

SARAWAK PROPERTY BULLETIN



Sarawak Property Market

2020 Property Market Review and 2021 Outlook

Property Market Overview Property Market Indicators

	OVERALL		LANDED RESIDENTIAL		HIGH RISE RESIDENTIAL		PURPOSE-BUILT OFFICE		SHOP-OFFICE		RETAIL		INDUSTRIAL		HOTEL	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
SARAWAK																
Kuching	▶	▶	▶	▲	▼	▼	▶	▶	▶	▶	▼	▼	▶	▶	-	-
Miri	▶	▶	▲	▶	▶	▼	▶	▶	▶	▶	▶	▶	▶	▶	▲	▲
Bintulu	▶	▶	▶	▶	▶	▶	-	-	▼	▼	▼	▼	▶	▶	-	-
Sibu	▶	▶	▶	▶	▶	▶	-	-	▼	▶	▶	▶	▶	▶	-	-

2020	↓	↓	→
2021	<p>Hotel</p> <ul style="list-style-type: none"> There was a 75% drop in tourist arrivals for 2020 (1,199,872) compared to 2019 (4,662,419). More retrenchments and pay-cuts are anticipated in the short term. Star rated hotels used as quarantine centers to tide over this difficult time. Sarawak's hotel industry will continue to be bleak until the covid situation has been arrested. 	<p>Purpose-built Retail</p> <ul style="list-style-type: none"> The performance of the retail sector is expected to further deteriorate should the restrictions posed by the pandemic persist. Occupancies may continue to decline further for 2021 due to falling demand as online shopping takes precedence. 2021 will prove a challenging year for most retail businesses and the economic climate will determine whether the businesses will make or break. 	<p>Purpose-built Office/ Shop-Offices</p> <ul style="list-style-type: none"> Shop-offices will remain in over-supply and shop vacancies continue to increase. The PBO in Sarawak remains a niche market with no new PBO supply expected in 2021. Price and rental rates will be in favour of buyers and tenants for shop offices.

2020

2021



Residential

The residential sector will remain the most active and biggest contributor to the Sarawak property market.



Landed Residential

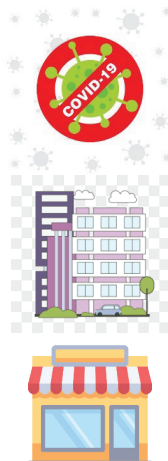
- ❑ Landed residential sector will continue to be stable and see steady demand.
- ❑ New Additions are envisaged to be small in numbers due to increasing scarcity of large land banks.
- ❑ Demand which has seen making a comeback since 3Q 2020, is expected to strengthen further once the market recovers fully,

High-rise Residential

- ❑ The new supply of high rise residential units will continue to outstrip that of landed residential units.
- ❑ The market will continue to experience saturation in this sub-sector especially in Kuching and Bintulu.
- ❑ Prices of high rise residential units have declined in general e.g. Kuching's apartment prices have dropped to an average of RM450 per square foot

Challenges

- ❑ **NEGATIVE COVID IMPACT**
Investment climate, businesses and market sentiments adversely affected
- ❑ **ADAPTING TO THE "NEW NORMAL" OF DOING THINGS**
- ❑ **SOFT PROPERTY MARKET**
Property market activities expected to be sluggish with the ongoing CMCO
- ❑ **OVERSUPPLY OF HIGH RISE RESIDENTIAL AND RETAIL UNITS**
Slow absorption rate resulting in glut, high vacancies and buyers' market



Opportunities



- ❑ The available aids and perks can present some good opportunities for property purchase at reduced costs.



- ❑ The exercise of mining rights under a Sarawak-owned controlling company (PETROS) by virtue of the Sarawak Oil Mining Ordinance 1958 (OMO) would spell more opportunities for locals to have a stake in the State's oil and gas industry.



- ❑ Shell Malaysia's relocation of its operations to Miri will positively impact the economic growth of Miri and Sarawak, especially in the oil and gas sector, in the coming years.



- ❑ The recent set up of a petrochemical hub at Tanjung Kidurong would further propel Bintulu's status as a green industrial city with efforts to concentrate on down-stream activities



- ❑ The setting up of STATOS in Singapore as a liaison office to promote and market Sarawak's products and fares.



