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Rahim & Co: Rent-to-own next best way to reduce overhang

Govt-led initiatives alone are insufficient to address the glut as unsold residential units for 3Q18 stood at 43,219

by **MARK RAO**

HOUSING developers need to explore rent-to-own (RTO) schemes as the next best option to reduce pro-

perty oversupply, as unsold residential units nationwide for the third quarter of 2018 (3Q18) stood at 43,219, representing RM29.47 billion worth of properties sitting idle in the market.

Property consultancy firm Rahim & Co International Sdn Bhd said government-led initiatives alone are insufficient to address the glut.

Johor holds the highest number of overhang units at 13,767, followed by Selangor and Kuala Lumpur at 7,233 and 5,114 respectively.

Rahim & Co director of research and strategic planning Sulaiman Akhmady Mohd Saheh warned that homes which do not meet market demand in terms of product specification, location and pricing will remain unsold.

"Units that are already in a location that is a bit off where the products might not be within the market taste for that locality, and are already off-spec in terms of what the market wants, will continue to be overhang,"

he said in a briefing yesterday.

He said this situation will persist unless these unsold properties are converted into RTO schemes by the developers.

"One of the reasons is buyers' inability in getting loans," Sulaiman said.

"We now see that developers are going to RTO schemes and converting the units from being unsold or inactive to becoming yielding stocks."

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Oversupply has spilled to units under Bumi quotas



Pic by Husaini Shaharudin

If you cannot sell these properties to the Bumis, it is only fair to release them to the public, Abdul Rahim says

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“(RTO schemes) do not actually make the house cheaper, but make it easier for buyers to eventually have the option of owning it. It is a relatively more sustainable option compared to multi-generational loans,” Sulaiman said.

In Budget 2019, the government also introduced several initiatives to assist first-time homebuyers to own a property. This includes a RM1 billion fund by Bank Negara Malaysia to assist first-time buyers earning RM2,300 or below monthly, stamp duty exemption for first-time buyers purchasing property priced between RM300,001 and RM1 million, and a RM1.5 billion budget to build affordable homes in the country.

Sulaiman said these initiatives will help address the situation to an extent, but there are various factors to consider before one decides to purchase a house.

The oversupply situation has spilled over to properties allocated under the Bumiputera quotas and various state governments are considering releasing these properties to the whole market.

Rahim & Co executive chairman Tan Sri Abdul Rahim Abdul Rahman said Malay reservation land parcels make up some 90% of the available land in Kelantan, Terengganu and Kedah

“(The Bumiputera allocation) still works in these states, but the types of houses built there must suit the requirements and the affordability of

the local population,” he said at the same briefing.

“This mismatch of designs of prices is one of the factors that leads to an oversupply situation,” he added.

Kedah, Perak and Johor are among the states mulling opening these Bumiputera-allocated properties to the market if the respective developers fail to sell the properties to Bumiputera citizens within a stipulated time.

“If you cannot sell these properties to Bumiputeras, it is only fair to the developers that they should be released to the public,” Abdul Rahim said, stressing that this is only after a genuine effort is made by the developer to market the property within the set time frame.

Rahim & Co is predicting a flat performance for the property market in 2019 as the decline in transaction activities have softened last year, indicating that the downtrend pace will continue decelerating this year.

“As we enter 2019, we foresee the new year to be a period of further stagnation with continued hope and anticipation of improvements, with the introduction of new policies and incentives aimed at the property market,” it said.

This includes the National Housing Policy 2.0 and property crowdfunding platform.

“Collectively, the continuation of the wait-and-see sentiment and the persisting struggle of buyers securing housing loans contributed to the market’s stagnation and the rising of inventory levels.”