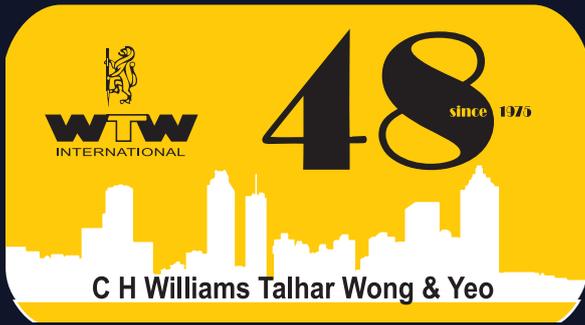


# SARAWAK PROPERTY BULLETIN



## Sarawak Property Market 1ST HALF 2023 PROPERTY MARKET REVIEW

### A CHALLENGING CLIMB TO RECOVERY

The socio-economic indicators which had shown substantial improvement in 2022 showed a slower growth in the 1st half of 2023, as consumer sentiments and business confidence were affected by the continuing global uncertainties and tensions in the geo-political arena, coupled with soaring inflation. Socio-economic indices were relatively higher in 2022 compared to 2023, as 2022 was the start of a recovering year with lower denominators the year prior and by 2023, growth rate has moderated, with the normalising of consumption patterns.

The on-going economic recovery faces an uphill climb and risks remain high even though the country had transitioned into the Endemic Phase. The persistence in geo-political tensions, effects of sustained inflation on the global supply chain, and weaker-than-expected recovery in China continue to dampen business and consumer sentiments.

The weaker business conditions index (BCI) for Q2 2023 indicated that the private sector is pessimistic over business conditions in the near term. This was reflected in negative indicators in sales, employment and inventory levels, among others. On-going global uncertainties coupled with elevated inflation and supply chain disruption have placed Malaysia in a vulnerable position.

### MARKET SENTIMENTS

#### SURVEY AT A GLANCE

##### Consumer Sentiment Extends Downtrend

- o Consumer sentiment drops
- o Current finances worsen
- o Decline in jobs, income expectations
- o Inflation worries remain
- o Spending plans slowing down

