

SARAWAK PROPERTY BULLETIN



Sarawak Property Market

1st Half 2019 Property Market Review & Outlook

How has the market played out in the first 2 quarters of 2019? Has it landed and has the landing been soft or hard.....

Last year's historic change in Government was received with much optimism as it was perceived to bring about positive changes with better governance and expected to have a good impact on the property market in Malaysia as a whole and Sarawak as a State. The landing post-GE 14 was bumpy, yet surprisingly more gentle than expected, softened by our strong fundamentals, as the market view these changes as good in the long run and remain hopeful of a full recovery soon.

Whilst 2018 was a year of reflection and review for industrial players adjusting to structural changes, it was also a challenging year with prices of commodities on the decline and mega projects being scrapped or put on hold, complicated further by the manifestation of the US-China Trade War. The prolonged US-China trade war which continued well into this year had been seen as a lose-lose situation with huge negative impact on emerging economies which depend heavily on these 2 large trading partners.

However, most analysts felt that the market is bottoming out as the market is showing signs of recovery especially in the property market which sees better times ahead after an increase in both volume and value of transactions for 2018 against 2017. The country's strong fundamentals have helped shield the market from big negative impacts and its resilience is reaffirmed by BNM's recent statement that Malaysia is on the right track to recovery.

2019 can be viewed as a year of moderation and consolidation, where no huge market changes, up or down, are expected with continued cautiousness in business dealings, going forward.

With the increase in gross operating surplus (2018 growth: 7.6%) and decrease in fiscal deficit in the first 5 months of 2019 (39% decrease in 2019 y-o-y), the government is confident that the economy would expand sustainably for 2019 and 2020, and on track to fully restore fiscal health by 2021.

JPPH in its Property Market Report 2018 expects property market activity in 2019 to stabilise. Judging from the increase in volume (4.7%) and value (7.4%) of total property transactions in 2018, which is a contrast to the last 5 years, with better performances in all sub-sectors, it is felt that these are early signs of recovery and the market for 2019 is anticipated to pick up and see an uptrend in most sectors.

The Residential sub-sector which forms the largest property sector will continue to dominate the market in terms of volume and value and is expected to be moving, slowly but surely, except for the apartment sector which will continue to face competition in view of significant increase in the in-coming supply. Take-up rates of the latter would be affected by pricing and location and other unique selling points. The industrial, agricultural and vacant land sectors are expected to register slow but steady growth whilst excess of units are still observed in the commercial sector, particularly, retail units in the secondary areas and shop offices.

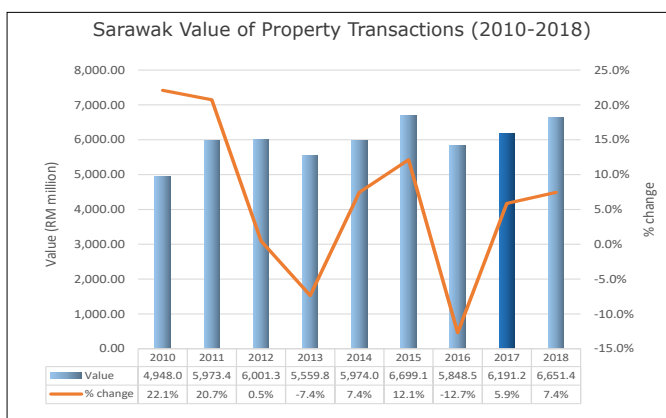
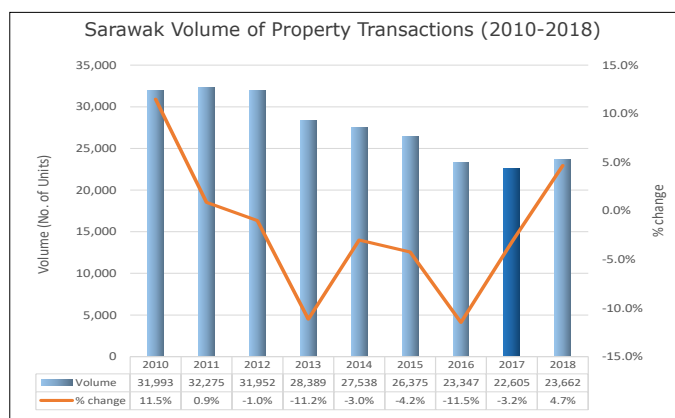
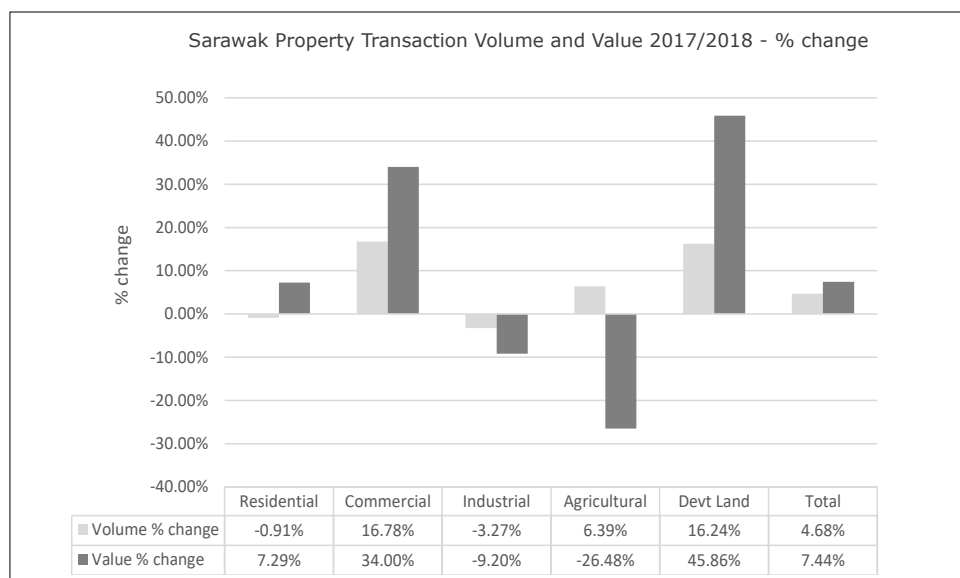
Overall overhang for 2019 has increased compared to 2018, due to increased in-coming supply due to prolific launches of recent years. High property prices, stricter lending policies, volatile macroeconomic conditions and weak consumer sentiment remain challenging for the property sector in 2019 especially to offload old stock. However, decline in value is not evident although developers are offering bigger discounts/rebates, more perks and higher commissions to clear their

