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# Rethinking our affordable housing policy

*Does flooding the market with more properties help solve the property glut issue and tackle the increasing debt among the lower-income group?*

## LETTER TO THE EDITOR

IN THE face of the Malaysian property glut and issues regarding home affordability, it seems that our plastered-on short-term quick-fixes are starting to burst through its seams.

Traditionally, when faced with a problem with low take-up in homeownership, the government will employ two strategies:

1. Build more affordable homes.
2. Loosening lending regulations and encouraging mortgage uptake.

This is precisely what the government has done to help address the woes of both the public and property developers. But is it sustainable long term?

Bank Negara Malaysia (BNM) introduced a RM1 billion home loan scheme earlier this year to help make mortgage repayments easier for first-time buyers.

Last year, our minister of Local Government and Housing called for BNM to extend the mortgage loan tenure to 40 years.

Not to mention, there is also the Home Ownership Campaign 2019, where properties are given a discount and property buyers enjoy stamp duty exemption. The ministry has also touted about how successful the campaign is in achieving RM1766 billion worth of sales for about 28,000 houses.

However, what I see is about RM15 billion worth of debt accumulated among the bottom 40% and middle 40% group. By making mortgage finance more accessible, debtors might lead to a risk of over-leveraging.

Recently, a news report said non-performing loans (NPLs) for residential property-backed mortgages have reached an all-time high since 2011. It was reported that bad loans for residential properties hit RM6.83 billion in October 2019, a 4.76% increase from the month before.

Public Investment Bank Bhd has even come out and said the mortgage portfolio was only RM240 billion in 2011. Currently, it is about RM600 billion. So the hike in NPLs figure should not be viewed in isolation (or should be downplayed).

Conversely, I was even more shocked at how fast we are accu-



The gov't has initiated NAHP, pledging to flood the property market with 1m affordable houses

pic by Mohd Amir Noharuz

mulating mortgages for the past decade, which is about a compound annual growth rate of 12.14% across eight years. Meanwhile, our annual salary increment is not growing nearly at the same rate.

I believe the reason why Malaysians can still manage to afford properties this past decade is because we have transitioned into a dual-income economy. Now, it is common to see both spouses chipping in for the monthly loan instalments.

But it also means that we are slowly stretching our capacity to service loans, unless you would like your children to chime in as well.

Coupled with a high debt-to-service ratio, it is not hard to see the figures for NPLs inflating in the near future. In fact, our household debt-to-GDP ratio is above 80%, higher than our regional neighbours.

Meanwhile, the government has also initiated the National Affordable Housing Policy (NAHP), pledging to flood the property market with one million affordable houses. One might ask, does flooding the market with more properties help solve the property glut issue and tackle the problem of ever-increasing debt accumulation among the lower-income group?

Even recently, with Bandar Malaysia being officially greenlit, part of the deal was to have IWH

CREC Sdn Bhd build 10,000 affordable homes within Bandar Malaysia, 5,000 more than initially planned.

It might be wishful thinking to believe that 10,000 low-income families will purchase such properties to work in the Klang Valley. What is more likely to happen is that these properties will be bought as investment vehicles to be rented out for passive income, unless strict guidelines are in place.

So what exactly is the core issue here? Is it that residential properties, at its current state, are highly unaffordable?

There is nothing much the government can do to lower property prices without artificially injecting monetary incentives. Land prices only constitute about 15% of the overall cost of property development, while construction and building costs are outside of the government's control.

Hence, why I advocate not controlling property prices at all. Let the property market be subjected to market forces — pure supply and demand — and leave the property developers to fend for themselves.

If catering to the low-income group is a priority, have the government play in a field that they have more control of, but severely lacks attention — People's Public Housing (PPH) and rental laws.

PPR policies are in dire need of more enforcement. You have a PPR resident flying business class, claiming that she didn't know that her flat was meant for the poor.

Our enforcement regarding PPR guidelines are seriously lax, and this high-flying lady is by no means the only one taking advantage of the situation.

Why not upgrade and expand existing PPRs, and evict tenants who are definitely overqualified to live in such spaces. Why haven't we established a proper tenancy law to tackle racism among tenant selection and landlord abuse? Surely these are much more pressing issues for the lower-income group than buying a home?

In fact, why are we so gung-ho about pushing the homeownership agenda among the lower-income groups anyways? The capital can be better used for career and educational opportunities that can push them up the income class, rather than raising debt that they can barely afford.

In fact, now would be the best time to embrace the rental agenda. Urban millennials are much less inclined to own a property and would rather much rent one, to free up capital for other options.

They are starting to view properties as just another investment tool and no different from the

surge of financial technology investment platforms available on the market.

As for the rural and underprivileged folks, we should focus on giving incentives for renting, rather than forcing them to take up a huge commitment that they may or may not be able to afford.

In fact, why not incentivise investment firms and real estate investment trusts to own and manage residential properties, to lease it out to underprivileged tenants? Why not offload the risk of running PPRs to other private entities?

While the present government is currently sitting in hot water for a multitude of other issues, the government should focus on long-term sustainable policies that solve real issues, regardless if it is popular or not.

Because at this point, I am not entirely certain if pushing forward the affordable housing agenda is going to be a cost-effective and proven way to elevate the quality of lives of the rakyat.

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*The views expressed do not necessarily reflect the stand of the newspaper's owners and editorial board.*