

What's holding Kampung Baru back?

This property remains one of the hottest issues in the development of Kuala Lumpur. It has remained what has been termed as a slum for decades despite being situated next to the heart of the city.

Why is this the case?

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Be wary before signing on the dotted line

Defects liability period protection is not mandatory post CCC

Contributed by CHANG KIM LOONG

AFTER working for a few years, Cindy Chew was ready to buy a terrace house with a separate title deed available from a housing developer.

She is aware of abandoned housing project cases in Malaysia and did not want to risk buying a newly launched property that is still under construction. Instead, she waited for the developer to complete the housing development and subsequently decided to buy a terrace house from the developer after she was able to physically see the completed house.

She asked her lawyer to assist her with the sale and purchase contract and acquisition process. She found that although the house was new, it had multiple defects such as cracks on the ceilings and walls. She then asked the developer to rectify them.

Much to her dismay, the developer told her the defects liability period (DLP) had expired and their sale to her was on an as-is-where-is basis. The developer said that DLP was not mandatory after the Certificate of Completion and Compliance (CCC) was issued which is true.

In another scenario, Abdul Aziz was ready to buy an apartment in Subang Jaya from an established housing developer. This was his first time buying



a property in a stratified development.

He knows practically nothing of the selling and buying process and sought the professional services of a lawyer. The lawyer attended to the usual sub-sale transaction with Abdul Aziz eventually taking possession and keys of the property from the housing developer.

After shifting into his apartment with his family, he realised that there were water leakages to his ceiling and

walls. He consulted his lawyer but was informed that the purchase was on an as-is-where-is basis and that the purchaser was deemed to have inspected the property and was satisfied with the conditions.

He felt let down with the course of events where he had to pay for the repairs and repainting works of RM7,850 when the apartment was barely six months old.

Check for the DLP clause before signing.

Contract of sale - Schedules G, H, I & J

Every contract of sale shall be in the forms prescribed in Schedule G (Land and Building), Schedule H (Stratified Property), Schedule I (Land and Building - 10:90 concept) and Schedule J (Stratified Property - 10:90 concept) of the Housing Development (Control and Licensing) Regulations, 1989 (HDR).

However, the HDR provides an exemption to the rule, inter-alia: HD Regulations 11(1B) ".....such (contract of sale) shall not apply if at the time of the execution of the contract of sale, the certificate of completion and compliance (CCC) of the housing accommodation has been issued and a certified true copy of which has been forwarded to the purchaser".

The language of HD Regulation 11(1B) is clear enough. The statutory contracts of sales (Schedules G, H, I and J) do not apply to a sub-sale or a sale in a secondary market after the issuance of the CCC.

In a nutshell, Chew and Abdul Aziz had thought by purchasing their completed properties directly from the developer, they would have the right to ask the developer to rectify the defects.

They were not aware that the developer was selling through the secondary market via a sub-sale and was not under any legal obligation to rectify

EVENT HIGHLIGHT

A change of dates

THE final three StarProperty's property fairs for the year will now be held in December instead of November following advice and guidelines from the relevant authorities.

Adhering to strict standards of procedures, the postponement is to ensure the continued safety of members of the public, which is one of StarProperty's core concerns.

The pushback, however, sees more participation from numerous property developers as a result, meaning that homebuyers will have a wider selection of real estate along with great year-end deals.

Why limit oneself to just one sales gallery when StarProperty hosts a multitude of developers in the three venues, increasing the opportunity to select that dream home buyers are after.

The fairs will be held in Sunway Pyramid Shopping Mall from Dec 4 to 6, Central i-City Shopping Mall from Dec 9 to 13 and IOI Mall Puchong from Dec 16 to 20.

A vast selection of properties awaits homebuyers, from landed houses to high-rise units and commercial lots, all prepared by a curated list of distinguished property

developers. Not only that, but friendly and knowledgeable salespeople will be present to answer every question and information to quell doubts.

Conveniences aside, the StarProperty fair is possibly the only fair organiser that rewards both visitors and homebuyers. This year's Win Kaw Kaw Campaign promotion ensures that everyone who attends any StarProperty fair becomes a winner. It's not just houses and prizes to be won at the virtual fair.

