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BUDGET 2020 SURVEY: Please review RPGT

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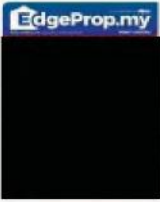


What Malaysians want from

Among other things, property owners are hoping that the current **Real Property Gains Tax** will be reviewed, EdgeProp.my's poll showed. **See Pages 4 to 6.**

BUDGET 2020





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BY TAN AI LENG

It seems a large number of property owners have been disturbed by the current Real Property Gains Tax (RPGT) and they are hoping to see it reduced or removed, according to a poll conducted by EdgeProp.my.

The RPGT which had seen a new schedule of rates take effect at the beginning of this year is hurting property owners by trimming their profit margin.

Therefore it is no surprise that a majority of property owners who responded to the poll conducted from Sept 12 to 25, 2019 are hoping to see an adjustment to the existing RPGT regime.

A total of 900 respondents took part in the poll in a run-up to Budget 2020 which will be tabled in Parliament on Oct 11.

Property owners formed the majority of the respondents at 713 or 79.2% while the remaining 20.8% or 187 respondents were not. Among the 713 property owners, 74% or 526 of them did not agree with the current RPGT which was announced in Budget 2019 whereby property transactions from the sixth year are imposed RPGT of 5% for individuals and 10% for companies, effective since Jan 1, 2019.

In the previous RPGT regimes from 2014 to 2018, no RPGT was imposed on transactions done from the fifth year onwards.

As many as 413 respondents said the current RPGT is unfair to owners who have held on to their investments for over five years as it did not take into consideration that they were genuine buyers and not speculators.

Another 273 respondents said the current RPGT discourages property investment as a wealth accumulation tool while 130 respondents believed the perpetual tax is not an effective way to curb speculation. As many as 98 respondents also questioned the government's move to make the tax retrospective.

One homeowner said he felt property owners are being "punished" for selling their homes to upgrade to those that better suit their needs.

"It's our investment, why tax us for upgrading? We are selling the current house to get a bigger house as the size of the family grows, selling of current property doesn't mean we are getting profit. This is an initial investment we put in to get the funds for upgrading to

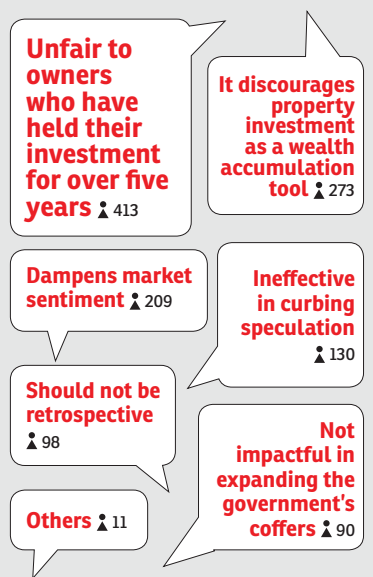
RPGT for individuals

Year	2014-2018	2019
1st year	30%	30%
2nd year	30%	30%
3rd year	30%	30%
4th year	20%	20%
5th year	15%	15%
6th year onwards	0%	5%

Do you agree with the current RPGT rates?



Reasons for disagreeing



a better house in the future," said one of the respondents.

Another owner opined that the Malaysia property market is not as vibrant as some advanced countries, hence the 5% perpetual RPGT will make property investment less attractive especially for those who plan to buy properties as a means to raise funds for their retirement.

One respondent noted that the RPGT puts a dampener on sub-sales when the "government should instead encourage secondary market transactions instead of focusing on primary market sales".

Indeed, as many as 209 respondents found the RPGT has dampened market sentiments whereas the government should have introduced measures to stimulate the market which has been experiencing a slowdown since 2015.

Although RPGT contributes to government revenue, 90 respondents felt that the current RPGT has little impact in expanding the government coffers.

It was reported in July that the government has collected some RM91.86 million in RPGT for the disposal of properties of more than five years.

