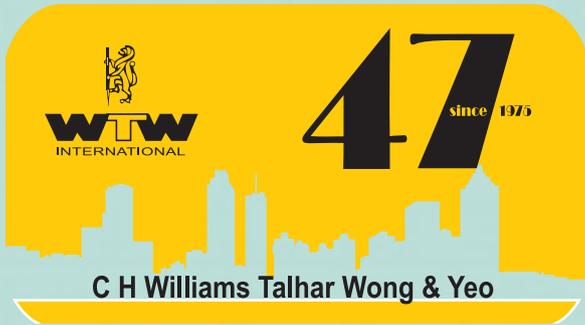


SARAWAK PROPERTY BULLETIN



Sarawak Property Market

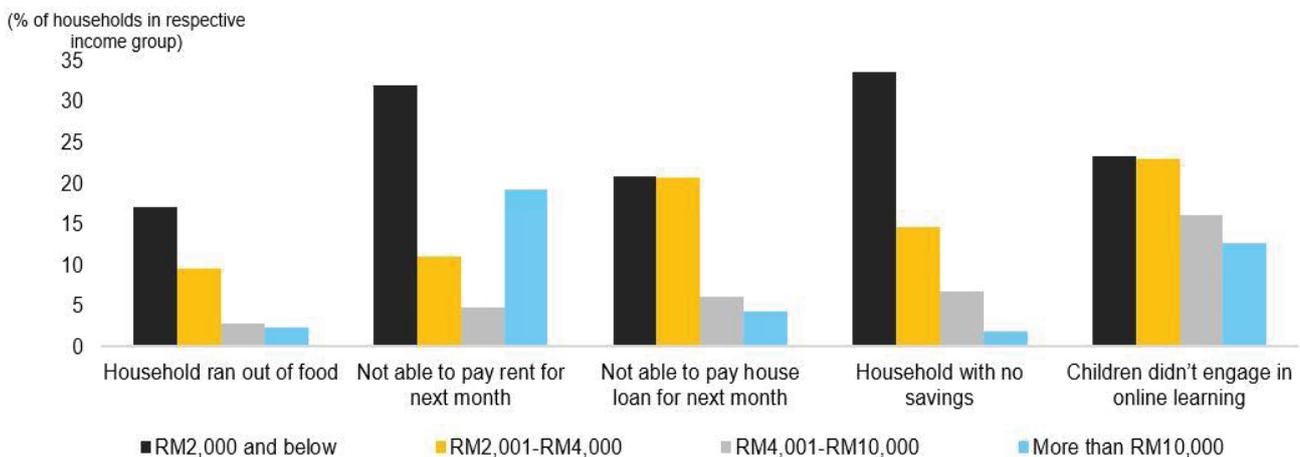
1st Half 2022 Property Market Review

Pandemic to Endemic – A Recovery Period

After 2 years of periodic cycles of Covid infections coupled with recurring Movement Control Orders (MCOs), 2022 was the year of reckoning, to finally go with the flow. With 95% of Malaysian adults fully vaccinated by early November 2021 and 70% boosted by April 2022 and kids' PICK vaccination underway, Malaysia officially transited to Endemic Phase on 1st April 2022.

Signs of recovery brought forward from the last quarter of 2021 into the first quarter of 2022 since the abolishment of MCO in August 2021 had seen improvements in the overall market. However, consumer sentiments were still affected by lingering post Covid-19 effects and the recent spike in covid-19 sub variant cases world-wide going into the 2nd half of 2022. These have also put a dampener on the Business Conditions Index. The ongoing political and economic uncertainty on the national front have also added to market jitters.

As the economy opened up, the employment market showed signs of recovery but was uneven. Slower recovery among poor and vulnerable groups had led to financial and social consequences most dire of which was food and housing insecurity.

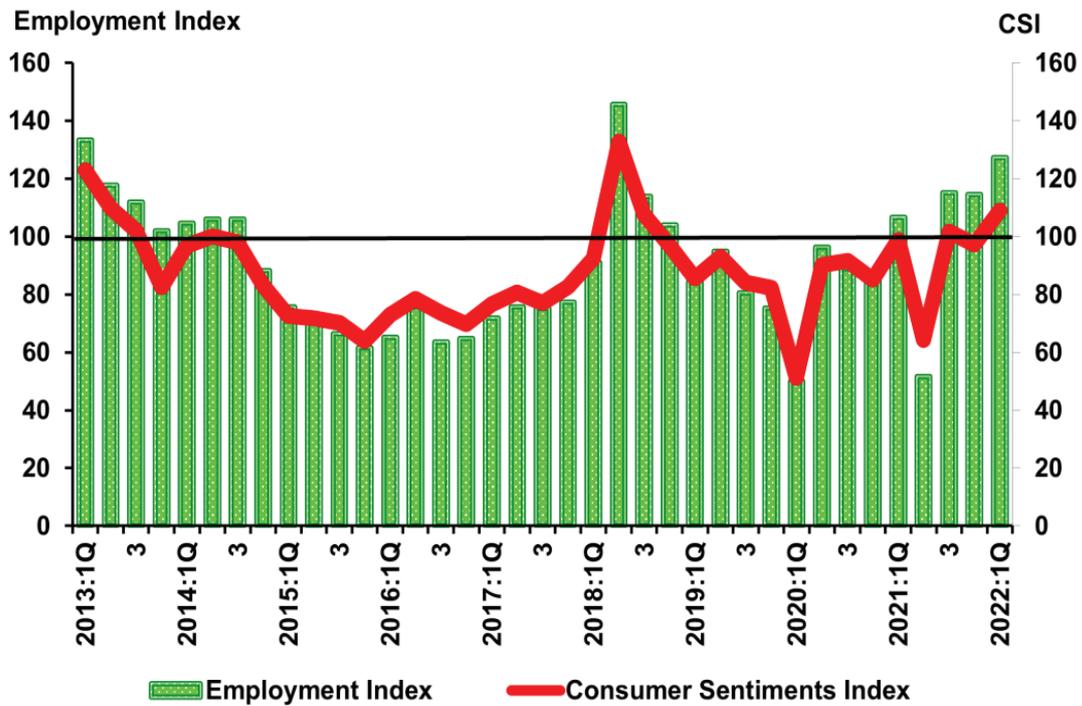


Source : High Frequency (HiFy) Phone Survey, Oct & Nov 2021, World Bank

Recent HiFy surveys by World Bank has shown that lower-income households in Malaysia were significantly more vulnerable to poor socioeconomic conditions and were adversely impacted in areas of food, accommodation, savings and education.

