

# Bumi units

The Bumiputera lot quota has been a sore topic among developers but what can be done to get more people to buy them?

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# Lower prices and better rental yields benefit Bumi lot buyers

Location is key to negate challenges of reselling

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**I**N the 1970s, Malaysia's New Economic Policy (NEP) introduced the Bumi quota regulations for property development in efforts to increase Bumiputera involvement in the real estate market. These regulations required a mandatory minimum quota of 30% designated Bumi Lots within a development and a minimum 7% discount (Bumi discount) on the property purchase.

The Bumi Lots therein are units of land or property which can only be purchased and owned by Bumiputeras. This includes Malays, Sabahans, Sarawakians, the indigenous peoples of Malaysia as well as non-Malay Muslims. Bumi Lots are present in every new development since a certain percentage of the properties have to be allocated to Bumiputera purchasers as per the aforementioned quota.

These lots are not to be confused with Malay Reserved Lands (MRLs) which can only be purchased and owned by Malays. The distinction matters significantly because unlike MRLs, Bumi Lots may be released to non-Bumiputera individuals, although the process can be challenging.



An aerial view of Putrajaya.

## EVENT HIGHLIGHTS

### More developers join digital fair

**M**ORE developers have joined the inaugural StarProperty Stay-At-New-Home Digital Fair 2020 for week two even as the event is drawing more viewings from potential buyers.

Launched on May 28, the digital fair saw the initial participating property developers namely Ireka Corporation Bhd, Matrix Concept Holdings Bhd,

Platinum Victory Development Sdn Bhd, IJM Land Bhd, MRCB Land Sdn Bhd, Worldwide Holdings Bhd, JL99 Group and Skyworld Development Sdn Bhd.

Joining the fray are OSK Property Holdings Bhd, Sunway Group, Hughes Development Sdn Bhd, Sunsuria Bhd and Gamuda Land Sdn Bhd. More developers are expected to join the event in the coming weeks.

As each participating project has its own set of promotions, buyers will be spoilt for choices and discounts and rebates given during the fair. ↗



### Win Kaw-Kaw Buy-and-Win 2020

With this year's Win Kaw-Kaw Buy-and-Win 2020 promotion, buyers who have successfully completed their purchases at any StarProperty.my fair stand to win exciting prizes and holiday trips abroad worth over RM100,000.

Successful home purchasers can win rewards such as holiday packages for two to Greece, Japan and Korea. Travel vouchers are also up for grabs.



#### How to Win?

**STEP 1:** Visit the Stay-at-New-Home Digital Fair and drop an enquiry with any of the participating exhibitors at the Digital Fair

**STEP 2:** Purchase your dream home from any of the participating exhibitors at the fair.

**STEP 3:** Submit a copy of the Sales Order Form (S&P/SPA), proof of payment (receipt).

For more information, email [marketing@starproperty.my](mailto:marketing@starproperty.my) ↗



### New StarProperty stay-at-home contest

One-stop omni-channel platform provider StarProperty latest stay-at-home contest will jive with people's switching to a lifestyle of planting their own herbs and vegetables in their gardens to become more self-sufficient and promote environmental-conscious habits.

Growing your own herbs and

vegetables also provides better food security during a crisis like the current Covid-19 pandemic.

Moreover, owning a gardening patch saves you money in the long-run, and does not require much space or land. In fact, container gardening has become a popular trend for those living in compact homes or high-rise buildings.

Plus, the activity is a productive hobby to take up given the added time

at home, and there's a satisfaction in watching the fruits of your labour grow before your eyes then devouring them when they ripen.

As such, StarProperty is organising a contest to encourage Malaysians to grow their own herbs and vegetables at home.

A total of 30 winners will be selected and they stand to be rewarded with a goodie bag from Toyota Suntery Midorie (Midorie). ↗





**“If you plan to sell later, the demand for Bumi lot in the property market is less compared to a non-Bumi lot as only Bumiputeras can buy the lot.**

– Mohd Taufek Bin Md Sani



## The benefits

The most apparent benefit to Bumiputera purchasers of a Bumi lot is the substantial savings when purchasing a new property. Since land is under the purview of State Authorities, the quota allocation and discount amount vary from state to state. For example, Federal Territory of Kuala Lumpur has the Bumi quota set at 30% and the Bumi discount at 7%.

