



Sarawak Property Market

2018 PROPERTY MARKET REVIEW & OUTLOOK

MARKET OVERVIEW

Neutral Stance - Wait And See

Generally, the market remained rather slow on all fronts in 2018 with the property market maintaining a neutral stance and adopting a wait-and-see attitude. Developers and buyers are cautious in decision making pending further political and economic developments.

However, the market is hopeful and positive, as greater transparency and clarity take effect. Once the dust has settled, the new Government's policies should spur renewed development activities. Market confidence can be seen returning with improved consumer sentiments recording a 20-year high exceeding 130 points in Q2 2018, and moderating to around 107 points in Q3 2018.

PROPERTY

On the property front, there has not been any significant policy changes for 2018. The residential sector continues to lead the market in terms of volume and value of transactions, albeit at a slower rate than the previous year. Home ownership remains a major concern as seen by the initiative of the State Government in providing affordable housing to the population, with the likes of SPECTRA housing, etc. and plan to subsidise 1/3 of the cost for affordable housing.

Also of concern is the growing surplus of commercial property units in recent years in the form of shop offices/shop houses and retail units. Amidst a soft market, property units take longer periods to sell; occupancies and rental rates of such units are affected; and units are being disposed at lower negotiated prices.

Some development changes in Kuching for 2018 include the shelving of the proposed LRT line from Kuching to Serian as announced by the State Government and the opening of Borneo Samariang Water Park, the first water theme park in Sarawak, as part of the first phase of Borneo Samariang Resort City, which includes 3 apartment blocks and residential houses.



Tabung Haji Complex, Kuching



DeHouse Hotel, Sibiu



Times Square, Miri



The Spring, Bintulu

Period Of Change, Adjustment and Consolidation

It would be fair to say 2018 is a year on hold; reviewing the old and observing the new, pending the ploy of new policies and New Federal and State Budget. 2019 is expected to be a year for moderation and consolidation, embarking on the road to recovery.

POLITICAL

2018 has been an unprecedented and interesting year with much changes in the political landscape and economic agenda of the nation and State.

The GE 14 result marked a change in the political direction of the State with the formation of Gabungan Parti Sarawak (GPS), a new State political coalition comprising 4 Sarawak parties.

At the November 2018 sitting of the State Legislative Assembly (DUN) under the new coalition, the State Budget 2019 was tabled with an allocation of RM11.914 billion, the biggest in the history of Sarawak. It will be a development based and rural focused budget.

ECONOMIC

Malaysia's Real GDP for 2018 has been revised to 4.7% from 5.5% forecasted earlier (Source : MIER Report, October 2018). Based on the 11th Malaysia Plan (11MP), Sarawak is targeted to reach a 4.7 % GDP growth by 2020. Based on MIDF Research and the Department of Statistics Malaysia's (DoSM), the state's GDP growth rate (CAGR) for the past seven years has reached 3.9% (Source : Borneo Post Online, July 2018).

INFRASTRUCTURE

Infrastructure development is high on the list for Sarawak with many projects underway by 2nd half of 2018. The Pan Borneo Highway is in good progress and expected to be completed as scheduled, by 2021. The Sarawak Coastal Road project was also tendered out during the year and expected to start by mid 2019. This latter project will comprise of feeder roads and bridges to improve connectivity between the coastal towns/kampongs to the Highway.



2018 Infrastructure Developments

Contents	Name of Project	Connectivity	Est Project Cost (RM)	Status Remarks (as at Oct 2018)
	1- 2018 Property Market Review and Outlook	Road		
9 - Sarawak Budget 2019 Highlights	Menjawah-Belaga Road	Menjawah to Belaga	86 million	Started in Q1 2018
	Mile 10-15, Kuching-Serian Road (Upgrade)	Mile 10 to 15, Kuching-Serian	84.5 million	Completed in July 2018
10- Federal Budget 2019 Highlights on property related sectors	Jalan Ulu Sikat-Sebakong	Ulu Sikat to Sebakong	75.4 million	55% completed as at Mid 2018
	Bridge			
	Batang Samarahan Bridge	Kampung Baru in Samarahan to Kampung Tambey in Simunjan	93.8 million	Completed in mid 2018
	Batang Tatau Bridge	Tatau River Crossing	NA	37% completed
	Long Lama Bridge	Baram River Crossing	67 million	87% completed
11- Commodities	Marudi Bridge	Baram River Crossing	90 million	Due to start Q1 2019
	Road/Bridge			
	Matang Batu Kawa new link road and bridge	Emart Matang to Stapok	220 million	Completed and officiated in April 2018
12- Property Market Indicator / Policy Updates	Kampung Kupang-Bajau road/ bridge	Kampung Kupang to Bajau road junction	180 million	To start in 2018
	Underpass			
	Datuk Abang Haji Kipali underpass	Datuk Abg Haji Kipali roundabout, Petra Jaya	67 million	Completed in mid 2018

Source: Compiled by WTWY Research (2018)

Pan Borneo Highway Sarawak

Efficient Connections





Fast Facts

Length : 1,089 km

Stretch : Telok Melano (Sematan) to Merapok (Lawas)

No. of Packages : 11

Cost : RM29 billion

Specs : JKR R5, 4-lane

Work Progress : Midway

EDC : 2021

*Toll Free (1st in Malaysia)

RESIDENTIAL SECTOR

KUCHING

Launches of landed housing continue to drop as opposed to the number of strata titled apartment units launched. Nevertheless, demand for landed housing remains evident. Launches for high-rise residential units are reduced by almost half for 2018 in view of the current large incoming supply and signs of slower sales and lower rentals