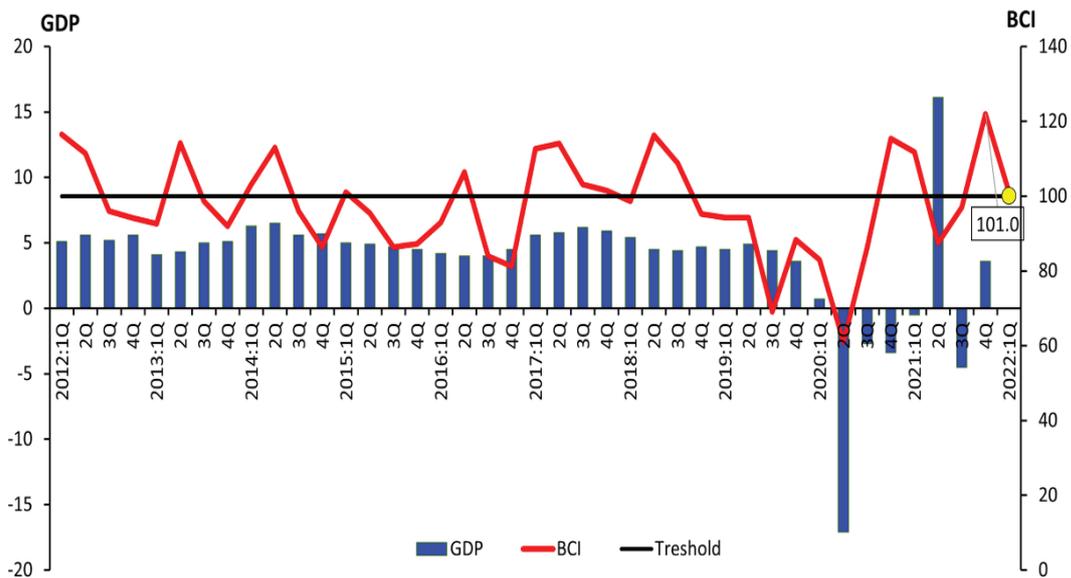
The overall property sector which has re-started to go full swing has seen the continuance and completion of delayed projects , hence, improvements in construction activities. However, due to the uneven and uncertain recovery exacerbated by continuing health concerns, the property market remained cautious and restrained in the first half of 2022.

House purchases may have taken a back-seat against pressing concerns over rising inflation whereby potential homebuyers' priorities have shifted to addressing food and job concerns on the back of the current poor economic climate. The tightening of monetary policies as seen in the 2 hikes in OPR in the last few months from 1.75% to 2.00% in May 2022 to 2.25% by early July 2022 would also spell higher interest and loan repayments in the months to come. The capability to pay rents and housing loans are being challenged significantly.



Sentiments Improve on Jobs and Incomes

The Consumer Sentiments Index for 1Q2022 breaches optimism threshold to 108.9 points. This is driven by the improvement in current incomes and jobs. However, consumers are worried about the rising prices and only moderately shopped.

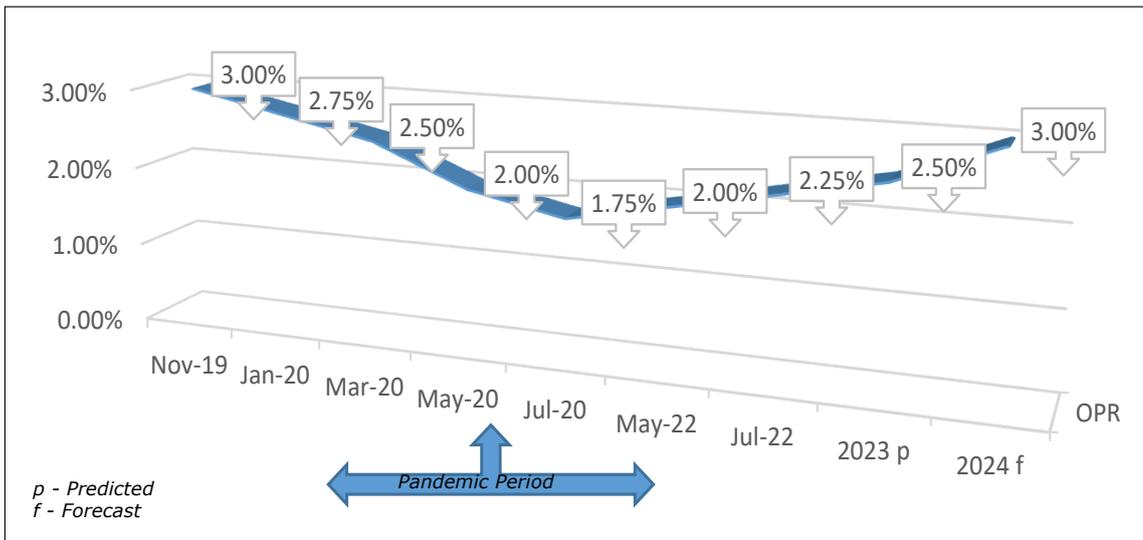


Business Confidence Back in Negative Territory

The Business Conditions Index has dropped to 101 points which is slightly above the 100-point threshold. The Expected Index (EI) also settled lower at 99.6 points. Sales have plummeted due to the declination of domestic and external demand. Capital investment also fell in the first quarter of 2022 by 11.2 points.

