SARAWAK PROPERTY BULLETIN

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Sarawak Property Market

2nd HALF 2017 PROPERTY MARKET REVIEW & OUTLOOK

PROPERTY OVERVIEW

The Sarawak property sector remains soft for 2017, although some indicators have shown improvement, such as GDP growth, commodity and oil prices. Overall, the market is challenging with major decisions on hold. Rentals and capital values have dropped and there is a general slow down in property sales. Currently, the property market is characterised by an oversupply of non-affordable housing, idle commercial space and conversely, an undersupply of affordable homes.

Strict lending policies and high cost of properties continue to be a concern for house buyers and developers are facing slower take up rates. Mismatch of supply and demand in the local property market prove challenging for buyers to own real estate property. However, with Malaysia's GDP forecasted to grow at a healthy 5 to 5.5 per cent in 2018 alongside rising petrol prices and stable low unemployment rates, property experts are quite optimistic that our property market will see some recovery in 2018.

Housing demand remains unabated as there is continued population growth and rural urban migration. However, house affordability remains a pressing issue. That said, there is strong demand for properties in reasonably good locations with good accessibility, especially for properties below RM350,000, such as single storey terraces and small apartments.

The government and developers are starting to realise the need for affordable housing and have started to build in accordance to the demand of the market and the strict lending policies of the banks. For sustainable housing, the emphasis and focus has steered back to affordable housing.

The shifting of focus to affordable housing and market price corrections will carry into 2018.

Headline consumer inflation, is estimated to moderate to 3.5 per cent this year from the estimated 3.8 per cent, supported by a growing economy, stabilising fuel prices and a stronger ringgit. Unemployment is estimated to average out at 3.5% and moderating to 3.4% for this year.

Hotel UCSI at Kuching Isthmus

Rivervale Residences at Stutong, Kuching

Tudan Commercial Centre, Miri

Sovo at PARAGON, Bintulu

ECONOMIC OVERVIEW

Despite facing global uncertainties and low crude oil prices, Sarawak's economy is expected to further improve to between 3.5% and 4.0% for 2017 from 3.2% for 2016.

Sarawak, being a developing state, will continue with a development-biased budget in 2018 to stimulate economic growth during the year. Under the 2018 State Budget of RM5.781 billion against an expected total revenue of RM5.53 billion, about 70 per cent of the total budget is proposed for development while 30 per cent of the total budget, is proposed for operating expenditure. A higher percentage of the total development budget will be allocated for rural development in 2018 amounting to RM3.062 billion, in order to open up greater opportunities in rural development.

The Federal Budget 2018 has placed special emphasis on the rural and regional development of the East Malaysian States of Sarawak and Sabah. Of the total allocation approved for rural and regional development of RM9.483 billion, Sabah and Sarawak have the largest allocation (52.5%), with Sarawak receiving RM1.103 billion of the total allocation, including rural road projects, rural housing and utilities supplies.

The State government will intensify research and development activities with a view of sourcing new revenue stream to the state. Digital economy will become a key thrust in the state's future economy and is now included as a new economic strategy in the state budget proposal for 2018 whereby the state government has committed RM1 billion for digital infrastructure and programmes under the Sarawak Digital Economy Initiatives. The State Budget will be complemented by the Federal Budget 2018 with allocations mostly in the infrastructure sectors such as schools, water supplies, village roads and broadband and telecommunication services. The state would continue to emphasise the development of TVET education by setting up technical and vocational training centres.

Among the key federal projects in the state are RM2 billion for construction of Pan-Borneo Highway, RM1 billion for upgrading, refurbishing and repair works of dilapidated schools and surveying and mapping of the native customary land amounting to RM30 million.

POLICY AND INFRASTRUCTURE OVERVIEW

2017 saw the continuation of policy changes effected in 2016 such as implementation of changes in the density of housing developments from 8 to 10 units for landed housing and 24 to 30 units for high-rise residential developments and all residential land owners continued to enjoy zero quit rent.

2017 also welcomed the implementation of SPEKTRA (Skim Perumahan Khas Rakyat) imposed on eligible developers offering different categories of affordable houses ranging from RM100,000 to RM198,000 with improved sizes and specifications. This is to meet the housing gap for lower medium and medium income groups especially young executives and 1st time home owners.

For 2017, the State has undergone and is still undergoing numerous infrastructure developments, the most monumental being the on-going Pan Borneo Highway which will span a total distance of 1,060 km from Telok Melano in Sematan to Miri and from Limbang to Lawas, which is slated for completion by 2022.

An exciting development to note in Kuching was the opening of the iconic Golden Anniversary Bridge named "Darul Hana" in Kuching, a 336-metre S-shaped pedestrian bridge, meandering across the Sarawak River, connecting Kuching City South to Kuching City North.

Darul Hana Bridge

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Most of the major infrastructure developments are connectivity bridge and road projects.

2017 INFRASTRUCTURE DEVELOPMENTS

Name of Project	Connectivity	Est Project Cost (RM)	Status Remarks (as at Oct 2017)
BRIDGE			
Darul Hana Iconic Bridge	Kuching City South to Kuching City North	35 million	Officially opened on 11-11-2017
Batang Samarahan Bridge	Kampung Baru in Samarahan to Kampung Tambey in Simunjan	93.8 million	66% completed
Katibas Bridge	Song Road /Sungai Yong	78 million	Officially opened on 10-9-2017
ROAD			
Kuala Tatau Infrastructure Project	Kuala Serupai and Kuala Tatau	215 million	Completed in October 2017
Matang Batu Kawa new link road	Emart Matang to Stapok	220 million	90% completed

HIGH RISE RESIDENTIAL SECTOR

KUCHING : SUPPLY OUTSTRIPS DEMAND

Kuching enjoyed a height of new launches back in 2015 which saw influx of high-rise residential units in 2017. As a trade-off, abundance of supply could potentially strain the occupancy rate and rental of high-rise residential in Kuching in near future.

