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SARAWAK PROPERTY MARKET REVIEW 2011 AND OUTLOOK 2012

KUCHING

According to the SCORE Masterplan, the Sarawak Corridor should see investments amounting to RM334 billion from now until 2030. As at August 2011, RM28.55 billion worth of investments have been confirmed through 14 mega projects. This will accelerate the state government's industrialization plans, thereby creating job opportunities and boosting the state economy.

Sarawak has attracted the most proposed capital investment in the country for the 1st 11 months of 2011 valued at RM8.16 billion forming about 18% of the country's total investments, of which close to 50% came from Foreign Direct Investments (FDI).

Kuching's property market can be said to be vibrant and opportunities abound for property investors to "ride the current property wave".

Office Sector

The purpose-built office sector in Kuching remains conservative. A few purpose built offices were constructed in 2011 but these were state-owned and to be occupied by government agencies e.g. the new IRD HQ at Jln Tabuan, Sarawak Energy Berhad at the Isthmus and the new Customs Building at Masja in Petra Jaya.

The purpose-built office sector has remained stable over the years, with minimal additions of about 1 to 2 buildings every 2 to 3 years. 2011 will see the addition of another 80,000 sq metres of office space, mostly by government agencies, to the existing 2010 supply of 408,280 sq metres *(Source : Various NAPiC reports)*. The occupancy rate for office space currently stands at slightly over 90% and any decrease over the past 2 years have been rather minimal. The high and consistent occupancy is due to the State government's stringent control on construction of such buildings and the government's assistance in filling up these private buildings with their agencies.

Plans for a new 36-storey office tower in Batu Lintang was unveiled which is set to change Kuching's skyline as the tallest building, over-taking the 22-storey Wisma Bapa Malaysia in Petra Jaya. Sited on a 33.6acre site, there will be other project components: 2 condominium blocks, a second office tower, a hotel tower and a shopping mall. With the lacklustre office sector, the condominium blocks will be built first while the commercial components will be built in phases over the proposed project timeline of 20 years.

A couple of office buildings have been converted into hotels to capture the increase in tourist numbers e.g. Abell Hotel occupying KKB Building and Lime Tree Hotel occupying the former Kuching Tower building, both located along Jalan Abell.

Generally, office rents and yields have remained more or less the same for the past years. Office rents remain low at between RM2.50 to RM3.00 psf and yields for purpose built offices in Kuching have been hovering around 5% for prime areas and even lower, in some secondary locations. 2011 was no exception, with office rates stagnant at RM2.50 psf to RM3.00 psf and yields around 5.5% gross per annum at most. The new office buildings are government owned and occupied so no new rental rates have been recorded.

However, office values have gone up relative to rentals due to increase in property prices as a whole, as a result of increase in cost of lands and construction materials. There were no purpose built office transactions recorded for 2011.

Office rents are likely to be maintained for 2012. Increases, if any, would be minimal and likely to apply to newer office buildings in prime areas. The same applies to office values. The office supply will continue to be stable with no new known supply for 2012 and no large overhang due to state government planning controls.

This Issue

Retail Sector

2011 saw a slew of new retail projects coming into the market especially in the sub-urban residential areas. The retail sector was upbeat for 2011 especially for mid-market malls like Boulevard.

One Jaya, Kuching (left) next to Jalan Song commercial centre

One Jaya, a 4-storey neighbourhood mall opened at the popular Jalan Song Commercial Centre in Q1 2011 offering 230 small specialty shops. Response has been encouraging with full occupancy by Q3 2011. Another smaller retail building cum carpark was opened at 7th Mile Jln Kuching-Serian road in 3Q 2011 with Unaco as the anchor tenant. Giant Hypermarket at Tabuan was opened in August 2011 with another Giant at 10th Mile Bazaar opened in November 2011. There are a considerable number of local new entry tenants as well as business expansion from other existing malls setting up multiple stores.

There are a few big malls currently under construction, scheduled for completion and opening by 2012 such as City One, Plaza Merdeka, ST3 and Kuching Sentral.

Retail rents have gone up quite a bit for 2011 (>10%) with new malls commanding rentals as high as RM20 psf. Most of the tenants are already secured during the pre-opening period and thus, most units are already pre-let. Retail values have also reached an all-time high of RM2,400 psf due to scarcity and high price of development lands. Thus, the increase in rental rates is offset by an even higher increase in values which has kept the yield modest at around 5% only. There were no major retail complex transactions for 2011 as most of the larger retail units are leased out to anchor tenants at below market rate.

The retail sector supply is expected to pick up further with the addition of new sizeable malls by 2012 and there is increasing pressure for older complexes to renovate or innovate to keep up with the joneses. The performance of these retail malls, however, remains to be seen as competition increases. Tenancy renewals at some shopping malls have seen tenants opting out, leaving new vacant spaces for rent.

Kuching Sentral, regional transportation hub to be opened by Q1 2012

Hotel Sector

The increasing tourists for 2010 and 2011 and the positive outlook on the tourism sector have sparked a growing interest from owner-operators for smaller, budget-style hotels to try to capture the tourism market. This can be seen by the addition of a slew of hotels since 2008, starting with 4-Point Sheraton in 2008, 5-star Pullman Hotel in 2009 and 3-star Abell Hotel in 2011.

There were also a few boutique hotels which opened (namely, Basaga Holiday Residences and Lime Tree Hotel in 2009 and Batik Boutique and Dorset Boutique Hotel in 2010) and budget hotels like Tune Hotels Waterfront Kuching and 360 Xpress City Center in 2009. The 360 Hotel at Hock Lee Centre was also refurbished with another 178 hotel rooms and renamed 360 Urban Resort Hotel.

