

# Malaysian Property Freehold vs Leasehold Essentials

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Welcome to the Deep Dive. Today, we're zeroing in on a really common question for anyone looking at the Malaysian property market, freehold versus leasehold. That's right.

We've got a bunch of articles, some forum threads you shared with us. And yeah, our mission today is to kind of navigate through all that info and pull out what really matters when you're, you know, making that big decision. Yeah.

And it's interesting because the common idea, the first thought is often freehold equals good, leasehold equals less good. Exactly. Premium versus, well, not premium.

But as we'll see, it's really a bit more complex than that. So yeah, let's get into it. Okay.

Sounds good. So maybe just to start, lay the groundwork. Can you define what freehold and leasehold actually mean here in Malaysia? Sure.

So freehold basically means the government has transferred ownership of the land to you, like indefinitely, within Malaysian law, of course. You get full rights to the land, the property on it. Now for high rises, like condos, it starts with the master title.

The developer holds that while building. Makes sense. Then once it's done, that gets chopped up basically, subdivided into strata titles that covers common areas, pools, gyms, you know.

Yeah. And individual titles for each actual apartment unit that you own. Okay.

So the big building has one main title, then it breaks down into smaller pieces for each owner. Precisely. Got it.

Okay. Freehold sounds pretty straightforward. Lasting ownership.

How's leasehold different then? Right. So leasehold gives you the right to use the land and the property on it, but only for a specific amount of time. A limited time.

Yeah. Typically you see 30, 60, or the most common one, 99 years. 99 years.

But here's the crucial bit. That clock, that 99 years, starts ticking when the developer first gets the land from the state. Oh, okay.

Not when I, as the buyer, purchased the unit. Exactly. So say the developer gets a 99 year lease, holds it for, I don't know, 15 years while building and selling.

Right. When you buy it, you're only getting the remaining 84 years. Ah, okay.

That's a really important distinction. The headline, 99 years isn't always what you, the end

buyer, actually receive. Definitely something to check.

Now, going back to freehold. Indefinite. Sounds great.

Sounds permanent. But is there any catch, any situation where that ownership isn't quite so absolute? The materials hinted at something. Yes.

That's a good point. Even with freehold, it's not entirely untouchable. There's the Land Acquisition Act of 1960.

And that act allows the government to reclaim freehold land. Reclaim it, even if it's mine indefinitely. Yes.

If it's needed for public economic advancement, think big infrastructure projects. Right. Like building a new LRT line or an MRT extension, highways, things deemed necessary for the public good.

Okay. So if it benefits the wider public, the government can step in, even on freehold. What happens to the owner then? Do they just lose out? No, no.

The government is legally required to compensate the landowner. Ah, okay. And that compensation is based on a professional market valuation of the land at that specific time.

So you get paid its current worth. Correct. You lose the land, but you get the assessed financial value.

Okay. That's crucial context for indefinite. Now let's swing back to leasehold, limited time.

What happens when that lease starts running low? What can you do? Right. That brings us to lease expiry and importantly, renewal. As leaseholder, you can apply to the land office to extend the lease.

Okay. You need to submit paperwork, pay a fee. It's called premium.

A premium, like buying more time. Essentially, yes. You're paying to top up the lease, usually back up to 99 years.

And is that extension guaranteed? If I apply and pay, do I automatically get it? Not necessarily guaranteed, no. The state government has the final say. Ah.

They could refuse if they have other plans for that land or area in the future. Okay. But it's also worth noting, some developers are quite proactive.

They might renew the master lease right after they finished building. Oh, interesting. Why? So they can offer buyers a fresh 99 year term right from the start.

That's definitely a selling point to look out for. Yeah. That would be a big plus.

So it really varies. Okay. Let's put them side by side now.

Freehold versus leasehold. Key differences. Tenure, obviously, but what about property value and actually selling it? Okay.

Tenure is the big one. Yep. Freehold is theoretically forever.

Leasehold is fixed, 30, 60, 99 years. Right. Property value.

Generally, freehold tends to appreciate better over the very long term. Why is that? Market perception plays a big role. People just prefer freehold.

