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END-FINANCING ISSUE

RM8.56b of property overhang last year

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END-FINANCING issues and loan rejections, which have been plaguing the property market since 2014, are the top reasons for unsold properties and reduced launches in the market.

According to the Valuation & Property Services Department's Property Market Report 2016 launched recently, there were 14,792 overhung units in Malaysia worth RM8.56 billion last year, higher by 43.8 per cent in volume and 70.7 per cent in value, compared with 2015.

Based on a survey among members of the Real Estate and Housing Developers' Association Malaysia (Rehda), some 72 per cent of residential and commercial units remained unsold in the second half of last year, rising from 71 per cent in the first six months of last year.

The survey had 165 respondents.

Rehda president Datuk Seri FD Iskandar Mansor said the majority of unsold units were in the price range of RM250,000 to RM1 million.

He said the No. 1 reason for this was difficulties in obtaining end-financing and high loan rejection rate, mainly for properties priced below RM700,000.

According to Iskandar, there were variants in housing loan rejection rate from data by the central bank, Rehda members and the National Property Information Centre (Napic).

Bank Negara Malaysia said last month loan rejection rate for housing loans fell further last year to 23.6 per cent. This was lower than the average rejection rate of 26.1 per cent between 2012 and 2015.

Napic said loan rejection rate for housing loans was 52 per cent while Rehda members collectively rated it as high as 60 per cent.

"How is it that there are different statistics from Bank Negara, Napic and Rehda? It is a matter of timing. Developers count the rejection rate from the time purchasers' loan appli-

cations are rejected by banks," said Iskandar at a media briefing last week.

Malayan Banking Bhd executive vice-president and head of consumer finance Abdul Razak Mohd Nordin agreed that there was a mismatch in the definition of loan rejection.

"When the customer comes to us, we do the pre-screening. First thing if the track record is not good we reject their application. For these customers, we don't take it as a rejection because it doesn't come to our books, but when we go back to the developers they look at it as a rejection," said Abdul Razak, a panelist at the recent Rehda forum entitled "Status of Property Market; Is its status quo or on the road to recovery"?

Abdul Razak said the majority of potential first-time home buyers had their loan rejected because of their lifestyle.

There was also another issue of CCRIS (Central Credit Reference Information System) record, he said.

"For those who are older you must make sure that your record is good. Even the recent issues of the PTPTN (National Higher Education Fund Corp) falls under CCRIS so eventually from a banker's perspective, what we can advise potential home buyers is to settle their PTPTN loans first and then come back to us," he said.

Sharing with the audience on tips to get their application approved and at the right margin, he said it was a straightforward process.

"You must have a good credit record. If you have that, then banks will favour you. You must also have the ability to prove your debt service ratio is good.

"To increase that, especially for those who are single, they might as well have a joint application whether it's with their father, fiancée or whomever, for a better chance," he said.



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DATUK SERI FD ISKANDAR MANSOR
Real Estate and Housing Developers' Association Malaysia president