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# More loans taken out for property transactions

**PETALING JAYA**: A pick-up in property loans and push in sales by developers have consultants cautiously optimistic about the local property market for the remainder of 2017.

Property consultancy PPC International's managing director Datuk Siders Sittampalam said there was an increase in the amount of loan applications during the first three months of the year by about 19%, compared with the same period last year.

"This increase indicates a growth in the market in the first quarter of 2017. However, it cannot be concluded at this stage that there is a growth trend in the residential market for 2017."

Based on Bank Negara's monthly statistics, approved loans for the purchase of property had increased 3% year-on-year to RM11.3bil.

This was mainly driven by the 20% increase in loan applications, an indication that demand has improved significantly. According to reports, approved loans grew 9% to RM28.62bil in the first quarter.

Savills Malaysia managing director Datuk Paul Khong said developers were still continuing to push for more sales in their developments with the introduction of competitive-cum-innovative marketing and financing packages.

"Many buyers are still keen on the primary market, as the new builds attract low up-front deposits with a break before the bank repayments begin. More freebies are also expected in the buyers' market now.

"Better value for money and more affordable range products are now offered for sale and buyers are also spoilt for choice."

Khong said the secondary market remains sluggish, with loan financing still being a challenge.

"We have seen lower asking prices, especially in the mid-high and high segments, and many property offers for sale are getting very attractive with more bargains surfacing regularly."

Zerin Properties chief executive officer Previn Singhe said the residential sector has definitely seen a pick-up in demand, adding however that prices will be flat.

"Commercial properties, vis-a-vis serviced apartments and retail units such as office rentals, will hold. Older buildings will feel the pressure. Retail malls, if they are not managed well, will definitely see rentals drop."

Earlier this month, the Malaysian Retail Chain Association said it is expecting an increase of about 4.5% in retail sales this year, driven by the country's tourism industry.

Siders points out that there is a correlation between the local economy and growth in the Malaysian property market.

"Since the property market works within the framework of the economy, it is pertinent to examine the economic status of the nation. "With economic factors such as the crude oil price and currency levels improving, the geo-political issues maybe of some concern for 2017. However, key drivers of the economy would be the mega projects such as the HSR, MRT and LRT along with new highways which may contribute some positive sentiments to the economy."

He added that the property market in general is very much a function of demand and supply, economic factors and market sentiment.

"We expect the property market to continue to be flattish in 2017. The primary market will continue to decline in volume and the secondary market would dominate the transactions."

According to Siders, the Malaysian residential property market in 2016 declined in transaction volume and value by 13.9% and 10.7%, respectively, compared with 2015.

"Although there was a drop in the volume of transactions by 14% in 2016, the drop in the total value of 2016, however, maintained at about 10%, similar to 2015.

"We have particularly noted that in 2016, properties in the price range of RM400,000 to RM500,000 increased in volume of sale by 11%, whereas all other properties dropped in sales. We also noted that properties below RM400,000 experienced a higher drop in value against total volume of transaction."

Siders said properties within this range have seen a definite decline in value.

"However, properties above RM500,000 saw a lesser drop in value against the volume of transaction. This indicates that the drop in value for properties in this bracket was relatively lesser than properties priced below RM400,000.

"Properties priced below RM400,000 were seen to have contracted in volume against 2015, which could be a result of fewer launches of properties in this price range such as low to medium-cost houses."

Generally, Siders said the primary residential market experienced significant decline in the number of launches and sales rate in 2016 compared with the previous year.

"Thus, this indicates a cautious approach undertaken by the developer due to reduced demand.

"In 2016 and early 2017, developers were seen testing the market with a preview or soft-launch of their development prior to the official launch.

"The recent trend has been to restrict the volume of launches. For example, to one block instead of all at the same time."

According to the Valuation & Property Services Department's (JPPH) Property Market Report 2016, the Malaysian property market would endure another challenging year in 2017, as the enduring global political uncertainty and low domestic economic growth will continue to have an impact on the sector.

According to JPPH, affordable houses continued to be in demand last year, with more than 65% of the residential transactions within RM300,000 and below.