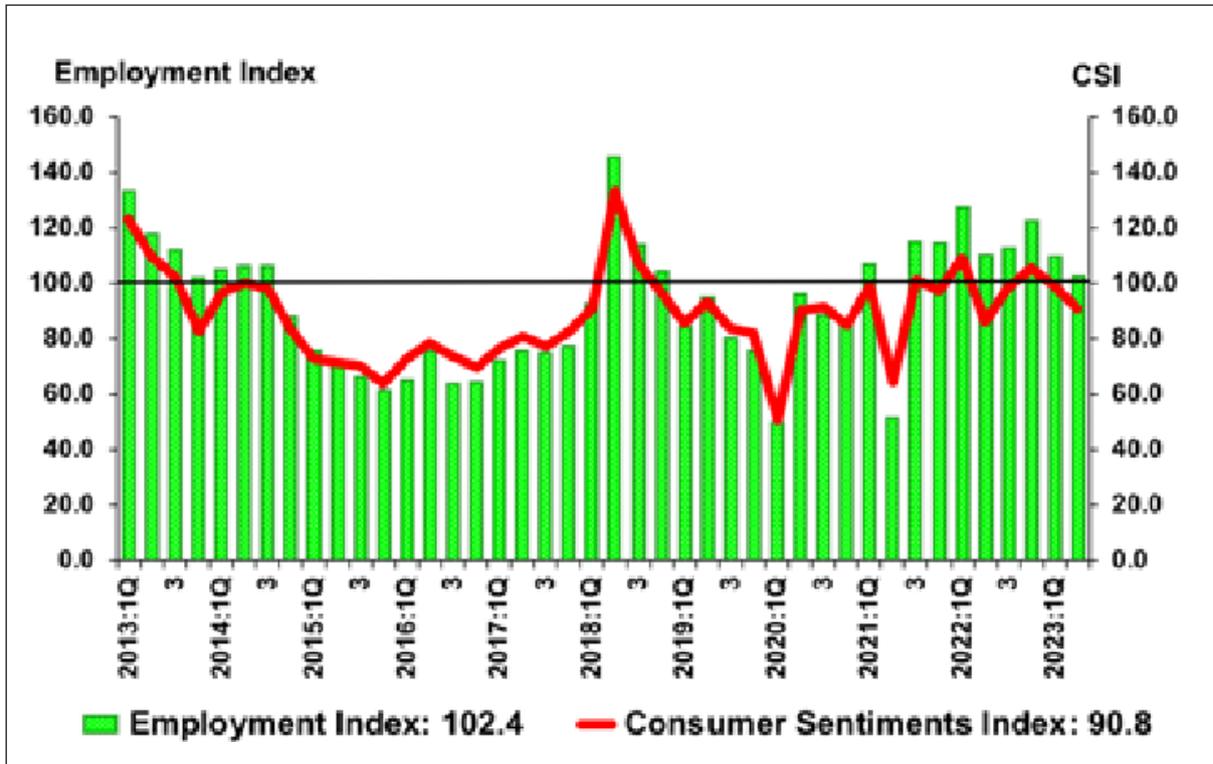
##### Business Sentiment Declining

- o The BCI slips to 82.4 points
- o Business confidence worsens
- o The Expected Index reverses positive trend
- o Sales reducing
- o Domestic, export orders dropping
- o Employment levels going down

Source : MIER CSI and BCI Surveys, Q1 2023

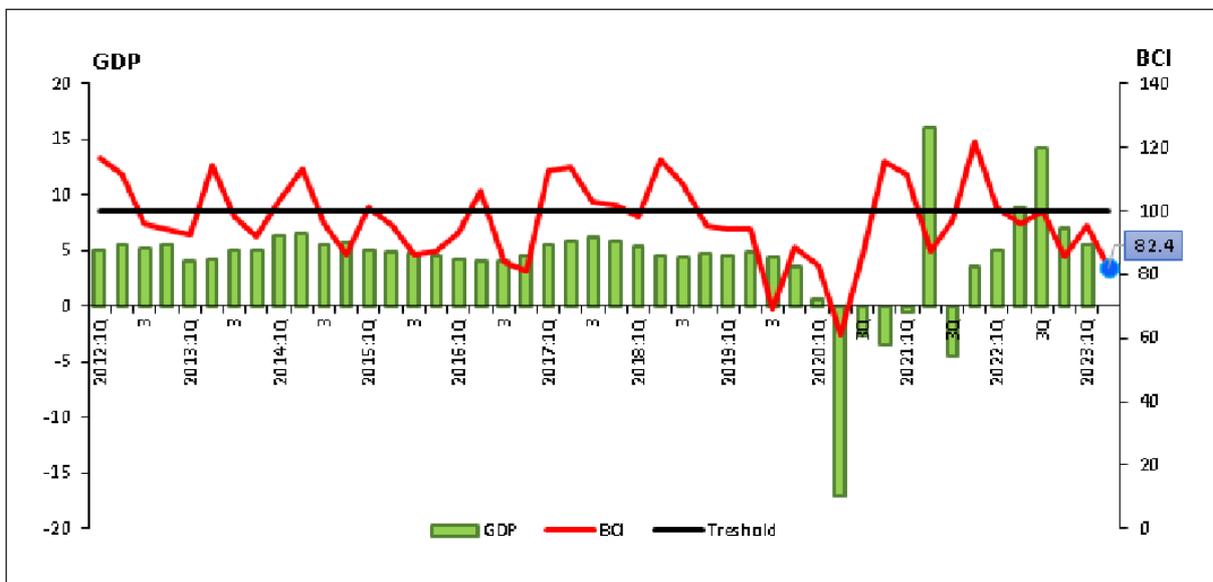
### Consumer Sentiments Index (CSI) downtrending

The consumer sentiments index (CSI) continued its downtrend in 2Q2023, decreasing 8.4 points q-o-q to 90.8 points, below the optimism threshold of 100 points. The employment index also observed a similar trend, declining by 7.4 points q-o-q to 102.4 points in 2Q23.



### Business Condition Index (BCI) low

Business conditions have hit a low of 82.4 this quarter, down a huge 13 percentage points quarter-on-quarter and 13.8 points year-on-year, the lowest BCI since before the pandemic began.

