

Sound policies the key to solving housing woes

WITH the right policies in place, the overhang in the Malaysian property market can be resolved.

A case in point is the two million people living outside the country.

Founder and chairman of the Sunway Group, Tan Sri Jeffrey Cheah, points out that if the government can convince a quarter of those residing outside Malaysia to return and work in the country, the issue of having too many high-end unsold properties would be resolved.

"We have a new government and it is a good time to reset things. If the Pakatan Harapan government can put in place good corporate governance, transparency and improve the reputation of our key institutions, the two million Malaysians living overseas who still have allegiance to the country will return.

"The biggest challenge companies and the country is facing today is attracting and retaining talent," says Cheah.

He says it is good that the new government has cut down on the excesses.

"The spending (by the previous government) was unsustainable," he says.

The property market is suffering from an over-built situation of high-end condominiums, serviced apartments, retail malls and office space. According to Bank Negara's its half-year financial review, the oversupply issue in the property market continues to persist, with the number of unsold housing units rising to 146,196 units as at the end of the first quarter of 2018.

Of the total number of unsold units, over 80% are priced above the affordable range ceiling of RM250,000.

The situation is exacerbated by the drop in the expatriate population after the collapse of the oil price in 2014. This had resulted in a drop in the high-end property rental market.

The Sunway Group is among the property owners which felt the vacuum left by the expatriates. It has an office block at the heart of Kuala Lumpur along Jalan Ampang that is less than 50% occupied because the occupancy of many of the offices there was tied to the oil and gas industry.

To boost occupancy, Sunway plans to convert 50% of the office space for the use of Airbnb consumers.

Airbnb is a rental platform for short-term travellers.

"We have to think out of the box in the digital age," the seasoned businessman says.

On the housing sector, Cheah is well aware of the concerns of the government on the lack of supply of affordable homes.

However, he says that for an effective solution to the problem, the government should come up with policies that benefit both the developers and the people.

"Now it appears that the policies are lopsided. Developers are already seeing a drop in their margins because of various factors." Recently, Finance Minister Lim Guan Eng urged developers to reduce the cost of houses or the exemptions given under the new sales and service tax regime would be removed.

Towards this end, Cheah says that developers are already experiencing a drop in margins.

"I can understand if he is looking from the socialist point of view ... that is fine as I'm also for the people.

"But the policies have to be a win-win."

Developers have been experiencing slower sales for the past two years, as the property market adjusts itself to the demands and affordability of the people.

Previously, many developers were rushing to launch high-end condominiums and apartments but that has slowed down significantly.

Now, the shift is towards landed properties away from the city, in the range of below RM600,000 and some connectivity.

Such properties are seeing good sales despite the distance.

However, only developers such as Sime Darby Property Bhd are able to deliver such products because they sit on cheap tracts of land such as in Nilai and Sepang. As for the other developers with land banks nearer to the city centre, the government is urging them to build apartments that are priced below RM400,000.

At the moment, government agencies such as Prima Housing together with the private sector build such houses, but the supply is limited.

Cheah says that it would be difficult for private developers to build houses at RM600 or RM800 per sq ft.

"Maybe it is better for the government to tax the developers and they (the government) build affordable homes with the proceeds from the tax that are paid by developers. It is better for the government to build affordable homes," he says.