

SARAWAK PROPERTY BULLETIN

“Work Together With You”

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SARAWAK PROPERTY MARKET REPORT 2007



Review of 2006 property market

The general slow down of the property market in Sarawak since 2005 continued to be felt for 2006. Property sales have slowed down significantly despite additional perks thrown in by developers such as price discounts, packages and other added benefits. Although prices in prime areas remain competitive, general house prices especially those in secondary locations, are observed to have dropped slightly, as reflected in lower re-launch prices, discounts, packages etc. House buying demand has been dampened by higher cost of living due to inflationary pressures and the increase in end-financing costs for prospective buyers.

The property market in Sarawak is at the moment a buyers' market dictated very much by location and developers' reputation.

Residential sector

In 2006, there were fewer new housing schemes launched. Those that were launched were mostly part of a larger housing scheme e.g. Desa Senadin, Bandar Baru Permyjaya and Taman Tunku in Miri; Sibu Jaya and Taman Soon Hup in Sibu; Desa Ilmu and The Riviera in Samarahan; and Bandar Baru Samariang in Kuching. Scarcity of land in the built-up

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areas of Kuching and Miri has pushed developments towards the fringe into the Samarahan area for the former and to the outer areas such as Luak-Bakam, Lutong-Senadin and Tudan-Kuala Baram for the latter.

Terrace houses continue to dominate the residential sector. Increased activity in high end houses is noted in Miri especially in the Luak-Bakam and Piasau Camp area.

There have been more re-launches than new launches, conducted by way of newspaper advertisements, public viewing of show houses and exhibitions either through property fairs, the SHEDA housing gallery or in conjunction with other trade exhibitions.



A new residential estate under construction at Jalan Stutong, Kuching

Housing units in those projects surveyed by us are shown in Table 1 below.

Table 1 New housing units 2006

Region	Type	Units Completed	Units Under Construction	Units Launched 2006	Units Construction Started 2006
Kuching	SS terraced	1158 (983)	662 (1416)	900 (1185)	404 (961)
	DS terraced	966 (1483)	1428 (1741)	900 (1481)	653 (1530)
	SS semi-dee	166 (273)	247 (276)	109 (238)	137 (258)
	DS semi-dee	267 (793)	408 (531)	198 (412)	144 (400)
	DS quadruplex	0	504 (504)	0	0
Samarahan	SS terraced	1157 (1449)	685 (1671)	171 (817)	171 (796)
	DS terraced	314 (270)	440 (515)	239 (395)	239 (373)
	SS semi-dee	177 (208)	76 (211)	34 (137)	42 (139)
	DS semi-dee	28 (32)	112 (80)	60 (72)	60 (82)
Sibu	SS terraced	197 (184)	442 (291)	883 (585)	333 (295)
	DS terraced	849 (600)	1740 (1544)	1007 (1040)	964 (1125)
	SS semi-dee	0 (0)	30 (4)	68 (8)	26 (4)
	DS semi-dee	149 (208)	569 (465)	282 (262)	256 (226)
Bintulu	SS terraced	48 (193)	35 (48)	35 (48)	35 (48)
	DS terraced	167 (719)	230 (280)	129 (182)	117 (225)
	SS semi-dee	0 (0)	0 (0)	0 (0)	0 (0)
	DS semi-dee	119 (99)	85 (176)	46 (83)	28 (70)
Miri	SS terraced	1364 (978)	636 (1556)	722 (216)	444 (208)
	DS terraced	219 (158)	453 (478)	256 (321)	194 (202)
	SS semi-dee	134 (41)	157 (203)	96 (156)	88 (124)
	DS semi-dee	96 (75)	363 (244)	268 (281)	215 (205)

* Figures in () denotes whole year figures for 2005 or as at end 2005

The selling prices for the 2006 launches are shown in Table 2 below.

Table 2 Selling prices of houses launched in 2006 (RM)

Type	Kuching	Samarahan	Sibu	Bintulu	Miri
SS terraced – int.	85,000 - 218,000	115,000 - 170,000	From 135,000	40,000 - 47,000	80,000 - 138,000
SS terraced – corner	129,000 - 278,000	125,000 - 222,000	From 170,000	78,000 - 185,000	112,000 - 183,000
DS terraced – int.	195,000 - 384,000	208,000 - 240,000	225,000 - 275,000	195,000 - 239,000	183,000 - 250,000
DS terraced – corner	240,000 - 500,000	193,000 - 331,000	275,000 - 350,000	1490,000 - 270,000	208,000 - 350,000
SS semi-dee	186,800 - 358,000	225,000 - 275,000	From 245,000	NA	163,000 - 388,000
DS semi-dee	280,000 - 780,000	335,000 - 388,000	330,000- 450,000	295,000 - 350,000	280,000 - 500,000
Detached plot	200 - 519 psm	200 psm	N/A	200 - 380 psm	NA

Commercial/Retail sector

The absence of new retail complexes in recent years in Sarawak seem to be countered in 2006 with a few retail projects underway in the major towns in Sarawak especially in Kuching which has 4 new shopping complexes under construction.