unsold stock. These have contracted the profit margins. In addition, the imposition of 5% RPGT from the 6th year onwards announced effective 2019 could further slacken genuine sales.

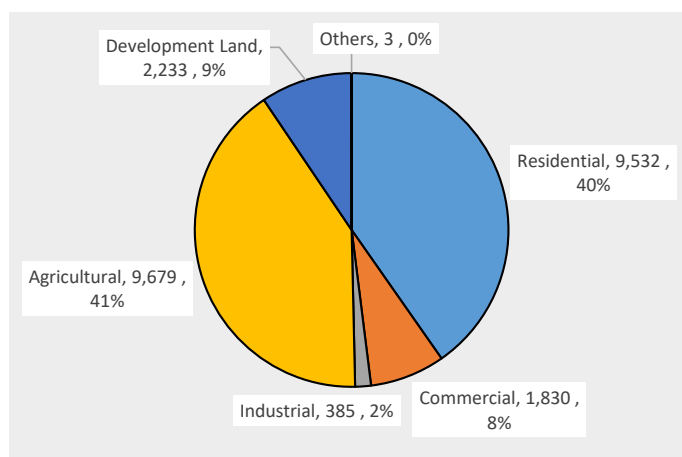
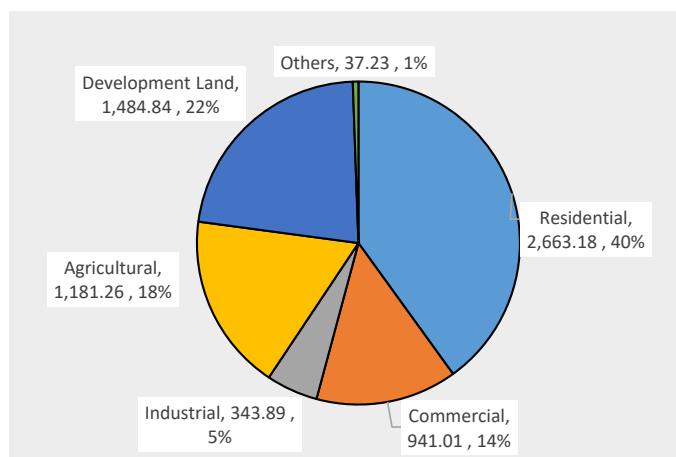
Major infrastructure projects are expected to continue to be the catalyst for growth especially in Sarawak which has been earmarked to benefit from the Regional Development Plans under the 11th MP and having the largest budget allocation for development expenditure for 2019. Barring any unforeseen circumstances, a lot of projects are expected to be rolled out in the State in the next few years.

