

C H Williams Talhar Wong &amp; Yeo

# Sarawak Property Market

## 1<sup>st</sup> HALF 2017 PROPERTY MARKET REVIEW & OUTLOOK

The property sector was seen to be in neutral gear for the 1<sup>st</sup> half of the year, not having gained the momentum needed to see significant improvements. Consumer sentiments and expectations remain low. Construction activities continued to slow down with fewer launches. However, the number of completions have increased due to the large numbers launched in previous years.

GDP growth rate is projected to be maintained at 4.3% for 2017, more or less the same as the previous year 2016, and will continue to be primarily driven by domestic growth, especially private investments. Most businesses are still waiting for a full market recovery before making major decisions.

The general sentiment regarding the Malaysian property sector in 2017 is to hope for the best, yet fearing the worst. The economy remains fragile and susceptible to external factors. Household debts remain high with fears of it getting higher whilst long term financial commitments continue to take a back seat. Conventional houses remain beyond the reach of most of the population. The government and private sectors have recognized the need for and is paying more attention to the affordable housing segment.

Despite the soft market, properties in prime attractive locations are still in demand and the average prices have generally not gone down, albeit even gone up marginally for those in good areas. However, prices of properties which have gone beyond their upper threshold are expected to remain flat.

According to the Valuation & Property Services Department of the Ministry of Finance Malaysia (NAPiC) data, the transacted volume and value of properties for Sarawak in 2016 recorded a drop not just in volume but value as well, which generally pulled down the average property price from RM254,000 to RM250,000 per unit.



Bintulu



Kuching



Sibu



Miri

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## Review and Outlook

The market continues to be compounded by subversive elements and overall market remains somber as seen by some obvious indicators such as car and retail sales which have gone down. There is generally an over-built environment especially for the commercial shophouses and retail sector. Banks are seen pushing for financing but the financing requirements remain cautious and stringent. Inflationary pressures persist as households are confronted by rising costs of goods and services. Household debts are increasing and demand are crimped. There are also less construction activities seen in the market as launches are reduced. Pessimism is reflected in the Customer Sentiments Index which remains low and has yet to reach the 100 points threshold.

The scenario is that housing which is the mainstay of the property market is still generally unaffordable although the government has stepped up efforts to provide these especially for the young working population through their IPRIMA and lately, SPEKTRA projects which have had good response but are still slow to be implemented as they have to juggle a fine balance between location and costs. With the increasing costs in land and materials, there continue to be a supply and demand mismatch.

The urban areas are seeing an increase in apartments supply and the trend seems to continue.

2017 is witnessing significant global political changes which will have profound effect on the other smaller world economies especially emerging economies. The market for the remainder of 2017 remains challenging with moderate economic growth.

Although some indicators such as GDP and exports have improved slightly, signs of a full recovery is yet in sight. Market recovery is expected to be slow and a marked recovery is only expected in the latter half of 2018.

## Economic Perspective

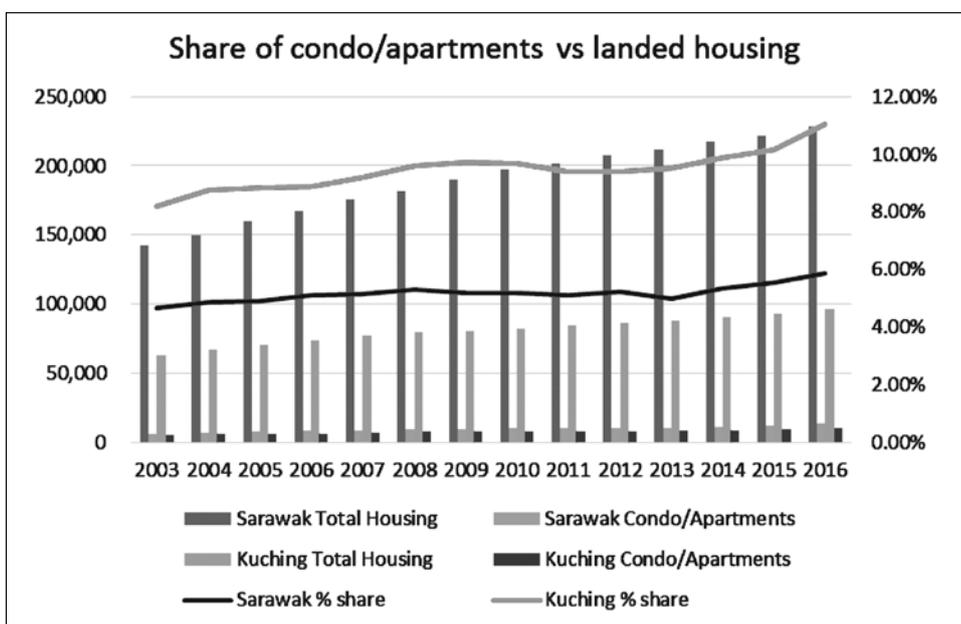
On the global perspective, the economy continued to be dogged by uncertainty in the face of changes in global leaderships, impacting policies. The spotlight has been on China, Brexit, the EU and USA which have far reaching effects especially on emerging economies such as Malaysia's which depends heavily on exports. Although exports have increased over the last period for Malaysia, the imports are seen to have increased more resulting in declining trade surplus. However, with the slightly improved economic indicators going into the 2nd half of 2017, the GDP growth for Malaysia is maintained unchanged at 4.3% against the world's GDP forecast of 2.9%. The South-east Asian region will remain the 2nd highest growth region (4.8%) (2016:4.6%) after East and South Asia (6.0%)

