

SARAWAK PROPERTY BULLETIN

“Work Together With You”

PPK 344/06/2009 (020846)

SARAWAK PROPERTY MARKET 2009



2009 Outlook

With the general economy expected to slow down further in 2009 and poor export markets for major commodities (oil and gas, timber, crude palm oil) of Sarawak in 2009, we expect the Sarawak property market to worsen in 2009 due to deteriorating market confidence, consumer and business alike. Property market sentiments will be further dampened by rising business failures, rising unemployment, salary cuts, difficult business and employment environments and general uncertainty as to when the global recession would be over.

With rising unsold inventory, declining building materials costs and increasing foreclosure sales, many prospective buyers have adopted a wait-and-see attitude, waiting to enter the market when the prices are reduced to more affordable levels.

Sarawak Property Market Review 2008

The already slow-going property market of Sarawak in the first half of 2008 was shaken by the sharp increase in fuel prices on 5th June, 2008. The situation got worse towards the end of 2008 due to the onslaught of global recession, sharp fall of commodities prices, the slide of the Bursa stock market and the slow down of the local economy, notwithstanding the gradual reduction in fuel costs and inflation rates. Many export related companies either cut or stop production, cut salary and cut jobs due to lack of demand and sharp falling prices for timber and crude palm oils.

The primary housing market, particularly the high-ends, is seriously hurt due to lack of demand and more cautious lending by the banks, despite the reduction by banks of base lending rate by 0.25% to 6.50% from 6.75% after Bank Negara Malaysia cut its OPR by 0.25% on 24th November, 2008.

There have been a rising number of foreclosure sales by financing institutions.

The market performance in 2008 for the private housing, commercial and industrial sector for the four (4) major towns of Kuching, Sibul, Bintulu and Miri can be more clearly seen from the following Tables.



Some new residential developments in Kuching

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SARAWAK PROPERTY MARKET 2009



Some commercial developments in Kuching

Private Housing at 4 major towns in Sarawak

Town	Type	2008				2007				2006			
		Launched	Started	Completed	UC	Launched	Started	Completed	UC	Launched	Started	Completed	UC
Kuching	DH1T	115	89	344	798	261	752	730	1053	1039	591	1269	1031
	DH2T	566	289	451	1212	913	1038	1246	1374	980	850	1029	1582
	DH1SD	143	143	74	273	142	142	225	204	125	153	168	287
	DH2SD	132	74	126	472	418	402	392	524	242	224	335	514
	Quadruplex	0	0	0	0	0	0	504	0	0	0	0	504
Subtotal		956	595	995	2755	1734	2334	3097	3155	2386	1818	2801	3918
Sibu	DH1T	349	958	289	1363	188	531	279	694	883	333	197	442
	DH2T	857	733	647	1565	487	572	833	1479	1007	964	849	1740
	DH1SD	40	48	16	82	14	42	22	50	68	26	0	30
	DH2SD	215	188	211	437	190	230	339	460	282	256	149	569
	Subtotal		1461	1927	1163	3447	879	1375	1473	2683	2240	1579	1195
Bintulu	DH1T	62	43	15	177	160	160	43	149	35	35	48	32
	DH2T	60	70	56	138	24	24	211	124	129	117	167	311
	DH1SD	14	44	14	30	8	0	0	0	0	0	0	0
	DH2SD	22	37	56	38	28	0	70	57	46	28	119	127
	Subtotal		158	194	141	383	220	184	324	330	210	180	334
Miri	DH1T	595	753	999	739	229	736	387	985	722	444	1364	636
	DH2T	170	367	227	408	121	222	407	268	256	194	219	453
	DH1SD	98	138	153	184	199	208	166	199	96	88	134	157
	DH2SD	249	357	162	407	100	123	274	212	268	215	96	363
	Subtotal		1112	1615	1541	1738	649	1289	1234	1664	1342	941	1813
Total		3687	4331	3840	8323	3482	5182	6128	7832	6178	4518	6143	8778

Private Housing in 2008

2008 was a quiet year especially for the big players. Launches for the year were small and piece-meal and came mostly from small to medium developers. Although the overall number of units launched was comparable to 2007, there was a sizeable drop in housing construction started and units completed during 2008.

Hospitality and retail in 2008

Despite the apparent slow down in the property sector, the retail and hospitality sector seemed to have picked up speed in the last 2 years especially in the capital city of Kuching, probably due to pent-up demand since the last financial crisis.

New hotels in operation since the 2nd half of the year include 360 Hotel (newly refurbished Hock Lee Centre Condominiums) in Kuching and Bintulu Beach Resort Condominium. Coming onto the market in the next year or so are namely, the Novotel, Four Points by Sheraton and Tune Hotel in Kuching; and Tune Hotel and Sheraton in Miri with the 1st 2 incorporating retail/commercial space.