Limited Launches For Landed

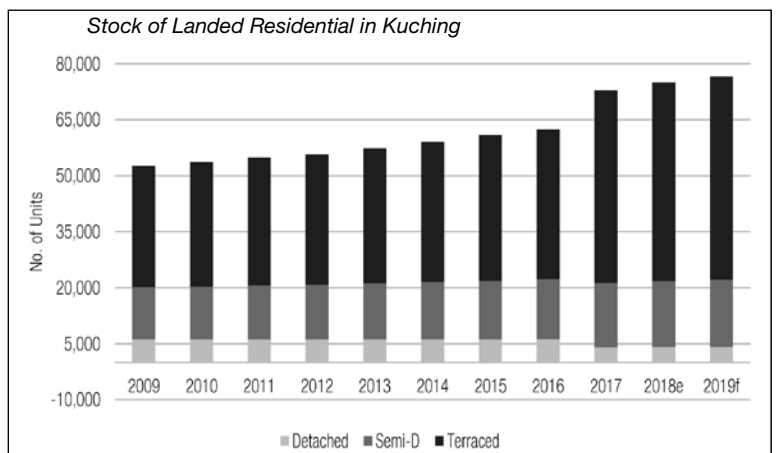
The landed residential market has seen very few new launches with Kuching city proper itself experiencing a dearth in the prime housing areas. Most launches in 2018 are in the outer-lying secondary prime areas, which include Taman Berlian Stabil along Jalan Datuk Mohammad Musa offering 232 units of single-storey low cost plus units and Taman Sejjjak Indah off Jalan Matang-Batu Kawa with 77 units of terraced houses.

Riding on their past success with the Tabuan Jaya township and more recently, Tabuan Tranquility, M/s IBRACo kicked started the much-anticipated Northbank project along the Kuching-Samarahan Expressway, with its phase 1 of Nova 72, comprising terraced and semi-detached units, which saw brisk sales.

With few new landed residential units, especially in prime locations, values of landed properties continue to appreciate between 5% and 10% annually. Rentals on the other hand, continue to stagnate.

Due to the lack of landed new housing in the market, buyers have sought other alternatives in the likes of high-rise apartments and second hand landed units. However, the eagerness to capture this segment has resulted in a prolific increase in the supply of strata titled residential units which may lead to a supply glut, with dropping occupancies and take up rates/rentals.

The pent up demand for housing during these few years of uncertainty, may see demand strengthening once the market recovers.



Source: WTWY Research (2018)

Note: Data for the full year of 2018 is based on estimation from NAPIC's data

Slow Down For High Rise

The high-rise residential sector saw about 50% drop in launches for 2018 y-o-y compared to more than 3,000 units launched in 2017. The apparent glut in the supply of apartments have resulted in a drop in occupancies and take up rates/rentals.

This large supply of new apartment units in the market has led to slower sales especially for higher density projects. The stiff competition amongst such readily available units in Kuching has curtailed any further increase in sale prices, which has been hovering around RM500 psf for units in primary locations and RM400 psf for those in secondary locations, based on the size and specifications. Standard unit sizes are now slightly reduced to around 1,000 sf and most units offered comes with better packages and more perks such as built-in cupboards, curtains, water heater, air-cons etc.



The Sapphire (Block A), Kuching

Asking rentals for apartment units have also decreased and are highly negotiable, and net yields are only around 3%.

High rise residential units are mostly developed as part of a mixed development, in order to achieve the desired density for the developer as development land policies in Sarawak limit pure residential high-rise developments to only 30 units per acre, revised from 24 units in 2017. These may result in redundant commercial units in order to fulfil planning requirements, as observed in some recently completed developments.

For 2018, the Batu Kawa area recorded the highest number of launches at 846 units, followed by the Kuching Built up Area with 536 units. Of these, the biggest contributors were The Podium (395 units) developed by M/s Chen Ling and Mackenzie Avenue (256 units) developed by M/s Lee Onn. Units launched range between 800 sf and 1,500 sf.

High rise apartments completed for 2018 include d'Belle at Jalan Datuk Stephen Yong link (67 units), Rex @ BDC (95 units), Block D of Sky Villa @ MJC (128 units) and Block A of Sapphire on the Park, M/s Naim's flagship highrise condominium project at Jalan Batu Lintang with a total of 206 units.

MIRI: Could Be Price-Sensitive

The landed residential market in Miri is anticipated to improve after the downtrend experienced in the past few years. The stabilised transaction activity and price in 2018 have also injected positivity. However, the market could still be price sensitive whereby single-storey terrace units priced below RM300,000 tops demand from financially-established working professionals and young families. Short-term rental returns and long-term capital appreciation are the tangible considerations for purchase in this sub-sector.

On the other hand, the high-rise residential sector in Miri is expected to remain slow going into 2019. With most of the transactions taking place at RM650,000 and below, this reflects the small demand in the market for higher priced units.

BINTULU: Boosted Demand From Population Increase

Demand for landed residential properties in Bintulu remains stable even as prices of new completions rose slightly, estimated to be within 5% range. No significant price variation is expected for both terraced and semi-detached in 2019. Developers are seen to be more affable towards developing terraced units. Single storey terraced houses have been consistently performing well in Bintulu compared to other types of landed residential property. The demand is principally from office and industrial workers. In terms of pricing, RM300,000 to RM400,000 is the preferred market price range.

Supply of high rise residential has increased in the last 5 years as buyers are more receptive of apartment living. The market shall remain stable for 2019. All said, landed residential is still the preferred residential property in Bintulu.

SIBU: Price Matters More Than Type

Sibu's landed residential market is balanced with moderate supply and price stability. Prices of properties in prime areas could still be rising due to limited supply. Affordability would dictate the performance of residential property. Generally, prices not exceeding RM350,000 of any type of landed residential property should enjoy good reception.