StarProperty is well-known as one of the premium and popular organisers for property fairs and awards events. These events not only provide a platform for developers to sell but allow them to interact with potential buyers to find out what they are looking for in a home.

StarProperty group general manager Jason Yap said the fairs made it convenient for potential homebuyers and they have total peace of mind as the buyers will be dealing



StarProperty fair.

directly with developers who can give them good deals.

On the other hand, this fair also provides the opportunity for developers to share the unique features of their projects and exclusive promotions with homebuyers, he said

Developers interested in participating in the remaining StarProperty fairs can call 03-79671341, or reach out by email at events@starproperty.my. 📧



A house buyer who purchases a new property from the housing developer will establish a contractual relationship with the developer via the sale contract.

New Schedule K and L?

Perhaps, a new set of the contract of sale should be prescribed in the proposed new Schedule K (Post CCC: Land and Building), Schedule L (Post CCC: Stratified Property) to be included in the Housing Development (Control & Licensing) Regulations, 1989.

These new contracts are intended to cater for provisions post CCC with a new prescribed schedule of payments considering that some properties are leasehold with restrictions in the title as compared to freehold status.

But, the main objective is to design a new contract of sale to include DLP for those buyers of post CCC properties whether they are landed or stratified housing properties. Perhaps, KPKT should ponder on this proposal that will accord better or extended protection to house buyers post-CCC. 🏠

any defects as their sub-sale contracts were silent on the DLP warranties that would appear in the statutory contracts of sales.

Sub-sales are not within the purview of the Ministry of Housing and Local Government (KPKT) and do not enjoy the protection accorded to the purchasers who buy properties under construction.

Hence, there is no DLP in their sale and purchase contracts though such terms are sometimes negotiated depending on the goodwill and benevolence of the housing developer. Goodwill in this context means by the developer's prerogative and at their sole discretion.

Defects liability period

The statutory schedule contract of sale carries a mandatory warranty period of 24 months after the date the purchaser takes vacant possession of the subject property against any defects, shrinkage or other faults, which becomes apparent and are due to defective workmanship or materials, and not having been constructed in accordance with the approved plans and descriptions.

Such faults should be rectified by the developer at their own cost and expense within 30 days from the date of the purchaser's written notice. However, this clause on DLP is missing in most of the sub-sale or sale in secondary market contracts. It is a case of caveat emptor or let the buyers beware.

There is no protection for defects, shrinkage and other faults. These defects may include cracks in the walls, water leakages, watermarks, mouldy ceiling panels, clogged piping, loose floorboards or tiles, unusable fixtures (such as electric connections, light switches and water tapes) and even misaligned doors,

windows and safety grills. Generally, it is a case of what-you-see-is-what-you-get.

Those contracts even have the audacity to state that the purchaser has conducted independent checks and is satisfied with the state and conditions.

House Buyers' rights

Legal rights are created by the terms and conditions embodied in the contracts between two covenanting parties. A house buyer who purchases a new property from the housing developer will establish a contractual relationship with the developer via the sale contract.

Hence, the buyers will have contractual obligations and entitlement upon the developer in the event of defects. Then, why not offer the protection for those buyers of property, post-CCC for buyers who purchase directly from the developer?

The National House Buyers Association (HBA) does not see the link with not having the effects and entitlement to DLP, even if the property is bought after the CCC has been issued. But as long as the purchase is from a licensed housing developer especially, the buyer should be entitled to DLP warranties.

After all, the defects warranties from the developer's contractors or builders are still subsisting depending again on the balance of the unexpired warranty period given by the contractors or builders of the housing developer.

That being the case, HBA proposes that a new scheduled contract (of sale) be formulated to protect the rights and entitlement of those house buyers who buy after the issuance of the CCC from their licensed housing developers.

This is to ensure that the buyers will not be shortchanged in terms of quality and compliance with the specifications

of constructions as stipulated by the authorities.

Also, it is an extension of consumer protection who should also be accorded rights to enforce warranties under the defects liability period or whatever balance thereof.