The 1st half year has seen an improvement in commodity prices which have balanced off other negative economic setbacks. Low oil prices which have exacerbated the weak economies of most countries have risen significantly from the lows of early 2015. It is expected to gradually recover through 2017 and the next year. However, uncertainty remains as price movements remain erratic. Malaysia's household debt-to-gross domestic product (GDP) ratio contracted to 88.4% as at end 2016 from 89.1% in 2015, its first contraction since 2010, as households cut loan exposure for purchases of non-residential properties, cars and securities. Although household debt to GDP has contracted, in absolute terms, household debt actually grew 5.4% to RM1,086.2 billion, from a year earlier.

## Residential

Housing will remain the mainstay of the property sector with more than 43% of transactions contributed by the residential sector. The Sarawak property market continues to witness a rise in strata-titled developments especially in urban areas, where most new supply of residential units are high rise rather than landed.

Kuching which contributed close to 80% of Sarawak's total supply has witnessed a significant growth in share of condo from 5,202 units in 2003 (8.2%) to 10,592 units in 2016 (11.0%). Almost all new housing projects within 10 km radius of Kuching are currently strata titled residential projects.



## SARAWAK PROPERTY MARKET - A SHORT OVERVIEW

- The overall Sarawak property market is generally down except for industrial units which have increased in value
- The residential sector remains the mainstay of the property sector with more than 43% of transactions contributed by the residential sector (2016:10,068/ 23,347). Market is saturated with commercial developments and apartment/condominium developments which dominate the current urban residential scene especially in the city core area of Kuching where 80%-90% of new launches are apartments
- Commercial shophouse sector is the worse hit with glut in supply in all major towns in Sarawak
- Condominiums/apartments which have increased in numbers significantly over the last couple of years are still in demand but experiencing a slow-down in take up rates. However, given the right pricing, apartments should continue to sell fairly well
- Reception to SOHO/SOVO which is a relatively new product is mild
- Landed housing has also been affected but there continues to be demand for units in good location with the right pricing
- Hotel occupancies have also dropped with over-supply in Bintulu and slight over-supply in Miri. 4 and 5 star hotels had to drop room rates to remain competitive
- There is good potential for industrial units for SMEs

## SARAWAK PROPERTY SUB-SECTOR REVIEW 2016 FACTS

### RESIDENTIAL

- Biggest market share (>40%) but dropped in volume (8.4%) and value (4.6%) against 2015
- Biggest segment is the terraced houses
- Launches are down by 30% with low sales averaging 15%
- Condominiums and apartments form the bulk of new launches (50%) mostly priced between RM300,000 to RM400,000
- Overhang up by 20% but value unsold declined 9.4%. Similarly, Under construction but unsold units rose 21% whilst unconstructed and unsold increased marginally by 0.3%
- Construction was active and completions up by 69% with more incoming
- Prices and rental for residential units remain relatively stable

### COMMERCIAL

- 3<sup>rd</sup> biggest market share after residential and agricultural but dropped more in volume (12.7%) and even more in value (38.2%) against 2015
- Shops Segment
  - 3 and 3.5 storey shops dominated transactions
  - Overhang situation worsened although incoming supply has slowed down with construction activities toned down
  - Prices were largely stable with price increases noted in prime locations