Source : MIER CSI and BCI Survey, Q1 2022

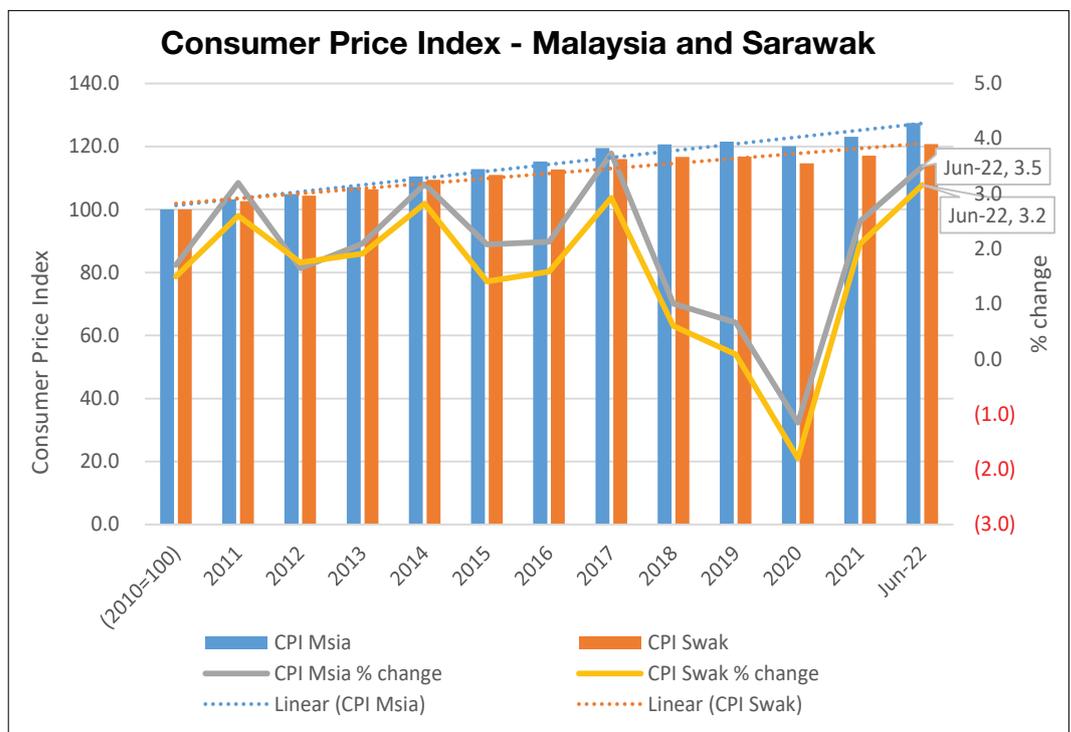
Overnight Policy Rate (OPR) Pre and Post Covid Times (Q4 2019-2024f)



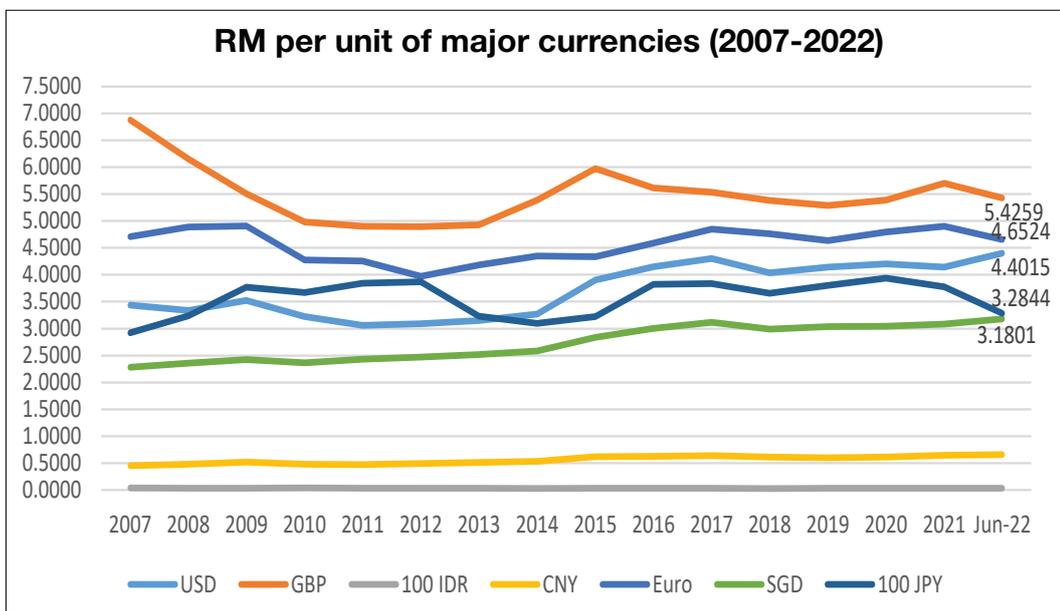
Inflationary Pressures

The overall inflation accelerated to 3.4% year-on-year (y-o-y) in June 2022 from 2.8% y-o-y in May and 2.3% y-o-y in April of this year.

CPI for 2022 is set to rise amidst rising prices of fuel and food, and inflationary pressure is great with some research houses forecasting inflation as high as 3.4% and 4.1% for 2022 and 2023 respectively. According to Bank Negara Malaysia, underlying inflation, as measured by core inflation, is expected to average between 2.0% and 3.0% in 2022 as demand continues to improve amid the high-cost environment.



RM per unit of major currencies (2007-2022)



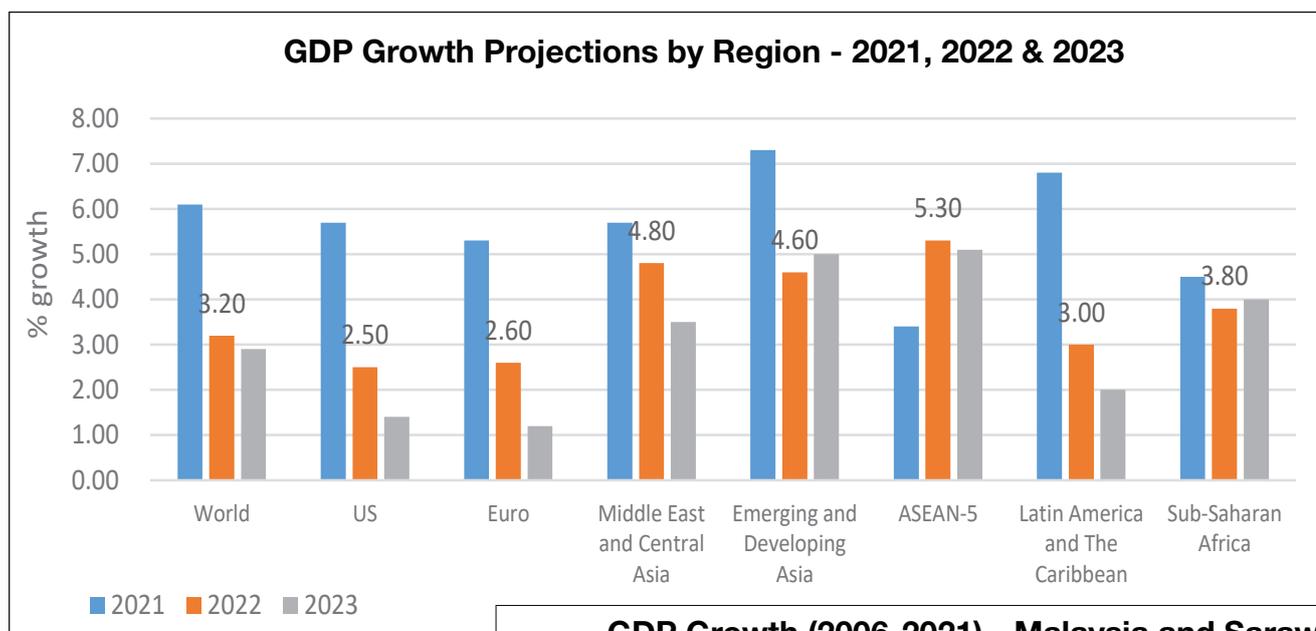
US Federal Reserve's cumulative rate hike of 225 basis points in total thus far had weakened numerous currencies. The Malaysian Ringgit has also dropped and reached an all-time high exchange rate against the greenback (USD) and Singapore Dollar (SGD).

