‘Innovative financing schemes will push up house prices’

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PETALING JAYA: The rise of innovative financing schemes for the property market will lead to higher house prices and home buyers strapping themselves with mortgages that they cannot afford, said Hong Leong Investment Bank (HLIB) Research.

HLIB Research analyst Andrew Lim, who attended the HiHOME Property Conference 2019 held last Thursday, said that house prices in Malaysia appear to be categorised as unaffordable and have been worsening over the past years as the growth of median house prices surpassed the growth of annual median income.

“With regards to the recent increase in innovative financing schemes to support the sluggish market, we believe it does not solve the fundamental issue as this will not only further push house prices up, but also encourage home buyers to undertake mortgages beyond their affordable means,” he said in a report on Monday.

According to Lim, one of the speakers at the conference highlighted the positives of renting compared with owning a home.

When compared to developed countries, Malaysia has a lower household home rental proportion of 33% compared with 49% in Germany, 42% in the US and 38% in the UK 38%.

The low proportion in Malaysia could be attributed to the stigma of renting a home which is still apparent in Malaysia, despite the numerous benefits of renting, such as lower monthly commitment and better flexibility.

“An example given was using a house priced at RM900,000 in SS2, Petaling Jaya, whereby renting the house will cost about RM2,000 per month vis-a-vis monthly instalments amounting to about RM3,700 per month.

“Note that this has not taken into account the huge down payment required when purchasing a house, maintenance cost, renovation cost and others. By renting a home, households will also have the mobility to reside in different locations over the years and additional time to research on potential neighbourhoods before committing to a mortgage,” said Lim.

HLIB Research maintained its forecasts and “neutral” stance on the property sector, despite having five “buy” calls out of the eight companies under its coverage, due to the absence of near-term catalysts to warrant a re-rating in its sector call.

However, it does not rule out a possible mild recovery of interest towards the sector given the trough valuations.

Its top pick for the sector is Sunway Bhd, an underappreciated property-construction conglomerate with mature investment properties, growing trading and quarry division and potential listing of healthcare business. It has a “buy” call and RM2.18 target price on the stock.

Meanwhile, its small-cap pick is MB World Group Bhd, with a “buy” call and RM2.75 target price. It said that the company has first-mover advantage to capture the spillover effect from the growth in the RAPID project in Pengerang and Desaru Coast.