

SARAWAK PROPERTY BULLETIN



Sarawak Property Market

SLOW BUT SURE MARKET RECOVERY

Indicators point towards a slower but sure recovery as the State strives to regain the same pre-pandemic level of performance.

The growth momentum which started well in 2023 slowed down in the 2nd half of the year, affected by the continuing global uncertainties, tensions in the geo-political arena and soaring inflation. With the downward revision in economic growth for Malaysia, Sarawak's GDP growth for 2023 is also expected to be lower than the 6.5% growth recorded in 2022, estimated at 4% to 5%.

GDP Forecast for 2024

- World - 2.4%
- Malaysia – 4% to 5%
- Sarawak – 5% to 6%

The property market continued its recovery amidst resumption of full economic activities, boosted by bold government initiatives.

Several significant developments were initiated in Sarawak in 2023 in the following areas :

✚ Transportation

✓ Autonomous Rapid Transit (ART)

1st prototype unit of the new vehicle from Zhuzhou, Hunan Province, China arrived in Kuching in August 2023 and underwent its first trial run in November 2023 with 1st Kuching-Samarahan line to complete by 2026

✓ Rural Air Service (RAS)

Take-over of RAS operated by MASWings by Sarawak State Government inked in July 2023 to ensure essential and affordable flight service for access to rural and remote areas in East Malaysia

✚ Residence

✓ A new Astana Negeri announced to be built to replace the existing 153-year-old building overlooking the Sarawak River

✚ Food Security/Sufficiency

✓ 50,000 hectares identified for padi planting in Sarawak and Sabah

✓ 314 acres approved for agricultural development in the Sarikei Division

✚ Industrial Expansion

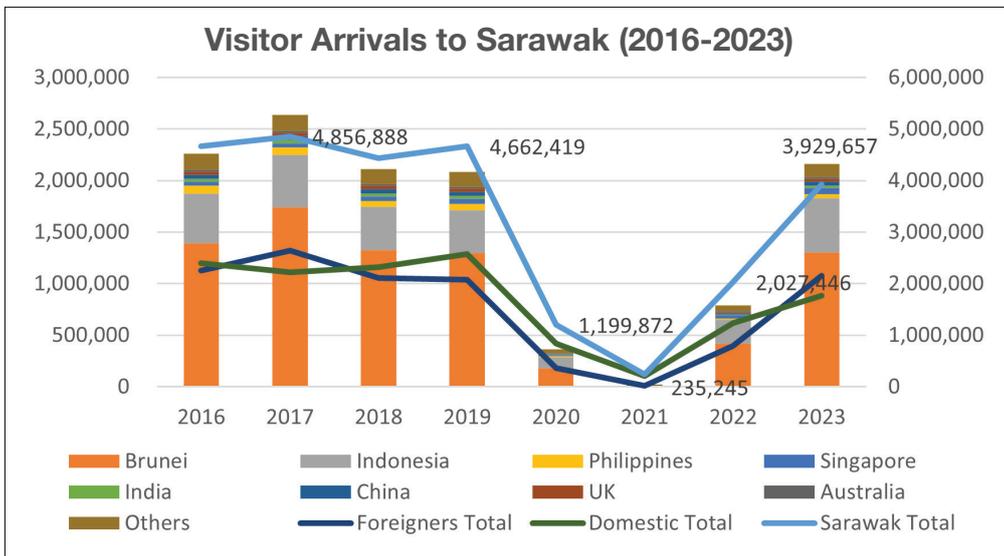
✓ Sour Gas Hub - Rosmari-Marjoram Project kick-started its 1st phase in Tanjung Kidurong

✓ Expansion of Copper foil plant in Samajaya Free Industrial Park (RM2.3 billion) and polysilicon plant in Samalaju Industrial Park, Bintulu (RM2.8 billion) by South Korean investors

✓ Finalisation of the Master Plan for the Development of Industrial Terminals in 5 strategic locations by MINTRED - Kuching, Tanjung Manis, Tanjung Kidurong, Samalaju and Lawas.

✚ Education

✓ i-CATS University College with new state-of-the-art campus on a 81-hectare site identified at Trombol, Matang to produce skilled workforce.