With the latest offerings, at least another 1,600 rooms have been added to the Kuching hotel sector including some budget inns and B & Bs housed in shophouses.

The occupancy rates of hotels for Kuching was recorded at an average of only 43.3% (Source: NAPiC 2010) in 2010. However, this sector seems to be picking up in 2011 with the highest number of visitors recorded year-on-year for 2011. 3 to 5 star-rated hotels also tend to fare better with occupancy rates between 60% and 65%. The achievable target of 4.2 million tourists for 2011 is expected to push up occupancy rates.

The various types of accommodations in Kuching have allowed visitors and tourists much flexibility of accommodation choice according to their budget, ranging from RM30 to RM250 per room night for a standard room. Hotel room rates for the star rated hotels in Kuching remain relatively low and affordable, averaging RM160 for 3-star, RM200 for 4-star and RM230 for 5-star. Due to the fluctuating occupancies and constant need for refurbishment and high cost of maintenance, yields are capped at about 8% to justify any hotel development in Kuching.

With the State government's efforts to pump up tourism, and the global trend towards increasing travel, both domestic and abroad, the hotel industry in Kuching looks good for those willing to reinvent themselves.

Hotels recently opened in Kuching

No.	Name of Hotel	Star Rating	No. Of Rooms	No. of Storeys	Year
1	4 Points by Sheraton	4	435	12	2008
2	Basaga Holiday Residences	1	34	2	2009
3	Pullman Kuching	5	389	23	2009
4	Tune Hotels.com Waterfront Kuching	Budget	135	3	2009
5	The LimeTree Hotel	3	50	5	2009
6	360 Xpress Citycenter	Budget	178	2	2009
7	Batik Boutique Hotel	Boutique	15	4	2010
8	Dorset Boutique Hotel Kuching	Boutique	48	4	2010
9	Abell Hotel	3	80	5	2011
10	360 Urban Resort Hotel (expansion)	4	178	18	2011
11	De Palma Waterfront	2	89	4	2011
12	Zotel	NA	80	2	2011

Source : WTW Research (2011)

The new Abell Hotel at Jalan Tunku Abdul Rahman in Kuching

Condominium Sector

The high rise condominium sector which has slowed down since the mid 2000's due to slow take up rate and poor management issues had prompted developers to shift to 3 or 4-storey walk up apartments in recent years. However, the tide seems to be turning by the end of 2011 with the launch of several highly anticipated condominium projects which could very well mark the rejuvenation of high-rise condominium projects.

Condominium projects which were launched in the last 2 years were few, namely the Riverine Sapphire Condominium by RB Development Sdn Bhd, the Arcadia and the Ryegates by M/s Lee Onn and the Tropics by Regal Advantage. Most of these projects are low-rise and low-density but having all the trappings of condominium living like swimming pool, gym, park, lift etc. They are also located near popular suburban housing areas in South East Kuching.

Riverine Sapphire, a continuing phase from the existing Riverine Emerald Condominium, offers 168 condominium units in a 22-storey high tower. The prices range from RM158,730 for a studio unit to RM3,600,000 for the penthouse suite. Sales rates have been encouraging with good sales especially for the 2-bedroom units.

The Ryegates, Kuching

The Arcadia, a 4-storey condominium with 64 units housed in 2 blocks, was completed in 2010 in Stampin Timur, a good housing area whilst The Ryegates, comprising three 4-storey blocks offering 73 units, was completed in Q3 2011. A final phase of The Ryegates offering another 20 units is being built at the moment. Located opposite the Kuching International Airport but close to the up and coming residential area of Stampin Tengah, the prices commanded for The Ryegates units ranged from RM300,000 to RM900,000 per unit. Apart from condominiums, there are also walk-up apartment projects catering to the medium and lower medium income group e.g. Stacks 128 also by the same developer, M/s Lee Onn.

The Tropics offer 160 condominium units in 5 blocks of 4 and 4½ storey buildings with prices ranging from about RM450,000 to about RM900,000 and is located in the popular new Jalan Song area.

Apart from condominiums, there are also walk-up apartment projects catering to the medium and lower medium income group e.g. Stacks 128 also by the same developer, M/s Lee Onn at Jalan Tun Jugah and Hills 68 at Jalan Arang.

The next 2 years shall see the emergence of several high-rise condominium projects which are already up for sale and lease e.g. the ST3 (with a retail podium) opposite The Spring, Tribeca Condominium & Suites at Jalan Urat Mata, d'Infinia Residences at Jln Airport and VivaCity at Jalan Wan Alwi (next to Tabuan Jaya). However, the niche for low-rise apartments continue to expand with several projects helmed by subsidiaries of M/s Lee Onn, being developed in outer suburban areas of Jalan Batu Kawa-Matang, such as the Apartment @ Genesis Walk and Ensyn Avenue Apartments.

As the city becomes gradually built up with development land prices reaching an all-time high of up to RM70 psf, condominiums and apartments are becoming more popular both for the developer (because of the economies of scale of higher density development) and for the buyer (as a more affordable housing alternative). It is anticipated that the condominium/apartment sector will be increasingly popular in the coming years as more young 1st time house buyers seek out these units in keeping up with modern living.

Residential Sector

The first half of 2011 has been an interesting period for the Kuching residential market. There was a marked increase in units under construction following a jump in property launches at the end of 2010.

Demand for residential properties in prime locations remains high, with some areas such as Tabuan, BDC 3rd Mile and Jalan Song areas being consistently sought after. Prices in these locations are also on the increase, with standard double-storey intermediate terraced houses now easily commanding prices between RM350,000.00 to RM400,000.00.

