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BUDGET 2017:

# KEY ISSUES AFFECTING PROPERTY SECTOR

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improve property industry introduced.

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BUDGET  
2017



# BUDGET 2017: KEY ISSUES THAT AFFECT THE PROPERTY SECTOR

Several measures to support house ownership and improve property industry introduced.

**W**hen Malaysia's Budget 2017 themed "Accelerating Growth, Fiscal Prudence, Enhancing Wellbeing of People" was announced, it came as no surprise that there were vastly different opinions and feelings about it.

With an allocation of RM260.8bil, which is an increase of 3.4% from the 2016 Budget Recalibration, the Government has introduced a raft of measures to support house ownership and improve the property industry through the budget.

The budget also included various incentives and relief measures that relate to not only real estate and property sector, but also education, cost of living, sports as well as tourism.

"The Budget focuses on the agenda of the citizens. It has always been an issue with property affordability where demand and supply do not match. That is why the Government intervention in terms of public housing comes in, and is much welcomed.

"One of the things that caught my attention was the allocation of 10,000 units of executive property for rent. It is an interesting approach because previously, we focused more on purchasing, but now the Government is trying to buy time for the younger generation by giving them this kind of opportunity," said Reapfield Properties Sdn Bhd group chief operating officer Jonathan Lee.

"When I look at the budget, I think that it is trying to achieve a balance between the affordable and the more expensive properties. The stamp duty has been given a complete exemption for properties below RM300,000, but it has been increased for properties above RM1mil. The impact of this will be quite substantial, but the government has taken these measures for the purpose of cooling down the market," said S.K. Brothers Realty (M) Sdn Bhd general manager Chan Ai Cheng.

Her statement was reiterated by Chester Properties group chief executive officer Kam Jun Yin. "One can see that there are many cooling measures implemented by the government which indicates that the direction they are headed in for the year 2017 is to ston the

property prices from rising too rapidly. Even though the stamp duty has been raised from 3% to 4%, we are currently still very low as compared to other countries in the region, which have already recorded double digits.

"We believe that the incentives for the real estate and property sector will give the much needed boost to the industry towards achieving the targets of housing the nation. Rehda welcomes the Government's move in continuing to make affordable housing a priority.

"The programmes for affordable housing announced in the Budget will expedite and widen the accessibility of affordable housing to the citizens and hopefully nudge them in taking the first step towards home ownership," said Rehda president Datuk Seri FD Iskandar.

The most challenging facet in 2016 is securing mortgage from banks, be it for first-time homebuyers or property investors. To undertake this issue, Budget 2017 has announced an increment in the housing loans eligibility for the public servants, housing for the B40 and a special scheme for the (Perumahan Rakyat 1Malaysia) PR1MA programme.

"Rehda lauds the Government's efforts in increasing the public servants' housing loans eligibility from between RM120,000 and RM600,000 to between RM200,000 and RM750,000. This will open up more opportunities for public servants to purchase their homes particularly in the urban areas," said Iskandar.

"The introduction of the MyBeautiful New Home where the Government will subsidise RM20,000 for the development of houses in private owned land will further encourage home ownership.

"Similarly, the target to build 9,850 units PPR (People's Housing Programme) houses by KPKT (Ministry of Urban Wellbeing, Housing and Local Government) under the same scheme is a laudable step in promoting affordable home ownership. In addition to that, the allocation to upgrade and maintain low cost houses (PPR) will help improve the quality of life of the lower income group," added Iskandar.

"The new, special 'step-up' end-financing scheme for the PR1MA programme will provide plenty of incentives for first-time homebuyers. If



1 Drone shot of the housing project near Ara Damansara.

2 RAPID LRT integrated transport system in Kuala Lumpur.

youths are intending to buy a property, this is a good time to start hunting for a property.

"However, one should seek advice from home mortgage specialists to ensure that the most is gotten from this incentive. Talk to them and find out what needs to be done three to six months prior to purchasing, to mitigate any risks on loan rejections," said REI Mediation Sdn Bhd

director Khalil Adis.

Besides the greater effort in providing affordable housing and better financing, infrastructure development and upgrades also play a vital role in the property industry as they help to enhance connectivity and accessibility, as well as improve property values in most major localities.

Iskandar commented that Rehda is

will not only continue accelerating the implementation of outstanding infrastructure projects, but has allocated more budget resources for further projects that will further propel economic growth benefiting the nation.

Its spillover effect on the property sector with the opening up of further new areas of development, giving better accessibility and short traveling time, will have direct positive impact on the citizens.

