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Budget 2025: Limited Goodies for the Housing Sector ***Continued Focus & Priority on the Education & Health Sectors.***

Prime Minister cum Finance Minister Dato' Seri Anwar Ibrahim tabled the budget for the third time under the Madani Government on 18 October 2024, the final one under the 12th Malaysia Plan (2021-2025), before moving onto the 13th Malaysia Plan next year (2026-2030).



At RM421bil, Budget 2025 is the largest in Malaysia's history and topped 2024's RM407.5bil by some 3.3%. 2024's GDP growth has now been upgraded to 4.8% to 5.3% and is projected to grow by 4.5% to 5.5% in 2025.

Like last year, the biggest beneficiaries are the education/higher education sectors followed by the health sector. The property sector was not accorded the same priority and there were not that many goodies to cheer up the market.

The following are the key measures announced which are related to the property sector.

Housing

Individual tax relief on housing loan interest will be granted to encourage Malaysians to buy their first home. The tax relief will apply to sale and purchase agreements signed between 1 January 2025 and 31 December 2027 and must be the tax payer's first residential home loan.

This tax relief can be claimed individually or jointly (if the home is jointly owned in which case the tax relief will be apportioned between the joint owners) and can be claimed for three consecutive years based on the following:

- Up to RM7,000 for homes valued up to RM500,000; or
- Up to RM5,000 for homes valued between RM500,001 and RM750,000.



RM10bil has been allocated for the Housing Credit Guarantee (Skim Jaminan Kredit Perumahan) and step-up financing scheme (*the same amount allocated in Budget 2024*). To date, RM12.8bil in government guarantees under HCGS has already been disbursed and this has benefitted over 57,000 first-time home buyers.

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The SJKP (HGCS) provides guarantees for loans of up to RM500,000 for first-time home buyers. This will help those without monthly income statements and stable incomes (eg. gig economy workers) in buying houses. The step-up scheme on the other hand allows lower initial repayment rates to ease the funding burden on first-time homebuyers.

Infrastructure & Development

The allocation for Development Expenditure was maintained at RM86bil which was the amount spent for 2024. No new mega projects were announced as the government felt that priority should be on essential infrastructure projects, such as:



- a. Pan Borneo Highway;
- b. Airport expansion in Penang, Tawau & Miri;
- c. Sabah-Sarawak Link Road Phase 2; and
- d. Penang LRT.

There was a bit of a disappointment from the absence of the highly anticipated MRT3 project in the budget.

The budget also adopted a new Private-Public Partnership (PPP) approach for some development projects to lessen the government's fiscal burden for projects such as:

- a. Sultanah Aminah Hospital 2, Johor.
- b. Juru-Sg. Dua Elevated Highway, Penang.
- c. WISE (West Ipoh Span Expressway), Gopeng to Kuala Kangsar, Perak.
- d. WCE (West Coast Expressway), Banting to Gelang Patah alignment.

Allocations were also made for:

- a. New Industrial Master Plan 2030 (NIMP 2030), RM200mil.
- b. National Energy Transition Roadmap (NETR), RM306mil.
- c. Johor-Singapore Special Economic Zone (JS-SEZ).
- d. Infrastructure Facilitation Fund.
- e. Silver Valley Technology Park, Kinta, Perak.

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Development of the JS-SEZ is set to gain momentum arising from the following measures announced in the budget:

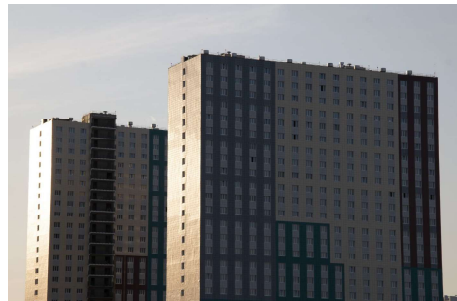
- a. Forest City has been designated as a Duty-Free Island. It is expected to play a major role in promoting local tourism & economic activities.
- b. A tax incentive package for the Forest City Special Financial Zone is expected to provide a boost for financial services activities eg. global business financial services & fintech.
- c. The Single-Family Office Scheme has been launched to promote family fund management.

Additional special incentives for JS-SEZ are expected to be announced at the end of 2024.

Public Housing

Key allocations announced for building new public housing and maintaining/upgrading existing public housing include:

- a. RM900mil for public housing projects under the People's Residency Programme (PRR) & Rumah Mesra Rakyat (RMR), including 2 new developments in Port Dickson & Seberang Prai Tengah; *(this is higher than the RM385bil set aside for the construction of affordable housing projects under the Program Rumah Mesra Rakyat under Budget 2024).*
- b. an increase in the ceiling limit for new home assistance to RM90,000 and up to RM20,000 for home repairs.
- c. RM200mil for the maintenance of low- and medium-cost public strata housing, principally for replacing outdated elevators.
- d. RM1.8bil has been allocated for building & maintaining civil servant quarters, *(RM2.4bil in last year's budget).*



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Tourism

Nearly RM550mil has been allocated to support programmes and efforts to promote Visit Malaysia Year 2026. This includes organising cultural activities, holding tourism events, increasing inbound flights and promoting local arts, handicrafts and batik.

Another RM110mil has also been allocated to enhance tourist attractions and related hotspots, establishing partnerships to promote ecotourism and support UNESCO nominations.



Observations

Although Budget 2025 largely did not adopt the proposals submitted by the developers in the pre-budget discussions, the property sector is still expected to benefit and grow from the government's anticipated higher economic growth. First time home buyers and those in the B40 group will be the main beneficiaries whilst the M40 did not receive the same level of attention. The infrastructure projects announced will also benefit residents in the surrounding areas and contribute to enhancing demand and property values in these areas.

The higher allocations in tourism will help attract more inbound tourists and this shall help raise hotel occupancies & rates, and enhance the values of hotels and tourism related properties. Malls and shopping areas will also benefit from the anticipated increase in tourist arrivals & spending and this will spur footfalls and possibly improve or at least maintain decent occupancy.

The establishment of the JS-SEZ will boost Johor's economy and Forest City in particular could lead to improved occupancy rates of the completed residential and commercial properties, and speed up development of further phases of the project.

The significant allocations to Sabah and Sarawak will provide a boost to the economies there, ultimately improving the wealth and sentiments of the East Malaysians with hopes of a cascading effect to boost the property market.

The manufacturing sector is expected to grow faster at +4.5% in 2025, led by better performance of both the export & domestic sectors. In particular, export growth will be supported by the government's encouraging focus in the E&E segment such as semiconductors which could raise demand for industrial properties.

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