Newly completed Heights Drive Commercial Centre, Kuching

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Table 3 Retail Complexes under construction in Sarawak, 2006

	Town	Complex	No. of retail storeys	No. of retail units	Lettable Area (sm)	Expected Date of Completion
1	Kuching	The Spring	2½	approx. 150	40,000	Q4 2007
2	Kuching	Boulevard	5	88	37,000	Q4 2007
3	Kuching	Novotel	3	Na	12,648	Q1 2008
4	Kuching	Green Heights Mall	2	9	4,000	Q1 2008
5	Sibu	Delta Shopping Centre	4	96	8,827.7	Q4 2007
6	Sibu	Sing Kwong Shopping Complex	3	36	4,910	Q1 2007
7	Bintulu	ParkCity Mall	3	84	8,707.2	Q2 2007

Source : WTWY Research, 2006

New addition of retail and office spaces in 2006 are mostly found in 3-storey and 4-storey shop-offices/shop-houses developed at suburban commercial centres or as part of housing schemes.

Table 4 Shop-offices/Shop-houses 2006

Region	Type	Units Completed	Units Under Construction	Units Launched 2006	Units Construction Started 2006
Kuching	1-storey shop	0 (0)	0 (0)	0 (0)	0 (0)
	2-storey shop	2 (67)	10 (12)	35 (25)	0 (25)
	3-storey shop	231 (122)	308 (338)	142 (483)	132 (240)
	4-storey shop	89 (106)	100 (149)	6 (109)	6 (109)
Samarahan	3-storey shop	18	31	0	0
	4-storey shop	0	10	20	0
Sibu	3-storey shop	17 (49)	76 (46)	144 (86)	47 (20)
	4-storey shop	44 (28)	58 (84)	18 (14)	18 (14)
Bintulu	3-storey shop	188 (8)	114 (188)	94 (134)	114 (10)
	4-storey shop	0 (0)	7 (0)	7 (0)	7 (0)
Miri	2-storey shop	52 (0)	80 (111)	32 (111)	21 (111)
	3-storey shop	117 (0)	81 (167)	21 (167)	31 (167)

* Figures in () denotes whole year figures for 2005 or as at end 2005

A few purpose-built offices have also been added to the market in Kuching e.g. Wisma Hong Boon Siong at Jalan Rock and 2 office towers at the Travillon. However, the market for such purpose-built offices remain limited.

Selling prices of shop-offices/shop-houses in 2006 in Kuching, Samarahan, Sibu, Bintulu and Miri are shown in Table 5 below.

Table 5 Selling prices of shop-offices/shop-houses 2006 (RM)

Region	2-storey int	2-storey corner	3-storey int	3-storey corner	4-storey int	4-storey corner
Kuching	440,000 - 890,000	490,000 - 570,000	600,000 - 1,688,000	700,000 - 1,300,000	1,200,000	From 1,200,000
Samarahan	-	-	-	-	858,000 - 1,588,000	968,000 - 1,488,000
Sibu	300,000	350,000	600,000 - 700,000	750,000	720,000 - 850,000	900,000 - 1,000,000
Bintulu	-	-	630,000 - 758,000	840,000 - 1,200,000	938,000	1,380,000
Miri	-	-	328,000 - 475,000	444,888 - 580,000	From 510,000	From 1,038,888

Industrial sector

The semi-detached industrial units remain the most popular type of industrial development in Sarawak, with some detached plots being offered by government agencies.

Table 6 Semi-detached industrial units 2006

Type	Units Completed	Units Under Construction	Units Launched
Kuching	130 (130)	158 (158)	116 (116)
Sibu	144 (150)	52 (60)	40 (64)
Bintulu	0 (0)	24 (24)	0 (0)
Miri	0 (8)	30 (20)	72 (103)

* Figures in () denotes whole year figures for 2005 or as at end 2005

Table 7 Selling prices of semi-detached industrial units launched in 2006

Region	Land size (sm)	Built-up area (sm)	Selling prices (RM)
Kuching	680 - 1000	196.8	From 350,000
Sibu	From 690	223	From 450,000
Bintulu	599.4 - 739.12	192	400,000 - 460,000
Miri	400 - 790	150 - 496	200,000 - 512,000



Newly launched SMI Industrial Park at Demak Laut, Kuching

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For 2006, a few private industrial estates have been launched e.g. Sibiyu Industrial Estate in Bintulu and the SMI Industrial Park at Demak Laut, Kuching.

Hospitality sector

The tourism sector continues to recover from the jolts of the previous years but suffered another setback in the 2nd half of the year with the re-emergence of the haze.

RH's Everly Hotel in Sibiu officially opened on 2nd September, 2006 and construction of the Novotel Hotel in Kuching is currently in progress. The newly renovated Imperial Apartment & Suites in Miri was recently re-launched as Imperial Hotel.

Table 7 3-star and above hotels

Region	Existing hotels (no./rooms)		Under Construction (no./rooms)		Proposed (no./rooms)	
	No.	Rooms	No.	Rooms	No.	Rooms
Kuching	15	2,950	1	388	1	315
Sibu	5	792	0	0	1	No Data
Bintulu	2	386	0	0	1	No Data
Miri	6 *	1,114	0	0	1	176

Note : * 1 service apartment upgraded to hotel



Newly renovated Imperial Hotel, Miri

Agriculture sector

The State Government continues to encourage commercial agricultural development as more lands are being opened up for large scale oil palm plantations on a joint-venture basis with NCR (Native Customary Rights) landowners.

