

Viabile national policy crucial to resolve property supply, demand: Johari

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PETALING JAYA: The oversupply of office and retail mall space and the gross mismatch between housing supply and demand are challenges facing the housing and property sector.

Second Finance Minister Datuk Seri Johari Abdul Ghani said on Friday that formulating a viable national level policy and strategy was “critical”.

In the office sector, Johari said new offices have reported 70% vacancy rate even with six to seven months free rental periods.

“With 38 million square feet of incoming office space in Klang Valley from 2017 onwards, it will only worsen the situation,” he said.

“A downturn in the housing and property sector will have dire consequences to the purchasers, financiers and developers,” he said at a special address at the 20th National Housing & Property Summit organised by the Asian Strategy & Leadership Institute.

Johari also debunked the myth that lack of access to finance was the reason for the slow housing and property sector.

He said those who were rejected involved borrowers with “high levels of pre-existing debt obligations that would expose them to severe financial risk if further debt was extended”.

“The risk of foreclosure is significantly higher and they are much more likely to fall in financial hardship in the event of income shocks,” he said.

Bank Negara Malaysia (BNM) reported an overall housing loan approval rate remains high at 74.2%.

Banks had approved a total of RM22.3bil of house financing to 90,137 borrowers.

More than half was housing units priced below RM500,000.

About 72% of borrowers in 2016 were first-time buyers. Johari said as at end-2016, about 56% of loans outstanding were for houses priced below RM250,000, houses priced between RM250,000 to RM500,000 accounted for another 25%.

“Access to financing is not a hindrance; the escalating price of housing above and beyond rakyat’s affordability seems to be primary issue, particularly with respect to affordable housing,” he said.

The way forward was a multi-pronged approach and the use of technology and cost-saving construction methods was one.

Private developers made little progress in this area although the Finance Ministry has cut import tax for machinery that promote the use of Industrialised building systems (IBSs), he said.

He said a single entity to overlook the issues in the property sector was “critical”.

Having a “robust rental market” is another and this can be done by having regulations that protect both tenants and landlords, as in Britain and developed countries. Only 24% of Malaysian households rent, he said.

If these different issues remain unattended, he was concerned about a bubble.