

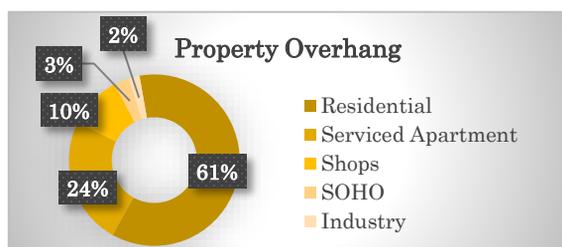


# FINANCIAL OPTIONS TO PROPERTY INVESTMENT

## Overview of Property Investment

For ages long, property investment has been a preferred investment options worldwide. Its inflation hedge characteristic allows investors to reap great capital appreciation over a certain period.

Recently, issues pertaining property overhang raises major concerns as it portrays a mismatch between demand and supply. Continuous influx of new supply in the market coupled with the incapability of the people to own a residential property continues to drive the attention of every Malaysian since the last 5 years.

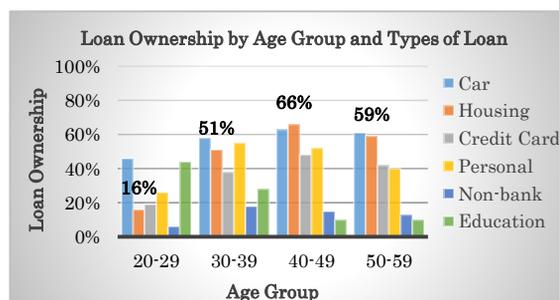


Source: National Property Information Centre (NAPIC)

As at 1Q 2019, residential units remain top of the list of major overhang property in Malaysia. Thus, our new Malaysian government has come up with an initiative to encourage property purchases through the Home Ownership Campaign (HOC) which runs through 1<sup>st</sup> half of the year and further extended towards the end of 2019 due to strong interest and recommendation from the public.

## Weak Financial Literacy

However, despite the incentive given potential buyers remain in deadlock as majority failed to obtain adequate loan facilities. Most loan rejections were due to tight lending requirements coupled with high financial commitments.



Source: Agensi Kaunseling dan Pengurusan Kredit (AKPK)

Through a survey done by AKPK, car loans topped almost every age group except for 40-49 years old where housing loans score slightly higher. Indicating Malaysians interest in property investment only appear at a later age while younger ones continue to allocate their spending towards other loans.

Inability to afford a home was mainly due to weak financial cash flow and zero savings availability to pay for the 10% down payment added with ridiculously high entry price.

Moreover, high cost of living and low earnings hinders many Malaysians in securing suitable financing package to purchase a property.

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## Attractive Financial Options

Hence, to close the gap and minimize the mismatch between supply and demand other approaches can be applied.

Rent-to-own is a scheme introduced to help homebuyers with their purchases via lease agreement. Several developers and financial institutions also promote such initiatives in addressing home ownership issues with interesting packages and agreed term and conditions.

These initiatives are expected to reduce the number of overhang properties in the market and subsequently assisting potential buyers in their purchases.

It is highly important for investors to take actions and be bold in their decision to start investing.

## Home Ownership Scheme

### Rent-To-Own (RTO) Scheme

- Rent now to own later concept;
- Leasing agreement with option to purchase;
- Rent for an agreed period;
- No large amount of down payment but requires a 3-month deposit;
- Buy later at pre-determined price or decide to terminate the contract;
- Rental rates are subject to the date of agreement.

### Maybank's HouzKEY

- Another RTO scheme introduced by Maybank;
- Flexible financial cash flow;
- Zero down payment; upfront cost will be paid by HouzKEY;
- 100% financing assistance;
- Property up to RM1 million in value located within Klang Valley area;
- Applicant will act as lessee with 3-month refundable deposit;
- Can lock the price to purchase or decide to terminate the contract.

### Fund MyHome

- Mutually-beneficial relationship (Buyer: 20%; Financial Inst.: 80%);
- No mortgage and monthly instalment;
- Residential properties with investment potential;
- Legally owned by buyers for 5 years commitment period;
- Buyers have first right to refinance the property by selling/ renting/ own stay;
- Pay remaining 80% to own the unit.

### Khidmat Nasihat Pembiayaan (MyKNP)

- RM1 billion is allocated by Bank Negara Malaysia (BNM) to help lower income group acquire a property;
- Maximum of RM4,360 household income (previously RM2,300);
- Maximum property price of RM300,000 (previously RM150,000);
- Maximum financing rate of 3.5%;
- Tenure period up to 40 years loan or before 70 years old, subject to applicant's age.

## Identify your Goals

Potential buyers should conduct a thorough research before deciding to own a property as it involves a lot of money and long-term loan commitment. Systematic financial planning is important in ensuring a good financial cash flow. Therefore, financial literacy matters as such knowledge may be useful in any unexpected turn of events in the future.

With all the interesting packages being offered in the market, Malaysian should grab the opportunity to start investing in property.

You can also engage us to help you out with your home purchasing journey by contacting us through our email address at [enquiry@rhizp.com.my](mailto:enquiry@rhizp.com.my)

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