There's a sense of security, maybe scarcity in some areas. Okay. But the flip side is freehold usually costs more upfront, higher entry price.

Which might mean? Potentially a lower rental yield if you're buying it as an investment to rent out, more capital tied up initially. Right. Higher cost, lower immediate return maybe, but better long-term growth potential.

How does leasehold stack up on value? Leasehold often comes with a lower purchase price. That's the appeal for many. Makes it more accessible.

Yes. And that lower entry cost can mean a better rental yield for investors. You get more rental income relative to your initial investment.

Downs good for landlords. But, and it's a big but, the value tends to decrease as the lease gets shorter, especially when it dips below say 50 or 60 years. That depreciation is a key factor.

The ticking clock affects the value. Okay. And selling them.

Is one easier or faster to sell than the other? Yes. Quite a big difference here. Freehold sales are usually more straightforward.

How long typically? Standard process, maybe three to four months. Kind of the three plus one months you often see in sale and purchase agreements. Okay.

And leasehold? Leasehold needs state consent for the transfer. State consent. Yes.

The state authority has to approve the sale from one person to another. And this step, it adds significant time. How significant? It can easily push the whole process to six months, sometimes even longer.

It's a known bottleneck. Wow. Okay.

So that state consent is a major time factor for a leasehold. Now, thinking about buying, what about getting a loan? Do banks treat them differently? Banks will lend on leasehold, generally. It's not like they outright refuse.

Okay. But they definitely look at the remaining lease tenure. That's their risk assessment.

Makes sense. So what's the threshold? Commonly, they want to see at least 50 years remaining on the lease. Maybe more.

50 years? Some might get stricter below that, say under 40 years remaining. It can become quite difficult then. Difficult to get a loan.

Yes. And that affects not just buying, but also refinancing later or even selling. If potential buyers can't get a loan easily because the lease is too short, it obviously impacts your ability to sell.

Right. That makes the property less attractive down the line. Okay.

We mentioned the lease renewal premium earlier. That costs to extend. How is that actually calculated? Is it a flat fee? No.

Definitely not flat. It varies by state and it's based on a formula. Okay.

The example often cited is for Selangor. Their formula for residential is, let me get this right, 14 times, 1,100 times the market value of the land. Just the land value.

Yes. Times the lease period you're renewing to usually 99 years, minus the years currently remaining. Okay.

Times the land area in square feet. Whoa. Okay.

That's specific. Can we make that more real, like with an example? Yeah. Let's try.

Imagine a bungalow plot in PJ, say 7,000 square feet. Okay. Let's say it has 45 years left on a lease and assume the land market value is maybe RM 220 per square foot.

Plugging that in.  $14 \times 1,100 \times 220 \times 99 - 45 \times 7,000$ . Crunching numbers.

Comes out to RM 207,900. That's the premium before any potential rebates. 200,000 ringgit.

Wow. Rebates. Sometimes the state offers rebates.

Selangor, for instance, apparently had a 30% rebate at one point. If you got that, it would bring it down to about RM 145,530. Still a huge chunk of money.

That really highlights the potential future cost hidden in the lower initial leasehold price. Absolutely. It's not free money up front.

There can be a big bill later. Okay. Maybe another quick example.

Smaller place. Let's say a smaller terrace house land, 3,000 square feet also in PJ, but this one's got only 10 years left. Okay.

Getting close. And let's assume land value is lower, say RM 120 per square foot. You want to renew back to 99 years, so you're adding 89 years.

The calculation. Yeah.  $14X, 1,100 \text{ by } 120 \text{ by } 89 \text{ by } 3,000$ .

That's about RM 80,100 before any rebate. 80,000. With that same 30% rebate, it'd be around RM 56,070.

Still significant even for a smaller place getting near expiry. And crucial point, this is the Selangor formula. Exactly.

Other states, Penang, Johor, et cetera, might have different formulas, different rates, different rebate policies. You absolutely have to check with the specific land office for the property's location. Right.

Always check locally. Don't assume the Selangor example applies everywhere. Definitely.

These examples just give you a ballpark idea of the kind of costs involved. Okay. So if you are a leasehold owner and you decide, okay, I need to renew, what's the actual process? Who do you talk to? You'd apply to the land office or the state government authority responsible.