Similar to the landed residential sector, Sibu's non-landed strata-titled residential sector is still relatively balanced with moderate supply. The demand is sourced mainly from buyers targeting a selling price of approximately RM350,000. This price tag is comparable to that of landed residential which qualifies such property type for purchase consideration for either owner's occupation or investment.

New Supply of landed residential housing

Name	Location	Developer	Type	Unit Sizes (sq.ft)	Price (RM per unit)
KUCHING					
Nova 72 @ Northbank	Kuching-Samarahan Expressway	IBRACO	2-T	2,090 – 2,117	725,000 – 976,000
			2-SD	3,054	1,510,000 – 1,678,000
			3-SD	4,187	2,047,000 – 2,262,000
Taman Sejijak Indah	Jalan Sejijak, Matang	GKS Development SB	1-SD	1,075 – 1,163	450,800 – 523,800
Taman Berlian Stabil Phase 3	Off Jalan Muara Tuang	Berlian Stabil SB	1-T (LCP)	700 – 750	100,000 – 168,000
Taman Berlian Stabil Phase 5			1-T (LCP)	900	150,000 – 198,800
			1-T	992 – 1,037	345,800 – 447,800
			2-T	1,009 – 1,505	462,800 – 627,800
BINTULU					
Acacia Garden Phase 3	Jalan Tun Hussein Onn	Topwish Capital SB	2-T	2,034	558,000 – 738,000
			2-SD	3,659 – 3,934	1,158,000 – 1,188,000
Kemena Sutera Phase 4	Jalan Sibiyu	Johabaru Development SB	2-T		488,000 – 653,000
Riverside Avenue	Jalan Sibiyu	Hong Yet Construction SB	2-T		465,888 – 702,888

Type: LCP – Low Cost Plus T – Terraced SD – Semi-detached

New Supply of high rise residential units

Name	Location	Developer	Unit Sizes (sq.ft)	No of Units	Price (RM per unit)
KUCHING					
GEM Suites	Off Jalan Stutong Baru	Sin Hai Ming Development SB	861 – 1,214/1,624	198	330 – 463
Liberty Grove @ Kota Sentosa (Block 10)	Off Jalan Sg Tapang	Elica Sdn Bhd	1,065 – 1,400	96	150 – 197
Mackenzie Avenue	Jalan Stapok Utara	Lee Onn Construction Co.	1,520	256	300 – 350
Stutong Tiarra 2 (Stutong 7 Residences)	Off Jalan Stampin Baru	Jyrah Realty Sdn Bhd	672 – 1,222	130	212 – 385
The Fifth Ryegates	Off Jalan Lapangan Terbang	Lee Onn Construction Co.	861 – 1,227	72	439 – 465
The Podium	Jalan Keretapi	Chen Ling Development	964 – 1,446	395	532 – 634
Urban Residences	Jalan Central Timur	E-Heritage Sdn Bhd	1,409 – 1,560	136	563 – 623
Yarra Park	Jalan Batu Kawa	Tecktonic & Sons Holdings Sdn Bhd	940 – 1,240	195	303 – 400
SIBU					
College Square Wawasan	Jalan Wawasan	Vertoland S/B	710 – 807	36	370 – 487

OFFICE SECTOR

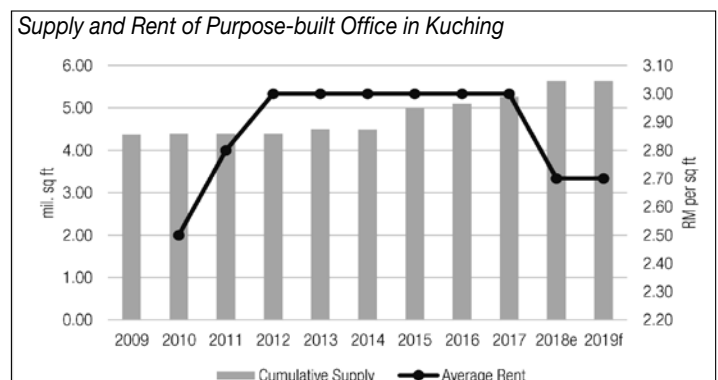
KUCHING

Performance of purpose-built office (PBO) in Kuching continued to lack lustre with rental rates remaining stagnant. Shop-offices/shophouses remain in oversupply with a challenging time ahead.

Office Sector Lacklustre

Similar to the year before, there were no new office projects launched for 2018. The few completed in 2018 included the Tabung Haji Office Tower at Jalan Lapangan Terbang covering 6 storeys of 2,162.40 sm., Sentosa Parade office towers near Kota Sentosa and Gala City along Jalan Tun Jugah. The latter 2 were developed as part of a mixed shop-office development.

The office sector in Kuching is lacklustre and prices continue to be stagnant. Due to increasing office spaces coming into the market and shop offices constituting a significant alternative supply, take up rates are slow and rentals are seen to be dropping to less than RM3.00 psf even in prime locations.



Note: Data for the full year of 2018 is based on estimation from NAPIC's data
Source: NAPIC, WTWY Research (2018)

Shop Offices Still In Over Supply

2018 saw substantial increase in completions of shop offices/shophouses in Kuching. Incoming supply as at Q2 2018 is estimated at 1,053 units of which only about 5% was started this year based on NAPIC's data, signifying a slow-down of new launches. This significant increase in supply of shop offices/shophouses in the Kuching market have resulted in higher vacancy rates and affected shop office rentals and sales.

Significant launches for 2018 include Royal Richmond Square offering 70 units of 4-storey shophouses at Jalan Datuk Mustapha, developed by M/s Kenbest.