Launches in the last 2 years have dropped after peaking in 2015 whereby more than 3,000 units were launched in that year. There were still considerable number of projects launched in 2017, totalling about 1,500 units (2016: 2,000 units). Of these, about 75% are located in the sub-urban areas of Kuching such as The Podium along Jalan Tun Ahmad Zaidi Adruce, Lot 16 Residency at Stampin, Princeton at Stutong Baru and the TOORAK at Seladah.

On the other hand, the number of completions for 2017 of close to 1,800 units, doubled that of the previous year, a fruit of the large number of projects launched in 2014 and 2015 which normally have a 2 to 3 year gestation period. Significant projects include Jazz Suites, Ryegates III, Park Residence, de Lofts and P'Residence. The biggest is Jazz Suites with 672 apartment units occupying the residential podium of Vivacity.

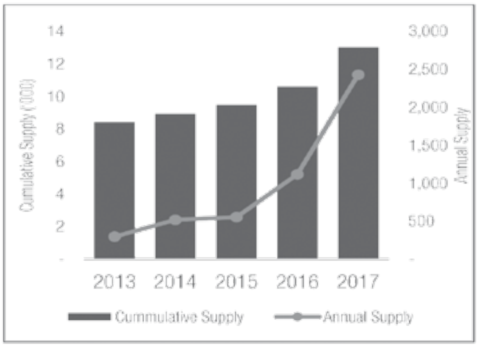
There is a huge number of units currently under construction or earthworks in Kuching of close to 6,400 units, which include big projects like Sapphire on the Park, Liberty Grove, Riverine Diamond and Rivervale Condominiums. Most units are being developed in the City Area (37%) and Batu Kawa (30%). This large numbers may further affect occupancies and rentals.

Prices of apartment units seem to have stagnated and same rentals have dropped, caused by increased supply in the rental market. Recent launches of high-rise residential units in Kuching range between RM300,000 to RM1 million with sale prices ranging between RM370 to RM765 per square foot depending on the size and location.

Take-up rates of apartments have slowed down in 2017 due to increase in supply, stringent financing and decreased disposable income. This segment is expected to continue to soften further in 2018.

Park Residences at Stutong, Kuching

Supply of High Rise Residential Units



Source: WTWY Research (2017)

2017 NEW LAUNCHES

Name	Location	Developer	Unit Sizes (sq ft)	No of nits	Price (RM per sq ft)
KUCHING					
Forest Hill	Jalan Datuk Temenggong Tan Meng Chong	Tecktonic & Sons Holdings	970 - 1,160	45	370-410
LATICUBE	Lorong Dogan 3	Lafrowda	688 - 1,593	100	435-460
Lot 16 Residency	Jalan Stampin 10E	Sendayan Group of Companies	797 - 2,085	119	374-467
Campus Hub Residences	Kuching-Samarahan Expressway	Sinar Mekar Properties SB	577 - 1,616	320	526-600
d'Millenia	Jalan Datuk Mohd Musa	RJ Realty SB	280 - 1,491	400	714-453
PRINCETON SUITES	Jalan Stutong Baru/New Airport Road	Timberland Group of Companies	307 / 740 - 1,005	83	450-490
The Podium	Jalan Keretapi	Chen Ling Development	964 - 1,460	290	522-609
TOORAK @ Jalan Seladah	Jalan Seladah	Tecktonic & Sons Holdings	550 - 1,250	65	755-764
BINTULU					
My Residence 2	Jalan Sibiyu	Capbuild Development	1,091 - 1,127	96	>320

BINTULU: MATCH THE RIGHT PRODUCT TO THE RIGHT BUYERS

New high-rise developments in Bintulu recorded an encouraging take-up rate which should carry forward into 2018, such as Peak Condominium in Paragon and SeaView Courts. The key success factors of a high-rise residential project in Bintulu are location (i.e. proximity to town) and facilities and amenities within the development. Nonetheless, the biggest hurdle to both buyers and developers is the relatively better value-for-price of landed residential as the preferred house type. However, land cost is increasing as lands located within the 5-kilometre radius from Bintulu town are scarce. In 2017, properties valued around or below RM350,000 were the most actively transacted. The high-rise residential sector caters for mainly higher-income earners.

MIRI: REDUCED BUYER SIZE

A review of Miri's market suggests a moderate outlook for 2018 as the high-rise residential market has been under-performing. Selling at an average of RM650,000, the current market only suits high-income buyers. Purchasing sentiment is also dampened by the weak economic environment. In view of this, home-seekers are more inclined to opt for cheaper landed residential property.

SIBU: IN DISCOVERY MODE

Sibu's market for high-rise residential was robust in 2017 but is expected to moderate and stabilise in 2018 as demand and supply approach equilibrium. Supply in 2018 is projected to be lower than in 2017. Marginal price improvement however, is still possible given the prevailing demand and inflation-push factor. Market reception for high-rise residential is improving as appreciation of landed residential property has raised the price to unaffordable levels. This situation presents high-rise residential as a viable alternative to landed residential.

LANDED RESIDENTIAL SECTOR

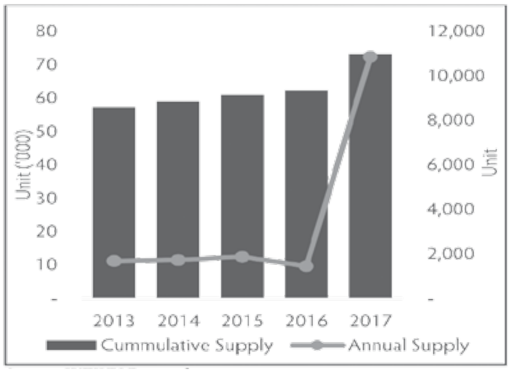
KUCHING: LESS LAUNCHES, MORE COMPLETIONS

Soft market condition resulted in lesser new launches in 2017. On a positive note, reduction in price is not evident thus far. Overall, the market is expected to remain stable with potential for rightly priced products to do well.