The USD exchange rate which had been hovering around the 4.00 mark is seen to be rising consistently for year 2021 up to-date

GDP Growth Projection

The Ukraine War declared in February 2022 has triggered a world crisis that has negatively impacted the world's economies. Global growth is expected to slow down significantly amidst great inflationary pressures. Overall, the International Monetary Fund (IMF) has revised downwards twice its global economic growth projection for 2022 to 3.2%, and likewise its 2023 growth projection to 2.9%.

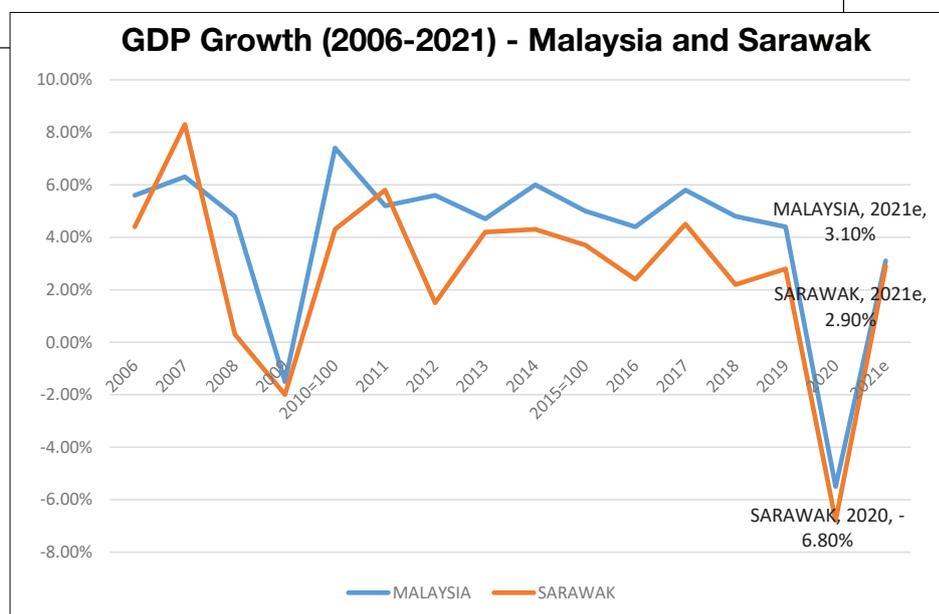
The International Monetary Fund (IMF) has also revised downwards the 2022 economic outlook for Asean-5 countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) which have been adversely affected by fluctuating commodities prices, surge in covid infections and rising interest rates, by between 0.1% and 1.2%, whilst revising the overall ASEAN-5's regional economic growth outlook for 2022 to 5.3%. Since most of Asia's emerging and developing economies are net importers of oil, gas, and metals, rising global commodity prices have deteriorated their balance of trade as well as added to inflation.



Source: IMF Report, Q2 2022

Although ASEAN's economy performed poorer than the other world regions recording lower than expected growth rate for 2021, it is projected to achieve a much better growth rate than all the other regions for 2022 and stay more or less on course for 2023.

The on-going trade war and the actions of the 2 world super powers, namely USA and China will continue to impact world economies, more so the smaller economies such as those in the emerging and developing regions of which Malaysia is part of.



Source: Statistics Yearbook Malaysia and Sarawak 2006 to 2021, DOSM

GDP Growth Malaysia

The GDP growth for Malaysia has been further revised downwards to 5.1% for 2022 (earlier forecasted at 5.5% in Q1 2022) and 4.7% for 2023, due to the unfavourable terms of trade due to volatility in commodity prices, supply chain disruption in raw materials and the weakening Ringgit against the US Dollar (Source: July 2022 World Economic Outlook Update) which is below Malaysia's Ministry of Finance (MOF)'s official projection of 5.3% to 6.3% for 2022. However, the MOF is optimistic of achieving this growth rate based on a strong 1st quarter GDP growth of 5% with a continued decrease in unemployment rate to 3.9% for May and June and trade data showing 2-digit growth for the past year although it warns of risks to the recovery amid an uncertain global economic outlook (Source: www.theedgemarkets.com dated 6-8-2022)

Moving into Q4 2022 and Q1 2023, the GDP is expected to remain in positive territory, but it may lack momentum.

Volume and Value of Property Transactions

Volume and value of property transactions for Q1 2022 are more or less on par with Q4 2021 (quarter on quarter) but much improved (year on year) compared with Q1 2021 by 19% and 6.6% respectively.

Period	% change		Remarks
	Volume	Value	
Q1 2022 P /Q1 2021	18.9	6.6	y-o-y
Q1 2022 P/Q4 2021	0.0	-0.3	q-o-q

Source : NAPiC, JPPH, Ministry of Finance Malaysia, Q1 2022

House Price

The Malaysian House Price Index which had moderated since 2019 continues to be more or less maintained with a general lull in prices across all property sectors. The Sarawak House Price Index which had generally fared better in the last couple of years have recorded slightly recessive growth of -1.2% for Q1 2022 as seen in the drop in its House Price Index (HPI). However, the overall Sarawak Terraced house price index has been maintained at 195.1 for Q1 2022.