*Source : Compiled from NAPiC  
Property Market Report by WTWY  
Research 2017*

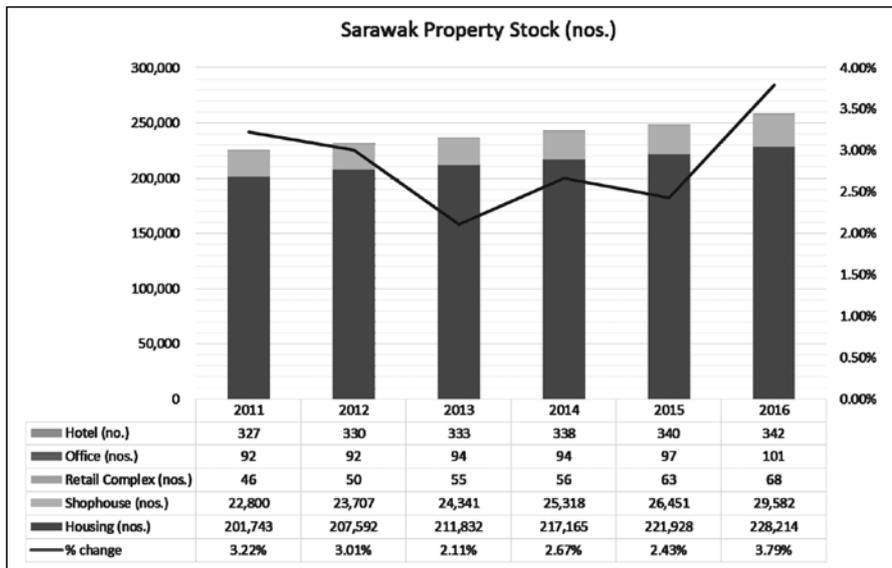
# PROPERTY INDICATORS

## Sarawak Property Transactions 2016 Volume & Value

Property Sub-sector	Volume (no. of units)	%	Value (RM million)	%
Residential	10,068	43.12%	2,346.60	40.12%
Commercial	1,671	7.16%	670.53	11.46%
Industrial	440	1.88%	509.2	8.71%
Agriculture	9,637	41.28%	1,467.90	25.10%
Detached Lot	1,530	6.55%	852.05	14.57%
Others	1	0.00%	2.3	0.04%
<b>Total</b>	<b>23,347</b>	<b>100.00%</b>	<b>5,848.58</b>	<b>100.00%</b>

*Source : Compiled from NAPiC figures by WTWY Research (2017)*

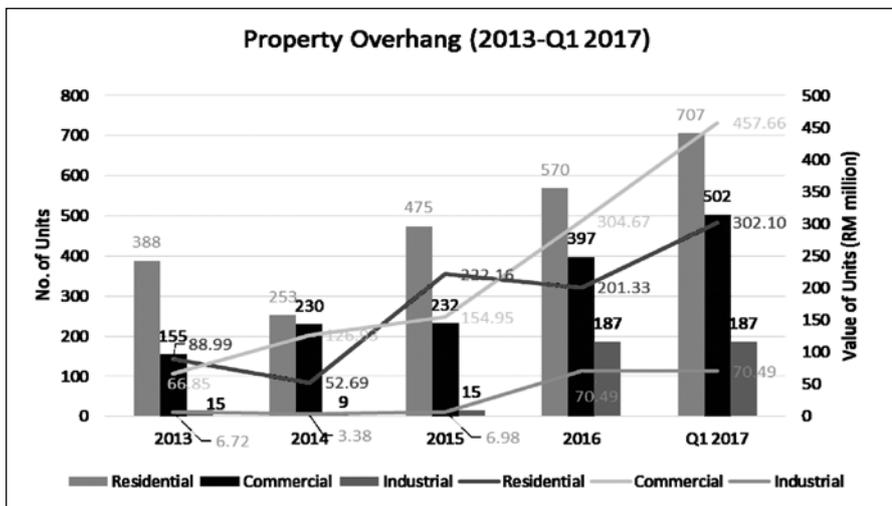
- Volumes transacted have decreased in ALL sectors particularly for industrial (21%)
- However, values transacted for industrial sector has increased (48%) whilst all other sectors have dropped
- Commercial properties have dropped the most (33%) in value followed by agriculture (21%)
- Residential properties seem to be the most stable amongst the sectors with slight decrease only of between 5% to 8% in value and volume



Source: WTWY Research (2017)

### Property Stock

Property Stock for 2016 increased at a greater rate as a result of more units completed for 2016 due to prolific launches for the past few years.

