	n/a
Bintulu	10%	91%	0%	n/a	n/a

* Based on shophouses completed from 2010-2015 (6 years)

Source : WTWY Research (2016)

Overall, the 3-storey shophouse is the dominant type with units completed in the last 6 years for this type comprising 91% for Bintulu, 51% for Miri and 79% for Kuching of the total number of units completed for that period.



Shophouses currently under construction, adjacent to Star Mega Mall, Sibuan

Shophouse Sale Prices by type (2015/2016)

Type	Kuching	Miri	Bintulu
1SH	-	-	-
2SH	690,000 - 890,000	-	650,000 - 1,250,000
3SH	880,000 - 3,150,000	900,000 - 1,360,000	958,000 - 2,829,000
4SH	1,230,000 - 3,000,000	1,600,000 - 1,800,000	1,600,000 - 4,500,000

Source : WTWY Research (2016)



Town Square Bintulu at Jalan Tun Ahmad Zaidi, Bintulu



Newly completed Chayi Goldland at Jalan Stutong, Kuching



IBRACo's Tabuan Tranquility Commercial Centre at Stutong nearing completion

Retail

The retail sector has been feeling the pinch with reduced consumer spending dampening retail growth. Shops are seen to be downsizing, relocating to cheaper premises or even cease operation for those that are not able to break even. Retail costs and prices have gone up with the drastic depreciation of the Ringgit, thus curtailing buying initiatives.

In addition to VivaCity which was completed end of last year in Kuching, some retail developments, mostly in the form of hypermarkets, coming into the market for 2016 include Giant @ Petra Jaya and Matang Mall which were completed



The Emporium along Jalan Tun Jugah, Kuching

recently, and Mydin @ Vista Tunku and Mydin @ Samariang which are nearing completion. Aeon @ Central Park and Emporium @ Tun Jugah are currently under construction. Emart Riam, the 2nd outlet for Miri, located along the Jalan Miri By-pass was recently opened on 18/6/2016.

Bintulu is set to experience a flurry of retail developments with the likes of Street Mall Bintulu Paragon, Crown Pacific Mall, Town Square Commercial Plaza, and another 2 retail complexes currently underway.

A hyper market is also set to take off in Mukah sometime this year.



The newly completed Matang Mall, Kuching



MYDIN under construction at Tiya Vista, Petra Jaya, Kuching



Newly completed Giant superstore at Petra Jaya, Kuching

Retail Complex Space by town (2016)

Town	Existing Retail Space (sm)	Occupancy Rate	Rentals (RM psf)
Bintulu	68,000	67.00%	2.00 - 12.00
Miri	180,000	79.35%	0.65 - 11.00
Kuching	600,000	70.00% - 75.00%	5.00 - 25.0

** Anchor tenants have special rates of RM2.00-RM5.00 psf*
Source : WTWY Research (2016)



Street Mall Bintulu Paragon



Crown Pacific Mall, Bintulu

Market Outlook

The general outlook of the market for 2016 is bleak with a generally overbuilt environment, slower absorption rate, increasing household debts, stringent financing conditions and increasing costs of businesses and living as prices of goods and services inflate, double-jeopardised by the weak performance of the Ringgit and the implementation of the 6% GST. Reduced consumer spending which has crimped demand will result in lower GDP for the State and country. Construction and retail sectors will be affected.

Similar to the economic cycle, property market is cyclical with pent-up demand making up the recovery during better times. The current economic downturn however seems protracted and with new negative developments both on the economic and political front playing out on the local scene, the outlook for 2016 is stormy and unpredictable and could be a long-drawn period before recovery.

The current property market seems somewhat saturated especially in the commercial and retails sectors. With the reduced market demand, property volumes in terms of construction, launches and sales are down. It is anticipated that less established new property players with weak financial standings would find difficulty in sustaining their businesses and may even make an exit under the present market conditions.

The market sentiments will remain weak and demand continue to be low with consumers preferring to wait it out rather than commit on long-term big expenditure items like property purchases. The present scenario is that housing is generally unaffordable as verified by the affordability rating of the State and nation that is above 5, showing a severely unaffordable housing market. There is a supply and demand mismatch with most developers not building what the market needs and wants, importantly so in terms of pricing and location.