Dominant Residential Property Types

The trend remains the same for Q1 2022 with terraced houses continuing to make up the largest segment (about 42%) of residential transactions with 2-storey terraced housing units being the most popular type contributing more than ¼ of the residential numbers transacted.

TYPE	Q12022 (% numbers transacted)
Vacant Plot	8.40%
1ST	17.98%
2ST	26.25%
1SSD	4.15%
2-3SSD	17.95%
DH	10.19%
Condo/Apartment	5.62%
Cluster House	0.26%
Town House	1.25%
Flat	2.11%
Low-Cost House	4.92%
Low-Cost Flat	0.93%
Others	0.0%
Total	100.0%

Source : WTWY Research (2022) from Q1 2022 Property Report, NAPiC, JPPH, MOF, 2022

About 57% (more than half) of total residential transactions are below RM300,000 with the highest percentage (23.3%) transacted between RM200,000 and RM300,000 price range and only about 1.67% are above RM1 million.

Residential Sales Performance

The sales performance for Q1 2022 (Source: NAPiC Residential Sales Performance Report Q2 2022) recorded a total sales of close to 12% for units launched in the last 3 quarters with 0%, 3.85% and 25.4% sales for units launched in the last 3, 6 and 9 months respectively. Based on this rate of sales, the residential sales is expected to average around 15% per annum, reflecting a pro-longed time taken to offload new supply in the market.

Most of the units launched are in the region of RM500,000 and below with highest numbers in the price category of between RM400,000 and RM500,000.

Home Ownership Campaign (HOC)

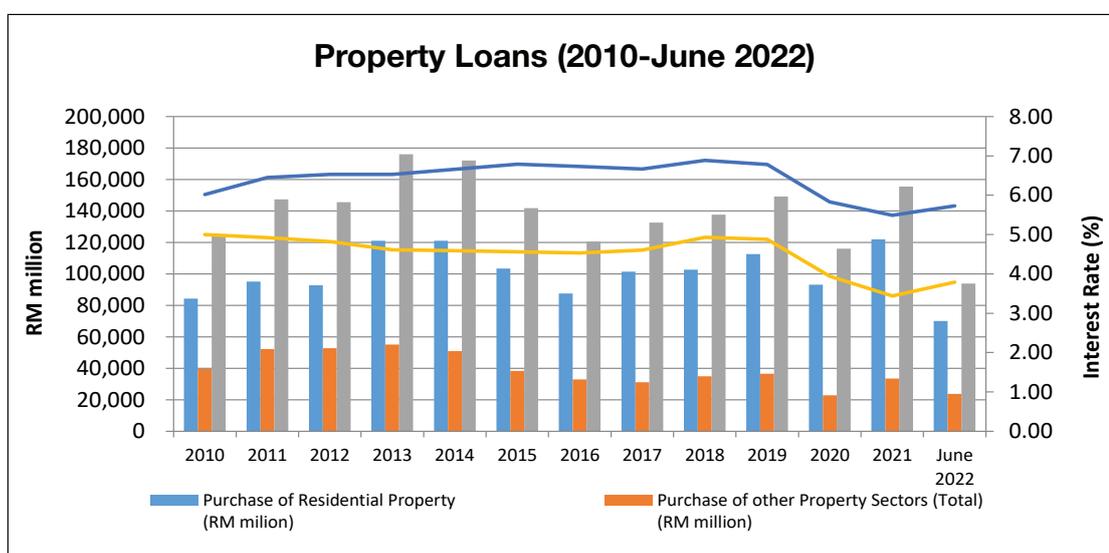
The Home Ownership Campaign (HOC), which was introduced in 2019 and subsequently extended several times to 31st December 2021 has been further replaced by **i-MILIKI** (Keluarga Malaysia Home Ownership Initiative) program until 31st December 2023 with **full stamp duty exemption** on the Instrument of Transfer for residential properties up to RM500,000, and a **partial stamp duty exemption** (50%) for those priced between RM500,000 and RM1 million applicable for developers' units registered under REHDA, SHAREDADA and SHEDADA, in order to encourage and assist home purchase during this difficult financial times brought about by the COVID-19 pandemic.

Home Ownership Initiatives under Federal Budget 2022

- Home Ownership (RM1.5 b)
- Real Property Gains Tax is not levied on disposals made from the sixth year onwards
- Projek Perumahan Rakyat - 11,800 apartment units (RM398 m)
- Program Rumah Mesra Rakyat - 3,000 house units (RM315 m)
- Program Perumahan Penjawat Awam (RM266 m)
- Program Bantuan Rumah – Construction of new houses and repair of 14,000 houses (RM361 m)
- Program Penyelenggaraan Perumahan dan Tabung Penyelenggaraan Perumahan Malaysia (RM125 m)

Temporary Measures for Reducing Covid Impact

The Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (Covid-19) (Housing Development)(Control and Licensing)(Extension of Period) Notification 2021 (Swk.L.N.22/2021) was gazetted on 22nd September 2021 for the period of Regulations under the original said Ordinance 2020 to be further extended to 17th March 2022 which exempts the 2-year period (18th March 2020 to 17th March 2022) from imposition of interests on late payment, calculation of time of handing over and liquidated damages; and defect liability and make-good period.



Property Loans

Property loans still account for the biggest loan segment making up 40% (2021:39.4%) of total loans approved by banks in the 1st 6 months of 2022, as compared to only 33% in 2020 and 36% in

2019, reflecting the resilience of demand for real estate property compared to other assets.

The approval rate of loan amounts applied which have fallen below 35% since 2020 is seen to improve y-o-y as well as q-o-q for 2022 with 37.5% loan amounts applied having been approved for 2022 to-date (2021:34.9%).

Tourism Rebounded

The State is experiencing a rebound in its tourism sector. With the opening up of borders for international travel on 1st April 2022, the State has seen tremendous increase in its tourist arrivals since the 2nd quarter of the year.

The Ministry of Tourism, Creative Industry and Performing Arts Sarawak recorded the following increase in both number of visitors and tourism receipts.