To illustrate, a non-Bumiputera home buyer who purchases a property for RM500,000 would typically need to pay a 10% deposit on the home which equates to RM50,000. With a loan amount of RM450,000 for 30 years and an average interest rate of 4.5%, the buyer pays a monthly instalment of RM2,280.

“Whether the Bumi discount is used as a downpayment for a Bumiputera buyer depends on the discretion of property developers,” said Yap Jyy Huey, a lawyer and partner in Messrs Kee Sern, Siu & Huey.

Assuming a Bumiputera buyer receives the ceiling discount of 15%, the discount amounts to RM75,000, and the price drops to RM425,000. With a 10% downpayment

of RM42,500 and the same loan tenure and interest rate as above, the monthly mortgage repayments are also more affordable at RM1,936.

A lower purchase price then consequently leads to additional savings

in the stamp duty fee and on the sale and purchase agreement (SPA) since these charges are based on a percentage of the purchase price and vary based on tiered-price brackets.

Given the designation of a Bumi lot has no effect on rental rates, the lower purchase price also translates to a better rental yield. Rental yield is the percentage of rental income return from the property against the total purchase price but excluding any costs related to the property's maintenance.

## The challenges

For buyers, especially those looking at a home for own-stay and interested in long-term ownership, the low entry price presents an irresistible bargain. It is only the reselling of Bumi lots that may pose difficulties as the need to find a Bumiputera buyer arises.

“If you plan to sell later, the demand for Bumi lot in the property market is less compared to a non-Bumi lot as only Bumiputeras can buy the lot”, said conveyancing lawyer Mohd Taufek Bin Md Sani of the law firm Murali B Pillai & Associates.

The release of Bumi lots to non-Bumiputera's would require the approval of the State Authority and these mechanisms have been discussed at greater length in the Cover Story of this pullout.

Ultimately, the restricted market for Bumi lots means a reduced demand which in turn may affect the appreciation of the property's value.

## Finding solutions

The issue of demand and value appreciation of Bumi lots are negated in areas densely populated with Bumiputeras. The higher demand from Bumiputera buyers in the locality means that the market price appreciations may be unaffected or match non-Bumiputera counterparts.

Mohd Rozairi Bin Ros Kamal, a real estate negotiator from IQI Realty, recommends prospective buyers of Bumi lots focus on areas such as Shah Alam, Kota Damansara and Bangi for example. When asked which Bumi lot locations are likely to appreciate greater in value, Yap also mentioned Dengkil and Putrajaya besides Shah Alam and Bangi.

Those seeking to sell off Bumi lots can also take additional measures to make the property more attractive to prospective buyers. “Sellers of Bumi lots may consider basic interior designs and repairing any defects or damages to increase demand for their property,” Rozairi added. 🏡



Yap believes the lower entry price for Bumiputera buyers makes Bumi lots an excellent investment vehicle for more superior rental yield.



The market price appreciation is not as high as non-Bumi lots, noted Taufek.



The key (to selling) is to make your property more presentable, said Rozairi.



The allocation of Bumi lots vary from state to state.



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**T**HIS has been a sore topic for property developers, buyers and investors for decades since its enactment in the 1970s under Malaysia's New Economic Policy (NEP).

To compound matters further, state authorities are given full control over land matters except for federal territories. Hence, Bumiputera quota regulations fall under the state government's jurisdiction, which differs from state to state.

In some states, the discounts are at 15%, and the allocation can be at 60%. For example, Selangor has one of the highest allocations with 60% for low-cost commercial units, 50% for other commercial units, 50% for low-cost industrial units and 40% for other industrial units. For residential property, there is no fixed allocation as it depends on the state's discretion.

The discount is 7% for residential property and 10% for commercial and industrial properties except for low-cost units.

In contrast, the discount is pegged at 5% for Kuala Lumpur and developers are to allocate 30% of residential or commercial property to Bumiputeras.