In the interest of justice, like buyers who had purchased properties in a primary market, these sub-sale buyers should also have access to justice by being given the right to make a claim at the Tribunal for Home Buyers Claim, which is a more affordable, fast and expedient legal process.

Caught in a dilemma - who's going to fix the defects?

Sometimes defects don't show until the owner has moved in.



Datuk Chang Kim Loong is the honorary secretary-general of the National House Buyers Association: www.hba.org.my, a non-profit, non-governmental organisation manned by volunteers



Coming of age

From brainchild to 2nd brain



In 1995, this site was a dream with a vision of a smart technology city.



An aerial photo of how i-City Golden Triangle looks today.



An artist impression of i-City Golden Triangle once it is completed.

By JOSEPH WONG
josephwong@thestar.com.my

A picture paints a thousand words. A vacant plot in 1995 has been transformed into the RM10bil i-City Golden Triangle, with the best yet to come.

This integrated tech-centric ultrapopolis, from its initial gestation some 20 years ago, is beginning to bear the fruits of its labour, solidifying its transformation into a global centre of technological innovation.

Creating a region like the famed Silicon Valley in the South San Francisco Bay Area in the United States has always been property developer I-Bhd's ultimate goal.

Its executive chairman Tan Sri Lim Kim Hong firmly believed that this would be crucial to Selangor's bid in attracting more foreign direct investments, particularly among the high-tech industry.

The move began 10 years ago when the Selangor government took measures to transform itself as Malaysia's most industrialised state into a knowledge-based economy. Driven by then Selangor Menteri Besar Tan Sri Abdul Khalid Ibrahim, collaborations were made with i-City Golden Triangle to help provide a conducive environment where the k-community can network and interact with one another.

The state government strategy in creating this knowledge and technopreneur hub is to incorporate the elements making up the ecosystem of the most successful tech centre in the world - the US Silicon Valley.

They include developing an entrepreneurial pool of talent, organising programmes that will connect entrepreneurs with venture capital partners and encouraging linkages with the universities in Selangor so that they can play a more supportive role in the state's development of a knowledge-based economy.

I-Bhd took it upon themselves to invest into providing the infrastructure to achieve this dream, driving the development forward.

This integrated ultrapopolis has come a long way to its today's, gross development value of RM10bil, occupying 72 acres of prime freehold land in Shah Alam, Selangor.

As Lim pointed out, almost half of the development has been completed but the next step is very crucial in escalating i-City Golden Triangle to the likes of Silicon Valley.

As envisioned, i-City Golden Triangle has entrenched itself as a leading player in Selangor, particularly Shah Alam.

Everything will eventually interconnect with technology as i-City Golden Triangle is backed by 400GB capable network connectivity and ready for the deployment of 5G technologies. It will gain a significant edge in rolling out the endless future technologies, said Lim.

"We look to build partnerships with world leaders such as Huawei, HIKVision, SenseTime and others to propel i-City Golden Triangle further," he said.

This technology upgrade has gone beyond the Selangor's 2010 plans to set up a Plug and Play platform at i-City Golden Triangle, which was to help transform this part of Shah Alam match Silicon Valley's Plug and Play Tech Centre.

i-City Golden Triangle's journey has reached its catalytic stage where the next phase, comprising the 79-storey iconic Golden Triangle Tower and the first-of-its-kind -- Double-Eye, featuring two cantilevered

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...e said in his recent posting.

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...and entrepreneurship systems, as well

as value-creation," he said.

Amirudin said this policy will also break the stigma that digitalisation or automation will kill job opportunities. "Instead, job opportunities will be created for the people of Selangor through talent matching programs," he said, alleviating fears of job loss especially during the current economic downturn.

Catalytic status

The Information and Communication Technology (ICT) infrastructure has made i-City Golden Triangle the first urban centre in the country to provide fibre redundancy as essential infrastructure. And now connectivity is seamless with i-City's own SuperApp.

