

Guan Eng: Tough to contain spiralling land prices

This is why govt opted to reduce the cost of construction instead

BY AHMAD NAQIB IDRIS

KUALA LUMPUR: While the government steps up efforts to address the problem of unaffordable properties faced by the public, containing escalating land costs, which are a major cost component, is tough for the government.

Finance Minister Lim Guan Eng pointed out that it is tough to influence the price of land, which is why the government had opted to reduce the cost of construction instead.

“Land prices are decided by market forces. It is too big for the government to influence market prices. But what we can do is to try to save costs for housing developers,” he said, referring to the exemption of the sales and services tax on certain construction materials.

However, he stressed that the tax exemption would benefit home-buyers only if the saving is being passed on to the consumers.

Guan Eng was speaking at a press conference following the launch of the Institute of Corporate Directors Malaysia.

The finance minister took a swipe at former prime minister Datuk Seri Najib Razak’s comment on housing prices. He pointed out that high land prices were prevalent during Najib’s administration. However, Najib commented on his social media post saying that the biggest chunk of costs of developing a property is not the construction costs but rather the cost of land.

Malaysia currently does not have any measures aimed at containing the rise in land prices. Nonetheless, some countries are curbing the exorbitant increases in land prices through legislation.

“The minister may say that it’s difficult to control the prices of land but there are different models employed by other countries that the Malaysian government can look at,” said a local property developer when contacted.

“In Singapore, if a developer buys land, they must develop it within five years. If they don’t, the government will charge the developer a penalty, which forces landowners to not hold land for long periods of time.”

He was referring to the qualifying certificate rules enforced on developers in the island state, which require all foreign and listed developers to complete their projects within five years of acquiring the site, aimed at preventing the hoarding of and speculation on residential land.

The rules also require the developers to sell all of their units within two years of obtaining their temporary occupation permit, or face penalties of 8% of the land purchase price prorated on the number of unsold units in the first year, which increases to 16% and 24% for the second year and third year onwards respectively.

In Malaysia, however, there is no such measure. Landowners can just sit on their piece of land and make huge profits, for example, when the government needs to do a compulsory acquisition for the development of infrastructure, like the mass rapid transit.

“Developers work hard on development projects but there are people, like the landowners who just sit on the piece of land and sell it off to make a huge profit without adding any value or contributing to the economy.

“I think this is where the government should look at in terms of legislation, to make sure that

those who don’t contribute to the economy at all — the land hoarders — are not rewarded with huge profits,” he added.

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This is why the government opted to reduce the cost of construction instead. Ahmad Naqib Idris has the story on Page 5.



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Photo by Kenny Yap