



## MALAYSIA – October 2019

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### **Curb hoarding of land bank**

Despite the overhang issues, real demand for affordable houses is high. The overhang happened mainly for houses priced more than RM500,000, which most Malaysians can't afford.

This is due to developers' action of building fewer homes in addition to measures introduced by the government to resolve the property overhang. This should ring alarm bells in the government.

Developers are planning to build less. Data from the Valuation and Property Services Department for the first half of 2019 indicated a 33.9 per cent reduction in new planned supply of residential units, compared to the similar period last year.

If developers construct fewer units now due to the overhang, there will be fewer units available in the next two years because the demand stays constant. In other words, there is pent-up demand in the future, which will translate into a sudden jump in house prices.

Despite the overhang issues, real demand for affordable houses is high. The overhang happened mainly for houses priced more than RM500,000, which most Malaysians can't afford.

Analysis of rental yield versus price for condominium and serviced residence in Malaysia from Red Ang Pow, a property analytics research company, showed a glaring result.

Rental yields start high with low house prices but drop as house prices go up. In other words, there is excess demand at the low housing price category and excess supply for premium houses.

Developers might argue that there is a lot of overhang even for houses that are considered "affordable" such as those priced below RM300,000.

This needs to be examined.

There is an overhang of houses priced below RM300,000 due to the developers' own mistakes in the first place. There is real demand for houses in this price category, but the problem of selling these units could possibly be due to remote locations and poor workmanship.

Developers stand to make a huge profit from this waiting game. In the current property downturn, developers have been active in accumulating land banks.

When the market recovers, developers stand to make huge profits from their land-bank gamble. They will price the newly launched houses based on current market prices, making profit from potentially huge land price appreciation.

If the government allows this to happen, we will continue the mismatch between supply and demand of affordable houses.

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To avoid this situation, the government should impose land value capture tax and force the developers to build within a certain period after land acquisition.

The objective of land value capture tax is to discourage land hoarding by developers.

Currently, land is taxed at a very minimal rate, encouraging owners to hoard the land and wait until the value of the land increases substantially.

This allows the owners of the land to enjoy excessive profit without doing anything while postponing development of the much needed land which should have been utilised to increase the supply of affordable houses.

In Buku Harapan, the issue of land hoarding was discussed but we have not seen any substantial action by the government in addressing this issue.

Action by big developers, including government-linked companies, who accumulate land banks resulted in surges of land price which contributed towards higher house prices.

In the manifesto, Pakatan had pledged to set a time limit for developers to build on the land.

This action is to ensure that no corporations can hoard land.

Pakatan should not be the marketing agent of developers via the Home Ownership Campaign and help them to reduce their inventory by selling it to foreigners.

The PH government could do a better job by building homes that are genuinely affordable. House prices can be reduced, without neglecting other aspects such as quality and environment.

Measures that contributed towards speculative activities in the property market should be mitigated.

The National Affordable Housing Policy should become a guideline for future affordable housing development.

## **Penang ratepayers object to assessment rates review, commotion during briefing**

Penang ratepayers created a ruckus today during a briefing on the review of property assessment rates here with many clamouring for the rates to be reduced.

Crying foul over what some claimed were over 70 per cent of increase from the previous rates, several ratepayers loudly told off the officials from both city councils at the briefing.

Penang Ratepayers Association pro-tem committee chairman Lee Kim Noor said the city councils picked the wrong time to review the rates.

“We can’t find fault in how they calculate the annual value and the rates but this is simply the wrong timing to conduct the review and increase the annual value of properties now,” she said.

She pointed out that in the 15 years that the city council did not review the rates, the number of properties in Penang had increased.

“We can see so many new apartments and condominiums in these 15 years so surely the number of properties to collect assessment rates have increased and the city councils’ revenue have increased,” she said.

She said this shows that city councils are collecting more assessment rates now compared to 15 years ago.

Other ratepayers in the briefing also questioned the rationale behind both city councils’ need for higher revenue while complaining that local government services had not improved over the years.

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Earlier, in a press conference, Penang Chinese Chamber of Commerce (PCCC) President Datuk Seri Hong Yeam Wah said the economic situation currently is not conducive for most businesses.

“In terms of business environment, the market is bad now so hopefully, the state government can consider deferring this review,” he said.

He admitted that property value has indeed increased in these 15 years and that rental value had also increased.

“So, yes, the assessment rates have to increase but this should be done gradually, perhaps 20 per cent next year, another 20 per cent the year after that,” he said.

During the briefing, Penang Island City Council (MBPP) Valuation Department director Cheong Chee Hong and Seberang Perai City Council (MBSP) Valuation Department director Mat Nasir Hassan briefed the ratepayers on the calculations for the new annual value of properties and showed them ways to submit their appeals.

The briefing, conducted by PCCC, was meant to clarify the assessment rate reviews by both city councils in the state.

Housing, local government and town and country planning committee chairman Jagdeep Singh Deo, who gave a brief speech before the briefing started, told the ratepayers that the city councils had to review the assessment rates as it had not done so for 15 years.

“We are required by law to increase the assessment rates and we had graciously not increase it for 15 years but now we had to review it in accordance with the law,” he said.

He said ratepayers are encouraged to submit their objections and appeals against the review and that the city councils will consider all objections received.

“Certain categories of properties will get a reduction in their rates after city councils consider the appeals and objections, but not all,” he said.

He added that more than 70 per cent of those in low cost and low medium cost properties will only see between RM5 and RM10 increase per year which translated to about 40 cents to 80 cents per month.

All ratepayers have until October 14 to submit their appeals to their respective city council against the assessment rate review.

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