Going into the next 6 months, the market looks more likely to stall/stagnate with oversupply of commercial spaces, especially retail affected by consumer spending and offices due to a general business slow-down.

Surviving the “storm” this year would need meticulous and judicious development planning. As housing is still the mainstay of the property sector being a core basic need, the way to go forward is to focus on affordable housing to meet the needs of the mass population. Despite the slowdown in the market, affordable housing remains in demand and would do well, given a reasonably decent location and type. For this purpose, Prima was mooted to provide housing priced below RM400,000 to capture a segment of this housing need.

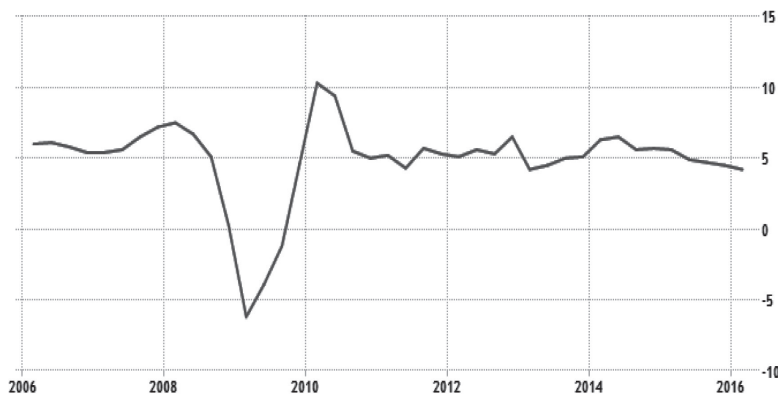
The recent approval by the Sarawak Planning Authority (SPA) to increase Sarawak’s development density from 8 to 10 units per acre for landed housing and 24 to 30 units per acre for stratified housing would help path way for more affordable housing to be built as a feasible option for private developers.

Certain exceptional areas in Sarawak such as Bintulu and Mukah, ear-marked under the regional development plans of the 10th and 11th Malaysia Plan, namely SCORE, would continue to see growth this year due to the implementation of mega projects.



MARKET INDICATORS

MALAYSIA GDP ANNUAL GROWTH RATE



SOURCE: WWW.TRADINGECONOMICS.COM DEPARTMENT OF STATISTICS MALAYSIA

MALAYSIA GDP GROWTH

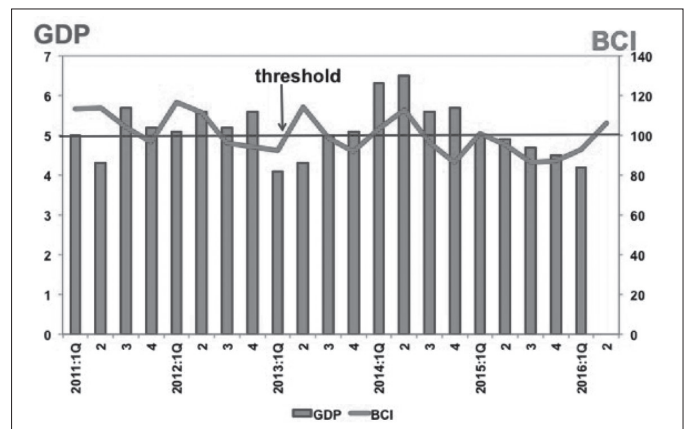
Malaysia's GDP forecast at 4.2% for 2016 and 4.5-5.5% for 2017

Most economic indicators have dropped, most drastic being local production and imports and exports. In contrast, unemployment has risen.

