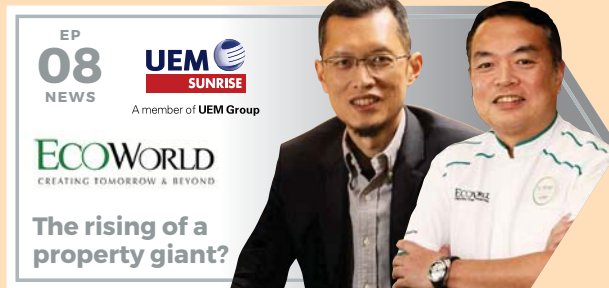
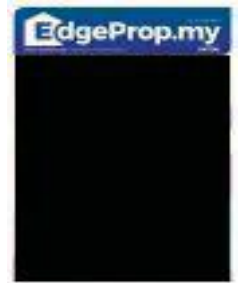


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MediaTitle	EdgeProp.my		
Date	09 Oct 2020	Color	Full Color
Section	News	Circulation	4,562
Page No	1,5,6	Readership	13,686
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Journalist	RACHEL CHEW	AdValue	RM 30,659
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Buying a third property



The removal of 70% loan margin cap for a third property buy is expected to spur investors' interest, but has this translated into real sales? See Pages 5 and 6.



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COVER STORY



Should you invest in MORE PROPERTY?



BY RACHEL CHEW

The announcement of the removal of the 70% financing cap for a third home loan of RM600,000 and above during the Home Ownership Campaign (HOC) period is encouraging news for those mulling the purchase of a third property.

For the chartered accountant who only wants to be known as Callie, the announcement has reopened the doors for her to buy a third property for investment.

She intended to purchase the third property early this year but chose to postpone it as the bank only offered her a 70% loan margin.

Callie's first property was a 20-year-old, 3-bedroom single-storey terraced house located in Taman Ehsan, Kuala Lumpur. It was priced at RM360,000 when she purchased it eight years ago with the help of her mother.

Her second property was a brand new 3-bedroom condominium project located in Kepong, priced at RM420,000. The unit was rented out after

she collected the keys at the end last year.

For the third property, Callie is eyeing a second hand walk-up apartment in Bandar Damansara, priced at RM280,000. With the new policy under the HOC, she purchased the unit with a 90% loan margin.

"I believe in property... My family — my mom, my younger sister and myself, had been moving from one house to another since my father passed on when I was six. Therefore, having a place for yourself and your loved ones has always been the utmost target since I was young," the 36-year-old accountant told EdgeProp.my.

Callie is one of the beneficiaries of the government's short-term economic stimulus plan, also known as Pelan Jana Semula Ekonomi Negara (PENJANA).

Under the plan, which was unveiled on June 5, prime minister Tan Sri Muhyiddin Yassin reintroduced the HOC starting from June 1, 2020 to May 31, 2021.

Under the HOC, eligible home buyers can enjoy 100% stamp duty exemption for the instrument of transfer for any residential home purchase up to a value of RM1 million, and for properties worth more than RM1 million and up to RM2.5 million, a 3% stamp duty needs to be paid for the instrument of transfer. There is also 100% stamp duty exemption for the instruments on securing loans for properties worth up to RM2.25 million.

Meanwhile, the government also announced the removal of the 70% financing cap for the third home loan of RM600,000 and above during the HOC period.

For the third property, Callie is eyeing a second hand walk-up apartment in Bandar Damansara, priced at RM280,000. With the new policy under the HOC, she purchased the unit with a 90% loan margin.



IDEAL MORTGAGE SPECIALIST

as well as the exemption of Real Property Gains Tax (RPGT) for Malaysians who sell their residential property between June 1, 2020 and Dec 31, 2021.

Increase on third property buying interest

Ideal Mortgage Specialist Sdn Bhd head of marketing Vincent Ching says there are increasing enquiries on third property housing loans after the announcement was made.

While a lot of prospective buyers are interested to know about how to obtain a higher loan margin for property purchase, the enquiries have yet to translate into sales as the market is still worried over uncertainties caused by the Covid-19 pandemic, he explains.

"Looking at the current situation, for most people, buying a new property is not their priority for now," says Ching.

Nevertheless, the announcement has spurred buying interest in the long quiet property market albeit at a slow pace.

"I would say the increase [of the purchasers for third property] is very minimal, probably between 10% to 15% in the past two months."
— Ching

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COVER STORY



THE EDGE

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"I would say the increase [of the purchasers for third property] is very minimal, probably between 10% to 15% in the past two months," he observes.