Sales of raw land for oil palm plantation show prices ranging from RM2,500.00 to RM4,000.00 per hectare, depending upon the location, accessibility and topographical terrain.

Most pockets of agricultural land in and around the major towns are being held for future conversion to residential and commercial use.

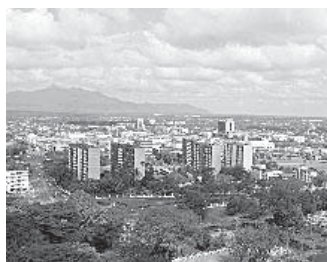
Market outlook for 2007

The 2007 Sarawak property market is generally expected to slow down further. The continued inflationary pressures put by world economic imbalances and uncertainties will continue to stall demand for housing. The property take up rates are expected to be slower for 2007 compared with 2006.

The fear and threat of further increases in petrol prices and inflation rates, the global slow down in economic growth and the global trend of rising interest rates are expected to dampen the buying sentiment in the property market.

However, house prices are not expected to be reduced much by housing developers as the land and construction costs continue to be high.

Demand for reasonably priced medium-cost housing is expected to remain strong in Kuching, Sibiu, Bintulu and Miri.



Kuching



Sibiu



Bintulu



Miri

SARAWAK STATE BUDGET 2007

Highlights

- 6 development strategies -
 - i. Financing more development projects;
 - ii. Improving delivery system and financial management;
 - iii. Incentives to the private sector as engine of growth;
 - iv. Strict monitoring of spending;
 - v. Surplus budget; and
 - vi. Limiting operating expenditure.
- Services, manufacturing, mining and quarrying as growth sectors
- Pro-development Budget totalling RM3.15 billion
- Development budget of RM2.294 billion including RM203 million through Federal reimbursements and loans
- Surplus budget of RM96 million expected for 2007
- GDP growth of 5.8% forecasted for 2007
- Revenue projected at RM3.25 billion, mainly from oil and gas
- Sales taxes to be levied on crude palm oil and lottery
- Target of RM10 billion state reserves by 2020



Sarawak State Budget 2007 (RM million)

		2007		2006		
		Subtotal	Total	Total	% of total	% change
	Budget Surplus		96	80.5		
A	Expenditure		3150	2784		13.15%
1	Development (Refer*)		2100	1626	66.67%	29.15%
2	Recurrent Exp		1050	1158	33.33%	-9.33%
	Personal Emoluments	339			32.29%	
	Supplies & Services	384			36.57%	
	Grants & Fixed Payments	314			29.90%	
	Assets	11			1.05%	
	Other Operating Expenses	2			0.19%	
B	Revenue		3246	3590		-9.58%
	Oil & Gas	1189			36.63%	
	Forestry	723			22.27%	
	Investment	560			17.25%	
	Sales Tax	171			5.27%	
	Interest	182			5.61%	
	Land Premium	150			4.62%	
	Non-tax revenue	97			2.99%	
	Non-revenue receipts	13			0.40%	
	Federal grants & reimbursements	89			2.74%	
	Others	72			2.22%	

Source : From various sources on the 2007 Sarawak State Budget as tabled at the DUN Sitting, 20/11/2006

Projected growth for different sectors, Sarawak

	2006	2007
	%	%
GDP Growth	5.5	5.8
Growth Sector :		
Primary	4.8	5.3
Secondary	5.8	6
Mining & Quarrying	4.1	4.2
Agriculture & Livestock	9.2	9.6
Construction	6	6
Manufacturing	5.3	5.6
Service	6.5	6.5
Public Investment	5.7	7.5
Private Investment	5.7	7.4

Source: Supply Bill 2007, DUN Sitting, 20/11/2006

Expenditure on infrastructure for Sarawak (Past 20 years)

Infrastructure	RM billion
Roads, bridges and ports	5.1
Industries & Investment	8.8
Agriculture, land devt, forestry & rural growth	4.2
Housing & resettlement	2.2
Water supplies	2.0
Social and Community Devt	2.9
State Funding	25.2
Federal Funding	22.0
Total State & Federal Funding	47.2

Source: Eastern Times, 21/11/2006

*Total Development Budget

Development Items	RM million	%
Commerce and Industry	1317	57.41%
Transport & Communication	261	11.38%
General Administration & urban devt	221	9.63%
Agriculture & Land Devt	180	7.85%
Utility Devt	157	6.84%
Social Devt	158	6.89%
Total Development Budget	2294	

Source: From various sources on the 2007 Sarawak State Budget as tabled at the DUN Sitting, 20/11/2006

RECENTLY LAUNCHED PROJECTS

KUCHING

Green Heights Mall, a compact 2-storey neighbourhood mall located in the vicinity of Green Heights along Jalan Datuk Bandar Mustapha, was launched recently by PSB Properties. Expected to be completed by 2008, the total rentable area is 40,000 sq feet with a 2,000 sq feet concourse area for events. Cold Storage has been secured as the anchor tenant. This suburban concept mall aims to cater to the middle and higher middle income groups in and around this area.

