

Proposal on unsold high-end properties may backfire

Housing and Local Government Minister Zuraidah Kamaruddin recently alluded to the possibility of marketing RM100 bil worth of unsold high-end properties to buyers in China and Hong Kong.

Although at first glance, the proposal appears to be able to resolve or reduce the issue of overhang properties in Malaysia, there could be some possible implications that the ministry should be made aware of.

The reason why there are so many unsold high-end properties is due to the fact that housing developers are not building what the rakyat wants, which is affordable properties (defined as costing below RM300,000).

Market forces are now punishing these developers, resulting in a large overhang of unsold high-end properties and hopefully this will force developers to build more affordable properties in the future.

However, if the government suddenly wants to market these unsold "overhang" high-end properties to buyers from China and Hong Kong, it will only encourage developers to continue building more high-end properties in the future and even abandon/shun the building of affordable properties all together.

This will result in more Malaysians being unable to afford their first home. What would become of our Prime Minister's aspiration of building one million affordable homes within 10 years, which equates to 100,000 units a year?

Do note that to "open the market" to foreign buyers would indirectly cause a bad trend. Australia and New Zealand have done this before and saw house prices shoot through the roof due to speculative buyers from China and HK. New Zealand has since reversed its open policy and stopped this scheme.

Govt should not endorse projects

The steps and initiatives to resolve the issue of unsold high-end properties should be left to the respective developers as these are private projects and all profits derived go back to the companies and their shareholders.

Any step to market these unsold high-end properties to foreigners must be undertaken directly by the developers and not involve any government machinery or funds.

The government must not be seen in any way endorsing the viability of these unsold "overhang" high-end properties to foreign buyers. Otherwise, if anything goes wrong with these projects in the future, it can potentially affect the credibility of the government and even affect bilateral ties.

Zuraidah should not be a publicity tool for housing developers to exploit during the launching of their products and should only support developers who have proven their sense of responsibility and who have impeccable track records. The fact that the

minister cuts the ribbon to launch a new housing project means that she has "blessed" and acknowledged that the project will not fail.

If the government somehow successfully convinces the foreigners to buy properties in Malaysia, will the foreigners be buying under the Malaysia My Second Home (MM2H) scheme or granted PR which some unscrupulous developers or their sales agents would market (to make a sale)?

Ministry of Tourism, Arts and Culture (MOTAC) secretary-general Datuk Ishak Ishak told *FocusM* recently that "the MM2H is not a programme for people to buy properties per se but for foreigners who have reached retirement age and choose Malaysia as a place to stay under the "silver-hair" scheme. It has never been MM2H's objective for people to buy Malaysian properties."

Allow market forces to determine the selling prices

The government should not intervene when it comes to high-end properties as this segment is best left to market forces to determine as the segment is only a small portion of the population.

As for the existing stock of unsold "overhang" high-end properties, with lower demand for such properties, developers should lower the selling price to reflect the new equilibrium of a lowered demand and refrain from launching further high-end properties until the market stabilises.

It is common sense. If a product cannot sell at RM1,200,000 surely the vendor would sell at a discounted rate or even lower until it is successfully disposed off. It is merely a case of "dollar and sense".

Take a hair-cut objectively to sell instead of decay and rot. It can reduce or eliminate borrowings. If one suffers the fate of public auction, the prices will be even worse. Reduce the sales price: This is elementary economics.

In the meantime, developers should focus on building more affordable properties where there is currently a very strong demand.

Social problem if rakyat cannot afford to buy a home

The National House Buyers Association (HBA) agrees with the statement by Zuraidah that part of the ongoing protest in Hong Kong might be related to high property prices in the island-city.

However, instead of trying to promote unsold high-end properties to Hong Kong residents, HBA urges the minister to focus closer to home as Malaysia also faces a similar problem of high property prices resulting in the majority of the rakyat unable to buy their first home.

HBA has been raising alarm bells since 2012 that property prices were increasing too rapidly due to excessive speculation fuelled by various gimmicks promoted by developers, such as Developer Interest Bearing Scheme (DIBS) and Zero Entry Cost schemes.

HBA had warned that if left unchecked, this can cause a "homeless generation" comprising an entire generation of our younger population and especially the low- and even middle-income segments being unable to buy their first home.

HBA, too, has alerted the current government that crowdfunding or P2P is not a home ownership scheme but an investment platform and may fuel speculation.

When too many of our rakyat cannot afford to buy their first home, it can lead to many unwanted social problems. The government recognises this as a potential "ticking time-bomb".

Granted that Malaysia has more land available for development and property prices here are nowhere near as high as in Hong Kong, this problem is only relative as credible research from Bank Negara Malaysia and Khazanah Research Institute also shows that the median property price is beyond the reach of the majority of the rakyat.

Hence, the statement by the minister that the ongoing protest in Hong Kong can be linked to high property prices should be a "wake-up call" to the government. Do something now or Malaysia could see similar protests, which we pray will not happen, in the near future.

Plight of victims of abandoned projects

The role and duties of the Ministry of Housing & Local Government are to “regulate, license and monitor housing developers and to formulate policies for the protection of house buyers”.

The government should concentrate its efforts to “save” the victims of abandoned projects. It should spare no effort to revive abandoned and problematic housing projects that have plagued the housing industry.

The minister should seriously look at the plight and nightmare faced by thousands of innocent and unwary house buyers who have been burdened with problems created by errant and unscrupulous developers, and ensure their legitimate rights are not short-changed.

She should seek immediate solutions to resolve such an unsatisfactory state of affairs and not, with due respect, shirk her duty: by exercising and invoking the relevant sections (Sections 10, 11 & 12 of the Housing Development (Control & Licensing) Act, 1966) to protect the innocent buyers/victims. Wouldn't this be more meaningful? **FocusM**

Datuk Chang Kim Loong is secretary-general of the National House Buyers Association (HBA).

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