

SARAWAK PROPERTY BULLETIN



Sarawak Property Market

1st Half 2021 Property Market Review

The property market which was expected to continue to pick up in 2021 from the improved last quarter of 2020 was dampened again with surge in covid cases amidst new variants such as Beta and Delta entering the country and State. The overall property sector remained soft and precarious in the first half of 2021, as the re-imposition of stringent Movement Control Order (MCO) regulations amidst rising Covid-19 cases negatively impacted commercial and social activities except for essential services. This has taken a pro-longed toil on the economy as well as welfare of the Rakyat and further crushed consumer sentiments and confidence going further into the year.

With the pandemic getting long-drawn and persisting longer than expected, the overall adverse impact can be felt nationally and globally, testing the country's resilience and wearing out the nation's resources financially and physically as the number of casualties continue to rise even at the time of writing.

This first half year also saw the vaccination program going full swing as the fight against Covid-19 now seems to be highly dependent on the rate of vaccination in order to achieve herd immunity. Nevertheless, market sentiments which are expected to improve in tandem with increase in vaccinations as the year progresses, have been put on a roller-coaster ride with hiccups and new challenges thrown into the recovery path with the aggressive progression and mutation of the deadly virus which has deluded even vaccinations.

GDP Growth Projection

The International Monetary Fund (IMF) has revised downwards the 2021 economic outlook for Asean-5 countries (Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) by 0.6% to 4.3%, as the recent Covid-19 infection waves are causing a drag on activity whilst revising the Asean-5 countries' economic outlook for 2022 by 0.2% to 6.3%.

Overall, the IMF has maintained its 6% global economic growth forecast for 2021 and upgraded its 2022 growth projection by 0.5% to 4.9%.

The GDP growth for Malaysia has been further revised downwards to 4.7% from 6.5% for 2021, seeing the latest development of the worsening covid situation which is putting great strain on the nation's health and economic resources.

(Source: July 2021 World Economic Outlook Update)

Volume and Value of Property Transactions

The percentage change in volume of property transactions for Q1 2021 shows a growth of 25.2% year on year (y-o-y) against Q1 2020 but a drop of 17.9% quarter (q-o-q) against Q4 2020 whilst the value of property transactions for Q1 2021 shows a growth of 56.2% year on year (y-o-y) against Q1 2020 but a drop of 11.6% quarter (q-o-q) against Q4 2020. Residential continues to be the dominant property sub-sector in terms of both volume and value of property transactions with 46.9% and 42.2% share respectively in Q1 2021. Agricultural transactions which had been the 2nd largest contributor in Q1 2020 with 40.8% volume share has now dropped to 30.2% whilst development lands have increased its share of volume from 7.1% in Q1 2020 to 11.2% in Q1 2021. Commercial transactions are also seen to have improved from 7.1% to 9.7% and 13% to 22.2% in terms of volume and value share respectively y-o-y.

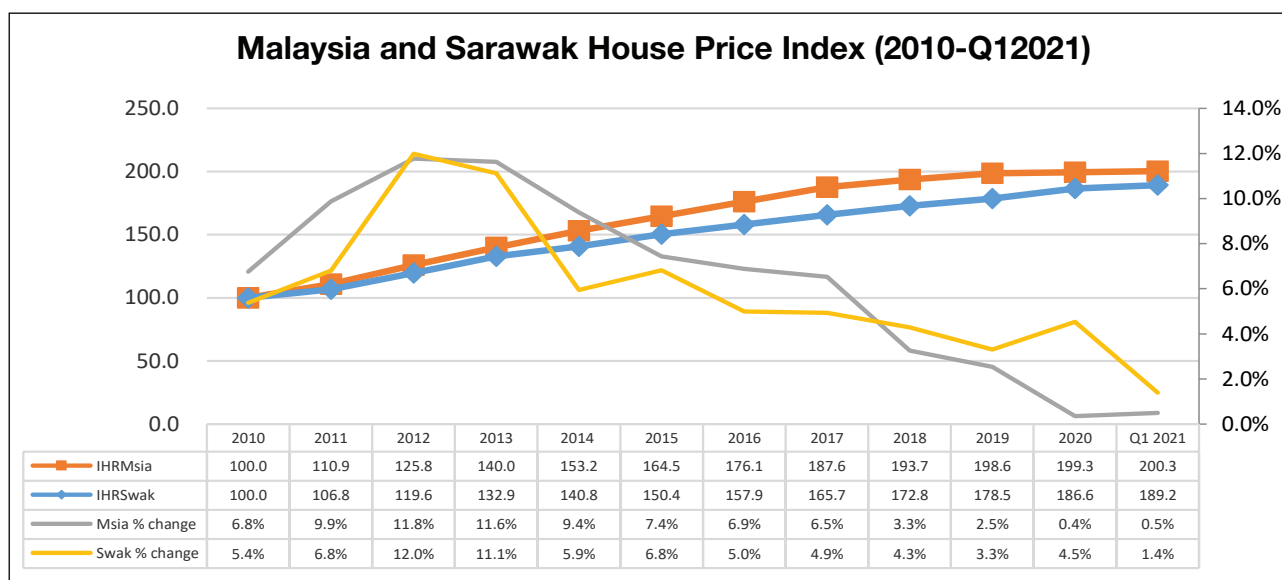
(Source: Property Market Report Q1 2021, NAPIC)