Milan Square, Kuching

Developments completed in 2018 included:

- Milan Square - 61 units of 4-storey shophouses located opposite Vivacity Mall, which has opened for business along Jalan Wan Alwi, a busy and popular residential area;
- Metrocity Square comprising 23 units of 3-storey shop offices at Matang, a secondary prime area;
- 250 units of shop offices at Gala City along Jalan Tun Jugah which is integrated with 2 blocks of apartments and a retail street mall; and
- Shop units for the final phase of Tabuan Tranquility (an offshoot of the established Tabuan Jaya township) which offers an array of SOHO units, shops and apartments.

MIRI: Underwhelming For Both

PBO is a narrow market in Miri where supply and demand are limited. Most of the occupiers are oil and gas related businesses. The shop office market remained soft as take-up was slow. Oversupply of shop offices in Miri is expected to strain the market in 2019.

BINTULU: Buyers' Call

Overall performance of purpose built office, was stagnant in 2018 and this should persist in 2019. The shop office market is shrouded by oversupply, which also affected rentals and yields. Investment in shop office is unappealing with most of the units acquired for own use. In line with this, the purchasing behaviour is also conservative whereby buyers prefer sub-sales in established or matured areas.

SIBU: In The Hands Of Owners

Demand for PBO in SibU is motivated by corporate image and branding, with most of the spaces being owner-occupied. The shop office market remains flat as sellers possess holding power despite oversupply situation in the market. Location will be the performance determinant, with established and matured areas enjoying higher take-up rates.

OVERALL

PBO is a narrow market in this region. Supply is limited while demand is niche. Thus, there shall be no significant variation in 2019. Oversupply of shop office is prevalent in most of the markets covered, triggering conservative purchasing behaviour.

RETAIL SECTOR

KUCHING

The retail sector continues to be subdued for 2018, a challenging year in terms of maintaining occupancies.

Subdued And Challenging

The retail sector in Kuching continued its quiet streak for 2018 with only one mall, namely, AEON Mall opening in April 2018. Located amidst established housing areas at Central Park, this latest mall with GFA of about 70,000 sm houses reputable tenants such as AEON, Level UP, MBO, H&M, Uniqlo, BO, Daiso, Kaison and Lea Centre.

The increased supply of retail space in recent years, coupled with the recent economic slow-down has adversely affected performance, with lower transactions and occupancies translating into stagnant sale prices and lower asking rentals hovering around RM13.00 psf on average.

There was some retail buzz during the mid-year as brisk sales were conducted throughout the retail malls, to cash in on the tax holiday period between June and August.



Aeon Mall Kuching

New Breed Of Malls

There is an anticipated increase in hybrid malls in the next few years, in the form of shops built around an open-air centre court with shared common facilities such as walkways, stairs/escalators and toilets, akin to a street mall. A few of such retail types would be The Emporium along Jalan Tun Jugah which opened in Q2 2018, and the up and coming Tropics City Mall at Jalan Song, Aeroville at Stutong Baru, Gala City Street Mall, The Forum, etc

Innovation and creativity would be essential for survivor.

The retail markets for the rest of Sarawak region are mixed.

MIRI: Subdued, Soft

The retail market in Miri was subdued as the local economy softened. Reduction in rental rate of retail properties is probable in 2019.

BINTULU: Increasing Pressure To Perform

The market is expected to face pressure due to increasing competition from new supply. Newly completed projects such as Paragon Street Mall, Commerce Square Mall, Times Square Mall and the upcoming malls namely Crown Pacific Mall, The Spring Mall and Boulevard Mixed Development will add substantial retail space to the market. These developments could strain take-up and occupancy rates. All said, malls located in prime locations with good access and road linkages would be the ones doing well.

SIBU: Slightly Optimistic

Meanwhile in Sibul, the retail market is slightly optimistic, banking on the proposed development of the Sibul Transportation Hub.

HOTEL SECTOR

KUCHING

The hotel sector in Kuching continues to hold stable with good potential for Kuching as the gateway to Sarawak.

Steady Supply, Good Potential

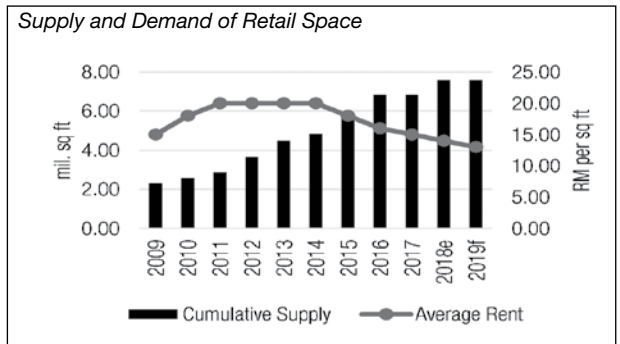
The Kuching hotel sector continued to hold stable for 2018, with room rates and average occupancies remaining generally unchanged. The 21st edition of the Rainforest World Music Festival this year was a resounding success with visitors surpassing 20,000, the highest number ever recorded for the festival. This renowned festival has boosted the occupancies of hotels in and around the city every July. With the increased promotion of Sarawak as a travel destination for adventure, culture and eco-tourism, Kuching will benefit as the gateway to other parts of Sarawak.

4 and 5 star hotels continue to face competition from budget and boutique hotels as well as alternative accommodation such as B & B, Homestays etc. Even for resort areas, there are optional lodgings of late, such as culverts, tents, bunkers and other camping ground styles for a closer encounter with nature.

2018 saw the completion and opening of the Premier Wing of the Riverside Majestic Hotel in the Golden Triangle area, offering 268 premium rooms. The hotel sector would also see the addition of another 182 hotel rooms at the halal-certified Tabung Haji Hotel, situated opposite the Kuching International Airport by next year.