Can you just walk in and do it? You could, but given the paperwork and the process, most people find it easier and safer to engage a lawyer. Ah, get professional help. Yeah.

Someone who knows property law and the procedures and be prepared for it to take time. How much time are we talking now? Our sources suggest anywhere from six months up to maybe even two years. Two years.

Wow. Yeah. It depends on the land office's workload, the complexity, all sorts of things.

It's not usually a quick turnaround. Okay. So if it takes that long, when should someone actually start this process? You don't want to leave it too late.

Absolutely not. The general advice is apply early. How early? A good trigger point is when the lease remaining drops below 30 years.

30 years. Why then? Because as we mentioned, under 30 years can really start hurting the property's value and it makes financing much harder for potential buyers if you decide to sell. Right.

The bank issue again. Plus if you wait until it's really close to expiry or even after it expires, there's a higher risk the renewal could be rejected. And you might face hefty penalties for being late.

So yeah, early is definitely better. Okay. Message received.

Start thinking about it well before that 30 year mark. Now, what about condos and apartments?

Strata properties? Is it different for them? Does each owner apply individually? No. For strata properties, individual owners don't typically handle the lease extension for their own unit.

So who does? It's usually done collectively, either by the initial developer or later by the management body, the BP, JMB, or once strata titles are issued, the management corporation, the MC. Ah, the building management handles it for everyone. Exactly.

They apply to renew the master lease for the entire development on behalf of all the owners. That makes sense. One big application rather than hundreds.

Yeah. Okay. Now, shifting gears slightly, we had that interesting piece from a Reddit user.

Someone sharing their experience selling a leasehold place. What did we learn from that? Yeah, that was quite insightful. They were selling leasehold apartment, partially renovated.

Right. First step for them was checking market prices, looking at property websites like iProperty or Property Guru to see what similar places were going for. Gauge the value.

Standard practice. Then engaging agents. They suggested using multiple agents to get broader exposure.

Makes sense. Spread the net wide. Yeah.

They mentioned typical commission is 2-3%, but sometimes negotiable, though usually capped at 3%. And critically, getting good photos. Clean up the place, make it look presentable.

First impressions count, even online. What about the financial side of their sale? They had to think about their outstanding loan balance, obviously. And also real property gains tax RPGT.

Ah, yes. The tax on profit from selling property. Right.

It was relevant because they'd owned it for less than five years. The rates change depending on how long you hold it. Okay.

And they confirmed the timeline issue. The wholesale took them seven to eight months. Seven to eight months.

Yeah. Largely because of waiting for that state consent for the leasehold transfer. There it is again.

Exactly. And finally, they just reminded sellers to budget for all the costs, agent fees, potential RPGT, lawyer fees for the sale agreement. It all adds up.

That's a great real world perspective. Really shows the practical hurdles of leasehold selling. Okay.

Let's tackle some common myths or maybe misconceptions that float around about freehold

and leasehold. Let's bust a few. Sounds good.

Myth number one. Banks hate leasehold. They only want to lend on freehold.

We kind of touched on this, right? Yeah. The fact is banks do lend on leasehold. The key isn't the title type itself, but the remaining lease tenure.

If there's enough time left, usually that 50 plus year mark we talked about, banks are generally fine with it. It's the short leases they get wary of. Okay.

So myth busted. It's about the remaining years. What's another one? Myth two.

Freehold is absolutely permanent, rock solid, nothing can ever touch it. And the fact? The fact is the Land Acquisition Act exists. The government can acquire freehold land for public projects with compensation.

So while it's the strongest form of ownership, it's not 100% immune to everything. Indefinite isn't invincible. Got it.

Less absolute than some might think. Okay. Next myth.

Myth three. The state government might just randomly decide not to renew your lease when it expires just because they feel like it. Is there a real risk of that? While they technically have the power to refuse, doing it arbitrarily for whole neighborhoods is pretty unlikely.

Think about it. They'd lose out on all that potential premium income from renewals. Plus, imagine the social upheaval and dissatisfaction if loads of people suddenly couldn't renew their home leases.