Volume and value of transactions are expected to drop in Q2 2021 given the deteriorating Covid situation.

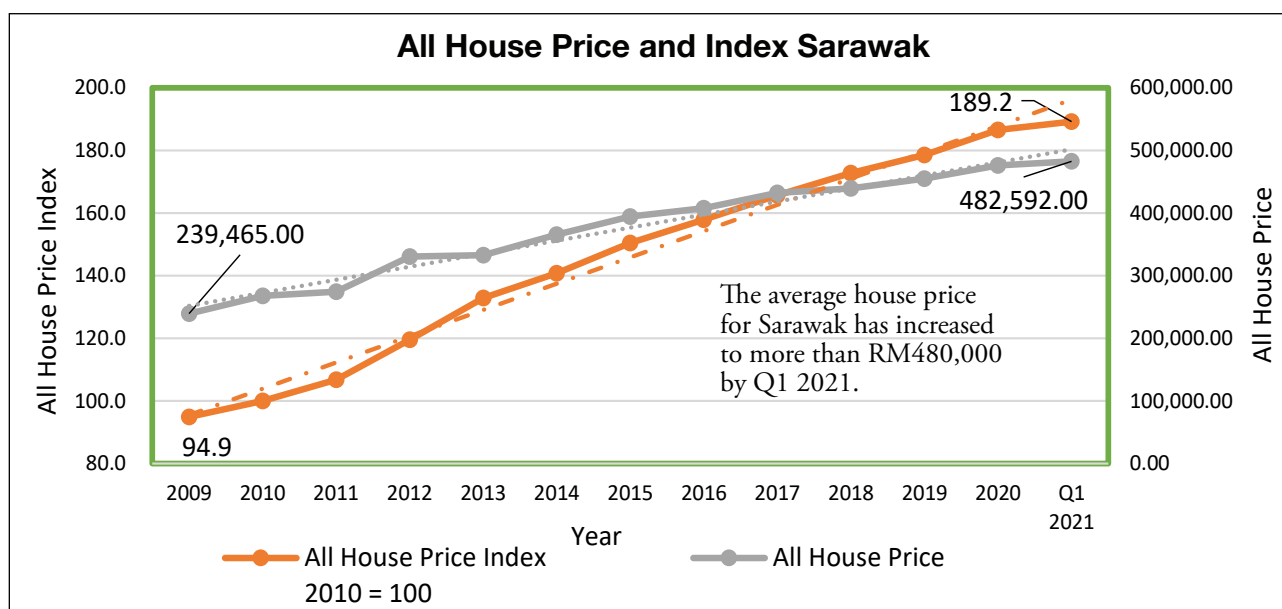
House Price

The Malaysian House Price Index which had moderated since 2019 continues to be more or less maintained with a general lull in prices across all property sectors. The Sarawak House Price Index trend followed a similar pattern although the prices haven't tapered off as seen in the overall Malaysian House Index.

