

Headline	Finding the right time to buy a house		
MediaTitle	Focus Malaysia		
Date	08 Jun 2019	Color	Full Color
Section	News	Circulation	16,405
Page No	26	Readership	49,215
Language	English	ArticleSize	936 cm ²
Journalist	Jo-EyChee	AdValue	RM 14,365
Frequency	Weekly	PR Value	RM 43,095



You may be ready to buy a home but is the current market condition ideal for maximizing value for money? Any property player would tell you that timing is everything when it comes to purchasing a home. It can be the difference between saving hundreds or thousands of ringgit.

According to Knight Frank's Global Residential Cities Index, average housing prices in Kuala Lumpur dropped by 0.6% from 3Q17 to 3Q18. The easing of house prices indicates a fall in demand and these may point to a good buyer's market.

For the first time in three years, Bank Negara lowered the Overnight Policy Rate to 3% from 3.25% effective May 7, 2019. This is another encouraging nod for those planning to purchase a home. Although consumer reactions to the interest rate cut are quite mixed, the lower rates will benefit loan borrowers in the long run.

As we all know, there is no one formula for success when it comes to deciding the right time to purchase a home. Pricing, interest rates, and even your financial readiness all play a role.

How to identify signs of a buyer's market

Property remains a favourite investment choice. Many home owners have been rewarded with growth in house prices albeit at a slower rate than in the past during the property booms. The property market in Malaysia is quite resilient and has always bounced back from economic crises in the past.

If you want to make the most of your home purchase, learn to identify the signs of a buyer's market. Look into things like the volume of transactions and housing price index. A slowing market can be one of the telling signs of a buyer's market. When the demand is low, house prices might become more flexible and you can shop around or the government might launch incentive programmes to attract home buyers. For example, home ownership programmes targeted at first-time homebuyers offer stamp duty exemptions.

Do thorough research if you are a first-time home buyer. As property is an expensive purchase, find the right house to invest in. Make sure it is accessible via public transport and find a property with ancillary facilities.



When making a home purchase, learn to identify the signs of a buyer's market

Finding the right time to buy a house

- When the demand is low, house prices might become more flexible
- The recent interest rate cut by Bank Negara is another encouraging nod for those planning to purchase a home



by Jo-Ey Chee

Consider reputable second-tier developers that might be more willing to sell at discounted prices compared to premium developers. If you are looking for high-rise property, look for well-maintained properties and find out how much the maintenance fees for the property are. All these add value to the property.

Property agent KC Chia shares, "When the economy is slow, buyers will have more options and property developers

are more willing to come up with different packages that offer special perks to entice buyers."

Impact of interest rate cut

Interest rate has always been considered an important part of the homebuying equation as it can significantly add to mortgage loans over the long term.

A reduction in interest rate cut is good news to mortgage payers. This means they will now pay a lower monthly instalment to service their housing loans. Hence, Bank Negara's reduction of interest rates is good news to both new and existing borrowers with floating rate loans such as mortgages. The reduction of the interest rate by 0.25% will be reflected in the monthly instalments for new and existing loans.

This also means borrowers will get to enjoy a lower interest rate when applying for loans, including housing loans. When interest rates are lowered, people tend to borrow more money and spend more which in turn catalyses the country's economic growth.

All of this comes against the backdrop of a slowing economy and escalating trade war between the US and China with financial markets and global trade feeling the ripple effects.

If however you have existing fixed rate loans such as auto and personal loans, the reduc-



Chia: When the market is down, expect perks to entice buyers

tion will not affect you as these loans maintain a fixed interest rate throughout loan repayment.

Those who are planning to apply for a new personal or car loan can take advantage of the reduced interest rates.

The interest rate cut, however, may not result in much savings in your instalments. The reason is that several banks had increased their rates before the central bank's decision.

Although the interest rate cut may have little impact on borrowing costs, it can help you save in the long run (see table).

The OPR cut may not augur well for those who have high savings and fixed deposits as it may also translate into a decrease in the interest rates for these products. However, the impact will most likely be marginal.

Rather than pooling your money into the savings account, you can put your money in different types of investments such as gold, silver or mutual funds.

Example of how an interest rate cut affects a home loan

LOAN AMOUNT	RM500,000	
LOAN TENURE	30 years	
	BR: 3.65%	BR: 3.65% - 0.25% = 3.40%
HOME LOAN INTEREST RATE	4.45% (3.65% + 0.80%)	4.20% (3.40% + 0.80%)
MONTHLY REPAYMENT	RM2,518.59	RM2,445.09
TOTAL INTEREST PAID OVER 30 YEARS	RM406,693	RM380,232.40

* BR: Base Rate

Source: Industry