

'HOUSING WATCH'

# BNM DEBUNKS LOAN 'MYTH'

Developers urged to boost efforts to cut costs and accelerate housing supply

KUALA LUMPUR

**M**ALAYSIA'S central bank has a response to those saying it needs to do more to spur home loans: houses simply aren't affordable.

Bank Negara Malaysia has created a website packed with data aimed at debunking the "myth" that access to financing was deterring home ownership, showing that loan approvals for key cities are near 70 per cent or higher.

The central bank has resisted calls to loosen mortgage lending, instead saying the property industry should boost efforts to cut costs and accelerate supply.

Rising home prices have added to the grievances of Malaysians grappling with the cost of living since a goods and services tax started two years ago, and as the government removes subsidies on daily items including petrol and sugar.

That's made affordable housing a key voter issue for Prime Minister Datuk Seri Najib Razak ahead of a general election that must be held by mid-2018.

The median house price in Malaysia was 4.4 times the median annual household income in the latest available data, making the housing market "seriously unaffordable" compared with global standards, according to a 2015 report by state-run Khazanah Research Institute. The report classed an affordable market as one with a median multiple of 3 times.

That still makes Malaysia cheaper than many other mar-



Bank Negara Malaysia's 'Housing Watch' website has revealed that the myth that access to financing is deterring home ownership is factually untrue. BLOOMBERG PIC

kets, with affordable housing in key cities something of a rarity in the 21st century. In the latest Demographia study, Kuala Lumpur had the eighth best housing affordability out of 18 metropolitan regions around the globe, with Hong Kong homes costing 19 times income and Beijing 14.5 times.

Bank Negara is seeking to strike a balance: its housing website aims to show transparency in the market while the lender also stands firm on stricter financing rules introduced since 2010 to curb speculation, as well as measures to promote responsible

lending amid elevated consumer debt.

Household debt as a proportion of gross domestic product fell to 88.4 per cent last year from 89.1 per cent. It's still one of the region's highest and the nation needs to be careful of such levels, Bank Negara governor Datuk Muhammad Ibrahim said in July. The central bank has left borrowing costs unchanged at three per cent since July last year.

Just 20 per cent of new housing launches in the first quarter were priced below RM250,000, down from 33 per cent between 2010 and 2014, according to the cen-

tral bank's "Housing Watch" website. The bulk of new homes cost between RM250,000 and RM500,000. The median annual household income is estimated at around RM63,000.

"It is an issue of not having enough income and houses being too expensive," Muhammad told a conference in August.

Only about half of people living here own a home, while nationwide, the number was 72.5 per cent at the last census in 2010. Demand is set to rise: the median age of Malaysia's 31.7 million people is 28 years and the nation's urban population is growing at four per cent a year.

Banks are being "prudent and responsible" in providing finance to buyers, an association of Malaysia commercial lenders said in a statement this week. It was seeking to refute claims by developers that house buyers are finding it harder to obtain a housing loan and that approval times are increasing.

Developers should instead be looking at their own industry, said Datuk Paul Selvaraj, secretary general of the Federation of Malaysian Consumers Associations.

"The focus should be on building houses which people can afford, not building expensive houses and then trying to push them, and then complaining that the banks are not giving loans," he said.

"The reason people are having problems getting loans is because the houses are not affordable. It's beyond their repayment ability," he said. **Bloomberg**