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Property wish list for Budget 2020

The Star, Malaysia

Propping up property: (from left) Khor, Leong and Siders are hopeful that the upcoming budget will contain measures that will help ease the challenges faced by the real estate sector.

Property wish list for Budget 2020

Developers ask for easier home loans, termination of RPGT

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PETALING JAYA: Relaxed lending guidelines, continued incentives under the Home Ownership Campaign (HOC), reduced compliance cost and the termination of the real property gains tax (RPGT) are on the budget wish list of property developers and consultants, who hope that such measures will help stimulate the industry and reduce the property overhang.

Mah Sing Group Bhd founder and group managing director Tan Sri Leong Hoy Kum said housing loan eligibility has been one of the main challenges in the property market over the past few years.

"Difficulties in securing maximum loan margins continue to plague potential home buyers, causing a high rate of withdrawals," he said in a statement yesterday.

Leong is proposing a higher debt service ratio from 70% to 80%, compared to only 60% currently for the lower-income group.

"A higher margin of financing of up to 110% for the first property, 90% for the second and 70% for the third," he said, adding that financial institutions should also take into account an individual's part-time income during the loan application process.

Mah Sing is also proposing a longer loan tenure of up to 45 years, lower interest rates for first-time buyers and the allowance of the developer interest bearing scheme, so that buyers do not need to service loan interests and rentals at the same time during the construction period.

Budget 2020 will be tabled on Oct 11.

With the rising interest from foreigners to purchase property in Malaysia, S P Setia Bhd president and chief executive officer Datuk Khor Chap Jen is hopeful that the threshold price for purchase by foreigners would be reduced, believing that the investments can help to reduce the current overhang and stimulate the soft property market currently.

"We would also like to see a further reduction in the cost of doing business, especially the compliance cost, where the removal or reduction of such a cost could be translated into cost savings for the property buyers.

"Last but not least, we hope the government can consider assuming the role of providing affordable housing for the B40 group, perhaps under a rental scheme, with some contribution from property developers so that private developers can concentrate on free-market housing."

Separately, Leong is hopeful that the incentives under the HOC can be continued, as it can help lessen the financial burden of first-time home buyers.

"This (the HOC) was a successful stimulator of property transactions in the past and would be an effective short-term catalyst to stimulate the property industry," he said.

The six-month HOC, which was kicked off in January, has been extended a further six months to December 2019.

In line with the government's continuous effort to lower housing prices to benefit the market, Mah Sing is urging the government to review and reduce the compliance cost.

"Apart from land conversion premiums and development charges, the capital outlay for private utility companies is very high and covers the surrender of the land, construction of the infrastructure, and contributions to the utility companies such as Tenaga Nasional Bhd, Syabas, Telekom Malaysia Bhd and Indah Water," said Leong.

He also said the imposition of the RPGT on properties sold after five years was affecting the higher-priced residential property segment.

"We hope the government can consider terminating the RPGT as an impetus to boost the secondary market, as perpetual RPGT is currently affecting those who are considering to upgrade their homes."

PPC International managing director Datuk Siders Sittampalam echoed Leong's sentiment on the RPGT.

"The RPGT was imposed to curb speculation, not provide additional revenue to the government, especially now when the property market is already dampened."

On the current property market overhang, Siders said this was due to buildings being constructed in wrong places, or developments being green-lit without a preliminary study being conducted.

"A market and feasibility study needs to be conducted first before a development can proceed," he said.

Total overhang of residential property remains high, rising 30.7% to a new record of 32,936 units valued at RM20bil as at the first quarter of 2019 (1Q19) as opposed to 25,193 units or RM15.7bil in 1Q18.

Knight Frank Malaysia managing director Sarkunan Subramaniam said more funding and incentives should be provided to encourage both domestic and foreign investments.

"The government should relook into the regional economic corridors policy, namely, the Northern Corridor Economic Region, the East Coast Economic Region, Iskandar Malaysia, the Sabah Development Corridor and the Sarawak Corridor of Renewable Energy."

Sarkunan is also urging the government to consider removing the sales and service tax (SST) on building maintenance service charges.

"Selected items that make up the building maintenance service charges are SST-exempt, while others are not.

"For example, while utilities are SST-exempt, security services are not. Thus, there may be double taxation although SST is supposed to be a single-tier tax.

"We would also like to see the government being more lenient on the release mechanism pertaining to bumiputra units, or also a reduction in the allocation for bumiputra units (lower quota policy), depending on the location and type of property," he said.

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SUMMARIES

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