Two big malls which opened in 2008, namely, The Spring and Boulevard Centre in Kuching, have seen encouraging occupancy rates of more than 80% and increasing business activity despite depressed consumer sentiments. These have been followed by smaller neighbourhood malls like Green Heights Mall and One TJ which opened in the last quarter of 2008. A few more such as One Jaya, Precinct 88, Novotel and Four Points by Sheraton are scheduled to come onto the scene by 2009.



Some residential developments in Miri

SARAWAK PROPERTY MARKET 2009



Some commercial and industrial developments in Miri

Shophouses at 4 major towns in Sarawak

Town	Type	2008				2007				2006			
		Launched	Started	Completed	UC	Launched	Started	Completed	UC	Launched	Started	Completed	UC
Kuching	SH2T	0	35	0	35	0	0	10	0	35	0	2	10
	SH3T	160	118	260	280	147	285	175	422	256	188	263	312
	SH4T	111	51	2	152	53	62	66	103	6	6	152	107
	SH6T	12	0	0	1	0	0	0	1	0	0	12	1
	SH7T	0	0	2	2	0	0	0	4	0	0	0	4
Subtotal		283	204	264	470	200	347	251	530	297	194	429	434
Sibu	SH2T	4	10	0	53	49	43	87	43	43	43	10	87
	SH3T	51	124	134	176	91	110	0	186	144	47	17	76
	SH4T	17	17	11	17	0	0	47	11	18	19	44	58
Subtotal		72	151	145	246	140	153	134	240	205	109	71	221
Bintulu	SH3T	0	0	159	7	0	6	30	166	96	190	186	190
	SH4T	0	0	0	0	0	0	7	0	7	7	0	7
Subtotal		0	0	159	7	0	6	37	166	103	197	186	197
Miri	SH1T	20	20	0	20	0	0	0	0	0	0	0	0
	SH2T	54	54	0	102	0	0	32	48	32	21	52	80
	SH3T	125	71	9	125	0	0	18	63	21	31	117	81
Subtotal		199	145	9	247	0	0	50	111	53	52	169	161
Total		554	500	577	970	340	506	472	1047	658	552	855	1013

Industrial Units at 4 major towns in Sarawak

Town	Type	2008				2007				2006			
		Launched	Started	Completed	UC	Launched	Started	Completed	UC	Launched	Started	Completed	UC
Kuching	I2SD	0	0	120	48	20	162	0	168	120	0	128	6
	I2D	0	1	1	1	0	0	0	1	0	0	0	1
Subtotal		0	1	121	49	20	162	0	169	120	0	128	7
Sibu	I2SD	68	90	76	70	50	50	46	56	40	0	144	52
	I2D	5	1	7	3	8	6	3	9	0	0	0	6
Subtotal		73	91	83	73	58	56	49	65	40	0	144	58
Bintulu	I2SD	20	26	16	34	58	0	0	24	0	0	0	24
Subtotal		20	26	16	34	58	0	0	24	0	0	0	24
Miri	I2T	17	17	0	17	0	0	0	0	0	0	0	0
	I2SD	68	68	12	68	10	12	30	12	72	0	0	30
Subtotal		85	85	12	85	10	12	30	12	72	0	0	30
Total		178	203	232	241	146	230	79	270	232	0	272	119



Some residential and commercial developments in Bintulu

MALAYSIAN PROPERTY MARKET

Housing Developers' Say on the current Malaysian Property Market :

Sentiments

- Market sentiments are generally weak
- Developers are cautious and deferring new launches
- Buyers continuing in their "wait and see" mode

Property trend

- In essence, local market relatively not affected much by the US subprime loans and global financial debacle
- Property prices are sustained at previous levels despite the soft market

Proposed Incentives

- One-time grant of RM10,000 and full stamp duty exemption for 1st time buyers
- Interest paid on housing loans to be offset against personal income in income tax returns

Government Initiatives

- Open tenders to the private sector in developing government lands
- Kick-start priority projects to pump prime the economy

Mitigating Strategies

- Create more creative product development and marketing
- Having a broad product base (diversify)
- Good geographical spread (increase the land banks)

Outlook for 2009

- Housing demand which is a fundamental necessity will be deferred rather than decreased essentially, contributing to a pent-up demand
- Buyers' confidence expected to return, at least by 2nd half
- More construction activities expected to come on-stream with the decrease in material prices
- Due to the economic recession affecting the mass market, developers are eyeing properties aimed at the higher income group and attracting more foreigners
- Market sentiments would be clearer after the government transition in the 1st quarter 2009

Source : As adapted from property column in the Star Biz, 12/11/2008

Price of affordable housing under the Rumah Mesra Rakyat (RMR)

Price of house measuring between 700 sf and 900 sf has been raised to between RM70,00 in the Peninsula and RM80,000 in Sabah and Sarawak from between RM55,000 in the Peninsula and RM76,000 in Sabah and Sarawak.

