

Malaysia relaxes rules on foreign ownership

By Sonia Kolesnikov-Jessop

In a bid to prop up its stagnant property market, the Malaysian government has relaxed home ownership rules for foreigners.

But some industry experts are skeptical that the change will have the effect Kuala Lumpur intended.

As of Nov. 1, foreigners no longer need the approval of the country's Foreign Investment Committee to buy properties worth 250,000 ringgit, or \$68,535, as long as the properties are for their own use.

Rental or investment properties are still restricted.

"Hopefully, it will improve the property market, which has been a bit sluggish in terms of demand," said Ng Seing Liong, president of the Malaysian Real Estate and Housing Developers Association. One city that he

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expects to benefit is Johor Bahru, at the other end of a causeway from Singapore's higher-priced property market.

But Grace Lee, general manager of Rahim & Co., a real estate agency, has doubts. "I don't think it's really going to change anything," she said. "It's only removing a layer of administrative procedure."

"More important for the market would be to allow foreigners to buy for investment purposes."

Since the beginning of the year, property prices in Malaysia have been fairly flat, with the exception of a few pockets in the capital, such as the Golden Triangle near the Petronas Twin Towers and the Mont' Kiara development.

Prices in those areas have risen by about 5 percent in the last year, estimated Brian Koh, executive director of the DTZ Nawawi Tie Leung real estate agency.

Domestic demand has slowed, reflecting concerns about rising inflation, now at 3.8 percent, and a general weakening of the economy.

"Interest rates have been rising and inflation is relatively high," Koh said. "That gets people a bit jittery. Moreover, the banks' lending policies have tightened a bit and it's more difficult now to get credit."

Some developers have complained that the government's social engineering policies are compounding their difficulties and creating an oversupply of housing.

By law, developers must reserve at least 30 percent of the apartments in new buildings to bumiputra, or ethnic Malaysians. They can request a waiver but not until the construction is half finished and, even then, they must prove that they have made all possible attempts to sell to bumiputra.

Lee, however, says the main reason for the excess supply is the developers' increased production of small units of about 600 square feet, or 55 square meters. "Bigger units of over 2,000 square feet are still selling well, but buyers have less appetite for smaller units," Lee said.

"Local buyers are concerned about where they're going to find the tenants for those smaller units," she said. "Many Malaysians live in a landed property and many won't want to live in a small flat"

"Meanwhile, the expat community here is fairly small," Lee said.

Ng said the government should spur domestic demand by reducing the stamp duty, the Malaysian term for property sales taxes, and the capital gain tax. "This would encourage more local buyers," he said.

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