Propstar Realty's team manager Kevin Teh concurs that PENJANA has created the "feel good" effect on the market as the majority of the property owners have started to do some window shopping for good bargains.

"However, the government's initiative [of the removal of the 70% loan margin on third property purchase] hasn't really pushed the transaction [level] so far as buyers are generally very cautious now," he says.

To spur buying interest, Teh notes that banks play a crucial role in making a third property purchase more appealing by offering higher loan margin to eligible purchasers.

One of the reasons that banks couldn't offer an above 70% loan margin is due to lower valuation of the property.

"Therefore, even though the banks have loosened up and are approving a higher loan amount now, it is still not up to 90% of the property price," Teh explains.

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"Even though the banks have loosened up and are approving a higher loan amount now, it is still not up to 90% of the property price." — Teh



"Generally, the property market is not all gloom and doom as expected post MCO." — Woo

News not well spread yet

Since May and June this year, Kith and Kin Realty Sdn Bhd co-founder and team leader Freeman Woo has received quite a number of enquiries from clients looking for third (or more) properties.

Current low interest rate, ample supply of good properties and with owners being more realistic about the selling price, there are good opportunities for cash-rich property investors.

Woo notes that while the announcement of the 70% loan margin cap removal for a third property purchase is certainly good news, the market doesn't seem to be very aware of this measure.

"Generally, the property market is not all gloom and doom as expected post movement control order (MCO). Surprisingly, there have been quite many inquiries since May or June. However, only a minimal number of clients wanted to buy because of the loan margin cap removal.

"In fact, some of the buyers only knew about the initiative when they were informed that their third home mortgage application was approved with more than 70% loan margin, meaning that with or without the initiative, some investors are already ready to do shopping post MCO," Woo shares.

He believes that over time, more people will know about the new measure which will result in even greater interest from property investors.

Think twice before buying

Undeniably, the current low interest rate environment coupled with various perks are favorable to property buyers.

Nevertheless, financial planning firm MyFP Services Sdn Bhd co-founder and executive director Eng Meei Yu reminds buyers that it is important to understand the reason of purchase before signing on the dotted line.

"From a financial planning standpoint, the question is do you really need a third or more properties? The announcement might be good for the developers who have a lot of unsold properties, but for individuals, having more properties doesn't [automatically] mean it is good," says the certified financial planner.

Before making a decision, one should understand the nature of property investment.

Eng explains that although property is a good investment, it is not as liquid as other property-related investment tools such as real estate investment trusts and exchange-traded funds. During pandemic times, disposal of a physical asset might be more difficult as people prefer to conserve cash.

"You really need to watch out for your cash flow. Ask yourself: Can you afford it? Are you taking on too much loans and liabilities for the third home purchase?" she says.

In the new normal, people have changed their mindsets over property owning as they could work remotely, hence, residential properties may not be a good investment in this context, stresses Eng.

Although the government has removed the 70% loan margin cap for a third property purchase, Ching from Ideal Mortgage explains that the decision to lend is still in banks' hands. To get the approval for the above 70% loan margin still depends on the borrowers' loan repayment ability.

MYFP SERVICES



"Ask yourself: Can you afford it? Are you taking on too much loans and liabilities for the third home purchase?" — Eng

"The concerns of the bank are on the nature of the property purchase which is for investment and the long-term capability of the borrower, especially taking into consideration the global pandemic that spared no one globally," Ching notes.

Meanwhile, he notes that the low interest rate environment will end when the global economy resumes its growth pace, interest rates will adjust accordingly.

"Do remember that buying property is a long-term investment, there will be a lot of uncertainties along the journey that you need to take into consideration before making another commitment," adds Ching.

Tips to get maximum loan margin for your third home

While some would consider the current environment as the "best" period to grab that third home, what should one watch out for?

"For the removal of loan-to-value ratio, selected primary property markets will become more attractive due to lower down payment required and developers will be able to sell off the units with the measure. As for the real property gains tax, property sellers might be able to benefit from selling during that period too," Ideal Mortgage Specialist Sdn Bhd head of marketing Vincent Ching shares.

However, he reminds buyers that the third property loan-to-value ratio is still subject to banks' decisions. For those who are determined to land that third property and aim for maximum loan margin approval during this period, Ching provides a few useful criteria and tips.

- 1 Good repayment record
- 2 Prove of uninterrupted income even during pandemic time
- 3 Having strong back up savings
- 4 Knowing the bank offerings and requirements

