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Act now or face property development nightmare, says HBA

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PETALING JAYA: National House Buyers Association (HBA) secretary-general Chang Kim Loong warns of more abandoned property developments if the government and developers do not take the freeze on luxury property development seriously.

He said it could be as bad as the situation in the mid-1980s and during the Asian financial crisis of 1997-2000 when many property developments were affected and projects abandoned.

Chang was referring to the cabinet decision to freeze luxury property developments, announced on Nov 19, but which later was clarified as only affecting projects that had not been approved.

Then, earlier this month, DBKL said it would go ahead with luxury property projects, disregarding the freeze order from Putrajaya.

As a result, many questions remain as to which areas are really affected by the decision.

Chang voiced his concerns over the matter in looking ahead to what would be in store in 2018.

“Developers think there is sufficient demand. What will happen when there are not enough buyers and the developer does not have sufficient funds to complete the project?”

“Earlier buyers will all be stuck. Even today, after 20 to 30 years, there are house buyers still waiting for their properties to be completed,” he said.

To date, the government has registered 253 abandoned private housing projects in Peninsular Malaysia since 2009.

Earlier in November, Urban Wellbeing, Housing and Local Government Minister Nor Omar said 190 of the 253 projects had since been revived and completed.

He said the ministry had used RM219.79 million from the government’s fund to restore 32 of the 190 projects.

Chang reminded industry players of Bank Negara Malaysia’s (BNM) warning on the big overhang of properties costing more than RM250,000.

“In addition, BNM also stated that there are too many shopping malls and office buildings.

“But at the same time, there is a big shortfall in affordable properties and this shortfall or mismatch will only get worse. Hence, this temporary freeze is required to correct this imbalance,” he said.

Chang added that in light of BNM’s report on the oversupply of properties, the government must carefully plan what sort of development should be allowed to be built as land was a limited resource.

Incentives to developers

While developers might be against this decision, Chang said, they should take a more pragmatic approach and launch properties at lower prices.

“This could still spur the economy. What the government needs to do concurrently with this freeze is to give more incentives to developers to build affordable properties.

“This is because if developers just put things on hold until the economy recovers, then they will be forced to retrench their staff.

“The economy could further slow down as the property and construction sector has many other supporting sub-sectors such as manufacturing, services and logistics,” he said.

He said the larger developers could just hold back on new launches until the economy recovered but the smaller developers who could not wait so long might be under pressure to launch properties at a lower price tag.

“Developers are not charitable organisations and their main objective is to make profits for their shareholders,” he said.

He suggested that in order to increase the supply of affordable properties, the government must work out incentives for developers to build affordable properties.

Such incentives, he said, could include alienating land at a lower cost on condition at least 70% of the land was used for affordable properties, lower conversion premiums on condition at least 70% of the land was used for affordable properties, lower tax rates on profits arising from affordable properties, and the cost of laying the last mile of public utilities, such as electricity and water, to be borne by the respective utility companies and not the developer.

“The above incentives will lower the cost of the property but not the quality, and can even give higher profit margins to the developer. Thus, the developer could find it financially rewarding to sell more affordable properties.

“The freeze on luxury development could pressure smaller developers with less holding power to just launch at lower prices,” he said.

Chang warned that if the country was not careful, it faced the risk of a “homeless generation” where the younger generation and the lower- and middle-income segments would not be able to buy their dream homes.

“The homeless generation could result in many unwanted social problems. We have called many times for the government to take urgent and drastic measures to prevent the homeless generation from taking root,” he said, referring to the fact that the association had been warning the government for years now.