

INCREASING NUMBERS OF UNSOLD RESIDENTIAL UNITS: CAUSES & EFFORTS

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High number of unsold residential units in Malaysia remains a concern for the government as the market is holding a “time bomb” of potential property bubbles and subsequently affected the country lending system. Experts opted that the reasons of causing high volume of unsold units are affordability (price) and accessibility (location).

Approaching year 2019, the unsold completed units were posted with an increasing trend of 48.35% to 30,115 units as at Sept 30, 2018, from 20,304 units a year ago¹. Total value of the units was also increased to RM19.54billion, a rise of 56.44% from RM 12.49billion for the same period of time. The situation become worst when the serviced apartments and small offices home offices (SoHo) were included, the overhang value increased to 40,916 units, worth RM27.38 billion. Worth to highlight that the definition of the overhang units are those completed units remain unsold nine months after launching, according to the Valuation and Property Services Department (JPPH).

Industry experts opted that the causes of the high numbers of unsold units are due to high housing price and poor housing location, instead of low market demand². The statement is further concreted by Real Estate and Housing Developers’ Association Malaysia (Rehda) that Malaysia still lack of 3.2 million homes, especially the affordable houses, based on current Malaysia population³. Bank Negara Malaysia (BNM) defines affordable houses as those units valued not more than RM 250,000. The prices of these unsold units are just too high if compared to the average household income of Malaysian. The financing ability of Malaysian was also severely affected when various cooling measures implemented by Bank Negara Malaysia to control the property investing activities.

Various efforts had been taken by Government to tackle the increasing number of unsold units. Government aims to increase the affordability of Malaysian by introducing different schemes such as National Home Ownership Campaign (NHOC) and P2P Financing Platform. Among the initiatives introduced under NHOC were stamp duty waiver for the first-time buyers, low financing rate offered by BNM, mortgage guarantee for first-time buyers, longer loan tenure, and etc⁴. Ministry of Finance also introduced a fresh idea of property financing option for first-time buyers by creating crowdfunding platform, in which buyers could gain funding from individual funders through the platform rather than from banks.

Low accessibility is another crucial factor for the unsold units. House buyers prefer housing properties which are easier to be accessed and near to public amenities, i.e proper public transportation, grocery shop, eatery, etc. Buyers tend to justify the long term costs (transportation, time, and energy) incurred if they bought a property with low accessibility. Thus, developers are advised to conduct proper studies on the property location and accessibility before deciding to launch a residential development to avoid the high overhang of unsold units.

In conclusion, high number of unsold units brought potential risk to local banking sector. Both government and developers shall work together and play their own roles in ensuring the number of unsold units will be maintained at the current level, if not reducing, to ensure the health of Malaysia banking sector.

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