MIRI: Bruneian Support

Historical data on tourist arrivals shows that Miri has constantly been in the top 5 most visited cities in Sarawak. Bruneians continued to lead tourist arrivals to Sarawak. Miri being the most vibrant city closest to Brunei, is benefiting from its geographical advantage to capture tourists from Brunei. Concentration of commercial activities will continue to influence the location preference of hotel operators and tourists. About 72% of the hotels in Miri are located within the urban-city, offering two-thirds of the hotel rooms (66.2%) in Miri.



Source: WTWY Research (2018)



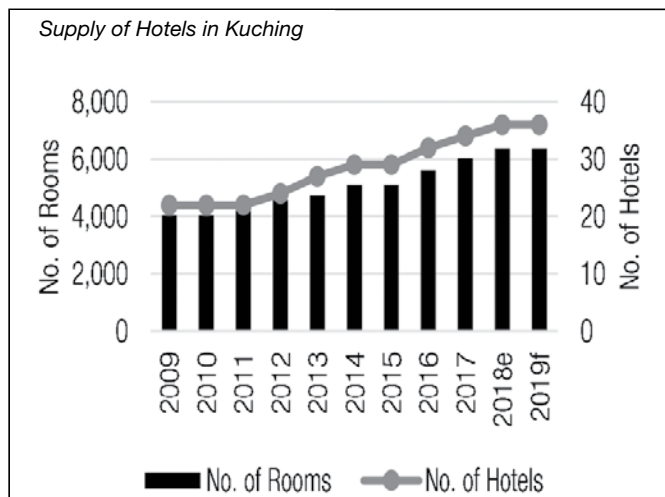
Riverside Majestic Premier Wing, Kuching

BINTULU: Plentiful Supply

Bintulu's hotel market will remain satisfactory in the near future with the average occupancy rate hovering at about 50%. There were 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 1 to 2 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 would be affected by competition.

SIBU: Tourism Not A Big Deal

The tourism sector in Sibul has always been modest. However, the observation is that developer-owners are bringing in hotel components to complement their commercial property. A purpose-built budget hotel is in the pipeline, to be located at the outskirts but near to commercial centres, such as Star Mega Mall.



Source: WTWY Research (2018)

INDUSTRIAL SECTOR

KUCHING

The industrial sector in Kuching was dull for 2018, with few completions, following the paucity of industrial projects launched in recent years. There is potential but lacks the hype to attract property players

Lacks Vibrancy

The industrial sector in Kuching currently lacks vibrancy. There were no new industrial projects launched in 2018; with only 26 units expected to be completed in 2018, namely Industri 87 at Jalan Batu Kitang. However, there is interest in the secondary market especially for units located in established industrial areas.

Semi-detached units and warehouses remain popular with market prices ranging from RM600,000 to more than RM1 million, depending on the land size. Occupancies and take up rates were stable and may remain unchanged for 2019, whilst rentals ranged from RM1.20 to RM1.50 psf for semi-detached units.

In the long run, there is good potential with the increasing presence of SMEs who will demand space for workshops, showrooms and storage/warehousing.

MIRI: Recovering Optimism

Despite the lack of new supply in Miri, there is optimism arising from the signs of recovery in the oil and gas industry. Should the recovery hold true, the market could pick up slowly in 2019.

BINTULU: Earmarked For Industrial Development

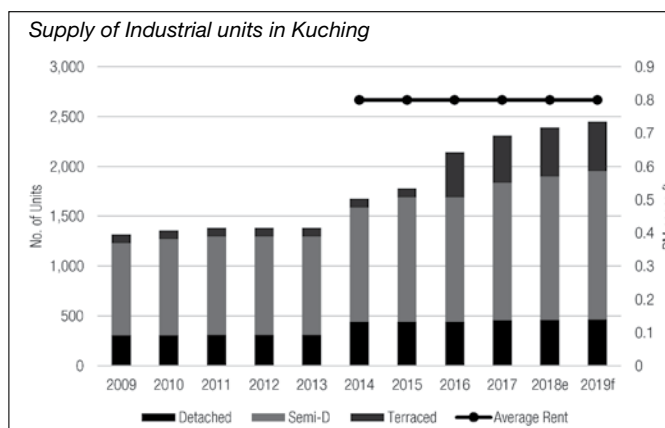
Bintulu shall continue to benefit from its identity as an industrial town to attract more investments, in addition to the existing foreign corporations such as Sakura Ferroalloy and OCIM, both of which have large factories established in Samalaju Industrial Park.

SIBU: Piece-Meal

New supply of industrial units in Sibul is usually piece-meal. Vacant lands with development potential are located along Jalan Ding Lik Kwong area, Sibul Jaya and Jalan Tun Ahmad Zaidi Adruce.

