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The waiting game

Andrew Wong

WHAT prospective housebuyers are doing now, in the period between the government's May 22 announcement of the economic stimulus measures to resuscitate property demand and June 1, the date for implementation, can be said in one word: waiting.

Sale and Purchase Agreements for houses costing RM180,000 and less are being left on top of filing cabinets in solicitors' offices; the acceptance of loan documentation by buyers are being held back. In the headquarters of Bank Simpanan Nasional, officers are burning the midnight oil trying to ready a housing mortgage solution to dovetail with the incentive package announced by Prime Minister Datuk Seri Dr Mahathir Mohamad on Wednesday last week.

But the one-and-a-half week pause in buying activity hasn't left many people, especially developers and lawyers, perturbed. They feel that come Monday, the wait will be well worth it as new buyers make up for lost time by quaffing with fervour the stock of houses the country has to offer.

So, this could be the lull before the storm - the period which buyers should use to review the array of products available, as well as the savings they can enjoy.

One of the first places they should visit to sample the fare offered by developers is the Mega Malaysia Property Showcase to be held in Kuala Lumpur's Putra World Trade Centre and opened by Deputy Housing Minister Datuk M. Kayveas and secretary general of the Ministry of Culture, Arts and Tourism, Datuk Mohd Azmi Razak on June 6.

On the subject of how many houses will come under the government's incentive plan, I can point to statistics from the Ministry of Finance's National Property Information Centre and say it will be at least 45,000 units nationwide as that's the current number of houses pegged from under RM50,000 to RM180,000 in overhang stage. The final amount, however, could be far greater if developers release more units into this price range to take advantage of any accelerated demand induced by the stimuli.

While chances are high that this will happen, I don't think it will be on the immediate agenda as developers assess whether the stimuli have the legs to carry buyer enthusiasm for the next one year. Besides, while RM180,000 and below units might be able to generate cashflow, they can't really reap a lot of profit in highly sought-after urban centres can they? And with a solution to the shortage of construction workers still lingering on the horizon, what builders need today is quality of sales over quantity.

So, the first beneficiary of the stimulus package could be those 45,000 units in overhang. And this is good. If half of them can be sold, it would essentially mean RM3.94 billion can be unlocked from bricks and mortar, which translates to a 14 per cent reduction in the country's total overhang of RM29.14 billion, made up of all types of commercial, industrial and residential properties.

There might be sarcastic remarks going round that the overhang constitutes stock nobody wants as they have remained unsold for nine months or more after having been launched.

That's a bit too simplistic a verdict. True, more than 40 per cent have been unsold for more than two years, but to say the units are not saleable or unappreciated is too exaggerated. As long as not abandoned, every house can become a home - it's only a matter of a vendor finding the right price

and pull factor.

Now that the "pull" has been created by the government, it's up to the developers to do their part by adjusting their prices to suit the target audience. Disregarding this aspect might just see a delay in the awakening of the market.