Eminent Mansion, developed by Lucky Element Sdn Bhd, is a high end residence project located at Stampin Barat, one of the more prestigious housing areas coming up in Kuching. It comprises 12 units of double storey link bungalows with land areas of between 9.29 pts to 14.72 pts and built up areas ranging from 198 sm to 229 sm. The selling prices range from RM598,000 for the smallest unit to RM792,000 for the biggest unit.



Heritage Garden is a sizeable mixed development of residential and commercial units developed by E-Heritage Sdn Bhd along Jalan Tun Abdul Rahman Ya'akub in Petra Jaya. It consists of 45 units of single storey medium low cost housing, 72 units of 2-storey terrace houses, 18 units of 2-storey semi-detached houses and 14 units of 3-storey shophouses. The houses are priced from RM300,000 for the terraced units and from RM420,000 for the semi-detached units. The shophouses are sold for between RM1,000,000 and RM1,300,000 per unit.

SIBU



Taman Polo

Lorong Ding Lik Kong 10

Developer	RS Land Development Sdn Bhd	Tanakujaya Sdn Bhd
Type of Property	DH2SD (Type A), DH2SD (Type B), DH2T	Double Storey Semi Detached Industrial Building
No. of Unit	DH2SD (Type A) – 6; DH2SD (Type B) – 16; DH2T - 10	24
Price (RM)	DH2SD (Type A) – From RM 468,899; DH2SD (Type B) – From RM 488,899; DH2T – From 278,899	From RM 510,000
Land Area	DH2SD (Type A) – From 283 sq.m; DH2SD (Type B) – From 324 sq.m; DH2T – From 174 sq.m	From 457 sq.m
Wall Up Area		From 255 sq.m

BINTULU



Forego Jaya is a mixed commercial development by M/s Hock Peng Realty Sdn Bhd. Sited at the junction of Jalan Kidurong and Jalan Sultan Iskandar about 7 km. from Bintulu town centre (next to KTS project by Sabiras Properies Sdn Bhd), the project consists of 65 units of 3-storey shophouses, 1 unit of 6-storey hotel and 1 unit of 8-storey office block. The shophouses range from RM630,000 to RM680,000 for the intermediate units and RM840,000 to RM1,200,000 for the corner units.

MIRI

WSL Xiang Xiang developed by WSL Xiang Xiang SB



Type of Property	Double Storey Terraced House	Double Storey Semi Detached House
No. of Unit	44 Units	40 Units
Price	From RM 280,000	RM 425,000 to RM 465,000
Land Area	From 210 s.m	From 400 s.m
Wall Up Area	225.75 s.m.	281.10 s.m. to 238.80 s.m.

Taman Bayshore developed by Shin Yang Construction Sdn Bhd was launched recently in Miri. Located next to Piasau Camp, Taman Bayshore is a unique gated residential estate with Mediterranean design and theme. Aimed at the high end market, each house has a built-up area of 3,330 sq feet and land size of 8.3 pts.

MUKAH

The ready-built factories (RBFs) launched recently at **Phase 1 of Mukah Light Industrial area** are expected to be completed by mid 2008. A joint-venture between SEDC and Lamy Industries Sdn Bhd, it consists of 42 double-storey industrial buildings – 2 detached, 24 semi-detached, 12 terraced intermediate and 4 terraced corner units – priced between RM260,000 and RM420,000. The Mukah Light Industrial Estate will be developed over 4 phases covering 61 hectares (150 acres).

READY BUILT FACTORIES AT DEMAK LAUT INDUSTRIAL PARK PHASE 3, KUCHING developed by the Ministry of Industrial Development Sarawak



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GDP growth to exceed 5.8% for 2006

Malaysia's economic growth may exceed its growth projection of 5.8% for 2006 from 5.3% last year. Private investment is expected to increase by 10.1% with private consumption growth at a healthy 7.1%. The robust domestic demand have consistently reduce budget deficit from 5.7% in 2000 to 3.8% in 2005 to 3.5% in 2006.

Source : Borneo Post, 24/11/2006

"We are expecting modest interest rate hikes at 25 basis points in the middle of next year and another 25 basis points in the 4th quarter" – Citigroup, 12/12/2006

Growth Rate of GDP (% per year) - Updated

Subregion	2002	2003	2004	2005	2006	2007 (pre-revision)	2007 (post-revision)
East Asia	2.6	3.8	4.7	4.7	4.9	NA	4.4
Developing East Asia	6.6	5.7	7.9	7.4	7.7	6.9	7.0
ASEAN	4.9	5.7	5.1	5.4	5.4	5.7	5.5
Brunei	3.9	2.9	0.5	0.4	3.7	NA	3
Cambodia	6.2	6.6	10.0	13.4	7.0	6.4	5.4
Indonesia	4.5	4.6	5.1	5.6	5.4	6.0	6
Laos	5.9	5.6	6.9	7.2	7.3	6.5	6.5
Malaysia	4.4	5.5	7.2	5.2	5.8	5.8	5.3
Philippines	4.4	4.9	6.2	5.0	5.4	5.3	5.3
Thailand	5.3	7.0	6.2	4.5	4.5	5.5	4.5
Vietnam	7	7.4	7.7	8.4	7.6	6.0	1.6
Hong Kong	1.8	3.2	8.6	7.3	6.5	5.2	5.2
Korea	7	3.1	4.7	4.0	5.1	4.5	4.6
Singapore	4	2.9	6.7	6.4	7.8	4.6	5.3
Taiwan	4.2	3.4	6.1	4.0	4.3	4.0	4.0
China	9.1	10.0	10.1	10.2	10.4	9.0	9.5
Japan	0.1	1.8	2.3	2.7	2.8	2.4	2.4
USA	1.6	2.5	3.9	3.2	3.2	3.1	2.7
Euro Zone	0.9	0.8	1.9	1.4	2.6	2.0	2.0