Industrial & Logistics

- ❑ The industrial sector will remain generally stable for 2021, with a helping hand from the government for SMEs.
- ❑ A temporary slowdown in the industrial sector especially in manufacturing and production is expected
- ❑ Supply chain, logistics, warehousing and distribution hubs are expected to play a more important role and see increased demand.
- ❑ Average rental rates are expected to be maintained around RM1.80 psf with yields of about 4.5% per annum. The future for the industrial sector remains optimistic with good growth potential.

BUSINESS CLOSURES

Low demand amidst curtailed operation hours have resulted in business closures especially those dealing in retail and tourism

SERVICING OF LOAN/DEBT

Difficulty in servicing on-going loans when the moratorium period is over

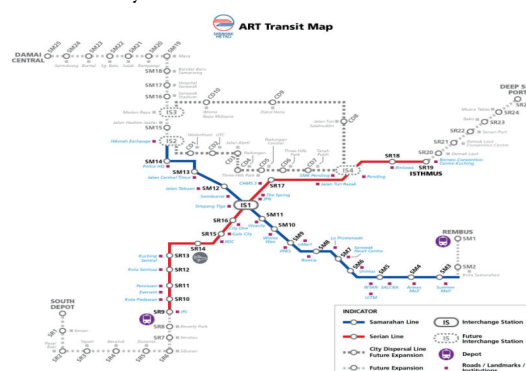
WEAK DOMESTIC CONSUMPTION AND INVESTMENT APPETITE

Resulting in a bleak and non-vibrant economic situation

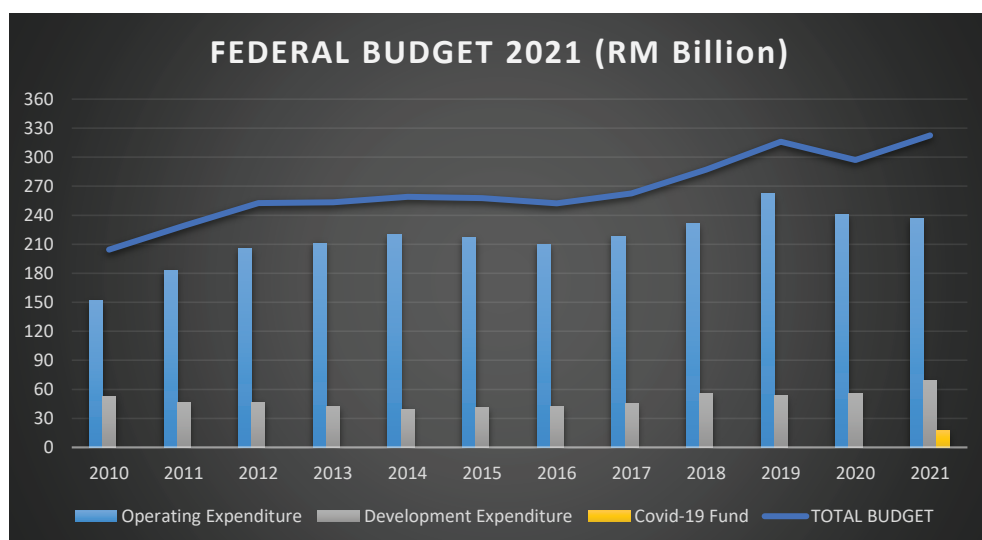
- ❑ The focus on modern agriculture and cultivation of cash crops through Cluster farming to be a net food exporter by 2030. Devote more lands for commercial agriculture.

- ❑ The expansion of the road network systems within the State, i.e. the Pan-Borneo Highway and coastal road will open up more areas for development, ease flow of goods and services, boost industries and attract investments.