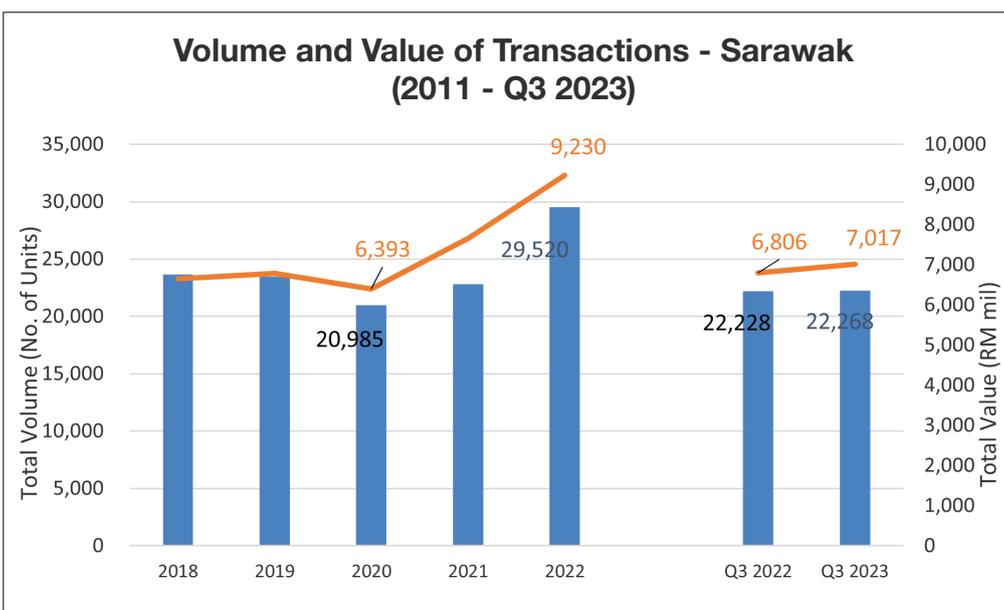


Tourism Sector Revived

The tourism sector showed the greatest rebound with visitor arrivals of 3,929,657 for full year 2023 which is well over its target of 3 million tourist arrivals set for 2023 and close to 2024 target of 4 million. As such, 2024 will most likely achieve pre-pandemic levels of 4.3 to 4.5 million visitors.

Tourism events carried out in 2023 included :

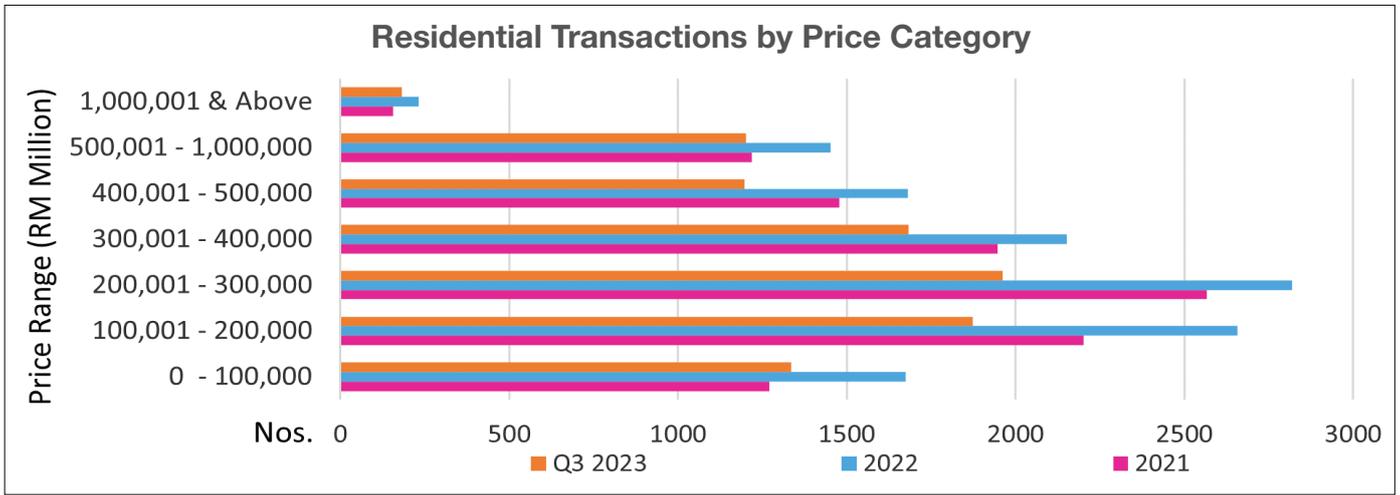
- 26th Rainforest World Music Festival (RWMF), which drew close to 20,000 participants
- Kuching Food Festival (KFF) from July to August 2023 which garnered more than 1 million visitors
- Borneo Cultural Festival in Sibü
- Borneo Jazz Festival in Miri
- International Museum Day from July 31 to August 6 hosted at the Borneo Cultures Museum in Kuching
- Asean International Film Festival & Awards (AIFFA)
- Sibü International Base Jump & Carnival at Wisma Sanyan
- International Dragon Boat Race in October 2023 which was participated by 20 nations
- The International Kuching Marathon in October 2023 which attracted 10,000 participants including foreigners
- The 27th World Congress on Innovation and Technology 2023 and the 6th International Digital Economy Conference Sarawak 2023 (WCIT | IDECS 2023) was held at BCKC Kuching in October which attracted international participation.



