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Checking decline in property

Why Zeti's call for a housing board is laudable and should be taken seriously

by **FALMULAZHAR**

BANK Negara Malaysia governor Tan Sri Dr Zeti Akhtar Aziz's call for a housing board to coordinate the government's efforts to manage the growing problem of oversupply in certain segments of the property market, as well as boost the delivery of affordable housing units, should be taken seriously, and acted upon urgently.

In its 2015 annual report, the central bank called for a "comprehensive and carefully designed national planning policy" to address these issues which, according to some industry observers, could have a potentially large impact on the financial system given the high exposure of Malaysian banks to the housing, development and construction sector.

The government's social housing programmes to help more middle-income families own homes, such as those spearheaded by 1Malaysia People's Housing Corp (PRIMA) for the general public, and 1Malaysia Civil Servants' Housing Programme (PPA1M) for civil service employees, are indeed laudable.

In Budget 2016, RM1.6 billion has been earmarked for PRIMA alone to build 175,000 homes nationwide. PRIMA intends to build RM100 billion worth of homes in the next few years, which would appear to suggest

that at roughly 90% financing margin for the PRIMA homes buyers, the banking sector's exposure could run as high as RM90 billion.

That is why the central bank's monthly statistics that showed declining approval rates for residential property financing applications in the last several months, hitting a 12-month low in January 2016, is a cause for concern.

Should the trend continue, PRIMA and other similar government agencies selling homes to the public could be facing a significant funding gap to complete their projects in the not too distant future.

PRIMA is targeting to build 140,000 units by 2018, and has said work on about 60,000 units were already underway. It plans to deliver 10,000 keys to new homeowners by the end of the year. At an average value of RM200,000 each, that's an estimated RM2 billion worth of PRIMA homes currently being built.

PRIMA has not revealed how many of these units have actually been sold, and the total sales generated to date. It has delivered keys for 560 units so far, and balloted over 3,000 units combined in Kedah, Malacca and Kuala

Lumpur since last year.

If buyers are also facing difficulty in securing a home loan reflective of the monthly statistics, then PRIMA will have to pay for the completion of its project out of its own pocket.

We are citing PRIMA as an example mainly because the government has not attempted anything close to the scale of what it hopes to achieve with this agency, tasked with delivering 500,000 affordable homes nationwide.

If sales of PRIMA units fall short of expectations, it could create an oversupply problem that may have a financial impact to rival the current situation with commercial properties. It could also add to the statistics of abandoned housing projects should the funds run out mid way through construction.

As the existing social housing programmes are largely focused on increasing supply, it is timely that a market-driven financing strategy be put in place to ensure supply and demand for such properties are better matched, with the necessary financial backing from the banks.

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