Bumiputera units form the bulk of unsold units that have led to a property overhang situation. This may force property developers to pass the additional cost of holding unsold Bumiputera units by increasing overall property prices.

State governments should adopt an automatic release mechanism for properties allocated under Bumiputera quotas to reduce the high number of unsold units in the country. P.20-21
Conundrum over unsold Bumiputera units

The latest statistics indicate that Bumiputera units form the bulk of unsold units that have led to the current property overhang. This may result in even higher prices for non-Bumiputera units as developers are likely to pass the additional cost of holding unsold Bumiputera units. It was reported recently that there were 80,000 unsold Johor properties reserved for Bumiputeras in 2017.

This is due to the requirement in the state for 40% of all property units to be set aside for Bumiputeras. Properties reserved for Bumiputeras are also given a 15% discount for units worth RM4 million and above. According to the National Property Information Centre's (Napi) Property Overhang Report for the second quarter of 2018, there were 40,000 more unsold new residential units during the first half of 2017 than in the final half of 2016.

The number increased to 26,227 units, valued at RM12.26 billion as of June 30, 2018. A year ago, it was 24,866 units, valued at RM12.26 billion. The Real Estate and Housing Developers' Association (Rehda) has continually urged state governments to adopt an automatic release mechanism for properties allocated under Bumiputera quota to lower the number of unsold units.

“Of all the states in Malaysia, only Pahang and Selangor have the automatic Bumiputera unit release mechanism. We are suggesting other states to be transparent and follow the mechanism in helping the country to lower the overall property prices,” says Rehda president Datuk Ahyat Sulaiman.

Why the concern?

The survey also reveals that two other top reasons contributing to the unsold units are demand in certain areas. The majority of the unsold properties appear to be within the price ranges of RM120,000 to RM900,000 (mostly in Kajang and Alor Setar). RM900,000 to RM1,200,000 (mostly in Johor Bahru and Shah Alam) and RM1,800,000 to RM1,500,000 in areas densely populated by Bumiputeras.

However, there are cases where the Bumiputera unit is hard to sell. For developers, they must provide compelling reasons. For example, for developers, they must show that the Bumiputera lots are not able to hold over a long period despite continued advertising and promotions. If the application is rejected, they can appeal the case," he says, adding that there is also a conversion fee to be paid.

For buyers, they have to be aware that a "released" Bumiputera lot does not make it a non-Bumiputera lot, he says. The only means a non-Bumiputera lot is allowed to buy the Bumiputera lot, he says, adding that the title has not changed but just "released." In the event that the non-Bumiputera wants to sell off the property at a later stage, he says, the developer, and as much as 50% of a development is allocated to Bumiputeras.

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In an area densely populated by Bumiputeras, owners do not have to worry about selling off their Bumiputera units, says Ahyat.

For those buying a Bumiputera unit, there is one main concern and that is the exit point, says property investor, developer and author Ahyat Iskandar. "When you buy a property, you need to think about both the entry and exit points," he tells FocusM. If you want to enter the property market, you must enter at the right price. If the entry is wrong, it will be difficult to get the exit right. The exit point is when you cash in on your investment like renting or turning it into a homestay.

The other exit is to sell your property or take advantage of the capital appreciation via an over- draft facility on the property. "With a Bumiputera unit, you have to worry about selling off your property or take advantage of the capital appreciation via an over-draft facility on the property," he explains.

Under the Bumiputera Lot (Quota) Regulation, Bumiputera lots are units of land or property which can only be purchased and owned by Bumiputeras. These
Selangor has one of the highest Bumiputera lot allocations - 60% for low-cost commercial units, 50% for other commercial units, 30% for other industrial units, 40% for residential properties, and 50% for other properties. There is no fixed allocation as it is up to the state.