



# Developers need to reposition overhang homes to attract foreign buyers

*The lower property price threshold may not be too impactful as the regulation needs to come from state govts, says consultant*

by FARA AISYAH

**DEVELOPERS** need to reposition their products as the lower threshold for foreign property buyers, which came into effect on Wednesday, may have little effect in easing the country's high-rise residential overhang.

The property price threshold, which has been reduced to RM600,000 from RM1 million, is only applicable for condominiums and apartments in urban areas.

Following the federal government's announcement of the lower threshold in October last year, state governments have remained silent on the matter, which could hamper the initiative as it needs to be regulated by state authorities.

"It is too soon to see the impact of the RM600,000 threshold, CCO & Associates (KL) Sdn Bhd ED Chan Wai Sen said.

"There is a big possibility that it is going to be challenging for developers to sell the overhang homes unless they reposition the products.

"Most of the overhang properties



Data from the Napic for the 1st 6 months of 2019 shows the overhang in residential units rose by 1.5%, shops added 13.9%, SOHOs increased 24.3% and serviced apartments jumped 59.9%

were planned and launched prior to the market slowdown. In other words, the products and pricing may no longer be in line with the prevailing market trend," he told *The Malaysian Reserve (TMR)*.

Developers also need to deal with existing buyers who have paid higher prices for their properties

prior to the reduction, Chan said.

However, he does predict developers with many overhang properties will aggressively market their projects overseas, especially in Iskandar Malaysia, Johor.

Chan added that clearer guidelines are needed on the lower threshold, including on the foreign

buyers threshold in states such as Johor and Penang.

TMR previously reported VPC Realtors (JB) Sdn Bhd Asia-Pacific property consultant Bruce Lee as saying it might take time for state governments to enact the new ruling and any impact on the overhang would not be as immediate.

"The initiative by the federal government might not be too impactful as the regulation needs to come from the state governments since land falls under state matters.

"The federal government needs to look at other policies to tackle the overhang problem," Lee said.

During the tabling of Budget 2020 last year, Finance Minister Lim Guan Eng said the lower threshold is expected to reduce Malaysia's supply overhang of condominiums and apartments, the value of which amounted to RM8.3 billion in the second quarter of 2019.

Data from the National Property Information Centre (Napic) for the first six months of 2019 showed the overhang in residential units rose by 1.5%, shops added 13.9%, small office and home offices (SOHOs) increased 24.3%, and serviced apartments jumped 59.9%.

Figures for the January through June 2019 period also showed the total value of all unsold properties in the country rose to a stunning RM41.72 billion.

Total unsold properties in the first six months of 2018 were worth RM35.75 billion, with residential and serviced apartments being the largest contributors to the glut, accounting for RM19.76 billion and RM14.57 billion in total value respectively.