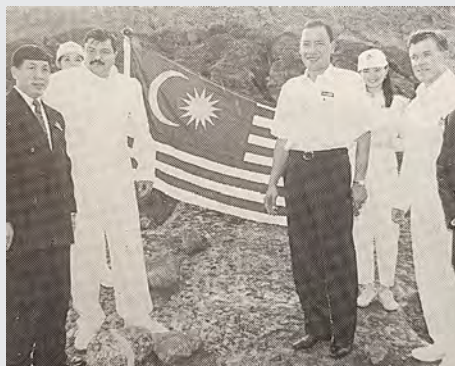
It is a single platform one-app where it connects the community in SGT to the realities of their daily life. Online ordering, car parking, find a tenant, job search, monitor utilities usage and payment can be done thru this app.

As a city that is to be built on the fundamentals of an integrated tech-centric ultrapolis featuring the aspects of living, working, playing and shopping conveniences, i-City Golden Triangle is certainly setting a new standard.

Once fully completed, i-City Golden Triangle is expected to host 25,000 residents and 30,000 knowledge workers within a high-tech and well-connected-transit-oriented development. 📍

And now ABC is further extended to the next level which is the 2nd Brain, to complete its entire ICT eco-system for endless possibilities in the digital world.

Supporting the vision, driving innovation



1995

Then Selangor Menteri Besar Tan Sri Muhammad Taib (3rd right) kick starts the vision of i-City Golden Triangle as a smart city with the Russian Aerospace Showcase. i-City Golden Triangle stays true to this vision of consciously adopting technology to push the boundaries of its development. The Russian cosmonauts were in the country to share their experience with members of the public.



1997

The Selangor Menteri Besar of that time, Tan Sri Abu Hassan (left), lending support to the first of its kind technology-based leisure park, with a showcase of over 1 million LED lights. It eventually took its place among CNN Travel world's top 25 most colourful and brightest places in 2017.



2007

Then Selangor Menteri Besar Tan Sri Mohamad Khir Toyo (centre) endorses i-City Golden Triangle as the 1st private-funded MSC Cybercentre in Selangor. Getting the MSC status with the support of the state government further spur the tech-centric ultrapolis to aggressively extend its ICT network. It was also a Cisco CCRE global pilot project at the time.



2008

Former Prime Minister Tun Ahmad Badawi (left) presented the MSC Cybercentre status to i-City Golden Triangle. The technology drive in the development makes it the No 1 technology city, and ready to host global tech companies in this international city. Today i-City Golden Triangle is running on 400GB capable network connectivity powered by Huawei.



2010

Immediate past Selangor Menteri Besar Tan Sri Abdul Khalid (right) invited Silicon Valley's PlugandPlayTechCentre.com founder and CEO Saeed Amidi to collaborate on an incubator program to groom local technopreneurs in Selangor. The state government's plan, in creating this knowledge and technological hub, is to incorporate the successful elements of US Silicon Valley, into Selangor. In addition, a Tier-3 Data Centre was completed in i-City Golden Triangle to support the nation's big data analytic requirement.



2020

Selangor Menteri Besar Datuk Amirudin Shari (right) embraces the technology evolution and responds to a sustainable digitalisation agenda to make the Golden Triangle of Selangor a global technology innovation centre.



Old obstacles with Kampung Baru

The Malay agricultural settlement's journey to modernity faces continued hiccups

By VIKTOR CHONG, JOSEPH WONG
AND VIGNESWAR RAJASURIAN

FROM a glance, Kampung Baru appears as a slice of the old world, complete with wooden traditional houses and village-like settings. Despite the infrastructures reflective of a bygone era, visitors need only look up to find the Kuala Lumpur skyscrapers dominating the landscape just on the other side of Klang River.

Despite being a stone's throw from Kuala Lumpur's central business district, this particularly delectable spot has managed to resist the onslaught of many attempts for redevelopment for decades.

Its centralised position in Kuala Lumpur and proximity to the Tun Razak Exchange makes this property a hotspot and there is no shortage of eager developers wanting a slice of the cake.

But Kampung Baru is undoubtedly one of the most challenging urban

regeneration projects when it finally takes off, that is, if it takes off.

