

BNM's rate cut a boon for market

➤ OPR reduction could lead to upswing in sentiment as home seekers leverage on lower borrowing costs: PropertyGuru

KUALA LUMPUR: Bank Negara Malaysia's (BNM's) revision of the Overnight Policy Rate (OPR) to 2.75% last week serves as a stimulus for the nation's property market, according to PropertyGuru Malaysia.

Its country manager Sheldon Fernandez (*pic*) said while changes to the OPR have minimal impact upon home loan rates, with a cut of 25 basis points translating to a fractional reduction in loan instalments, it is still a silver lining for industry players largely overlooked by Budget 2020.

"The timing of the revision comes as a surprise. It is, nevertheless, a boon for Malaysian home seekers stricken by housing affordability, availability and financing challenges, as a step towards a more conducive lending environment."

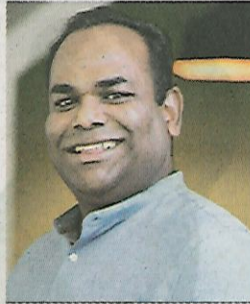
As the prevailing rate at which banks borrow funds to finance loans, a reduction in the OPR will reduce interest rates applied to consumers for home loans and other financial instruments. This in turn leads to cheaper loans, with a 13% increase in loan approvals reported following a similar OPR cut to 3% in May 2019.

"The new OPR rate of 2.75% may lead to an upswing in purchaser sentiment as home seekers leverage on lower interest rates, with renewed interest in home ownership in the first quarter. As such, it is an opportune time to review the state of property and affordable housing in the market," said Fernandez.

BNM's move is set against a backdrop of overpriced properties, prevalent loan rejections and a resulting residential overhang in the property segment, dashing the home ownership aspirations of younger home seekers in the country and placing a national emphasis on affordable housing efforts.

The residential overhang stood at 31,092 units as of the third quarter of 2019 according to the National Property Information Centre, representing the number of units remaining unsold nine months after launch, as defined by the Valuation and Property Services Department.

Pricing and affordability concerns are generally cited as factors behind the slow uptake of these units. Despite calls for more affordable housing, many home seekers have not applied for - or may not even be aware of - the numerous housing schemes and financing initiatives designed to help these demographics purchase homes, according to PropertyGuru Malaysia's most recent Consumer Sentiment Survey.



"By our findings, 63% of Malaysians feel that the government is not doing enough to make housing affordable. However, 30% also share that they have yet to apply for affordable housing schemes, and 3% even reported that they did not know such schemes existed," said Fernandez.

Current housing schemes available include Perumahan Rakyat 1Malaysia (PR1M), Rumah Selangorku, Residensi Wilayah (formerly RumaWIP), Skim Rumah Pertamaku and Program Perumahan Awam 1 Malaysia (PPA1M).

In addition, initiatives such as Bank Simpanan Nasional's Youth Housing Scheme, BNM's Fund for Affordable Homes and various rent-to-own (RTO) programmes have been launched to assist Malaysians in financing their home purchases.

However, uptake of these programmes leaves room to be desired. According to the PropertyGuru Consumer Sentiment Survey data, only 19% of respondents have applied for purchases under PR1M. Other schemes fared even worse, with 9% applying to Rumah Selangorku, 7% to Residensi Wilayah, 6% to Skim Rumah Pertamaku and just 5% to PPA1M.

"Part of the problem is financial eligibility criteria. Each housing scheme may have different requirements, in terms of income as well as other factors. This can lead to confusion among home buyers as to which programmes they qualify for," said Sheldon.

The Fund for Affordable Homes is available until January 2021, or until its RM1 billion allocation is fully utilised. This programme has seen positive uptake, receiving over 3,100 applications for funds totalling RM596 million.