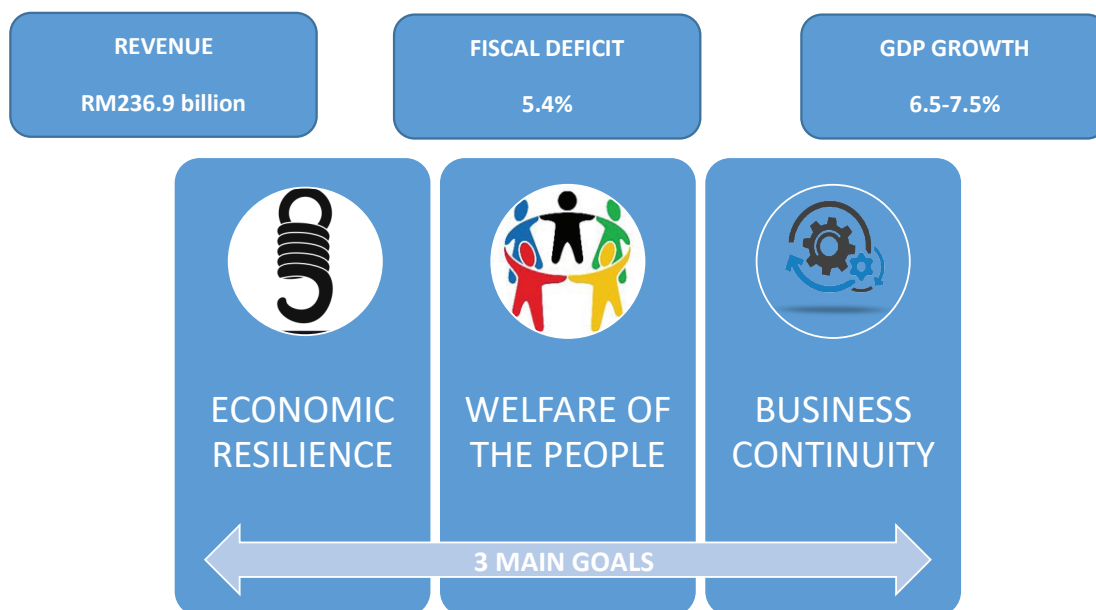
- ❑ The Auto Rapid Transit (ART) for Kuching which will increase the ease of connectivity between the city metro to the outskirts



FEDERAL BUDGET 2021



- ❖ Malaysia's economic growth -5.6% for 2020. GDP growth projected at 6.5%-7.5% for 2021.
- ❖ 2021 expenditure allocation is the biggest in Malaysia's history
- ❖ Fiscal deficit to fall to 5.4% in 2021 from 6% in 2020, the highest since 2009 global financial crisis
- ❖ Special separate fund for Covid



Sabah and Sarawak

- RM5.1 billion and RM4.5 billion to improve infrastructure, health and education facilities in Sabah and Sarawak respectively.

Economic corridors

- RM780 million for development projects in economic corridors in Johor, Kelantan, Kedah, Sarawak and Sabah
- Extension of tax incentives for economic corridors until 2022

Development

- RM15 billion allocated for transport infrastructure projects including **Pan Borneo Highway**, Gemas-Johor Bahru project and Klang Valley Double Track project
- RM3.8 billion for infrastructure projects including the construction of bridges and roads in several states

Tourism

- RM50 million for retraining programmes for 8,000 airline staff
- 500 jobs for Orang Asli and local communities to become tour guides in all national parks
- RM50 million for the maintenance and restoration of tourism facilities nationwide
- RM35 million for the Malaysia Healthcare Travel Council

- Human Resource Development Fund levy exemptions for companies in the tourism sector and those still affected by Covid-19 for six months

Housing

- Stamp duty exemption for first homes up to RM500,000
- RM1.2 billion for the provision of homes for low-income house buyers
- RM500 million for 14,000 PPR units
- RM315 million for 3,000 Rumah Mesra Rakyat
- RM125 million to repair dilapidated low-cost homes
- RM310 million for civil service homes
- Government to work with selected financial institutions for a rent-to-own scheme involving 5,000 PR1MA homes

Rural development

RM2.7 billion for rural infrastructure projects. This includes:

- RM1.3 billion for roads
- RM632 million for water supply
- RM250 million for electricity supply
- RM355 million to build new houses and repair dilapidated houses
- RM121 million to construct 27,000 lamp posts

