Housing Policy 2.0 likely to address lending and construction cost issues

PETALING JAYA: The upcoming National Housing Policy 2.0 will likely address measures to ease lending requirements and reduce construction costs, according to UOBKayHian Research.

"The new housing policy presents a slight optimism for the sector as it is expected to tackle the high property prices and ease lending requirements – particularly for first-time home buyers," the report said.

"The ministry has emphasised that it will address several issues which include lowering house prices by reducing compliance cost and implementation of industrialised building systems.

"Apart from that, the federal government is also working closely with state governments on land issues where the latter have been asked to submit a list of potential land plots that can be used for affordable housing projects," UOB analysts said.

The housing policy is expected to be unveiled on Nov 2 when the new government reveals its first budget.

There are also potential measures that are proposed for the housing policy including the extension of a maximum loan tenure to up to 40 years and the availability of various types of loan structures like flexi loans, flexi interest rates and step-up schemes.

The report stated that "these 'hybrid' measures provide better flexibility for homeowners to own houses, and allow young home buyers to own a house once they join the workforce".

"At present, the maximum loan tenure is 35 years or until the borrower turns 70 years old, whichever is earlier."

The analysts also continue to believe that affordable housing will remain the key focus of developers moving forward.

"According to the Real Estate and Housing Developers' Association Malaysia (Rehda), the proportion of residential properties launched in the price range below RM500,000 has jumped to 65% of the total launches in the first half of the financial year 2018 compared to 52% in the second half of 2017."

They added that, "Separately, Rehda has also outlined a few suggestions to encourage provisions of affordable housing which includes reduction of development charges, lower land conversion premium and exemption of capital contribution."

On the matter of the slowdown in the sector, analysts advised to maintain market weight, due to the fact that, "Most stocks are trading at well over 50% discounts to their assessed RNAV."

UOBKayHian maintained a Buy on Malaysian Resources Corp Bhd (MRCB) and Gabungan AQRS Bhd in their sector update report.

For MRCB, it was due to their solid order book backlog of RM5.1bil as of June 2018, which would provide earnings visibility in the next three to four years while AQRS's affordable semi-furnished apartment project called E 'Island has received encouraging response from potential buyers.

Mah Sing was reiterated for Hold as the group will continue to focus on affordable properties.