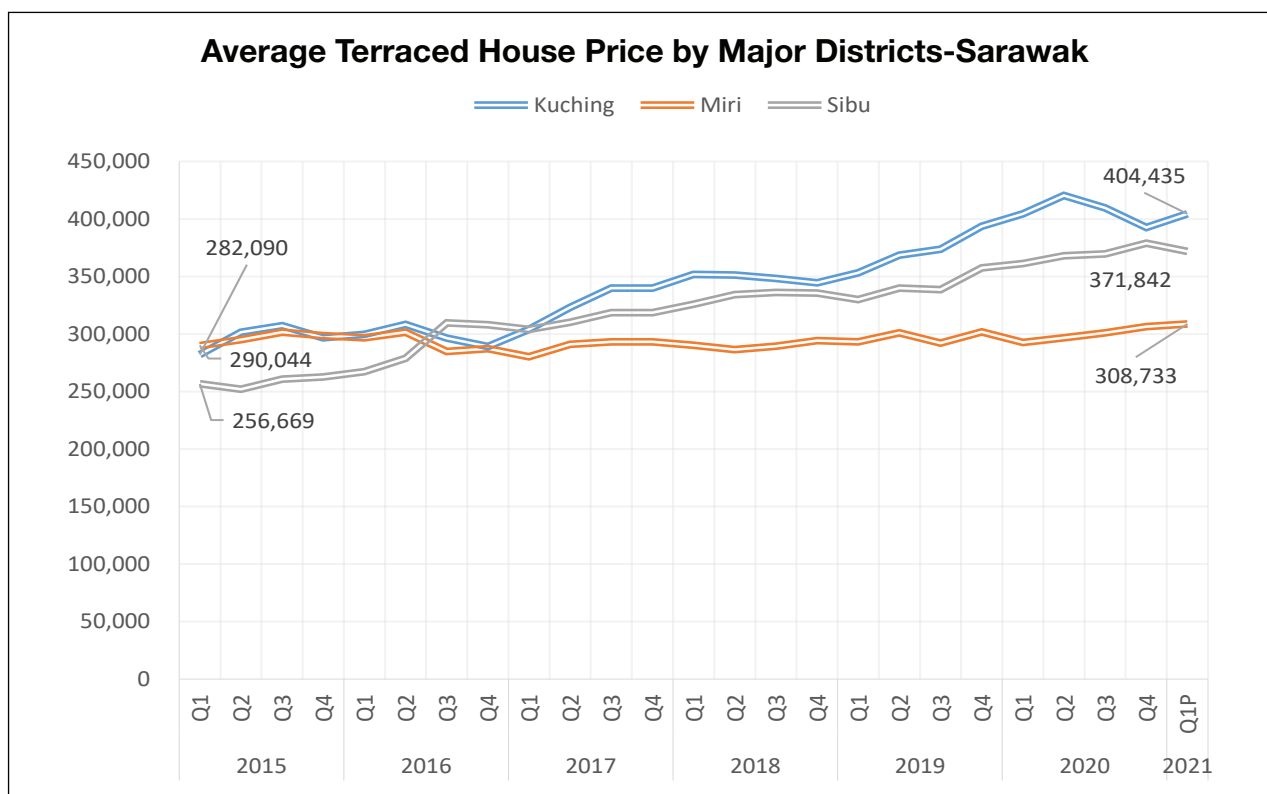
Based on the House Price Index (HPI) for the last year or so, the percentage of house price growth is almost zero for Malaysia whilst Sarawak seems to be faring slightly better with a marginal growth of 4.5% for 2020 y-o-y and 1.4% q-o-q as at Q1 2021.



The Sarawak All House Price Index which has been climbing steadily over the past years is seen to be moderating. Although still recording some price growth, the momentum has slowed down since 2019.



Source: Compiled by WTWY Research (2021) from NAPiC, JPPH Data



Source: Compiled by WTWY Research (2021) from NAPiC, JPPH Data

The average terraced house price for the major districts in Sarawak has maintained a general increase in price. As at Q1 2021 y-o-y, Miri has performed better at 5.54% price growth compared to Sibiu (2.89%) and Kuching (0.02%).

Dominant Residential Property Types

Terraced houses continue to make up the largest segment (about 45%) of residential transactions with 2-storey terraced housing units being the most popular type contributing more than ¼ of the residential numbers transacted.