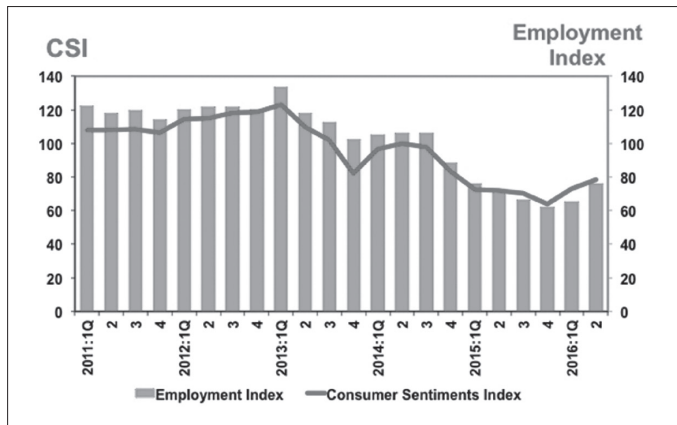
BUSINESS CONFIDENCE INDEX (BCI)

Business Confidence Back on Track

- BCI gains 13.6 points to 106.4 points
- Sales trending higher
- Pickup in output activities
- Higher local and overseas orders
- Investment goes up



Source: MIER, 2016



Source: MIER, 2016

CONSUMER SENTIMENTS INDEX (CSI)

Consumer Confidence Remains Elusive

- CSI up 5.6 points q-o-q but remains below threshold level of optimism
- Household current incomes fairly stable
- Job and financial expectations up cautiously
- Worries over higher prices grow
- Spending plans nap

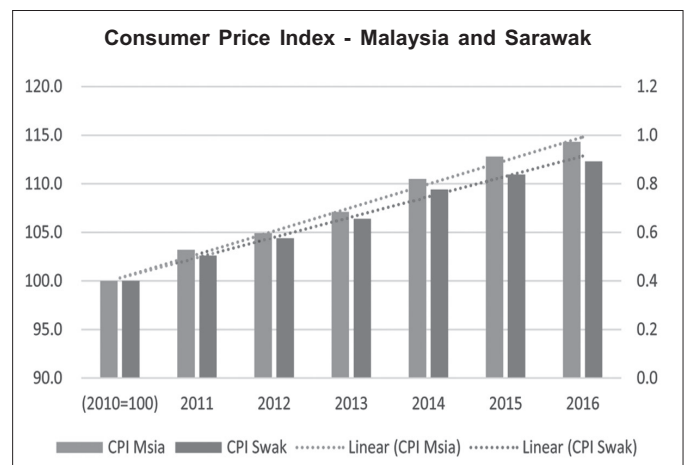
CONSUMER PRICE INDEX (CPI)

CPI is on a general linear increase, peaking in 2016 with continued uptrends expected in the coming months, recording an average annual increase of about 2.7% since 2010.

Malaysia's CPI forecast :

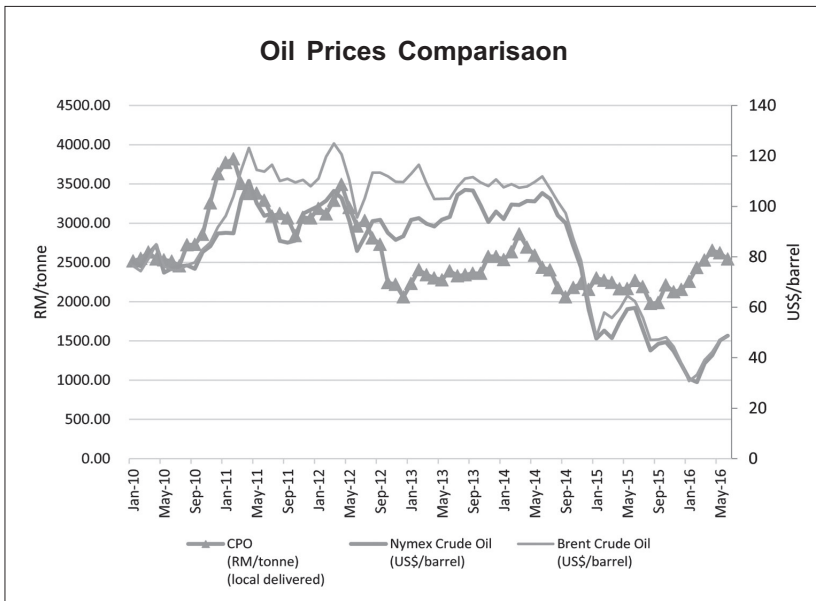
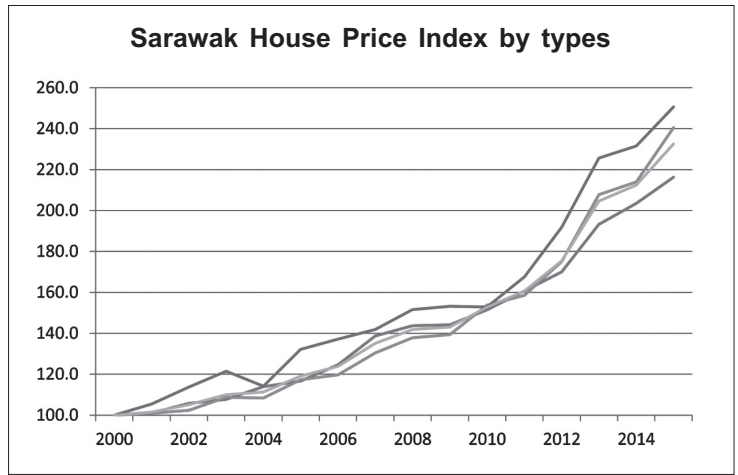
- 115.2 Index Points by mid 2016;
- 117.6 Index Points by end 2016; and
- 137.2 Index Points in 2020