Given that most of Malaysia's population comprise of Malays and Bumiputeras, why has this become an issue? Home buyers want to buy a place to live in while investors want to make money off their investments.

A chunk of the negative perception of Bumi units is due to the exit strategy, in that the market generally is of the contention that non-Bumi units fetch a higher price.

## A matter of perception

Given that the Bumiputera buyer is already given a sizable discount, this helps offset the difference in appreciation between non-Bumi lot and a Bumi one. A Bumi lot will also appreciate in value albeit not as high as the non-Bumi one but buyers and sellers must remember the discount given.

For example, a RM500,000 non-Bumi unit has seen an increased value of 20% sold at RM600,000 after five years, giving the owner a gross profit of RM100,000. Assuming a Bumi unit was sold at RM550,000 (15% appreciation), at the initial discount of 7%, the property was bought at RM465,000 still



# Changing the mindset

What will it take to switch the negative view of Bumi lots to positive ones?

gives the Bumiputera buyer a gross profit of RM85,000.

Given that the Bumiputera buyer would have paid less interest, lower monthly instalments and a lower 10% deposit, the amount would have added up over five year, further narrowing the difference between the gross profit made by the non-Bumiputera buyer (see page 2 for more details).

Moreover, in an area where the population is dominated by Bumiputeras,

finding a buyer is easier.

Some of the reasons why Bumi units are less saleable relate back to the interplay between demographic factors and the Bumi quota. For areas such as Shah Alam, Ampang, Datuk Keramat and Gombak, Bumi units enjoy good performance due to the predominant Malay population.

On the other hand, areas with a Chinese majority like Kepong, Puchong, Cheras and Semenyih, developers have a harder time to clear off their Bumi

stocks. Hence, the minimum 30% Bumi quota may be insufficient in a Bumiputera majority area, while this policy can create an overhang situation in places where there is little demand from Bumiputera buyers. Matching the Bumi quota with the availability of Bumiputera buyers is a tricky balance.

All this is intensified by a series of unfortunate events that worsen the image of Bumi lots, especially with the overhang issue.

## Hiccups in the economy

The economic downturn exacerbated the current overhang situation in the property market. And the ongoing Covid-19 pandemic threat has not helped matters. Hopes of having foreign buyers to alleviate the oversupply may also be dashed, now that the world is moving into a recessionary stage.

On the local field, the overhang and unsold situation took an upturn in 2019, with a total of 30,664 overhang units worth RM18.82bil, decreasing by 5.1% in volume and 5.2% in value against 2018 figures (32,313 units worth RM19.86bil). These prior gains are encouraging, but the foreseeable year may see a slowdown that will build up the overhang stocks.

According to Real Estate and Housing Developers Association Malaysia (Rehda) president Datuk Soam Heng Choon said Bumi units contribute to an estimated 40% of the total residential property overhang units in Malaysia.

He explained that the unsold Bumi units



Should the units be released for sales in the open market, it will also assist in creating cash flow for developers, said Soam.



"When developers are free to sell in the open market from day one, it moves the cash flow faster and the market becomes efficient," said Loh



"To reduce the national overhang figures, Bumi units in places where there is little demand from Bumi buyers should be released," said Geh.



If there are no restrictions within the title of the property, the owner should have little difficulty selling the property to a non-Bumiputera purchaser, said Tan.

## Lots of bureaucratic hoop jumping

In other states, developers have to apply for the release of the units, and approval from local authorities can be a tedious process. For example, developers have to prove to the authorities that they had performed every reasonable means to get the Bumi lots for sales, such as advertisements, promotions, special discounts and the usage of Bumiputera specialised agencies. If the Bumi lot is still unsold after a certain period, then they can be released. Regardless of whether it is an automatic or manual release, developers will need to pay a levy fee which varies accordingly.

Loh said that the opening of overhang Bumi lots for sale would further benefit the government and public while stimulating the economy as a whole. "More job opportunities will be created to facilitate the sale transactions. For example, legal firms and lawyers will be able to earn fees by providing legal services for such transactions," he explained.

