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Plain speaking
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Solution sought for unsold high-end properties

WHILE high-rise condominiums in strategic locations such as Mont'Kiara continue to see good demand, sales for high-end properties are mostly languishing.

With developers drawing much flak over these unsold units, other parties involved should take responsibility for this situation.

The economic hardship brought about by Covid-19 has exacerbated the issue relating to affordability, while a penalty such as a vacancy tax is being proposed on these unsold properties.

Currently under review by the Housing and Local Government Ministry, this will not likely be imposed next year.

Like imposing a tariff, things like vacancy tax only serve to sweep the real problem under the carpet.

There are 29,000 unsold high-end properties valued at RM29bil.

Overall, unsold properties had increased by 11.7% year-on-year to 55,999 units valued at RM41.6bil.

Cross subsidisation of affordable houses is a major cause of the systemic issues plaguing the industry.

When developers are forced to engage in affordable housing, they need to cross-subsidise the additional costs by increasing the prices of their other properties; this pushes them into the high end.

While the Federal Government wants to help the rakyat to own more affordable homes, it is the state authorities that control housing development.

"Over the past 50 years, state authorities and today, private utilities, have been passing more costs onto developers, which ultimately hurt the affordability of the rakyat," said Real Estate and Housing Developers' Association vice-president N.K. Tong.

The issue goes back to town planning, and approvals given out by local councils, but developers

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too have to ensure what they build can be sold.

"Are these based on clear, credible and transparent economic analysis in terms of demand and supply, and the possibility of selling what is to be built?" asked Tricor Malaysia chairman Dr Veerinderjit Singh.

The prices of high-end properties in Malaysia are already lower than those in the region, including cities like Bangkok, Jakarta and Singapore.

This overhang, especially in units priced RM1mil and above, could be a sign that our progress towards developed nation status is slowing down, said UEM Sunrise managing director and CEO Anwar Syahrin Abdul Ayub.

"On the part of developers, we will certainly be more cautious and launch products or development phases based on precise market and customer requirements.

"We will also extend discounts or rebates judiciously without

compromising capital appreciation of completed products to reduce the volume of overhang," said Anwar.

Establishing a real-time master database on housing and property market statistics that can be made available to developers will be helpful.

A proper platform should be established to promote better dialogue involving the government, academicians and industry players.

"We have seen several announcements which caught us by surprise, only to be followed by retractions and clarifications," said Anwar.

Against a challenging environment expected to last between 18 to 24 months, any wrong decision that makes things worse must be avoided.

Penalties could not be introduced retrospectively but prospectively after considering all aspects, said Dr Veerinderjit.

It is not just selling high-end properties, it is offering the whole

experience of a conducive environment with community living.

UEM Sunrise saw its high-rise projects in Mont'Kiara that includes Residensi Astrea (between RM1.16mil and RM1.65mil per unit) and Residensi Solaris Parq (between RM873,800 and RM2.9mil per unit) recording RM80mil in sales in the past two months.

For its soon-to-launched high-end condominium called Allevia, also in Mont'Kiara and costing between RM1.54mil to RM2.5mil per unit, UEM Sunrise received indications of interest from 600 people in just a week.

To generate more interest in its Feringhi Residence 2 in Penang, Mah Sing puts up online advertisements locally and internationally, and conducts weekly targeted sales events in small groups.

Feringhi Residence 2 is taking part in the Maybank Islamic HouzKEY scheme that provides buyers with easy entry of up to 100% financing and lower monthly instalments.

Is it better to sell and then build? It is a complex issue involving, among other things, the threshold of sales before work starts, and the possibility of favouring well-capitalised developers.

Imposing penalties such as a vacancy tax could risk causing a plunge in property prices, if developers rush to dump the properties.

House owners and banks that have lent out money to the sector are likely to be hurt most, said RHB Research Institute chief Asean economist Peck Boon Soon.

Additional costs from paying this tax will fall onto the rakyat; if developers hold back drastically, it will curtail supply and drive prices

higher. "If we greatly discourage the building of high-end properties and maintain cross-subsidisation of affordable housing, the construction of new, affordable houses may also collapse," said Tong.

The government can consider reviewing the purchase price threshold level for foreigners; foreign ownership accounted for only 0.73% of existing total residential stock in Malaysia as at end-2018.

The weak ringgit and competitively priced property prices in the region offer a good entry point for foreign buyers intending to choose Malaysia as their second home, said Socio Economic Research Centre executive director Lee Heng Gue.

Possible measures to spur the market include a higher margin of financing, loan tenure of up to 45 years and discount on development charges, said Mah Sing CEO Datuk Ho Hon Sang.

Other steps may include a discount on development charges, reduction of other compliance costs borne by developers, lower foreign purchase threshold to RM500,000 and relaxation of lending for mortgages.

Within unsold residential units, the biggest category is in houses costing RM200,00 to RM300,000, largely comprising unreleased bumiputra units which should be released by the state authorities, said Tong.

In this controversial issue of housing overhang, it is best that all parties sit together and thrash things out, once and for all.

Yap Leng Kuen is former editor of StarBiz. The views expressed here are the writer's own.