Yeah, that would be messy. So generally, renewals are allowed, especially for established areas. And for Strata, like we said, the MCJMB handles it collectively.

It's not usually a whimsical decision. That's reassuring. Another one.

Myth four. Selling or buying freehold is always way faster than leasehold. What's the reality? Well, freehold transactions are generally quicker because they skip that state consent step.

Right. But that state consent step for leasehold consistently adds significant time, often several months. So yes, leasehold transactions almost always take longer because of that mandatory approval.

So that perception is largely true then because of the process difference. Pretty much, yeah. The time difference is real and predictable.

OK, how about this one? Myth five. High-rise leasehold buildings become unsafe after 99 years, like the structure itself degrades purely because the lease runs out. That's just completely wrong.

Building safety has nothing to do with the land title type. It's about the physical building. Exactly.

Is it built to code? Did it get its Certificate of Completion and Compliance, the CCC? And crucially, is it being properly maintained? Maintenance is key. For any building, freehold or leasehold, a poorly maintained freehold condo can be far more dangerous than a well-maintained leasehold one of the same age. Safety is about upkeep, not land tenure.

Makes total sense. OK, last one. Myth six.

Leasehold properties are always cheaper, like always a bargain compared to freehold. Generally, yes. Leasehold tends to be cheaper than a comparable freehold property in the same location.

That market preference for freehold drives the price difference. But not always. Not always significantly so or automatically a bargain, especially in the secondary market.

You might find well-located, well-maintained leasehold properties that offer really good value. You still need to compare specific properties. Don't just assume leasehold equals massive savings.

OK, so generally cheaper, but do your homework on specific deals. Right. We've covered definitions, processes, costs, myths, pulling it all together.

What are your sort of final thoughts? When does freehold really shine? And when might leasehold actually be the smarter play? OK, well, from my reading of the materials and general understanding, freehold seems ideal if you're buying for your own stay long term, especially for families. Why specifically? That sense of permanence, building a legacy, passing it down. Plus, in really prime areas, that potential for better long-term capital appreciation is attractive if you plan to stay put for decades.

It's about that stable long-term asset. OK. Own stay, long-term family home, potential legacy.

Freehold ticks those boxes. When does leasehold make more sense then? Leasehold can be really excellent for investment. For rental yields.

Exactly. That lower entry cost means your initial outlay is less. You might be able to afford a larger unit or maybe even multiple units compared to freehold in the same area.

Right. More bang for your buck initially. Which can translate directly into better rental yields, percentage-wise, if you manage it well.

But again, the investor needs to be savvy about the lease running down and factor in eventual renewal costs or depreciation. So it's not a simple one is better answer. Not at all.

It really, truly boils down to your specific needs and goals. What are you using the property for?



Yeah. Own stay or investment.

What's your budget? What location works for you? If you're buying a home to live in, honestly, sometimes the priority should just be finding a place that fits your life needs and your budget in the right area. Like near family or work. Exactly.

Don't get so hung up on freehold versus leasehold that you miss out on a great home that happens to be leasehold but fits perfectly otherwise. Good point. Focus on the fundamentals first.

But for pure investment, that lower cost and potentially higher yield of leasehold is definitely a strong strategic advantage to consider. And the final piece of advice. Regardless of which you choose, freehold or leasehold, do your homework.

Thorough due diligence is non-negotiable. Check the lease details, check the building condition, check the location, check everything. Sound advice.

OK, so wrapping up our deep dive today. Freehold gives you that long term, theoretically perpetual ownership. But remember the government acquisition caveat.

Leasehold gives you the right to use for a set term. You can usually renew it, but there are costs and time involved. Yep.

And that renewal premium is key. Both have their pros and cons when it comes to value growth, how easy they are to finance, and how long it takes to buy or sell. That sums it up pretty well.

And it leaves us with a final thought for you, the listener, to mull over. OK. When you balance everything, the upfront cost, the potential for your investment to grow over time, the implications of that lease clock ticking down, the cost of renewal, what factors actually weigh most heavily in your personal property decisions here in Malaysia? Something important to think about as you explore your options further.

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