Source : Asian Development Bank, 12/2006

Interest, inflation and currency rate expectations for 2006

BNM feels that the current interest rates which have been raised three times by 80 basis points is appropriate for the economy. Inflation rate is expected to continue to moderate after its peak in the March 2006, bringing the inflation rate to a current average of 3.8%. The downward trend is expected to average between 3.5% and 4.0% for the remaining quarter. The lower global oil prices has helped to ease the inflation rate somewhat across the globe. The ringgit is expected to experience a gradual appreciation in value against the greenback rather than a sharp appreciation. As at 24/11/2006, the ringgit strengthened 3.6365/6385 per dollar.

Source : Business, Borneo Post, 24/11/2006

Domestic Trade and Consumer Spending 2006

Domestic Trade (wholesale, retail, hotel & restaurant sectors) is expected to grow >6.5% in the 2nd half of 2006 amidst steady economic growth spurred by expansion in domestic spending, establishment of new retail outlets and increase in tourist arrivals based on a strong growth of 6.3% in the 1st half of 2006, higher than the GDP growth of 5.7%. New business registrations rose by 3% during the 1st six months of the year to 3.166 million with strong increase seen in the retail sector which grew by 16.4% to 16,332 as at half-year 2006. Direct selling activities also expanded significant by 12.4%. Credit card spending for 1st half 2006 also rose by 14.8% to RM24.4 billion.

Consumer spending in Malaysia, although trending downwards, remained moderately strong in 1st half 2006 despite increases in cost of living, changes in fuel prices and costs of borrowing. Total consumer loans and borrowings grew strongly by 15.7% whilst credit card spending expanded by 14.8%. Although indicative of a shift towards convenient cashless modes of payment, it also showed an uneasy increasing trend towards living on credit. A marginal decline was noted for increase in the fuel prices. Passenger car sales also recorded a decrease.

Source : Commerce and Consumer Report, 1st half 2006

Major slowdown in loans to 6.8% year on year

Loan growth slowed down even more significantly in October to 6.8% yoy compared to 7.5% yoy in September 06. In addition, forward looking indicators decelerated even further across all segments. To some extent, it is believed to be attributed to the festive period in October which resulted in a fewer number of working days. In the business segment, loans decelerated to 2.6% yoy (from 3.3% in Sept-06) believed to be due to lower working capital requirements while the household segments slowed down by 10.6% yoy compared to 11.4% yoy in September.

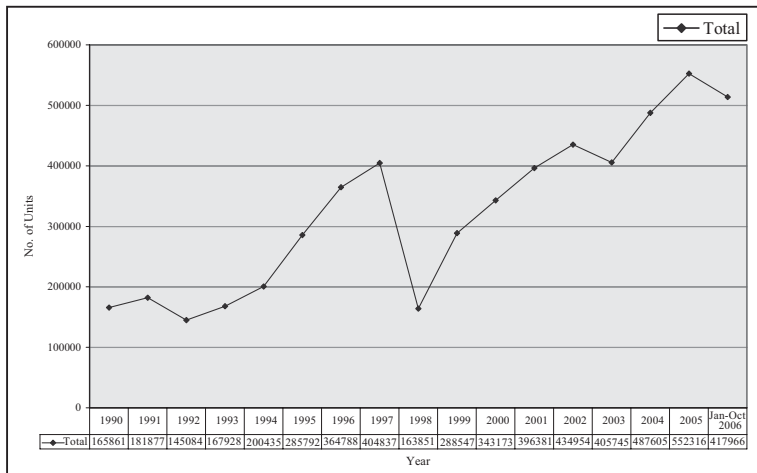
Source : Investment Research – banking sector (HLGeBIZ) – 29/11/2006

Industrial Production Index (IPI) Review

The IPI for October 2006 fell 0.8% year-on-year to 133.4 due to a decline in the mining and manufacturing sectors with output falling by 2.4% to 119.3 for the former and by 0.6% to 136.8 for the latter. Overall, the IPI for October also slipped 1.9% from the previous month. Whether the contraction is due to the decline in exports as a possible result of slowing US demand remains to be seen in the ensuing months. Nonetheless, for the 1st 10 months of 2006, the IPI has expanded 4.9% y-o-y to 133.6 in line with the rise in the manufacturing and electricity indices which increased 7.3% and 4.3% respectively.