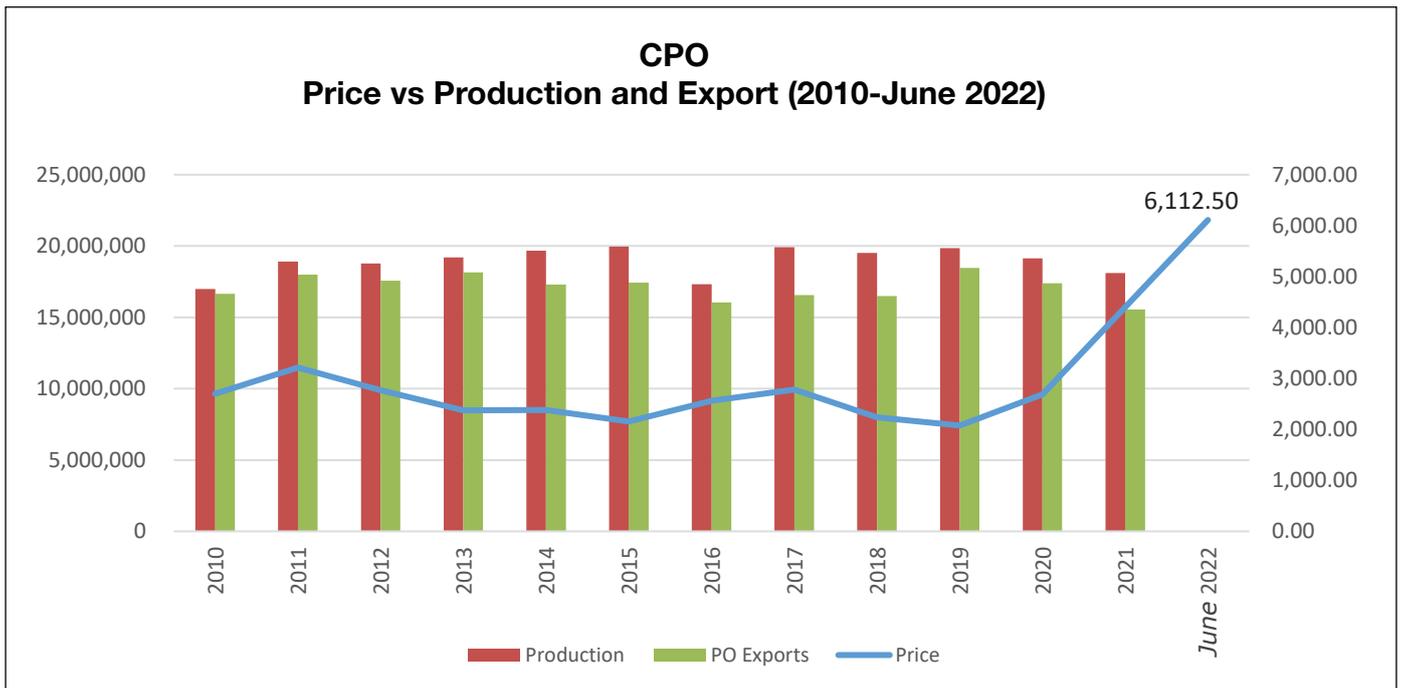
Period	No. of Visitors	Tourism Receipts (million)	Foreign Visitors
Jan-July 2022	703,891	1,640	127,448.00
Jan-July 2021	73,953	171.29	11,785.00
% change (yoy)	852%	857%	981%
Jul-22	130,272	316.08	45,659
Jul-21	9,186	21.19	1,310
% change (y-o-y)	1318%	1392%	3385%

With this encouraging numbers for the first half of the year, the State is on track to achieve its 2022 target of 1.2 million visitors.

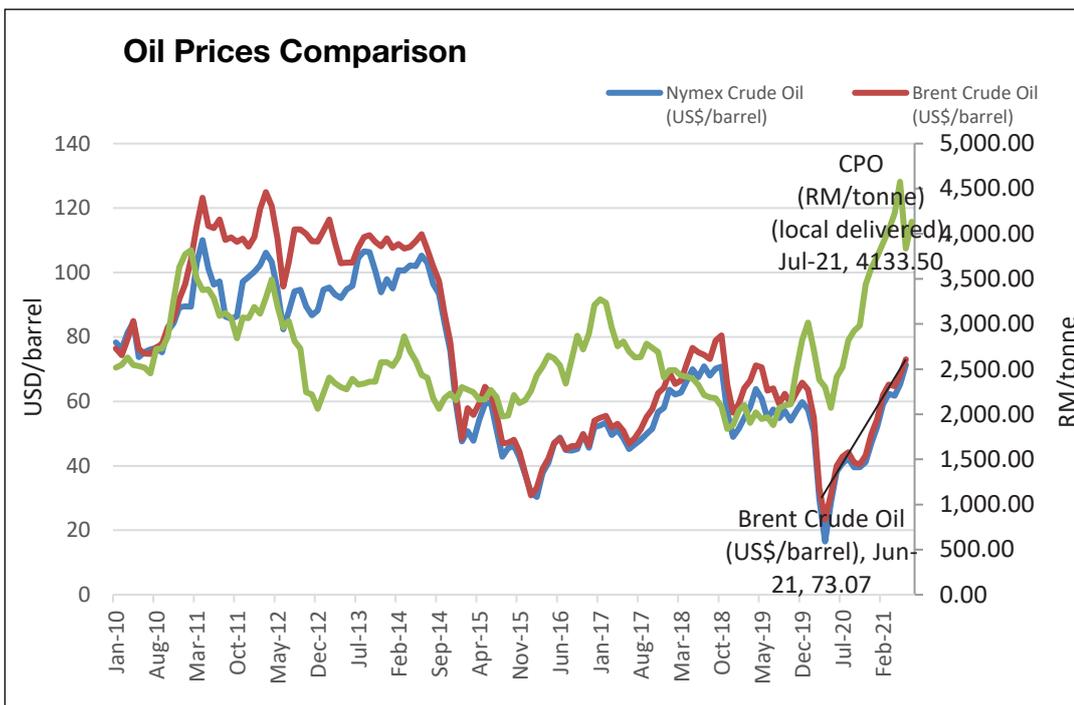
COMMODITIES

Palm Oil prices have been on an ever-increasing climb since 2019 and sky-rocketed to an all-time high of RM6,876.50 per metric Tonne as at May 2022, up by 56% since December 2021 (RM4,400.50 per mT). This followed the drop in world-wide supply of edible oils due to the Russia-Ukraine war as well as ban on exports by Indonesia, the largest palm oil producer in the world in the 2nd quarter of this year. However, the situation had turned around by end of June 2022 which saw CPO price plunge to RM4,900 per mT, the lowest this year since the global stockpile increased following top producer Indonesia’s return to the export market. Malaysia’s palm oil inventories climbed to their highest levels in seven months, as exports plunged. Some millers temporarily halted production during the last week of June due to unprofitable pricing after a dramatic 22% decline in the benchmark crude palm oil contract.

