Progressive payments may spur housing loan approvals

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Sarkunan (centre) launching the conference with Deputy Finance Minister II Datuk Lee Chee Leong (left) and MIPPM vice president Mohd Faizal Fuad yesterday. — Picture by Azneal Ishak

BUDGET 2017

BANGSAR — Banks should look at increasing home buyers' monthly repayment amounts progressively in line with expected wage growth, allowing more effective demand for housing to materialise in a tough financing environment, said the Malaysian Institute of Professional Property Managers (MIPPM) president Sarkunan Subramaniam.

Speaking to reporters after launching the institute's inaugural conference here yesterday, he illustrated: "A just-married accountant today is earning RM5,000 a month and looking to buy a house. Bankers work out a 30-year repayment period at the same rate for 30 years.

"Do you think he is going to earn the same wage for the rest of his life? Of course not. I think the banks need to be creative to work out a system where people can progressively increase repayments over a lifetime.

"A lot of thought has to go into it, and banks would of course be apprehensive at the perceived additional risk in case the borrower becomes unemployed. But it is more likely that the accountant's wages keep rising and he would be able to pay more — so I think banks should at least explore this."

For Budget 2017 Sarkunan is also exhorting the government to introduce tax incentives for developers who use Industrialised Building System (IBS), which is seen as more efficient and environmentally friendly.

"I'll leave the exact amount and length of the incentive to the taxmen, but certainly in terms of building material costs, reducing the Goods and Services Tax (GST) rate or even zero-rating IBS materials will go a long way to spurring more IBS usage among developers," he remarked.

He continued: "There should also be a mindset change among local government and developers to build more shell homes. The first thing new owners do when they buy a home is they go in and change everything.

"So we should start thinking of allowing developers who want to, to build shell homes, as long as they adhere to a minimum standard set (piping, electrical points etc) — then let the buyers go in and customise their homes as they see fit."

Sarkunan, who is also managing director of Knight Frank Malaysia, said this would effectively shave up to 30% of costs to buyers on top of additional expenditure to renovate homes.

He noted that instead of building elaborate projects with no thought to efficiencies as done previously, developers are now consulting property managers in the planning stage for more efficient home designs towards ensuring lower maintenance costs for a building in the long-term.

Recently, regulatory authority Board of Valuers, Appraisers and Estate Agents proposed amendments to the Valuers, Appraisers and Estate Agents Act to open the property management profession to other competent property managers who have been practicing in the past.

"Currently, there are over 1,000 valuers registered with the board who are also able to carry out property management activities. With the amendments, we could see another 1,000 register. MIPPM alone has over 800 members," he said.