Sarawak CPI recorded 112.3 index points for quarter ending 2015 versus 114.3 for Malaysia.



SARAWAK HOUSE PRICE INDEX

- Price of detached housing unit rises the most followed by semi-detached and terraced housing units
- The House Price Index increased by at an average of about 9% per annum for the longer term period between 2000 and 2015 but more than 10% per annum for the recent 2010 to 2015 period



- Malaysia which has Oil & Gas as its largest commodity export earnings has been hard-hit by falling crude oil prices
- Crude Oil Prices which has plunged 50% in 2014 and climbed back to >USD50 for 2015 and closed at a 12-year low of USD38 in Dec 2015, has now again regained some footing to register close to USD50 by mid 2016
- Crude Palm Oil which dropped below RM2,000.00 per tonne in August and September 2015, has gained some momentum after that, reaching a 2-year high in April 2016 at around RM2,650.00 per metric tonne, due to lower stockpile resulting from weather conditions. However, crude palm oil is seen to close at a lower level of RM2,542.00 for June 2016 and dropping further by July 2016

- Prices for 2nd half 2016 remains uncertain

DEVELOPMENT NEWS

The **Mukah Biotech Economic Zone** launched in 2012 as a continuation of the Mukah New Integrated Administrative Centre, built in relation to the Sarawak Corridor of Renewable Energy (SCORE), was recently completed in 2016. This development is intended to spearhead high-tech industries and will accommodate corporate offices, research facilities, commercial and high-tech manufacturing facilities for the biotech industry.

The current infrastructure buzz is the RM16.6 billion 800 km **Pan Borneo Highway** stretching from Telok Melano at the tail end of Sarawak to Limbang in the upper North which is currently in progress. The Telok Melano – Sematan (TMS) stretch in the Kuching Division has been fully cleared by June 2016 and is to be constructed new whilst the rest of the highway entail development or upgrading of the existing 2-lane single carriageway into a 4-lane dual carriageway.

China University of Petroleum Miri College has also been announced to be built in Miri, which would enhance the academic field in Sarawak.



Staff Achievement

Congratulations to Mr Hunter Wee REN04885 for his achievement in bagging the **MIEA-PropertyGuru Top Online Real Estate Negotiator of the Year (2016)** award as the Regional Winner (East Malaysia) in partnership with Malaysian Institute of Estate Agents (MIEA).





