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Bank Negara: Provide more affordable housing

Governor says country also has surplus in commercial property

PETALING JAYA: There is a growing shortage of affordable housing and increasing surplus in commercial property, according to Bank Negara.

The shortage in affordable housing is expected to hit one million units by 2020.

Governor Datuk Muhammad Ibrahim said the country required a bold and pragmatic solution towards providing more affordable housing.

"We estimate a shortage of 960,000 units of affordable housing. This is projected to reach one million units by 2020.

"A central authority and a national repository can significantly improve the ability to better distribute, monitor and manage the supply-demand imbalances.

"Developing a thriving rental market should also be on the agenda to temper the nation's fixation on home ownership," he said.

Another issue that banks should be concerned with is the sizable surplus in commercial property.

"In contrast to affordable housing, the office and retail markets are in oversupply," he said in his keynote speech "State of the industry" at ASLI's 21st Malaysian banking summit.

In 2016, the vacancy rate for prime office space in the Klang Valley stood at 21.8%, outstripping the regional average of 6.2%. Monthly rentals of prime office space in Kuala Lumpur are the lowest among regional cities.

"Over the next few years, the significant incoming supply of large projects is likely to aggravate supply conditions in this segment," he cautioned.

Signs of oversupply are also emerging in the retail segment in major urban centres in Malaysia.

This can be traced to the abundance of shop-



Muhammad: "We estimate a shortage of 960,000 units of affordable housing. This is projected to reach one million units by 2020." - Bernama

ping malls, he said.

"You may be surprised to learn that there are as many as 20 shopping malls just along the 40km stretch of the LDP highway.

"It is equally astonishing that the prime retail space per capita in cities like Johor, Penang and

Kuala Lumpur is actually higher than regional mega cities such as Shanghai and Beijing, and also higher income cities such as Singapore and Hong Kong," he said.

Muhammad said a current issue that has disproportionately drawn attention to banks is the affordable housing issue.

The public debate largely continued to misdiagnose or ignore the root cause of the problem, namely affordability and accessibility, rooted by low incomes and compounded by the huge mismatch between demand and supply of affordable houses.

"The popular myth is that it is all about access to financing. I am perplexed. Actual data is self-evident.

"It shows the continued strength in bank financing to households for the purchase of affordable homes, with four in five new housing loans extended for houses priced below RM500,000.

"Yet banks have done little to educate and inform the public on this financing trend. The industry ought to be at the forefront in explaining the real situation and where possible, offering suggestions to help address this issue," he pointed out.

Muhammad said affordable housing is not a problem that is unique to Malaysia.

A significant increase in vacancy rates, and the ensuing price corrections, are risks that the central bank has highlighted as far back as 2013, he added.

He pointed out that the concerns were not limited to effects within the commercial property sector, but have broader spillovers to other economic sectors.