



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

檳城消費人協會 பினாங்கு பயனர்களின் சங்கம்

Websites:
www.consumer.org.my

10 Jalan Masjid Negeri, 11600 Pulau Pinang, Malaysia
Tel: 604-8299511 Fax: 604-8298109
email: consumerofpenang@gmail.com

Press Statement

16 June 2020

Minimum price of houses for foreign buyers should not be reduced

The Consumers' Association of Penang urges the Penang state government not to ease the pricing rules on foreigners who wish to own properties in the state. We are of the opinion that the government's objective to revive the Covid-19 pandemic-affected real estate sector is a bad decision.

We welcome the Penang government's lowering the prices of affordable homes by 10 per cent for affordable homes priced above RM72,500. However, we are disappointed that the prices of low- and low-medium cost units remaining unaffected which in fairness should also be given a discount as they are purchased by those in the B40 group.

On the other hand, the state government has reduced the price of apartments foreigners can buy from RM1 million to RM800,000 on the island and from RM500,000 to RM400,000 on the mainland.

For landed properties, the minimum price is now RM1.8 million (previously RM3 million and above) on the island and RM750,000 (RM1 million and above) on Seberang Perai.

The overhang was the result of developers being overoptimistic about the local property market although it was evident that there was an oversupply of housing stock outpacing the capacity of the market to absorb.

There were 40 per cent more new unsold residential units during the first half of 2017 as compared with the same period in 2016. The overhang was carried forward to 2018 and 2019. According to the National Property Information Centre (Napic)'s statistics for 2019, Penang's residential property overhang is the fourth highest in the country, standing at 3,353 after Johor, Perak, and Selangor.

From 2010 till the first half of 2019, a period of 9.5 years, only in 2012 was there a take-up rate of more than 50 per cent (56.5 per cent). In 2016 and 2018, the take-up rates were less than 10 per cent.

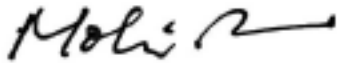
The statistics of persistently high unsold units should have raised alarm and led to caution. This went unheeded with developers going on a 'development' spree, building expensive residential properties that most locals cannot afford. Studies have shown that many completed but unsold residential properties are found in the higher-end category. These resources could have been diverted to provide housing needed by the B40 and the lower M40.

On the concept of lowering prices, marketing gurus generally agree that discounting is one of the worst sale strategies because potential customers are conditioned into de-valuing the product offered. With Malaysia's low currency exchange rate, it is already a bargain for foreigners.

Fire-sale is not the only reason why foreigners do not want to invest in properties here. If we keep cutting our hills and polluting our environment, no amount of discount will convince foreigners to buy

properties here. They do not want to buy a sea-front condominium only to face either mudflats or another condominium years later.

We urge the state government to refrain from trying to rescue these developers who should be prepared to face business risks. This would teach them a lesson not to be reckless and greedy for profit. Locals should be given the priority in home ownership especially in dire times like this where people are facing difficulties getting a housing loan.



MOHIDEEN ABDUL KADER
President
Consumers Association of Penang