

No major changes for property sector

There were no major policy changes when it came to the property sector in Budget 2011. This in itself is welcome as many are reminded of Budget 2010, when the Real Property Gains Tax (RPGT) was re-imposed. This time around, the property sector was generally left as it is.

The fact that there was no higher RPGT, which was expected to be proposed in the budget announcement, is positive for the property sector, says ECM Libra Group head of research Bernard Ching. Also left out was the widely anticipated lower loan-to-value (LTV) ratio for mortgages to curb property speculation.

"However, we believe the imposition of a lower LTV cap will likely be announced separately at a later date rather than being scrapped altogether," Ching says.

As expected, the government reiterated its commitment to several landmark projects, including the development of 2,680 acres of Malaysia Rubber Board land in Sungai Buloh by the Employees Provident Fund (EPF), with a gross development value of RM10 billion, to be completed by 2025. There is also the RM26 billion Kuala Lumpur International Financial District to be undertaken by 1Malaysia Development Board and Mubadala Development Co, as well as Malaysia's tall-



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est building, a 100-storey tower in Warisan Merdeka costing RM5 billion, which will be developed by Permodalan Nasional Bhd and scheduled to be completed by 2015.

While the rollout of these landmark projects means greater opportunities, there are however some concerns.

Ching says he is not overly bullish about the immediate prospects of these projects as he is more concerned about the oversupply of office space in Kuala Lumpur. "While these developments will invigorate the capital city from the supply side, much still needs to be done on the demand side to ensure a healthy take-up of such new office space



Kumar says foreign investors want consistency in policies

upon completion," he says.

Deputy managing director of property consultancy DTZ Nawa-wi Tie Leung, Adzman Shah Mohd Ariffin, says the government will have to look at the absorption of the market as the Kuala Lumpur office market is soft.

"There is already new supply in the pipeline, waiting to be filled up by the time these two projects are ready. Hopefully, the government will look into development in phases instead, in tandem with market demand," adds Adzman.

Zerin Properties chief operating officer Previndran Singhe concurs, adding that while iconic developments are good for the country, it



Kwan calls for speedy implementation of high-impact projects

does not need to be a 100-storey building.

Ireka Development Management Sdn Bhd COO Lim Ech Chan says such large-scale projects need to be timed and planned carefully to ensure that the wider infrastructure is able to support the multiple big projects coming onstream.

Meanwhile, Master Builders Association Malaysia (MBAM) president Kwan Foh Kwai hopes the government will ensure speedy awards and efficient implementation of the high-impact projects as any delay will mean additional costs.

For successful implementation, a transparent procurement process needs to be implemented to award projects to companies that are competent, credible and financially sound, he says.

Meanwhile, measures to increase home ownership in Budget 2011 have been lauded. These include a stamp duty exemption of 50% on instruments of transfer for residential property not exceeding RM350,000, for agreements signed between between Jan 1, 2011 and Dec 31, 2012, which are applicable to Malaysian citizens for a one-time claim only. A corresponding stamp duty exemption of 50% was also proposed on loan agreements.

For young adults with an income of less than RM3,000, the proposed Skim Rumah Pertamaku will allow them to obtain a 100% loan without having to pay the 10% down payment when purchasing a property below RM220,000.

Mah Sing Group Bhd managing director Tan Sri Leong Hoy Kum says the 50% stamp duty exemption would reduce the cost of purchasing a house by up to RM3,000. The group, which ranked No 9 in *The Edge* Top Property Developers Awards 2010, has properties below RM350,000 in Bayu Sekamat, Hulu Langat; Garden Plaza, Cyberjaya; and in Johor Baru.

Datuk Richard Fong, executive vice-chairman of Glomac Bhd, says the exemption would be a major boost for medium-cost properties. "It makes more homes affordable to more people. It also benefits township developers that have medium-cost properties, including Glomac's group's Bandar Saujana Utama, which has terraced homes below RM350,000," he notes.

Meanwhile, Hua Yang Bhd chief executive Ho Wen Yan says these measures show that the government recognises the importance of affordable houses to the market. "There



Leong: A 50% stamp duty exemption can lower the cost of buying a house by up to RM3,000

were no restrictions on properties above RM350,000, which could indicate that the government sees the current property market situation as manageable and that the developers and buyers should continue to self-regulate," he notes.

Foo Gee Jen, managing director of property consultancy C H Williams Talhar & Wong (WTW), expects these home ownership measures to have a greater impact in Johor Baru, Melaka, Ipoh and Kuantan than in Kuala Lumpur, where most house prices exceed the ceiling set.

However, Samuel Tan, executive director of KGV-Lambert Smith Hampton in Johor, cautions that while this scheme aids young graduates in obtaining housing loans, it does not address how they can repay the loan with a salary of less than RM3,000 per month.

"It is a good policy that solves one problem but creates another," he says.

The budget may be silent on measures to attract foreign property buyers but this could be a good thing as the market prefers stable and consistent policies that do not change time and again, says Malaysia Property Inc (MPI) CEO Kumar Tharmalingam.

"The market will be fine as long as there are no more surprises," he says, citing the last budget when the RPGT was re-imposed at a fixed 5%.

"Foreign investors want consistency. I think we have enough regulations on real estate investments. We have checks and balances to curb speculation, and so forth," Kumar says.

On the RM40 billion Mass Rapid Transit (MRT) system, which is slated for implementation next year under the Greater Kuala Lumpur plan, he says it will be a driver for real estate development and appreciation.

There was disappointment, however, for the real estate investment trust (REIT) sector. Kenanga Investment Bank Bhd research head Yeonzon Yeow says a removal of the 10% REIT withholding tax would have been appropriate to generate more interest in Malaysian REITs. "Now it looks like it will be a property trust fund instead, although further details are unknown," he says referring to the proposed Bumiputra Property Trust Scheme with a size of RM1 billion to enable more sustainable bumiputera ownership of prime commercial properties in the Klang Valley. ■