Property Transactions

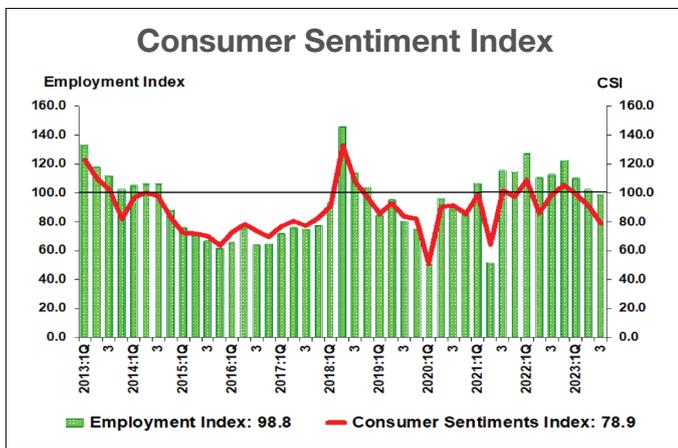
In 2023, growth momentum is seen moderating, indicated by marginal increase y-o-y in volume and value of property transactions as at Q3 2023 compared to Q3 2022 with 22,268 registered transactions (up 0.18%) worth RM7.017 billion (up 3.11%). The residential sector continues to be the biggest contributor with 42% and 44% of volume and value respectively followed by agriculture, development land and commercial.

Kuching has the highest transacted volume and value of property followed by Sibü, Miri, Samarahan and Bintulu, similar in pattern to 2022.

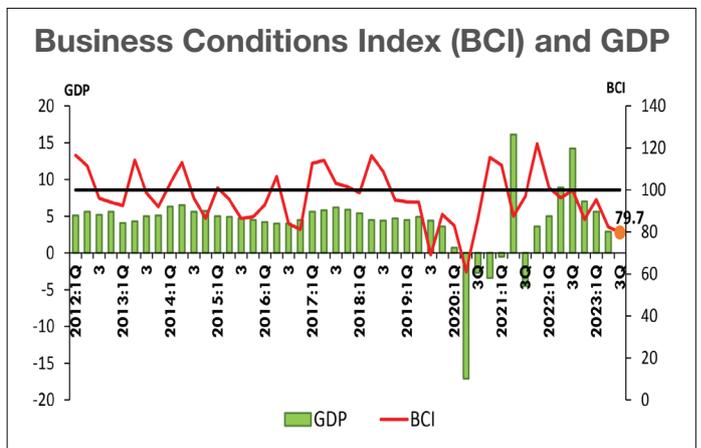


In terms of transaction activities, the residential sector continues to be the biggest contributor with 42% and 46% of volume and value respectively followed by agriculture and development land/commercial. House price category of between RM200,000 and RM300,000 continue to make up the largest housing price segment.

General Market Review



Source: MIER, 2023



Source: MIER, 2023

Market sentiments are down-trending as shown by both Consumer Sentiments and Business Conditions Index dropping further to 20 points below threshold of 100.