Windsor Estate at Jalan Hup Kee, Kuching

Project launches of landed residential units continued to slide for 2017, with 350 plus new units offered compared to about 600 units for 2016. Most of the projects launched are piece-meal and consist of between 30 and 50 units, with more units launched in the secondary areas of Petra Jaya and Jalan Datuk Mohammad Musa.

Supply of Residential Units



Source: WTWY Research (2017)

2017 recorded a substantial number of completions of over 1,000 units, spreading over various location groups, notably in the Kuching urban areas, Muara Tuang/Samarahan and PJ-Matang areas. Double-storey terraced houses continued to dominate supply, although demand from younger house buyers has been trending towards high-rise residences.

House prices have increased marginally and new launches ranged between RM400,000 for intermediate terraced units and RM700,000 for the corner units whilst semi-detached units were priced from RM700,000 up to RM1.3 million per unit, depending on the location, land and building size and specifications.

Although the market is soft, there is no apparent sign of a price downtrend. Monitoring and controls by the Sarawak Planning Authority have helped to avoid any significant overhangs. As the Kuching or Sarawak market for that matter is less speculative compared to the other states, housing price prospects look positive in the long-run.

With the soft market, there has been a re-emphasis on affordable housing, especially from the local housing ministry, such as the implementation of SPEKTRA scheme and 1PRIMA to make houses more affordable and accessible to young working professionals and first time home-buyers.

BINTULU: OPTIMISM EMBEDDED IN LONG-RUN PERSPECTIVE

The landed residential sector in Bintulu is projected to be soft but stable unless the macro environment improves significantly enough to boost market sentiment. Transaction activity and prices are unlikely to fluctuate. Pressure however, is on overall take-up rate.

Acacia Garden, Bintulu

Looking at the longer term, population growth paints a more positive outlook on Bintulu's residential sector. Bintulu is an industrial town occupied by a large workforce who are migrants from other parts of Sarawak and Malaysia. Based on the 2010 Census, Bintulu contributed about 7.7% to Sarawak's economy. Lateral projection suggests that this percentage will increase to more than 8% by 2030. The underlying assumption is that when such an industrial-dependent economy grows, its workforce will expand and ultimately, the population as well. Demographically, Bintulu has as much as 43% of its population in the labour force group, that is, those aged between 25 and 54 years old, who are considered house-buying group.

Buyers in Bintulu tend to take both affordability and location factors into consideration when purchasing landed residential property, as observed that single-storey terraced houses located nearest to town are highly sought after. Landed property priced below RM350,000 tops the demand list but the supply of such landed property is limited. On rental and capital appreciation, location factors will continue to dictate their potential returns.

2017 NEW LAUNCHES

Name	Location	Developer	Type	Unit Sizes (sq ft)	Price (RM per unit)
BINTULU					
Kidurong Hill (Phase 2)	Jalan Kidurong	Custodev Dua	2-T	1,694	433,000 - 533,000
Kidurong Setia Residences	Jalan Saberkas	Asian Land Realty	2-T	1,658	488,800 - 668,800
Taman Pelita	Jalan Sibiyu	Pelita Raya	2-T	1,874 - 2,596	498,000 - 738,800

OFFICE SECTOR

KUCHING

SLOWER TAKE-UP RATES (PBO)

Supply of purpose-built office (PBO) in Kuching has been climbing slowly and steadily with rental rates remaining stagnant but stable. Market demand for PBO in Kuching continue to lack the hype and excitement. Glut in shop-office supply

Based on WTWY Research, the cumulative supply of PBO spaces in Kuching stood at around 6.9 million square feet to-date. Current supply of PBO space has been categorised into public and private sector with the former contributing more than 50% of the supply. 2017 saw the addition of 236,800 square feet (22,000 square metres) of office space with the completion of the Gateway Towers, namely, SEDC Tower and LCDA Tower at the Kuching Isthmus, a fairly new development area which will house the government agencies of Sarawak Economic Development Corporation and Land and Custody Development Authority. In terms of future supply, some planned office buildings include D'Public Square, Baitul Makmur@Bukit Siol, Canaan Square and City Square West-wing tower which will supply about 950,000 square feet of net lettable area when aggregated.

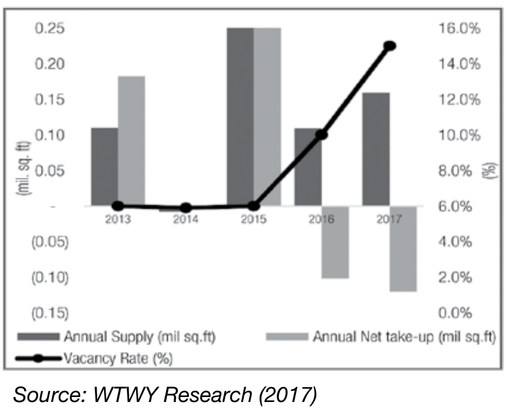
Supply of PBO in Kuching has been climbing slowly and steadily with rental rates remaining stagnant but stable, with a monthly rental range of between RM1.85 and RM6.00 per square foot (RM20.00 to RM65.00 per square metre), inclusive of maintenance charges, depending on the floor level, location and building amenities.