Local council sources agreed that the redevelopment of Kampung Baru is potentially going to be the most problematic. They are not wrong. To date, three Malaysian prime ministers had toyed with the idea of redeveloping Kampung Baru and still it remains relatively untouched.

To be fair, there have been several property developments here including SP Setia Bhd's Setia Sky Residences, M101 Holdings Sdn Bhd's M101 Skywheel and UDA Holdings Bhd's Legasi Residen.

A swarth of problems

The effort to breathe new life into Kampung Baru has not been easy either, with the numerous legal challenges, distrust, infighting and unreachable owners being the many reasons.

According to the then federal territories minister Khalid Abdul Samad, a major hurdle involves the lot ownership, which is mostly held by an average of five to six people, with some as many as 20 to 30 people.

Here lies the stumbling block of finding and identifying the collective owners. The ownership of this prime location was estimated at 1,355 parcels involving over 5,300 individuals in 2016.

In 2017, the population of this bustling community stood at 18,372 residents which is projected to swell to 77,000 by 2035.

Tracking down these individuals is a mammoth task currently being undertaken by the Kampung Baru Corporation Bhd (KBCB).

The task of getting their collective agreement is tough at best, and the solution may come in the form of piecemeal development.

The idea is to identify the area of priority and develop according to phases. In the event the owners are

ABOVE
An aerial view of
Kampung Baru.

not found, the money can be kept in a trust fund until the rightful owners come forward to claim it, said Khalid.

Then there is also the issue of pricing, where the majority of residents found the government's offer of around RM850 per sq ft (psf) to be uncompetitive. And some residents even shared their concern about getting a new home in the city centre if they were to sell off their property. Others wanted to preserve the Malay heritage from being claimed by the metropolis.

Also, some residents pointed out that the average land price surrounding Kampung Baru is much higher compared to the price being offered.

This sensitive issue involves the Valuation and Property Services Department (JPPH), which is responsible for placing a value on Kampung Baru. Since it is a government agency, there is a general distrust where residents have claimed that the valuation may be lower than the right price.



LEFT Traditional houses depicting the Malay architecture identity stand out against the backdrop of the KL city centre, giving a sharp contrast between the old and the new.

A higher price

Last year saw the government offering several options to landowners, including a new price of RM1,000 psf, in its effort to proceed with the redevelopment plan for the area.

Khalid was reported as saying that RM850 would be paid to the landowners in their chosen method while the remaining RM150 would be in the form of a stake in the special purpose vehicle (SPV).

He said the landowners could choose to be paid in four methods, either in cash, completed unit, a combination of cash and completed unit, or shares in the SPV.

KBDC chief executive officer Datuk Zulkurnain Hassan revealed that there was an influx of interested sellers with the new pricing.

He said 60% of the 5,359 registered landowners in Kampung Baru had agreed to the government offer in the land sale, and it needed to reach a referendum of 80% before a decision can be made on whether to proceed or scrap the proposal to the massive redevelopment project.

"We are engaging landowners. This is because a caveat under which the

land was given to them by the sultan of Selangor 120 years ago dictated that any transference or sale of the lots must have the approval of all landowners," he was reported to have said.

Things go awry

For once, things seem to go Kampung Baru's way, but as fickle fate would have it, there was a sudden change in government and leadership.

While Zulkurnain had expressed that the show would go on and that the current government would honour the deal, there is still a big number of owners hanging back.

One owner said the amount should be higher given the proximity to the city centre so he is unwilling to budge over the current offer.

Over the last few years, land transactions in the Bukit Bintang and KLCC areas have been concluded at between RM3,100 and RM3,600 psf. The last nearest transaction was when Oxley Holdings Ltd bought a parcel in Jalan Ampang for RM3,300 psf.

Association of Valuers, Property Managers, Estate Agents and Property



There is a lot of rental competition in surrounding areas, said Wong



The comparative values in Kampung Baru are lower than the surrounding land values outside of its delineation, said Kong.



Even if Kampung Baru remains idle, its value will still appreciate in time, said Ismail.