OVERALL

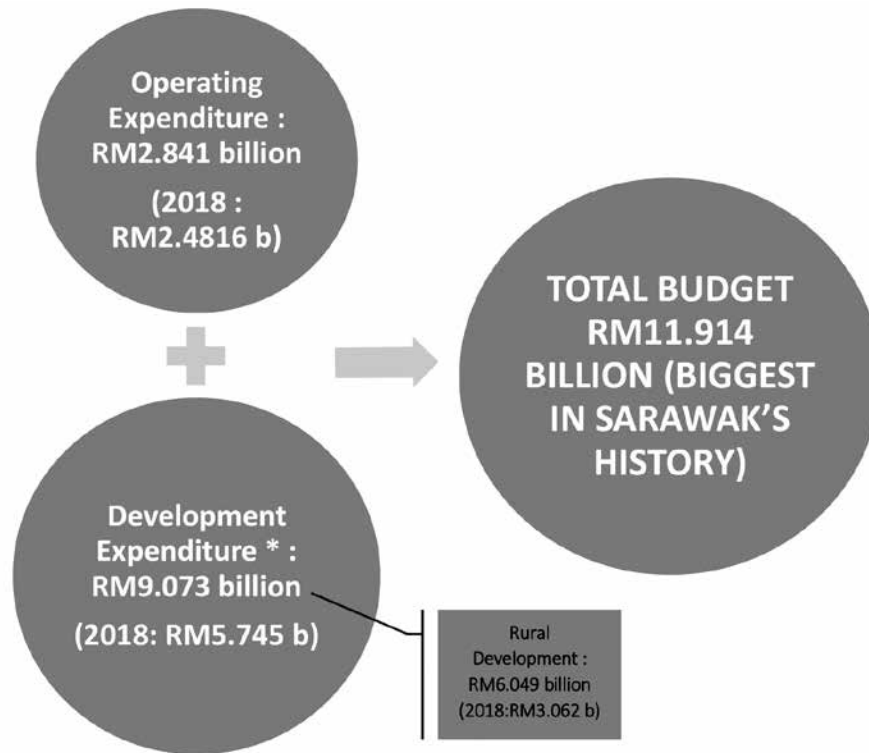
Industrial markets in this region are generally quiet but stable. The only exception is Miri which has been on the downside recently. Nonetheless, Miri's industrial market may undergo some slight improvements in 2019 on the hope that the oil and gas industry recovers. No significant supply is expected across the markets covered. Investment on industrial properties in this region can be regarded as a safe option given the slowly rising rental and constant yield over the years.



Note: Data for the full year of 2018 is based on estimation
Source: NAPIC, WTWY Research

SARAWAK BUDGET 2019 HIGHLIGHTS

DEVELOPMENT BASED, RURAL CENTRIC



*Note: including RM0.26 billion from Federal Funds



Sales Tax on Petroleum Products 5% w.e.f. 1st January 2019

- Crude Oil
- Natural Gas
- LNG
- Chemical fertilisers
- Gas to liquid products

Strengthening Agriculture Development

RM315 million

- Modernisation and commercialisation on advanced technologies
- Programs e.g. venture capital, crop industry development



Incentive for Newborn

RM1,000

- Only withdrawable at age 18 years and above
- For further education or career capital

Industrial Estates Development

RM85.3 million

Implementation and completion of various industrial estates

- Demak Laut Industrial Park
- Sematan Industrial Estate
- Sri Aman Industrial Estate
- Bau Industrial Estate
- Rantau Panjang Industrial Estate



Accelerating Rural Development

RM2.350 billion

- Walkabout projects
- Rural transformation Projects
- Minor Rural Projects
- Program Penambahbaikan Rumah Miskin Sarawak (PPRMS)

Affordable Housing

RM141 million

- Financing of new and on-going construction of 1,827 RMM and Spektra houses

RM270 million

- Redevelopment of traditional projects



Improving Intra-Connectivity

RM1.105 billion

- Building and upgrading of roads, bridges, jetties

New Financial Model

- Development Bank of Sarawak (DBoS)
- Alternative funding in the capital market



FEDERAL BUDGET 2019 HIGHLIGHTS ON PROPERTY RELATED SECTORS

- ❖ RM314.5b allocated for Budget 2019 versus estimated RM290.4b for 2018
 - RM259.8b allocation for operating expenditure, RM54.7b for development expenditure
 - Under development spending, economic sector (transport, commerce, industry, energy, public utilities and agriculture) gets RM29.2b allocation; social sector gets RM15.2b, while security gets RM7.1b; public administration gets RM3.2b
 - RM4.346 billion for the Sarawak government's development expenditure (7.94% of the total development budget (2018: RM4.336 billion)).

Housing :

- RM1.5 billion for the development of affordable homes
- RM1 billion fund to help first-time homebuyers (monthly income of less than RM2,300) buy homes costing less than RM150,000
- Mortgage guarantee for first-time homebuyers with household monthly income of up to RM5,000, with an allocation of RM25 million by Cagamas Bhd
- Rehda has agreed to reduce house prices by 10% for non-price-controlled units
- Property crowdfunding alternative for first-time homebuyers
- Mortgage tenure under the Public Sector Housing Financing Board extended to 35 years (first-time financing) and 30 years (second-time financing)

Tourism:

- RM100 million in matching grants for the private sector to support promotional and marketing campaigns overseas
- 50% of tourism tax proceeds (about RM50 million) to be shared with the respective state governments.
- RM20 million for the Malaysia Healthcare Tourism Council with target set at growing the medical tourism industry 25% annually

Aviation

- New levy on international departures (RM20 for Asean; RM40 for the rest) beginning June 2019

Commodities

- RM30 million to help oil palm smallholders get Malaysian Sustainable Palm Oil certification
- RM117 million to support the agricultural sector via research so as to boost productivity and automation adoption, implement the agrofood industry and train youth in entrepreneurship