Source : The Star, 8/12/2006

Car Sales - Malaysia (1980-2006)



Car sales for 2006 has taken a dip with even lower sales expected for the next 2 months of the year. The Malaysian Automotive Association (MAA) forecasts a sale of 520,000 units of vehicles for the year 2006, a 6% contraction of the total car industry volume from the previous year. The drop in car sales is attributed to the tough market conditions of rising inflation, slower economic growth and cautious consumer sentiment coupled with low used-car value and tighter loan procedures. Sales and production to-date of both national and non-national cars have dropped with a significant reduction of 37% in car sales and 28% in car production for October 2006 compared to the same month last year, after 9 consecutive months of decline.

Source : Adapted from MAA, 2006 and The Business Times, NST, 22/11/2006

Decrease in Foreign Investment

According to the 2006 first half-yearly Commerce & Consumer report, foreign investment had noticeably decreased by about 15.2% compared to the same period last year. In the 1st half of this year, the amount of foreign investment was only about RM75.08 billion. Although the increase in the standard of living, fuel and loan interest have caused much consumer awareness, the domestic consumption was 6.3% compared to the domestic production which was only 5.7%. This shows that the income expenditure level and the consumer's ability to spend has increased; one of the reasons could be due to stronger currency rate.

Source : Sin Chew Jit Poh, 15/11/2006

“Assuming that the US dollar will undergo an orderly correction and that oil prices would remain largely stable if not lower, the Malaysian economy could register a 5.5% growth in 2008 on the premise that domestic demand will be propped up prior to the general elections” – MIER, 6/12/2006

World's largest pepper grinder in Sarawak

Sarawak which produces 95% of Malaysia's pepper output and is the world's 5th biggest producer of this spice commissioned the world's largest pepper grinder plant at the Malaysian Pepper Board premise at Tanah Puteh light industrial area on 28/11/2006. The plant was installed at RM3.75 million for better development of the pepper industry which includes growth, research and development. Rehabilitation of the industry includes pepper cluster farming in 6 areas identified as Sg Assap in Bakun; Nanga Sepak in Betong; Serian; Sarikei; Suai and Niah in Miri. The country's annual production could increase to 30,000 tonnes by 2010.

Source : New Straits Times, 28/11/2006

Crude Palm Oil Futures

Crude palm oil (CPO) prices are expected to appreciate further and likely to surpass RM2,000 per tonne in early 2007 due to a fall in output as a result of climatic vagaries. The CPO performance would also very much depend on the soy oil prices.

Source : The Borneo Post, 11/12/2006

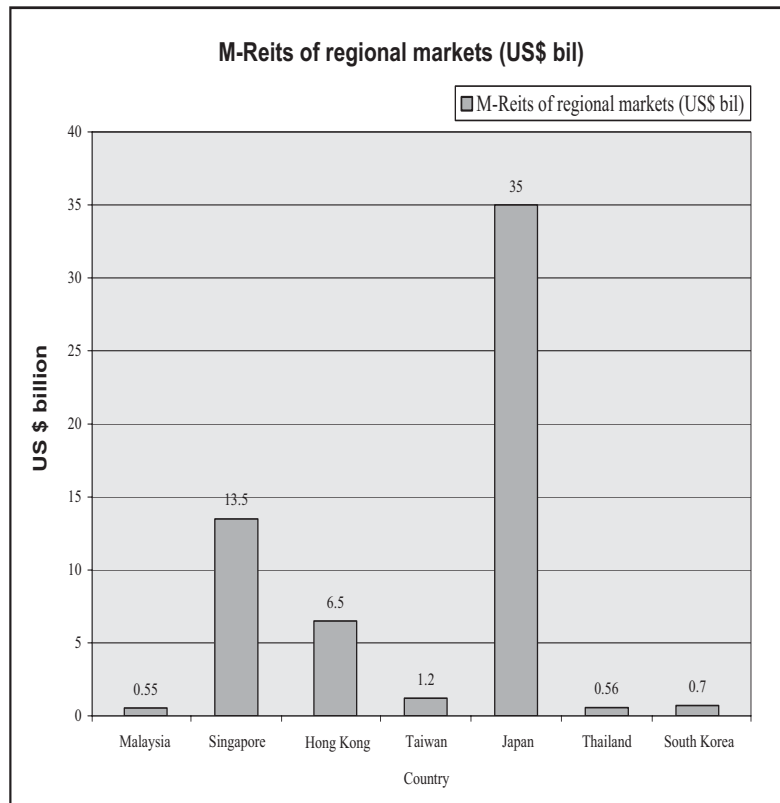
COMMODITIES

PROPERTY

M-REITs performance review

Malaysia REITs (M-REITs), although having one of the highest yields of about 7.3%, ahead of Japan (3.8%), Hong Kong (5.7%) and Singapore (5.6%), is lacking in performance compared to other regional markets due to small fund size, lesser liquidity and equity restrictions. M-REITs starting fund size of US\$500 million, although comfortable, is too small compared to other regional powerhouses like Singapore and Hong Kong which runs in the billions US\$. REITs are popular with foreign institutional investors as these trusts provide them access to ownership of good estates, infrastructure and good managers in a transparent manner. For the industry to grow, the tax structure and equity restriction need to be reviewed to encourage more corporate participation and establishing higher foreign investments respectively. The government could very well boost this industry by injecting big government-linked companies that have good portfolio of real estate assets into REITs as a catalyst to drive this particular industry as well as having tax treaties with ASEAN and other regional countries to allow for efficient cross-border REIT transactions.

