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Err on the side of caution

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DESPITE renewed optimism in the property and construction sectors, Second Finance Minister Tan Sri Nor Mohamed Yakcop has urged developers and other key players to be cautious and not to overbuild to avoid the 1997 experience.

He stressed the need to inject greater professionalism in developing and managing real estate. Developers should conduct proper market intelligence before embarking on developments, and use information from the National Property Information Centre to assist them in making informed decisions, he said.

However, Nor Mohamed commended the initiatives taken by developers, banks, insurance companies and financial institutions to come up with innovative financing packages to improve the marketability of properties, which he noted have contributed to the property sector's vibrancy.

He said this in his keynote address earlier this week at the two-day 15th National Real Estate Convention on opportunities in the new up-cycle, underlining the Government's recognition of the fact the sector is an engine of economic growth.

The Government has always been supportive, creating a conducive environment to ensure sustained and orderly growth, particularly since the 1997 financial crisis. Its proactive role in reviving the property market through low interest rates, home ownership campaigns, stamp duty waiver and relaxed Foreign Investment Committee guidelines quickly re-stabilised the sector and enabled it to recover, Nor Mohamed said.

The various incentives, including the May 2003 New Strategies Package, also attested to the Government's support for the sector. Under the package, for instance, it provided stamp duty waiver for residential properties, individual income tax relief on interest and exemption of real property gains tax.

Nor Mohamed shared one of his personal experiences during the financial crisis, relating how former Prime Minister Tun Dr Mahathir Mohamad "was worried about the property sector and took the initiative to get things moving again by suggesting that one of the things we could do was to hold property fairs".

As Nor Mohamed recalled, "I was told to drop everything I was doing to get the property fair moving in three weeks and to make it successful". He worked with industry professionals, including Datuk Eddy Chen of the Real Estate and Housing Developers' Association of Malaysia and Datuk Tay Ah Lek of the Association of Banks in Malaysia.

"We had late nights _ developers wanted bankers to do more, bankers wanted developers to do more. But at the end of the day, developers were prepared to give deep discounts. The Government-organised month-long property fair was successful, generating sales of over RM3.8 billion from residential and non-residential units. That, to me, was the turning point for the drought in the property market."

He also pointed to Prime Minister Datuk Seri Abdullah Ahmad Badawi's emphasis on inculcating a culture of maintenance: "The proper and adequate management of assets will ensure that their value is maintained and enhanced. Adequate professional management of highrise buildings is important to prevent their deterioration into highrise urban slums."

Furthermore, Nor Mohamed said, continued reliance on low-cost foreign labour would not be a viable long-term strategy.

"The sector must compete through innovation, technology and efficiency. Industry players ought to conduct market studies to ascertain needs and affordability. Cost reduction and productivity gains resulting in competitive pricing should be the prime objective - and can be achieved through faster construction and labour-saving technologies such as prefabrication, standardisation and modular systems."

The conference speakers dwelled on financing opportunities for real estate, recent legislation and policies, trends in residential development and regional market opportunities.

Also during opening day of the convention, Institution of Surveyors Malaysia vice-president and fellow, John S.C. Loh, was honoured with the highest award of the Pacific Rim Real Estate Society (PRRES).

The award, the first given to a practising surveyor, was presented to Loh by Nor Mohamed. Loh is a chartered surveyor in private practice.

Other recipients of the award are Prof Graeme Newell of the University of Western Sydney, Prof John Walker of the University of Hong Kong and Prof Bob Hargreaves of the University of Palmerston North, New Zealand.