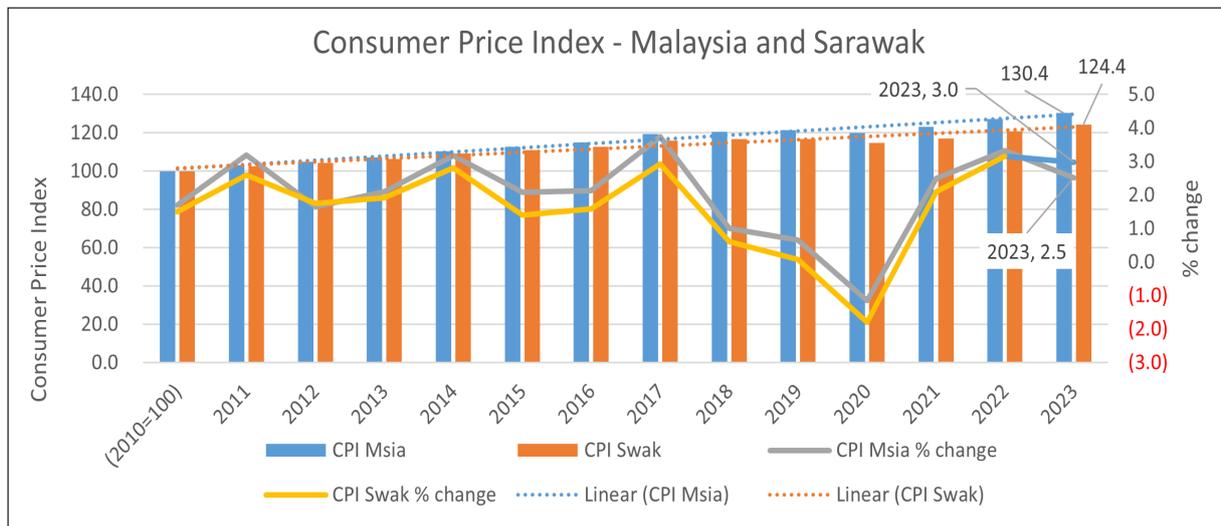


Source : MIER CSI and BCI Surveys, Q1 2023

## Unemployment Rate

Malaysia’s unemployment rate declined 0.1% to 3.4% in June 2023 from 3.5% recorded in the previous month, with the number of employed persons in June 2023 on a positive trend with a month-on-month increase of 0.2% from 16.28 million persons in May 2023 to 16.31 million persons in June 2023. 75.4% of total employed persons were in the employees’ category. The unemployment rate in Q2 2023 remained unchanged at 3.5% compared to the previous quarter. The labour force is expected to continue to grow steadily in the upcoming months.

