

# Developers caught in rut as demand for affordable housing higher than supply, with expensive homes unsold

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Home prices on average have hit RM773,000 in KL and RM497,000 in Selangor by the third quarter of 2018, making them over 100 and 80 per cent respectively higher than compared to 2008. — Picture by Yusof Mat Isa

KUALA LUMPUR, March 9 — Malaysian property developers face the conundrum of more expensive houses remaining unsold even as demand exceeds the supply of affordable housing.

*The Straits Times* reported that only a quarter of homes launched nationwide between 2016 to March 2018 cost under RM250,000, and for the first time in a decade the overall House Price Index fell on a quarterly basis last year.

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The Index dipped 193.1 to 192.1 between the second quarter and third quarter of 2018. Although last year's overall prices are still expected to be higher than in 2017 at 187.6, home prices are however expected to further drop in 2019.

In 2016 nearly 15,000 homes remain unsold after nearly nine months of being completed. Those worth over RM300,000, beyond the reach of most buyers, account for 60.6 per cent of the total.

By the third quarter of 2018, the unsold units stood at over 30,000, with 'unaffordable' homes now making up 65.4 per cent of the figure. These exclude some 10,801 serviced apartments and small office home office units built on costly commercial land that remain unsold.

Due to this developers are now sitting on RM27.4 billion worth of completed but unsold homes throughout country.

Bank Negara's Financial Stability Review for the first half of 2018 indicated the mismatch between housing demand and supply is exerting upward pressure on house prices.

This has resulted in some 146,196 unsold units by June, including uncompleted units that have since been launched. Over 80 per cent of these cost above RM250,000.