Zulkurnain said 60% of the 5,359 registered landowners in Kampung Baru had agreed to the government offer in the land sale.

Consultants in the Private Sector, Malaysia (PEPS) president Michael Kong pointed out that the land value in Kampung Baru is worth more than the existing structures due to its redevelopment potential.

"However, the comparative values in Kampung Baru are lower than the surrounding land values outside of its delineation," he said.

Kong explained that owners cannot expect to be offered comparable land price due to the complex nature of the Kampung Baru's land title and ownership complexities.

"The land value in Kampung Baru is depressed due to its current status as Malay Reserved Land, its site constraints and ownership complications," he said.

Many forget that Kampung Baru is a Malay Agriculture Settlement, added Universiti Tun Hussein Onn Malaysia professor Ismail Omar.

With regards to the redevelopment effort, Ismail said patience is required. While the general opinion is that a Malay titled property does not have the same value as a non-Bumiputera one, there is still growth potential.

Ismail pointed out that Malay title properties can match and even surpass the value of non-Bumiputera ones if the development is done right.

"The market value is equally important when dealing with compensation and development of the land. Market value of the land is essential to determine the land value itself and also important to decide the product cost as well," he said.

Many are quick to point their fingers at property developers for supposedly trying to suppress the value of Malay title land but they too are faced with constraints, having to mitigate risks of developing such properties.

It takes time for the people to understand that the land developers are

not here to jeopardise the value of the land, but to enhance it, Ismail said.

Rental expectations

"There isn't much development around Kampung Baru (at the moment)," said Speedhome CEO Wong Whei Meng.

But there is a lot of competition with surrounding areas such as Dang Wangi and KLCC if investors are looking at Kampung Baru as a potential rental earner.

Investors seeking to take advantage of Kampung Baru's eventual redevelopment should be wary. The mid to low-end property rental is around RM2.50 psf to RM2.80 psf under normal circumstances.

"Over the past three years, the Klang Valley property rental has been pretty stagnant. The low to mid-end rental per square foot is hovering around RM2.2 to RM2.5 and the high property that will fetch up to RM5 per square feet," he said.

"But Kampung Baru is a long term project. It will transform the look of the Kuala Lumpur city centre and hence add value to the surrounding areas. The land has great potential to develop as a commercial area with great emphasis in greenery, establishing itself as the green lung for KL city, while retaining its Malay heritage image," he said.

Even if the land in Kampung Baru is to remain idle, the value will appreciate in time, Ismail said.

Regardless of the land ownership, he invites developers to indulge in corporate social responsibility by enriching Kampung Baru.

Overall, only time will tell if Kampung Baru will finally get the new face it should have gotten decades ago. 🏡



BELOW The Saloma Link allows that marriage between the old and new parts of KL, with Jalan Ampang on the left, and Kampung Baru on the right. The 69m pedestrian bridge crosses Akleh and Klang River to open up so many exciting possibilities.

Overhang will worsen before it gets better

Multiple factors weighing down sales performance

By NALINA SURIA RAVI

THE slight improvement in overhang last year was credited to the success of the Home Ownership Campaign (HOC). According to the Real Estate and Home Developers Association (Rehda), a total of 57,635 units worth nearly RM36bil were sold.

But this year is different. Although HOC 2020 is now in motion, geopolitical challenges coupled with the restrictions caused by the pandemic impacting the scheduling of physical exhibitions and the consumers' confidence have weighted down on sales performance so far in comparison to HOC 2019.

The intensified digital marketing mediums by developers are expected to mitigate such challenges but it will take time, as buyers do have other concerns during this period.

"Will overhang take a turn for the worst? Most likely, it is so for the next six months as the market is still trying to readjust itself post-pandemic," said Rahim & Co International Sdn Bhd research director Sulaiman Saheh.

"The MCO caused a three-month delay to businesses in general, including the buying of homes. As a housing unit is considered overhang if remained unsold for more than nine months after launch, the three-month freeze on all economic activities had shortened the time frame for developers to clear off their completed units, in addition to their under-construction units," he said.