Meanwhile, 26% or 187 respondents said they had no issue with the current RPGT, with one of them saying the current rate is "not high enough".

More catalysts needed

Among the respondents who disagreed with the current RPGT, 148 or 28% suggested that the government revert to the previous RPGT which worked effectively in encouraging long-term investments. Meanwhile, 142 or 27% of these respondents called on the government to impose RPGT only on property owners who sell their properties within three years of ownership. About 18% or 96 respondents believed the RPGT should only be imposed on foreign buyers while 14% or 75 respondents wanted it to be abolished in order to stimulate the prolonged market downturn. Only 57 of them or 11% said the current RPGT rate for property disposal in the sixth year onwards should be reduced.

Interestingly, there were also respondents who saw a need for the government to consider a value tax or vacancy property tax instead of curbing speculation through RPGT.

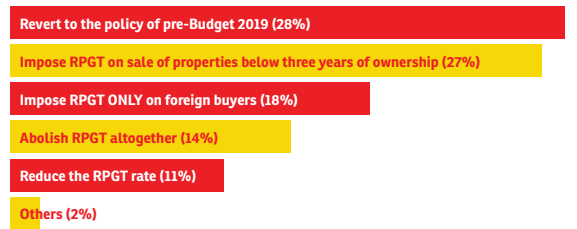
"My personal view is to go back to the previous tax regime, which is more effective in curbing speculation while encouraging people to invest in properties. I don't think there's a need to reduce the number of holding years," Real Estate and Housing Developers' Association Malaysia (Rehda) vice-president Datuk N K Tong tells EdgeProp.my.

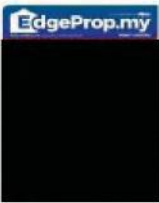
Furthermore, he says making RPGT an "evergreen tax" may affect Malaysia's attractiveness to investors who are looking for long term investments.

Instead of focusing on one single policy, Rehda president Datuk Soam Heng Choon sees an urgent need to have more stimulus measures that could spur market demand.

"The market looks forward to an expansionary Budget 2020 that could encourage more spending, especially on big ticket items," he said during a media briefing recently.

Suggestions on RPGT





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Respondents' profile

The EdgeProp.my Budget 2020 survey ran online from Sept 12 to 25, 2019. As many as 900 respondents participated in the five-minute poll which was conducted to find out what the market hopes to see in the upcoming Budget 2020 which will be tabled on Oct 11, 2019.

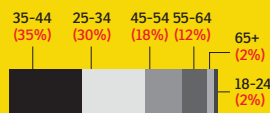
It is also to seek their views on the current property market, their main concerns and suggestions on how the current slow market could be given a boost.

Among these 900 respondents, close to 35% of them are aged between 35 and 44 years old while close to 30% are aged between 25 and 34 years old.

About 17.8% of the respondents are from the 45 to 54 years age group while 3.2% were senior citizens above 65 years old. There were only 2.3% who were aged between 18 to 24 years old.

Looking at income levels, close to 40% of the respondents earned above RM5,000 to RM10,000 a month while about 32% earned less than RM5,000 a month. Another 18.8% of them had a monthly income of between RM10,000 and RM20,000, while 9.5% of them drew an income of above RM20,000 a month.

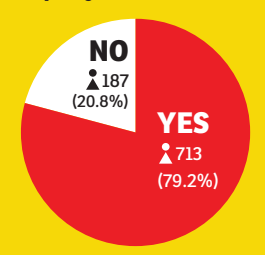
Respondents' age group



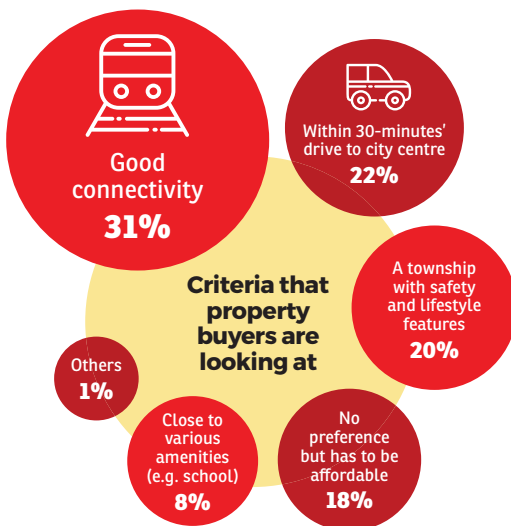
Income group based on monthly gross salary