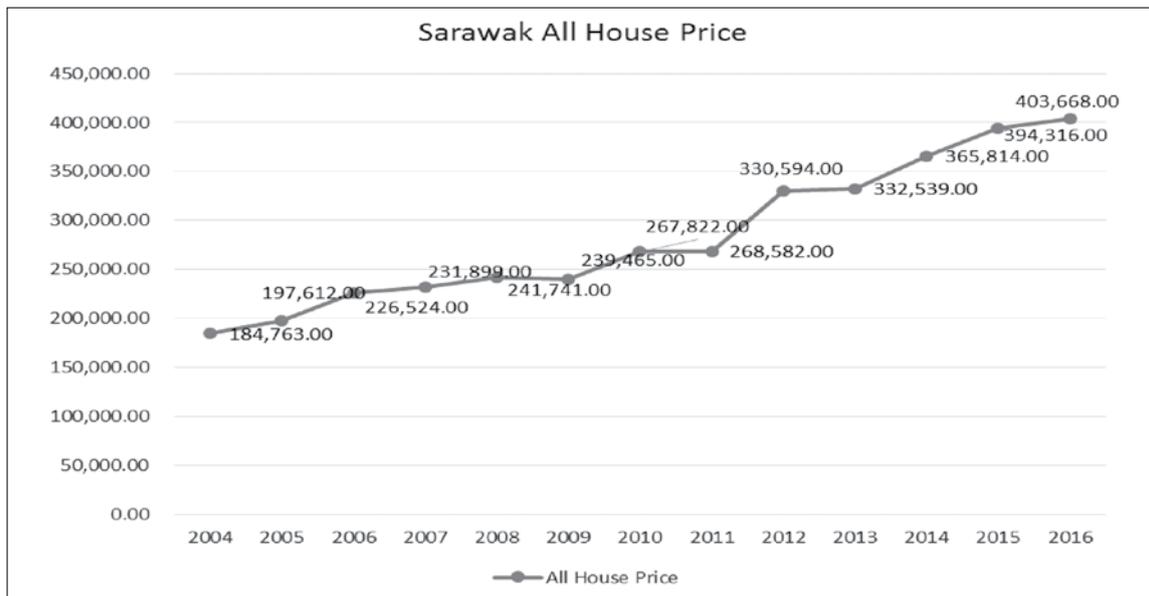


Source : Compiled from NAPiC Market Status Reports by WTWY Research (2017)

### Sarawak Property Overhang

Increasing property overhang since 2015 with increase of 49% in volume and 36% in value for residential stock not sold and increase of 116% in volume and 195% in value for commercial stock not sold.

## Sarawak All House Price Index



Source : Compiled from NAPiC Property Market Report 2016 by WTWY Research (2017)

The Sarawak All House Price has climbed from around RM185,000 to more than RM400,000 over the last 12 years, an average of about 10% per annum

## Loan Approvals

Period	Purchase of Residential Properties Loan Application	Purchase of Residential Properties Loan Approval	% Approved
2010	116,432	84,228	72.3%
2011	186,791	95,162	51.0%
2012	193,743	92,834	47.9%
2013	245,904	121,000	49.2%
2014	223,850	121,092	54.1%
2015	206,032	103,412	50.2%
2016	207,205	87,551	42.3%
2017	116,421	48,513	41.7%

Source : Compiled from BNM Statistical Bulletin by WTWY Research (2017)

Percentage of loan approvals have been decreasing since 2014, showing more stringent bank borrowings with only 41.7% loan amounts approved for the 1st 6 months of the year (2017)

