

Will the SST will bring down property prices? Experts weigh in

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PETALING JAYA (Aug 14): The Sales and Services Tax (SST) which will take effect next month will not be applied to building materials – namely bricks, cement and sand – and construction services, a move that Finance Minister Lim Guan Eng said will hopefully address property affordability issues hindering home ownership in Malaysia.

However, not everyone agrees that property prices will come down with the waiver; in fact, Housing and Local Government Deputy Minister Datuk Raja Kamarul Bahrin Shah said lowering construction costs are but a piece of the affordability puzzle; land prices, compliance costs and development charges are other price components that can also be increased.

What do the experts have to say about how SST will affect the affordability of homes?

Zerin Properties CEO Previndran Singhe said the exemption was good for the industry.

“When the GST was around, we kept urging for building materials to be exempted. It is addressing what was needed to be addressed before.

“So we will see better prices for buyers, but you cannot expect it to happen straight away. As it is, sales have picked up for buyers since the removal of the GST,” he said in an article by *The Edge Financial Daily*.

Meanwhile, research house MIDF said in a sector report that it was good news for the construction sector which is currently plagued by project cancellations.

In a report by *The Star*, Association of Valuers, Property Managers, Estate Agents, and Property Consultants in the Private Sector (PEPS) past president Foo Gee Jen said it is too early to tell if property prices will fall as a result of the SST waiver.

Total construction services and building materials account for 50% to 65% of overall costs, while land makes up 15% to 25%, compliance costs 10% to 15%, and marketing, management and finance costs are 7.5% to 12%.

Master Builders Association Malaysia president Foo Chek Lee noted that savings in construction projects can only be determined once a full list of items exempted from the SST is released.

He said bricks, cement and steel make up only 20% to 30% of construction costs so total savings may only amount to 1.5% to 2%.

Meanwhile, in an article by the *New Straits Times*, National Housebuyers Association secretary-general Chang Kim Loong said the SST waiver would lead to marginally lower prices of future launches.

However, he urged developers to not increase their profit margins to take advantage of the lower costs and to instead pass the savings onto their buyers.

Chang also pointed out that costs associated with compliance, land and labour are elements that may counteract the SST exemptions.

On the other hand, Nomura Malaysia head of equity research Tushar Mohata said he expected home prices to drop by 3%.