

Property glut persists, worsening for housing

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KUALA LUMPUR — The property oversupply that Bank Negara highlighted earlier this year has not eased, the central bank said in its first half financial stability review released yesterday.

It noted the number of unsold residential units had in fact risen to 146,196 as of end March, with four in five such units priced above RM250,000.

"Excess supply of office space and

shopping complexes is also expected to persist as vacancy rates deteriorated further in the first quarter of 2018.

"Nevertheless, sustained demand for affordable housing, particularly from first-time home buyers, and prudent underwriting practice in lending to the property market and related sectors are expected to mitigate risks of a broad-based price correction," the central bank said.

In February, BNM warned of a shortage of affordable houses in the country, in a report that also disclosed data showing home prices to have been "seriously

unaffordable" in 2016 by international standards.

As a result of the supply-demand mismatch, BNM said the level of total unsold residential property stood at a decade-high of 146,497 units as at the second quarter of last year, an increase from 130,690 units in the preceding quarter.

Data on unsold units in subsequent quarters was not included in the latest release.

However, BNM said mortgages were still being approved according to its guidelines.

"About three-quarters of new loans

approved were to borrowers with debt service ratios of less than 60 per cent," it said.

Buyers and groups representing them have consistently complained about the severity of these guidelines and the resulting rejection rates.

Property prices remain a persistent issue in Malaysia, as in other parts of the world, with prevailing property prices surpassing the affordability of average wage earners.

The previous government introduced initiatives such as PR1MA to try and address the problem, with mixed results.