NAPIC'S PROPERTY MARKET REPORT 2018

- ❖ 23,662 transactions (2017:22,605) worth RM6.65 billion (2017:RM6.19 b) were recorded in 2018
- ❖ Volume of transactions have increased by 4.7% in total, with significant increases in development lands, commercial and agricultural sectors (6% to 16.0%) whilst residential transactions remain more or less the same
- ❖ Values of transactions have simultaneously increased by another 7.4%, with huge increases in development lands (>45%) and commercial (34%) sector and substantial increase in residential (7.3%)
- ❖ Development lands remain the best performing sub-sector, having increased the most in terms of value (RM45.86%) and more not far off from commercial in terms of volume (16.24%) whilst the commercial sector has outperformed other sectors in terms of highest rate of increase in volume of 16.78%, and having increased a significant 34% in value
- ❖ Agricultural and Residential sectors lead in the volume of transactions by dominating 40.9% and 40.3% respectively of the market share whilst Residential sector continues to be the major contributor in terms of value with 40% market share followed by Development lands (22%)



A comparison of the past 7 years' transaction by volume and value as depicted in the respective chart, shows that 2018 could very well be the start of market recovery as seen in the uptrend of the property cycle with increases in both volume and value after negative growth in volume for the last 6 years.

Sectoral share of Transaction Volume, 2018
(No. of units)Sectoral share of Transaction Volume, 2018
(RM million)

The RESIDENTIAL SUB-SECTOR continues to be the largest contributing sector, comprising 40% in volume and value of the total property transactions for Sarawak.

BANK NEGARA CUTS OPR RATE TO 3%

Bank Negara has reduced its OPR rate by 25 basis points from 3.25% to 3% w.e.f. 7/5/2019 (a previous rate set on 25 January 2018), as a way ease the cost of borrowing for banks and to induce more spending. The last change was in January 2018 whereby the OPR was increased to 3.25% from 3.00%, which had been maintained since 2016. It was reported that Malaysia is the second Asian nation after India to lower interest rates this year.

The baseline projection is for the Malaysian economy to grow within the projected range of 4.3% - 4.8%. Bank Negara said while domestic monetary and financial conditions remain supportive of economic growth, there are some signs of tightening of financial conditions. According to Bank Negara, underlying economic conditions continue to suggest moderation going forward.

Slowing global demand conditions and subdued growth of key trading partners will continue to weigh on the external sector. Bank Negara said domestically, stable labour market conditions and capacity expansion in key sectors will continue to drive household and capital spending.

In the immediate term, inflation is expected to remain low mainly due to policy measures and continue to be dependent on global oil prices. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

The domestic financial markets have remained resilient, despite periods of volatility.

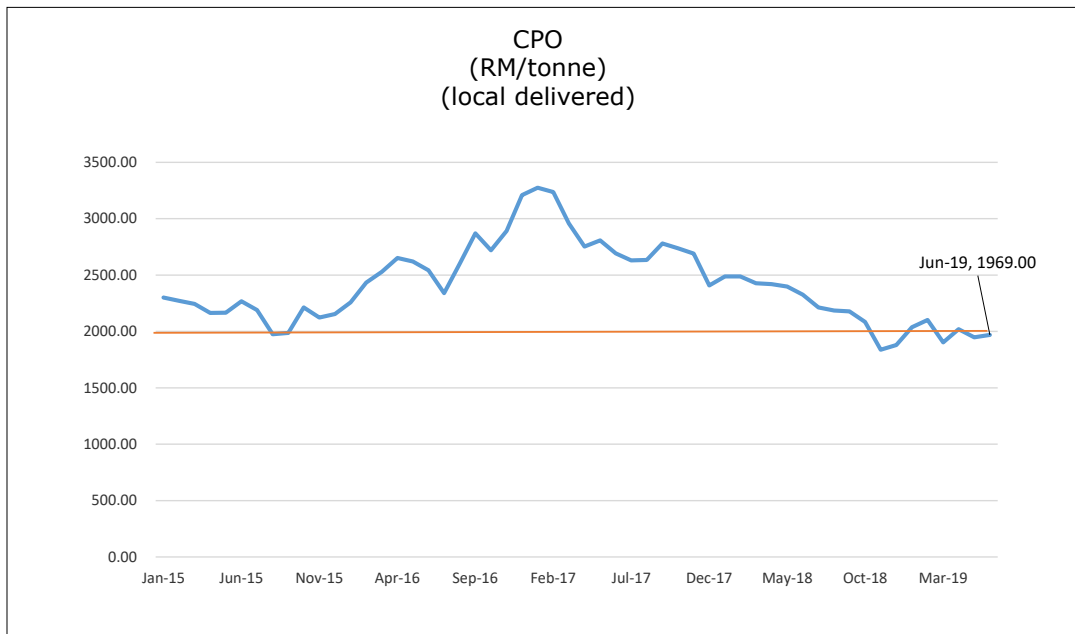
Source : *Extracted and compiled from various newspaper articles, 2019*