Adapted from various articles on REITs, 2006



Registered Developers

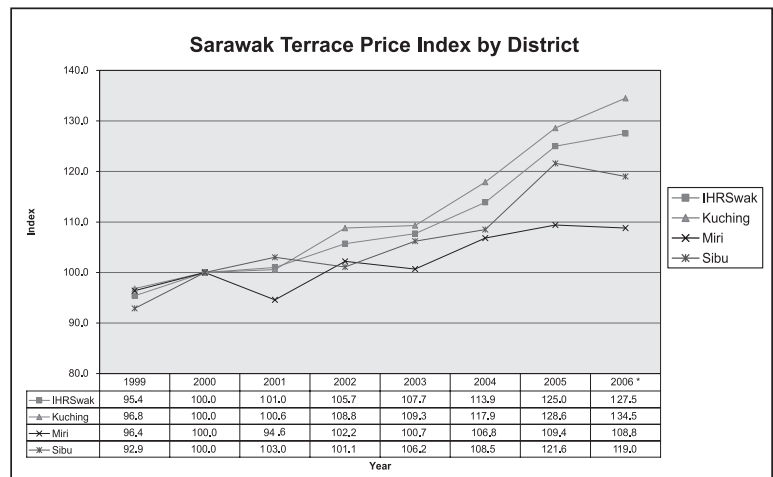
There are 514 licensed housing developers duly registered with the Ministry of Housing Sarawak as of November, 2006, the majority of whom are private developers. These private developers are controlled, monitored and regulated by the Sarawak Housing and Real Estate Developers Association (SHEDA). There are plans to establish a House Buyers Tribunal to assist in solving buyers' complaints and grievances. Statement from SHEDA reveals that houses priced RM300,000 and above are experiencing lukewarm response. Concerted efforts to build Rumah Mesra Rakyat (RMR) and other affordable houses, including flats for rent, will be intensified.

Source : The Borneo Post, 29/11/2006

Allocation for Low Cost Housing in Sarawak-9MP

Type	Towns	No. of Units
RMM	Kuching	2980
	Miri	1622
	Bintulu	1000
	Kota Samarahan	825
	Betong	400
	Sarikei & Meradong	300
	Sibu	200
	Kapit	124
	RMR	Kuching
Miri & Bekenu		300
Sarikei & Semop		288
Mukah		130
Limbang		100
Total		10000 (approx)
Budget		1.2b

Source : BERNAMA, 7/11/2006



Source : The Malaysian House Price Index, 1st half 2006, Valuation & Property Services Department, Ministry of Finance

Road and Bridge Projects in Sibul

The **Durin Bridge** was officially opened on 21/10/2006, completing the missing link in the 963-km Pan-Borneo Highway. Completed by Brooke Dockyard & Engineering Works Corporation, this toll-free bridge cost RM130 million to build and was funded by the Federal Government. It will replace the 30-year old ferry service across the bridge effective 22/10/2006.

Sibu airport-Julau road which is being upgraded into a dual carriageway is progressing well and scheduled for completion by late 2008.

Sibu-Tanjung Manis coastal highway in the lower Rejang Basin which involves several bridges is moving ahead of schedule. Tanjung Manis is home to the country's largest integrated timber complex and will soon have a deep-sea fishing port with processing facilities.

Adapted from The Star, 9/10/2006 & Borneo Post, 20/10/2006

Sarawak Convention Bureau

Sarawak expects to draw 2,500 delegates for the 11 major conventions it will host for Visit Malaysia Year 2007. These include a Biodiversity inter-regional conference, 2nd International Business Conference and Crossing Borders Borneo Conference. These delegates are expected to generate 10,000 room nights equating RM6.8 million in delegate spending.

The Sarawak Convention Bureau was set up to capture a bigger market share of the total meetings organized in the Asia Pacific region. Sarawak would be better positioned to compete for target meetings when the multi-million ringgit Sarawak Convention and Exhibition Centre opened in 3 years' time at the Kuching Isthmus.

Source : Business Section, The Star, 28/11/2006

Good Housing Prospects for Bintulu

The prospect for housing and real estate sector growth in Bintulu is bright in view of its rising population which has augured well for housing developments in Bintulu over the years. Bintulu Development Authority expects Bintulu to require 89,000 new homes that would need land development area of some 7,400 hectares in future, based on its 2nd Master Plan Study. The projection was based on the existing 40,000 households of which 85% are located in the Bintulu urban area.

An additional 2,000 units of shophouses will be required by 2020 assuming medium growth rate of population.

Source : Eastern Times, 14/10/2006

Industrial Development

A 1000-acre land at Samarahan to be called the Samarahan Industrial Area had been identified and approved by the Sarawak Planning Unit for relocation of the existing industrial factories at Pending and Bintawa industrial area.

The 1st stage occupying a land area of 200 acres along the Samarahan and Sadong Jaya highway is expected to be completed by November next year. Tender for related projects for the later stages is expected to be out by mid 2007.