For the year 2011, the number of launches were rather slow in 1H 2011 but picked in 2H2011. Towards the end 2011, a few large projects were launched, including the new township at Matang called Metro City by established local developer, M/s Chong Kia Hoi Sdn Bhd. Most units launched were double-storey terraced houses followed by double-storey semi-detached houses. Single-storey houses were mostly launched in secondary locations.

Most of the new residential projects were launched in locations further away from the city centre, in areas like Jln Muara Tuang, Jln Kuching Serian, Batu Kawa and Matang respectively. Even so, response to these property launches were very encouraging with properties being snapped up within a couple of months. Except for a few like Merlin Garden and Taman Sentoria in Jalan Muara Tuang, most of the residential launches were piece-meal of not more than 50 units by small and first time developers.

Landed residential rents have not increased in tandem with the increase in values. Whilst residential property prices have increased 10% to 20% across the board, rentals have remained stagnant at about 3%. This is partly due to an inactive rental market in the absence of a vibrant expatriate work community as compared to the other major cities such as KK, Penang and KL.

Although the response to property launches has been encouraging, there is fear that the market is highly speculative. Due to the continuing uncertainty in the global and national economy, buyers and investors have grown more cautious.

Costs of building materials and labour will continue to be major challenges for the industry. With recent price hikes in property prices especially in the primary areas, there is a tendency for developers to build to take advantage of the current high pricing whilst purchasers are rushed into buying in case they miss the band wagon.

Industrial Sector

The industrial property sector is still regarded as the most inactive compared to the other sectors. Even with SCORE coming in, the industries are expected to be concentrated more in the central region of Sarawak, benefiting towns such as Bintulu, Mukah, Kapit and Miri. The Samajaya Free Industrial Zone and the Demak Laut Industrial Park in Kuching mooted by the government in the last 2 decades have yet to be fully occupied.

The 1st half of 2011 saw the launch of The Sarawak Factory Wholesale Centre comprising 420 units of terraced and semi-detached factory units mixed with some shophouse units by Jung Kuo Sdn Bhd at Jalan Bako. This is by far the largest launch of any private industrial estate in Kuching in the last 5 years after SMI Industrial Park was launched in 2006. The supply of ready-built industrial units in Kuching is piece-meal and largely controlled by the State government. Most of the industrial units in Kuching, like the rest of the major towns in Sarawak, are industrial plots which are either sold or rented to small scale light industries like car workshops, furniture assembly etc.

The price of industrial lots in Kuching is around RM35 to RM40 psf and rent yields for industrial lots in Kuching hovers around 5% to 6%.

The industrial sector for Kuching remains conservative but stable, with private developers going more for main stream properties like residential and commercial. Heavy and light industrial activities are confined to certain designated zones. Most industrial units in Kuching are small stand-alone piece-meal factory units and family owned.

MIRI

In Miri, it is anticipated that development of high density apartments/condominium projects will increase whilst large-scale housing projects decrease. The Bay Resort Condominium and Grace Heights apartments are now well under construction. The recently launched Homelite Eco Park Condominium will begin its construction after the coming Chinese New Year and is envisaged to be completed in 2 years' time.

The retail sector in Miri will experience a boost with the completion and opening of several new malls. Permy Mall at Bandar Baru Permyjaya has opened its doors to the public on 11th November 2011, adding 269,000 sq ft to the Miri retail market with Giant Hypermarket as its anchor tenant occupying over 65,000 sq ft. MYY Mall at Lutong and the 7-storey Imperial City Mall at Jalan Asmara/Merpati (to be linked to the present Imperial Mall by a bridge) are currently under construction and due to be completed by 2012.

MYY Mall at Lutong

New commercial center after Pujut 7 bridge

The Marina Park project is catching up on its construction as well as sales, in particular the commercial units which have all been sold. The 1st phase included two 7-storey blocks, eight 4-storey blocks and 130 units of 3-storey shophouses. Phase II consisting of 140 units of shophouse will be launched next year following the good response to the 1st phase and more sales is expected from this mixed development in the coming year. Phase 8 of the Senadin Commercial Centre consisting of 248 units of 2 and 3-storey shophouses started construction this year. This commercial project is part of an 80-acre major project by Miri Housing Development Realty Sdn. Bhd. which incorporates a water theme park, shopping complex, cultural village, amphitheatre, hotel and a proposed man-made island. The project will be developed in three stages, due to be completed in three years.

The Eastwood Industrial Estate and Senadin Park Enterprise are currently the on-going industrial projects in Miri. It is anticipated that the industrial sector will continue to remain stable next year.

For 2011, Miri witnessed the start in construction of several major infrastructure projects aimed at alleviating traffic jams during peak hours due to the growth of housing development in the areas of Bandar Baru Permyjaya, Taman Jelita (Taman Tunku Phase II) and their surrounding areas. The major infrastructure projects are:-

1. Conversion of Pujut 7 roundabout to a traffic light at the Pujut-Tudan-Kuala Baram road interchange project;
2. Expansion of the bridge link to Bandar Baru Permyjaya with a new 150-metre parallel bridge;
3. A 146-metre bridge linking Jalan Piasau and Jalan Pantai-Peninsula (Piasau Camp), constructed alongside the existing bridge;
4. Upgrading of the 3.2 km Pujut 7-Tudan road into a dual carriageway; and
5. Construction of a 5-km access road fringing the runway of Miri Airport, linking Taman Jelita to Miri-Bintulu Road.

Prices and sale which have been on the steady rise, especially for the housing market, will continue to improve with time, with the number of buyers increasing, aided by government stimulus. The prices of houses shall remain competitive next year and climb up further due to rising costs of construction materials, land and labour.

