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## New ruling on property financing hailed

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ANALYSTS have welcomed Bank Negara Malaysia's ban on the financing of development of properties and shophouses costing more than RM250,000 each, saying it will speed up the recovery of the property sector, which in turn will have a beneficial impact on related industries.

Restricting the supply of high-end projects can bolster the prices of such properties and provide comfort for potential buyers, says one analyst.

"This is a normal way of doing it. The curb indicates that Bank Negara is not compromising on the loan target by encouraging banks to lend to non-viable projects," he told Business Times yesterday.

There were close to RM6 billion unsold properties at the end of last year, but more than RM1 billion's worth have been sold since the Home Ownership Campaign was launched by Prime Minister Datuk Seri Dr Mahathir Mohamad on December 12 last year. The campaign will end on January 12.

"As there is still abundant oversupply, particularly in the retail and the office segments, the property market cannot afford any more new developments," the analyst said.

As at November last year, the banking industry's exposure to the broad property sector, including infrastructure, stood at a high of RM148 billion or 35 per cent of total loans.

The new ruling, however, should encourage the development of more affordable projects, such as low- and medium-cost properties, even though they may be less profitable than high-end ones.

"Developers would at least be able to generate sufficient cashflow to survive the current cycle," the analyst said.

His view was supported by another analyst, who stressed that the move is timely as the glut in the property sector should not be allowed to drag on.

"It is time for property developers to revise their projects as demand is more for low- and medium-cost properties rather than high-end products," he said.

He added that the Home Ownership Campaign has been a big success, as developers have managed to clear off some of their inventories.

Another analyst said Malaysia does not need high-end properties as there is excess supply. She expects the ruling to be lifted once the economy recovers and the oversupply in the property sector has been overcome.

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