Source : As announced by DPM on 25/9/2008

Housing Units completed by private sector (2005-Oct 2008)

Price Range (RM)	Type	No. of Units	%
140,000 - 300,000	Terraced	18,160	57%
280,000 - 480,000	Semi-detached	3,176	10%
40,000 - 47,000	Low Cost Housing	2,832	9%
80,000 - 90,000	Medium Cost Housing	2,206	7%
70,000 - 186,000	4-storey apartments	2,046	6%
NA	Others	3,445	11%
Total		31,865	

Source : Adapted from speech by YB Datuk Amar Abang Haji Abdul Rahman Zohari, Minister for Housing Sarawak, at DUN Sitting on 10/11/2008

REVISED FEDERAL / STATE BUDGET 2009

Economic Stimulus Package (Summary)

as announced on 4/11/2008 during Parliamentary Sitting

RM7 billion stimulus package includes :

- RM1.2 billion to build 25,000 * low and medium cost houses.
- RM500 million to upgrade, repair and maintain police stations, living quarters, army camps and quarters.
- RM500 million to build and improve roads in East Malaysia.
- RM200 million for schools, with equal parts going to religious schools, "mission schools" and Chinese and Tamil vernacular schools.
- RM500 million to improve public transport in major cities.
- RM1.5 billion to set up an Investment Fund to attract more private sector investment.
- RM400 million to expedite the execution of the High-Speed Broadband project.

Liberation to encourage private sector activities:

- The abolition of import duty and Approved Permits for cement and long iron and steel products.
- Allowing foreign individuals or entities to purchase commercial land worth RM500,000 or more without the approval of the Foreign Investor Committee.
- Work permits for skilled foreign workers (knowledge workers) will be given directly to such employees instead of their employers to allow greater flexibility for the workers.

Allowing employees to reduce their EPF contributions by up to 3% for two years beginning January 2009 to increase their take home pay.

Housing loans for civil servants to be extended to 30 years.

Social safety net be expanded in line with the poverty line to accord monthly welfare aid to those earning RM720 and below for those in the Peninsula, RM830 for those in Sarawak and RM960 for Sabah. This doubles the number of households receiving aid from RM55,000 to RM110,000.

* The 25,000 houses comprise :

- 6,500 houses by Syarikat Perumahan Negara Bhd
- 4,000 houses under the People's Housing Programme by the Housing and Local Government Ministry
- 15,000 houses costing between RM30K and RM35K each in Peninsular Malaysia and between RM35K and RM40K in Sabah and Sarawak to be built by the Rural and Regional Development Ministry under the Hardcore Poor Housing Programme whilst old and dilapidated houses of the hardcore poor will be repaired under the Amal Jariah programme (so far, 7,000 houses have been repaired at a cost of RM40 million).

REVISED FEDERAL BUDGET 2009

- o GDP growth forecast for 2009 revised downwards from 5.4% to 3.5% due to a reduced demand on the international and domestic front
- o Fiscal deficit for 2009 revised upwards from 3.6% to 4.8% (same as 2008) due to lower revenue as a result of falling fuel and commodity prices which have more than halved in value
- o Inflation to moderate between 3 and 4 percent
- o EPF to be cut by 3% i.e. from 11% to 8% on a voluntary basis for two years to inject another RM4.8 billion into the market
- o RM7 billion stimulus package

Source : Summarised from the Revised Budget Speech 2008, 4/11/2008

Sarawak State Budget 2009

(RM million)		2009	Revised 2008	Revised 2007
	Subtotal	Total	Total	Total
	Budget Surplus 89	89	39	491
A	Expenditure	3637	3511	3150
1	Development (Refer *)	2350	2300	2100
2	Operating/Recurrent Exp (Refer **)	1287	1211	1050
	Personal Emoluments	437		
	Supplies & Services	465		
	Grants & Fixed Payments	367		
	Assets	13		
	Other Operating Expenses	5		
B	Revenue	3726	3550	3641
	Tax Revenue	960	1729	
	Forestry	612	641	
	Forest Royalty	592		
	Timber Premium	20		
	Investment & Interest		894	
	Sales Tax	273	194	
	CPO	177		
	Lottery	96		
	NA	75		
	Non-tax revenue	2647	1726	
	Oil & Gas Rights	1169	1326	
	Petroleum prdts duties	50		
	Land Premium	200	200	
	Dividend Income	803		
	Interest Income	294		
	Others	131	200	
	Federal grants & reimbursements	107	95	
	Others		12	

Source : From various sources on the 2009 Sarawak State Budget as tabled at the DUN Sitting, 3/11/2008