Gateway Towers at Kuching Isthmus

Market demand for PBO in Kuching continue to lack the hype and excitement. Most are built to house growing government agencies and on a pre-let basis to certain corporate entities, which had helped to avoid any serious overhang situation. Based on the Kuching experience, PBO buildings could potentially be rewarding on recommendation that developers / investors ensure the spaces are either for their own occupation or combination of own use and pre-let to external parties.

Public sector office buildings yielded higher average occupancy rate of 92.1% as compared to 78.5% for the private sector office buildings. The addition of numerous office towers in mixed developments since 2015, which added 650,000 square feet (60,000 square metre) of office space into the market has pulled down average occupancy rate of private offices from 90% to around 85% in 2017. Recent economic downturn attributed for slowdown in take-up rates.

Performance of Purpose Built Office



Source: WTWY Research (2017)

With the increasing number of SMEs, there may be an increased need for PBO spaces but on a smaller scale. There may also be room for green office buildings which adopt green building technology and green building materials. These features provide long-term savings in energy bills and maintenance cost. With enhanced mobility and ever improving information communication and technology (ICT), strategic locations outside of the CBD may be logistically viable.

GLUT (SHOP-OFFICES)

More than 40% of the current supply of shop-offices in Sarawak is found in Kuching. 2016 saw a marked increase in completions for Sarawak with more than 50% built in Kuching. Incoming supply of commercial shop-offices as at Q2 2017 in Kuching is estimated at 1,248 units of which more than 90% are currently under construction (Source : NAPIC, Valuation & Property Services Department of the Ministry of Finance Malaysia). This substantial numbers coming into the market have resulted in a current glut in the commercial shop-office sector and have affected sales and occupancies of new shop-offices.

In the midst of increasingly stiff competition from new supply of shop-offices, the rentals for commercial shop-offices in Sarawak have not only generally remained unchanged from a year ago, albeit has registered a drop for some asking rents and tenancy renewals. Kuching recorded rental rates in the range of between RM1.00 per square foot and RM3.50 per square foot, depending on the shop location, size and floor levels.

Significant commercial development completed for 2017 are the 132 units of shop offices at SARADISE along Jalan Stutong, a prime commercial project in Kuching, covering more than 200 acres and touted as possibly, the lowest density project in Kuching with wide inner roads access and parks. Once fully completed, the project will include a retail street arcade.

Another commercial shop office project completed in 2017 is Canaan Square along Jalan Stutong Baru/New Airport Road, with 116 strata-titled commercial units housed in 3 blocks.

SOHOs are some newer offerings in the commercial market such as offered by TT3 Plaza, Trinity Hub and LD Lagenda.

BINTULU: LACK OF NEW SOURCE OF DEMAND

Purpose Built Offices in Bintulu are principally occupied by owners and no transaction was recorded in 2017. Similarly, the market should stay quiet in 2018. Over-supply conditions coupled with weak market sentiments cast a challenge on the shop-office sector. The current environment may lead to suppression in price and rent as it is a buyers' and tenants' market currently. Interestingly, shop-offices located within matured or established commercial areas are preferred by buyers over new projects. Hence, the take-up rate of new projects from developers are relatively low as compared to sub-sales of shop-offices within a matured or established commercial area.

City Sentral, Bintulu

MIRI: PENDING MACRO RECOVERY

Since its local economy is heavily influenced by the oil and gas industry, Miri's commercial activity has been affected by the downturn in the oil and gas industry and in turn, its purpose-built offices and shop-office markets. Both markets are projected to be flat in 2018. Limited supply will not help to boost market activity while downsizing strategy and closing down of businesses will continue to scale-off demand.

SIBU: ADJUSTMENT ON OVER-SUPPLY

Inactivity and weak market sentiment cast shadows over its purpose-built offices and shop-office sectors. Nonetheless, 2018 should be a more optimistic year compared to 2017. Over-supply in 2017 should ease and rent is likely to adjust upwards. Still, tenant retention may be an inevitable battle for owners. The shop-office sector may come out slightly ahead of the PBO sector as PBO tenants to opt for shop-offices which offer cheaper rent.

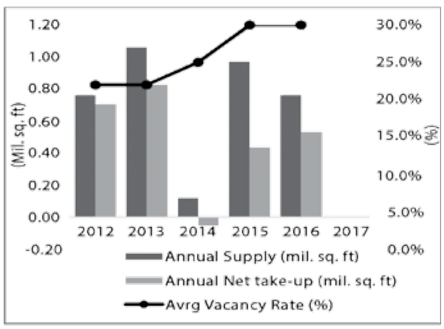
RETAIL SECTOR

KUCHING: FALLING OCCUPANCIES

After the rapid growth experienced by the retail sector during the last 5 years whereby retail space has more than doubled in Kuching with 2016 tapering off, 2017 was a quiet year in terms of retail expansion with no new completions for the year.

Retail supply which has reached a new high of 6.6 million square feet by end of 2016, is currently faced with an oversupply situation with shopping complexes vying for tenants as more retail spaces opened up. 2017 witnessed more shops moving out, changing location or downsizing. Even as the shops are waiting to be filled up, 2018 will see another significant increase of retail space upon the completion of AEON Mall at Central Park which will add another 1 million square feet of retail space into Kuching's market.

Performance of Retail Space



Source: WTWY Research (2017)

The retail sector is bearish and with the anticipation of increasing vacant retail units, the average retail rent is expected to reduce further whilst retail property prices are also expected to decrease or stagnate, at best.

Average occupancy rate is forecasted to drop further to around 65%. The prospect of retail spaces recovering in the next few years remains to be seen.