Adding on the fear of the new wave threatening Malaysia currently, consumer confidence in their respective purchasing power has taken a hit with uncertain employment sentiments.

But as Covid-19 pandemic is beyond anyone's prediction of how massive of an effect it could have on the world, the worsening of overhangs to come is an outcome no one could have avoided with the circumstances Malaysia saw itself in, said Sulaiman.

"First quarter performance for 2020 has already shown negative growth in the volume of transaction for the residential sector at -10% for the whole of Malaysia. Major states like Kuala Lumpur, Selangor and Johor have also shown negative growth at -10%, -13% and -8% respectively.

"The market is expected to have a clearer direction next year after the moratorium period ends and the dust settles down," he said.

Potentially, there could be a market rebounding effect where buyers who have been holding back their plans to buy houses, will come back to the market showing increased interest to normalise the curve to pre-COVID levels.

"Notwithstanding such possibility, factors such as the vaccine, the general



economic trend, global growth and travelling or mobility trends on top of the persisting concerns on affordability and income growth are key to the recovery path. More time could be needed for the market to recover, even at a new norm level," Sulaiman said.

The projections to when overhang can be solved effectively are very much dependent on how fast can a developer sell existing ready-to-occupy units which was launched three to five years ago, compared to the rate of new additional overhang units being added in.

"From our calculation, the absorption of overhang units range from four years to more than 10 years, depending on the factors mentioned earlier," Sulaiman pointed out.

"In addition for some areas, there could be a long lingering overhang number as they are simply too many mismatched products. We term these as hardcore overhang and these would need other recourse to solve," he said.

While the government has been trying to help, the primary causes of this problem must be dealt with, that is, let the supply and demand forces determine the equilibrium prices of houses in the market and the income dilemma needs to be addressed.

Price consolidation towards achieving better affordability should take its course, adjusted in accordance with market forces rather than creating a superficially

affordable product which heavily relies on stretching one's credit liability, said Sulaiman.

With the current overhang being dragged out, property developers of future developments should be more vigilant and well-informed of the market condition to be faced by their respective developments.

"Having relevant and up-to-date feasibility and market studies done should also be a priority and necessity for future developments as a way to reduce the risk of unsold units or oversupply situation.

"Also, come to terms with lower margin in exchange for better marketability and pace of sales especially for the existing overhang stocks," said Sulaiman.

"Covid-19 pandemic is beyond anyone's prediction of how massive of an effect it could have on the world.

- Sulaiman



Lessons from the past

IN the past few years, ideas and solutions pondered upon leaned more to avoiding or worsening the already existing overhang stock.

Programs such as the Home Ownership Campaign (HOC), Rent-to-Own (RTO) scheme and Bank Negara Malaysia's Fund for Affordable Homes are some of the efforts done and pushed for by the government.

But with the overhang stock persistently remaining at above 45,000 dwelling units (including serviced apartment and SOHOs) since 2018 and new units continuing to enter the market, Malaysia has yet to come to a solution on how to clear off this burdening stock.

"While programs such as HOC do lend a hand to stimulating a lagging market and lessening the trajectory of overhang stock, it is insufficient to ultimately solve the overarching unsold problem which will require a more systematic change that is comprehensive and long-term in nature," said Rahim & Co International Sdn Bhd research director Sulaiman Saheh.

In a market where price affordability and overhang stock heavily influence the buying sentiment and it being still a buyer's market, developers are competing against each other on who can offer the best deal, he said.

"This can be from a lifestyle offering perspective or simply a price perspective. But as we are still in a challenging environment whereby buyers are tightening their belts even more than usual, affordable selling prices would catch the eye first as in the end, it is the buyer's financial capability and disposable income levels that seal the mortgage deal regardless of how good of the unit quality can be," Sulaiman added.

With the announcement of HOC making a return in 2020, developers are expected to take the opportunity to participate and enjoy the added benefit of selected stamp duty exemptions which, should theoretically, make the overall house prices to be attractively lower.

But the question remains, is it genuinely affordable or artificially affordable - for which, at present, there is still a gap between house prices and buyers' purchasing power and income levels that need to be addressed. 📉