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Unsold properties reached RM9.8b in 2000

UNSOLD properties in the residential, industrial and commercial sectors in the country amounted to RM9.83 billion at the end of last year, up 11.6 per cent from the first half of 2000, according to a Finance Ministry report.

Deputy Finance Minister Datuk Chan Kong Choy expects the unsold properties situation to ease within the next few years.

Speaking at a news conference after launching 2000 Property Market Report in Kuala Lumpur yesterday, he said the property overhang especially in commercial and industrial sectors, is worrying.

"Some projects are still under construction and some have been approved but have not taken off yet," he said.

Bank Negara Malaysia, in its 2000 Annual Report, has estimated that it will take 5.3 years to fully utilise existing office space and 4.3 years for retail space.

The assumption is based on an average annual take-up rate of 479,000 sq m for office space and 344,000 sq m for retail space - an average for the period between 1992 and September 2000.

Chan said the ministry has asked financial institutions and local authorities to carefully study the feasibility of new projects before approving them so as to reduce property overhang and ensure only viable projects are undertaken.

The Government is also doing its best to address the overhang issue, he said, citing stamp duty exemption on property transactions, waiver on processing fees and higher margin of financing for house buyers - which are part of the fiscal stimulus measures announced by Prime Minister Datuk Seri Dr Mahathir Mohamad last week.

He said details on the incentives are being worked out and the ministry will make an announcement soon.

On the relaxation of Foreign Investment Committee's (FIC) rules on foreign equity and property acquisition, Chan said the ministry has given its input to the Economic Planning Unit (EPU) in the Prime Minister's Department.

The easing of FIC's rulings on foreign equity and property acquisition is expected to help reduce property overhang in the country because currently, foreigners are only allowed to buy property priced RM250,000 and above.

According to the property report, distressed prices and the undervalued ringgit have made Malaysian commercial and office properties cheaper to foreigners.

The report said the commercial sector recorded an increase of 25.35 per cent in unsold shop units from 5,989 units end-June to 7,507 units at the end of December.

The value of unsold units edged up 10.44 per cent from RM1.91 billion to RM2.11 billion.

The unsold properties in the sector last year was concentrated in Johor (2,274 units), Negeri Sembilan (1,123 units), Selangor (968 units) and Penang (950 units). Most of the unsold properties were two- and three-storey terraced units.

Moderate increase was seen in vacant purpose-built office space at the end of last year, with Kuala Lumpur registered the highest overhang (52.67 per cent).

Little change seen in vacant retail space at the end of second half 2000, registering 2.29 per cent increase in space and a drop of 19.63 per cent of value to RM10.2 billion.

In the industrial sector, the number and value of unsold properties rose 33.28 per cent and 74.16 per cent to 3,196 units (June 2000: 2,398 units) and RM1.11 billion (2000: RM640 million), respectively.

The popular terraced units in the sector continued to register the highest overhang with 1,573 units worth RM322 million, representing 49.22 per cent of the total stock. Most of the overhang stock were located in Johor, Malacca and Negeri Sembilan.

The report said unsold units in the residential sector increased by 12.35 per cent from June 2000 to 51,348 units as end-December, pushing the overhang value in the sector from RM350.91 million to RM6.61 billion.

Terraced houses - the most popular type of housing - formed the highest number of unsold units in the residential sector with 20,743 units (40.4 per cent), followed by condominiums/apartments with 8,676 units (16.9 per cent). Nearly half of the unsold units were in Johor and Negeri Sembilan.

Unsold low-cost units in the country continued to rise from 5,577 at the end of June 2000 to 7,296 units end-December.

According to the Minister, the unsold low-cost units is not worrying as some of them are awaiting the signing of sales and purchase agreements between housing developers and buyers.

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