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## 'Govt not pandering to developers'

The Star, Malaysia



REHDA

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# 'Govt not pandering to developers'

SERC says important to help ensure stable property market via policy intervention

By THEAN LEE CHENG  
starbiz@thestar.com.my

**KUALA LUMPUR:** The government is not seen as pandering to developers but is committed to ensuring a sufficient supply of affordable units on one hand, and to rebalance the residential overhang on the other, Socio-Economic Research Centre (SERC) executive director Lee Heng Gule said.

Lee said in an email the Pakatan Harapan government was not taking the populist stand when it comes to housing.

"It is (of) utmost importance to help ensure a stable property sector through some policy intervention.

"Protracted and sharp correction in property prices can adversely affect consumer confidence, construction and lead to lower economic growth," he said.

Lee said the government sees the plight of those unable to buy a house due to a number

of factors. It also has taken cognisance of the large overhang – completed unsold housing – valued at billions of ringgit.

Lee said: "With residential mortgages comprising over a third of banks' total retail lending and 44% of household loan growth, the banking sector will be affected if there is a sharp correction in property prices and rising non-performance loans."

On whether developers should bring prices down to resolve the weak property market – now into its fifth year and among the longest – instead of seeking government goodwill,

Lee said: "Indications are that some developers have slashed prices of unsold stocks by between 20% and 30% to help clear the unsold units, and ease cash flow conditions.

"The quantum of price reduction would depend on their profit margins, which are severely strained.

"Developers are already offering freebies, discounts and rebates over the sales and pur-

chase agreement prices to boost sales as well as to help ease 'low margin of financing' for buyers. Hence, margins have been severely compressed," he said.

In Budget 2020, the federal government proposed lowering the threshold for foreign buyers of Malaysian properties for a year to RM600,000 from the general RM1mil ruling although some states have a RM2mil cap.

An industry source said the government should raise the stamp duty for foreigners instead. Foreigners who buy into Singapore property sector have to pay an additional 20% stamp duty on top of the regular stamp duty which rises with the price, the source said.

The other issue is the extension-of-time (EOT) given to property developers, highlighted by the National House Buyers Association (HBA) last week.

HBA said the current government was carrying on the legacy of the previous by giving developers extended time to complete their

properties.

HBA secretary-general Datuk Chang Kim Loong said many of the issues besetting the sector today were "self-inflicted" by developers.

The Housing Ministry said last week it approved a total of 46 out of 61 EOT applications (75.4%) from January to July, 2019. The percentage of EOT approvals granted to developers was 78.15% in 2018 out of 119 applications, while this figure was lower at 67.88% in 2017 from 137 applications.

The Pakatan government has been pushing for house ownership and for banks to ease lending. Banks are reluctant to lend in view of the indebtedness of some of its applicants and their weak financial track record, according to Bank Negara's surveillance department on Oct 24.

Stamp duties are waived when buyers buy from developers during the HOC period which ends on Dec 31. This incentive is not available to the house buyer when buying directly from other home owners.



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### SUMMARIES

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