Projected growth for different sectors, Sarawak

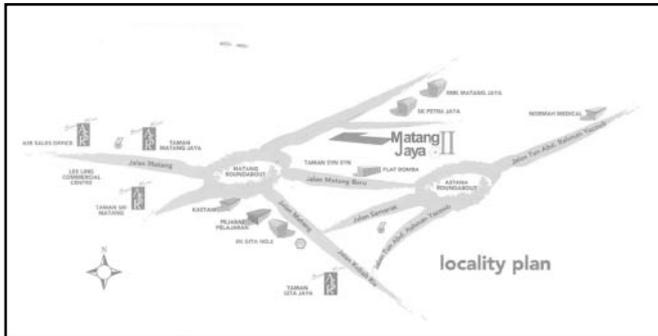
	2006	2007 Revised	2008 Revised	2009
	%	%	%	%
GDP Growth	5.5	5.8	5.0	4.0
CPI		1.7%	5.9%*	NA
Growth Sector :				
Mining & Quarrying	4.1	4.3	4.0	3.1
Agriculture & Livestock	9.2	11.7	10.5	6.5
Construction	6	6.5	4.2	4.0
Manufacturing	5.3	5.8	5.6	4.7
Service	6.5	6.8	5.0	4.3
Public Investment	5.7	7.7	3.2	3.2
Private Investment	5.7	7.4	NA	NA
Public Consumption	6.4	4.8	3.5	3.4
Private Consumption	2.6	3.2	1.4	1.2

Source : Supply (2009) Bill , 2009 State Budget, DUN Sitting, 3/11/2008
*based on 1st 9 months of the year

NEW PROJECTS LAUNCHED

KUCHING

CONTEMPO @ KUCHING is a new commercial development launched by Tiya Development Sdn Bhd sited just after the extension bridge connecting the Kuching Outer Ring Road to the Kota Samarahan Expressway. Starting with Phase 5, it offers 24 units of 3-storey shophouses priced from RM850,000 for the intermediate units (124 sm) and RM1,050,000 for the corner units (166.5 sm). This will be followed by another 24 units of shophouse at Phase 3 whilst a 6-storey hotel will be built on Phase 6. Phase 1, 2 and 4 will comprise of 112 units of residential units.



Matang Jaya II, a new housing project developed by Advance Synergy Realty Sdn Bhd, and situated along the new branch road at Jalan Matang, offers 8 units of semi-detached houses priced from RM400,000 onwards and 50 units of terraced houses priced from RM290,000 onwards. The project is expected to be completed by end of 2009.

Rasaja Sdn Bhd recently launched **The Arcardia**, a 3 to 4-storey apartment development at Jalan Stampin. Located next to Inti College, it comprises 6 types of apartments ranging in size from 1394 sf to 1657 sf and 2 penthouses with a built up area of 2698 sf and 2761 sf. The apartments are selling from RM355,000 to RM423,000. The apartments come equipped with tv and kitchen cabinets; wardrobes for all the rooms, lightings, curtains and air conditioning units.



Located along Jalan Wan Alwi, at the entrance to Tabuan Jaya, is the new **Bayang Estate**, currently under construction for 27 units of terraced and 14 units of semi-detached houses. The semi-detached units are selling from RM550,000 onwards.

SAMARAHAN

Tedfar Realty Sdn Bhd is building 7 units of semi-detached, 13 units of terraced and 8 units of low cost plus houses, opposite UNIMAS at Samarahan. The semi-detached houses with land areas ranging from 7.25 pts to 14.85 pts are selling between RM341,000 and RM393,000 whilst the terraced houses with land areas starting from 4.41 pts are selling from RM255,000 onwards. The low cost plus houses have a smaller land size of 3.56 pts and are priced at RM188,000 for the intermediate units and RM228,000 for the corner units.

NEW PROJECTS LAUNCHED (cont'd)

MIRI

Calista (Desa Pujut 2)



Location	Desa Pujut 2, Bandar Baru Permyjaya
Developer	Naim Cendera Sdn Bhd
Type of Property	1-storey terraced dwelling house
No Of Units	68
Price (RM)	From RM198,888
Land Area	From 197 sm
Wall Up Area	101 sm
Completion Date	Under construction

Promptrite Avenue



Location	Pujut 1 Residential area
Developer	Promptrite Sdn Bhd
Type of Property	2-storey semi-detached dwelling house; 2-storey detached dwelling house
No Of Unit	8 (DH2SD); 2 (DH2D)
Price (RM)	From RM688,000 (DH2SD); From RM788,000 (DH2D)
Land Area	From 461.3 sm (DH2SD); From 518.4 sm (DH2D)
Wall Up Area	From 250 sm (DH2SD); From 266 sm (DH2D)
Completion Date	Under construction

BINTULU

Developer	Paling Construction Sdn Bhd
Description	Jalan Sibiyu
Date Launched	November 2008
Type of Property	Semi Detached Industrial Building
No of Units	20
Price (RM)	RM530,000 – RM722,840
Land Area	15.85 – 23.92 points
Wall Up Area	250 – 450 sm
Completion Date	Under construction



ECONOMY

World Economic Outlook Update, November 2008

Prospects for global growth have deteriorated over the past month, as financial sector deleveraging has continued and producer and consumer confidence have fallen. Advanced economies will be harder hit whilst emerging economies are projected to slow appreciably but still reach 5% in 2009.