INCOME RANGE	▲	%
> RM7,000 – RM10k	183	21.3
> RM10k – RM20k	162	18.8
> RM5,000 – RM7,000	159	18.5
> RM3,500 – RM5,000	137	15.9
> RM2,500 – RM3,500	82	9.5
> RM20k	82	9.5
< RM2,500	56	6.5

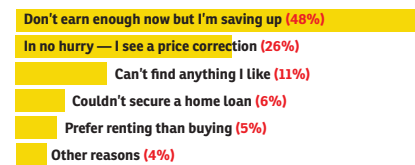
Property owners?



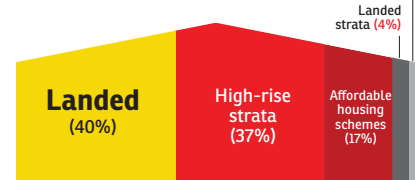
For non-property owners, are they looking to buy one within the next 12 months?



Main reason for not buying (for respondents who do not own a property)



The desired property type



The desired property price



Connectivity

– the main priority of homebuyers

BY CHIN WAI LUN

Out of the 900 respondents of the EdgeProp.my Budget 2020 run-up survey conducted from Sept 12 to 25, 187 respondents said they did not own a property. However, slightly more than half of them or 97 respondents (51.9%) were thinking of purchasing a property within the next 12 months.

A further breakdown showed that 59% of those who planned to buy a property in the coming 12 months were looking for homes priced between RM250,000 to RM550,000. It is worth noting that none of the 97 respondents wanted a house priced below RM250,000.

This echoes the Real Estate And Housing Developers' Association of Malaysia's (Rehda) homebuyers' survey conducted in April 2019 where 74% of the 1,411 respondents were looking for houses priced from RM200,000 to RM500,000.

These property seekers would prefer a property in a location that offered good connectivity such as highways and LRT/MRT/train stations (31%) while 22% wanted to stay close to the city centre — within a 30-minute drive, to be exact.

This was followed closely by 20% who would choose well-equipped townships with ample safety/security and lifestyle features, and 18% who had no particular preference as long as the home was affordable.

Landed homes remained the most desirable with 39 votes (40%) although high-rise

strata residences were almost as popular at 37% or 36 votes. Affordable housing schemes recorded just 16 votes (17%).

Reasons for not buying

For those who did not plan to buy a property anytime soon, what was holding them back?

It mainly boils down to income as 48% of the 187 respondents stated that they were simply not earning enough to afford a home — but nevertheless, were saving up for one.

Interestingly, about 26% said they were in no hurry to acquire one as they expected a form of price correction to the housing market in the future.

Some 6% of the respondents could not secure loans to purchase a property while 5% preferred to rent. Other reasons included having already obtained a property from family or having no plans to move out of a family home and unemployment.

Commenting on those who were yet to afford a home of their own, Rehda vice-president Datuk N K Tong concurs that housing affordability and financing have become a challenge for Malaysian homebuyers as housing prices are beyond the majority wage earners' affordability.

Income disparity is still an issue where salary increment does not keep up with housing price growth, he adds. "The key issue is people's income. If homebuyers had the money, they would not want to borrow to buy a house," he tells EdgeProp.my

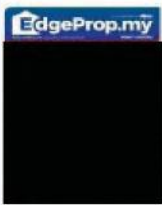
Nevertheless, he stresses that a holistic

"Instead of waiting for salaries to increase, homebuyers could consider buying a smaller unit that suits their budget and gradually upgrade to their dream house." — Tong



policy is needed in tackling housing affordability and income disparity as lifting up individual incomes alone will not solve the problem when the issue of escalating living costs is neglected.

