

Budget measures no solution for spiraling house prices

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The National House Buyers Association (HBA) has poured scorn on the slew of measures announced by the government in the Budget 2013 to arrest spiraling house prices, claiming that they were a product of business lobbyists rather than actual home buyers.

"It is unfortunate that our prime minister has been ill-advised on the true situation. Thus, on the contrary, the rakyat can expect to see an increase in speculative property investments which will in turn further drive up prices," said its honorary secretary-general Chang Kim Loong.

In a statement yesterday, Chang pointed out that the hike to 15 percent for Real Property Gains Tax (RPGT) on property sold in under two years would make little difference because new homes would take the same period to complete construction.

"What the revised RPGT means in lay-man terms is that speculators can purchase properties from developers upon launch and then flip (sell) these properties on completion after two years, only having to pay the revised 10 percent RGPT for between three years to five years.

"With additional attractive financing packages, very often these speculators just need to pay the 10 percent down payment and walk away with a lucrative gain at the end of the construction period," he said.

If left unchecked, Chang said an eventual meltdown of the housing sector can be expected.

Chang called on the government to take stricter measures and impose a 30 percent RPGT for the sale of the first two properties within two years and reduction to 20 percent, 15 percent and 5 percent respectively in subsequent years.

For the third property and beyond, a flat 30 percent RGPT should be imposed for a period of ten years but a one-time RPGT exemption should be retained.

"The majority of house buyers who purchase properties for their own stay or for long term investments (rental) will not be affected by the above RPGT proposal.

"However, speculators will not be able to make a quick buck and drive up property prices beyond our reach," he said.

'Banks will not approve financing'

On the revised income cap (from RM3,000 to RM5,000) for individual first time home buyers to qualify for 100 percent financing for property of up to RM400,000, Chang said the scheme remains untenable.

Chang explained that if a RM400,000 home loan is taken at an interest rate of 4.75 percent per annum, the monthly repayment would be RM2089.59 and the minimum salary for bank approval would need to be RM6,323, far above the RM5,000 cap.

"Based on Bank Negara Malaysia (BNM) guidelines and rule of thumb, a single loan repayment cannot exceed one third of the applicant or joint applicant's gross income," he said.

The key, Chang added, was for the government to instead ensure affordable properties for the middle income group with a price range of RM220,000 to RM300,000.

While noting that the government was rolling out 1Malaysia Housing Programme (PR1MA), Chang said the RM400,000 price cap for these property is not affordable enough.

'Affordable homes not affordable'

"PR1MA price cap of RM400K is too high and the minimum household income needed to take such a huge loan over 30-years is RM6,150 per month.

"However, if households' with monthly income of only RM6,150 take such a huge loan, they will be left with nothing after servicing the monthly installments and other basic household expenses and may not be able to weather any unexpected emergencies," he said.

Chang further pointed out that even Selangor which has the highest average income in the country only recorded RM5,962.

"Our calculation of a basic household expenses shows that the max value of property that such household can afford is only RM320,000.

"Hence, PR1MA should be pricing their properties below RM300,000. Preferably in the range of RM150,000 to RM300,000 to cater to a wider base of the middle income and lower income groups," he said.

Chang added that thus far, PR1MA only seemed to be carrying out an administrative function in the new 1Malaysia housing projects rather than building properties by itself.

"The administrative function would only add another layer of cost which buyers would have to unnecessarily shoulder.

Why share the profits with the developers when PR1MA as a body is formulated for the very purpose of making available affordable houses for our young adults," he said.

Chang expressed concern that the huge land banks made available for this project will be abused and called on the government to make the PR1MA project more transparent.

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