- Global activity is slowing quickly**
 World growth is projected to slow from 5% in 2007 to 3.75% in 2008 and to just over 2% in 2009, with the downturn led by advanced economies. Most affected are commodity exporters although they could benefit from the resulting improved terms of trade. A recovery is projected to begin only late in 2009.
- Weakening prospects are depressing commodities prices**
 Most notably, oil prices have declined by over 50% since their peak, retreating to levels not seen since early 2007 (IMF revised price projection from \$100 to \$68 per barrel for 2009), as well as metals and food prices. While this eases the burden on households and push down inflation, it lowers growth prospects in many other emerging economies.
- The financial crisis remains virulent**
 Credit spreads spiked to distressing levels and major equity indices dropped by about 25% in October 2008.
- Consumers and firms are reassessing income prospects**
 Slumping confidence in anticipation of a protracted financial crisis results in a curtail on consumption, notably of durables, and investment.
- Macroeconomic policy easing has been limited**
 Policy interest rates have been reduced due to the recent moderation of inflation risks with expectations of a further lowering of about 1% in the US and euro area and 0.25% in Japan.
- The economic outlook is exceptionally uncertain**
 Financial conditions continue to present serious downside risks with forceful policy responses in many countries indicating the risks of a systemic financial meltdown.

Source : World IMF Report on World Economic Outlook Update, November 2008

World Bank, East Asia and Pacific Updates - edited 2

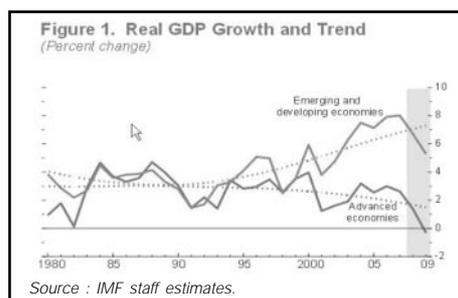
In the face of weakening export growth and reduced levels of investment and consumption, the latest *East Asia & Pacific Update* by World Bank forecasts that real GDP growth in developing East Asia will slow to 6.7% in 2009 from 8.5% in 2008. And the GDP growth forecast for East Asia excluding Japan will be down to 5.3% in 2009 from 7.0% this year. China's growth could ease to 7.5% from 9.4% in 2008.

Nonetheless, the World Bank projects that East Asia will contribute about 1/3 of total global growth in 2008.

The report also states that countries with low debt burdens, surpluses in their fiscal and external current accounts, large external reserves and less global exposure will have the most room to maneuver through the crisis. However, they could be impacted by lower commodity export earnings, tourism receipts, and remittances from overseas workers.

Poverty rates are likely to fall further in 2009, declining to 10.68% for developing East Asia as a whole, compared with the 10.36% projected earlier this year. While the number of poor people in the region will continue to decline, an estimated 5.6 million more people would have emerged from poverty next year if not for the slump.

Source : World Bank, East Asia and Pacific Updates, December 2008, 10/12/2008



Growth rate for developing Asia (% pa)

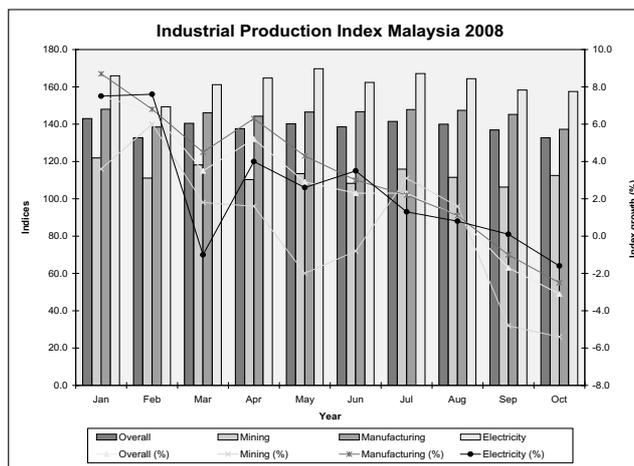
	ADO 2008 Update				Revised	
	2006	2007	2008	2009	2008	2009
Developing Asia	8.9	9.0	7.5	7.2	6.9	5.8
Central Asia	13.4	11.6	7.6	8.0	7.3	7.7
East Asia	9.4	9.6	8.0	7.7	7.4	6.2
China	11.7	11.9	10.0	9.5	9.5	8.2
South Asia	8.9	8.6	7.1	6.7	6.8	6.1
India	9.6	9.0	7.4	7.0	7.0	6.5
Pakistan	5.8	6.8	5.8	4.5	5.8	3.8
South East Asia	6.0	6.5	5.4	5.4	4.8	3.5
Cambodia	10.8	10.2	6.5	6.0	6.5	4.7
Indonesia	5.5	6.3	6.2	6.2	6.1	5.0
Laos	8.3	7.9	7.5	7.6	7.5	6.5
Malaysia	5.8	6.3	5.6	5.3	5.0	3.5
Philippines	5.4	7.2	4.5	4.7	4.5	3.5
Singapore	8.2	7.7	4.2	4.6	2.3	1.2
Thailand	5.1	4.8	5.0	5.0	4.0	2.0
Vietnam	8.2	8.5	6.5	6.0	6.3	5.0
ASEAN-5	5.8	6.3	5.3	5.4	4.7	3.4
The Pacific	2.2	2.4	4.8	3.4	4.8	3.4

