Home loans sharply down from 2011 as economy bites
The Malaysian Insider
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KUALA LUMPUR, April 18 — Mortgage approvals and applications in February were respectively 27 and 18 per cent lower than last year's peak due to weaker consumer sentiment, heightened economic uncertainties, and stricter lending guidelines, said HwangDBS Vickers in a report today.

The report said the loan approval rate has fallen to 45 per cent from 55 per cent in August last year, while margin of financing has reduced to 70-80 per cent from 90-95 per cent in the heydays of the property boom.

HwangDBS estimated that for a 30-year loan on a RM500,0000 property, the lower margin of financing would set a borrower back by an additional RM360 per month, or nine per cent of average household income, on top of the two-three times higher downpayment.

The research house noted that developers have been holding back or scaling down launches and setting more reasonable average selling prices, after the 10-20 per cent hikes that were seen from 2010 to the first half of 2011.

Demand for landed properties, small condominiums in matured locations that cost less than RM1 million, and affordable housing in suburbs that cost under RM500,000 remain robust, according to the report.

Cited as an example to show that property developers were attempting to offer more reasonably-priced properties, was market leader Desa Park City's pricing of its Westside 2 condos at RM650 per sq foot (psf) or from RM700k per unit, as compared with RM710 psf in the secondary market for condominiums in its Northshore development.

HwangDBS noted that mortgage rates remain competitive, with some as low as BLR-2.4 or 4.2 per cent, while developers are once again offering interest-free schemes, discounts and gifts to mitigate the 70 per cent loan-to-value cap for third mortgage onwards.

HwangDBS said, however, that despite lower demand, property may not become more affordable due to sticky prices and tougher financing.

It added that companies that cater to the mass market like SP Setia and companies with REIT potential, such as IGB and KLCC Property, would likely do better under the current market conditions.

"At this part of the cycle, developers with exposure to mass housing will likely do better (more genuine demand from first-second home owners who are less affected by bank tightening)," said HwangDBS.

Bank Negara's responsible lending guidelines came into effect on January 1 this year to help reign in household debt, which is currently about 77 per cent of GDP.

The new guidelines include recommendations for loans to be approved based on net income as compared with gross income previously.

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