

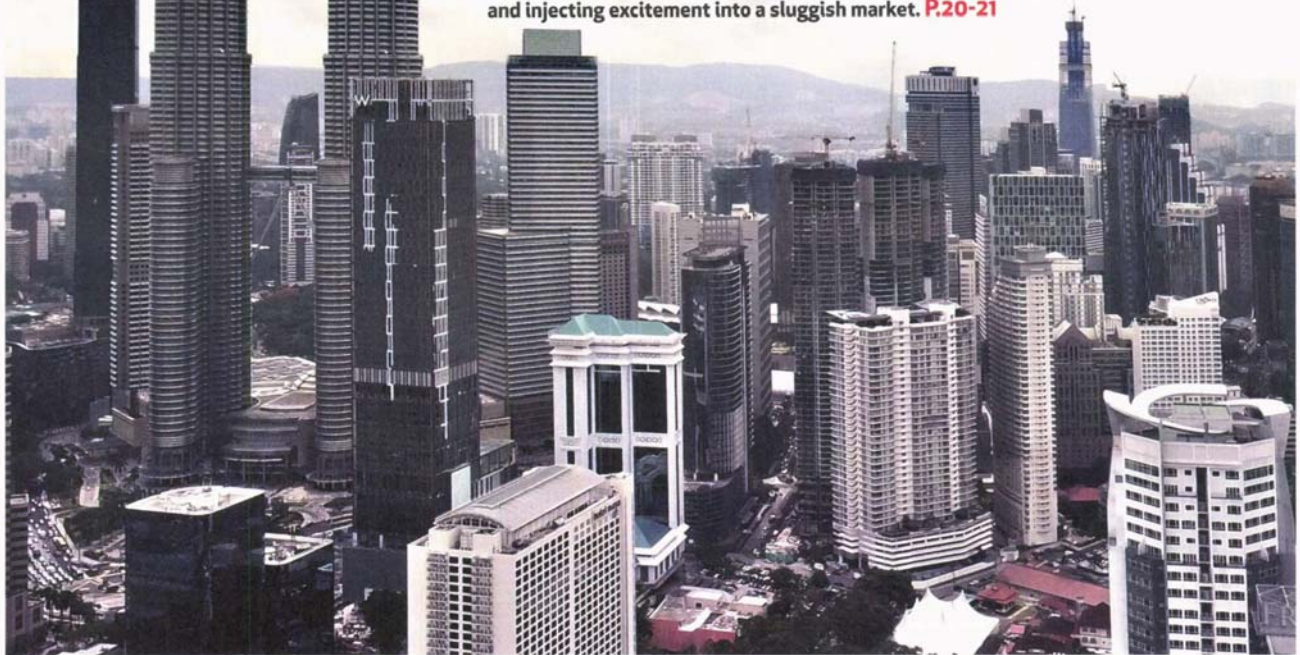
Headline	More creative home financing schemes in 2019		
MediaTitle	Focus Malaysia		
Date	19 Jan 2019	Color	Full Color
Section	News	Circulation	16,405
Page No	17,20,21	Readership	49,215
Language	English	ArticleSize	2383 cm <sup>2</sup>
Journalist	JOSEPH WONG	AdValue	RM 41,030
Frequency	Weekly	PR Value	RM 123,090



property

# Rise of home financing schemes

Many property developers have introduced new financing schemes for home buyers amidst continued stringent loan requirements by banks. This year will see more parties coming up with financing schemes in the hope of boosting sales and injecting excitement into a sluggish market. **P.20-21**





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# More creative home financing schemes in 2019

- **The** slowdown in the property sector and continued tight loan measures have led to a rise in creative packages to boost sales
- **With** crowdfunding on the cards, it will be an interesting 2019 for the property sector



by Joseph Wong

Since Budget 2019 was revealed, there have been more creative property financial solutions being offered to home buyers.

