

Limit on bulk property sales disputed

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By Khairul Khalid

Siva Shanker, president of Malaysia Institute of estate Agents (MIEA) has lambasted the government's new proposal for a four-unit limit to curb bulk sales of property, claiming tougher measures are needed to deter speculators.

"They (the government) are going about it all wrong. We shouldn't be focusing just on bulk purchases per se. We need to address the real issue and that is the role of property investment clubs in speculative activities. On the other hand, we shouldn't be punishing genuine property investors who can afford to purchase multiple properties and contributes to the economy," Siva told KiniBiz.

Abdul Rahman Dahlan, the Minister of Urban Wellbeing, Housing and Local Government announced recently that it is considering clamping down on bulk purchases by requiring approval for purchases of more than four units of properties.

Bulk purchases of property, many of which are facilitated by property investor clubs (PICs), have been under scrutiny lately mainly due to allegations that they contribute to artificial inflation of property prices.

"These property investors clubs should either be regulated or outlawed," said Siva bluntly.

He explains that property investor clubs usually negotiate for en bloc units from developers and try to sell them to their members for a profit, either by marking up prices or charging commissions. He elaborates on the workings of these PIC

"In the early days, these property clubs approached developers and had to pay a sort of deposit for the bulk units they committed to sell. For example, the clubs paid RM10,000 per unit as a booking fee. If they committed to sell 100 units but managed to sell only 97, they forfeited RM30,000 (3 units). Anyway, this booking fee was just to circumvent the law and create the appearance that these clubs are genuine investors. But they're not. There don't sign any transfer documents," said Siva.

Now that PICs have mushroomed and gained in popularity over the years, the developers are the ones approaching PICs to sell units in bulk.

"The shoe is now on the other foot. Some of these clubs are so effective in selling bulk units to their unsuspecting members that developers don't really charge them booking fees anymore. This arrangement with property clubs benefit developers in several ways. The bulk purchases create a perception of high demand. By the time of official launch, developers can claim that all units are sold out and this creates a mad rush for the next phase that they could sell at higher prices," said Siva.

According to the MIEA president, the developers also cuts down on marketing costs by selling in bulk via property clubs.

"I might be wrong but I don't know any local PICs who have paid for or actually bought any of these property units in bulk. Any unsold units are returned to developers. They (PICs) don't

really pay anything for them. They don't pay legal fees. They don't pay stamp duty. Even the SPAs (Sale and Purchase Agreement) are between developers and the respective members, not the PICs. They (PICs) don't assume any risks but just collect a fee from the transactions," said Siva.

Instead of coming down hard on property investors clubs, Siva cautions that the four-unit limit could stifle the economy.

"What kind of approval time are we looking at? The market could go into a tailspin. What happens if a genuine purchaser such as a large multinational wants to purchase property en bloc and have to wait a long time for approval? They will ditch the deal for sure," said Siva.

He cites the fact that state approval for transactions of restricted leasehold properties can take at least six to seven months to approve, sometimes even longer.

"What are genuine buyers going to do if they want to buy four units or more but have to wait that long. In that case, nobody is going to be able to sell anything to anybody. A mechanism has to be in place so that approvals can be decided within just one to two days," said Siva.

The MIEA president's also argues that some PICs are actually in breach of the law.

"Some of them are illegal brokers or agents. The law (Valuers, Appraisers & Estate Agents Act 1981) clearly states that if you're not a licenced estate agent you cannot transact property for a fee. Whichever way you look at it, these PICs are definitely making money out of selling the developers units to their members and collecting a fee. The law is in place but enforcement is lax," said Siva.

James Tan, Associate Director of Raine & Horne agrees with Siva on the detrimental effects of property investors clubs.

"These clubs have special previews of developers' new launches. Doesn't this amount to some kind of insider trading? The government is trying to advocate transparency but this is the opposite. It creates a false impression and uncertainty. Selling of property en bloc creates the hype that launches are immediately sold-out, whereas in reality it's not," said Tan.

Sam Tan, executive director of property developer Ken Holdings feels that the proposed new measures to curb bulk sales won't affect their business.

"It won't affect us so much because the homes we build are targeted at genuine buyers. We don't really have any issues related to speculative buying. Our developments usually appreciate in value organically over time," said Tan who is also deputy chairman of Rehda (Real Estate Housing Developers Association) Youth.

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