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Subsidy for buyers not a feasible solution: Asli

> Think tank believes move will eventually cause unnecessary inflation of house prices

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KUALA LUMPUR: Subsidy for house buyers may help to address the country's property glut in the short term, but it is not a solution for the long term, which can eventually bottleneck and cause unnecessary inflation of house prices, according to the Asian Strategy & Leadership Institute's (Asli) Centre for Public Policy Studies (CPPS).

CPPS senior policy analyst Jarren Tam said historically, Malaysia has leaned towards a supply-driven housing policy, which means that the government focuses on factors such as cost reduction, provision of cheap foreign labour, subsidies to suppliers for technology adoption and credit market leniency for loans.

"But we often neglect the demand (buyer) side, and a common approach to housing policy is subsidy. They use subsidy to help buyers to tackle the downpayment and interest rates. But subsidy is administratively expensive to implement because you have to allocate a large amount of money to many people considering that Malaysia's income level is so low now.

"It's also discriminating if you only help those with a household income below RM3,000. How about those earning RM3,000 to RM4,000? There are not enough funds to subsidise all of them," Tam told *SunBiz* at the Asli-CPPS Thought Leadership Series on Housing Policy roundtable discussion yesterday.

Institute for Democracy and Economic Affairs senior fellow Carmelo Ferlito said credit expansion will alter the structure of property prices and injecting credit gives the conception that the house prices are lower than what they actually are.

"Further credit injection can inflate the



Visitors checking out the various booths at a property fair in Kuala Lumpur.

bubble... declining transaction is necessary and obvious but by injecting credit you will avoid prices to follow the downward movement of transaction. This is dangerous," said Ferlito.

He added that the household debt to gross domestic product in Malaysia is also particularly high and by injecting further credit it is going to put the rakyat at risk of a financial collapse driven by difficulties in the property market.

More than a subsidy problem, he said Malaysians need to instil the good old habit of saving and having a lifestyle that is proportioned to one's income.

"If consumer preferences are shifting towards short term consumption rather than long term investments, we've to explain to people that they can't have both. Subsidising, as credit injection, further enhances the mentality of wanting both short term consumption and long term investments. That simply can't fit," said Ferlito.

Nawawi Tie Leung Property

Consultants executive director Saleha Yusoff concurred, adding that subsidy will not solve the problem in the market.

"If you ask any developers, the government has already put their share in the construction cost. If the house is RM120,000, likely a high percentage comes from the government, so the subsidy is already in the construction costs. What more subsidy do we need to give to the buyers to sustain these affordable housing development?" she questioned.

National Housing Department principal assistant director Ahmad Zafwan Sulaiman said the government is reviewing the subsidies for house buyers as Malaysia is saddled with its debt issues.

"We're collaborating with Bank Negara Malaysia to come up with a new financing scheme to increase the accessibility of the M40 and B40 segments to loan and own a house," said Zafwan, adding that Friday's Budget announcement will reveal if this programme will be launched.