TYPE	2020 (% numbers transacted)
Vacant Plot	10.6%
1ST	18.5%
2ST	27.4%
1SSD	5.0%
2-3SSD	15.9%
DH	10.2%
Condo/Apartment	3.6%
Cluster House	0.4%
Town House	0.7%
Flat	1.7%
Low-Cost House	5.2%
Low-Cost Flat	0.8%
Others	0.0%
Total	100.0%

Source: Compiled by WTWY Research (2021) from NAPiC, JPPH Data

Close to 2/3 of residential transactions are below RM300,000 and only about 1% are above RM1 million.

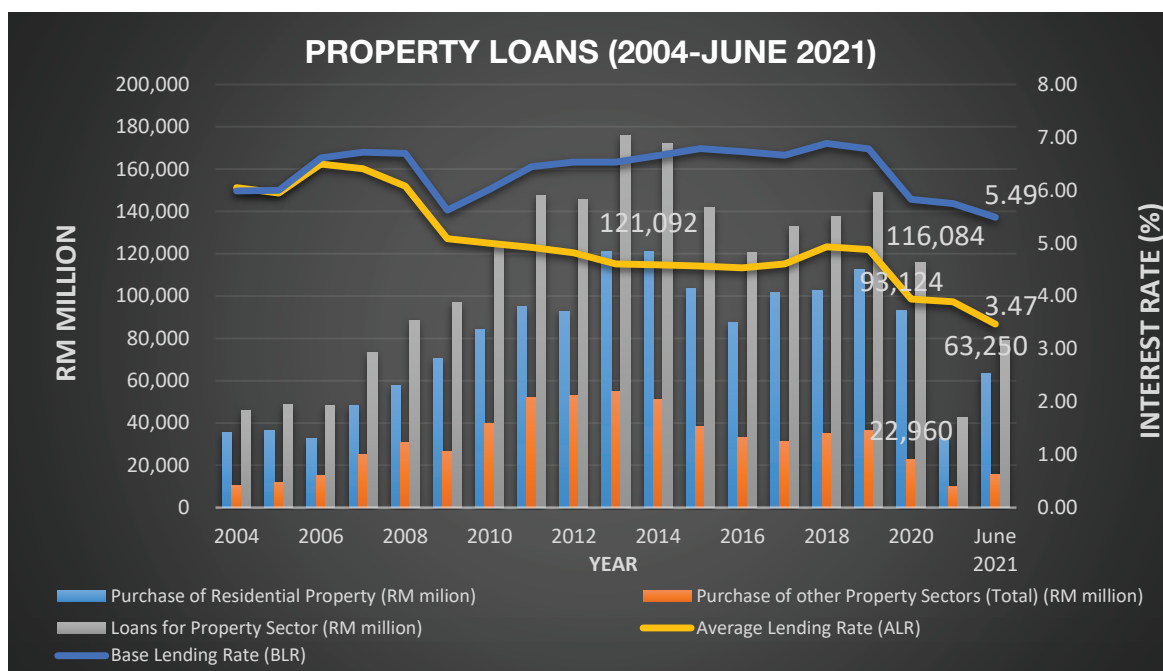
Residential Sales Performance

The sales performance for Q1 2021 (Source: NAPiC Residential Sales Performance Report Q1 2021) recorded a total sales of close to 30% for units launched in the last 3 quarters with 5%, 10% and 14% sales for units launched in the last 3, 6 and 9 months respectively. Based on this rate of sales, the residential sales is expected to average around 20% per annum, reflecting a longer time needed to offload new supply in the market.

Most of the units launched are in the region of RM400,000 and below.

Home Ownership Campaign (HOC)

The Home Ownership Campaign (HOC), which was introduced in 2019 to be effected from 1st January 2019 to 30th June 2019 and was subsequently extended to 31st May 2020 has been further extended until 31st December 2021 in order to encourage and assist home purchase during the difficult financial times faced during the COVID-19 pandemic whereby the Malaysian economy had been hard-hit across all sectors owing to the implementation of several Movement Control Orders (MCO) and curtailed consumption.