Similarly, valuation firms and valuers will be able to generate fee revenues by providing valuation services. Local authorities can also collect the stamp duties earlier to put the government in a better cash flow position. Loh pointed out that developers would also have healthier cash flows to pay off their contractors in a timely fashion.

If there are no restrictions within the title of the property, the owner should have little difficulty selling the property to a non-Bumiputera purchaser, said Tan.)

For the secondary market, Chur Associates managing partner Chris Tan said in theory, a Bumiputera owner intending to sell his property to a Non-Bumiputera purchaser should not be of concern. In reality, it will be prudent to check the title of the property for any restrictions. If there are restrictions specifically mentioning that the property can only be transferred to another Bumiputera individual, then the owner has to apply for consent to transfer to the relevant authority.

"This is a policy consideration, rather than a matter of law. The discretion is most often with the approving authority, and no reason needs to be provided for the decision," said Chris Tan. In the event a proper title to the property has yet to be issued, it would be prudent for both the buyer and seller to consult the developer in charge for any potential hindrance in facilitating a transaction. ☞

they may want to resell to Non-Bumiputeras. Without the influence of red tapes, non-Bumi units usually enjoy a higher demand compared to their Bumiputera counterparts, and hence, register a better rate of capital appreciation. But for Bumiputera buyers intending to purchase a home for their own stay, the lower price of a Bumi unit can be attractive.

## Higher rental yields

Similarly, Bumiputera investors can also make use of the lower price to their benefit. There is a strong advantage for Bumi units when used to generate income through the rental market, as they have a higher rental yield due to the discounted price.

There is no rental price difference between a Bumi unit and a non-Bumi unit. It all depends on how the unit is packaged. A fully furnished unit will naturally command a higher rental than one that is unfurnished.

With regards to the unsold Bumi units, states like Penang, Perak and Selangor have a clear cut automatic mechanism allowing their release to Non-Bumiputera buyers. One way to reduce the property overhang in the country is to have an automatic Bumi units release mechanism in each state, Soam said.

In Perak, for example, the first 50% of the Bumi quota can be released when the physical construction of the project has achieved 30%, and that 60% of the non-Bumi lots have been sold. The balance 50% of the quota can be released after physical construction has reached 80%, and 90% of the non-Bumi lots have been sold.

**"More job opportunities will be created to facilitate the sale transactions. For example, legal firms and lawyers will be able to earn fees by providing legal services for such transactions.**

— Loh Soon Park





# Sunway Iskandar raises the standard of township creation

The first green township in Johor

**T**HE art of building a township entails a balancing mastery between development and nature, where human needs are satisfied at the minimal expenditure of the environment. An exemplar for such discipline is Sunway Iskandar, the first township in Johor to receive the Green Building Index (Silver).

Revolving around the concept of sustainable living, the aim to deliver the first Nature's Capital City in Malaysia is reinforced by its six beautifully crafted precincts, namely The Lakeview, The Parkview, The Marketplace, The Capital, The Riverside and The Seafront. The 20-acre Sunway Emerald Lake Garden takes centre stage at the Lakeview precinct, while The Riverside showcases seven kilometres of the majestic Pendas River, where pristine mangrove forests reside.

Each precinct is equipped with a cycling and jogging track and a park that serves as a connection for people in the area. The township itself is also propped on a unique business model. A fully integrated real estate value chain is utilised to provide the developer with the capability and capacity to build, own and operate the community it builds.

Facilitating this is the 6,780 sq ft Events Gallery, serving as a platform for the community and developer to create events to bring people together. Some of the activities previously held include the Sunway City Iskandar Push Bike Fun Race, Sunway Iskandar Night Half Marathon, Breast Cancer Awareness Day, World Environment Day and more.

Also within this development is the newly opened Sunway Big Box Retail Park, the first large format retail park in Malaysia. Next to it is the 32-acre XPARK, where family activities and extreme adventures sports are hosted, such as go-kart, badminton, futsal, high rope climbing, ATV biking, motor cross, glamping and others.

To promote safety, the management has taken the initiative to deploy its own auxiliary police officers and security personnel. Security fences, roadblocks, 24-hour patrols and a centralised CCTV monitoring system are among the various security measures in place to prevent crime. Currently, the development has four patrol kiosks strategically located at every entry point.