SIBU

The year saw a significant improvement in the retail and commercial sector with developments being launched in suburban areas. In mid 2011, the completion and opening of two large shopping complexes in Sibu, namely Star Mega Mall and Giant, have increased the potential of the surrounding developments. These two shopping complexes have added about 242,000 sf and 152,000 sf of retail space respectively to the market with an encouraging occupancy rate exceeding 90%.

The is a new bustle at the on-going Medan Jaya Commercial Centre as almost all the newly completed shophouses have been occupied for business activities, increasing investor confidence towards this project.

Generally, the launch price for new 3-storey intermediate shophouse in the suburban areas of Sibu is over RM800,000 per unit.

Star Mega Mall

Demand for residential properties is expected to be optimistic with continuous interest in the prime and secondary areas, especially with limited lands available for development near the town centre. The new and ongoing developing residential areas in Sibu are located at Jalan Salim, Jalan Ulu Sungai Merah, Jalan Teku and Jalan Oya areas. Just as in Kuching and Miri, Sibu's launching prices of landed residential houses have been increasing.

The industrial sector is still regarded as the most inactive property sector compared to other sectors, although piecemeal private industrial projects are still going on. The opening of Tanjung Manis Highway has shortened the distance and traveling time between Tanjung Manis industrial area and the surrounding towns. The industrial centre is expected to get a boost from SCORE for downstream projects.

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MIER EXECUTIVE SUMMARY FOR 2011

The IMF, in its September 2011 World Economic Outlook Report, lowered its forecast for 2012 global growth to 4 per cent, down from 5.1 per cent it had forecasted earlier. This was finally revised to 3.25% on 24/1/2012 citing sharply elevated risk emanating from the euro zone as the sovereign debt crisis in the euro zone entered a “perilous new phase”.

This will affect the exports of the European Union’s key trading partners, which includes China which will have a bearing on the near-term outlook of the Malaysian economy.

The Malaysian economy was resilient especially during the first three quarters of 2011, growing 5.1 per cent (1Q11: 5.2%, 2Q11: 4.3%, 3Q11: 5.8%). Growth in the last quarter of 2011 is expected to be much lower on account of external developments. Latest monthly economic indicators are already suggesting that.

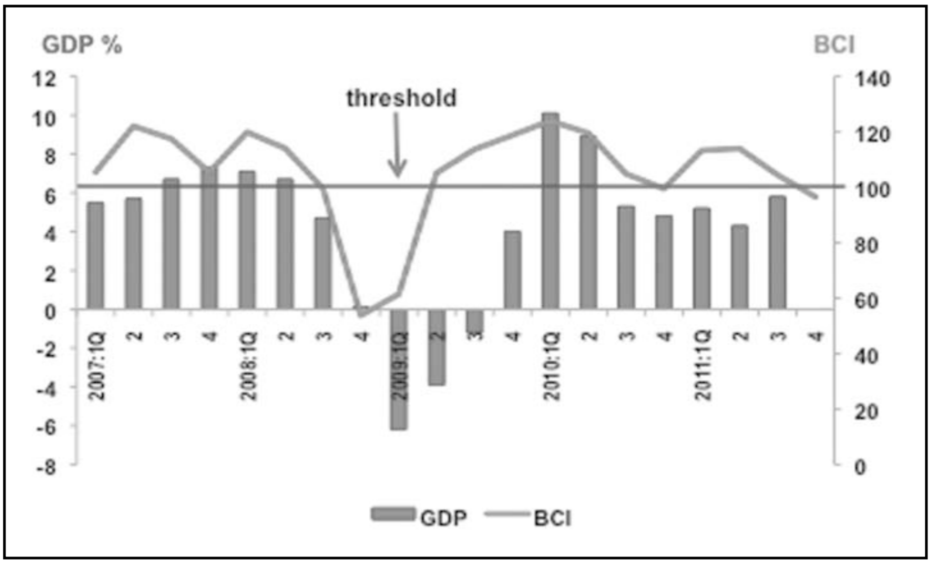
The industrial production index grew just 1.8 per cent year-on-year in November 2011, compared to 2.8 per cent in the previous month. In the same month, Malaysia’s total trade grew 8.2 per cent year-on-year but fell a significant 8.1 per cent month-on-month.

Inflation moderated slightly in November 2011 to 3.2 per cent year-on-year, an indication that inflationary pressures could cool going forward on account of expected slower global growth.

Except for the Tourism Market Index, all the key indicators such as Business Conditions Index, Consumer Sentiments Index, Retail Trade Index, Residential Property Index and the Automotive Industry Index have declined in the fourth quarter.

Given all of the above, it was concluded that Q4 2011 real GDP growth moderated both year-on-year and quarter-on-quarter and that economic growth will likely get bumpier in the months ahead.