Many developers are already introducing their own financial solutions for their projects.

But home buyers can expect developers to introduce more innovative home financing to spur the soft property market.

While details of crowdfunding option for the property market are still scarce, it will set the tone for more innovative financing solutions.

Financing remains a major challenge for the property market



**We have been able to double our sales across all three regions where our 18 ongoing projects are located**

- Chang

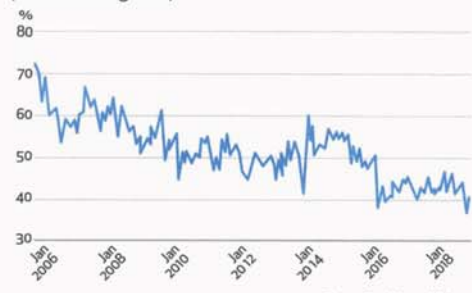


**The ever-changing landscape of the property development industry has driven Gamuda Land to be more creative**



New launches coupled with the GL Home campaign draw a good crowd of prospective home buyers for Gamuda Land

## Residential property loan approval rate (Jan 2006 - Aug 2018)



Source: Bank Negara Malaysia

as many house buyers are finding it difficult to obtain a 90% loan disbursement.

As it is, the number of loan approvals has been on a steady decline since 2006 (see table), says a property observer.

This is in contrast to Bank Negara Malaysia's (BNM) figures showing that the number of loan approvals has increased.

"If you understand statistics, this is actually true. This is because the loan approval figures are compared to the number of loan applications for the period.

"A certain month may have a smaller number of loan applications but the approval rate for them may be higher, giving a

false impression that the approval rate for that month is higher.

"If you track the approval rates over a longer period, you can see how far the approval rate has fallen and this is worrying," he says.

According to BNM figures, loans sought in the banking system for the purchase of residential property amounted to nearly RM19 bil in November 2018, down 17% m-o-m.

Cumulatively, the total loans applied for the purchase of residential property year to date stood at RM222.6 bil, compared with RM223.9 bil a year ago.

On loans approved, the data shows that for November 2018, loans approved were just RM8.9bil, which is 15% lower m-o-m.

Cumulatively, the data shows that total loans approved year-to-date stood at RM95.1 bil, a slight improvement compared with RM94.1 bil a year ago.

The declining number of loans and the lower approval rates are being felt by many developers, who over the years have been calling for an easing of the lending policy.

### Taking matters into their own hands

But rather than wait for policy makers to respond, many property developers have over the past year come up with innovative measures. Some offer a limited time frame while others have an indefinite period to help buyers own their properties.

Last year saw many developers come up with innovative schemes to help buyers, like EcoWorld Development Bhd's Help2Own (H2O) financing pack-



Buyers are waiting to see which deal suits them best





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EcoWorld president and CEO Datuk Chang Khim Wah.

"As a result, we have been able to double our sales across all three regions where our 18 ongoing projects are located.

"This proves that buying interest, whether in the Klang Valley, Iskandar Malaysia or Penang, remains strong.

"The challenge is in coming up with the right products and development concepts that meet the lifestyle needs and aspirations of today's discerning homebuyers," he adds.

"This year sees another campaign called the Hope Home Ownership Programme - H stands for hassle-free, O for own today, P for purchase later and E for easy.

To be launched this month, the new campaign incorporates H2O together with another scheme - Stay2Own (S2O) - to provide home ownership solutions to buyers, according to its website.

Details of both schemes under the Hope campaign will be announced at the launch ceremony.

EcoWorld's total sales from

Malaysian projects exceeded RM3.1 bil in the financial year ended Oct 31, 2018 with more than RM2.2 bil achieved in 2H 2018 following the success of the company's #OnlyEcoWorld Campaign.

For SP Setia, its Seal incentive is a simplified and enhanced deferred payment scheme to help buyers own a home in a hassle-free manner.