ACTIVITY ON-GOING IN SOFT MARKET

In Sarawak, the retail markets for Bintulu, Miri and Sibu have been quiet but stable in 2017 with little to no transactions recorded in the respective market. Competition in Bintulu's retail market is expected to intensify in 2018 due to new entrants such as Paragon Street Mall, Crown Pacific Mall and The Spring Mall. For the case of Miri, downturn in the oil and gas industry has also weakened market sentiment and dragged down retail business activities and subsequently, retail properties.

Giants at Petra Jaya, Kuching

The retail market in Sibu currently stays balanced whereby supply matches demand. Location will continue to play a decisive role for both tenants and investors when choosing their setup. As exemplified by Tanjung Batu in Bintulu which is advantaged by its accessibility to all parts of Bintulu, retail spaces established in prime locations are welcomed by businesses and shoppers. Tenant-mix is another factor that could dictate mall's performance.

HOTEL SECTOR

KUCHING: MUCH TO LOOK FORWARD TO

Kuching continued to see a moderate growth in the hotel sector in 2017. Compared to 2016, tourist arrivals for Sarawak in 2017 have increased and are expected to hit 5 million by the end of 2017

2 hotels (star-rated) were completed in 2017, namely the UCSI Hotel and Meritin Hotel.

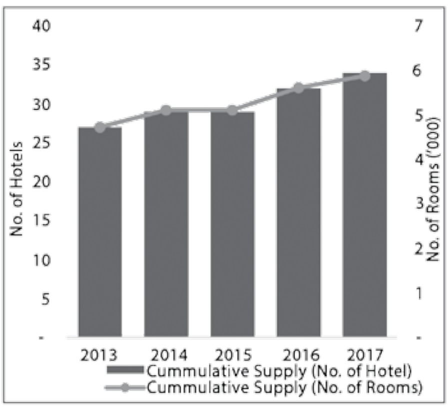
The UCSI Hotel at the Kuching Isthmus which also serves as the training facility for UCSI's Sarawak Campus Hotel and Management faculty, commenced its operation in mid-2017. Located near the Borneo Convention Centre Kuching and standing at 16 storeys high, the 4-star hotel offers 209 rooms with room rates starting above RM200.00 per night.

Hotel Meritin, Kuching

Another hotel which opened in 2017 was the 3-star Meritin Hotel which is actually a reconstruction of old shop-houses in Kuching's China Town area along Jalan Padungan, with 56 rooms.

Another 2 hotels shall come on board by 2018, namely the 9-storey Tabung Haji Hotel opposite the Kuching International Airport, a sizeable halal certified hotel equipped with conference and office facilities to cater to Muslim delegates; and the Riverside Majestic Premier Wing at the golden triangle which has yet to be fully completed as of 2017.

Supply of Hotels



Source: WTWY Research (2017)

The addition of new hotels coupled with travellers being more budget conscious have affected the occupancy rates, especially of 4 and 5-star hotels in the city, with some resorting to lower rates to boost occupancy.

However, compared to 2016, tourist arrivals for Sarawak in 2017 have increased and are expected to hit 5 million by the end of 2017. As tourism is a big revenue earner for the state, there is increased effort to create more tourism buzz and tourist offerings in Sarawak. It can be seen that Kuching as the state's capital has benefitted greatly from the State's tourism growth.

Tourism in Kuching shows tremendous potential with various events held throughout the year which are tourism highlights. Events spotlighted include the world renowned Rainforest World Music Festival (RWMF), Kuching Food Festival, Mooncake Festival and most recently, the What About Kuching (WAK) festival.

BINTULU: MORE STILL ENTERING THE MARKET

Bintulu's hotel market will remain stable in the near future with the average occupancy rate hovering at about 60%. There are a few newly completed hotels in Bintulu in 2017, namely Nu Hotel (210 rooms) and Green Hotel (160 rooms). Under-construction hotels in Bintulu will contribute another 160 rooms within one to two years. Looking further ahead, 9 hotel projects in the pipeline are estimated to inject an additional 1,100 rooms into the market . By then, the anticipation is that occupancy rate, and possibly the room rate as well, would fall by reason of strong competition.

MIRI: GAIN FROM PROXIMITY TO BORDER

Bruneians continues to rank top as tourist visitors to Sarawak in 2016 and 2017. Miri being the most vibrant city closest to Brunei, continues to enjoy its geographical advantage as a preferred destination for tourists from Brunei.

Concentration of commercial activities will continue to influence the location preference of hotel operators and tourists. In fact, approximately 70% of the hotels in Miri are located within the urban-city area. Accounting for 52.67% of total hotel rooms in Miri, 4-star hotels continue to dominate the market as the most preferred hotel category.

SIBU: SLIGHT IMPROVEMENT EXPECTED

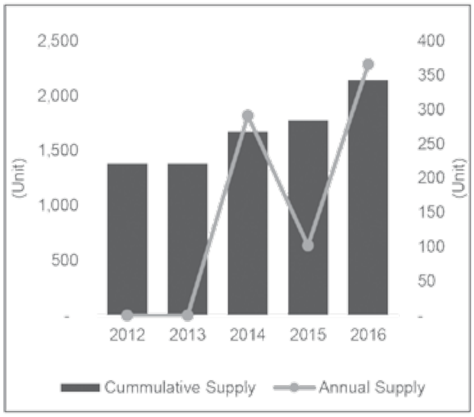
The tourism sector in Sibu has always been regarded as moderately active. Having said that, transaction activity and prices are expected to improve in 2018. as two new hotels, one completed and another one under-construction enter the market.

INDUSTRIAL SECTOR

KUCHING: STABLE AND POSITIVE

In the long-run, there is promising potential for the industrial sector in Kuching with the increasing presence of SMEs who will demand space for workshops, showrooms and storage/warehousing

Supply of Industrial Units



Source: NAPIC, WTW Y Research

There were a few projects completed in 2017, namely the Sarawak Factory Wholesale Centre with 366 terraced industrial units, RH Park's mix of 60 semi-detached and detached units and Central Light by M/s Chen Ling with 20 semi-detached industrial units. New launches in 2017 were M/s Hock Seng Lee's 84 semi-detached industrial units at Vista Industrial Park in Muara Tabuan and Landeh Biz Park with 18 industrial units.