The service-driven township further revolves around market innovations focused on the theme of connectivity and liveability. For example, Sunway Citrine Hub offers 167 contemporary designer offices, complemented by boutique retail experiences at the lower level. This convenience is enhanced by the residential units nearby, allowing the harmonious union of work and stay.

A plethora of facilities is also provided, ranging from a gymnasium, infinity swimming pool, rooftop function



room and others. At the Marketplace precinct, paved piazzas are filled with bustling cafes, boutiques, artisan shops and galleries. They are interspersed with pockets of manicured gardens, so shoppers will find serenity in the busiest of businesses.

Families with children will find the Sunway International School within easy reach, and there is also a Chinese vernacular school in close proximity,

namely SJK (C) Cheah Fah. The school will be ready and open for registration in Q1 of 2022. Tertiary educational needs are further fulfilled at Educity, a fully integrated education hub hosting a wealth of universities and colleges. For the elderly, medical needs are addressed at the Gleneagles Hospital, while leisure elements can be found at Legoland, which is only a five minutes' drive away.



**ABOVE**  
Sunway Iskandar Push Bike in conjunction with World Environment Day 2019 - Sunway Iskandar constantly creates events to the community together.

**LEFT**  
Sunway Citrine plays host to a wealth of community events.

Concerning connectivity, Sunway has funded the Coastal Highway Southern Link (CHSL), which is just 5km away from the Malaysia-Singapore Second Link. The Causeway Link bus is now operating one of its Singapore routes through Sunway Iskandar, with terminals at Larkin in Johor Bahru, and Jurong East Interchange in Singapore. These highways ensure that residents have easy access to the various points of interest across the southern corridor.

With the existence of all these lifestyle elements and conveniences under one township, it is unsurprising that Sunway Iskandar had won Excellence in the Southern Star Awards for the StarProperty Awards 2020. Sunway Property, the master developer of the Sunway Iskandar township, is always focused on engaging the community and has made it a part of their lifelong commitment in growing together with them. 🏡





SUNWAY ISKANDAR

NATURE'S CAPITAL CITY™

## A TRIUMPHANT ICON OF SUSTAINABLE EXCELLENCE

Sunway Property's remarkable achievements at the StarProperty Awards 2020 echoes nationwide with Sunway Velocity TWO clinching the award for Best Integrated Transit-Oriented Development and Sunway GEOLake Residences clinching The Long Life Award in the Klang Valley. In the Northern Region, Sunway Onsen Suites clinched both The Holiday Home Award and The Northern Star Award.

Sunway Iskandar, Sunway's largest township yet, spanning over 1,800 acres in Iskandar Malaysia, Johor, bagged three awards for the Best Southern Star Development, Best Integrated Development (Sunway Citrine) and Best Luxury Series (Sunway Emerald Residence). The awards won by Sunway Iskandar is a testament to its 5 core elements which was fundamental in the planning and development of the township.

Overall, Sunway Property has also won the Best Overall Champion and the Exceptional Community Builder Award, making it a total of 9 awards won at the StarProperty Awards 2020. Sunway Property's achievements at the StarProperty Awards 2020 marked another pinnacle in our legacy as a Master Community Developer.

### AN AWARD-WINNING TOWNSHIP



Sunway Iskandar



Sunway Citrine



Sunway  
Emerald Residence

### 5 ELEMENTS FOR A GREAT TOWNSHIP



#### CONNECTIVITY

5km to Singapore & easy access to major highways



#### AMENITIES

Be in proximity to world-class amenities



#### SECURITY

Comprehensive security measures to ensure peace of mind



#### COMMUNITY

Building a well-managed community



#### ENVIRONMENT & SUSTAINABILITY

Live in a sustainable & eco-friendly environment

**SUNWAY**<sup>®</sup>  
**PROPERTY**  
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Sunway Iskandar Property Sales Gallery:  
**SUNWAY ISKANDAR SDN.BHD** (964451-A)  
G-01 & G-02 Hab Citrine, Sunway Citrine, Sunway Iskandar,  
Persiaran Medini 3, Bandar Medini Iskandar, 79250, Iskandar Puteri, Johor.  
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# No Bumi loans but buyers still have other advantages

Many first-time homebuyers schemes available in 2020

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**B**UMIPUTERA and Malay homebuyers can take advantage of the discount for Bumiputera-titled properties, but when it comes to loans, they are subjected to the same criteria as non-Bumiputeras.

