

# Housing glut: Who's at fault?

**THE STRAITS TIMES** <https://www.nst.com.my/opinion/columnists/2017/11/304828/housing-glut-whos-fault>

BANK Negara Malaysia has called a spade a spade.

Malaysia, it says, is facing a residential property glut, with the oversupply at its highest level in 10 years.

It says most of the unsold units are priced at RM250,000 and above, beyond what most Malaysians can afford.

"There were 130,690 unsold units at the end of March this year, with 83 per cent priced at above RM250,000. Also, 61 per cent of the unsold units are high-rise apartments," it said.

"Supply-demand imbalances in the property market have increased since 2015. Unsold residential properties are at a decade high, with the majority of unsold units being in the above-RM250,000 price category," BNM said.

The central bank said the largest oversupply is found in Johor.

"This (glut) situation could worsen if the current supply-demand conditions persist.

"Within the country, Johor is poised to have the largest property market imbalances (highest number of unsold residential properties and potentially the largest excess supply of retail space)."

It also warned that the glut of office space and shopping complexes in major states may worsen with incoming supply, potentially becoming more severe than what was seen during the 1997/98 Asian Financial Crisis.

It said that one in three offices would be vacant by 2021, and that 140 new malls would enter the market by that year.

"As such, it is timely for all parties to act now to mitigate any potential risks to macroeconomic and financial stability."

How did we end up with this housing property bubble? Who is at fault? Developers? Bankers?

The central bank and property analysts said there are a couple of factors.

These include the steady rise in land bank prices, stable economic growth, a rush of new projects to build condominiums at ever-increasing prices and a lower rise in income level.

Entry to the market is also easy. Everybody thinks there is money in property and all of them want to go into property and become developers.

Even GLCs are joining in the fray and building high-end projects and driving up prices in the process.

But what will happen next and how do we avoid a devastating effect if the bubble does burst and market crashes?

For one, I don't think we can afford to see a repeat of the financial crisis, this time led by the property market. Hopefully, there will not be a Danaharta 2.0.

Developers, bankers and the government should and must intervene to address the medium- to high-end property glut.

Developers might be initially reluctant to reduce their prices but ultimately they will have to bite the bullet to clear the stock overhang by offering discounts and throwing in goodies such as free kitchen cabinets.

The stock of unsold units of high-end properties is already on the balance sheet of developers and is eating into their margins. As such, they have to launch more projects to broaden their revenue and boost margins.

Industry leaders and Rehda might have a different viewpoint and they have insisted that prices will not drop anytime and that the best time to pick up properties is now rather than later.

There is a bit of psychological warfare going on now. They know that big units cannot sell. Buyers just don't have the money.

How to we address the stock overhang? Bank Negara said one way is to encourage the rental market.

There is a need to develop a strong rental market by enacting the Residential Tenancy Act and establishing a Tenancy Tribunal to safeguard the rights of both tenants and landlords, it said.

People will initially rent the properties and buy later when their income rises.

Also, there should be greater concerted efforts to manage new supplies, both for residential and commercial and office properties.

State governments and local authorities should have better control and rules in planning approvals.

In terms of affordable housing, Malaysians should welcome Bank Negara's proposal to set up a single entity for affordable housing to accelerate the rebalancing of supply towards the affordable range.

Right now, there are just too many agencies and authorities involved in the residential property industry. They should avoid any duplicating roles in the development of affordable housing.