Source : Adapted from MIER Executive Summary for 2011, 19/1/2012



BUSINESS CONDITIONS INDEX

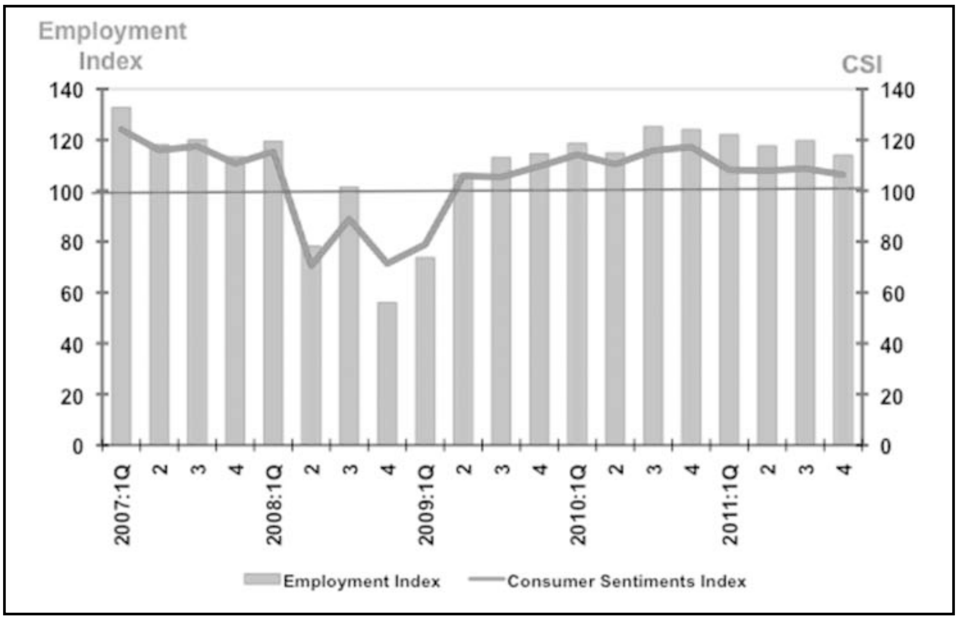
Index Slips Below Threshold Level

- Index sinks below 100-point threshold to settle at 96.6
- Sales, new local and foreign orders significantly lower
- Capacity utilization lower, production and inventories higher
- Expect lower production, higher export sales over next three months

CONSUMER SENTIMENTS INDEX

A Dent In Optimism

- CSI plunges to two-year low of 106.3
- Current household incomes lose momentum
- Finances and jobs a growing concern
- Inflationary bug bites again
- Spending plans take a backseat



The Consumer Price Index

The Consumer Price Index grew by 3.0 per cent year on year for December 2011, and 0.1% compared to November 2011, lower than market expectations and an indication that inflation pressures have likely slowed. For 2011, the CPI grew by 3.2 per cent with food being the main driver.

Inflation is expected to slow further in the coming months and likely to remain below 3% for the whole year 2012, leaving room for more policy rate cuts, albeit not drastically. Overnight Policy Rates are expected to ease at most to 2.5% by end of 2012.

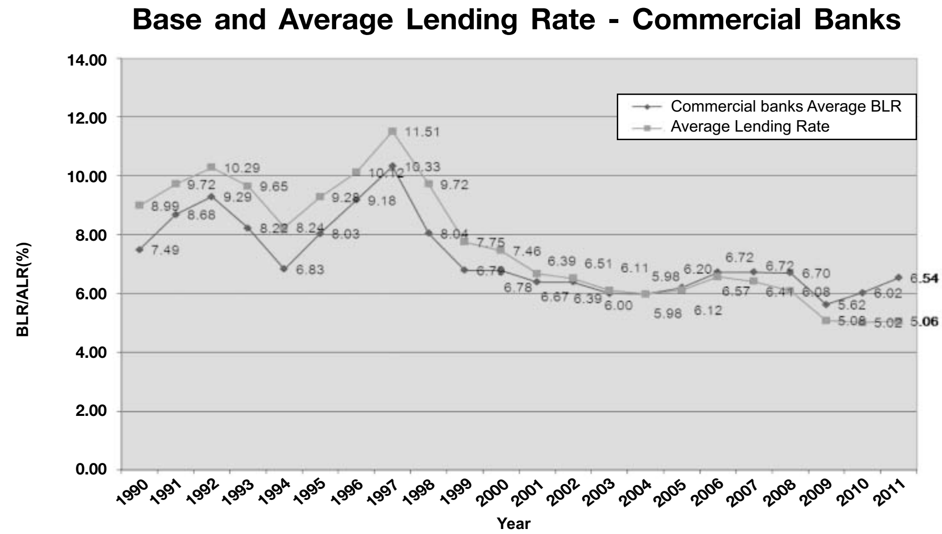
Source : Adapted from The Business Times, 18/1/2012

Inflation to ease by 2012

Bloomberg forecast 2012 inflation to average 2.6% from the average of 3.2% expected this year. Although inflation pressures have not completely dissipated, a more forward-looking perspective suggested inflation would likely moderate below Bank Negara's implicit inflation tolerance threshold of 3% by next year.

He added that these assumptions were not unreasonable given the weak global economic growth next year and slower activity emerging in Asia although there was still cost-push price pressure remaining in the region. So far, the price and inflation trends show the country's headline inflation remaining low despite the recent food and oil price shocks, largely because of a price control and subsidy system that encompasses 29.3% of the CPI basket of goods and services. However, producer price index inflation was still rising faster than CPI across the region through the third quarter, suggesting that latent price pressures may still be feeding through into CPI later.