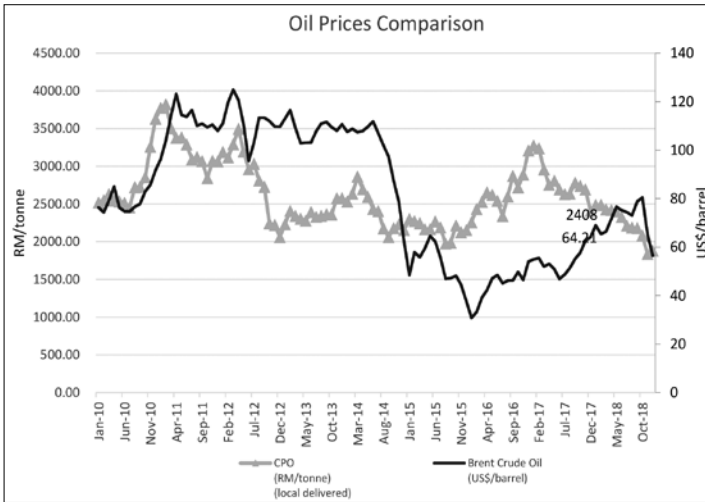
SMEs

- RM4.5 billion SME Loan Fund with a 60% guarantee from Skim Jaminan Pembiayaan Perniagaan, including RM1 billion for bumiputera SMEs
- Corporate income tax rate for taxable income of up to RM500,000 and SMEs with paid-up capital of less than RM2.5 million reduced from 18% to 17%
- RM2 billion worth of credit and takaful facility for SME exports via EXIM Bank
- RM1 billion SME Syariah-compliant Financing Scheme made available via Islamic financial institutions where the government will provide a subsidy of 2% profit rate
- RM2b proposed to encourage investment in green technology industries

Businesses

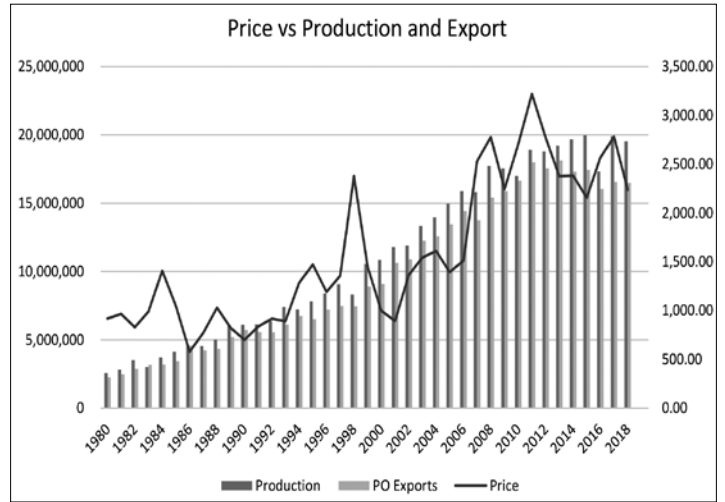
- RM210 million (2019 to 2021) to support transition to Industry 4.0. Malaysian Productivity Corporation to help first 500 SMEs to undertake readiness assessment for such migration
- RM2 million, 250 facilities and 1,200 pieces of scientific equipment to be made available for the private sector to enhance collaboration. Government to place at least 100 researchers with the private sector with cost borne by government
- RM2 billion under the Business Loan Guarantee Scheme to support SMEs investing in automation, with guarantees up to 70%
- RM3 billion for the Industry Digitalisation Transformation Fund at subsidised 2% interest rate to support adoption of smart technology
- Double tax deduction for engineering/technology-related scholarships and expenses for training programmes approved by the Ministry of Human Resources or Malaysian Investment Development Authority

OIL PRICES COMPARISON



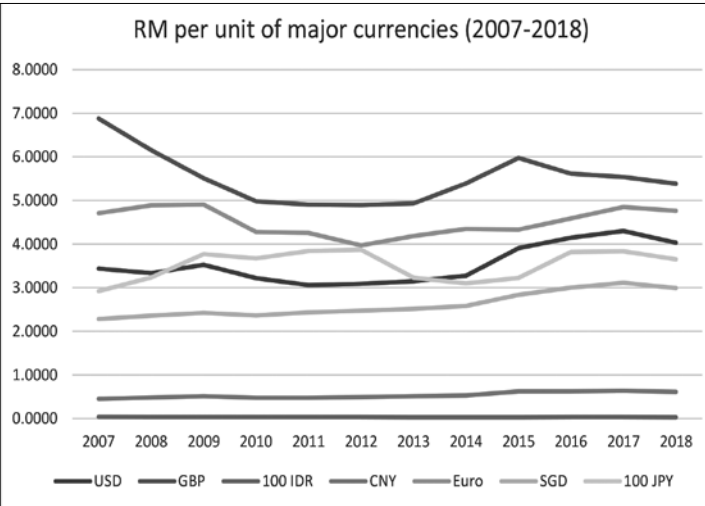
Commodity prices enjoyed a short rebound in mid 2018 with crude oil prices climbing to almost USD70 per barrel, but fell heavily to USD50 per barrel by year end. The crude oil price is expected to average about USD65 per barrel for 2019, although low-high variances may be large.

PALM OIL PERFORMANCE



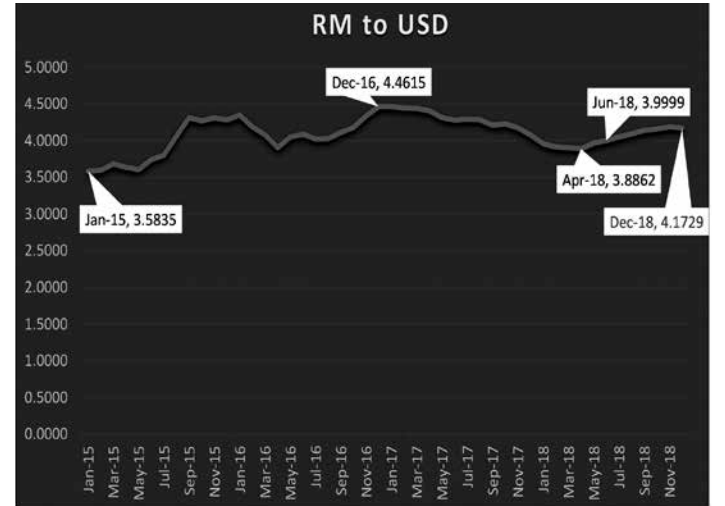
Palm oil prices which have dropped to a low of RM1,880.00 per tonne by end 2018 is expected to average 2,400 ringgit (US\$575.19) per tonne next year versus 2,300 ringgit this year. Palm oil prices are expected to improve in 2019 on higher export demand while production will rise on better fresh fruit bunch yields.

