



Scenario of Malaysian Housing Loan

BULETIN PERANGKAPAN BULANAN

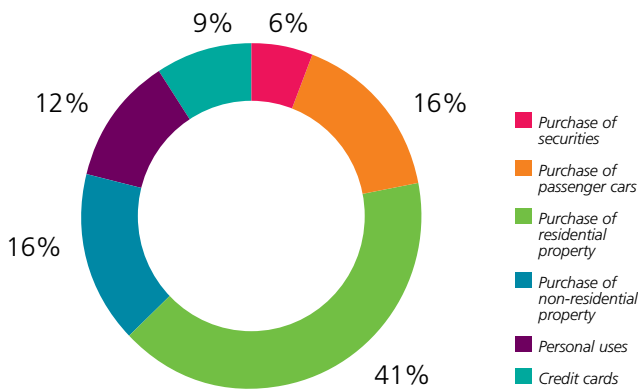
The Bank Negara Malaysia's (BNM) Monthly Statistical Bulletin is a monthly compilation of monetary, financial and macro-economic statistics from various sources. The following analysis is generated from accumulated data based on applied and approved loans of the household segment for residential housing.

From January to July 2016, the total household loans applied amounted to RM286.9 billion, a slight dip as compared to RM299.3 billion in the corresponding period. Such scenario corresponds with the softening market activities we are currently facing.

The following charts further illustrate the types of household loans applied from January to July 2016 as well as the overall housing loan performance of the corresponding period in the preceding years since 2010.

Despite the strong homebuyers' appetite towards homeownership throughout the years, Chart 3 indicates variables in growth due to the changing property market sentiments, impacted mainly by current economic conditions. For instance, housing loan growth rate experienced a healthy 20% hike in 2013 but went on a negative growth the following 3 years. The drastic contraction of crude oil prices and weakening of ringgit since early 2015 have somehow contributed to such negative growth.

Chart 1: Total Household Loans Applied (Jan-Jul 2016)



Loans applied for residential property purchase contributed significantly to the household loans with a 41% share (RM117.6 billion), followed by purchases of non-residential property and passenger cars with each contributing 16%. This is an indication that demand for property purchase is still holding despite the slowdown in the economy. The following graph (Chart 2) further supports that loan applications for purchase of residential property is very much sought after as it has been consistently dominating the overall household loan portfolio since 2010.

Chart 2: Housing Loan Contribution in Household Loan

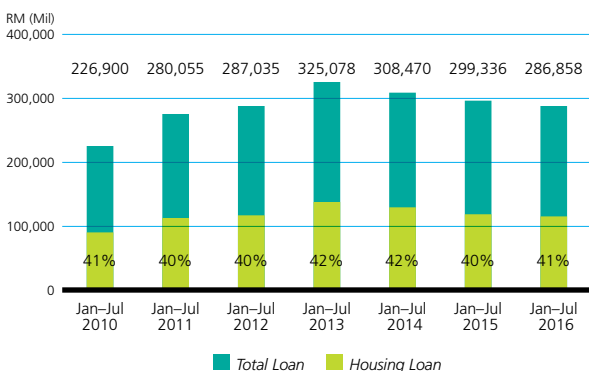
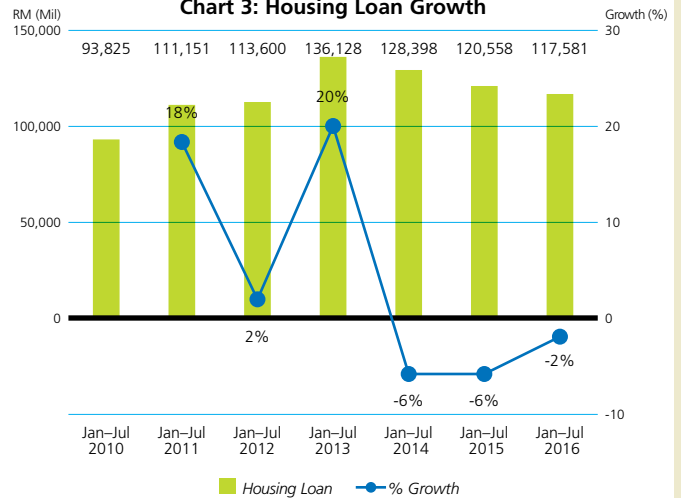
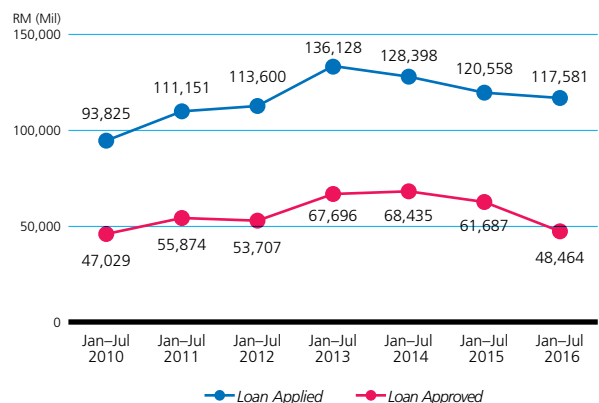


Chart 3: Housing Loan Growth



Whilst the total loans applied for residential property purchase has been quite encouraging, approval rates have not been favourable. Chart 4 demonstrates that on average, 50% out of the total loans applied have been rejected, with 2016 having the highest rejection rate of 59%.

Chart 4: Housing Loan (Applied and Approved)



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Since 2010, the Government has implemented several pre-emptive measures to address the risks relating to household debts as well as curbing speculation activities and property prices from increasing. The measures include:

November 2010	Maximum margin of financing of up to 70% for housing loans of third property onwards
January 2012	Borrowers' assessed based on net income rather than gross income
July 2013	Maximum period for housing loans reduced from 45 years to 35 years
2014	Total ban of Developers Interest Bearing Scheme (DIBS)

According to the BNM's Financial Stability and Payment Systems Report 2015, risks arising from household indebtedness and property prices have moderated as extended slower pace of loan growth were observed since the implementation of the first macroprudential measures in 2010.

However, these stricter financing guidelines have inevitably become a challenge for home buyers to secure housing loans, particularly first home buyers as banks are being more cautious on household loan lending.



Penang Cultural and Heritage Tour



Participants' group photo.



A Penang Cultural and Heritage Tour was successfully organised by REHDA Youth in collaboration with RHB Investment Bank from 20 to 21 July 2016. The tour, which brought together nearly 40 participants, convened with a briefing by Think City, a community-based urban regeneration body before proceeding to visit numerous interesting cultural and heritage sites and buildings. Among them were several UNESCO Award projects namely the Blue Mansion, the Teochew Association and the Suffolk House. Participants also went on a guided tour to Street of Harmony Walk which covered the Star Building, Kuan Yin Teng Temple, Masjid Kapitan Keling, Little India and St George's Church.



Sharing by Think City on sustainable development and liveable environment.



Participants being briefed on Mansion Blue's history.