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NEW PROJECTS

'STUDY DEVELOPERS' SITUATION'

Lenders should tighten checks before approving loans for property development, says Rahim & Co

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BANKS should tighten checks and carry out feasibility studies on developers' projects before granting them financing, said property consulting firm Rahim & Co International Sdn Bhd.

Executive chairman Tan Sri Dr Abdul Rahim Abdul Rahman said consultants should be appointed to carry out the studies to reduce property overhang.

"Bankers cannot just lend money without considering the developers' situation. Will the properties be able to sell?"

"Feasibility studies should be done independently and the best thing is for the lenders to conduct their own studies."

According to Rahim & Co, the existing supply of residential properties in Malaysia stood at 5.69 million units in the third



Rahim & Co International Sdn Bhd says the supply of residential properties in Malaysia stood at 5.69 million units in the third quarter of last year, an increase of more than 142,000 units year-on-year.

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The number of unsold units totalled 31,092 valued at RM18.96 billion.

"Looking at the overall dwelling-type properties, which include serviced apartments, small office home office and pure residential units, the total number of overhang units amounts to 50,008 worth RM34 billion.

"Johor has the highest number of overhang units at 18,517, fol-

lowed by Selangor at 7,226 and Kuala Lumpur at 5,170," it said.

Rahim said a new mechanism should be established to ensure that developers execute projects that meet demand, thus preventing the increase of unsold units.

"Singapore is a great example for solving unsold property issues and ensuring that every real estate project meets the demand. The government can apply the same policy as Singapore, which fines developers that fail to sell their units to a certain extent.

"What is happening now is high supply but no demand due to factors such as poor location or high prices.

"I think in times like this when there is no demand, every state government should impose some restrictions. Each state must have proper studies done in order to decide whether to give the development orders to the developers or not."

Overall, Rahim & Co expects the market to remain fragile this year.