## Inflationary Pressures

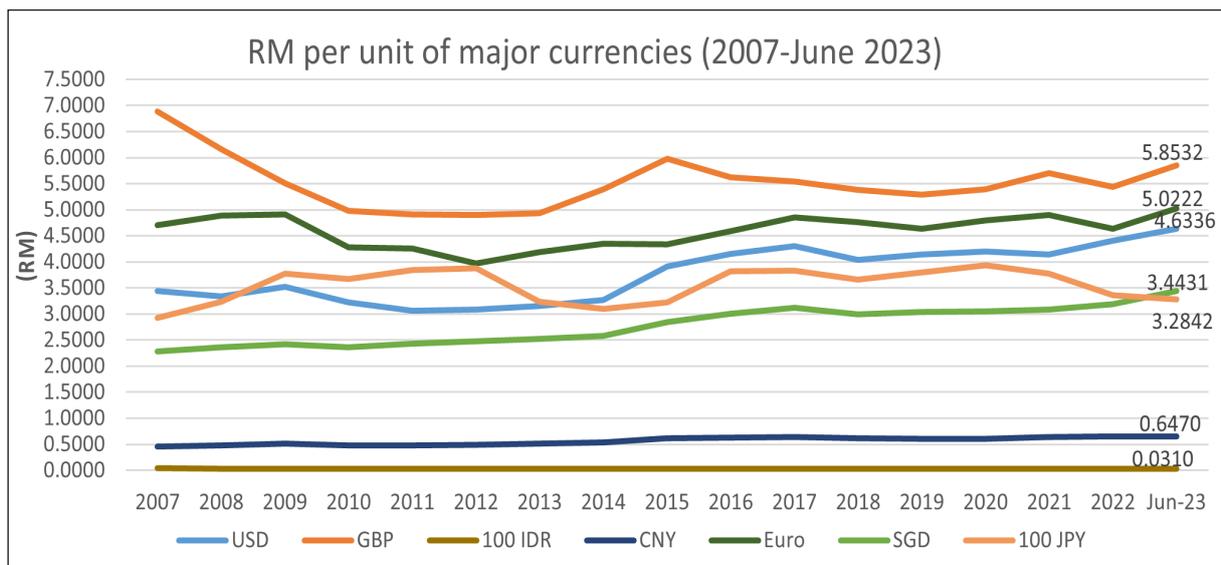


The overall inflation for Sarawak accelerated to 3.0% year-on-year (y-o-y) in June 2023 and 0.24% and 0.16% month-on-month respectively for May 2023 and June 2023.

Notably, inflation pervasiveness dropped in June after a transitory uptick in May following the festive season.

Headline and core inflation are projected to moderate further in 2H 2023. Nonetheless, risks to the inflation outlook are subject to the changes to domestic policy on subsidies and price controls, global commodity prices and financial market developments.

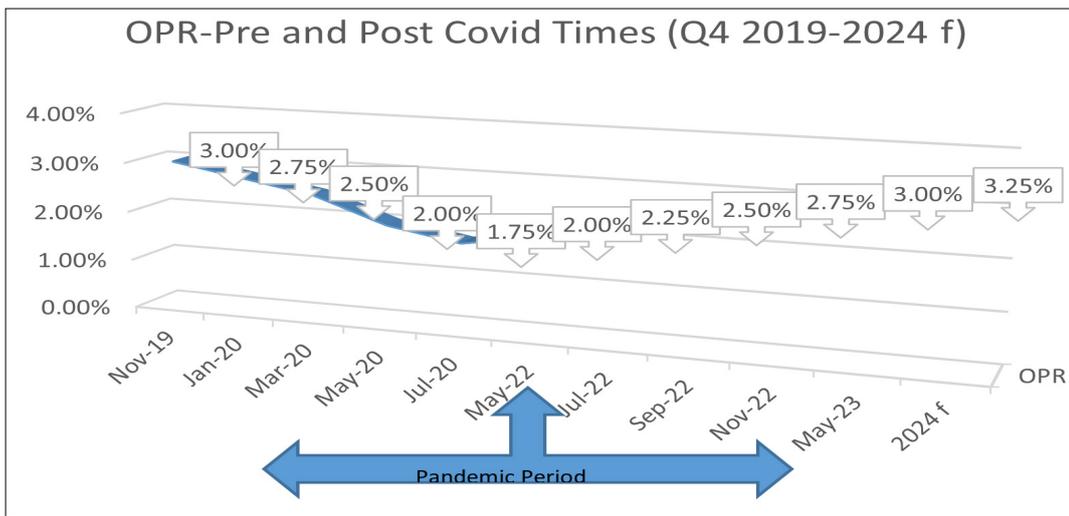
## Exchange Rate



The Malaysian Ringgit continued its downward trend to the US Dollar (USD) and Singapore Dollar (SGD) and reached an all-time low exchange rate of RM4.6336 to USD1 and RM3.4431 to SGD1 by end of June 2023.

There are mixed reviews from financial analysts on the future performance of the Ringgit. BNM is of the view that the current weakness in the ringgit against the dollar does not reflect economic fundamentals which remain strong but rather, market sentiments and that the Ringgit should stabilise within the year.

## Overnight Policy Rate (OPR)



The 5-time increase in the overnight policy rate (OPR) over a 12-month period from 2.00% in May 2022 to 3.00% by May 2023 is expected to have an impact on property market activity, particularly on residential demand. Moreover, the outlook of the workforce in the construction sector and the increase in prices of building materials will also affect supply.

