



16 AUG, 2019

The alternative method of homeownership

The Malaysian Reserve, Malaysia



The alternative method of homeownership

Auction homes are generally sold at least 20% to 30% below their market value, and are among the cheapest options for homebuyers

by FARA AISYAH

THE high number of unsold residential units in the Malaysian property market is mainly due to the mismatch between demand and supply.

While there is demand, high prices make the residential units unaffordable to many.

Thus, potential homebuyers need to look at cheaper options to owning a house.

The Malaysian Reserve compares the process of buying houses in three market segments — auction, secondary and the primary market.

Auction Market

Auction homes are generally sold at least 20% to 30% below their market value, and is one of the cheapest options in terms of house prices.

Interested buyers have to put up 10% of the reserve price of the property on auction and apply for financing for the remaining 90%.

If the successful buyer fails to secure a loan for the auction property, he or she has to pay the balance in cash. If the successful bidder fails to pay the balance of the purchase price within the time frame given, the 10% deposit will be forfeited.

As such, it might be hard for young adults to buy a house in the auction market since it requires



The HOC 2019 is meant to make purchasing houses in the primary market more affordable

Pic by Husien Shoharudin

capital in hand.

In addition, outstanding charges such as maintenance fees, utility charges and quit rent must be settled by the successful bidder because such expenses are sometimes not borne by the bank.

For the unsuccessful bidders, they may redeem their deposits at the

registration counter immediately after the auction.

Secondary Market

Buying a house in the secondary market is considered the most expensive way in homeownership, considering that buyers are required to put a 10% down payment of the purchase price.

The rule of thumb for buying a subsale home is to have at least 20% of the purchase price in hand, as the buyer has to pay for all the legal and transaction fees and duties concerned.

As such, this is a market for people who have the capital. Subsalsale properties also come with real estate agent fees, which are not incurred at auction

or primary home transactions.

It is also important to consider the age of the subsale home, as older developments require more maintenance and upkeep compared to newer developments.

Buying a house in the secondary market is cheaper if the home is already renovated and well-maintained, and purchasers do not have to spend money on renovation works.

Primary Market

Previously, the down payment for a new property was fixed at a minimum of 10%. However, developers are now offering various discounts and buyers can acquire a new home at zero entry price.

Apart from the zero down payment, some developers are also offering free legal fees and stamp duty.

To push their units, developers are providing furnished (semi or fully) new units as well.

Technically, the primary market is the cheapest way of homeownership as buyers need less capital in hand compared to the above two options.

The current Home Ownership Campaign (HOC) 2019 — which is being extended to the end of this year — is meant to make purchasing houses in the primary market more affordable.

Under the HOC 2019, buyers of new properties valued below RM1 million are exempted from paying stamp duties, while buyers of properties priced above RM1 million to RM2.5 million would pay a 3% stamp duty.

Participating property developers are also required to give a minimum 10% discount to buyers on their units, with some developers offering more.



16 AUG, 2019

The alternative method of homeownership

The Malaysian Reserve, Malaysia



Page 2 of 2

SUMMARIES

Auction homes are generally sold at least 20% to 30% below their market value, and are among the cheapest options for homebuyers by FARA AfSYAH THE high number of unsold residential units in the Malaysian property market is mainly due to the mismatch between demand and supply. While there is demand, high prices make the residential units unaffordable to many. Thus, potential homebuyers need to look at cheaper options to owning a house.