

# Sarawak Business Summit

21<sup>st</sup> January 2009

Towards Sustainable Development for  
Continued Prosperity, Growth and Stability

# **The Property Market**

## Opportunities & Challenges

# Summary

- Overview of Global Economy
- Sarawak Property Market Outlook
- The Challenges
- The Opportunities
- Conclusion

# Overview of Global Economy

# Overview of Global Economy

- Data shows that the 'real economy' is sinking.
- Across Europe & the US, banks & corporations are falling
- Major European economies have slipped into recession.
- Massive 'bailout' by the US Government (US\$700B)
- Governments are pumping billion into money market
- Unemployment rate has soared (US 7.2% December job loss = 524,000 . For the whole 2008 = 2.6m)
- Employers are retrenching staff (closer to home Western Digital 1500, After CNY = 45,000 jobs cut)
- Neighboring Singapore is in recession
- Commodity prices has fallen & developing countries affected due to reduce export earnings. (Malaysia Timber/C PO/Oil)
- The credit crunch has worsened



  
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# Sarawak Property Market Outlook

# Sarawak Property Market Outlook

## Negatives

- The outlook for 2009 looks bleak
- Slower economic growth
- Fear of rising interest rate
- Uncertainty about the rate of inflation
- Rising living cost
- Higher incidence of non-performing loans
- Sales of property has slowed and almost at a standstill
- Price of New Properties remain high due to rising costs
- 1,000 to 1,500 units of houses overstocked (Sheda)
- People prefer cash over property

## Positives

- 9<sup>th</sup> Malaysia Plan spending may bring some relief
- The Sarawak Corridor of Renewable Energy (SCORE)

# Challenges

The main challenge for property is  
the economy...and the toughest time  
is NOW

# Challenges... (*inherent*)

## To the Developer

### 1. The Five (5) Ps

- Product – Innovative & Facilities & Amenities
- Place – Location & Accessibility
- Promotion - Effective
- Price – Affordable, Value for Money
- People – The RIGHT PEOPLE

## 2. Quality

- Buyers expectation of higher product **quality**.
- Decision of providing quality vs. cost.

## 3. Rising Cost

- Rising cost is a major concern.
- Additional cost- open spaces, landscaping, infrastructure capital outlay.
- Increasing land price / labor cost.
- Provision of low cost composition for development over 10 acres

## ...Challenges...

### **4. Environmental Concern**

- Increasing environmental awareness & closer monitoring & control
- Eg: Hillside development – Highland Tower & Bukit Antarabangsa / Miri Landslide

### **5. Stringent Lending**

- Rising NPL
- Increase in second hand properties
- Tighten credit

# ...Challenges...

## 6. Risk of overhang

- Over supply
- About 1,500 units 'overstocked' in Sarawak

## 7. Competitors

- Existing developers
- New entry



# Opportunities

**Investment in Property Cannot Go Wrong**

# Opportunities

*...Property can go wrong....*

## To the buyer

- **1. Capital Appreciation**
- Choice property at bargain.
- As a hedge against inflation.

## To the Developer

- **2. Foreign Buyer**
- Malaysia My Second Home
- Property is always in demand

Opportunities  
*...Property can go wrong....*

### **3. Pricing & Branding**

- Pricing is a function of product and location
- For example
  - (1) A condominium in KLCC area with a good view of the Petronas Tower or
  - (2) An apartment near Kuching Waterfront with a good view of the DUN Building would both command a premium.
  - (3) Similarly a condominium designed by 'Superstar Architect

# ...Opportunities...

## **4. Niche Markets**

- Growing Demand due to changing lifestyle
- Specific niche market.
- Gated and Guarded homes.
- Younger generation
- Single lady ownership

## **5. Built & Sale**

- Good strategy during economy downturn.

## **6. Government Incentives**

- The 50% stamp duty exemption
- Withdrawal from EPF Account 2 for paying installment
- Lowering of the personal income tax
- The waiver of real property gain tax

## **7. 9<sup>th</sup> Malaysia Plan**

- Propped domestic demand. Construction sector expected to remain positive in year 2009.

## ...Opportunities...

### **8. SCORE**

- The Sarawak Corridor of Renewable Energy (SCORE - positive impact on property and construction sector.

### **9. Population**

- Faster population growth in major towns due to rural urban migration and job opportunity. – demand for houses

**P**roperty **O**wnership = **P**rosperity + **F**reedom + **W**ealth

# Conclusion

## Conclusion...

- Despite the decreased in fuel price from US\$145 to below US\$40 per barrel, the consumer sentiments remain unchanged as far as buying properties is concerned.
- 2008 has been a tough year for the construction industries, the recent decrease in crude oil and steel prices may see some light at the end of the tunnel.
- Risk of stagflation may occur which is not a positive sign. Stagflation occurs when inflation rate is high without a corresponding increase in demand for goods and in employment. This will result in more cautious buying of properties amongst the consumers.

## ...Conclusion

- Malaysian high savings rate and healthy foreign reserves, coupled with the ample liquidity in the system would enable local banks to weather the global credit squeeze but if the crisis were prolonged the situation may become unpredictable.
- Hopefully with the various incentives introduced and implemented by the Government together with the 'kick-off' of the regional corridors will bring positive impact to the construction and property sectors.

Don't Wait to Buy Property,  
Buy Property and Wait

Thank You

**Have A Good Day**



# Credit Crunch

## What Does *Credit Crunch* Mean?

- An economic condition in which investment capital is difficult to obtain.
- Banks and investors become wary of lending funds to corporations as lenders are scared of bankruptcies or defaults, which results in higher rates
- Credit crunches are usually considered to be an extension of recessions.
- The consequence is a prolonged recession (or slower recovery), which occurs as a result of the shrinking credit supply.