The budget proposed that the Government is committed to upgrade public transport in rural areas through numerous measures, which are implementation of East Coast Rail Line project, accelerating the implementation of Pan Borneo Highway in Sabah and Sarawak, to restore the East Coast railway line along Gua Musang – Tumpat, and to increase the trip frequency of ETS for the Johor Baru – Padang Besar route.

“The East Coast Rail Line will make the areas, Port Klang, ITT Gombak, Bentong, Mentakab, Kuantan, Kemaman, Kerthel, Kuala Terengganu, Kota Baru and Tumpat, highly accessible and desirable.

“Follow where new infrastructure development will be as this will help to boost the value of the property. The spillover impact will be felt in the property market and beyond like tourism and retail,” said Khalil.

While some parties thought that it was full of goodies for a wide spectrum of industries in the economy, many others felt that there were items on their wish lists which were not fulfilled.

According to Syarikat Ong Sdn Bhd managing partner Agnes Wong, while the initiatives outlined in the Budget are of



good intention, educating the buyers on the risk and benefit of owning a property is crucial.

“This is true, especially in the case of first-time homebuyers. Without the proper knowledge and understanding of how the system works, we may welcome unready first-time homebuyers into the property market,” said Wong.

Echoing the same sentiment, Lee expressed his concern on how many young people lack an awareness of how the financial system works.

“Our education system should incorporate the subject of personal finance into the syllabus from a very young age. Young people make up the majority of the population, and if the majority does not possess high financial literacy, it is bad for the country,” said Lee. Vivahomes Realty head of sales and

marketing ML Lim reckoned young homebuyers must shoulder the blame as it is their poor financial decisions that led to the home loan rejection.

“People from the younger generation tend to have a more lavish lifestyle, spending much of their earnings on exorbitantly priced gadgets. This ultimately pushes up their debt service ratio (DSR), thus causing the bank to not approve their home loans,” said Lim.

“If youths have plans to purchase their first property by the time they’re 30 years of age, it would be recommended for them to start building up their financial profile as early as possible, say at 20. This is where the parents come in. Loans are not necessarily bad. Youths must learn the difference between good debts and bad debts. As personal loans and credit card debts are some of the

major factors which contribute to a bad profile, parents can adopt a simple explanation process.

“They can start by working backwards, where one calculates the approximate amount needed to pay off a mortgage and a car loan, and include the daily basic expenditures. From there, the child can then see how much they would need to earn. This would teach them the value of money and how being well-prepared is very important,” enthused CBD Properties head of training Sherry Chew.

Given the different views and opinions on the Budget, StarProperty.my decided to reach out to a few renowned developers and professionals in the property industry to seek their views and insights through a set of carefully curated questions.

# Question 1

How does Budget 2017 affect real estate industry stakeholders such as property buyers, investors, professionals and developers? How does the Budget affect various neighbourhoods?

**Ekovest Bhd managing director Datuk Seri Lim Keng Cheng:** The budget will affect the industry for all parties concerned in a positive way as incentives given in Budget 2017 will provide a platform to rejuvenate a somewhat stagnant real estate market.

Certain neighbourhoods will benefit greatly from the infrastructure projects proposed in the Budget as it will drive the economic development of that area. There will be spillover effects on the real estate industry from the projects planned.

This will provide improved accessibility and cut the traveling time to certain neighbourhoods and with that, different opportunities can derive and will spur the economy of that region.

**IJM Land Bhd managing director Edward Chong Sin Kiat:** First-time homebuyers, affordable housing buyers and youth entering the workforce have definitely received the focus of the Government. We applaud the Government’s effort to provide more affordable housing projects catering to both the B40 and M40 group.

The “step-up” financing proposal for PRIMA homes will further encourage higher eligibility for loans to enable house ownership. First-time homebuyers will further benefit from the 100% stamp duty exemption for the first RM300,000 for the purchase of property RM500,000 and below.

As for investors and upgraders, property above RM1mil will attract an additional 1% in stamp duty with effect from 1 January 2018. Furthermore, the Government has also allocated grants to resident associations to assist them to safeguard and maintain their neighbourhood.

**Tax and GST consultant Dr Choong Kwai Fatt:** Malaysia remains one of best places for property investment. In view of its strong cultural establishment, relatively lower cost of doing business, and coupled with the weakened currency, all these factors would certainly attract foreign investments from countries such as Indonesia, China or European countries to set up regional centres in Malaysia.

There is no property bubble as the spike in property prices has been adjusted or diminished during the years 2012-2014. The cost of construction, land cost and labour cost would continue to rise in the years to come. This is the best time to invest in a property.

Property developers should shift

their focus to the East Coast, which the Government can encourage by giving them various incentives such as a tax exemption on investment in the East Coast Economic Region.

