

BUDGET TREND

2020



2011



A Performing Nation

Government budget functions as a tool in achieving economic stability. It allows the government to control over the different phases of business performances and fluctuations and help maintain optimal business performance by ensuring adequate allocation of resources.

In October, the government announced their proposed resources allocation in Budget 2020. Due to positive performance received under Home Ownership Campaign (HOC) 2019, property players look forward to the announcements made in Budget 2020.

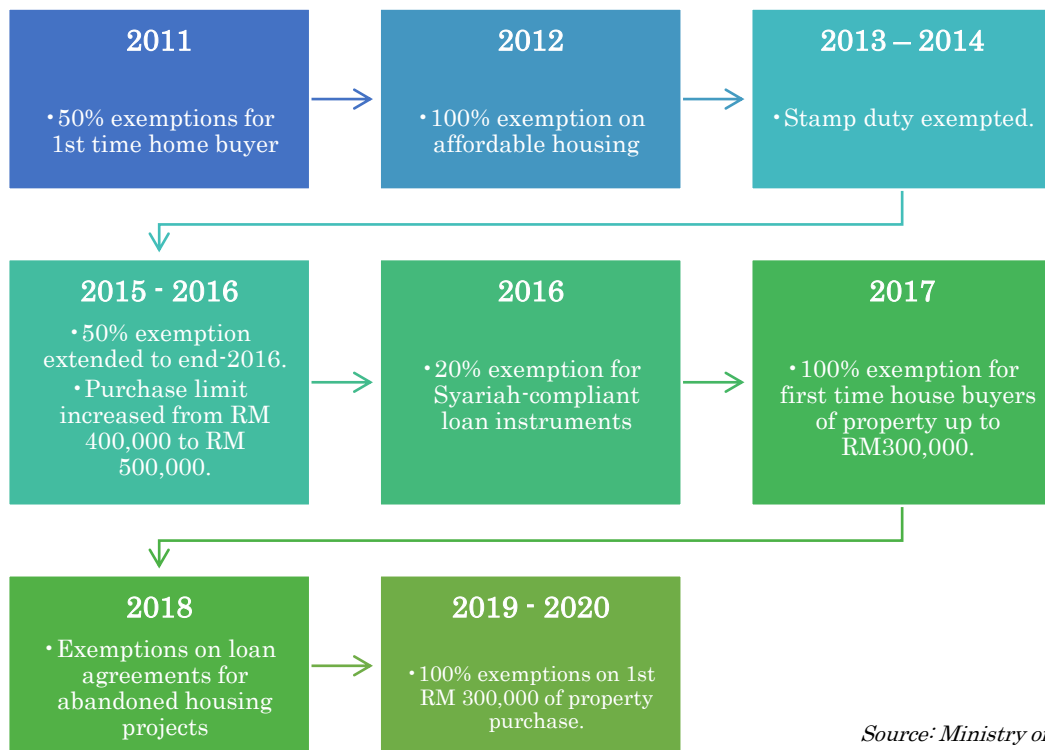
In this article, we have compiled and analyse a decade worth of progress made in the property sector by studying the fluctuations of property transactions and yearly budget allocation by the government in their pursuit of maintaining balance between supply and demand.

Market Booster: Stamp Duty Exemption

The people’s capability of owning a home has always been the government top priority. Various incorporation of incentives and tools were used to achieve this target.

Earlier this year, HOC 2019 was launched to assist Malaysian to actively acquire real estate at a lower price and entry costs. Subsequently, addressing the property oversupply issue that has been quite a concern to the property market. HOC 2019 benefits includes stamp duty exemption on property priced in between RM300,000 to RM 1 million and subjected to purchases completed in January to December 2019.

In 2018, stamp duty exemptions were designated upon financial instruments for rescue contractor and origin buyer of abandoned projects.



