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# Property players welcome Penjana initiatives

COMPILED BY CITY & COUNTRY

**O**n June 5, Prime Minister Tan Sri Muhyiddin Yassin announced a new short-term economic stimulus plan called Pelan Jana Semula Ekonomi Negara, involving 40 initiatives and RM10 billion in direct fiscal injection.

Themed "Building the economy together", Penjana is set to boost the economy, which has been severely affected by the Covid-19 pandemic as well as the subsequent Movement Control Order (MCO) and Conditional MCO (CMCO). The initiatives related to the property market include:

- \* The reintroduction of the Home Ownership Campaign (HOC), which offers up to RM1 million in stamp duty exemption on the instruments of transfer for the purchase of properties priced from RM300,000 to RM2.5 million. There is also 100% stamp duty exemption for the financing agreement.

- \* The exemption is applicable for sale and purchase agreements inked between June 1, 2020 and May 31, 2021, for properties that include a minimum 10% discount by developers;

- \* The removal of the 70% financing cap for a third home loan of RM600,000 and above during the HOC period. This is subject, however, to the financial institution's internal risk management; and

- \* Malaysians who sell their residential property between June 1, 2020 and Dec 31, 2021, will be exempted from the Real Property Gains Tax (RPGT). The exemption is limited to the disposal of three residential properties by an individual.

City & Country asked property players for their views on the initiatives — the actual effects and what can be improved.

LOW YEN YEING/EDGEPROPERTY



"The HOC will give the property market a boost."

**Foo Gee Jen**  
CBRE|WTW managing director

This plan is more encouraging than the earlier packages that were announced and will give entrepreneurs and end-users more confidence. There is also more money allocated to the vulnerable group and the tourism and hospitality sectors. These industries need support, as they are one of the drivers of the economy.

The HOC will give the property market a boost, but I had expected a higher discount to be announced. Still, the minimum 10% discount is a good start. The extension of the stamp duty waiver is a good thing.

The RPGT exemption will not only stimulate the primary market but also allow the secondary market to [move] in tandem, with more activity happening. It allows upgraders not to be taxed at the exit point and to continue with their plan to sell.

People with a deeper pocket will welcome the lifting of the loan margin for a third property, but I do not think it would really help the industry because everyone is probably

very tight in terms of their financial position.

The incentives given for the HOC should also be extended to the secondary market, with probably a lower rate than what is given for the primary market. This would lessen the burden of upgraders when they sell their property, without worrying about the cost of stamp duty and the discharge of the housing loan.

This would allow the secondary market to be more active and secondary market buyers would be given similar incentives as well.

Developers should be given incentives on the release of bumiputera lots, as they have been burdened with the long holding cost. The government should impose no levy on them.

KENNY YAP/THE EDGE



"These measures will play a key role in reforming the economic standing of all industries."

**Datuk Soam Heng Choon**  
Real Estate and Housing Developers' Association (Rehda) Malaysia president

Rehda Malaysia applauds the short-term Economic Recovery Plan outlined in Penjana to address the fiscal challenges brought about by the Covid-19 pandemic and the implementation of the MCO and CMCO.

With the theme "Bersama Menjana Ekonomi", the plan speaks volumes about the government's commitment to protect businesses and individuals of every socio-economic status.

These measures will play a key role in reforming the economic standing of all industries by encouraging consumption as well as spending, while boosting employment.

We are confident that these incentives will help alleviate the burden of buyers in homeownership and ultimately contribute to the growth of the economy.

We would like to take this opportunity to express our gratitude to the government for taking note of our proposals during our various engagements.

As our frontliners continue to fight the pandemic, Rehda pledges our support to the government in working together towards a more robust and vibrant housing market and economy for the benefit of all who are affected.

LOW YEN YEING/EDGEPROPERTY



"Many potential first-time buyers are seeing the advantage of having their own home."

**Y Y Lau**  
JLL Malaysia country head

This is quite a progressive move by the government and can help the property industry.

It is true that many people were struggling during the MCO and CMCO, but there are also

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many who managed to have some savings, owing to the six-month loan moratorium. Many of these people are looking to invest. With some investment channels facing difficulties and gold price declining, people still have a healthy confidence in real estate, especially residential.

In addition, many potential first-time buyers are seeing the advantage of having their own home, especially when working from home is a possibility, on top of the reduced net cost from this announcement.

Many investors are currently taking a cautious stance, thus the concern about [speculation in the housing market appears] to have declined. With some owners looking to offload their assets, buyers may also find good buys during this time.

This initiative can be improved if it is also extended to the commercial and industrial sectors.



**Siva Shanker**  
Rahim & Co International  
real estate agency CEO

Because the market has been affected rather badly by the Covid-19 crisis, any form of incentive such as Penjana is good and positive. Although the plan is not substantial, it will still be the catalyst to push the market forward.

We will not see an immediate result or reaction following these incentives, because things are still uncertain. The crisis is unprecedented, and nobody knows how it will all pan out. It will be a wait-and-see game in the market for the next two to three months, while more data comes in.