Chen Ling Light Industrial Project at Jalan Bako, Kuching.

Semi-detached light industrial units and warehouses remain popular with prices ranging from around RM600,000 for a sub-sale to more than RM1 million for new units, depending on land size. Occupancies and take-up rates for 2017 were stable and expected to remain unchanged for 2018. Rentals were sealed at between RM1.20 and RM1.50 per square foot for privately developed semi-detached units.

In the long-run, there is promising potential for the industrial sector in Kuching with the increasing presence of SMEs who will demand space for workshops, showrooms and storage/warehousing.

BINTULU, MIRI & SIBU: MIXED RESPONSES TO MACRO DOWNTURN

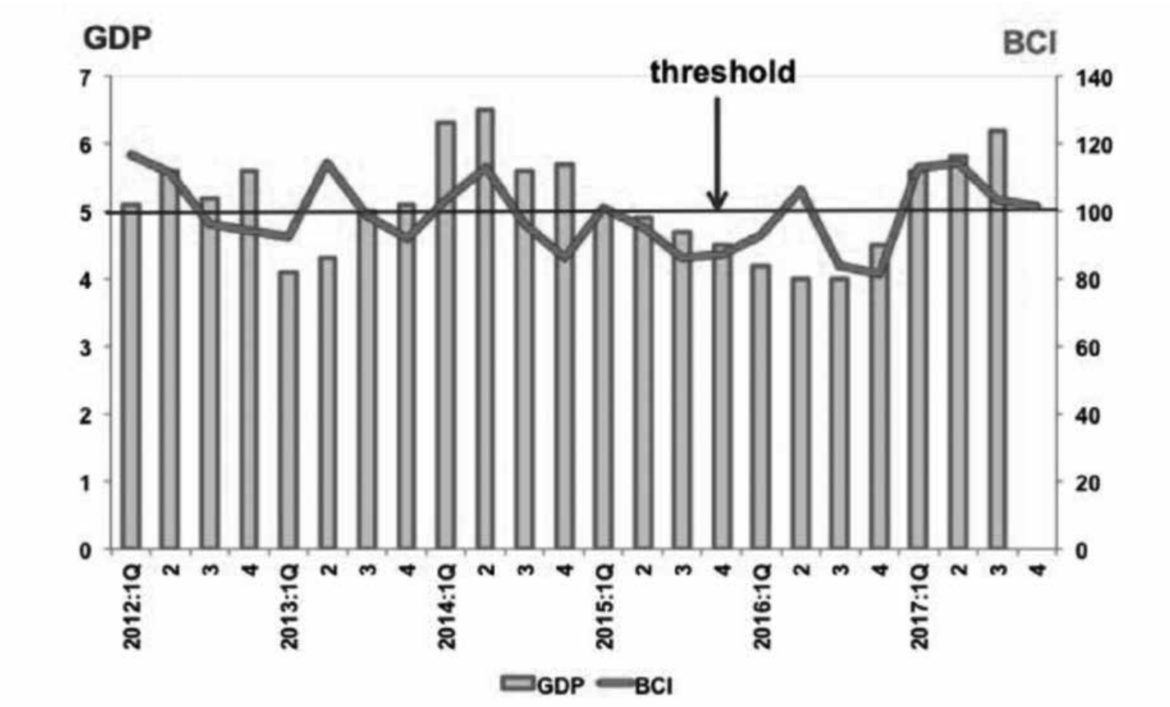
The industrial markets in Bintulu, Miri and Sibu wobbled in 2017, due to the weak business and economic environment surrounding these markets. As such, these industrial markets would remain stagnant at best in 2018, until the macro aspects improve.

For the case of Miri, the slowdown in oil and gas industry has affected its industrial sector as downstream activities lessen.

The supply in these three markets however, exhibited different patterns. In Miri, reduced business activities cut down demand for industrial properties, hence, no new supply. However, supply is still ongoing in Bintulu, albeit at a slower pace. Among the notable industrial developments in 2017 are Bizhub 33 (33 units) by Berkat Dimaju Sdn Bhd and Kidurong Central (41 units) by BBC Construction Sdn Bhd. Likewise for Sibu, its industrial market is undergoing a slower rate of new supply but a faster pace of industrial development is noticeable in certain locations e.g. the Jalan Tun Ahmad Zaidi Adruce area.

