

Headline	Housing market activities fall in first half of year		
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# Housing market activities fall in first half of year

**KUALA LUMPUR:** Housing market activities fell in the first half of 2020 (1H2020) while non-residential properties experienced above-average vacancy rates and depressed rental yields, Bank Negara Malaysia (BNM) said.

The central bank said house prices in the residential property segment, as measured by the Malaysian House Price Index (MHPI), continued to register positive albeit slower growth of 1.1 per cent in 1H2020 compared to 2.2 per cent in the same period last year.

"Market activity weakened considerably, with both volume and value of transactions falling sharply during the period," it said in its Financial Stability Review – First Half 2020 released yesterday.

BNM said fewer housing projects launched during the second quarter further dampened market activity, with the number of new units amounting to only about one-fifth (3,911 units) of the quarterly average in 2019.

Meanwhile, it said the number of unsold houses remained elevated at close to 170,000 units, with most still under construction (67 per cent of unsold units) or priced above RM300,000 (73 per cent).

"The pandemic may increase risks of a broader decline in house prices due to a deterioration in income and weaker demand conditions, and this, in turn, would increase risks to financial stability, given that loans for the purchase of residential properties account



Fewer housing projects launched during the second quarter further dampened market activity, with the number of new units amounting to only about one-fifth (3,911 units) of the quarterly average in 2019. — Bernama photo

for the bulk of banks' total property-related exposures," it said.

Therefore, it said several factors are expected to mitigate this risk, including extending 80 per cent of loans for homes that are owner-occupied which substantially reduces the likelihood of borrowers defaulting on their loans.

"Second, the bulk (85 per cent) of borrowings for investment purchases are associated with higher-income borrowers earning more than RM5,000 per month," it said.

It said such borrowers are generally more resilient to income shocks and are unlikely to dispose of properties at a loss

if they could continue to service their debt.

"Third, speculative activity in the housing market has remained subdued for some years now, with prices in some segments already having moderated significantly from exuberant valuations in the past," it said.

Furthermore, BNM said recent overnight policy rate (OPR) cuts and the reintroduction of the Home Ownership Campaign (HOC) should continue to provide some support to housing demand, particularly in the primary market as already evidenced by the strong recovery in the growth of applications of loans for the purchase of residential property in June, mainly in the

affordable segment.

"The automatic loan moratorium and targeted repayment assistance also provide vulnerable borrowers with some relief and will limit property foreclosures that could put pressure on house prices," said the central bank.

In other property segments, BNM said the exposure of banks remained low and continued to be largely performing.

The report provides Bank Negara Malaysia's assessment on the current and potential risks to financial stability and the resilience of the Malaysian financial system to sustain its financial intermediation role in the economy. — Bernama