Exports, which saw an upsurge in May due to a ban in Indonesia, plunged 9.9% to 1.22 million tonnes after the world’s biggest producer lifted the ban which led to the collapse in palm oil prices. Indonesia has raised its palm oil export quotas and is considering increasing mandatory levels of biodiesel in fuel mixes to prop prices for farmers at a time when domestic palm oil inventories are high.



Oil Prices



After a sharp decline of crude oil price to about USD20 per barrel in mid 2020, the crude oil price has climbed back up to over USD 100 per barrel by Q2 2022. With no end of the Russia-Ukraine war in sight, disruptions in crude oil supply will continue to jeopardise the pricing of Crude Petroleum worldwide. Malaysia’s RON 95 continues to be subsidized and priced at RM2.05 per litre.

Market Outlook

2022 is an unprecedented year globally as it is faced with an onslaught of negative forces. Whilst the past 2 years have been hard hit by Covid-19 as the main crippling factor, the current year 2022 has had to deal with additional challenges such as inflation and the impending World Recession which pose a set-back for recoveries and headways made.

While there was significant growth for the first few months of 2022, external forces and global uncertainties pose a challenge to the country's pace of recovery, affected by the following:

- Slowdown and less than expected global growth due to spillovers from the war in Ukraine, fading pent-up demand, amid high inflation.
- Regional growth is projected to also decelerate with slowing activity in China impacting the rest of the region.
- An unpredictable global environment contributes to significant downside risks.

These include spill-overs from the Ukraine War, renewed outbreaks and increased infectivity of COVID-19 sub-variants, increased vulnerability among affected Malaysian households and businesses, increase in interest rates, relatively high levels of household and corporate debt, increased fiscal risks, and the risk of an uneven recovery across states in Malaysia.

Recovery for the rest of the year is expected to be slow although certain segments will continue to see demand such as in landed residential with only marginal decrease in value, if any. Properties within popular locales are still holding steady in price and affordable residential units are still in demand. In view of rising construction costs pushing up new property prices, the secondary market has seen renewed interest and those in good, prime and established locations are sought after by property hunters.

Landed residential property continue to dominate market demand, although currently potential homebuyers are dampened by affordability issues and financial difficulties, thus resulting in slower demand.

Although the market has seen some improvement and better opportunities for property owners to revise upwards the delayed increase in rents and price, the market continues to lean towards tenants and buyers especially for those in less exciting locations. The release of pent-up demand for residential properties is more gradual than expected due to lack of economic impetus and financial support. However, the present over supply of high-rise residential strata titled units in Sarawak has not deteriorated as the situation had been eased by the lull in new launches as developers hold back, pending off-load of current stock overhang.

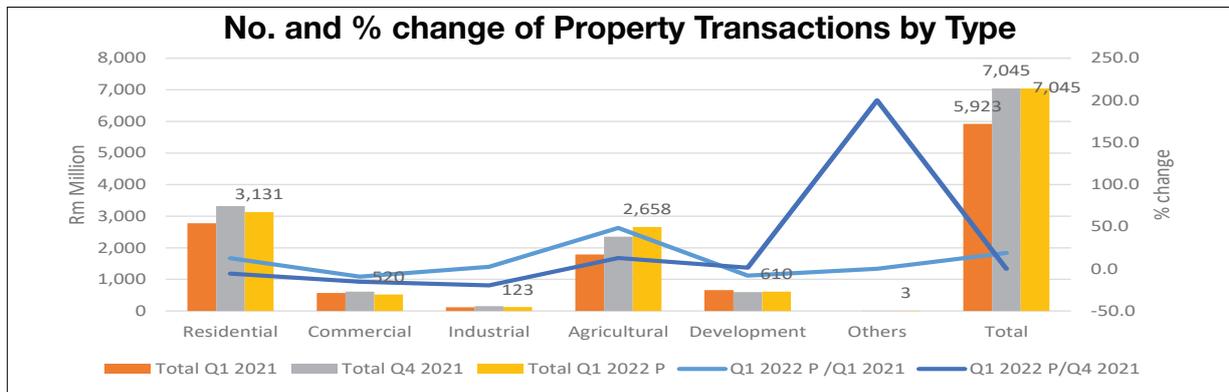
The property sector is likely to continue to be challenging for the remainder of this year due to cautious demand, higher cost of materials on top of expected further hikes in interest rates. Any improvements will be modest at best.

Office space and retail outlets performance, especially those in less strategic locations, are expected to decline further as preference shifts to smaller units and online operations. However, it is observed that industrial properties are on the rebound and expected to see stronger growth than the other sub-sectors as the economy gets back into full swing.

If the growth trajectory maintain its course and bread and butter issues are put to rest, property demand is expected to bounce back in the coming quarters, as property investment has shown to be a good hedge against inflation. With the advantage of rising land value, landed properties offer larger margins for capital appreciation in the long term.