According to Bank Negara Malaysia (BNM) figures, loans for property acquisition made up an increasing share of total loans approved at 37.7% (2022:35%), indicating increased demand in the residential segment. Of these, residential loans approved increased from around 41% in 2022 to 43% in 2023 with residential loan approval rates increased from 42.9% to 44.4% y-o-y.

The retail sector is becoming increasingly competitive with stronger players edging out weaker ones. Price strategies, promotions and innovative ideas are crucial to maintain a competitive edge. With more commercial offices coming into the market of late, occupancies are expected to drop, albeit eased by the creation of new government agencies and SMEs. Upward movements are detected for the industrial sector as a result of increased industrial activities whilst some sales transactions and revival of old hotels are noted for the hotel sector.

Challenges And Opportunities

Despite the growing economic challenges and uncertainties, there is still good potential for property development in Sarawak, especially the fast-growing Samarahan District which has benefitted much from the spill-over growth effect from the adjacent Kuching District.

The State is heavily focused on green/clean energy production, carbon footprint reduction, digitalisation, inter-connectivity within Sarawak as well as rural developments in order to achieve its Post-Covid Development Strategy (PCDS) by 2030.

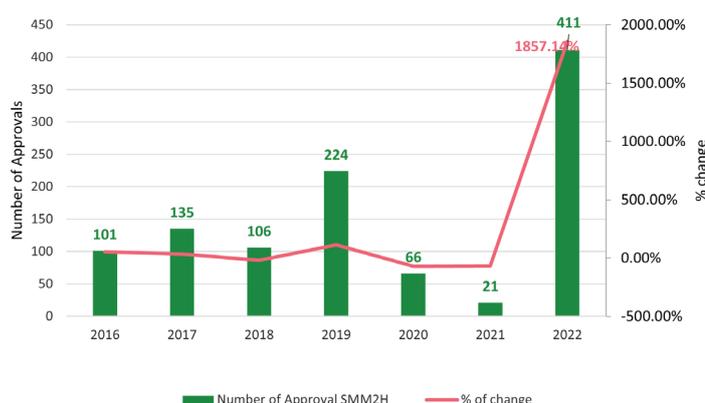
MARKET OUTLOOK

The property market is expected to maintain an overall neutral stance for 2024. Demand for property is likely to continue its steady recovery, barring any changes in socio-economic fundamentals. The year remains challenging, having to deal with on-going issues such as inflation and the long-standing global recession, political unrests and uncertainties which are adverse to recovery.

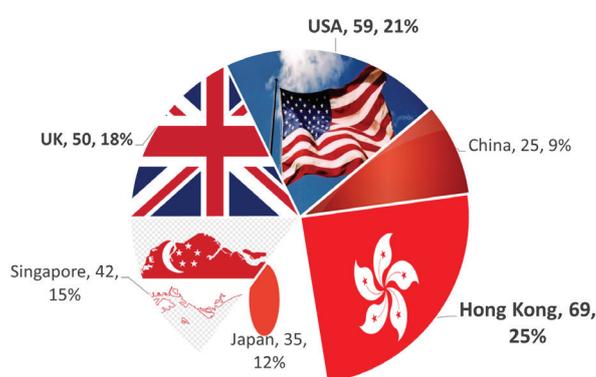
It is hoped that efforts to boost domestic demand and increase productivity will pay off to offset the drop in external demand and uncondusive balance of trade.

Recovery for 2024 is expected to be slow-going and market continues to be subdued although certain segments will continue to see demand such as residential.

S-MM2H Approvals (2016-2022)



Top Nationalities approved for S-MM2H in 2022



Federal Budget 2024

(Tabled on 13th October 2023)

Theme: "Economic Reforms, Empowering the People"

Deficit Budget : -4.3% (2023: -3.2%)

ITEMS	(RM)		REMARKS
	2024	2023	
Total Budget	393.8 Billion	388.1 Billion	
Operating Expenditure	303.8 Billion	289.1 Billion	
Development Expenditure	89.2 Billion	99 Billion	<i>Including RM2 billion in contingency saving for 2024</i>
Projected Revenue	307.6 Billion	291.5 Billion	<i>Projected growth: 1.5%</i>