Source: Ministry of Finance



Curbing Speculation: Real Property Gain Tax (RPGT) revision

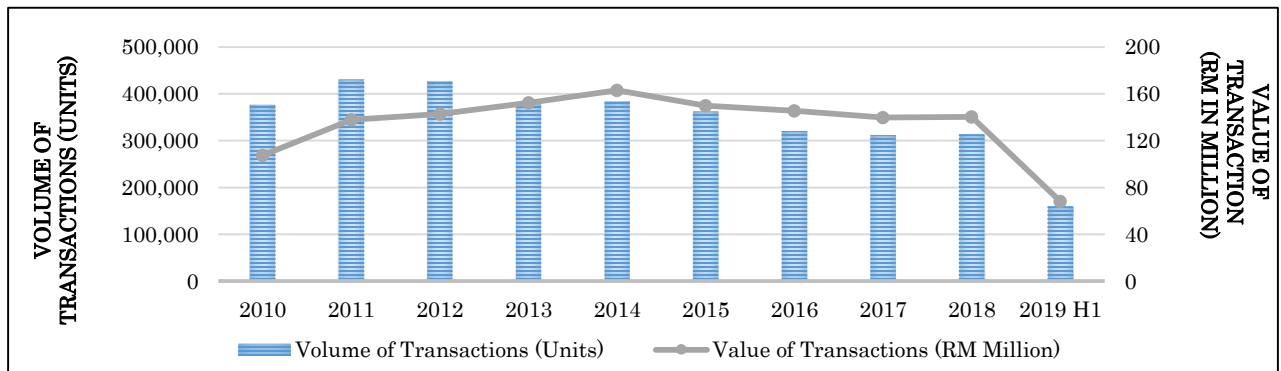
During stamp duty exemptions, property market excited market with both volume and value spiked sharply as witnessed in 1st half of 2019. Hence to control the over-excitement, government imposed and revise Real Property Gain Tax (RPGT). RPGT is a tax imposed upon gains from property disposal, which also acts as a tool to curb speculative activities in the real estate market.

Historically, RPGT tax was temporarily suspended in April 2007 till December 2009 and re-imposed in 2010. RPGT rate was further revised in 2011, 2013 and 2014. Worth to note that as per announced in Budget 2020, low and medium costs housing as well as affordable houses priced below RM 200,000 is exempted.

	2011	2012	2013	2014 - 2018	2019	2020
1 st Year	10%	10%	15%	30%	30%	30%
2 nd Year	10%	10%	15%	30%	30%	30%
3 rd Year	5%	5%	10%	30%	30%	30%
4 th Year	5%	5%	10%	20%	20%	20%
5 th Year	5%	5%	10%	15%	15%	15%
6 th Year Onwards	-	-	-	-	5%	5%

Source: Ministry of Finance & RHIZP Research Compilation

Graph 1: Volume and Value of Property Transaction from 2010 – 2019 H1



Source: JPPH (NAPIC)

The time series portrays three consecutive years of annual drops in both total value and transaction volume, between 2015 and 2017. Prior to this, transaction numbers had a distinct peak in 2011 rising by 14.3% y-o-y to 430,403 units, and a total transaction value increase of 28.3% to RM137.8 billion. Residential sector continue to spearhead the trend of the property market.



Despite falling number of transactions, property prices continued to escalate driven by rising costs in construction materials and further aggravated by implementation of GST in April 2015. It further deteriorates in year 2016 and 2017 due to plunging of crude oil and commodity prices and weakened Malaysian Ringgit.

The property market showed improvement in 2018 and anticipated to continue to firm up this year. Under the new government rulings, Home Ownership Campaign (HOC) introduced in Budget 2019 had showed remarkable advancement for the property market in the first half of 2019 as compared to the same period last year. The property transaction value increased by 0.8% while the volume had risen by 6.9% in 1H 2019 as compared to 2018 property transactions.

Affordable Housing Scheme

Affordable housing has been a major concern in Malaysia. Bank Negara recently reported that the local house price is “seriously unaffordable” by the international standards. The housing market is only affordable if a house is priced at not more than three (3) times a person’s annual household income. However, properties in the market were reported priced at 4.8 times higher than annual household income in 2016. This was also reported by Khazanah in its latest report ‘ The State of Households 2018’.

Government since 2011 had introduced various housing schemes catering to low and medium income groups.

Housing Schemes Introduced



Source: Ministry of Finance, Malaysia



Conclusion

2010 portrays a high performing local economy as the nations recorded GDP of 9.5% within 1st Half of 2019. Foreign Direct Investment (FDI) advanced by 6-fold amounting to RM29 billion, recorded highest growth in Asia.

However, affordability remain a concerning issue to the locals. Coupled with weakening currency and trade tensions affecting the local economy, property market became less and less active which later translates into a decline in demand despite rising supply in the property market. In effort to rectify the situation, the government had proposed several incentives as well as various development schemes to assist the locals with their house purchase. Low entry costs of property investment via the crowdfunding platform was also introduced in 2019 to assist the people with their first home purchase.

1st half of 2019 witnessed improved market performance due to HOC 2019 which also indicates a resilient market outlook in the coming half-year, underpinned by the strong GDP growth and various government-driven initiatives to further support the market activities in the housing sector.

The announced budget 2020 is expected to help stimulate the people's desire leveraging on various funding methods for them to afford their first home. Moreover, the government is encouraging developers to develop more Transit Oriented Development (TOD) which will provide better access to main areas and hopefully to help lower the cost of living.