**Naza TTDI Sdn Bhd group managing director SM Faliq SM Nasimuddin:** Budget 2017 primarily focuses on social housing as part of the Government’s goal in meeting the housing needs of the people. With various Government initiatives in creating the platform for the building of more affordable homes, this will provide opportunities and encouragement for more first home ownership.

Other stakeholders such as property developers will need to be more innovative in creating value-added and packaged products in other property categories to meet the demand of a competitive market.

The allocation of a Government grant in the Budget to resident associations to ensure a safe and clean neighbourhood is welcomed, as it can help to foster a peaceful and secured community.

**Mah Sing Group group managing director**

**Tan Sri Datuk Seri Leong Hoy Kum:** Budget 2017 is a good ‘Rakyat’-centric budget with the aim to help the lower- and middle-income groups who are first-time homebuyers. The initiatives in Budget 2017 to improve public transportation and road infrastructure is a big step to improve accessibility between villages to cities and towns.

As a property developer, Mah Sing would have appreciated more initiatives to spur growth in the property sector.

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1 Mah Sing Group group managing director Tan Sri Datuk Seri Leong Hoy Kum.

2 REI Mediation Sdn Bhd (a subsidiary of REI Group of Companies) director Khalil Adis.

3 Rehda president Datuk Seri FD Iskandar.

4 Naza TTDI Sdn Bhd group managing director SM Faliq SM Nasimuddin.

5 Syarikat Ong Sdn Bhd managing partner Agnes Wong.

6 Ekovest Bhd managing director Datuk Seri Lim Keng Cheng.

7 IJM Land Bhd managing director Edward Chong Sin Kiat.

8 Reapfield Properties Sdn Bhd group chief operating officer Jonathan Lee.

9 Chester Properties group chief executive officer Kam Jun Yin.

10 CBD Properties head of training Sherry Chew.

11 S.K. Brothers Realty (M) Sdn Bhd general manager Chan Ai Cheng.

12 Vivahomes Realty head of sales and marketing, ML Lim.



Upgrading of the Pan Borneo highway has begun as can be seen here along the Bintulu stretch in the northern Sarawak.

## Question 2

### Infrastructure spending

drives economic growth. In your personal opinion, why do we need them? What other infrastructure developments does Malaysia need?

**Lim:** Infrastructure is the lifeline for any development. Without infrastructure improvement, it is not possible for a project or an area to strive and reach its fullest potential.

A clear example of what I have observed is how the DUKE highway opened up opportunities, new development and rejuvenation of northern Kuala Lumpur, especially in the Gombak, Setapak and Wangsa Maju areas.

Ten years ago, to access the area was already a problem as Jalan Pahang/Jalan Genting Klang cannot cope with the sheer volume of cars and traffic at that time. With better access and infrastructure via the DUKE, the area

has opened up to new developments.

There are already many infrastructure projects that the Government will implement following Budget 2017, which will help spur further development and have positive spill-over effects. However, what I hope is for all these projects to be planned in a more holistic manner and that they will complement each other.

We cannot be planning infrastructure on a silo basis. Integration and interfacing of these projects is critical to ensure that every ringgit we spend gives the maximum return to the rakyat. Quite a fair bit has been done by Ekovest as well – full integration between public and private transportation to complement each other.

**Chong:** Infrastructure investment is an important driver to spur economic growth during the period of economic uncertainties; more importantly, infrastructure investment on significant public transportation, roads and rails will, upon completion, enhance greater

accessibility and connectivity. This can lead to economic growth that will certainly benefit the nation.

**Choong:** Infrastructure spending has been proven to stimulate economy growth as it also encourages residents to stay outside the city centre. Indeed, it is obvious that Malaysia is working on improving its infrastructure, seeing the many MRT, LRT and High Speed Rail trains being developed.

The main infrastructure development that should take place is the connectivity of each line with one another so that there is greater ease of access.

**Faliq:** The presence of infrastructure is in an important factor on the success of a property development project. Infrastructure development that involves connectivity such as road network and public transportation are essential, especially in the Greater KL area in improving mobility for its population.

The development of LRT and MRT

lines as well as new highways that have extended beyond Greater KL has provided the opportunity for property development beyond the area.

**Leong:** The Government has allocated considerable funds in Budget 2017 to upgrade and improve transportation infrastructure, particularly in rural areas, in order to provide accessibility to both towns and cities.

The implementation of the new 600km East Coast Rail Line connecting the Klang Valley to the East Coast as well as the upgrading and developing of 616km roads and bridges in villages, towns and cities across the country show the Government's commitment to improve connectivity and foster urbanization.

Future infrastructures additions such as the High Speed Rail together with the Mass Rapid Transit (MRT) and Light Rail Transit (LRT) line extensions will continue to be a stimulus to the economy as travelling long distance becomes faster and easier.