Source: Compiled by WTWY Research (2021) from BNM Data

Property loans

The approval rate of loan amounts applied have been decreasing since 2015 due to more applicants failing to meet the stringent bank borrowing conditions with only 35.25% loan amount applied approved for 2021 to-date (2015: 48.5% approved). However, property loans account for more than 42% of total loans approved by banks in the 1st 6 months of 2021, as compared to only 33% in 2020 and 36% in 2019, reflecting the resilience of demand for real estate property compared to other assets. The property loans approved for 2020 totalled RM116,084 with loans approved for residential at RM93,124 (2019: RM112,571) and non-residential at RM22,960 (2019: RM36,552). The residential loans approved for 2020 declined by 17.28% due to low activity as a result of the full lockdown imposed at the onset of the covid-19 pandemic. However, residential loans is seen rebounding by 93% y-o-y in 2021.

SARAWAK'S POST COVID DEVELOPMENT STRATEGY (PCDS) 2030

In line with Sarawak's vision to become a developed State and in response to the challenges posed by the on-going Covid pandemic, the Sarawak State Government has decided to draw up a development plan to strategise the State's growth post Covid. Sarawak's exports had shrank by 24% whilst its unemployment rate had increased from 3.1% to 4.2% for 2020 compared to 2019.

Targets of PCDS 2030

- Double Sarawak's GDP to RM282 billion by 2030 (2019:RM136 billion)
- Increase GDP growth to 8.0% per annum for the coming years up to 2030
- Create 195,000 new job opportunities for Sarawak between now and 2030
- Raise household income to RM15,047 (2019: RM5,959) per month
- Reduce rural and urban development gap
- Improve work efficiency, enhance productivity via digital innovations