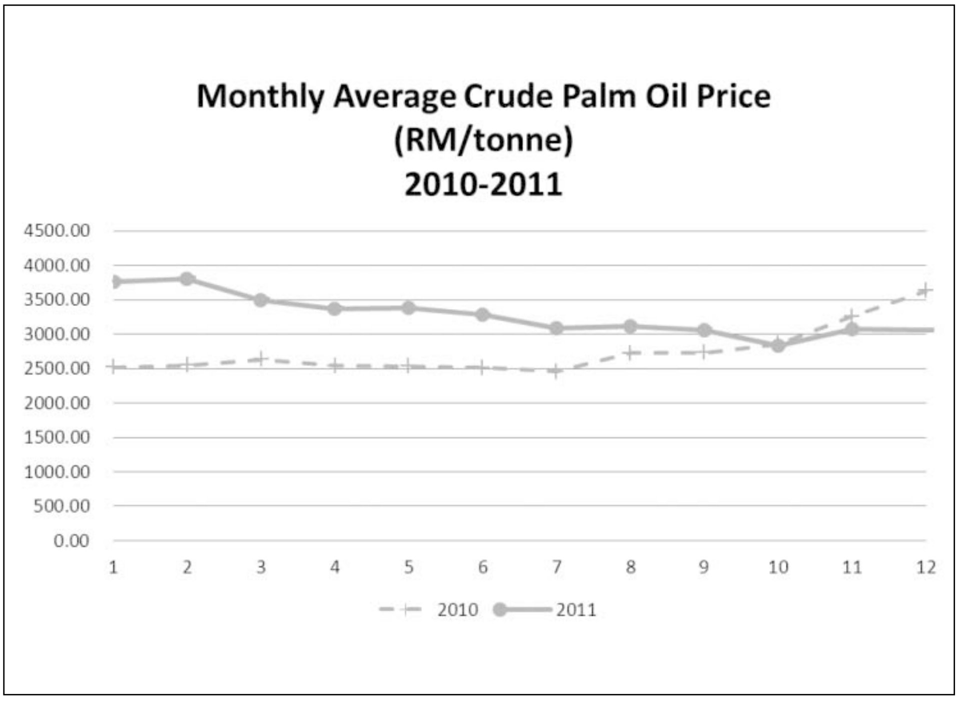
Source : The Star, 24/11/2011



Source : Bank Negara Malaysia, 2011

The interest rates is expected to decrease further in 2012 as BNM is likely to ease interest rates by between 50 basis points (bps) and 100bps with CPI expected to drop, giving scope for a policy cut this year. Export growth is also forecasted to be down due to anticipated weak demand from US and the Euro zone.

Source : Various research houses 2011



Crude palm oil (CPO) demand is set to see a decline, trailing behind an expected deceleration of global economic growth next year. Malaysia's CPO exports have dropped 10% month-on-month in November 2011, to 1.66 million metric tonnes (mt). Kenanga Research had expected a decline in CPO production from November 2011 onwards to clear the high palm oil inventory slightly up to March 2012. By the end of the first quarter next year, the research house believed that the stock could still end up above its five-year historical average of 1.69 million mt following the softened exports. A weaker outlook for SBO demand which may cause its prices to weaken further is negative for CPO prices as it is a common substitute for SBO.

FEDERAL BUDGET 2012 *(announced on 7/10/2011)*

2012 Budget Allocation

- RM232.8 billion is proposed for the 2012 Budget which is 9.8% higher than 2011 allocation.
- Of this, RM181.6 billion is for Operating Expenditure and RM51.2 billion for Development Expenditure.

2012 Budget Focus

- Accelerating Investment
- Generating human capital excellence, creativity and innovation
- Rural Transformation Programme
- Strengthening the Civil Service
- Easing inflation and enhancing the well-being of the Rakyat

2012 Budget on Property Sector

- Increase the ceiling price of houses under My 1st Home Scheme which allows for 100% financing for those with income below RM3,000 introduced in March 2011, from a maximum of RM220,000 to RM400,000.

- Introduction of 1Malaysia People's Housing (PR1MA) Scheme for development of government-owned lands around Sg Besi, Sg Buloh, as well as vicinity of MRT, LRT and other public transport system. Houses built under this Scheme will be lower than market prices and 100% stamp duty exemption on housing loan instruments.

- Encourage build and sell concept for construction of housing through Islamic banks providing syariah-compliant financing and undertaking construction risks. Instalments start only after the houses are completed and applies to houses costing RM600,000 and below.

- 75,000 units of affordable units for Program Perumahan Rakyat (PPR) under the 10MP will continue as planned. 15,000 units will be built for 2012 with 8,000 for sale and 7,000 for rent.

- Rumah Mesra Rakyat (RMR) programme managed by SPNB will continue to build houses for those who own their own land. Each house costing RM65,000 will be sold for RM45,000 and the Government will allocate RM200 million for this.

- Government will allocate RM40 million for rehabilitation of houses which has been abandoned.

- Expatriates will be allowed to withdraw a portion of their EPF contributions for the purchase of a house, similar to Malaysians.

- A mixed development project including affordable houses to be developed at a cost of RM10 billion in Sungai Buloh and is expected to be completed by 2025.

- Another landmark project "Warisan Merdeka" which includes a 100-storey tower, the tallest in Malaysia, at a cost of RM5 billion to be completed by 2015.

- RM85 million to provide infrastructure facilities to facilitate construction of hotels and resorts in remote areas with the potential to attract tourists.

- RM50 million to construct several shaded walkways in the KLCC-Bukit Bintang vicinity.

- First-time house buyers will be given stamp duty exemption of 100% on instruments of transfer on a house with price not exceeding RM300,000.

- RPGT of 10% for companies and individuals disposing property within 2 years, 5% within a period exceeding 2 years up to 5 years. Properties held and disposed after 5 years are not subject to RPGT.

2012 National Transformation Budget

	Amount (RMbillion)
Total Income	**186.90**
Total Expenditure	**232.80**
Projected economic growth	**5-6%**
Operating Expenditure	
Purchase of Assets	1.10
Supplies & Services	30.50
Salaries/Emoluments	52.00
Fixed Charges and grants	96.50
Other expenditure	1.50
	181.60
Development Expenditure	**Amount (RMbillion)**
Economic	29.80
Social	13.60
Security	4.40
Administration	1.40
Emergency Cash Reserve (Contingencies)	2.00
	51.20

Source : Various newspaper reports on Budget 2012 tabled on 7/10/2011

NEWS & VIEWS

Budget Speech Highlights:

* To accelerate the development of Kuala Lumpur International Financial District (KLIFD), an incentive package has been proposed:
  - Income tax exemption of 100% for a period of 10 years and stamp duty exemption on loan and service agreements will be given to KLIFD-status companies;
  - Industrial Building Allowance and Accelerated Capital Allowance for KLIFD Marquee Status Companies;
  - Income tax exemption of 70% for a period of five years for property developers in KLIFD.