Drone shot of the latest PPR, PPR Lembah Subang 2 in Ara Damansara.

## Question 3

There are always queries by property buyers of where and when will be the best time to purchase a property. At what age do you think someone should purchase their first property? And what are some of the reasons holding back the youngsters from purchasing one aside from financial restrictions?

**Lim:** Age is not a factor when purchasing a property. Affordability is key. I would advise first-time property buyers to invest as soon as they can afford it. And like I said earlier, purchasing a property is not going out to buy the most expensive unit one can find; it is to buy a house which one can afford.

The Government should assist this category of homebuyers. The DIBS programme, which was introduced before, is a clear example of how it can help first-time buyers. However, due to the abuse by certain quarters, it was scrapped.

Apart from Government policies and assistance to make purchasing properties more accessible, the younger generation may also lack the knowledge and the importance of owning a property. Their priorities may also be different nowadays and that they prefer to spend their hard

earned money on a lavish lifestyle.

Buyers need to do a bit more research in the location in which they wish to invest. They need to look at properties in which one can see what the future planning is in that area. Investing in properties is long term and they should be aware of what transformation that will take place.

Don't regret buying at the wrong location. Do take full advantage of the benefits provided by the Government in assisting first time buyers and those who are entitled to financial assistance. This will grow the real estate industry and in turn, help to improve the Malaysian economy.

**Chong:** I personally believe that we should get on the property ladder as soon as possible, given that the pace of property price has been increasing more rapidly than the income growth over the past many years.

I believe the time to buy is now right as there are ample choices of properties available and developers are offering attractive packages to boost sales. Properties that are located close to new public transportation like MRT and LRT, as well as well-planned townships that are well connected and easily accessible will continue to garner strong interest.

We also believe that first-time

understand the various factors that affect or reduce their loan eligibility so they can determine which factors can be minimised or eliminated.

**Choong:** Generally speaking, the best time to buy property is now or never. The criteria is buying one that is in the region of RM300,000 - RM700,000.

To be specific, one should purchase a property at the age of 29, assuming that he/she graduated at the age of 24. The loan tenure should be extended to 60 years; this does not mean that the loan payment will be made up to 60 years old. What it means is that a long tenure would ease up the pressure of paying higher sum of instalments.

In modern times, youths should be grateful for the things they have and stop complaining, blaming or criticising the country or other people. Effort should be put into critical thinking to know what he/she needs to do in order to be happy and work within one's ability and capability.

**Faliq:** The purchase of a first property should be made upon attaining the financial capability to do so, regardless of age. With the introduction of various Government home ownership programmes, such as PPR, MyBeautiful New Homes and PR1MA, this will provide a better opportunity towards one's first home ownership.

First-time homebuyers should seize the opportunity on the recently announced initiatives in the Budget. For properties in the higher category, there

are various choices in the market but essentially, the factors that one should be looking at will be strategic location, the amenities and the reputation of the developer.

**Leong:** Committing to a home is a big decision and should be given much consideration. Start young to be able to leverage on the long tenure for bank loan borrowings facilities.

First-time homebuyers can also consider buying homes under construction for the advantages of being able to purchase the property at current prices and delay the full repayment until the completion of the property purchased.

In Malaysia, property is often a hedge against inflation and represent a good investment. Properties which are located where there is good infrastructure will continue to do well and appreciate in value.

Civil servants will benefit from the increase in housing loans eligibility: RM200,000 and RM750,000 from RM120,000 and RM600,000 respectively as a good measure to encourage Malaysians to purchase homes.

There will always be opportunities to own good developments and there are a few options to choose from. For example, the stamp duty was increased from 3% to 4% for homes more than RM1mil, which will encourage advance buying of completed properties by investors prior to January 1, 2018. ♡

## Public Service Announcement

Individuals who were once Malaysian citizens, but will be giving up their citizenship, would now need to pay RPGT on landed properties despite being an inter vivos gift to children, spouse or grandchildren.

The RPGT rate of 30% applies to non-citizens for the holding period of a landed property within 5 years, and 5% for the holding period of a landed property exceeding 5 years. The RPGT is levied based on the difference between market value of the property at the time of transfer and its acquisition price. This will be a heavy cost to the beneficiary.

In order to avoid RPGT, the beneficiary may act now to transfer the Malaysian properties during the year 2016 to his children, spouse or grandchildren. There will be no RPGT payable based on the existing Para 1(2)(a), Sch 2 of RPGT Act 1976. The amendment will only take effect from January 1, 2017.



Tax and GST consultant  
Dr Chong Kwal Fatt