



23 SEP, 2019

Housing loans hit RM11b for 1st time since 2014

The Malaysian Reserve, Malaysia



Housing loans hit RM11b for 1st time since 2014

The spike is likely due to the HOC, aimed at increasing home ownership, while reducing property glut

by NG MIN SHEN

APPROVED mortgages in Malaysia's banking system hit a near five-year high in July this year at RM11.12 billion, largely driven by sales from the Home Ownership Campaign (HOC) and an accommodative monetary policy.

The last time loans approved for purchase of residential property breached the RM11 billion mark was in December 2014 with RM11.37 billion worth of mortgages approved, according to data from Bank Negara Malaysia.

The spike is likely due to the HOC, a nationwide campaign launched in January this year with the aim of increasing home ownership among Malaysians, while reducing the country's property glut.

The campaign was initially set to run for just six months, but it was extended by another six months due to popular demand from homebuyers and

developers. It includes incentives such as discounts and stamp duty exemptions.

"To some degree, the HOC could play a role since the scheme was extended from June to December this year. I suppose the momentum is still there to support the growth of house financing," Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid told *The Malaysian Reserve* (TMR).

However, he still expects loan growth to remain moderate this year amid an overhang of 32,936 units worth RM19.96 billion as at March 2019, coupled with increasingly challenging economic prospects.

"I believe an expansionary budget should help promote growth as business and consumer sentiments are weak, while the external sector is highly uncertain. Therefore, it is important to implement the infrastructure projects which have been reviewed previously," Mohd Afzanizam explained.

He added that the central bank's move to cut the Overnight Policy Rate by 25 basis points to 3% in May this year should also help stimulate the economy.

Loans approved for purchase of homes in July rose 21.3% year-on-year (YoY) from RM9.17



Despite the jump in mortgages, overall system loan growth remains sluggish and is likely to continue slowing, analysts caution

billion recorded last year. On a month-on-month (MoM) basis, the figure was 15.4% higher than the RM9.64 billion posted in May 2019.

Demand was also strong, with RM25.07 billion worth of loans applied for purchase of residential property in July — up 2.6% YoY from RM24.43 billion last year, and higher by 18.3% MoM than RM21.19 billion recorded in June 2019.

Paramount Corp Bhd told TMR last month that about 70% of its sales in the first half of 2019 (1H19) were registered under the HOC. The developer booked RM310 million worth of property sales in 1H19.

Sime Darby Property Bhd said the HOC contributed to half of its RM1.4 billion sales in 1H19, with a spike in sign-ups seen at the end of June, before the government announced the

extension of the campaign.

Earlier this month, MRCB Land Sdn Bhd, a unit of Malaysian Resources Corp Bhd (MRCB) said it has seen an increase of interest since the HOC was launched, with a "fivefold increase" in bookings and sales for its Alstonia Hilltop Homes project in Bukit Rahman Putra.

Despite the jump in mortgages, overall system loan

growth remains sluggish and is likely to continue slowing, analysts cautioned.

In a recent note, Maybank Investment Bank Bhd said industry loan growth continued to head south with a 3.9% expansion YoY in July this year versus 4.2% YoY in June, although bond issuances were higher YoY and margin pressure eased as deposit growth outpaced loan growth.

Household loan growth slowed further to 4.7% from 4.9% YoY in June 2019, while non-household loan growth was at 2.9% versus 3.3% YoY in June. Residential property lending expanded 71% YoY in July.

Loan demand recovered in July with a 0.5% growth against a contraction in June, driven mainly by demand for residential housing loans and working capital loans, MIDF Amanah Investment Bank Bhd wrote in a note.

Mortgage approvals also contributed to the 5.8% YoY growth in overall loan approvals up to July.

Yet, the uptick in housing loan applications and approvals is unlikely to turn things around for banks, as slowing global growth and the ongoing US-China war continue to outweigh incentives such as the HOC.



23 SEP, 2019

Housing loans hit RM11b for 1st time since 2014

The Malaysian Reserve, Malaysia



Page 2 of 2

SUMMARIES

The spike is likely due to the HOC, aimed at increasing home ownership, while reducing property glut

APPROVED mortgages in Malaysia's banking system hit a near five-year high in July this year at RM11.12 billion, largely driven by sales from the Home Ownership Campaign (HOC) and an accommodative monetary policy. The last time loans approved for purchase of residential property breached the RM11 billion mark was in December 2014 with RM11.