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HOUSING THE NATION IN 2019

Cagamas sees imbalance between demand and supply in the property market



By **HAKIM HASSAN**
hakim@thestar.com.my

THE soft property market trend is expected to continue this year due mainly to a mismatch between demand and supply. And this imbalance is exacerbated by a slower household income growth, says National Mortgage Corporation of Malaysia (Cagamas) president/chief executive officer Datuk Chung Chee Leong.

"Looking at the house price index released by the National Property Information Centre, we see that in the third quarter of 2018 there is only an increase of 1.1% which is relatively low compared to 6%-7% in the late 2000s.

"There is a huge demand for houses from some sectors, particularly for affordable housing, but there are lots of unsold units. The oversupply or housing overhang is about 30,000 units," he told StarProperty.my.

Chung attributes the oversupply of homes to location, accessibility and personal preferences.

"There is a huge demand for affordable houses but some of them – even when priced at RM300,000 – remain unsold because of the

location or accessibility in terms of transportation and infrastructure, and a general preference for landed properties compared to apartments.

"But I think it is more to do with location, as you can see with previous reports by the media that a particular road was experiencing congestion as early as 5 am, so technically, yes you may have supply of such houses in an area, but because of the fact that there is a lack of accessibility, this would somewhat affect the demand of houses itself."

Chung says that another contributing factor is the inability to get loans. "Reasons for applications being rejected include high indebtedness of the borrower, the high gearing that they already have, or they are deemed as not credit-worthy to own property. Although they are keen to buy, they cannot afford it."

Getting loans for affordable homes

Asked about the new Fund for Affordable Homes initiated by Bank Negara Malaysia (BNM), Chung says it is a short-term measure to help address the issue of accessibility to financing.

"There are two parts to this housing issue: one is affordability with respect to pricing and the other is accessibility to financing.

"The point is whether the borrower can get the loan. BNM and Cagamas are looking at how we can assist borrowers in buying their house," he adds.

Chung says there are also problems to address from the developer's side. "The high cost of construction, high land cost, labour cost as well as developmental cost – all contribute to high house prices.

"Since the new national housing policy is now in place, the relevant parties should ensure that prices have not spiralled out of control."

On the RM1bil fund for affordable housing, Chung says it will help borrowers in the B40 group (those earning less than RM2,300 a month) to buy houses priced below RM150,000.

"It is essentially a subsidised interest rate of 3.5% compared to normal housing loans of around 4%-5% or even more depending on credit-worthiness. Because of the lower interest rate, the borrowers will have a lower loan repayment."

Chung says Cagamas will provide the mortgage guarantee to enable

borrowers to borrow up to 100% or more.

"For houses below RM300,000, those earning below RM5,000 either individually or as a household can even borrow up to 110% including the down payment as well as the mortgage reducing term assurance (MRTA). This means they don't have to come up with a lot of money to buy a house.

"It is to help first-time home buyers. Because of rising prices, by the time they have saved up for the 10% down payment it is no longer enough.

"To accelerate the buying process for buyers to avoid this volatility of price increase, the government basically provided the mortgage guarantee on behalf of these borrowers. And because of this facility, banks are able to charge slightly lower.

"Ultimately we will need a wider solution for both the supply and demand sides. We are looking at more innovative schemes that will allow individuals to buy their desired homes," he adds.

The way ahead for Cagamas

Last year, Cagamas issued about RM15.8bil worth of corporate bonds and sukuk – which is the highest in the last 10 years, says Chung. The figure for 2019 is estimated at RM15bil.

"As we expect to buy housing loans worth about RM13bil to RM14bil, issuance should be around RM15bil or so.

"Basically we mobilise the bond and sukuk markets both domestically and internationally. We issue bonds in US dollar, Singapore dollar, Hong Kong dollar, Australian dollar as well Chinese Renminbi; these issuances bring back money which we pass to the banks at competitive rates so they can lend some of the funds to house buyers," Chung explains.

In terms of Islamic assets, he says they make up 38% which is in line with BNM's target.

"By 2020, our target for Islamic assets could be around 40% or even 45%. It depends on the needs of the banks; the number of Islamic banks is still small compared to conventional banks," he adds. ♀

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