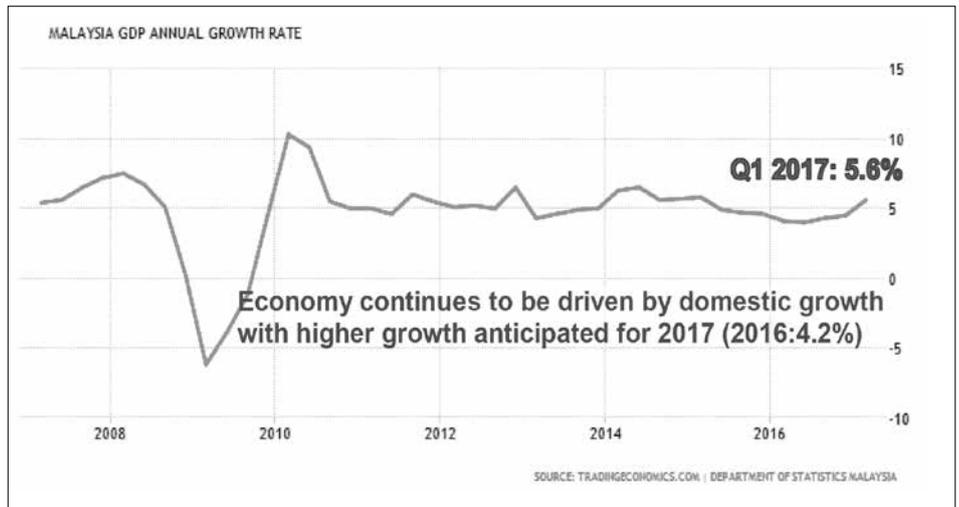
# Malaysia Property Market

## A Quick Overview

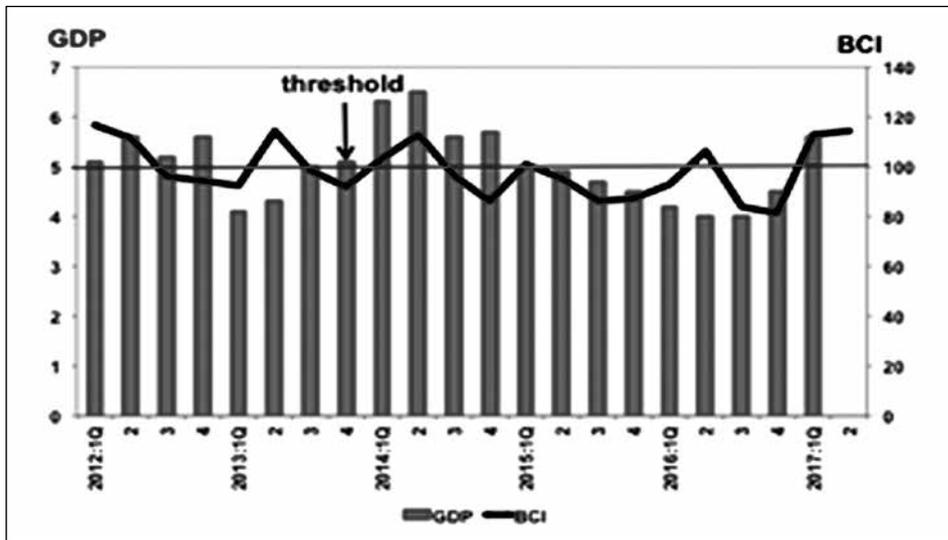
- New launches dropped about 10% for 2016 with sales performance dropping as much
- Slow absorption rates have led to increased overhang in the market for most sectors including residential
- Commercial and retail sectors worse hit
- The Malaysian House Price Index continues its moderating trend
- House prices are steady with moderate growth of 5% despite the slowdown in the property market
- Affordable housing segment gaining in importance
- Market driven by more genuine buyers
- Right pricing and product crucial

# ECONOMY

Malaysia's economic momentum seems to be firming up with a strong start to the year and a healthy growth in GDP and exports in Q2 generates positive economic spillovers. Industrial production accelerated and exports growth returned to double-digits aided by a competitive ringgit. Rebounding exports and a strong pipeline of investment projects should lead to better growth this year. (Adapted from Trading Economics Report, Q1 2017)



