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As loan moratorium ends, developers say property overhang won't worsen

PETALING JAYA: The Real Estate and Housing Developers' Association (Rehda) does not expect the ending of the six-month moratorium on loan repayments, effectively from midnight, to worsen the residential property overhang.

The National Property Information Centre last week noted that the residential property overhang in the first half of this year worsened to nearly 32,000 units valued at RM20 billion, an increase of 3.3% from the end of last year.

But Rehda president Soam Heng Choon said banks had been proactive in finding ways to ensure their customers did not default on their loans.

"I don't think so," he said yesterday when asked whether the end of the moratorium will result in an increase in residential property overhang.

"Banks are extending the moratorium (on a case-to-case basis) or restructuring loans, and I know one bank that has six different restructuring packages on the table."

He also noted how banks are in a better position to help their customers compared with the 1998 Asian financial crisis, adding that the record low interest rates also make monthly repayments affordable even for those affected by pay cuts.

"During the Asian financial crisis, the interest rate was at 15%. Now it's only 3%," he said.

"They (banks) were undercapitalised then, but today, they are strong. So, they can give you a moratorium. That's the big difference

(compared with the Asian financial crisis)."

He also praised the government for its initiatives aimed at boosting the property sector under the Penjana economic recovery plan by focusing on small- and medium-sized enterprises (SMEs).

Apart from stamp duty waiver for residential properties priced between RM300,000 and RM2.5 million, with the

applicable stamp duty capped at RM1 million, the Penjana plan offers real property gains

tax exemptions for up to three properties until Dec 31 next year, and 70% financing for a third home valued at RM600,000 and above.

Noting that the property sector makes up less than 5% of the country's gross domestic product, Soam said this number is three to four times higher once other sectors that supply the industry, such as manufacturing, mining and services, are taken into account.

"They are not categorised under property but they impact

close to 200 other industries directly or indirectly," he said.

"Most of these businesses are SMEs, and it is important that the government keeps the people employed and making sure they survive. I think the government has done the right thing through its packages."

Soam had earlier announced details of this weekend's Home Ownership Campaign - Malaysia Property Expo 2020 at the Mid Valley Exhibition Centre in Kuala Lumpur.