

HARTAMAS NOTES FOR THE WEEK

-Make Real Estate A Breeze-

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By **Hartamas**[®]
Research

“We may hold different point of view, but it is in times of stress and difficulty that we most need to remember that we have much more in common than there is dividing us”

Queen Elizabeth II

(the longest serving monarch of the United Kingdom)

What you need to know this week:



01 Bank Negara hikes OPR to 2.5%



02 The Premium Visa Program a boon to the real estate industry



03 Developers not allowed to charge above RM500 administrative fee

An expected *OPR hike*

What's going on here?

Bank Negara (BNM) has raised the overnight policy rate (OPR) for the third consecutive time by 25 basis points to 2.5%, in line with expectations for further normalisation of monetary policy as the country's economic growth and inflation gain momentum.

What does this mean?

With positive growth prospects for the country's economy remaining intact, the Monetary Policy Committee (MPC) stated that the current OPR level remains accommodative and supportive of economic growth. The labour market conditions and income prospects remain positive and BNM projected the headline inflation to peak in 3Q22 before moderating. BNM said the MPC is not on any pre-set course and will continue to assess evolving conditions and their implications on the overall outlook to domestic inflation and growth.

Why should I care?

With the rising core inflation trend and stronger-than-expected domestic demand, MIDF predicted Bank Negara would likely bring the OPR to 2.75% in the final MPC meeting in November, while economists anticipated the OPR to reach the pre-pandemic level of 3% by 1H23.

The Premium *Visa Programme*

What's going on here?

The real estate industry players have high hope that the Premium Visa Programme (PVIP) will attract wealthy overseas investors to Malaysia and assist the local property business.

What does this mean?

Unlike the Malaysia My Second Home programme (MM2H), the PVIP provides for a 20-year stay and allows members to study, acquire properties for residential, commercial or industrial purposes, and make active investments in permitted fields. The PVIP requires applicant to have a minimum of RM1 million in bank account where they can only withdraw 50% of that sum after a year to pay for property purchases, medical or educational expenditures. Other requirements include a monthly income of RM40,000 and an upfront participation fee of RM200k per candidate and RM100k per dependent. The Home Minister stated that the PVIP received 20,000 applications on the day of its launch and the ministry is setting a limit of 25,000 applications in its first phase.

Why should I care?

The PVIP's enticing terms is expected to attract wealthy individuals to be net contributors to local society and economy, attracting more foreign direct investment, providing job opportunities, and spurring the real estate industry in the process.

Developer's *administration fee*

What's going on here?

A developer is not supposed to arbitrarily impose an exorbitant administrative fee and benefit itself for its own neglect in applying for the strata title.

What does this mean?

As one of the conditions for giving their consent to assign, developers usually impose an administrative fee of 1% on the purchase price or on the value of the transaction (e.g. loan amount) which must be paid in order to obtain their consent. The principle of law stated that upon receiving the full payment of the purchase price from the buyer, a developer is merely holding the property on trust for the benefit of the purchaser pending the issuance of the separate strata title, which the developer is obligated to apply for. Hence, a purchaser is not liable to pay any administrative fees upon paying full payment for a property. A landmark court ruling in 2019 indicated that a nominal administrative fee of RM500 is fair and reasonable.

Why should I care?

Though commonly regarded as market practice, the imposition of 1% can nonetheless be costly and unreasonable. However, without legislative intervention, the law remains inadequate as the only way owners could obtain remedy is through litigation which is often time consuming and costly.

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