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Property sector incentives receive mixed reactions

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ECONOMISTS and industry players are mixed on whether the incentives for houses worth RM180,000 and below will help clear the overall property overhang.

But they agree that the incentives announced by Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday will boost demand for residential units within the RM180,000 price bracket.

"The incentives will alleviate developers' concerns about unsold units, but are not enough to eliminate property overhang," said Mayban Securities economist Shaifuddin Morat.

Incentives such as subsidised loans will be helpful but since most unsold units nationwide are priced above RM200,000, the impact on the overhang rate will not be significant, another economist said.

However, Real Estate and Housing Developers Association (Rehda) president Datuk Jeffrey Ng has a different opinion.

"Of the 59,000 unsold units as of the last quarter of 2002, 43,000 units were priced at RM150,000 and below. The Government has given ample focus in boosting demand for houses worth RM180,000 and below. There is a big population with an annual income base of RM50,000 to RM80,000 who can take advantage of this," Ng told Business Times in a telephone interview yesterday.

Industry observers said terrace and high-rise residential units dominated the total overhang in the country due to the large number of units launched.

Terrace houses represented 40.8 per cent of property overhang, high-rise units (38.7) and condominiums (23.7).

The latest property overhang report released by the National Property Information Centre showed that the number of unsold residential units has increased by 10.1 per cent in the fourth quarter of 2002 compared to the third quarter.

Unsold properties rose from 54,265 units to 59,750. Of the figure, 38.9 per cent are what is considered "hardcore properties" that had remained unsold for more than 24 months.

Dr Mahathir announced several incentives for the property sector when unveiling the economic stimulus package. He also launched Projek Harapan, an initiative to enable more people to own affordable houses with subsidised loans.

For houses below RM100,000, buyers will get a 3 per cent interest in the first year, or zero interest for 10 per cent deposit in the first year,

for loans from Bank Simpanan Nasional.

As for loans from other banks, a RM600 payment will be given for houses below RM100,000.

For houses between RM100,000 and RM180,000, a tax exemption of RM5,000 will be given on loan interest on assessment year 2003, RM3,000 for 2004 and RM2,000 for 2005.

Exemption of stamp duty for purchases of houses below RM180,000 was also introduced.

For the secondary property market, the real property gains tax will be exempted for a year beginning June 1.

Additionally, Syarikat Perumahan Negara Bhd will build another 150,000 low- and medium-cost houses.

Rehda's Ng said that overall, the incentives have reduced cost of business and allow more people to buy houses. "Rehda is happy with the announcement. Most of our views presented to the Government has been addressed."