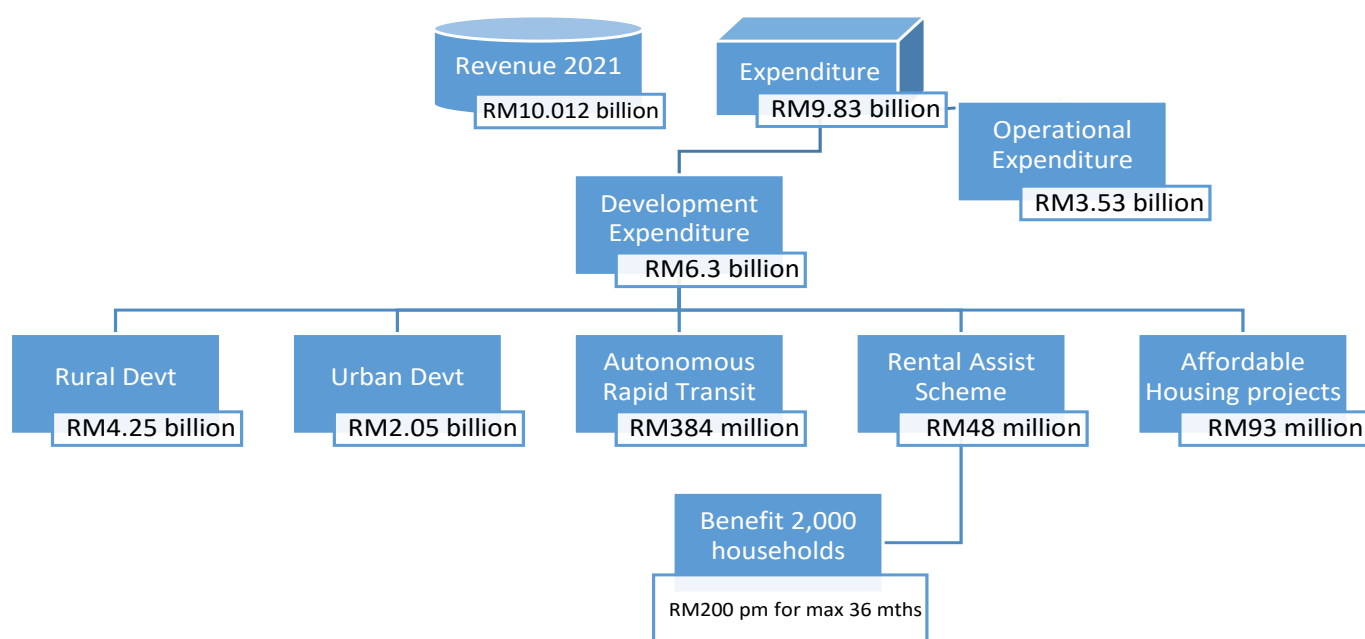
Source : Compiled from various news reports, 26-11-2020

SARAWAK STATE BUDGET 2021

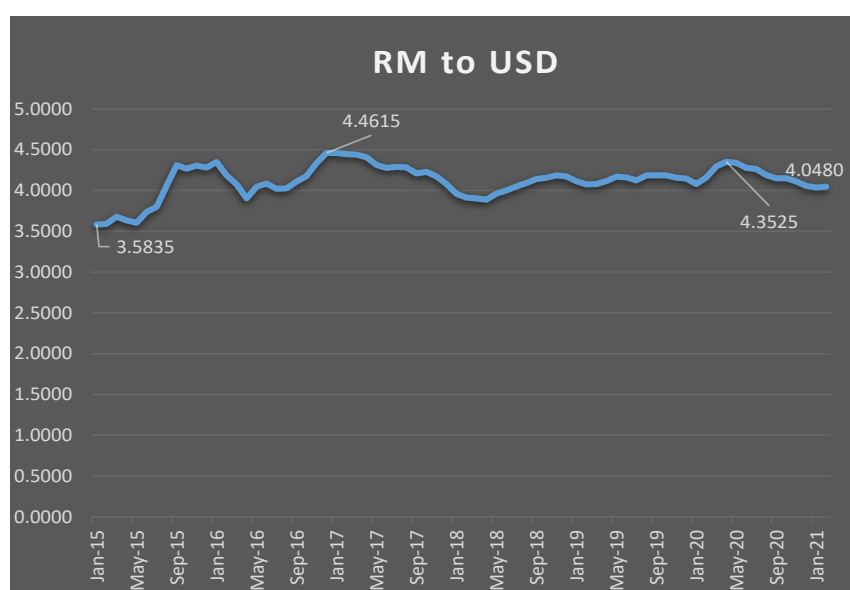
- ❖ Theme : **“Reinvigorating the Economy towards a Resilient, Caring and Inclusive Society”**
- ❖ Aim : To become a high-income economy by 2030
- ❖ Surplus Budget of RM180 million

Review 2020

- ❖ GDP Growth at minus 3.5 to minus 5.0% for 2020 mostly down in tourism, retail and construction sector
- ❖ Inflation at minus 1.6% for 2020
- ❖ Tourism and Manufacturing most affected with > 2,000 retrenchments for 2020
- ❖ Unemployment expected to increase to 5% to 5.5% for 2021



