

Headline	'Timely release mechanism of bumiputera lots will reduce price of property'		
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'Timely release mechanism of bumiputera lots will reduce price of property'

Recently, there were news reports stating that the Perak state government will allow housing developers to apply for properties under the bumiputera quota to be released to other buyers if the properties were unsold by the Perak Housing & Property Board after six months. The said policy is to take effect from April 1, 2019.

It was also reported that 50% of the bumiputera quota can be released to other non-bumiputera buyers with these conditions:

- The physical construction has achieved 30%
- That 60% of the non-bumiputera lots have been sold.

The balance 50% of the bumiputera quota can be released with the following conditions:

- After physical construction has reached 80%
- That 90% of the non-bumiputera lots have been sold

Housing developers who sell bumiputera lots to non-bumiputera buyers without the state's prior approval would be subjected to fines or double the levy payment.

Proactive initiatives

The National House Buyers Association (HBA) welcomes the move by the Perak state government to allow the early or rather 'timely' release of bumiputera lots as such a move will lead to lower house prices in the long run. Such proactive initiatives should

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be emulated by other states in Peninsular Malaysia.

With this step, developers will be able to reduce holding costs and thus bring down house prices PROVIDED they do not conveniently 'up their profit margin'.

There are many costs incurred in building a house that common buyers can relate to such as the costs of the land and the construction including labour and building materials.

However, an important cost factor that many people may overlook is time — the longer the housing developer or the building contractor

takes to finish building a project or to sell off their properties, the higher the cost incurred.

Under the New Economic Policy, property developers are required to reserve a certain number of units of their developments, say a minimum of 30%, for only bumiputera purchasers. The bumiputera quota differs from state to state and usually ranges from 30% to 50%. Furthermore, these bumiputera lots are to be offered at a discount ranging from 5% to 15%.

What happens if the developer is unable to find enough bumiputera buyers for the bumiputera units?

For housing developers, it would be quite mind boggling to understand and meet the various states' policies with regards to this. They are after all, not charitable organisations and any additional cost incurred by them will be passed on to buyers.

What happens if the developer is unable to find enough bumiputera buyers for the bumiputera units? What if the State Housing Board is unable to find qualified bumiputera buyers?

The longer it takes to sell the bumiputera units, the higher the cost for the developers as their capital is locked down in those unsold units. The holding cost will eventually be transferred to future house buyers both bumiputera and non-bumiputera via the house price. Most developers will factor in their budget, the anticipated 'holding cost' for a period of three years since the current mechanism dictates so.

Developers have been complaining about the release mechanism of bumiputera units as being not transparent, not consistent, and differs from state to state.

HBA had called for more transparent and consistent policies for the automatic release of bumiputera units and the move by the Perak state government is indeed a step in the right direction. Such policies that ben-

efit the rakyat must be heralded.

Back when the New Economic Policy was first announced, the percentage of bumiputeras in urban areas might have been considered low. However, as we approach the year 2020, the percentage of bumiputeras in urban areas can be considered high. Hence, this requirement may be less relevant today.

Ideally, it is good to have a balanced ethnic mix in every housing area but this may be difficult to implement. For instance, it would not be too practical to implement a strict 30% bumiputera quota for areas such as Kepong or Cheras in Kuala Lumpur while a 30% bumiputera quota would not be sufficient for areas such as Shah Alam, Selangor or Datuk Keramat in Kuala Lumpur.

HBA believes the move by the Perak state government to allow faster release of bumiputera units is a step in the right direction and will ultimately benefit all in the long run. Hopefully, with the new initiative by Perak, the housing market may see a reduction in house prices by say, about 5%?



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