Significant Property Transactions, Sarawak 2018

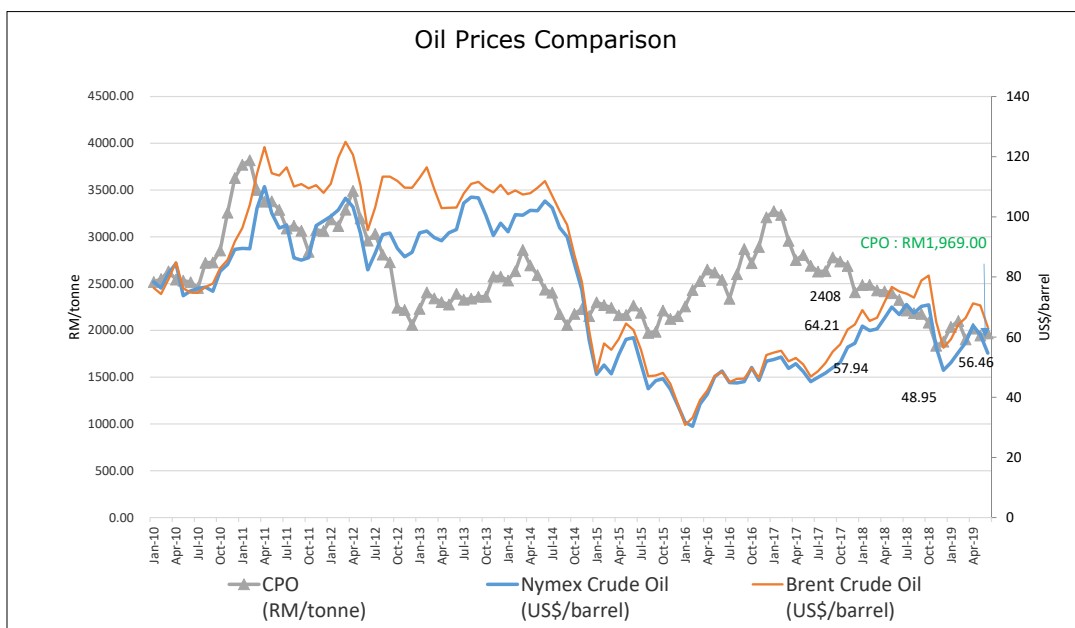
No.	Transacted Date	Property Description	Land Size (Hectare)	Location	"Transacted Value (RM)"	Property Description
1	Jan 2018	Oil Palm Plantation	153.64	Jalan Bakam, Miri	20,000,000.00	
2	Jan 2018	Vacant Land	522.47	Jalan Serian-Tebedu	15,491,200.00	
3	Mar 2018	Vacant Land	2.214	Tabuan Jaya	25,854,582.00	Lot 435, BLk 11, KCLD
4	Mar 2018	Vacant Land	0.8741	Jalan Tun Jugah	11,000,000.00	Lot 625, BLk 16, KCLD
5	Feb 2018	Vacant Land	5.996	Matang	11,102,240.00	Lot 1397, Blk 9, MLD
6	Aug 2018	Development land	14.3	Batu Kawa	45,000,000.00	Lot 6739 Blk 225 KNLD
7	Nov 2018	Development land	5.318	Semaba	9,860,000.00	Lot 15 Blk 232 KNLD
8	Mar 2018	Vacant Land	16.025	Tabuan Jaya	21,780,000.00	Lot 597 Blk 11 MTLD

Source : *Estate Land Sales Jilid 25, NAPiC and Lands & Surveys Sales Data, 2018-2019*

COMMODITIES



Price of Crude Palm Oil has recovered slightly from the last quarter of 2018, but is still volatile and barely touching the RM2,000/tonne threshold as at June 2019.



In remembrance of.....



The Lead Founder of
C H Williams, Talhar & Wong,
Mr Colin Harold Williams,
who passed away peacefully in
Berkshire, United Kingdom on
5th March 2019 at
the age of 93.
May His Soul Rest in Peace.



In - House Property Market Presentation for MBB (Q1 2019)



In - House Auction/Tender Informative and Interactive Session conducted for MBB (Q1 2019)



C H Williams Talhar Wong & Yeo

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