## Business Conference Index



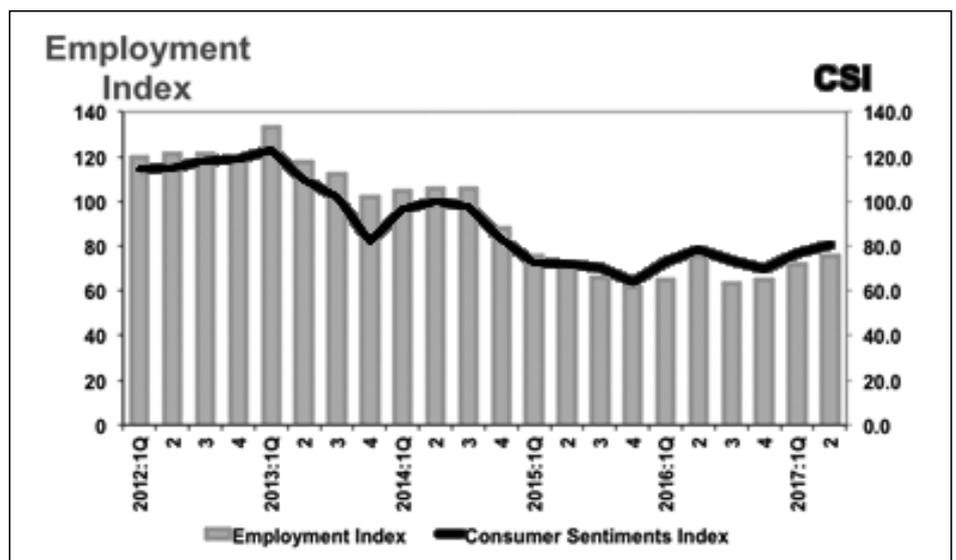
### BUSINESS CONDITIONS MOVE-UP SLIGHTLY

- BCI gains 1.4 points to register 114.1 points
- Rise in manufacturing sales and production
- Higher domestic orders
- Unexciting demand from overseas market
- Production and export orders to decline in the coming months

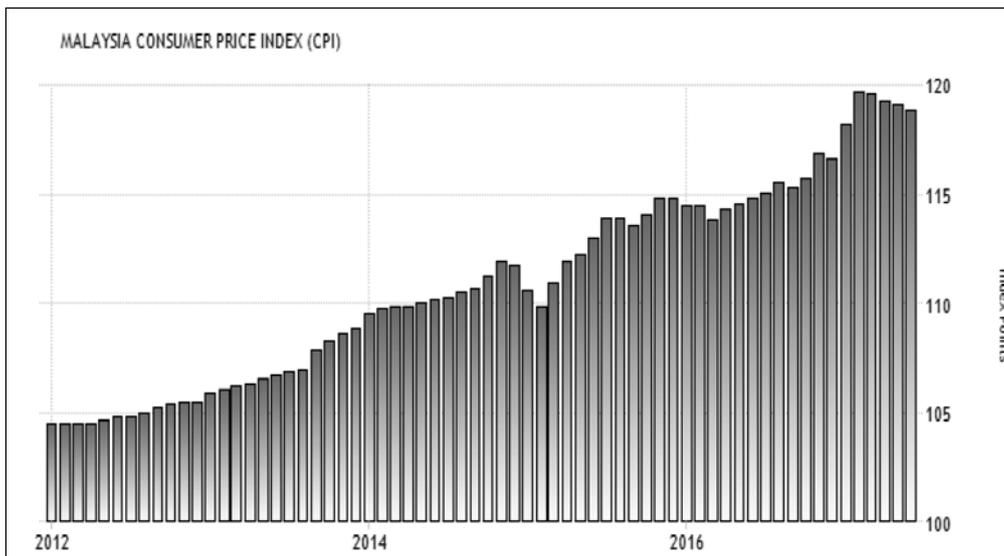
## Consumer Sentiments Index

### CONSUMER SENTIMENTS IMPROVE CAUTIOUSLY

- CSI picks up 4.1 points to q-o-q but remains below optimism threshold
- Current and expected incomes steady but trending up
- Employment outlook soft but inspiring
- Price pressures expected to build up soon
- Consumers retrenching plans to spend for now