In line with the 9th Malaysia Plan, the Ministry of Industrial Development will launch an industrial reform agenda with emphasis on value added industries to boost Sarawak's industrial investment and growth. Under the 8th Malaysian plan, the State government had obtained RM386 million to develop 8 industrial sites, and another RM466 million in industrial development funds during the mid-plan review. For 2006, MIDS obtained RM14 million to carry out 2 extra projects in Demak Laut Industrial Park, Kuching. Since the 7th MP, the State government had approved RM1040 million for industrial developments.

Source : International Times, 29/11/2006

Rateable Holdings

As at 31 October 2006, the number of Council rateable holdings in Sarawak is 402,800 units. The expected revenue to be gained from this assessment is RM107,943,210 per year.

The present property valuation system based on rental value does not include the service to the said property, for example, industrial waste disposal. The level of service rendered towards that property should be taken into consideration when computing the rate of tax.

Source : International Times, 27/11/2006

Federal Health Science College (KSKB) for Sarawak

The Federal Health Science College (KSKB) located at Jalan Puncak Borneo was opened on 29/11/2006. This is one of five (5) such health science colleges planned under the 8MP and 9MP. The other four (4) are planned for Selangor, Sabah, Johore and Perak.

Source : Eastern Times, 30/11/2006

Sarawak World PCI Standing

According to the world economics survey book published by International Monetary Fund 2006, the per capita income for all the 182 nations in the world range between US\$107 to US\$80288. The per capita income of Sarawak stands at US\$7000 and is ranked 53rd in the world.

Source : As quoted by Datuk Sri Awang Tengah in the International Times, 27/11/2006

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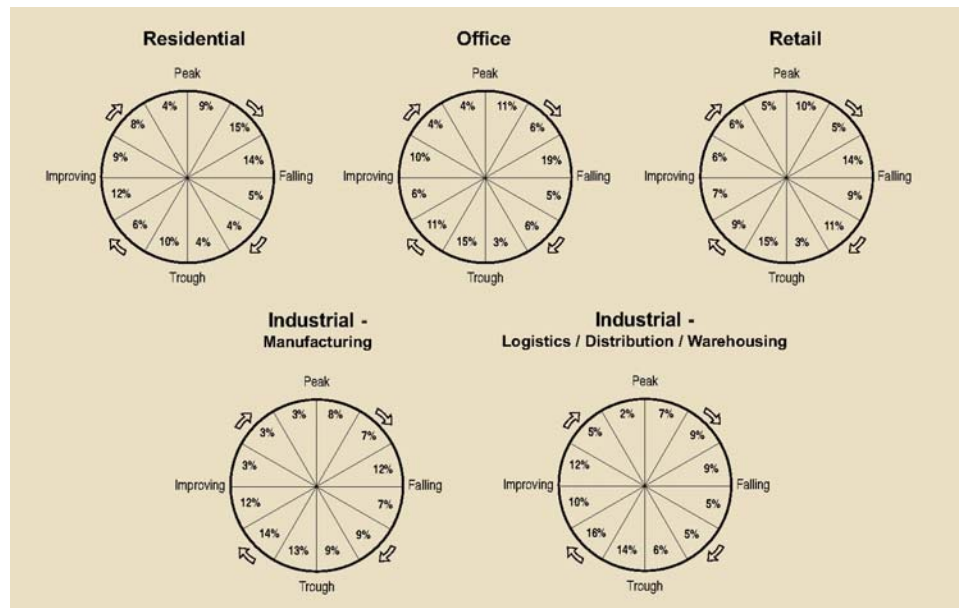
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WTW CEO Opinion Survey on the Malaysian Property Sector for 2007

- **Price movement** – Prices for landed residential property are expected (although less) to still increase for 2007 and more respondents expect a decrease in price for apartments/condominiums which are experiencing a glut in 2007;
- **Rental movement** – Rentals of landed residential and commercial properties are expected to increase or at least remain stable in 2007 whilst rentals of apartments/condominiums are expected to fall;
- **Cost of construction** – A larger majority than last year believe that all construction costs will increase further;
- **Sales performance** – Sales for 2007 is expected to continue to be lackadaisical with 20% of respondents believing that the number of sales transactions will decrease by about 20% with change in foreign buying;
- **Property Investment Considerations** – Apart from income, employment and economic growth, cost of funds and political stability are now considered to be of greater importance in the list of factors affecting property investment decisions;
- **Supply situation** – Caution is expressed for surplus situation of residential condominiums/apartments and commercial shophouses/offices in 2007;
- **Government influence** – The 9th Malaysia Plan (2006-2010) with projects and plans to develop growth corridors in the less developed part of the country e.g. Northern states, East Coast and East Malaysia would have a significant effect on infrastructural projects as well as commercial and industrial;
The REITs which although have increased in portfolio in 2005/2006 is still lacking in performance due to uncertain growth prospects, quality and reputation of management company, quality of property and increasing interest rates.
- **Buying Interest in 2007** – Some reduction in demand is expected for residential units especially high rise units compared to the previous years although buying interest overall would still be high.
- **Interest of Investors** – Local investors remain consistent in their preference for landed residential property whilst foreign investors show preference for condominiums with increased interest in factory and industrial units.



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