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`One-year freeze will absorb property overhang'

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THE Housing Developers Association of Malaysia (HDAM) is confident that the one-year freeze on the property development in the industrial and commercial sectors will absorb the property overhang problem.

Prime Minister Datuk Seri Dr Mahathir Mohamad, when announcing the pre-emptive measures to counter the effects of US slowdown on Tuesday, said the Government would impose a one-year freeze on the development in the commercial and industrial sectors.

HDAM president Datuk Eddy Chen Lok Loi said the freeze would further reduce the oversupply and demand for commercial and industrial properties in the market.

"Currently, Bank Negara Malaysia's restriction on lending for property valued RM250,000 and above is not that effective in solving the problem as those who have the money can still afford to buy the property," Chen said.

"But with the freeze, we can assume that the overhang will be absorbed within the next three years," he told Business Times in Kuala Lumpur yesterday.

Bank Negara has estimated that the country's current industrial and commercial properties' overhang - worth some RM29 billion - would likely be exhausted in three to four years.

Chen said the restriction in the lending for properties worth RM250,000 and above in 1998 did reduce the demand for such properties.

"But constructions continue, as some people still have the money to buy these properties. Those (developers) who have secured loans before the 1998 restriction can also continue to withdraw the money to build the buildings," he said.

"With the one-year freeze, the regulations will be more tightened as the developers will not be allowed to build these type of properties," he added.

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