Jayhub Industrial Park, Bintulu

BUSINESS CONFIDENCE INDEX

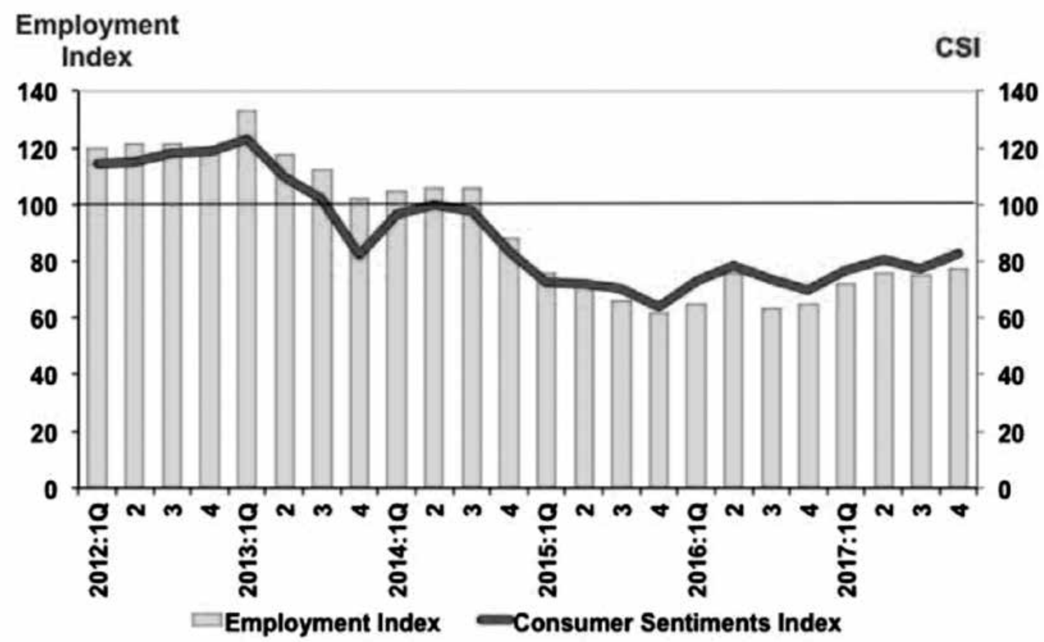


GROWING SLOWER, BUT POSITIVE

- BCI falls 1.6 points to settle at 101.5 points
- Current Index (CI) registered gains
- Expected Index (EI) fell
- Sales picking up
- Local orders rebound, Export orders inactive

Source: MIER Report 2018

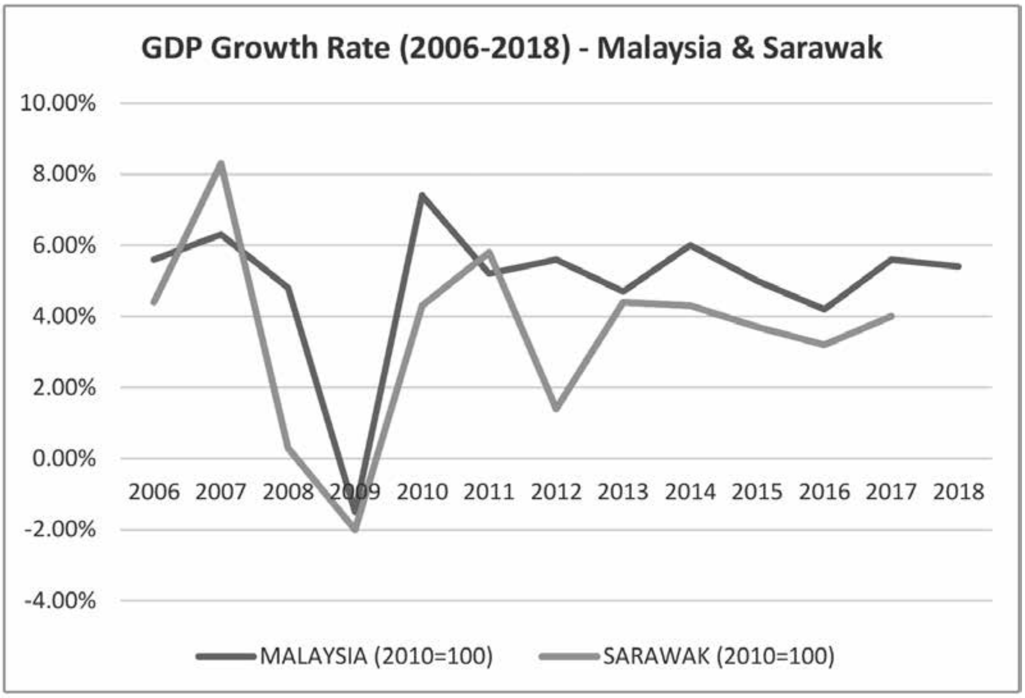
CONSUMER SENTIMENT INDEX



SENTIMENTS IMPROVE

- CSI up 5.5 points but remains below optimism threshold
- Current incomes in better shape
- Employment and financial outlook improve
- Inflationary jitters easing
- Cautious and pragmatic shopping plans ahead