Impact on Real Estate Sector

1. Relaxation of Malaysia My Second Home (MM2H) program, 3 new categories introduced (Platinum, Gold, Silver) to increase the arrival of foreign tourists and investors to Malaysia.
2. The government has set aside RM2.47 billion for the execution of the People's Housing Project (PPR).
3. A 4% flat rate stamp duty is levied compared to 1%-4% previously on transaction value for property ownership transfers by non-citizen individuals and foreign-owned companies (excluding permanent residents in Malaysia), with the intention of regulating real estate prices.
4. The expansion of the Housing Credit Guarantee Scheme to RM10 billion, providing benefits to 40,000 borrowers.
5. RM10 stamp duty to replace the ad-valorem rate applicable to beneficiaries who are giving up their rights as per a will, faraid, or the Partition/Distribution Act of 1958.
6. Service Tax hike of 2% from 6 % (2023) to 8 % (2024) which may increase costs of construction.

SARAWAK

State Budget 2024

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- 1 Accelerate Economic Growth
- 2 Stimulate Regional and Rural Development
- 3 Promoting Investment, Entrepreneurship & SMEs
- 4 Transforming Sarawak into a Competitive & Resilient Economy
- 5 Strengthening Human Capital & Talent Development
- 6 Intensifying Digital Transformation
- 7 Promoting Environmental Sustainability
- 8 Strengthening Social Welfare & Safety Net
- 9 Promoting Sports & Youth Empowerment
- 10 Developing an Innovation Based & Knowledge oriented Economy
- 11 Combating Poverty & Enhancing People's Wellbeing

(Tabled on 20-11-2023)



Theme

Development For All: *Together, Building A Prosperous, Sustainable and United Sarawak*

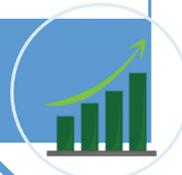
• RM 386 Million

Surplus Budget



• 5% - 6%

Real GDP Growth



- Boost Productivity
- Revive Economy

Expansionary Policy



Expenditure
(RM12.363 billion)

Revenue
(RM12.749 billion)

Operation
(RM9.038 billion)

Development
(RM4.563 billion)

Tax
(RM5.704 b)
Non-Tax
(6.390 b)

Non-Revenue Receipts
(RM28 mil)

Federal Grant
(RM627 mil)

SARAWAK PROPERTY MARKET INDICATORS

	Overall	
Sarawak	2023	2024
Kuching	▲	●
Miri	●	●
Bintulu	●	●
Sibu	●	●

MARKET DIRECTIONS

The overall market growth is more or less unchanged from the previous year with Kuching market up from 2022 with growth indicators mainly coming from residential, industrial and hotel.

SECTORAL MARKET DIRECTIONS

Residential

	Landed Residential	High-Rise Residential
2023	●	▲
2024	●	●

- Recovering but subdued by inflation
- Growth observed in food retail and F&B dining; health and wellness
- Online retail challenges

Industrial

	Industrial
2023	▲
2024	●

- Increased prices (5-10%) and take up rates in 2023
- Semi-detached unit types favoured by SMEs
- Large Energy and IT projects worth billions inked in 2023
- Going towards Clean Energy and Digitalisation by 2030

Purpose-Built Office

	Purpose-Built Office
2023	●
2024	●

- 2 significant new completions in 2023 i.e. Panggau Dayak (DCC&CF) and Hikmah Exchange contributing about 650,000 sf of office spaces
- ESG compliant and Green Building in line with Sustainable Development Goals going forward
- Stable rental at RM2.70 psf (4.5% yield)

Retail

	Retail
2023	●
2024	●

- Recovering but subdued by inflation
- Growth observed in food retail and F&B dining; health and wellness
- Online retail challenges

Shop Offices

	Shop Offices
2023	▲
2024	●

- Lull in shop office completions in 2023 but increased incoming supply (UC)
- Increase in new office occupancy but at the detriment of old ones
- Local businesses still prefer SO over PBO

Hotel

	Hotel
2023	▲
2024	▲

- Strong revival in 2023
- Increased room rates and occupancies
- 1 significant new addition-5-star Sheraton Kuching (378 rooms)
- 2 hotel transactions (Regal Court & Supreme Hotel)



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