* To attract foreign and domestic investments in the capital market and to promote the development of the Real Estate Investment Trusts (REITs) industry, it is proposed that the concessionary tax rate of 10% on dividends of non-corporate institutional and individual investors in REITs up to Dec 31, 2011 be extended for a period of five years commencing Jan 1, 2012 until Dec 31, 2016.

* To further encourage investment in hotels, the Government proposes that hotel operators in Peninsular Malaysia investing in new 4- and 5-star hotels, be given Pioneer Status with income

tax exemption of 70% or Investment Tax Allowance of 60% for five years. For hotel operators in Sabah and Sarawak, tax incentives had been given. In addition, the Government will corporatise the Malaysia Healthcare Travel Council to promote and develop Malaysia as a main destination for healthcare services in this region.

* Proposal to review the current rate of 5% on real property gains tax (RPGT) as the government found it ineffective in curbing real estate speculative activities. It proposes that for properties held and disposed within two years, the RPGT rate be 10%. For properties held and disposed within a period exceeding two years and up to five years, the rate would be 5%. Properties held and disposed after fie years are not subject to RPGT.

* To meet the demand for houses from those earning below RM3,000, the Government proposes to expand the recently My First Home Scheme launched in March 2011, to increase the ceiling of house prices under the scheme from a maximum of RM220,000 to RM400,000. This improved scheme will be available to house buyers through joint loans of husband and wife beginning January 2012.

* The government will also identify areas in the vicinity of MRT, LRT and other public transport system to be developed into housing projects under the 1Malaysia People's Housing (PR1MA) to develop affordable houses for the middle-income group. The government also intends to develop several plots of government-owned land around Sungai Besi and Sungai Buloh. In 2011, 1,880 houses will be built in Putrajaya and Bandar Tun Razak, while in 2012, a total of 7,700 houses will be built in Cyberjaya, Putra Heights, Seremban, Damansara and Bukit Raja.

* Proposal to provide 100% stamp duty exemption on loan instruments for the purchase of houses

* To encourage the construction of more houses using the build-then-sell concept, the prime minister announced that Islamic banks have agreed to provide syariah-compliant financing and undertake construction risks. Instalments only commence after the house is completed. This scheme will be implemented for houses costing RM600,000 and below.

* For the lower income group who have yet to own houses, the Government will continue to implement the Program Perumahan Rakyat (PPR) by building 75,000 units of affordable houses nationwide under the 10th Malaysia Plan (10MP). In 2012, RM443 million has been allocated for the construction of 8,000 units for sale and 7,000 units to be rented.

* The Rumah Mesra Rakyat (RMR) programme, managed by Syarikat Perumahan Negara Bhd (SPNB), will be continued to help the low-income group to own decent houses. Under this programme, those with land but without a house or live in dilapidated houses are eligible for financing to build a house. SPNB will build 10,000 units in 2012. Each house costing RM65,000 will be sold for RM45,000 and the Government will subsidise RM20,000. For this, the Government will allocate RM200 million.

* Through the Abandoned Housing Rehabilitation Programme, the government successfully rehabilitated 82 projects involving more than 15,000 units. The government will continue this with an allocation of RM63 million in 2012 to rehabilitate 1,270 abandoned houses. The Government will also allocate RM40 million for restoration and maintenance of public and private low-cost housing.

* The number of expatriates in Malaysia has increased to 41,000. To provide a more conducive environment for expatriates to continue working in Malaysia, the Government will allow the withdrawal of their Employees Provident Fund (EPF) contributions for the purchase of a house.

PUBLIC COMPANY ANNOUNCEMENTS

Ibraco Berhad had on 14th November 2011 entered into an agreement with Lands & Surveys for the alienation of 49.5 hectares of mixed zone land situated at Sg Nidai, Sg Stutong and Sg Laru described as Lot 2975 Block 12 Muara Tebas Land District located along the Kuching-Samarahan Expressway for a sale cash consideration of RM41.6 million.

Source : KLSE General Announcement Ref. No. : CSH-111114-0623C dated 14/11/2011

PROPERTY ISSUES 2011

❖ KVMRT (Klang Valley Mass Rapid Transit) – An integration of KL's public transport system from Sg Buloh to Kajang to improve connectivity and encourage higher ridership of the public transport.

❖ My 1st Home Scheme – A 100% housing loan scheme for houses between RM100,000 to RM400,000 (revised from RM220,000) provided by various financial institutions to Malaysia citizen below the age of 35 years old with household income of less than RM3,000 and the 1st 10% to be guaranteed by Cagamas Berhad with a maximum tenure of 30 years.

❖ 1 Malaysia People's Housing Scheme/Perumahan Rakyat 1 Malaysia, (PR1MA) - Launched in May 2011 and passed by parliament in December 2011, PR1MA (who acts like a developer) identifies locations around Malaysia and build houses for eligible Malaysian applicants (through balloting) who are 1st time house buyer with a household income below RM6,000. So far, 2 projects have been launched, namely Putrajaya by PR1MA itself and another in Ainsdale in Seremban (JV between PR1MA and Sime Darby). Some features of the scheme :
i. Exemption of stamp duty
ii. Eligibility of 105 per cent loan from selected financial institutions
iii. House buyers cannot sell the house within the first 10 years of ownership.

