

Headline	Transparency in sales contract important		
MediaTitle	The Star		
Date	30 May 2020	Color	Full Color
Section	Star BizWeek	Circulation	175,986
Page No	14	Readership	527,958
Language	English	ArticleSize	683 cm ²
Journalist	Thean Lee Cheng	AdValue	RM 34,505
Frequency	Daily	PR Value	RM 103,515



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IN the movie "A Few Good Men," Tom Cruise plays military lawyer Lieutenant Daniel Kaffee against Jack Nicholson's Colonel Nathan Jessup.

In one scene, Kaffee raises his voice in frustration: "I want the truth!"

Jessup: "You can't handle the truth!" And he goes on to extol the military's importance.

Along parallel lines, the property industry is indeed an important part of the economy, but it cannot be so important that prices can continue to be opaque with buyers given an overall price, and on closer scrutiny discover that there is a 20% to 30% drop after deducting the rebates/discounts and gifts and sometimes, cashback offers.

In the last several years, prices stated in the sale and purchase agreement (SPA) are often not the real net price that the buyer is getting.

As one developer who declined to be named said: "Every developer is giving a discount, or a rebate/cashback."

The Home Ownership Campaign (HOC) "officially sanctioned" rebates, discounts and gifts. Although the HOC is over, these continue to be a big part of housing transactions today.

Maybank has issued a statement that "the margin of financing will be based on net selling price, after reducing any rebate/discount offered by developers."

CIMB Group said they have existing requirements for developers to declare the net selling price to the bank and that the loan amount approved is based on "the true value of the property."

During this movement control order (MCO) period, the divergence between SPA and the real price seems to have widened even further.

Banks have also observed this trend, as indicated by a letter to a source.

The bank, which *StarBizweek* will keep anonymous, says it has sufficient information that developers are "undertaking aggressive marketing" on their projects, including those unsold completed units.

Known as overhang units which developers are unable to sell, Malaysia has RM34.76bil of unsold completed units, including serviced apartments and small office home offices (SoHos). Residentials alone make up RM18.82bil.

This bank has also "observed that perks offered by developers were not taken into consideration in arriving at the property value."

The bank is calling on valuers to "exercise due diligence" and to weigh all relevant facts pertaining to a property when assessing its value. It has also called on the property consultancy and its branches in other states to consider the prevailing asking price and to make adjustments "to reflect the current market sentiment."

A source reckons a lot of the free stuff and

Transparency in sales contract important

The actual sale price should be stated clearly



Check the details: In the last several years, prices stated in the SPA are often not the real net price that the buyer is getting.

rebates have already been factored into the price of the unit. Buyers, being buyers, think they are getting a discount and that makes them happy, in a self-delusional way, he says. Giving "incentives to induce buying" distorts the market.

People buy because they are enticed by the cash they get and some buy multiple units, just to get the cash, he says.

As a result of the pandemic and the ensuing closures, loss of income and retrenchment, some of them will be saddled with units they are unable to pay.

Association of Valuers, Property Managers, Estate Agents and Property Consultancies in the Private Sector (PEPS) president Michael Kong Kok Kee says he is not surprised by current spate of zero down payment offers from developers.

"Buyers generally are unable to fork out the down payment. The objective is to help developers to sell, and to make the buyer who is not eligible to get a loan.

"But this is manipulating the system.

"Although the government stimulus package has provided for a six month moratorium, this is just a short term relief," says Kong, who is also founder of property consultancy MacReal International.

"This pandemic is something unprecedented. We actually don't know what is ahead of us," he says.

The MCO has sort of "frozen" a lot of issues. Once it is lifted, and in the months ahead, some things may hit which Malaysians are yet unprepared for.

"If anything goes wrong, this people will be the first to suffer," Kong says.

During this MCO period, VPC Alliance Malaysia managing director James Wong has also noticed that online companies have worked with property developers to sell condominium units by offering special MCO promotions with freebies and discounts valid during the MCO period.

Selected clients are aggressively targeted by these online companies.

This may create an unequal playing field

for other property developers who do not practise "promotions" on such a level, and who will be disadvantaged as buyers will have the tendency to flock to those who offer such "promotions".

Instead of giving such steep discounts, it is be more transparent for property developers to bring down their selling prices to reflect the actual prices that they will be receiving, Wong says.

Inflating prices on the sale and purchase Agreement between developer and buyer distort the lending and financing process; it also distorts the market information collected by the Housing and Local Government Ministry, The Valuation and Property Services Department and the National Property Information Centre (Napic), both of which are under the Housing Ministry, uses SPA pricing when collecting data.

The solutions according to the group consensus are:

- > state the real transparent in the SPA
- Property transactions were transparent and straight forward about more than 10 years ago.

- > carry out valuations in both the primary market when buyers buy from developers

Currently, valuations are only carried out when buyers buy directly from house owners in the secondary market. This is a requirement when buyers seek loan financing from the banks.

- > make it mandatory for developers to carry out a master valuation done for the project to ensure the units are sold at fair value.

- > Bank Negara, as the central bank, must step in, a consultant says

A decade ago, there were no such incentives like rebates/discounts, cash back offers and free cars and mobile phone.

The operational conditions have changed. If 10 years ago, Bank Negara does not want to reign in the banks and developers, fine.

The lending and valuation process is heavily compromised today, consultants say.

In the movie, Colonel Nathan Jessup received his dues for murder. As important as the role played by the military in a country's security, the truth is important.

Likewise, as important as the role of the property sector is in a functioning economy, transparency removes a lot of barriers to communications.