

In the recent Budget 2020 announcement, Finance Minister Lim Guan Eng said the government will lower the threshold on highrise property prices in urban areas for foreign ownership from RM1 million to RM600,000 in 2020.

The move is expected to reduce supply overhang of condominiums and apartments amounting to RM8.3 billion in the second quarter of 2019 (2Q19).

In a written reply in Parliament last week, the Housing and Local Government Minister Zuraida Kamaruddin said that out of the 43,943 participants of Malaysia My Second Home (MM2H), only 15% or 5,108 of them purchased properties in the country.

She also said the majority of the buyers are from China.

In another reply, Zuraida stated that foreign ownership in the Malaysian property market is still under control.

Zuraida said between January and June 2019, 398 transactions from foreign buyers were recorded which is 0.4% of the total sales.

She said 99,524 Malaysian buyers still made the bulk of the transactions (99.6%).

Rahim & Co International Sdn Bhd real estate agency CEO Siva Shanker said the lower threshold might ease the overhang situation, but not resolve it.

“The uncertainties and change of policies — for instance, the lower threshold which will be effective only in 2020 — keep foreigners from coming.

“To give an example, if foreigners come and buy a property and lower threshold next year, and they want to dispose of the property in years to come, they won’t be able to sell it to foreigners because the threshold by the time would be different,” he said.

Siva said that clearing the property inventories as a whole will take a long time and much effort from stakeholders.

Meanwhile, Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said that while the measures would clear the excess property overhang in a certain segment, one must be reminded that property launches were done on commercial basis.

“This would mean proper due diligence has been made by taking into various aspects of the market. As such, the supply glut could also mean that there seems to be some miscalculation on the part of the private sector.

“Therefore, such measures, if it continues to happen in the future, could result in moral hazard which can be detrimental to the allocation of limited resources,” he said.