To date, there are no specific loans given to buyers of Bumi lots and they have to contend with the current loans in the market.

A check with several banks revealed that they have several packages available like flexi-loans, fixed-rate loans, Islamic loans and rent-to-own schemes. Homebuyers are advised to approach several banks to find the loan that is the most suitable.

Budget 2020 also provided a good initiative in helping youths gain their first home. The scheme which is also widely known as Skim Perumahan Belia (Youth Housing Scheme) was extended by Bank Simpanan Nasional (BSN) is limited to 10,000 houses.

Homebuyers can borrow up to 100% of the purchase price and 10% is guaranteed by Cagamas. This will enable borrowers to obtain full financing and assistance via a monthly instalment of RM200 per month for the first two years. This scheme is valid until Dec 31, 2020.

Alternatively, there is the First Home Deposit Funding Scheme, which assists first-time homebuyers in paying the deposit for a home amounting to 10% of purchase price or a maximum of RM30,000 per unit for private housing and housing projects on the secondary market-priced RM500,000 and below.

Moreover, a RM1bil fund was established by Bank Negara to assist first-time homeownership through participating financial institutions, namely, AmBank, BSN, CIMB Bank, Maybank and RHB Bank.

And My First Home Scheme allows first-time homebuyers to obtain 100% financing from a panel of banks and financial institutions, enabling them to own a home without paying a 10% down payment.

Naturally, applicants will need to qualify for these schemes as there are specific requirements to adhere to.

For civil servants, it is advisable to apply for a government loan as the interest rate is the lowest. However, this loan is only meant for those working in the government sector. For those employed by the federal and state governments, chances of approval are good.

Some banks do offer government loans to the employees of statutory bodies, police, army and government-linked companies so buyers should do their homework if they want to secure the best rates.

Bumiputera first-time homebuyers can tap into the schemes that are available for first-time buyers.

In addition, they should keep their eyes and ears open if they have the intention to buy a property as outside help is usually also available. For example, earlier this year Kuala Lumpur City Hall (DBKL) allocated RM3.9mil to help Bumiputeras buy affordable houses in the capital.

Federal Territories Minister Khalid Abdul Samad said the loan was to help those who had obtained offer letters from the banks to secure their 10% down payment.



**ABOVE**  
There are many schemes Bumiputera first-time homebuyers can tap into.

Go with the bank that offers the best deal.

The RM3.9mil funding is from the collection of penalties or contributions from developers and contractors for selling unsold Bumi units to non-Bumiputeras, and will help at least 130 Bumiputera homebuyers.

Applicants must be B40 and M40 first-time home buyers, and those who are staying or working in the city.

Malaysian who had obtained the offer letter from the bank to purchase affordable houses RM300,000 and below can send in their application so that DBKL does not need to do another background check on the applicants.

While it is a zero-interest loan, successful applicants have to repay the amount in 10 years and those who failed to service the loan would be penalised.

From time to time, there are other government agencies which will offer

such aid to Bumiputera first-time homebuyers, so a check with the local authorities is a good idea.

Finally as with any loan, homebuyers need to be wary of the interest rates.

The interest rate of the mortgage determines the monthly instalments. Homebuyers should be aware that any changes in base rate is applicable for loans or financing facilities that are pegged against it.

As the base rate can rise or fall due to changes in the benchmark cost of funds (COF) and changes in the Statutory Reserve Requirement (SRR), this will affect the amount to be paid for the monthly instalments.

Changes in the benchmark COF could occur due to changes in the Overnight Policy Rate as decided by the Monetary Policy Committee of BNM, as well as other factors such as market funding conditions. ↗



Some government authorities and agencies offer financial help to Bumiputera homebuyers.