Source : Asian Development Outlook 2008 Update-Developing Asia Growth Estimates Revised, 11/12/2008

- Notes :
- Developing Asia : Industrial production badly affected by declining exports due to poor global trade volume
 - NIE : (HK, China, RoK, Spore & Taiwan) Most affected by poor demand for manufacturing exports
 - East Asia : Heavily dependent on China's performance
 - ASEAN : Lose of business confidence and declining growth
 - South Asia : Banking system and financial market takes a thrashing from global financial crisis

According to the latest Malaysian Institute of Economic Research (MIER) report, the number of jobless Malaysians stood at 12,000 for 2008 and the unemployment rate for Malaysia 2009 is expected to rise to 4.5% from 3.5% for this year. The manufacturing industry is expected to be the most highly affected by the economic downturn with the most vulnerable being the electrical and electronic sector. It is felt that Malaysia has a 30% chance of going into a real recession.

Source : The Borneo Post, 11/12/2008



Malaysia consumer price downtrend likely to continue

Malaysia's inflation rate rose 7.6% in October from 106.1 a year ago to 114.2 but it eased 0.4% from September due to the reduction in the price of petrol and diesel announced for the 3rd time by the government effective on Oct 15. For the January to October period, the CPI increased by 5.5% to 111.2 from 105.4 in the previous corresponding period.

The index for food and non-alcoholic beverages for October compared to the same month in 2007 showed a high percentage change of 12.1%, while the index for non-food increased by 5.5%.

Prices are likely to continue going downwards in the months ahead. Price reduction campaigns in hypermarkets and other retail outlets will help contain the rise in food prices and the continuing reduction in pump prices for petrol and diesel has assured a reduction in transportation costs.

The Consumer Price Index (CPI) which has stayed at a 26-year high in August and July at 8.5% has slowed to 8.2% in September 2008 and 7.6% for October 2008 year-on-year.

However, some economist opined that the CPI for October remains elevated as consumer prices have yet to really come down. However, with the government's pressure to reduce prices following the downward revision on fuel prices, the index for food and non-alcoholic beverages are expected to ease slightly. The local analysts expect the CPI to register an annual growth of 6% this year, down to a low of 2% to 2.5% in 2009.

Source : The Biz Times, The Star, 19/11/2008 & 21/11/2008

Retailers brace for slower sales

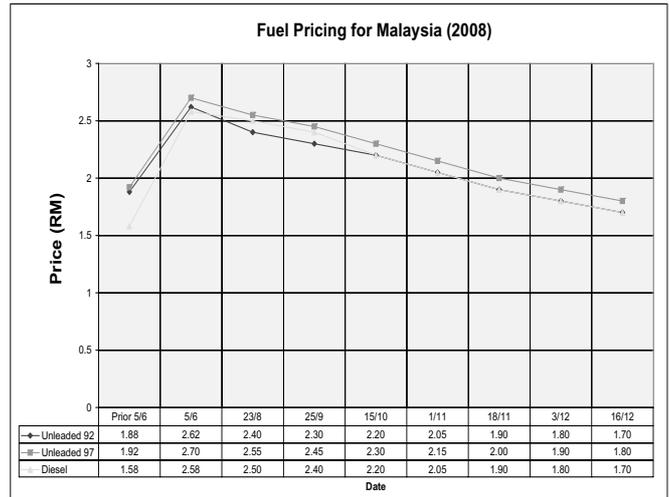
Year-on-year, overall 4th quarter 2008 retail sales are looking negative because this year's Hari Raya shopping started earlier, in September, according to the Malaysia Retailers Association which represents some 100 major retailers.

Malaysia's retail sales growth is likely to slow down to between 4% and 5% this year, a downward revision from the previous forecast of 7%, as shoppers tighten their purse strings amid the global economic slowdown.

The 3rd quarter, however, was a good one for retailers, with most showing positive results despite the economic downturn. With the current economic scenario, retailers were prepared for the worst but hoping for the best. The impact of the global financial crisis and a weak stock market has not fully been felt as consumers remain resilient, even in the current scenario.

