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# Affordable housing transformation

Food for thought  
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**AFFORDABLE** housing is not only about having a roof over one's head. It touches the hearts of people, and lays a strong foundation for a nation where the people's need for shelter is met.

This is the reason why I have been passionate about sharing this topic in my column. I am glad that many shared the same view, and contributed their ideas to address the issue.

Last month, Rehda Institute came up with a report called "Affordable Housing – the Game Plan Transformation". The report identifies nine structural problems and their proposed solutions for affordable housing.

Among the identified problems are rigid housing policies and cross-subsidies which have been practised for decades in Malaysia. It's high time to review them with the new government on board. The rigid housing policies include the imposition of quota and price controls on the property industry.

According to the report, Malaysia is the only country where the private sector is imposed with compulsory affordable housing quota across the board nationwide.

Since 1982, private developers have been required to allocate a 30% quota of low-cost housing with a controlled selling price when they develop new projects.

Rehda Institute pointed out that the "one size fits all" policy led to a mismatch between demand and supply which subsequently resulted in unsold units.

As at the first quarter of 2018,

residential overhang stood at 23,599 units, of which 14,739 units or 62.5% were priced below RM500,000.

There was no such quota when I was a Selangor exco member from 1978 to 1982.

During those days, developers built medium and high-cost houses to meet market demand, while the government and the State Economic Development Corp focused on low-cost housing.

On top of the low-cost housing quota, developers must also allocate at least 30% of all units to bumiputra under the New Economic Policy. In 2003, it was reported that the percentage of housing units bought by bumiputra was less than 25% of the total provided.

In view of the unproductive outcomes, it is timely to revisit the policies. The government should build affordable housing, while the private sector should focus on developing products of their expertise to bring prices down.

At the same time, we should also have a transparent automatic release mechanism for unsold bumiputra quota units, to avoid price increase on non-quota houses due to high holding costs of unsold units.

Private companies have been using the cross-subsidy system to meet the quota requirements. Under the system, they impose a higher selling price on non-quota houses in order to subsidise affordable housing.

As a result, prices for high-end houses go higher. This has led to price increase in other types of residential units too.

If the quota system were to be removed, the private sector can focus on building market-driven products, while the government can build low-cost and affordable houses on government land, or

agriculture land acquired by the government using public fund.

A good example is Singapore. In 1960, only 9% of Singaporeans lived in government flats. The Housing and Development Board (HDB) was founded on Feb 1, 1960. By 2016, it had built 1,011,000 units, making up 73% of Singapore's total housing stock. While we don't expect Malaysia to equal that, the government certainly has a long way to catch up.

Without a doubt, housing issue is universal and each country has its own set of challenges. In our country, we need more government resources to build affordable houses, and no quota restriction on the private sector. The current quota policies limit the participation of hundreds of small developers, who can offer more variety at a lower price to the public.

Affordable housing should not be a vehicle for political branding or propaganda. It is the necessity and welfare of the rakyat which can't be taken for granted.

As mentioned in my last article, I often wondered why the previous government didn't directly drive affordable housing. A friend mentioned that the reason the previous government failed in its obligation was, "there isn't any 'money' involved in affordable housing." And now, with the promise of a clean and transparent government, the time is right to grab the bull by its horns and show to all that it can be done.

Datuk Alan Tong has over 50 years of experience in property development. He was the World President of FIABCI International for 2005/2006 and awarded the Property Man of the Year 2010 at FIABCI Malaysia Property Award. He is also the group chairman of Bukit Kiara Properties. For feedback, please email [bkp@bukitkiara.com](mailto:bkp@bukitkiara.com)

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