In the meantime, he notes there are still good properties in the market waiting for buyers during this period of slowdown. "Instead of waiting for salaries to increase, homebuyers could consider buying a smaller unit that suits their budget and gradually upgrade to their dream house," says Tong.



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More than six months' wait for a buyer

BY RACHEL CHEW

Looks like property owners looking to sell their properties will have to wait at least six months before they could find a buyer, according to an EdgeProp.my online survey.

Of the 900 respondents who took part in the survey, 713 were property owners of whom 36.6% or 260 of them said they were looking to sell their properties amidst the current slow market.

Notably, over a quarter (25.4%) of those selling their properties had been waiting for a buyer for more than two years now while 23.5% said they had been trying to sell their properties between one to two years. Another 19.2% of them said they had been seeking buyers for between six months to 12 months. The rest of the respondents who were selling their properties (31.9% or 83) had been waiting for a buyer for less than six months.

Interestingly, a majority of these property owners (40%) were trying to dispose of residential properties priced between RM500,000 to RM1 million. Another 15.5% were selling properties priced above RM1 million.

About 29% of the property owners were selling residential properties priced below RM500,000 — the next most common property type for sale in the market.

Only 1% to 2% respondents were currently selling commercial properties priced at RM1 million to RM2 million; and priced at above RM2 million, as well as industrial properties.

Meanwhile, 63.4% or 453 respondents currently did not have plans to sell their properties as a majority of them (55% or 249 respondents) were

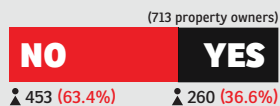
owner-occupiers now staying in their properties.

Some of these owners (19% or 87 respondents) anticipated the value of their properties to appreciate in future, hence they were not in a hurry to sell. Another 18% or 83 respondents wanted to keep their properties for rental income and 5% or 24 owners wanted to leave their properties to their children.

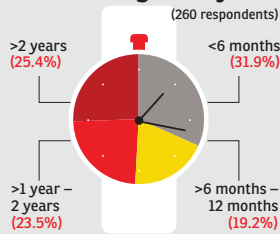
The remaining respondents decided to keep their properties after failing to find buyers while others had reasons which they did not disclose.

The online survey was conducted to gauge what Malaysians wanted from the upcoming Budget 2020 when it comes to home ownership and the property sector.

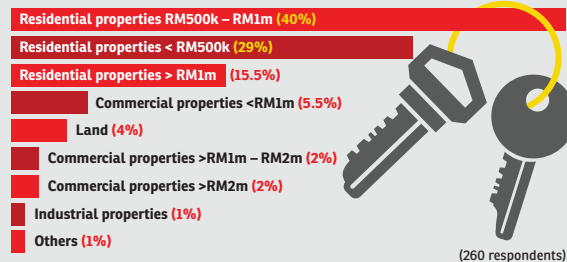
Owners who are looking to sell their properties



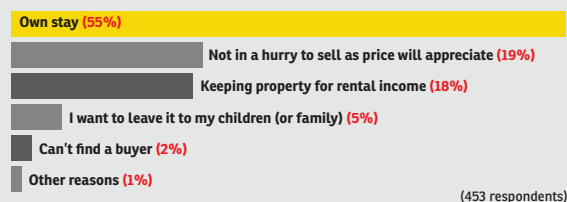
How long have owners been waiting for buyers?



Types of properties they want to sell



Why some owners are not selling their units



More innovative home ownership schemes tops Budget 2020 wish list

BY CHIN WAI LUN

Malaysian homebuyers are open and ever ready to consider new homeownership schemes as long as they benefit them.

An online survey conducted by EdgeProp.my to gauge what Malaysians want from the upcoming Budget 2020 when it comes to home ownership and the property sector found that a majority wanted to see more innovative schemes for property ownership in the market.

