

| | | | |
|------------|------------------------------------|-------------|---------------------|
| Headline | 'Cheaper loans may spur purchases' | | |
| MediaTitle | New Straits Times | | |
| Date | 14 Mar 2019 | Color | Full Color |
| Section | Property Times | Circulation | 36,278 |
| Page No | 51 | Readership | 108,834 |
| Language | English | ArticleSize | 425 cm ² |
| Journalist | N/A | AdValue | RM 14,650 |
| Frequency | Daily | PR Value | RM 43,950 |



'Cheaper loans may spur purchases'

SHAREN KAUR

AS Malaysia is not in the property bubble territory, banks can help improve the market situation by lowering interest rates for housing loans, especially for first-time buyers.

Lower interest rates may attract more buyers and this could ultimately reduce the current property oversupply in the country, said Previndran Singhe, the founder and chief executive officer of real estate firm ZerIn Properties.

Data from the National Property Information Centre show that total value of overhang units in the market is RM19.54 billion, a 56.44 per cent jump from a year ago. If serviced apartments and small-offices-home-offices are included, the figure increases to 40,916 units, worth RM27.38 billion.

Overhang property refers to units that are completed but remain unsold nine months after obtaining certificates of fitness that signify they are fit for occupation.

Most of the overhang units (or slightly over 12,000 houses) are priced from RM500,000 and above.

States with the most serious issues of overhang are Johor, Selangor, Penang and Kedah.

Demand of real estate is impacted by interest rates as a proxy to liquidity. Cheaper loans would create more fund affordability and availability in the market, spurring it further. Fundamentally, home ownership has been the key to wealth accumulation and social upgrade of the population,"

Previndran told NST Property on the sidelines of the International Conference on Greater Kuala Lumpur and Putrajaya last month.

He said Bank Negara Malaysia (BNM) had the right idea of dropping interest rates to 3.5 per cent for houses priced at RM150,000 and below, but it has not addressed the overhang and affordable ownership.

The loan should be cheaper, bordering one to two per cent, and banks would still be making money, he said.

"At present, developers, contractors and consultants take the brunt of providing low-cost houses. Banks, whose clients are developers, do not. We are suggesting that GLC (government-linked company) banks making RM5 billion to RM6 billion a year allocate, say about RM500 million out of the profit, to a fund from which loans are given out to first-time buyers of properties below RM500,000.

"I am not asking all banks to do it... just the two giants who recorded above RM5 billion profits. This would help the ecosystem get healthy," said Previndran.

During a panel session at the conference, he said expensive loans were among the main reasons for stagnant housing demand.

"Demand has not picked up. One of the biggest problems started in 2016, when BNM introduced responsible lending guidelines. The quality of loans got better, but it was too hard a landing for the developers. Rejection rates for housing loans got higher. That's because banks charge loans at five to six per cent.

"We're not asking the banks to give interest-



Lower loan interest rates may attract buyers and this may reduce the number of overhang property units in the country.

PREVINDRAN SINGHE
ZerIn Properties founder and chief executive officer

free loans, but there has to be a balance.... they are responsible to affordable housing (development) as well. Cheap loans may lead to a drop in rejection rates," said Previndran.

"We are all in the same ecosystem, but why are only the developers taking the hit?"

Meanwhile, property consultants said the current slowdown in the market presents a good opportunity to shop around and buy property, whether for investment or own stay, but many don't have the appetite to purchase because of stringent lending rules and high interest rates.

They said even if developers offer a minimum 10 per cent discount and freebies like fully-fitted kitchen, wardrobe and air-conditioning system as well as creative financing schemes to entice buyers, it won't attract many people because at the end their purchase is subjected to getting their loan approved.

"It might attract the rich and super rich but not those with household income of RM10,000 and less. So I do agree with Previndran that banks have to lower their interest rates to get the buyers to come in and they have to act fast before the overhang numbers increases," said a consultant.