Bank Negara: Unsold housing units increase, unaffordable

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KUALA LUMPUR: The number of unsold housing units increased in 2017 while houses also remained unaffordable especially in key employment centres, according to Bank Negara Malaysia.
In its Financial Stability and Payments report for 2017, it said there was an uptick in housing market activities, despite the high number of unsold residential properties priced at RM250,000 and above.

Unsold housing units increased on an annual basis by 22.7% in 2017 (2016: 41%) to 129,052 units as at end-September 2017.

More than 80% of the unsold units were priced at RM250,000 and above.

Many of these units were high-rise residential properties and were mainly in areas located far from major economic centres and with limited public transport facilities.

“The high number of unsold housing units also reflects the persistent mismatch between the selling price of houses being built and what most households can afford,” according to the report.

Between 2013 and October 2017, Bank Negara said 123,103 units of affordable homes have been built by the government, with over one million units at various stages of construction or planning.

The Government has also announced a freeze on the development of new luxury residential properties to rebalance the supply in the residential property market.

“Nonetheless, incoming supply of affordable housing remains insufficient to meet the rising demand from households.

“From January 2016 until September 2017, only 24% of new launches (25,124 units including those built by private developers) were priced below RM250,000,” it said.

This is inadequate to meet the demand of about one-third of Malaysian households that can only afford houses priced below this level.

The mismatch was exacerbated by the slower increase in median household income (CAGR 2012-2016: 9.6%) relative to median house prices (15.6%), rendering houses being seriously unaffordable4 in certain parts of the country

Bank Negara says despite growing Imbalances in the property market, there are no Imminent risks to financial stability.

In 2017, total exposures of Malaysian financial institutions to the domestic property market expanded by 7.1% (2014-2016 average: 12.5%) to RM850.3bil. The expansion was largely attributed to end-financing for the purchase of residential properties (5.3 percentage points).

Bank Negara also points out that total exposures of Malaysian financial institutions to the domestic property market accounted for 27.4% (2016: 26.7%) of their total assets as at end-2017.

Banks remained the largest lenders to the domestic property market. Out of the RM817.3bil of banks’ exposures to the property market, about 90% was related to end-financing for the purchase of residential and non-residential properties.

For the residential property market, in the first nine months of 2017, the total value of housing transactions registered an annual growth of 2.6% (2016: -10.7%), with the volume of housing transactions recording a smaller decline of 6.1% (2016: -13.9%).

This reflected the higher share of transactions for the purchase of houses priced above RM500,000 in both the primary and secondary markets.

The average house price as measured by the Malaysian House Price Index (MHPI) continued to increase at a moderate pace of about 7% in the first half of 2017 (3Q 2017 preliminary: 5.1%; 2016: 7.1%; 2010-2014 average: 9.6%; 1990-2009 average: 5.5%).

Bank Negara said as for speculative activities in the housing market, they remained subdued with the bulk of loans directed to first-time house buyers.

Outstanding financing extended to first-time buyers for the purchase of houses priced below RM500,000 accounted for about 71% of total housing loan borrowers.

“The risk of significant price correction for such exposures remained limited due to sustained strong demand,” it said.

In 2017, the number of borrowers with three and more outstanding housing loan accounts, a proxy for speculative purchases, grew by 0.9% (2016: 1.2%; 2010: 15.8%), accounting for less than 3% of total housing loan borrowers.

The share of housing loans settled within three years, another gauge of speculative purchases, reduced further to 9.7% (2016: 11.8%) of total housing loans settled.