

Local housing market 'at inflection point'

> A bubble was averted due to stricter lending policies and financial regulations, experts say

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PETALING JAYA: Stakeholders and observers believe that the current soft property market is the product of a housing cycle that is close to an inflection point, rather than a premonition of a bubble that will burst.

According to a study conducted by MKH Bhd, the cooling measures introduced by the government have moderated the impact of price growth in the last market boom and avoided a housing bubble from taking place.

"What we are experiencing now is a periodic severe form of housing cycle. It is also foreseen that Malaysia is free of any impending bubble in the immediate future, due mainly to the absence of extreme lax in house loan lending policy and financial regulations," said MKH group managing director Tan Sri Eddy Chen Lok Loi.

According to him, the housing cycle is a result of the country's inelastic housing supply delivery system, following a series of mismatches in terms of location, product and price.

"My belief is that we are at the flattish bottom part of a U-curve, an inflection point. It is most likely to move up but it still faces a possibility of a slight downside before moving up. This is evidenced by a series of circumstances happening in the market currently: affordability crisis, overbuilding and others," he told *SunBiz*.

Chen said most developers have already taken mitigating measures during this "slow" period, to ensure they are able to sustain a viable financial position, though some may face cash flow issues.

"In fact, most developers are reporting a profit, albeit a smaller one. My take is that most companies will declare a smaller dividend, but the longer term property growth is still intact," he said.

With a gross domestic product expansion of 4.5-5% that still augurs well



BERNAMAPIX

Visitors checking out affordable homes in Hulu Selangor. There is not enough affordable homes and supply in the right areas is still lacking, an economist says.

for the sector, Chen believes that there is still upside for the housing market.

In July, Institute for Democracy and Economic Affairs (Ideas) senior fellow Dr Carmelo Ferlito warned of an imminent property market bubble and advised the government to be ready for it to burst.

During a presentation on his policy paper at the Affordable Housing Conference 2018, he said it was a question of when the bubble would burst and delaying it would result in greater impact.

Chen disagrees, saying that a housing bubble refers to a situation in which there is a sharp upsurge and a rapid fall of house prices within a short period of time as a result of excessive public expectations for the future increase of house prices and strong confidence in profitable returns from property investment.

"Housing cycle, on the other hand, is a common phenomenon that reflects the fluctuation of housing prices as a result of short-term natural inelasticity of the housing supply market," he added.

Sunway University Business School Economics Professor Dr Yeah Kim Leng concurs with Chen, explaining that a

housing bubble is a market-wide price escalation to the point of "over exuberance", resulting in unsustainable prices.

He said the current situation is a supply and demand imbalance, which can be corrected with government support.

"There is not enough affordable homes; supply is still lacking in the right areas. Affordable homes are being built in the 'wrong' locations while homes at the 'right' locations are too expensive to build," he added.

To build affordable homes for the low- and middle-income group, Yeah said the government has to provide some support in the form of subsidies and incentives, to lower costs and encourage private developers to build.

Yeah said a two-pronged strategy is needed to address the affordability issue. Besides the supply of new affordable homes, the government must also have allocations to improve and upgrade existing low-cost and affordable homes.

"It should be part of the housing agenda, otherwise the older housing facilities will degenerate into urban slums, which will hinder human capital development," he said.