

2026 outlook for Sarawak's real estate

Sheda's deep dive into the housing industry and Sarawak's Fiscal Policy



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Sarawak's FY2026 fiscal policy, which dedicates the majority of the development expenditure toward enhancing socio-economic connectivity, is designed to reinforce economic resilience despite challenging national and global conditions. While not directly targeting the housing, construction or real estate sectors, this strong fiscal position

indirectly benefits them by improving the overall development environment.

Investments in road connectivity, rural access links, the Pan Borneo and coastal road networks and the upcoming Kuching Urban Transportation System's (KUTS) Autonomous Rapid Transit (ART) Phase 1 operation by Q4 2026 are improving accessibility, opening new growth corridors and raising the viability of residential and commercial developments. Parallel initiatives in water supply,

electricity coverage and rural utilities reduce development disparities across Sarawak, creating opportunities for balanced regional growth and indirectly supporting long-term prospects for developers and investors.

cumulative effect significantly enhances resident comfort and convenience, improves building management efficiency and reduces long-term operational costs, particularly in strata developments where maintenance fees are shared among owners.

At the same time, the integration of these technologies presents a challenge: balancing sustainability and digital enhancements with affordability. Many smart and green features require higher upfront capital expenditure and in an environment where construction costs are already elevated due to imported materials, logistics constraints and regulatory compliance, additional specifications can widen the affordability gap. From an economic perspective, adoption must focus on cost-efficiency while gradually scaling up as demand and supply chains mature, ensuring that property remains accessible to the broader population.

Sustaining household formation and demand

Housing-focused programmes—including affordable housing initiatives, longhouse loan schemes and the Sarawak Rental Assistance Scheme—continue to sustain consumer confidence and household formation, particularly among first-time homebuyers, contributing to a stable property market outlook.

Where people choose to live continues to depend heavily on socio-economic factors such as job opportunities, household income, cost of living, access to healthcare and education and overall quality of life.

While sentimental attachment may influence some individual decisions, the majority of Sarawakians—including returning talent from Peninsular Malaysia or overseas—will only consider settling in an area where income potential and mortgage eligibility are sufficient. In FY2026, affordability driven by income levels remains the central determinant of housing demand and Sarawak's expanded development spending and economic diversification efforts are expected to support long-term improvements in this area.

The human element: Building liveable communities

Beyond economic and technical factors, it is important to remember that housing is ultimately about people and communities. Families want homes where children can go to school safely, where daily life is convenient and where neighbours form supportive networks. Returning Sarawakians and local residents alike are seeking not just a roof over their heads but a sense of belonging and stability—a place they can see themselves growing into over the years.

By considering these human elements alongside development planning, developers and policymakers can create environments that are not only financially viable but also enriching to the lives of those who live there.

Technology integration and the affordability challenge

In alignment with Sarawak's FY2026 commitment to advance toward net-zero emissions and expand the digital economy, future developments—particularly in Kuching, Sibu, Bintulu and Miri—are expected to increasingly adopt smart-city principles and green-building standards. These include improved energy efficiency, enhanced thermal performance, water-saving fixtures, rainwater harvesting, renewable-energy readiness, fibre-optic connectivity, IoT-supporting systems, automated lighting and ventilation controls, car-plate recognition, digital visitor management and optimised waste-collection routes. While each feature may appear minor individually, their

Structural pressures on affordability

Housing affordability in Sarawak also faces structural pressures, including dependence on imported construction materials, high freight and logistics costs, currency volatility and increasing regulatory and compliance expenses. While local production could stabilise long-term pricing, achieving cost competitiveness would require sustained demand over a decade or more, meaning developers, particularly those targeting the affordable segment, will have to continue to operate with narrow margins. Without targeted policy support or measures to rationalise costs, maintaining housing affordability for Sarawakians will remain a key challenge throughout FY2026.

Policy adjustments to boost feasibility

The Sarawak Housing and Real Estate Developers' Association (Sheda) believes that regulatory adjustments could play a critical role in supporting affordability and development feasibility.

One priority concern is the stamping of Joint Venture Agreements between developers and landowners, which may trigger double taxation and increase initial development costs. Revisiting this requirement could prevent unnecessary cost escalation and improve efficiency in land development partnerships.

Sheda also proposes a review of the levy rates for the Sarawak Housing Contribution Trust Fund, which currently impose uniform charges regardless of distance from urban centres. A tiered levy structure, with lower rates applied to developments farther from central business districts, would reduce construction costs in emerging areas, encourage private-sector participation outside major cities and align development incentives with Sarawak's broader goal of regional upliftment and inclusive growth.

Addressing these regulatory cost drivers would enhance the feasibility of projects and help sustain balanced housing development in line with Sarawak's 2026 fiscal strategy.