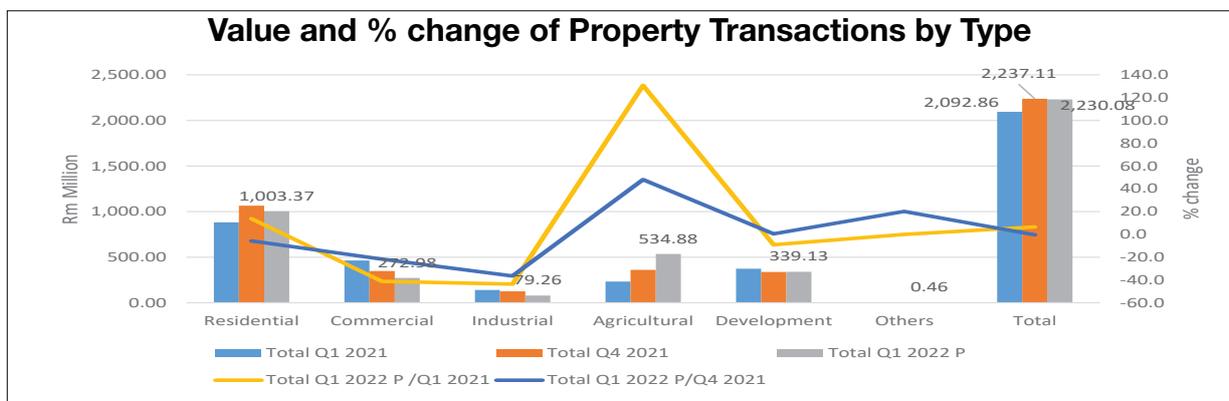
However, if the added threats to the health and economic recovery continue unabated, it would pose a hindrance for both global and regional growth despite the endemic approach to businesses and the recovery we have hoped for may unlikely be achieved in the near term.

SUMMARY HIGHLIGHTS FROM JPPH's various reports for Q1 2022



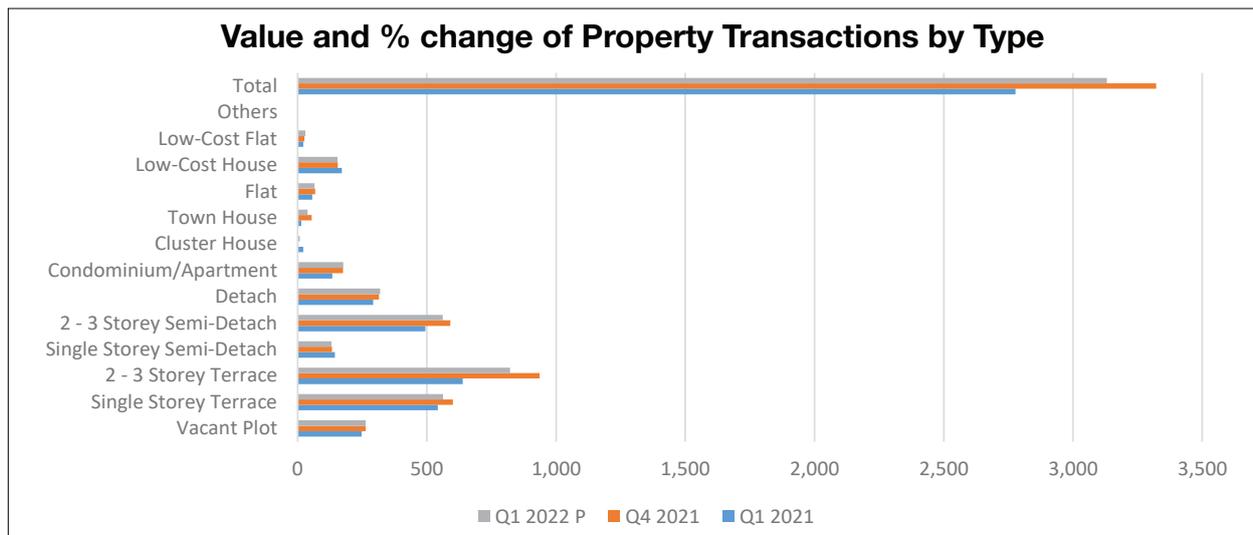
Source: Property Sales Data Q1 2022 – Sarawak

Period	Residential	Commercial	Industrial	Agricultural	Development	Others	Total	Remarks
Q1 2022p / Q1 2021	12.7	-9.2	2.5	48.6	-8.0	ND	18.9	y-o-y
Q1 2022p / Q4 2021	-5.7	-15.3	-19.6	12.9	1.5	200.0	0.0	q-o-q



Source: Property Sales Data Q1 2022 – Sarawak

Period	Residential	Commercial	Industrial	Agricultural	Development	Others	Total	Remarks
Q1 2022p / Q1 2021	13.7	-41.2	-43.6	130.7	-9.2	ND	6.6	y-o-y
Q1 2022p / Q4 2021	-5.7	-21.7	-36.5	48.0	0.4	20.1	-0.3	q-o-q



Source: Property Sales Data Q1 2022 - Sarawak

Quarter	Terraced	Semi-detached	Others	Total
Q1 2021	1,181	638	959	2,778
Q4 2021	1,537	724	1,061	3,322
Q1 2022 P	1,385	692	1,054	3,131
Total	4,103	2,054	3,074	9,231
% share	44.45%	22.25%	33.30%	100.00%

HOUSING DEPOSIT ASSISTANCE (HDA) SCHEME by Sarawak Housing Development Corporation (SHDC)

Sarawak is the first State to implement the Housing Deposit Assistance Scheme (HDAS)
which offers a deposit assistance of up to RM10,000 from the State Government.

RM1 billion under State Budget 2022 allocated for HDAS

Managed by Mutiara Mortgage & Credit Sdn Bhd (Mutiara)

Expected to benefit about 1,200 homeowners

Criteria:

House Purchasers

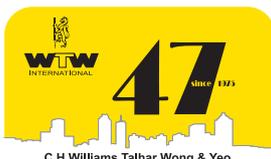
- o Open to Sarawakians in the B40 (RM3,729 income and below) and M40 (RM3,730 to RM8,649 income) groups
- o Purchase of 1st house only
- o Houses under Affordable Housing Schemes approved by MUTIARA
- o State Government contribution at 10% of the house price subject to a maximum of RM10,000

House Construction by Landowners

- o Land ownership must be land allocated by the Land and Survey Department under the Village Expansion Scheme (SPK) and the Resettlement Scheme (SPS).
- o House construction carried out by MUTIARA under Spektra Mutiara Housing Program of between RM90,000 and RM160,000.

Residential schemes or projects covered under HDAS

- Low cost units(RM50,400-RM59,220)
- Low cost plus or medium cost units (RM80,000-RM100,000)
- Spektra Lite(RM100,000-RM120,000)
- Spektra Medium(RM135,000-RM168,000)
- Spektra Plus or Putera(RM150,000-RM198,000)
- Spektra Permata(RM90,000-RM160,000)
- Sri Pertiwi (RM270,000-RM295,000)
- Any affordable housing built by State government agencies and subsidiaries for less than RM300,000, including joint-development with a private developer.



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