



Property overhang may stabilise slightly

Vaccine availability, better sentiment will help spur market

PROPERTY

By EUGENE MAHALINGAM
eugenicz@thestar.com.my

PETALING JAYA: The level of residential property overhang in Malaysia may stabilise slightly in 2021, but is expected to remain high as the price-to-income ratio continues to affect affordability.

Rahim & Co International Sdn Bhd research director Sulaiman Saheh said there were 57,390 overhang units of residential, serviced apartments and small office home offices worth RM42.49bil as at the third quarter of 2020.

"The overhang levels continued to increase in 2020. This year, with the movement control order enforced and affordability still an ongoing issue, it will still continue to go up," he said at a virtual press conference following the launch of Rahim & Co's 2020/2021 market review.

In terms of affordability, Sulaiman said houses with a median multiple to annual household income of less than three were considered affordable.

Medians from 3.1 to 4 are moderately unaffordable, while those ranging from 4.1 to five are considered seriously unaffordable. Anything above five is deemed severely unaffordable.

Sulaiman noted that only properties in Melaka had a median of three, while all other states in Malaysia had a median of 3.1 and higher.

"Homes in Kuala Lumpur and Selangor have a median of 5.6 and 4.8 respectively. On average, homes in Malaysia have a median level of 4.9," he said.

Sulaiman said houses located within cities or urban areas would have the best chances of reducing their overhang levels.

"We have a severe shortage of homes, to the tune of at least a million. But then, on the other hand, you have the issue of the overhang."

Tan Sri Abdul Rahim Abdul Rahman

"These are especially for properties that are being sought-after by owner-occupiers and not speculators."

Rahim & Co executive chairman Tan Sri Abdul Rahim Abdul Rahman said there is still a shortage of homes for the rakyat.

"We have a severe shortage of homes, to the tune of at least a million. But then, on the other hand, you have the issue of the overhang."

The problem, said Abdul Rahim, is that land is a state matter.

"Each state determines their own housing development policies. Perhaps each state can impose development conditions, such as 20% for low-cost houses and maybe 15% for homes below RM400,000.

"But this needs to be done after each state has conducted a thorough study on the matter."

Additionally, Sulaiman said the various government incentives and the introduction of the Home Ownership Campaign (HOC) will help to stabilise the rise in overhang levels.

"The HOC that was introduced in 2019 did help with the absorption. However, with the current HOC, the economic environment is different. There is a lot of economic uncer-

tainty and people are afraid of either losing their jobs or getting pay cuts.

"Given the subdued optimism in the market now, it will be challenging. But for those that have been saving up their money for a while, the HOC will help," he said.

The HOC was kicked off in January 2019 to address the overhang problem in the country. The campaign, which was initially intended for six months, was extended for a full year.

The HOC proved successful, having generated sales totalling RM23.2bil in 2019, surpassing the government's initial target of RM17bil.

The government reintroduced the HOC in June last year under the Short-Term Economic Recovery Plan (Penjana).

Rahim & Co real estate agency chief executive officer Siva Shanker said the recovery of the property market will hinge on the rollout of the vaccine.

"The recent HOC didn't give the same kind of traction as the first one because of the pandemic and the market was soft. Nevertheless, it will still help a little.

"What will help spur the market is the availability of the vaccine and better sentiment once it has been rolled out."