

Government to review fiscal policies as home prices soar
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By Lee Wei Lian

PETALING JAYA, Aug 28 — Measures introduced to control runaway house prices have not been totally effective and new fiscal policies may be introduced in the 2013 Budget, said Housing and Local Government Minister Datuk Seri Chor Chee Heung.

House prices have soared and in some cases doubled in the last two years alone, especially in urban areas, prompting widespread concern that house ownership is increasingly out of reach of most Malaysians.

Chor said that despite measures such as an increase in the real property gains tax (RPGT) and a cap on loan-to-value ratios on third properties and above, there was a "feeling that the government has not done enough".

"I do agree to some extent," he said at a property conference here. "I will be recommending a review of fiscal policies in the next Budget."

Chor said it might not necessarily be an increase in RPGT.

"We will see how we can ensure prices do not artificially go up due to speculative activities."

The issue of affordable property has been a hot button topic for the last few years and fears have grown that more and more people, especially the younger generation, will be locked out of the property market, leading to social upheaval.

Property prices have not been used as election issues in the past but have become a lightning rod of discontent across the Causeway where the opposition used it to garner popular support in last year's Singapore general election.

More and more young adults, who comprise a growing portion of the electorate, are putting off buying a house and say that property prices have reached a point where it could result in lower standards of living and impact productivity due to the need for long commutes or young adults leaving for higher paying jobs overseas.

Chor said that calls for the government to control house prices topped the prime minister's Budget 2013 online feedback gathering platform, which ran from July 16-29, receiving almost 3,000 pieces of feedback on the topic.

The minister said today however that it was not possible to control prices in a free market but the government still wanted to address the concerns of the medium-income class.

The government does build low-cost housing as well as compel developers to build low-cost houses within each development but many medium-income earners shun such units due to a perceived stigma attached to low-cost housing as well as the perceived quality of such housing.

Chor said however that the public should change its perception towards public housing.

"I don't think there is a stigma to live in a PPR (public housing flat)," he said.

He noted that some PPR flats have three rooms and are 700sq ft in size.

"No matter how cheap private condos are, such a unit will not be less than RM400,000-RM500,000," he noted.

Chor acknowledged however that there have been many complaints that some investors have been buying public housing in order to rent them out to foreign workers.

The minister said that while the government wanted to review fiscal policies that affect property, it was not its intention to "sabotage" developers.

"A lot of developers have been complaining about the hike in the RPGT," he said.

Chor added however that the government wanted to ensure a sustainable property market that did not suffer from asset bubbles and also to ensure that household debt remains at healthy levels.

Chor said that according to the Household Income and Basic Amenities Survey Report in 2009, 58 per cent of households in cities earn less than RM4,000 per month and 44.5 per cent earn less than RM2,500.

He said that this indicates that the affordable house price for more than half the urban population should range between RM150,000 and RM300,000.

The Population and Housing Census 2010 shows that 71 per cent of Malaysians now live in cities.

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