

Saturday May 2, 2009

Making homes affordable

By THEAN LEE CHENG

While developers are offering a plethora of innovative packages for home ownership, buyers need to carefully consider their financial standing before signing on the dotted line.

AS we enter the middle of the year, more developers appear to be offering easy home ownership campaigns.

While some have started as early as last year, others are working with their banking partners to offer these schemes this year and are now rolling out their “goodies”. Going forward, there may be more of such schemes entering the market.



Datin Alicia Tiah with promotional materials for Idaman Residence, which is in the KLCC vicinity, and Idaman Villas, in Petaling Jaya.

Some developers are doing it to clear old stock; others may do so to avoid being left out, particularly in these very challenging times. As one developer puts it: “If I don’t offer an easy payment scheme, somebody else will and I will be disadvantaged.”

Be it old stock or new launches, developers essentially have to sell to generate revenue. If they own the land they are building on, and it is loan free, they are in a better position. If the land comes with a loan, it has a holding cost. If a developer is targeting local buyers, he will be in a better position than the one building for foreigners. If it is a landed project, it will be in a better position than say, a condominium development. So there are different scenarios and the list goes on.

Now, let’s take a look at the banks. Whether banks enter into these various easy payment schemes with developers depends on several factors. Essentially, what is the

credit standing of the developer? Where and what is the project about? Is it residential or commercial, high-rise or landed?

The residential segment of the property market remains the most dominant in 2008, accounting for 64% of the total volume and 47% of the total value of transactions.

The local property market recorded 340,240 transactions valued at RM88.34bil last year. Even if a developer has good financial standing, and the project is a winner, the next question to be asked is the credit worthiness of the buyer.

Before signing on the dotted line, a buyer must bear in mind that a property is a long-term commitment.

While it is true that there are savings to be made if one were to buy today – what with the free legal loan documentation and stamp duty and other freebies – one must think carefully of one's financial standing and cash flow.

Developers in today's market scenario will dish out innovative packages because they want to sell. It is up to the buyer to think carefully of his/her financial standing and if he/she prefers to use the resources for something else.

Says TA Enterprise Bhd group MD and CEO Datin Alicia Tiah: "In this current market, every developer will have to come up with innovative ideas to make it easier for buyers. We will only lose out if we don't."

She adds that TA's easy payment scheme for its semi-detached, bungalows and condominium developments in KLCC is not necessarily meant for just about anyone.

"Yes, we want to sell, but not just to anyone. The banks too, will have to see if buyers have the capabilities. It does not mean that with the easy payment scheme, everybody can buy something. The acid test is there," she says.

Developers like TA, Glomac Bhd, IJM Land Bhd and Mah Sing Bhd have entered into such arrangements to boost sales.

Tiah says buyers stand to save nearly RM200,000 in terms of free legal fees and stamp duty, waiver on maintenance fees for the first year and free air-conditioning units for its semi-detached units in Idaman Villas in Petaling Jaya. Says Tiah: "Either the developers pay or the banks finance you."

For its bungalow project Damansara Idaman, also in Petaling Jaya, buyers can save more than RM200,000 for the remaining five bungalows under the third phase. Buyers are required to fork out RM30,000 for the semi-detached units and RM50,000 for bungalows as an initial payment.

The fourth phase of Damansara Idaman, comprising 27 bungalow units, is yet to be launched but will not come under the scheme. It also has a third package for its Idaman Residence condominium in the KLCC vicinity.

TA is offering a 7% guaranteed rental return for that project which is currently 95% sold. There are 20 units left including seven penthouses. The scheme involves a downpayment of about RM50,000 to gain possession of a unit which is then leased back to developer for two years. The 7% may be used to offset the initial 10% of the cost of the RM2mil condominium.

IJM Land is offering homebuyers a 95% loan under its My Space Plan, which runs from April to June 30. The plan includes no interest payment during construction period, free legal fees on the sale and purchase agreement, free legal fees on loan, and free stamp duty upon transfer.

Its corporate communication manager Juliet Choong says the plan covers residential projects ranging from landed properties to high end condominiums in all regions from Penang, the Klang Valley, Seremban and Johor to Sandakan and Kuching in East Malaysia.

“We are targeting sales of RM250mil from this home ownership plan,” she says. IJM Land plans to launch about 10 projects with properties worth around RM700mil throughout the country.

It is particularly excited about the initial phase of one of their most exciting projects in Penang: The Light Linear and The Light Point. Also in the pipeline is Nusa Duta, a landed-mixed development project in Taman Perling, Johor Baru.

Over at Mah Sing, the developer is offering several packages depending on whether it is completed or otherwise. Essentially, the buyer pays 5% and the rest is a loan.

Glomac meanwhile is offering a 100% loan package with the usual freebies of free legal fees for signing of the sale and purchase agreement and loan documentation for three of its township developments – Bandar Saujana Utama in Sungai Buloh, Saujana Rawang in Rawang and Sri Saujana in Johor. The package is limited to residential units only. Buyers of its commercial projects have the possibility of 90% loans.

Group MD Datuk Fateh Iskandar Mohamed Mansor says if a buyer is not entitled to the 100% loan, the difference between the purchase price and the loan amount (which is called the differential sum) can be paid through an easy payment, interest free for 10 months.

The company is also offering a RM500 cash reward for existing buyers if they introduce referrals for properties in the three townships. In addition, it is also giving away a free TV for all township buyers for residential units only.

Although there is currently a plethora of goodies being offered, there is a cost to it.

If a developer is offering a package which offers a RM1,000 booking fee and a monthly repayment of RM1,300 for the next five years for a semi-detached unit, the buyer is essentially paying interest for the next five years. It is only on the sixth year that capital repayment kicks in and when this happens, the monthly repayment will swell to about RM2,000.

Says a Mah Sing spokesperson: "Some people prefer a low entry and pay more later. At RM1,300, the interest rate is actually 5.55% less 2%. So if the base lending rates moves to 7%, it'll be 7% less 2%. There are things that buyers will have to consider other than just the low entry level. In addition to that, it is a 90% to 95% loan and the interest to be serviced will be high, especially when the tenure is long."

So the little push is coming from both banks and developers, but hey the money is in your pocket.