Some retailers noted that there was a lag of some seven months before the full impact could be felt.

Source : NST News Online, November 13, 2008



Overnight Policy Rate lowered to 3.25%, BLR follow suit

Bank Negara cut its benchmark Overnight Policy Rate (OPR) by 25 basis points to 3.25% from 3.50%, the 1st rate cut in over 5 years. The move will result in lower funding cost for banks and reduce the cost of borrowing for consumers. To inject more liquidity into the banking system, BNM will also cut the statutory reserve requirement (SRR) for banking institutions for the 1st time in a decade (since the Asian financial crisis in 1998) from 4% to 3.5% effective 1st December 2008.

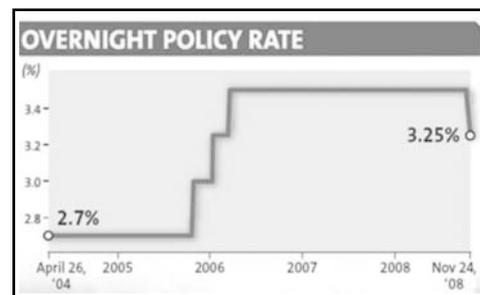
The sectors most affected by the rate cut would be banking and consumer-related sectors, such as auto and property.

Given the heightened downside risks to growth and the diminishing inflationary pressures, the reduction in OPR is a pre-emptive measure aimed at providing a more accommodative monetary environment amidst such volatile and uncertain global economic and international financial climate.

Analysts are forecasting another 25-basis point cut by BNM within the 1st quarter of 2009, especially with the diminishing threat of inflation. A 50-basis point cut in the SRR would inject liquidity into the banking system, lower the cost of funds and free up capital for lending.

Major banks across the country such as CIMB Group, Malayan Banking, Public Bank, Asian Finance, RHB, Standard Chartered and Hong Leong Bank have announced that they would lower their Base Lending Rate by 25 basis points to 6.5% from 6.75% w.e.f. 1st December, 2008. Bank Simpanan Nasional would also follow suit by 15th December, 2008.

Source : The Star, 25/11/2008, The Edge Daily, 27/11/2008 and various other newspapers.



Slower growth for Malaysia palm oil output in 2009

According to Oil World, Malaysia's palm oil output for 2009 will rise only marginally following years of rapid growth. It forecasts that Malaysia will produce 17.60 million tonnes of palm oil in 2009 against an estimated 17.56 million tonnes in 2008 and 15.82 million tonnes in 2007. This is due to a likely decline in biological yield cycle. The near-term palm oil supply fundamentals are bearish, but the medium-term prospects for 2009 point to a tightening of the supply fundamentals and a decline in palm oil stocks.

Palm oil prices have fallen sharply in recent weeks in Malaysia and Indonesia largely due to record stocks but remain above the lows reached in October despite falling crude fossil oil prices. World market demand for vegetable oils and oilmeals has slowed down considerably for the near term, although consumption of vegetable oils and oilmeals has in our assessment been relatively better than is indicated by the recent very poor exports. The recent slow buying activity has resulted in a decline of stocks in many importing countries, thus creating the need for high purchases in the medium term.

Source : *Business Times, New Straits Times, November 19, 2008*

Higher costs hurting small plantations

The sharp drop in crude palm oil (CPO) prices, rising cost of raw materials and burdensome taxes have resulted in the cost of production (COP) escalating among local plantation players, hurting smaller and newer plantation companies, especially those from Sarawak.

Planters claim that the current COP had surged, on average, to RM1,200 to RM1,700 per tonne now with COP of more efficient planters jumping at least 50% to RM1,200 per tonne currently from RM600 to RM650 in the past five years and COP of less efficient planters, as well as new planters, shooting up by 87.5% to above RM1,500 per tonne from RM800 earlier. At this rate, many medium to small-time planters, especially those in Sarawak, will be facing difficulties making a decent profit as the latter have the highest nationwide COP of RM1,700 to RM2,000 per tonne. This is due to the current decline in crude palm oil (CPO) prices, windfall tax (calculated above the threshold price of RM2,000 per tonne) and the cess imposed by the Malaysian Palm Oil Board (MPOB), as well as the high cost of raw materials like fertilizers, chemicals and fuels. However, this could be offset by the higher CPO average this year at RM3,000 per tonne which is still higher than the 2007 average at RM2,600 per tonne.

The CPO price trend in November and December would be critical to determine the actual margin erosion among local plantation companies. Those who have locked in their profits at the higher CPO average this year can still make good profits for 2008. Many Sarawak-based new oil palm plantation players, with poor FFB yields, would be hit harder this year, given the unfavourable "climate".