Kidurong Sentral

New icon of Bintulu



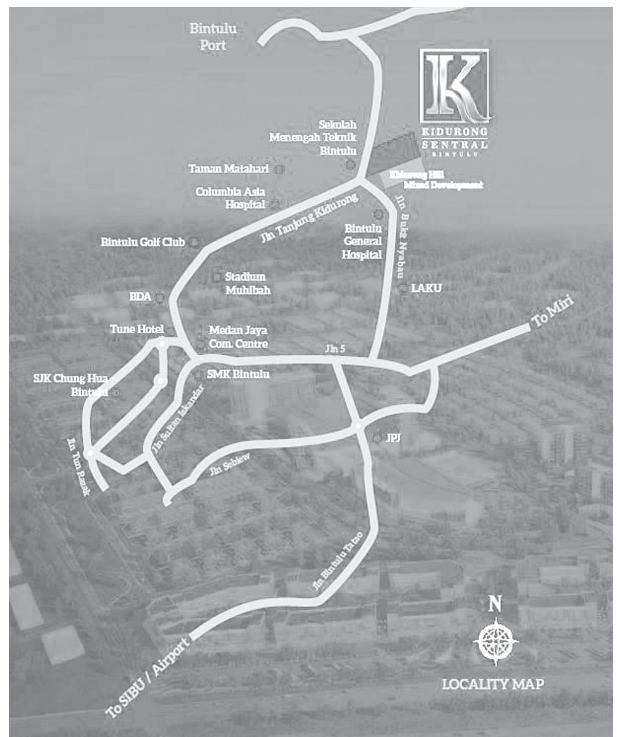
Block 3 Residential of Kidurong Sentral

Strategically located right at the junction of Jalan Tanjung Kidurong and Jalan Nyabau, KIDURONG SENTRAL will be a prestigious and vibrant address for work, home and play. Residential units will complete the development as a new icon in Bintulu, to be hailed as one of the single largest township in Bintulu. Sited on slightly higher grounds than the main road, KIDURONG SENTRAL will offer home owners a panoramic view of the surrounding landscape.

BLOCK 3 is the first phase of residential development that is launched in this 200-acre township development. The proposed residential development will be built just next to the future commercial mall and transportation hub. More than 70 units of double-storey semi-detached and terraced houses will be launched at Block 3 which is strategically located within easy and convenient access to all other essential amenities within the development.

The houses to be developed will be efficient in terms of layout and complete with modern home designs to satisfy owners' preferences. The proposed selling price is reasonable and affordable to provide better opportunities for potential buyers to own a home. Plans for incorporating educational institutions such into the future phases will complete the offerings of the township. The International School (ELC) that is targeted to open for first intake in September 2017 will provide home owners with easy access to educational facilities for their children.

Through the years, influx of investors and job opportunities from oil and gas activities have triggered fresh demands for accommodation in the Kidurong area. The first ammonia-based chemical manufacturing plant at Kidurong by Huchem Fine Corporation of Korea is expected to be completed soon and will certainly generate even more jobs for Sarawakians, and draw in workers who will need housing. The incorporation of residential developments into the integrated township of Kidurong Sentral is timely as Kidurong area was previously developed as an industrial area but lacked accommodation.



WTWY New Appointments

Name	Commencement	Position	Office
Jeffrey Pui Zen Thung	May 2016	Branch Manager	Bintulu
Quincy Bojeng	March 2016	Real Estate Negotiator	Bintulu
Lai Tze Khan	August 2016	Valuation Executive	Kuching
Chung Fang Lin (Alicia)	September 2016	Real Estate Negotiator	Kuching

Happy Retirement

WTWY would like to wish **Mr Johnson Fung Hon Thin**, a happy retirement and all the best and thank him for his dedication and valuable service rendered during his **21 years** with the company

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Live your dreams
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KIDURONG SENTRAL New Icon of Bintulu



Block 3 Residential

HOME at KIDURONG SENTRAL, the NEW ICON OF BINTULU

Live your dreams at the Kidurong Sentral, the new Bintulu icon of a fully integrated township where all good things come together.

48 units of Double Storey Terrace house

- Land Area : From 4.64 pts
- Built Up Area : 1852.6 ft²
- Car porch Capacity : 4 cars



30 units of Double Storey Semi-Detached house

- Land Area : From 9.64 pts
- Built Up Area : 2357.9 ft²
- Car porch Capacity : 6 cars



Prestigious Project developed by MENAWAN MEGAH Sdn Bhd (654860-W)

For Enquiries Call

086 – 335531 (Bintulu Office)
082 – 236111 (Kuching Office)



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The information in this document is indicative only and should not be relied upon as accurately showing the layout of Kidurong Sentral and is subject to change from time to time, in accordance with planning permission and during the course of construction of each subsequent phase.

For more information, visit our website www.wtwy.com



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