Some 575 out of the 900 respondents said they hoped Budget 2020 would announce the introduction of more innovative schemes that could help them own a property.

A notable example of such schemes is FundMyHome which was introduced last year. Under this platform, aspiring first-time homebuyers only pay 20% of the property price to own a home while the remaining 80% of the price will be contributed by participating institutional co-investors who share the upside in the future value of the property.

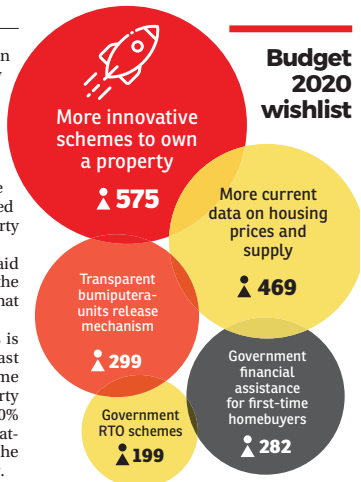
Next on the people's wishlist was for clearer and more up-to-date data on housing prices and supply (469 respondents).

When asked, Rehda president Datuk Soam Heng Choon says Rehda has been pushing for the Housing and Local Government Ministry (KPKT) to create a central database of Malaysia property inventories, existing developments and approved developments.

Such data, he says, would provide a clearer picture on housing demand and supply in the market. They will also help property developers make the right development decisions while offering property buyers an insight into the future development of a certain area, he adds.

KPKT has commenced work on this integrated demand-and-supply database and it is expected to be ready over the next two years.

The survey respondents were also hoping for more transparent bumiputera-units release mechanisms to be implemented (299 responses).



On this, Soam says a substantial number of unsold properties are bumiputera units, hence a standardised mechanism is urgently needed for developers to release the units to the buyers.

"Currently, Selangor, Kuala Lumpur and Penang have clear release mechanisms for unsold Bumiputera units, Perak is now working on it. However, other states do not have clear guidelines on this," he adds.

Next up on the people's wishlist, according to the EdgeProp.my survey, were for more financial assistance for first-time homebuyers (282) followed by more rent-to-own schemes to be introduced (199).

Meanwhile, other respondents also hoped the government would allow buyers to use their Employees Provident Fund savings as collateral for home loan applications, extend the Home Ownership Campaign (HOC) to resale markets, and consider the needs of the elderly for affordable senior community homes.

Extend incentives to secondary market

While the Malaysian government is very much focused on issues involving affordable housing, some participants of the EdgeProp.my Budget 2020 Survey are hoping that Putrajaya would not ignore the needs of the middle-income group and the elderly.

Property owners who are looking for buyers on the secondary market seem to find themselves on the losing end when they compete with developers offering attractive packages for their products. The entry costs in purchasing a sub-sale property is generally not as attractive as buying from the primary market.

Hence, some respondents of the EdgeProp.my Budget

2020 survey are hoping that the government's stamp duty exemptions now applicable to primary market residential transactions, will be extended to secondary market transactions, especially for first-time homebuyers regardless of property value.

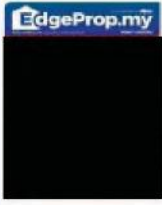
Currently, only the first RM300,000 of the price of a secondary residential property transaction are exempted from stamp duty on Memorandum of Transfer and Loan Agreement.

Some respondents also suggested that the government allow property buyers to use their Employees Provident Fund as collaterals when applying

for housing loans. "The focus shouldn't be just on the B40 group. The middle-income earners also need financial assistance to buy a house," said one of the respondents.

To further stimulate secondary market transactions, there was also a proposal to remove the Loan-to-Value (LTV) ratio of 70% for the third housing loan for buyers who have the financial ability to service the monthly instalment.

The government was also reminded not to forget the welfare of senior citizens. The respondents suggested help for pensioners to own a house and introduction of affordable elderly community homes with nursing assistance.



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