The incentive, which ended Dec 31 last year, also afforded one lucky buyer in every SP Setia project with a 31.8% cash rebate.

Essentially, the property developer would help finance up to 30% of the property price at 0% interest if the buyer secures a 60% bank loan and the 10% deposit.

The buyer can take up to five years to pay back SP Setia, says the developer.

"Seal is not SP Setia's first incentive scheme. They had a similar Seal incentive in 2017. But the 2018 version was offered for over 20 SP Setia properties and developments in Malaysia," says a property observer.

"They even covered the legal fees, disbursement and stamp

duty on security documents for Seal.

"Furthermore, buyers had an additional 2% rebate and 1% rebate on the purchase depending on whether it was a 90% loan or 80% loan respectively," the observer adds.

SP Setia achieved sales of RM3.21 bil in the nine months ended Sept 30, 2018 and in the long run, the developer's prospects remain positive with total unbilled sales of RM7.92 bil.

Of the RM3.21 bil, local projects contributed RM2.32 bil or 72% of the total sales. International projects contributed RM894 mil or 28% of the total sales.

#### Focus on mid-range landed properties

SP Setia group president and CEO Datuk Khor Chap Jen says when announcing the sales figures last November that its remaining launches will focus more on the local market with the emphasis on the launches of mid-range landed properties in the Klang Valley and Johor Bahru. The emphasis on the local market explains the intensification of its Seal campaign, says the property observer.

In Penang, Setia Fontaines was launched in November along with notable launches in Setia Alam, Setia Eco Templer, Setia Eco Park, Temasya Glenmarie, Bandar Kinrara, Taman Pelangi Indah and Taman Rinting with a combined gross development value (GDV) of RM1.6 bil.

These launches are on top of the RM4.64 bil GDV projects/phases launched in the first nine months, bringing the total launches for 2018 to RM6.24 bil.

Khor says the local property market remains subdued as many are facing difficulty in obtaining loans or are adopting a "wait-and-see" approach as the economic uncertainties persist.

SP Setia will also likely refresh its financing offering this year.

Also recently concluded was Gamuda Land's GL Home, which stands for Gamuda Land Home Ownership Made Easy, to help potential buyers navigate the various financing options to bridge the differential sum between price and purchaser's end-financing loan amount.

GL Home also provided services like an immediate financial health check by Gamuda Land's relationship personnel on purchasers' Credit Tip Off Service and Central Credit Reference Information System to help them understand their financial health, as well as their debt service ratio and borrowing ability.

Gamuda Land CEO Ngan Chee Meng says its sales staff had undergone training to equip them with knowledge about various banks' products.

"The ever-changing landscape of the property development industry has driven Gamuda Land to be more creative in fulfilling our vision of 'creating places that people will call home, want to be a part of, grow up and grow old in'.

"While we have built a strong brand over the past 23 years, we are constantly evolving with the times, continuously rolling out waves of transformation initiatives to remain competitive in this challenging market," he says. These three developers' pack-

ages are similar in the sense that they provided a 'bridge' to close the gap between the margin of the approved loan and the initial 5% to 10% downpayment.

#### Hefty sum to pay

The property observer says there is an advantage for the buyer as he or she need not pay the interest for the sum financed by the developer.

"However, it is still a hefty sum to pay back in a shorter time frame. If a property is RM500,000, the 30% amounts to RM150,000. Divided into monthly payments for five years, the repayment is RM2,500.

"In addition, the buyer will need to service the bank loan. However, the campaigns have been successful as the three developers have achieved impressive sales figures that would not have been possible without the financial aid to buyers," he says.

These creative financing schemes would have, on the other hand, attracted investors to invest in property as well, thereby keeping the pricing of the property intact, he notes.

On a brighter note, the observer says the financial packages seem to give home buyers hope in securing their own homes, so 2019 should be an interesting year for creative financial schemes. **Focus**



The declining number of housing loans and the lower approval rates are having an impact on many developers