Sarawak, which as a late entrant, has the lowest area planted with only 20% that can contribute to profit and is not financially self-sufficient in operation, would only start to make profit in the 6th year if the CPO price was at RM1,700 per tonne.

Top listed Sarawak-based planters include Ta Ann, Sarawak Plantations Bhd, Rimbunan Sawit Bhd, Sarawak Oil Palm Bhd and WTK Holdings Bhd.

Source : *The Star Online, 22/10/2008*

Pact on Palm Oil Industrial Cluster project

In line with oil palm expansion in Sarawak, the Palm Oil Industrial Cluster (POIC) project was implemented in Bintulu Division to provide supporting services for palm oil downstream industries. The other site identified is Tanjung Manis in the Mukah Division.

The Bintulu Development Authority (BDA) entered into an agreement with H.K.K. and Salem Construction Sdn Bhd for the proposed construction and completion of RM27 million worth of infrastructural works for the Palm Oil Industrial Cluster (POIC) project. Works are scheduled to be completed in 24 months time effective from the handing over of the site to the contractor on 15/10/2008.

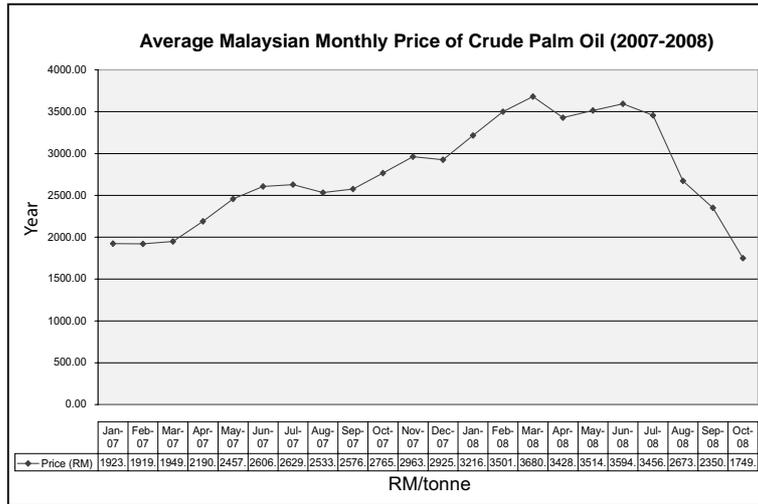
Source : *Adapted from Eastern Times, 28/10/2008*

Do you know that

- ❖ Sarawak is the 4th largest palm oil producer in the country, after Sabah, Johor and Perak.
- ❖ Sarawak's total oil palm planted areas is 727,982 hectares (17%) out of 4.31 million hectares of planted areas in Malaysia.
- ❖ Sarawak contributes about 10% of the total fresh fruit bunches (FFB) produced in Malaysia.
- ❖ The Northern region of Sarawak, comprising Bintulu, Miri and Limbang divisions, is the largest oil palm planted areas in the state, contributing 51% of all planted areas.

Do you know that

- ❖ Timber contributes 5% of the country's GDP and provided employment opportunities to over 300,000 people in Malaysia.
- ❖ Wooden furniture tops the list of timber products exports (29.3% of the total export value for 2007) followed by plywood (27.7%).



DEVELOPMENT NEWS

Nyelong Bridge

Sited at Jalan Meranti, the newly completed RM22 million Nyelong Bridge which had its soft opening on 26/10/2008, will replace the ferry services. The bridge will be a catalyst for development on both banks of the Sungai Nyelong.

Source : *The Eastern Times*, 28/10/2008

Aluminium Smelter Project

Rio Tinto Alcan and Cahya Mata who are jointly developing the RM7 billion aluminium smelter project in Similajau, near Bintulu in Sarawak, will be doing feasibility studies on cost of raw materials which has risen and fuel as well as the ultimate size of the smelter to enable the capital cost to be finalized before commencing.

The initial production planned for the smelter will be between 550,000 tonnes and 720,000 tonnes a year with plans to expand the industry for export and is expected to provide about 1,500 direct and 5,700 indirect jobs, and generate RM2.4 billion annually towards Malaysia's gross domestic product

At present, Malaysia consumes 182,000 tonnes of primary aluminium a year, while Asean consumes more than one million tonnes.

Source : *NST Online News*, 13 November, 2008

Development Density-Control for Matang area

The State Planning Authority (SPA) has decided to implement density-control in the Matang area in view of the increasingly bad traffic flow as result of rapid increase in population in recent years. At the moment, there are 10,000 houses in Matang which has a population of 80,000.

Thus, development of high density projects like flats in Matang has been shelved and the density of housing per acre is now reduced from the previous 8 units per acre to 4 to 6 units per acre.

The new federal road linking Rambungan to the 2nd bridge (Salahuddin Bridge) is anticipated to be completed by 2009, after which the existing Matang Road will be expanded to 4 lanes in the hope of alleviating traffic woes.

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