❖ SPNB (Suruhanjaya Perumahan Nasional Berhad) – Although not new, SPNB has now been tasked to concentrate on building houses in the rural areas (as not to clash with PR1MA) with 10,000 units committed for 2012 and financing to be provided by Bank Simpanan Nasional (BSN). The estimated cost for the project is RM650 million with RM200 million subsidy by the government and balance to be financed with housing loans. Each house is estimated to cost around RM65,000. SPNB is also tasked to revive abandoned projects around the country and the contractor to build more government quarters.

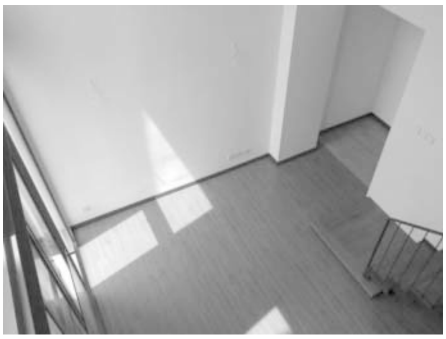
❖ Real property gain tax – Prior 2007, 30% for 1st year decreasing to 0% on the 6th year
2007-2010 – No tax (on hold)
2010-2011 – 5% within 1st 5 years of disposal
2012 – 10% within 1st 2 years and 5% for disposal within 3rd to 5th year of ownership

❖ Revised regulation for property loans – Bank Negara Malaysia made a ruling that financial institutions can only give out a maximum housing loan of 70% of house value for those owning more than two properties i.e. on the 3rd property. There is also the proposal for housing loan to be based on nett income of a borrower and not the current usage of gross income.

MALAYSIA PROPERTY SCENE 2011 MUCH ABUZZ ABOUT ....

❖ Runaway Increase in Property Prices (double-digit growth)
❖ Continuing global economic uncertainties
❖ High volumes of transactions
❖ New outer-lying development areas
❖ Stringent control on loan borrowings in terms of loan percentage and assessment of individual's overall debt obligations including car loans, personal loans etc.
❖ Impending 13th General Election

View from Progressive Developers on Property Trends:



1. **GOING GREEN**
(eco-friendly projects)
Increasing concern for sustainable energy

2. **SoHo**
(small office, home office)
2 in 1 affordability

3. **DIVERSIFY**
Don't put all your eggs in 1 basket or 1 location

RELOCATION OF WTWY BINTULU OFFICE

*WTWY Bintulu New Office at
Parkcity Commerce Square Phase 6*

W.e.f. 19th December 2011, WTWY Bintulu Office has moved to a new premise at **Parkcity Commerce Square:**

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E-mail : bintulu@wtwy.com

New WTWY Staff appointments for 2nd half 2011

Office	Staff Name	Commencement Date	Position
Kuching	Albert Soon Kong Aik	06/06/2011	Real Estate Negotiator
Kuching	Cherry Chung Huey Yiing	10/10/2011	Graduate Valuer
Miri	Ismail bin Bujang	03/10/2011	Valuation Executive

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2 GIANTS IN KUCHING

*Giant @ Tabuan Tranquility, Kuching
which opened in August, 2011*

*Giant @ 10th Mile, Kota Padawan
which opened in October, 2011*

Bintulu

The housing sector in Bintulu continued to experience active housing construction activity in 2011, including increased low cost housing, in view of the government's objective to achieve zero squatters. Double-storey terrace houses and double-storey semi-detached houses remain the most favourable and saleable products in the market. The average price for these properties have increased from RM388,000.00 to RM400,000.00 for double-storey intermediate terraced house; from RM 403,000.00 to 573,000.00 for double-storey corner terraced house; and from RM488,000.00 to RM730,000.00 for double-storey semi-detached house. Most of the properties are located along Jalan Tun Hussein Onn and Jalan Sibiyu.

Parkcity Commercial Square

Bintulu is also set to experience a boost to its retail sector with the building of a few new shopping malls expected to be completed in 2012 or 2013, such as Times Square Mall at Jalan Tun Hussein Onn and Commerce Square at Jalan Ahmad Zaidi. Currently, there are only 3 retail malls in Bintulu, i.e. Li Hua Plaza, Parkcity Mall and City Point. Times Square Mall which is sited within Beverly Hill Estate, near the dense residential areas along Jalan Tun Hussein Onn, will be the 1st shopping mall to be located at the suburban/outskirt area when it is completed by 2013.

In Bintulu, most of the shophouses are located outside the existing commercial core to the Parkcity and suburban areas due to the limited land available for commercial development at the existing town center area. Most of the recent launches in Bintulu are 3-storey terraced shophouses which are transacted between RM888,000.00 to RM1,030,000.00. Like the residential sector, the commercial sector is also experiencing increase in pricing.

Currently, the only on-going industrial project in Bintulu is located along Jalan Tun Hussein Onn, comprising 87 units of double-storey semi-detached industrial building on Lot 7522 Block 32 Kemena Land District developed by Hong-Yet Development Sdn. Bhd. It is anticipated that the industrial sector will continue to remain stable for next year.

Property prices will continue to hold or even increase as evidenced by the upward revision of selling prices of the existing launches by property developers. On a long-term view, an increasing demand for houses is expected due to several major ongoing projects associated with SCORE, which will boost the development of Bintulu in the near future. They include, among others, the Similajau Aluminium Smelter Plant, Borneo Paper & Pulp Mill and opening of larger scale oil palm plantations.

WTW INTERNATIONAL

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