



# Budget 2021 expectations for the real estate sector

Property Take looks at players' wishlist for the Budget which will be tabled today

**T**HE property sector is affected by the challenging market condition brought on by Covid-19 and the tight lending environment. Players have called for the government to revitalise the industry, as stimulating the sector can have a larger impact on the wider economy. Common items on the wishlist range from the extension of the Home Ownership Campaign (HOC), tax deduction, revival of the Malaysia My Second Home (MM2H) programme, to priorities for first-time home seekers.

#### EY tax leaders

- 1. Continue with measures targeting B40 and M40 groups, like extending the period of stamp duty exemption on the purchase of a residential property under the HOC without a cap on property price.
- 2. Reintroducing the personal relief on housing loan interest for three consecutive years starting from the year of assessment 2020 to encourage the younger generation to own a home in Malaysia.
- 3. Providing double tax deduction on housing loan interest subsidised by employers to encourage private sector participation and increase property demand.
- 4. To further ease the overhang of properties and assist troubled property development companies, consider tax reliefs for companies to rationalise through corporate mergers or demergers.

#### Property Guru Malaysia country manager Sheldon Fernandez

- 1. Focus on job creation and economic drivers, particularly for youth and first-time home seekers, while addressing specific developer concerns such as compliance costs. Economic drivers to foster job creation and income growth, along with digitalisation and prop-tech incentives are key priorities for the property market.
- 2. While there remain numerous developer and industry asks in terms of Budget provisions, the emphasis should be on economic recovery to ease the plight of the rakyat.
- 3. Most prominent among industry wishlist is the expansion of HOC incentives, such as stamp duty and instrument of transfer exemptions, to the secondary market. There have also been calls to extend the HOC beyond May 31, 2021.
- 4. Property players have highlighted the possibility of extending maximum loan tenures and reviewing eligibility criteria for home loan applicants. The reduction of compliance costs surrounding development (related infrastructure costs) and revision of foreign ownership programmes and thresholds are desirable as well. Developer concerns regarding compliance costs, if addressed, would promote ease of doing business.
- 5. A review of foreign ownership guidelines may address overhang concerns to some extent, but is unlikely to be popular with Malaysian home seekers.

#### Property.com Malaysia Sdn Bhd general manager Malaysia Wong Siew Lai

- 1. Consider reducing stamp duty tax for first-time homebuyers after the end of the HOC on May 31, 2021, which is essential to help young Malaysians get on the property ladder. Stamp duty tax could be extended



to the secondary market which will further provide opportunity for property seekers to explore sub-sale properties.

- 2. Review policies and introduce supplementary measures to encourage homeownership among young people. For instance, tax relief for home loan interest incurred by first-time house buyers should be re-introduced to further encourage homeownership among young people.
- 3. The full exemption of real property gains tax (RPGT) under the Penjana package is welcomed. Currently, the exemption is limited to the disposal of three units of residential homes per individual. Improve on the existing RPGT initiative by removing or loosening the limitation of disposal units per individual to encourage more confidence in property sellers. This will help to stimulate more transactions and encourage sellers to pass on the savings from the exemption to the buyers.
- 4. Quickly revive MM2H to encourage foreign homebuyers to invest into the local property market. The application process could be made more streamlined and investor-friendly. MM2H is an important driver of foreign buyer demand. It could help in reducing the property overhang and the supply of unsold units in the secondary market.
- 5. Rental incentives. For example, to first-time and seasoned renters. Homeowners who are finding it difficult to sell during these times could consider renting if the right incentive is in place.

#### Iconic Worldwide Bhd managing director Datuk Tan Keat Tet

- 1. Buyers are still facing difficulties in purchasing homes and obtaining loans. Relax lending rules and be more lenient on loan approvals. This will enable the industry to be able to breathe again.

#### Mah Sing founder and group managing director Tan Sri Leong Hoy Kum

- 1. Additional incentives to promote home ownership for first-time home buyers. This includes reinstating maximum loan tenure to 45 years from current 35 years; higher debt service ratio; and using gross income

rather than net income in loan applications review. Consider implementing Developer Interest Bearing Scheme for first-time homebuyers as the current interest rate is low enough for such scheme. It would also allow first-time homebuyers to not service their loan interest and rentals at the same time during construction period. Relax lending requirements to boost home ownership, especially for first-time homebuyers.

- 2. Reduce compliance cost. It remains one of the most significant factors affecting developers' cash flow, taking up an average of 20% of the total cost. Apart from land conversion premiums and development charges, the capital outlay for private utilities companies is very high. This encompasses surrender of the land, construction of the infrastructure, and contributions to the utilities companies. Hopefully compliance costs such as capital outlay for private utilities companies can be borne by respective asset owners so that savings can be passed on to buyers.
- 3. Resume MM2H as soon as possible with more investor-friendly policies. It will encourage more investment in Malaysia, indirectly helping the recovery of the property market.
- 4. Reduce minimum threshold for foreign property ownership to RM500,000 in all states, especially the key regions with high overhang like the Klang Valley, Johor and Penang. This would help to improve the overhang situation and continue to stimulate the property market.

#### Airbnb head of public policy (Southeast Asia) Mich Goh

- 1. Targeted extension of moratorium or assistance on the repayment of mortgages on properties utilised for short-term rental accommodation (STRA) activities until the tourism sector recovers or at least until March 2021.
- 2. Special incentives to encourage homebuyers to purchase overhang properties to carry out STRA activities with a view to generate long-term income to help stimulate economic recovery. Given the fact that unleased bungalow lots account for around 40% to 50% of the property overhang in Malaysia, consider introducing targeted policies to encourage bungalow to utilise the existing housing benefits to participate in income-generating activities such as STRA.
- 3. Include STRA hosts in key incentives for businesses in the tourism sector under the economic stimulus packages. Consider extending the one-off cash assistance

#### PROPERTY LISTING

##### in Johor

**Project: Anantara Desaru Coast Residence**  
**Type: Villa**  
**Price: Starting at RM7.5 million**  
**Developer: Minor International and Themed Attractions Resorts & Hotels**

Anantara Desaru Coast Residences is the first Anantara-branded residential villa development in Malaysia. It offers a unique coastal lifestyle with a collection of luxury villas for sale, complete with access to exclusive resort amenities, amid the stunning Desaru Coast – an up-and-coming vacation destination with championship golf courses, water parks, beach recreation, shopping and dining.

The project features 20 three- and four-bedroom private pool villas, each with sweeping views of the South China Sea and direct access to an endless stretch of private beach. The elegant villas range in size from 3,100 to 6,426 square feet and offer indoor-outdoor living space with natural light and ocean breezes coming through floor-to-ceiling windows, open dining and lounge areas and expansive pool decks. Surrounded by lush foliage for added privacy, spacious en-suite bedrooms boast views of the infinity pool, the beach and the ocean.