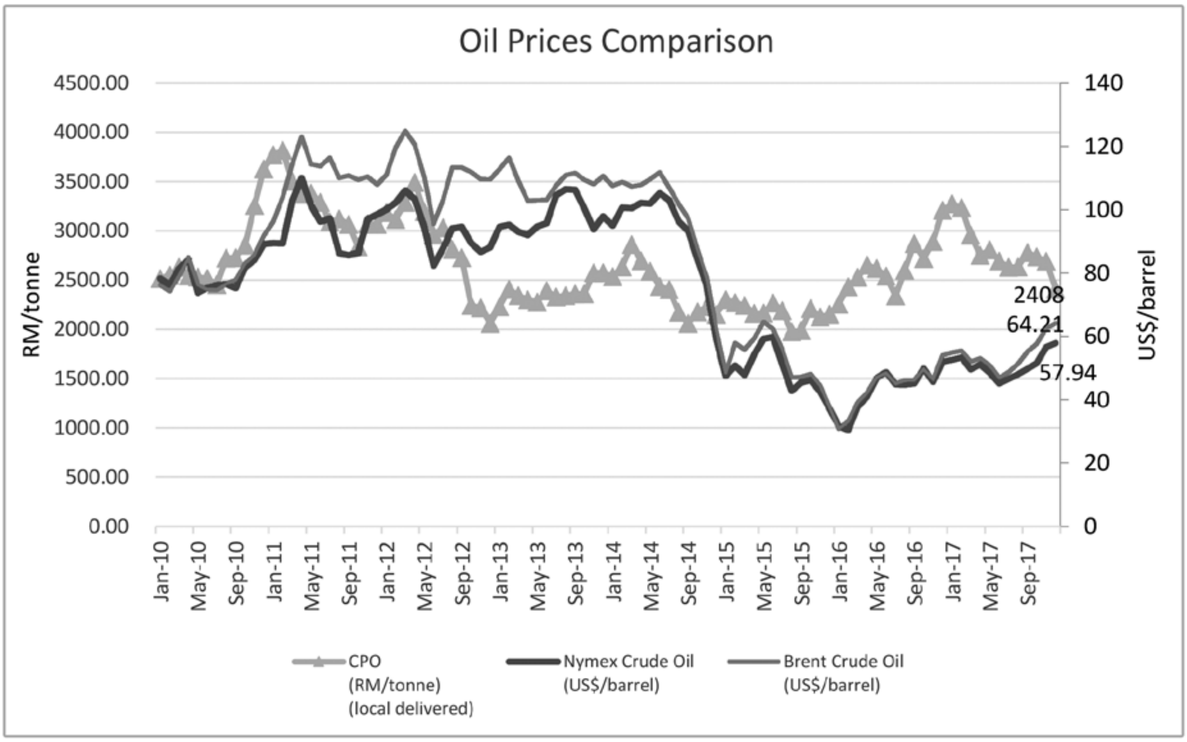
Source: MIER Report 2018



Overall, the economic growth momentum is expected to persist into 2018, leading GDP to grow between 4.8 per cent and 5.3 per cent in 2019. The unexpectedly aggressive monetary policy normalisation, slower than expected growth in China and upcoming general election were among factors that could risk GDP growth forecast for 2018.

Better expectations of commodities and reserves for 2018:

- Crude oil prices average at USD55 per barrel in 2017 and expected to further improve to USD60 per barrel in 2018
- Crude Palm Oil which ranged between RM2,400 and RM3,344 per tonne for 2017 expected to average out to RM2,500 per tonne for 2018
- The international reserves of BNM stood at USD102.4B as at end of 2017 versus USD94.5B as at end of 2016
- Ringgit improved against the USD from almost RM4.5 as at January 2017 to around RM4.0 as at January 2018



PROPERTY MARKET INDICATORS

	All Sectors		Landed Residential		High Rise Residential		Purpose-Built Office		Shop Office		Retail		Hotel		Industrial	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Kuching	▷	▷	▷	▷	▼	▼	▷	▷	▼	▷	▼	▷	N.A		▷	▷
Bintulu	▷	▷	▷	▷	△	▷	N.A		▼	▼	▼	▼	▷	▷	▷	▷
Miri	▷	▷	▷	▷	△	△	▷	▷	▷	▷	▷	▷	▷	▷	▷	▷
Sibu	▼	▼	▷	▼	▼	▼	▼	▼	▼	▼	▷	▷	▼	▼	▼	▼

FEDERAL BUDGET 2018 Highlights on PROPERTY and INFRASTRUCTURE SECTOR in SARAWAK

❖ Budget 2018 allocates a sum of RM280.25b, up from RM260.8b in 2017
❖ Federal government's revenue collection projected at RM239.86b in 2018
❖ Budget 2018 to see RM234.25 billion allocated for operating expenditure, RM46 billion for development expenditure
❖ Budget 2018 allocates RM6.5b allocation for rural development

Infrastructure:

- RM2 billion for Pan Borneo Highway in Sarawak with all 11 construction packages having been awarded.
- New airport in Mukah is being planned

Housing:

- RM2.2 billion allocated for the affordable housing sector including RM1.5b allocated for PR1MA over two years to build 210,000 housing unit priced under RM250,000 per unit.
- To encourage more homeownership, Step Up Financing Scheme for PR1MA homes to be extended to private developers, based on criteria to be set.
- For abandoned projects, exemption of stamp duty on loan agreements and instruments of transfer to be given to the rescue contractor and original owner of the abandoned project, effective from Jan 1, 2018 to Dec 31, 2020.
- To encourage the residential rental market, tax exemption on 50% of home rental income up to RM2,000 per month to Malaysians residing in Malaysia. Exemption given from Year Assessment 2018 to 2020. Residential Rental Act will also be formulated to protect the tenant and homeowner.
- Management and maintenance services provided by housing developers, similar to the joint management body and management corporation, will be exempted from GST, effective Jan 1, 2018.
- The Malaysia's Public Sector Housing Financing Board (LPPSA) will be set up to assist government servants in houseownership, starting from Jan 1, 2018, by funding wakaf land, legal fees, allow joint or joint-loan financing from LPPSA, between spouses or children whereby all applicants are members of the public service; and allow mutual housing financing between spouses or children, whereby at least one applicant is a member of the civil service.

Construction:

- RM1 billion allocated partly to develop access roads to Baleh Dam, Sarawak.
- At a cost of RM112 million, 14 new sports complexes to be built across the country.
- RM2.5 billion worth of repairs via Industrialised Building System to be carried out over two years, with RM1 billion for Sarawak.
- RM720 million to build 11 police headquarters and six police stations, as well as to buy firearms and operation vehicles.
- Preparing a blueprint for Perumahan Keluarga Angkatan Tentera to build over 40,000 units of homes in phases. Almost 6,000 units will be built in 2018.
- Full GST waiver on construction services for schools and places of worship that are funded through approved donations. This waiver takes effect for contracts signed from April 1, 2017.
- RM300m to be allocated for National Blue Ocean Shift, including for the building of new Urban Transformation Centres.

Tourism:

- Budget 2018 allocates RM2b to SME Tourism Fund to provide soft loans to tour operators with interest subsidy of 2%.
- Tax incentives for new four and five-star hotel investments extended until Dec 31, 2020.

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

C H Williams Talhar Wong & Yeo

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