## Tourism Rebounded

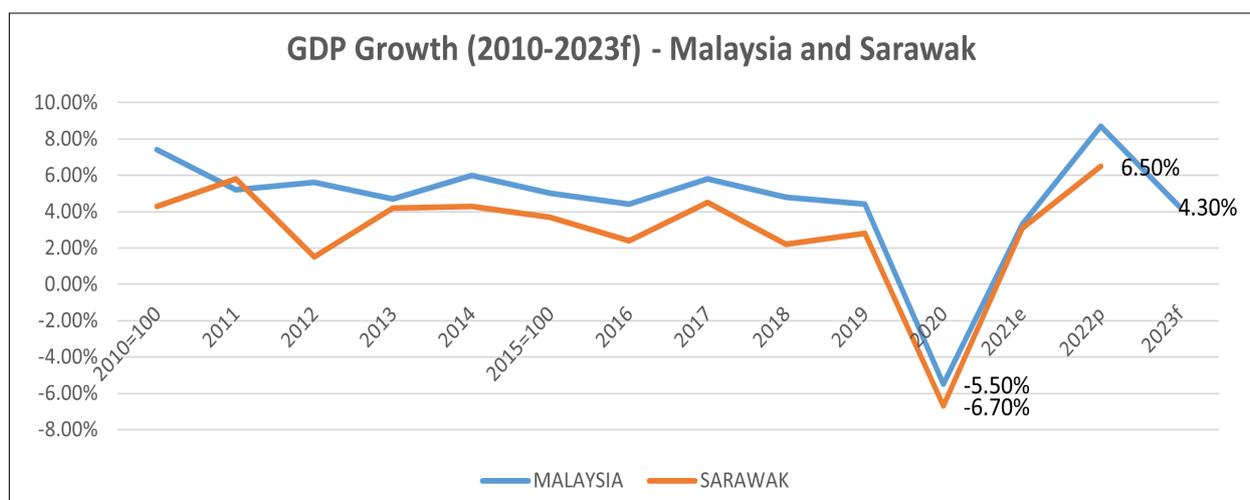
With the opening up of borders for international travel on 1st April 2022, the State has seen a trajectory increase in its tourist arrivals since.

The State tourism sector continued its strong recovery in the 1st half of 2023 with 1.957 million visitor arrivals recorded for Sarawak between January and June this year which is more or less back to pre-pandemic levels. The Ministry of Tourism, Creative Industry and Performing Arts (MTCP) Sarawak is confident that Sarawak is on track to achieving its target of more than 3 million visitors for 2023.

## GDP Growth Malaysia

The Malaysian economy grew moderately at 2.9% year-on-year in Q2 2023, which was slower than expected, against 5.5% y-o-y in Q1 2023 (Source: BNM, 19/8/2023). The Q2 2023 GDP growth was dragged down by weaknesses in external demand, coupled with normalisation of consumer spending on the domestic front.

Analysts have projected Malaysia’s economy to expand between 4.0% and 4.3% for 2023, and have mixed views on the overnight policy rate (OPR). Despite the slower growth, BNM was optimistic that the country’s economy remains on track to achieve the targeted growth of 4% to 5% this year, backed by recovery in the labour market, implementation of projects and rising tourism activities.



The OPR is likely to stay at 3% this year, given the expected continuing decline in inflation and the need to support domestic demand given external uncertainties. The exchange rate of the ringgit against US dollar is revised and forecasted at 4.50 versus 4.40 earlier due to the lower 2023 GDP growth forecast, the “higher-for-longer” narrative to sustain the recent US dollar rally as well as the recent macro developments in China which may affect sentiment among emergency market currencies.

## National GDP Growth Projection

**For the remainder of 2023, growth is expected to remain moderate amid external headwinds but continues to be supported by resilient domestic demand.**

With the challenging global environment, the Malaysian economy is projected to expand close to the lower end of the 4.0% to 5.0% range in 2023. Growth will continue to be supported by domestic demand amid improving employment and income, implementation of multi-year projects and increase in tourists supporting more tourism-related activities. These could ease/offset downside risk to growth stemming primarily from weaker-than-expected global growth.

Inflation has slowed to around 2.8% nationally and is expected to further decrease to 2.5% in the next few months. Interest rates have risen much less than in other countries and are now in the normal range of around 3.0%. Monetary policy still accommodates underlying growth.

## Property Market Review

### Volume and Value of Property Transactions

Volume and value of property transactions for Q1 2023 have dropped year-on-year by 4.7% and 9.2% respectively with 6,727 transactions (Q1 2022: 7,043) worth RM2.024 billion (Q1 2022: RM2.23 billion) compared to the same period last year. The total transactions in volume and value for 1Q 2023 decreased even more significantly by 7.7% and 16.5% respectively compared to the last quarter (Q4 2023).