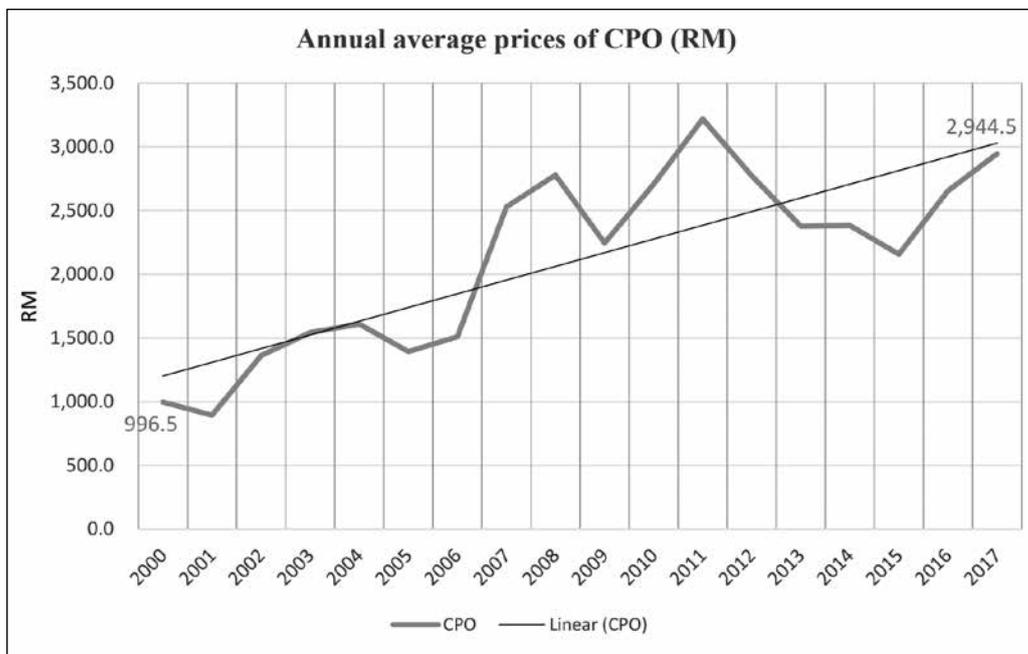


Consumer confidence level continues to improve but consumers remained cautious as the second quarter MIER's Consumer Sentiments Index (CSI) increased but remained below the demarcation level of 100 points. The survey results revealed that consumers' current incomes continued to improve and they are more optimistic about their future incomes as well as on the employment outlook. However, consumer spending plans take a breather as the confidence remains weak. (Adapted from MIER Report Q2 2017)



Consumer prices in Malaysia rose 3.6 percent from a year earlier in June of 2017, compared to a 3.9 percent rise in the prior month and below market expectations of a 3.9 percent increase. It was the lowest inflation rate since January, mainly due to a slowdown in cost of food & non-alcoholic beverages and transport while inflation was steady for housing & utilities.

- CPI in Malaysia increased to 119.70 Index Points in February 2017 reaching an all time high
- Sarawak CPI recorded 116.2 index points for 1st half 2017 versus 118.9 for Malaysia



- ❖ CPO has rebounded since 2015, closing with an average of RM2,944.50 as at June 2017
- ❖ Output is expected to rise in the second half of the year in line with seasonal trends and is expected to peak in October
- ❖ CPO price is expected to be well supported above RM2,500 per MT throughout the 2nd half of 2017 and estimated to average around RM2,750.00 per MT for 2017.



**WTWY New Appointments/Transfer**

Name	Commencement Date	Position	Office
Lim Sin Cheng	1/6/2017	Valuation Executive	Kuching
Margaret Sinda ak Rayong	1/7/2017	Valuation Executive	Bintulu
Lai Tze Khan	1/4/2017	Probationary Estate Agent	Kuching

# PROPERTIES FOR SALE

## LANDS



### AIRPORT ROAD

Vacant Land (8.424 acres)

Selling price: RM1,600,000.00 per acre



### FIELD FORCE @ BATU KAWA

Agricultural Land (2.49 acres)

Selling Price: RM950,000.00 per acre



### TELAGA AIR

Agricultural Land (40.60 acres)

Selling price: RM190,000.00 per acre



## HOUSES



### TABUAN HEIGHTS

Double-Storey Semi Detached House (7.7 pts)

Selling price: RM990,000.00 (Furnished)



### ONG TIANG SWEE

Double-Storey Detached House (21.3 pts)

Selling price: RM2,500,000.00



### NANAS ROAD

2 units of Double Storey Semi Detached House

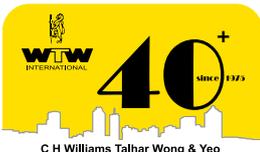
Selling price: RM650,000.00 (17 pts) & RM750,000.00 (20 pts)

### SAMPADI

Vacant Land (5 acres)

Selling price: RM320,000.00 per acre

For more information, visit our website [www.wtwy.com](http://www.wtwy.com)



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