Source : Compiled from various news sources, 6-11-2020



The ringgit appreciated 3.6 per cent against the US dollar during the fourth quarter (Q4) of 2020, driven mainly by non-resident portfolio inflows as investors' risk appetite continued to improve due to greater clarity on vaccine rollout plans and US policy direction which formed the basis of a more positive investor outlook for the recovery of the global health crisis

However, between January 1 to February 8 2021, the ringgit had depreciated 1.2 per cent against the dollar, following the strengthening of the dollar amid enhanced prospects for an economic rebound in the US. A 3rd wave of Covid-19 infections in the country which seems to be on-going had also weighed in heavily on consumption appetites and investor sentiments.

In the near term, risk of heightened exchange rate volatility due to lingering uncertainties surrounding the momentum of the global economic recovery.

(Adapted from the new Straits Times, 11/2/2021)

MALAYSIA ECONOMIC PERFORMANCE

Malaysia's GDP contracted by 3.4% in the fourth quarter of 2020, bringing the overall performance of the year to -5.6%, the worst contraction since the 1998 Asian financial crisis as growth across all economic sectors – except for manufacturing – declined significantly.

The central bank had in total cut the OPR by 125bps last year to boost a slowing economy and mitigate the impact of the Covid-19 fallout.

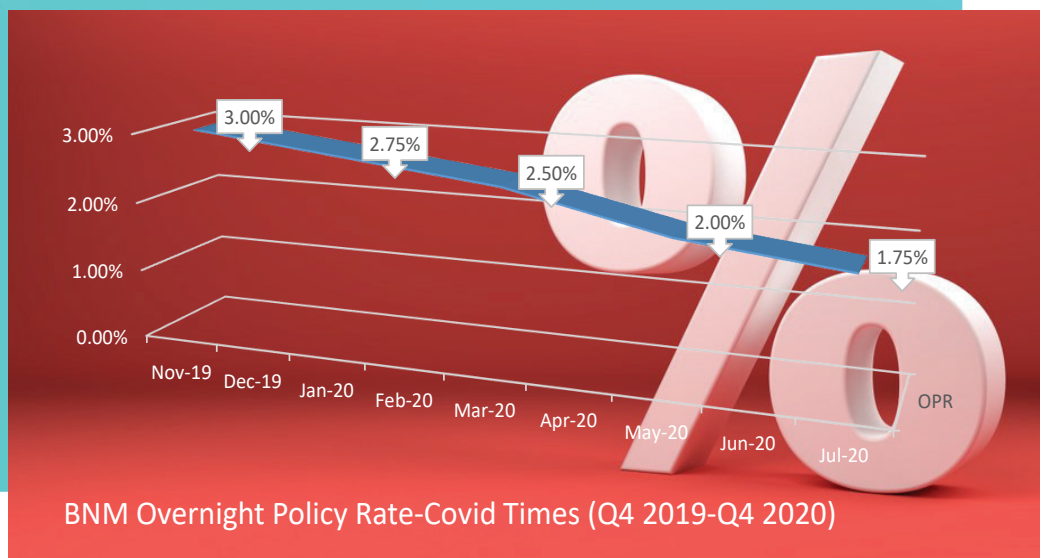
BNM is expected to keep the OPR unchanged at 1.75%, the revised rate since July 2020, for the time being amid cautious optimism that an economic recovery is already taking hold in Malaysia, seeing the easing of movement restrictions, declining number of new Covid-19 cases and the recently launched vaccination programme.

While Malaysia's gross domestic product (GDP) would likely remain negative in the first quarter of 2021, Bank Negara would not resort to cutting the benchmark interest rate anytime soon in order to support the economy.

However, the possibility of a further 25-bps cut in the OPR within the first half year of 2021 has not been discounted.

Growing exports and rise in bond yields is pointing to an ongoing recovery process although the economic situation is still highly fluid and could go either way. Outlook remains cautious as domestic demand is still quite weak, marred by high unemployment and low core inflation. Banks are still cautious about lending, especially for the construction, property, and SME sectors, which makes for a slow recovery.

Source : Adapted and compiled from the Star Online, 4-3-2021



WTWY New Staff Appointments 2nd half 2020

Name	Commencement Date	Position	Office
Ms Liew Mui Nee	15/9/2020	Group Administrator	Kuching
Ms Ngu Tai Xing	11/11/2020	Graduate Valuer	Sibu



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