

Headline	Should be `Needs` based and not `Race` based		
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VIEW POINT

HBA offers feedback to YB Menteri on issue of Bumiputra Quota

HBA refers to the statement by the Honourable Minister for Housing and Local Government, Pn Hjh Zuraida Kamaruddin ("YB Menteri") that her ministry wants to seek feedback from the housing industry on the relevance of the Bumiputera quota for affordable homes in the new housing policy under the Pakatan Harapan Government.

Make no mistake, Malaysia is currently facing a housing crisis where the majority of the Rakyat are struggling to buy their dream home. Bank Negara Malaysia in its 2016 Annual Report highlighted "since 2012, the increase in house prices in Malaysia has outstripped the rise in income levels. Consequently, prevailing median house prices are beyond the reach of most Malaysians."

Even as early as 2012, HBA had been raising alarm bells that Malaysia faces the risk of a "homeless generation" where an entire generation or even generations of the Rakyat, especially the lower and middle income segment and especially our younger generation will not be able to afford to buy their own homes. This situation if left unchecked can bring about many unwanted social problems. HBA is indeed glad that the current Government is taking more concrete measures to address the issue of the lack of Affordable Homes for the Rakyat.

HBA is of the opinion that there is a need to define 'Affordable Homes' to ensure that this term is not abused by unscrupulous housing developers. HBA's definition of 'Affordable Homes' must meet 3-criteria as follows:

- **Price** — Affordable Homes are properties priced between RM150,000 to RM300,000 and must also be differentiated from "Social Housing Units" such as Low-Cost Housing or Medium Cost Housing priced below RM100,000 such as PPR units.
- **Built-up** — Affordable Homes must be conducive for "Family Living" and must have a minimum built-up of 800 sq ft (excluding balcony) and have at least 2-bedrooms.
- **Location** — Affordable Homes must be located in areas that are accessible and served by good public transportation links such as buses and rail links such as LRT, MRT, KTM, etc and located in areas with good public amenities such as government schools, public hospitals, supermarkets, etc

In our opinion, there should not be any Bumiputera Quota (whether in the form of discounts and/or reserve units) for Affordable Homes category based on the following rationale.

- **Affordable Homes should be opened to every Rakyat of this country**

It should not be allocated to a chosen group based on a particular race, religion or creed. The overriding principle of equality and fair distribution should prevail above race. Poverty has no preference and afflicts one and all.

- **Affordable Homes should be allocated based on Income eligibility**

Affordable Homes must be allocated in an objective and transparent manner and based on income eligibility. An income limit should be set for Affordable Homes and HBA recommends that the maximum combined

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household income limit to be eligible for Affordable Homes to be set at RM5,000 per month at the time of purchase of the said property.

Setting income eligibility for Affordable Homes will ensure that such homes only reaches the intended targeted segment in the most objective and transparent manner.

- **Affordable Homes should be reserved for First Time House Buyers**

Affordable Homes should only be allocated for "First Time House Buyers" only. In this regard, HBA had previously voiced our disagreement that PRIMA units were also opened up for Second Time House Buyers as there were already not enough units to cater for "First Time House Buyers".

In addition, such Affordable Homes must only be for own stay and the Government should conduct periodic checks to ensure compliance. Any owner found renting out the Affordable Homes will have his home confiscated by the Government and resold to other more deserving applicants.

There must be restrictions that such owners cannot re-sell such Affordable Homes for a moratorium period of 10-years after taking vacant possession. Any owner wanting to re-sell his unit within this 10-year period can only resell such units back to a Special Purpose Vehicle / Agency (to be setup by the Government to manage Affordable Homes) at the original purchase price and adjusted for the official rate of inflation.

- **Demand for properties is determined primarily based on location.**

Buyers' preference for properties are primarily determined based on location. As such, there will areas that see stronger demand from the Chinese buyers such as Cheras, Kepong and certain areas will see stronger demand from Bumiputera buyers such as Keramat and Shah Alam.

It would not be feasible to impose

Bumiputera quotas for areas such as Kepong or Cheras and likewise, there is no necessity to impose Bumiputera quotas on areas such as Keramat or Shah Alam.

The Government should allow Developers to decide for themselves how many Affordable Homes that they want to sell and for market forces to determine the success or failure of such projects.

- **Release of Bumiputera units is lengthy time process**

Property Developers have always been complaining that the release of Bumiputera quota units is a very lengthy process and bogged down with bureaucracy. Different State Housing Board / Land offices will impose different criteria before allowing the release of Bumiputera units to non-Bumi and even if all the initial criteria have been met by the Developer, State Housing Board / Land Offices can still withhold approval for almost and impose additional conditions.

This protracted delays increases the holding cost which is invariably and ultimately priced into the units for Bumiputera non-Bumi. Time is money to Developers and any delay in releasing Bumiputera units will reduce their profits.

In order to encourage Developers to build more Affordable Homes, the Government must do away with Bumiputera quotas for Affordable Homes.

- **It's ultimately 'Dollar' and 'Cents'**

Land is a scarce resource and common sense dictates that the higher the selling price of the property, the higher the profit due to the Developer. Hence, the Government should consider to offer more incentives to Developers to build more Affordable Homes. Some of the incentives can include:

- **Alienate Land at lower cost and lower conversion premiums.** The Government can alienate land at lower cost to Developers or charge a lower

conversion premium for Affordable Homes. This will allow the Developer to immediately lower the cost without comprising the quality of such homes.

- **Lower compliance cost.** Currently Developers are required to build the last mile for utility companies such as TNB, IWK etc. Such cost to construct these last mile for the utility companies are ultimately priced in to the property price. HBA has been calling for such cost to be borne by the utility companies and HBA is glad to hear that there is a proposal for utility companies to bear such cost for Affordable Homes beginning in year 2019.

- **Lower tax rates.** The Government should charge a lower income tax rate on profits earned from Affordable Homes to encourage Developers to build more Affordable Homes. Although the Government is currently trying to increase tax revenue to repay the country's RM1 trillion debt, HBA believes that the benefits and spillover effects from the increase in construction of Affordable Homes will outweigh the lower tax revenue collected.

The Bumiputera community forms the majority of the Rakyat and according to official statistics also forms the majority of the lower and disadvantaged group in terms of income. Hence, the interest of the Bumiputera community will also be protected with the removal of Bumiputera Quotas for Affordable Homes and changing the criteria to be based on income levels.

This article was contributed by The National House Buyers Association to the Real Spaces team and was edited by Gunaprasath Bupalan.



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