Even in a downturn, there will never be zero transactions; there will still be buyers and savvy investors. These are the people who will perhaps take advantage of the new incentives. The new initiatives will incentivise the market, which is close to a standstill, and boost sales. Those sales will then motivate the next batch of buyers to make even more transactions, and that, in essence, is the property cycle.

In a nutshell, the new measures collectively form a good basis to get the ball rolling. Implementing the HOC again is a brilliant idea, as it had proved to be a success last year. The stamp duty exemptions, the removal of the 70% loan margin for the third house and the RPGT exemption for three houses would also stimulate the market.

**Tang Chee Meng**  
Henry Butcher (M) Sdn Bhd  
chief operating officer

The reintroduction of the HOC with stamp duty exemption will provide a boost to the residential property market, but it has to be noted that the circumstances today are different from those of 2019, when the last HOC was held. Investor confidence has



"We will not expect this upcoming HOC to achieve the same sales results as the previous one."

been affected by the Covid-19 pandemic and the ensuing MCO has affected many business sectors and resulted in increased lay-offs and pay cuts.

People nowadays are more cautious and less inclined to purchase big-ticket items such as property. Banks are also mindful of the discounts or rebates offered by developers and are providing loans with lower margins to address this issue. As such, we will not expect this upcoming HOC to achieve the same sales results as the previous one, even though it will provide a boost to the market.

The removal of the 70% cap on loan margin for those purchasing their third property onwards may encourage potential buyers in this group to add to their property portfolio while the RPGT exemption for local citizens on property disposals will encourage those who intend to dispose of their property to do so.

Some of these people may reinvest their proceeds to upgrade their home or invest in another property. However, we do not think this will lead to a significant increase in speculation, as people may not be confident that they will be able to buy and sell properties at a good profit over 1½ years. Overall, these measures will provide a boost to the residential property market, although the government should do more to ensure the pace of recovery in the market is accelerated and sustainable.



"The additional measures announced will help shore up the residential market."

**Datuk Paul Khong**  
Savills (M) Sdn Bhd managing director

The triple whammy of events — the Covid-19 pandemic and MCO lockdowns, the crude oil price crisis as well as the current political situation — is taking a toll on all businesses and property sectors across the country.

The additional measures announced will help shore up the residential market. The incentives for the property sector that were outlined in Budget 2020 were rather disappointing and not much attention was given to the sector. The current overhang amounted to 29,700 residential units and was valued at RM18.9 billion as at 1Q2020.

The stamp duty exemption and the reintroduction of the HOC will help developers clear existing stock and, as such, this

is viewed as a reduction of entry costs to buying a property in Malaysia.

"Buy low and sell high" is an investor's mantra, and the property market is now offering good bargains at this recessionary time.

The exemption of the RPGT had been repeatedly requested by the property sector and will be helpful. RPGT was earlier converted into an exit tax when charged on all properties owned even after a five-year holding period. It was originally designed to curb speculation in the property market and has since deviated from its original objectives.

With the exemption given to Malaysians for up to three properties sold, many sellers can now realise their gains safely. This will be a big [boost] to the secondary residential market.

The small relaxation of the loan-to-value ratio by banks — from 70% on the third housing loan, but subject to the buyer's credibility — will attract a certain type of qualified investors back into the market and provide an opportunity to buy at the trough with a higher LTV ratio.

In layman's terms, an initial outlay of RM100,000 can now enable a person to buy a house worth RM1 million and enjoy free savings in stamp duties, whereas in the past, one could afford to invest in only an apartment priced at RM330,000. This will bring in new investors and provide the residential market with a new lease of life.

**Lim Boon Ping**  
Malaysian Institute of Estate Agents  
president

Of the three incentives, the RPGT exemption will definitely benefit the secondary market. This incentive had been proven to work well during the subprime crisis of 2007/08. After the exemption was implemented, many of our clients became



"Homebuyers should be given incentives to buy from the secondary market too."

motivated to sell and the property market was a lot more active. As the effectiveness of this incentive had proven to work well, MIEA was one of the first associations to publicly urge the government to implement the RPGT waiver within the first two weeks of the MCO.

Second, as the stamp duty waiver under the HOC is only for primary market properties, we did request, in a meeting with the finance and housing ministers, for this exemption to be extended to the secondary market. Although they did not extend it to the sub-sale market this time, at least they still revived the HOC, which will benefit many of our agents that are heavily involved in new project sales. We hear that our members have been getting more enquiries from owners who are more motivated to sell now, owing to the lower costs incurred.

Third, the lifting of the 70% financing margin limit for the third housing loan onwards is something for which we have yet to get confirmation from Bank Negara Malaysia — whether it is applicable to the secondary market. Assuming this applies only to the primary market, then MIEA would like to urge the government to extend both the HOC and the removal of the 70% financing margin limit to the secondary market, as homebuyers should be given incentives to buy from the secondary market too. ■