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MediaTitle	The Malaysian Reserve		
Date	13 Feb 2020	Color	Black/white
Section	Corporate Malaysia	Circulation	12,000
Page No	1,4	Readership	36,000
Language	English	ArticleSize	268 cm ²
Journalist	FARA AISYAH	AdValue	RM 1,883
Frequency	Daily	PR Value	RM 5,650



Lower threshold for strata homes could jump-start property market in Selangor

by FARA AISYAH

THE Selangor government's decision to lower the threshold of house prices for foreigners, particularly for strata homes, could jump-start the property market in the state, which recorded an overhang of 4,872 residential units in the third quarter of 2019 (3Q19).

CCO & Associates (KL) Sdn Bhd ED Chan Wai Seen said the lower threshold for strata landed homes could also help ease the overhang, especially in the strata landed segment.

"The RM1.5 million threshold could attract foreigners because strata landed development is a niche market. Foreigners prefer looking for landed homes in a gated and guarded, proper townships.

"But for strata high-rise homes, a RM1.5 million threshold is still high compared to other states," he told *The Malaysian Reserve*.

Selangor is among the top three states with high and increasing inventories in Malaysia.

Last month, Selangor Menteri Besar Datuk Seri Amirudin Shari

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said the state government has reduced the foreign ownership threshold for strata properties — including strata landed homes — to RM1.5 million from RM2 million previously, effective Jan 1, 2020. The lower threshold is for overhang units that have received a certificate of completion and compliance as at 2018 with leasehold title.

Meanwhile, the foreign ownership threshold for bungalows and semi-detached units is at RM2 million.

Selangor's property market is divided into three zones which have different thresholds for foreign ownerships.

For Zone 1: Districts of Petaling, Gombak, Hulu Langat, Sepang and Klang; and Zone 2: Districts of Kuala Selangor and Kuala Langat, the threshold price for foreigners is RM2 million.

For Zone 3, which is for districts of Hulu Selangor and Sabak Bernam, the threshold is RM1 million.

In addition, foreigners are not allowed to buy residential landed properties, unless the property is issued with a landed strata title.

CBRE-WTW (CBRE Group Inc and CH Williams Talhar & Wong Sdn Bhd) MD Foo Gee Jen, however, said the lower threshold for suburban areas in Selangor should be reduced more.

"I fully support the RM1.5 million threshold for urban areas, but Selangor also has properties in suburban areas which might need a lower threshold, for instance RM600,000 as per other states.

"However, to ease the overhang situation, the government should also consider units that are under construction with completion rate of above 50%," he added.

Foo said lowering the foreign ownership threshold for units under construction could help both developers and existing local buyers by avoiding the projects from being abandoned, among others.

According to the National Property Information Centre, Selangor had 4,693 overhang residential units worth RM4.2 billion in 2018.

In 2018, Selangor also recorded 1,297 overhang units of serviced apartments worth RM757.72 million, and 446 overhang SoHo units with a total of RM205.28 million in value.