Period	% change		Remarks
	Volume	Value	
Q1 2023 P /Q1 2022	-4.7	-9.2	y-o-y
Q1 2023 P/Q4 2022	-7.7	-16.5	q-o-q

Source : NAPiC, JPPH, Ministry of Finance Malaysia, Q1 2023

The decrease in activity was largely contributed by the residential and agricultural property sub-sectors at a rate of 8.4% and 5.5% respectively y-o-y with the decline in transaction value largely contributed by the agricultural sub-sector which decreased by 39.3% in value, which affected the performance of the overall property market. However, the increased value in the industrial and commercial subsectors, by 69% and 21.7% respectively, eased the overall decline.

### Sarawak House Price

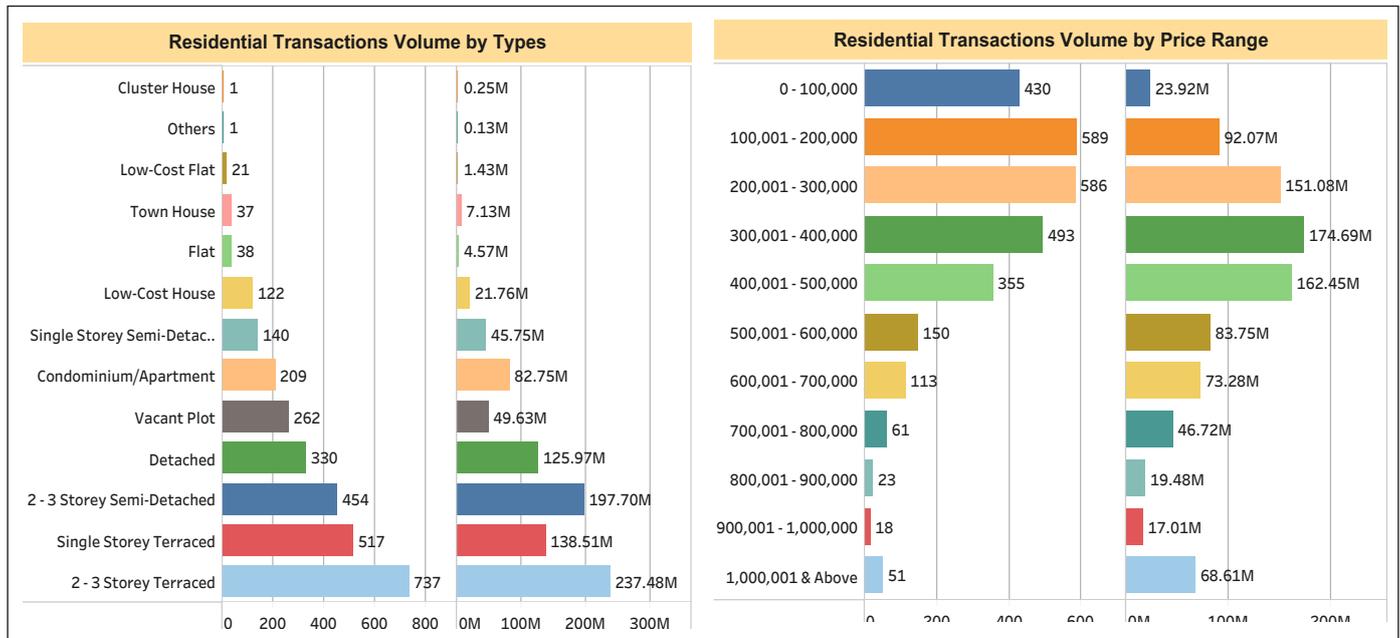
The Sarawak House Price which had seen cyclical growths since 2019 with a good growth of 5.5% in 2020 saw recessive growth of -1.6% for Q1 2023 as seen by the drop in its House Price Index (HPI) and also Average House Price from RM504,028 in Q4 2022 to RM493,705 in Q1 2023.

The Sarawak House Price Index (SHPI) stood at 196.3 points in 1Q 2023 with a marginal y-o-y drop of 1.5% and q-o-q drop of 2%. This was in contrary to the other Malaysian states which had all recorded y-o-y growth ranging from 0.4% to 5.8%, with an average growth rate of 2.0% for the overall national house price index. Similarly, the house price index for Terraced, Semi-detached and Detached House recorded an annual negative growth of -2.0%, -1.5% and -0.4% respectively.