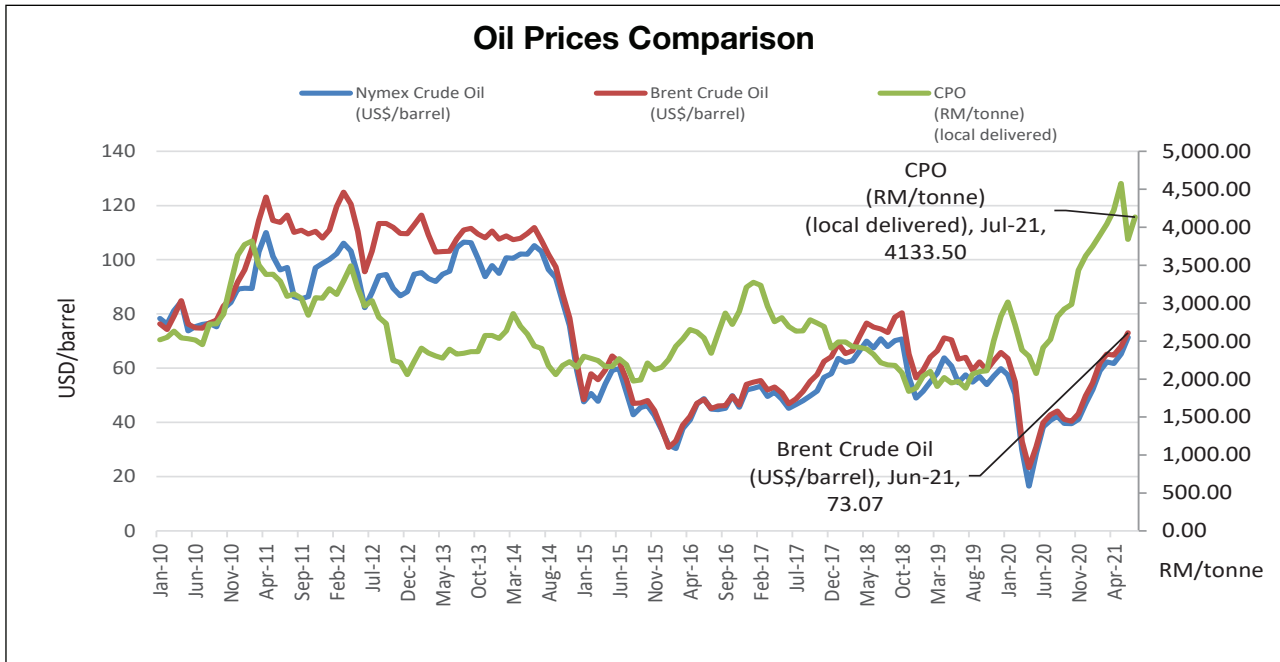
Target Sectors

Manufacturing, Agriculture, Tourism, Forestry, Mining and Social Services

Highlights

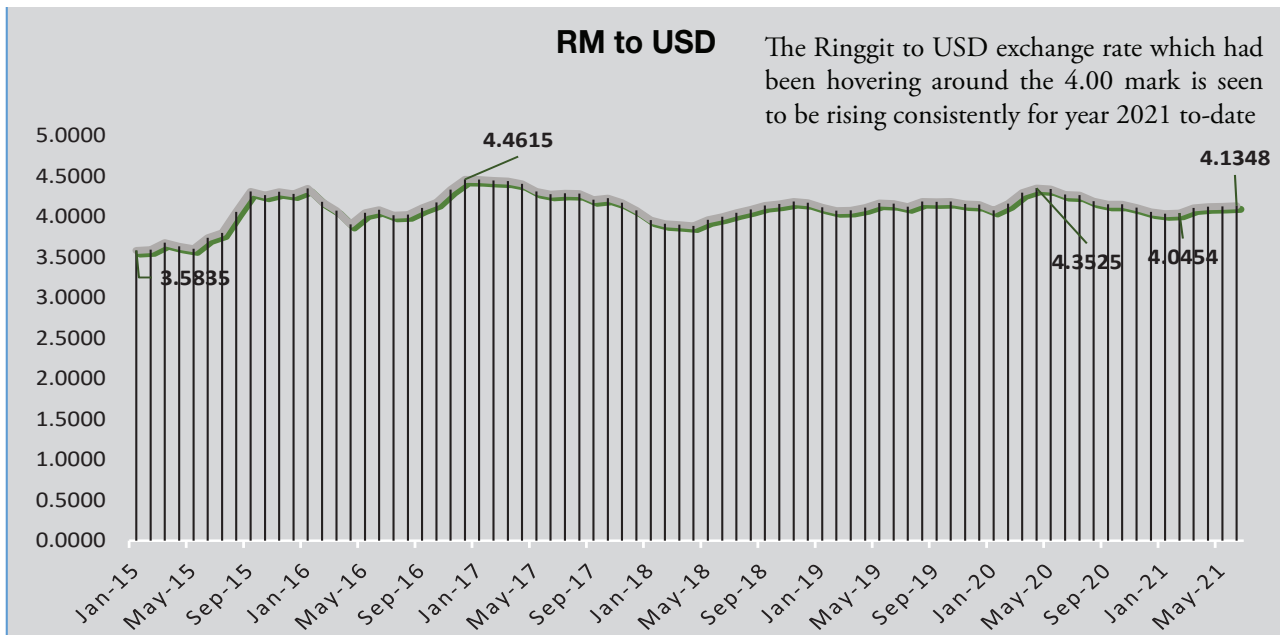
- ❖ Economic Recovery expected with easing of measures will be in tandem with the rate and severity of covid infections which is highly dependent on the rate of vaccination to achieve herd immunity, the latter of which has also not proven to be 100% fool proof.
- ❖ The extension of the HOC in 2021 will provide some price relief with the required compulsory discount and access to attractive financing incentives.
- ❖ Residential sector remains the driving force behind the property market with affordable housing, mainly priced below RM400,000, the mainstay of the residential sector in Sarawak.
- ❖ The ongoing Pan Borneo Highway (Sarawak stretch) which is 70% completed will create multiplier effects for future and current properties in surrounding vicinities.
- ❖ The State government's goal towards digitalisation of businesses in Sarawak will help facilitate speed and efficiency of doing businesses and thus, help in the development of businesses particularly in the areas of sales and marketing which includes the real estate industry.

INDICATORS

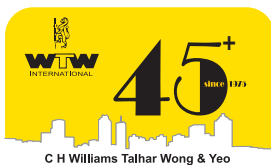


Palm oil prices has been climbing steadily since mid 2020 to reach a high of **Rm4,576.50 in May 2021**. There was a slight dip in June 2021 but is observed to be climbing again in July 2021.

After a sharp decline of crude oil price to about USD20 per barrel in mid 2020, the crude oil price has climbed back up to between USD 65-70 per barrel for 2021 and has **exceeded USD 70 per barrel** in July 2021.



Source: Compiled by WTWY Research (2021) from BNM Data



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