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Don't intervene in housing, Ideas tells government

KUALA LUMPUR: The Institute for Democracy and Economic Affairs (Ideas) has warned the government to be careful of not intervening the housing market directly and creating distortions.

As the National Affordable Housing Council (MPMMN) plans to build one million affordable homes in the next 10 years, Ideas senior fellow Dr Carmelo Ferlito's (*pix*) concern is not rooted in the targeted numbers of houses per se, but pointed out that the government's involvement in the industry may hurt the industry in the long run.

He said market information is by nature dispersed into individual minds and therefore not collectable by a single central planner. It is also dynamically created, and modified, through billions of market interactions.

"Therefore, while a central planner can possess the necessary technical knowledge in order to build one million affordable houses, what is impossible to be gathered is the entrepreneurial knowledge about the actual market needs (including the conditions of time and place). This is what

makes impossible for the government to know what the market truly needs. It is best to leave the market to the entrepreneurs since they are the players who are continuously engaged with the market process," said Ferlito in a statement last Friday.

He added that development plans need not only to be implemented but also timely revised because of new information acquired via market interactions.

"A central plan would suffer from rigidity and would lack the necessary interaction with market forces in

order to discover if it needs to be revised; this would bring about losses which, in the case of government enterprises, fall on taxpayer's shoulders."

The government had previously signalled its intention to conduct an open tender to engage the private sectors in providing affordable homes, which Ferlito believed that this could be a move in the right direction (although not optimal), rather than building houses

directly through government-linked companies or ministry agencies.

"I believe there is demand for affordable houses and I also believe that only private entrepreneurs can elaborate sound plans in line with the real market needs. This does not necessarily have to be focused on home ownership, but also toward new rental schemes," said Ferlito.

He also opined that it is quite an ambitious plan to build one million houses by 2028, considering that the entire private sector was only able to provide an average of 200,000 new launches across all price ranges per year during the best years of the property market.

The MPMMN has agreed to set up the One Million Affordable Homes 2018-2028 Implementation Monitoring Steering Committee chaired by Housing and Local Government Minister. MPMMN also agreed to utilise Wakaf land as part of the solution to build more affordable homes in Malaysia.