### Residential Overhang

On a positive note, the number of residential overhangs decreased slightly by 1.2% to 1,777 units (Q42022: 1,799) worth RM760.8 million (Q42022: 701.69 mil) in Q1 2023 as a result of market absorption and less launches which saw a decrease of 19.6% in the number of units launched for Q1 2023 compared to Q4 2022.

## Dominant Residential Property Types



Source : Extracted from e-data, NAPiC., JPPH, Ministry Of Finance, 2023 by WTWY Research (2023)

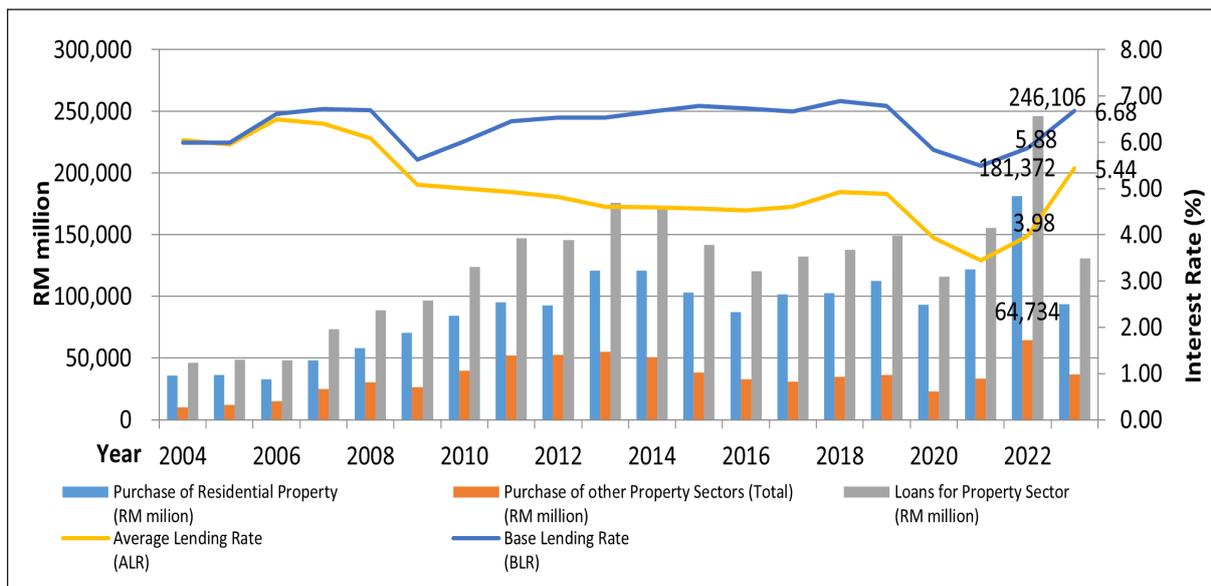
Overall, 2-3 storey terraced makes up the largest number of residential type transacted in terms of volume and value with 737 units worth RM237.48 million for Q1 2023 comprising more than 25% of total residential transactions. Terraced houses make up the largest segment (about 47%) of landed residential transactions.

About 85% of total residential transactions are below RM500,000 with more than half (56%) transacted below RM300,000 and less than 2% are above RM1 million.

## Residential Sales Launch

Most of the units launched are in the region of RM500,000 and below with highest numbers in the price category of between RM200,000 and RM300,000.

## Property Loans (2004 - 2023)



The approval rate of property loan amounts applied is seen to continue to improve y-o-y as well as q-o-q for 2023 with 42.3% loan amounts applied having been approved as at June 2023 (2022:40.3%).

Property loans still account for the biggest loan segment making up 38% (2022:35%) of total loans approved by banks in the 1st 6 months of 2023, reflecting the resilience of demand for real estate property compared to other assets.

## Malaysia Budget 2023 on the real estate sector

Under the Malaysian Budget 2023 (re-tabled on 24 February 2023) a few initiatives were announced to boost the real estate sector as it has been facing various challenges, such as the oversupply of properties in specific segments of the market and affordability issues for homebuyers, exacerbated by the global economic slowdown over the past few years. These measures include the following.

### *First-time home ownership ('iMiliki') Initiative 2022/2023* gazetted on 9 June 2023

- Full stamp duty exemption for the purchase of houses valued at RM500,000.00 and below until 31st December 2025
- Stamp duty exemption increased from the current rate of 50% to 75% for the purchase of houses valued from RM500,000.00 to RM1,000,000.00 until 31 December 2023.

