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Looking at aspects of home ownership

THERE are several initiatives by the Government to resolve the mismatch and oversupply situation, such as the National Housing Policy (DRN) 2018-2025 and nationwide Home Ownership Campaign (HOC).

Other initiatives include Bank Negara Malaysia's RM1 billion fund for affordable homes for two years; stamp duty waiver during the HOC for six months; Real Estate and Housing Developer's Association Malaysia's (Rehda) offer of a minimum 10 per cent discount; and the Housing and Local Government Ministry's (KPKT) setting lower ceiling price for affordable houses at RM300,000.

While we appreciate the above initiatives by the government, it may not be a game changer to achieve home ownership for all Malaysians, be it B40, M40 or T20.

Malaysians are categorised into three different income groups — Top 20 per cent (T20), Middle 40 per cent (M40), and Bottom 40 per cent (B40). The T20 group is defined as the median household income of at least RM13,148 while the M40 and B40 groups' median household income have moved their bars up to RM6,275 and RM3,000 respectively, according to the Household Income And Basic Amenities Survey 2019 research findings from the Statistics Department.

To resolve the home ownership, we need to look at every aspect of equation such as:

1. Demand
Many of the government initiatives are to push up the demand so that the buyer makes their decision early because of the incentives for immediate and short terms.

The real sustainable demand is to raise our country's productivity and for wages to go up gradually. More initiatives are required to boost disposal income.

2. Supply
Land-related matters fall under the ju-

isdiction of states. Because of political reasons, we find it difficult to control supply whereby the federal government or KPKT can only manage supply through the Housing Development Act (HDA) as well as Town and Country Planning Act, for example.

In my opinion, the current situation of oversupply or mismatch is created by the previous government. Even though they were aware of problems which existed in the housing market, they continued to add on supply by introducing housing schemes like Malaysia People's Housing (PRIMA) and the Federal Territories Affordable Housing (Rumawip). The current government recognises the problems and have established a one-stop centre for information and it is monitoring the supply of stocks coming into the market. One way to do that is to gazette the local plan where incoming supply will be more predictable.

Build-then-sell (BTS) concept promoted by National House Buyers Association (HBA) should be introduced now since we have recorded high number of unsold properties. The argument is that BTS would create a situation of lack of supply for few years but it would not have major impact on the oversupply market.

3. Affordability
Khazanah Research Institute (KRI) has proposed a state-based affordable level, such as Selangor affordable homes at RM180,000 and Kelantan at RM100,000. We should set the affordable level based on the state statistics and monitor it on yearly basis. (update it if needed by state and location).

Based on the affordability level, the government can set a policy to ensure that supply meets the demand.

4. Price, cost and profit
Price is set by demand and supply in the effective market. We should create a transparent and informative market. Profit is the balance of price less cost.

5. Mortgage



While appreciating initiatives by the government, it may not be a game changer to achieve home ownership for all Malaysians, be it B40, M40 or T20.

Developers in an open economic and good government need to compete and be efficient to earn the profit by looking at ways to reduce cost.

Cost includes land, construction and compliance costs. Land cost/price is determined by the land market demand and supply if the density and plot ratios are the same.

To reduce cost for better profit margins, developers would need to adopt a new method of construction like industrialised building system (IBS) or 3D printing.

In general, in a dynamic and transparent market, the developer would not be able to set pricing.

It is decided by the market. BTS implementation would ensure better quality homes and resolve the issues of abandoned projects.

5. Mortgage

Many argue that banks are very strict in approving loans. For me, it is normal as banks, just like any other entity, need to be responsible to their stakeholders such as deposit holder Bank Negara Malaysia.

A bank will be selective to choose higher quality customers to lend instead of the low real residual income B40 group. (Any CRISS and CTOS customers would be rejected for the years to come).

However, if there is a mechanism that enables secure repayment, most banks are willing to finance the purchase.

6. Government policy
The government should be the gatekeeper to ensure that the laws, such as town-planning law, are being adhered to.

The government should always adopt the no intervention position when the market is working or performing. It should not come into the market and compete since we already have enough developers, except in the low-cost housing sector.

When the government starts supplying houses, it creates an unfair competi-

tion and affect the equilibrium. (The past government tried to produce millions of units of PRIMA and this eventually pushed the prices up because PRIMA had set the benchmark at RM300,000 with basic facilities, whereas private developer units come with more facilities and priced around RM500,000, and that gives a wrong information to the market).

7. Liquidity and low real residue income

Is the current real situation of low real residue income the main reason why B40 cannot own a house? It is a billion-dollar question.

Let us look around the world, which country has the highest percentage of home ownership? Bingo. It is Singapore. Why Singapore? Because Singaporeans are one of the highest-saving nations and its government encourages home ownership from day one.

Is that the only answer? Not really. It is the entire ecosystem that works for them. (We should learn from them). — NST Property.