RM per unit of major currencies (2007-2018)

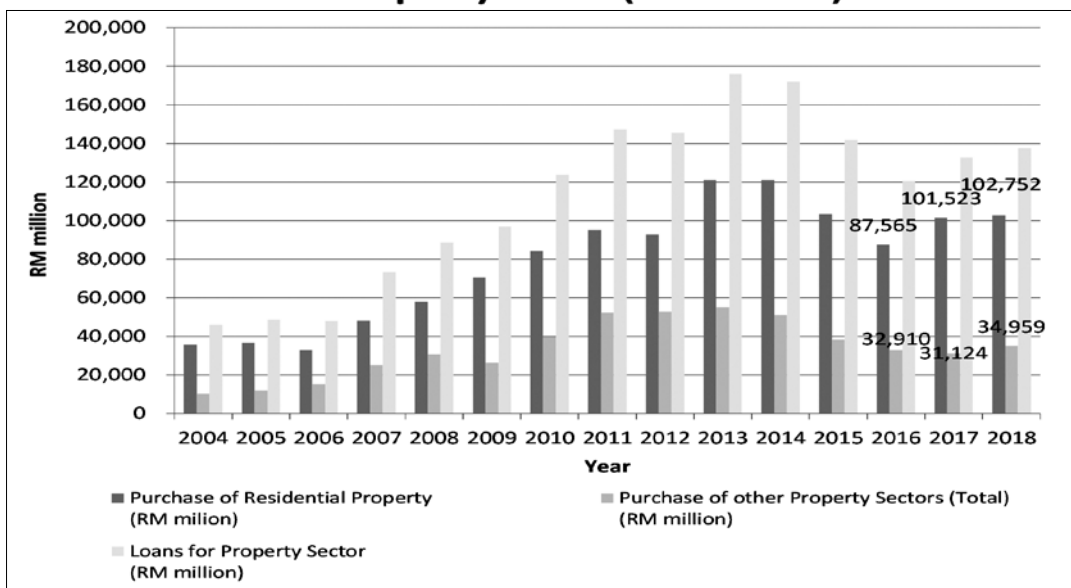


The Ringgit has also been one of the better performing currencies amidst intensifying trade war between US and China, and the resilient economy is expected to see the Ringgit strengthening further against the USD.

RM to USD



Property Loans (2004-2018)



The property loans approved for 2018 totalled RM137,711.30 with loans approved for residential at RM102,752.20 (2017: RM101,523.30) and non-residential at RM34,959.10 (2017: RM31,123.90). The total loans approved for 2018 increase slightly against 2017 y-o-y (3.82%) and 2019 is expected to see a continued improved figure.

PROPERTY MARKET OVERVIEW

PROPERTY MARKET INDICATORS

	Overall		Landed Residential		High Rise Residential		Purpose-built Office		Shopoffice		Retail		Industrial		Hotel	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
SARAWAK																
Kuching	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶	▶	▶	▶	▶	-	-
Miri	▼	▶	▶	▲	▼	▶	▼	▶	▼	▶	▼	▶	▶	▶	▼	▶
Bintulu	▶	▶	▶	▶	▶	▶	▶	▶	▼	▶	▼	▼	▶	▶	▶	▶
Sibu	▶	▶	▶	▶	▶	▶	▶	▶	▶	▶	▼	▼	▶	▶	▶	▶

POLICY UPDATES

Title	Authority/Agency	Effective Date
Stamp duty revision	Ministry of Finance	1 July 2019
Stamp duty rate increased from 3% to 4% for transfer of property worth RM1 million and above.		
Stamp duty exemption	Ministry of Finance	1 January 2019
Stamp duty exemption of up to RM300,000* on the property transfer (surat cara pindah milik) and loan agreement for first-time house buyers purchasing a house priced at RM500,000 or below.		
Real Property Gain Tax (RPGT) revision	Ministry of Finance	1 January 2019
<ul style="list-style-type: none"> For disposal in the 6th year and after, RPGT to be increased from 5% to 10% for foreigners and corporations; 0% to 5% for Malaysian individuals. Exemption applies to low-cost houses, low- to medium-cost houses and houses priced below RM200,000. 		
Fund by Bank Negara Malaysia	Bank Negara Malaysia	1 January 2019 or until the fund is exhausted
<ul style="list-style-type: none"> RM1 billion fund is set up for Malaysians earning no more than RM2,300 per month to buy affordable houses priced at RM150,000 and below at an interest rate of as low as 3.5%. Available at participating financial institutions such as AmBank, CIMB Bank, Maybank, RHB Bank and BSN. 		
Allocation to Cagamas Berhad	Ministry of Finance / Cagamas Berhad	2019
RM25 million in allocation for Cagamas Berhad to provide mortgage guarantee (jaminan pajak gadai) to ensure that first-time house buyers with a household income of up to RM5,000 will receive a higher financing, including the deposit. This is expected to lower the cost by 7% to 11% for buyers, apart from the discounts given by developers.		
Extended financing term under Public Sector Home Financing Board (LPSSA)	Bank Negara Malaysia / LPSSA	January 2019
The repayment term increased from 30 years to 35 years for first-time financing; 25 years to 30 years for second-time financing.		

*Up to RM1 million for properties up to RM2.5 million, from January to June 2019 during the Home Ownership Campaign (HOC)

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



C H Williams Talhar Wong & Yeo

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