This move is expected to boost first-time home ownership and make housing more affordable for Malaysians.

### *Transfer of property by way of love and affection*

- Full stamp duty exemption on the instruments of transfer of property for the first RM1,000,000.00 of the property's adjudicated value
- 50% remission on the stamp duty imposed for the property's adjudicated value above RM1,000,000.00.

This exemption and remission is extended to include the instrument of transfer of property between grandparents and grandchildren and not only between parents and children of Malaysian citizenship.

## Property Market Outlook

The country's economic, financial and political developments are factors that will have an impact on the real estate sector as it affects the sentiments and performance of the market as well as global political and economic developments and events, such as geo-political tensions (the long-drawn physical Russia-Ukraine war, the US-China Trade War, the ongoing conflicts in the Middle East Region), climate change etc. which have disrupted supply-chains and caused food shortages as well as triggering inflation.

Due to the uneven and uncertain recovery exacerbated by negative turn of events, the property market remains cautious and vigilant in the first half of 2023. The continuous hikes in OPR in the past year back to pre-pandemic rate of 3.00% by May 2023 will add to the dampener for property purchase. Coupled with inflationary pressures on goods and services, the disposable income have shrunk, impacting the capability to pay monthly dues on rents, utilities and housing loans, amongst other concerns.

2023 remains a recovery and rebound year with mixed reviews. On one hand, there is increased market activities yet cautious and constrained by economic and political uncertainties in terms of inflationary risks and fluctuating policies.

Residential properties continue to be the major contributor to transaction volume in an uncertain property market and remains upbeat. For commercial segments, the market is still battling to recover from the pandemic's impact, particularly in terms of rental and occupancy rates. With the strong rebound in the tourism sector since 2022, the prospects and outlook for the hotel sector are highly positive.

The Malaysian property market will continue to face challenges as it moves towards recovery in 2023. This comes on the back of continuous economic and political challenges in the country, resulting in an overall downcast in consumer sentiment. The property market is expected to remain cautiously optimistic in 2023.



### WTWY New Staff Appointment 1st half 2023

Name	Commencement Date	Position	Office
Mr Clement Ling Han Yeh	1 <sup>st</sup> February 2023	Valuation Executive	Kuching

## HAPPENINGS IN SARAWAK



❖ A new Astana Negeri (official residence for the Head of State) will be built to replace the existing 153-year old Astana building overlooking the Sarawak River which will be converted into a museum to showcase artefacts related to the past Governors. The project will fall under the Sarawak Premier's Office and will most likely be constructed on the abandoned Kuching North City Commission clubhouse site at Bukit Astana, situated between Jalan Astana Lot and the Sarawak Botanical Garden in Petra Jaya.

❖ The 1st prototype unit of the new Autonomous Rapid Transit (ART) vehicle from Zhuzhou, Hunan Province, China arrived at the Senari Port in Kuching on 5th August 2023 from Shanghai Port towards realising the Kuching Urban Transformation System (KUTS) project. The 3-car set will be assembled to undergo an engineering run for two months, starting Sept 1 with Proof of Concept (POC) exercise to be conducted in November, along a section of the Kuching-Samarahan Expressway (ART blue line) to evaluate the feasibility of the prototype for the final design of the vehicle. Passenger service for the ART will commence in stages – starting in Q4 2025, with the Blue Line. Phase 1 of the KUTS project entails the Blue Line (Rembus in Samarahan to Hikmah Exchange in town), Red Line (from Kuching Sentral to Pending) and the Green Line (from Pending to Damai Central) and scheduled to be completed by 2027. The ART service will be complemented by a feeder bus network that will provide the first mile and last mile connectivity for KUTS. All the vehicles in the KUTS Project are zero-emission vehicles powered by hydrogen.



❖ A memorandum of understanding (MOU) between the federal and state Transport Ministries was signed on 20th July 2023 to enable the Sarawak state government to handle the management of rural air services (RAS) in Sarawak and Sabah once the takeover of MASwings Sdn Bhd is concluded with Khazanah Nasional Bhd. The Federal Government will continue to subsidise RAS at about RM210 million a year. The move aims to stabilise air fares between Peninsular Malaysia, Sarawak and Sabah. RAS is an essential service for many remote rural areas.



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