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AFFORDABLE HOUSING

Supply-demand mismatch, income growth key issues

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IS Malaysia "in the midst of an affordable housing crisis"?

While affordable housing is an important mission, the crisis in this segment of the property market is a problem for major cities in the country.

The common struggle facing builders is largely related to the supply-demand mismatch and slower income growth.

When developers are planning a new project, they are required to devote some space to affordable units. However, they are not always able to get buyers for the majority of the units they are building because of lack of interest or due to pricing.

In 2016, houses in Malaysia remained seriously unaffordable by international standards, with a median multiple of 5.0.

Bank Negara Malaysia said in February this year that the maximum affordable house price in Malaysia is estimated to be at RM282,000. However, the actual median house price was RM313,000 — beyond the means of many households as the median national household income is only RM5,228.

According to Bank Negara, there are challenges in identifying the right price points in the right location for new housing supply.

The central bank said recently on its Factwatch.my website that the creation of an integrated housing supply and demand database was important, to ensure new housing supply is tailored towards the income and demographic profile of households across different locations.

Beyond prices of new launches, equally important are other aspects of what constitutes an affordable home such as connectivity from centres of employment and sufficient living space, it said.

SEVERE CASE OF OVERBUILDING

The Real Estate and Housing Developers' Association (Rehda) patron and Rehda Institute trustee Tan Sri Eddy Chen said the overbuilding of affordable housing in the country is "quite severe".

"We are building everywhere, especially af-



Rehda patron and Rehda Institute trustee Tan Sri Eddy Chen says the overbuilding of affordable housing in the country is 'quite severe'.



PRIMA @ Alam Damai has 2,074 units selling from RM243,000, which falls in the affordable price bracket. PRIMA PIC

fordable houses in the RM300,000-RM500,000 range. Even in the Federal Territories, Rumawip (the Federal Territories Housing Scheme) is putting thousands and thousands of units into the market. On top of that, the quota for affordable housing is being imposed on developers' projects.

"So, where is the lack of affordable housing now? It is everywhere. And I would say that the overbuilding in this category is quite severe," he said recently at a conference organised by Rehda Institute.

Chen said one of the biggest challenges for developers is "putting the right product in the right location with the right pricing to match market demand" and this has not been easy.

High loan rejection rates have added to the challenges.

He said other than the income growth that is not catching up with house prices and the cost of living, there is the issue of access to timely and accurate information.

"In this era of big data, we would like to see the data being collated in such a way that is useful and helpful. It is not rocket science to get all these things together and package them altogether into timely and accurate information, which developers can rely on to build all-round products and probably avoid the never-ending overbuilding in the wrong location," he said.

CBRE WTW managing director Foo Gee Jen said the excess of unsold residential units in the country is believed to be due to mismatch in pricing, less attractive locations and unmatched product offerings.

Almost 73.3 per cent, or 36,314 units, of the overall 49,542 units that were completed last year were priced at RM250,000 and above, with most units in major cities considered unaffordable.

He said half of the residential properties are priced between RM250,000 and RM500,000 and almost 23.3 per cent, or 11,543 units, are priced above RM500,000.

"With Bank Negara reporting the average price of an affordable house at RM250,000 and below, residential properties in Kuala Lumpur and Selangor remain unaffordable.

"A Khazanah Investment Institute report said residential properties in Kuala Lumpur are at the very non-affordable level, with most properties

priced above RM490,000, followed by Selangor at an average price of RM300,000 compared with market price of RM223,704," he said at the Rehda conference.

'RM300,000-RM500,000 NOT AFFORDABLE'

Bank Negara said houses with prices between RM300,000 and RM500,000 should not be categorised under affordable housing for households earning the median income.

It said based on the Housing Cost Burden approach, the maximum price of an affordable house was estimated at only RM282,000, given the 2016 median household income of RM5,228 as published in the Statistics Department's Household Income and Expenditure Survey.

Houses in the range of RM300,000 to RM500,000 are beyond what is affordable to households earning the median income in Malaysia, it said on its Factwatch.my website.

The National Property Information Centre's (Naptic) fourth-quarter 2017 data showed only 39 per cent of new housing launches were priced up to RM300,000 in the 2016-2017 period. This is insufficient to cater to the demand by 50 per cent of households in Malaysia earning up to the median income.

Naptic data also suggests that the issue of unsold affordable houses of below RM300,000 is the least severe compared with other price ranges.

The fourth-quarter 2017 data showed that residential units of below RM300,000 constituted the lowest share of total unsold residential properties under construction in Malaysia at 20 per cent, followed by houses priced between RM300,000 and RM500,000 (35 per cent), and above RM500,000 (45 per cent).

The central bank has proposed a five-pronged strategy to effectively bridge the affordable housing gap in Malaysia. The measures include:

- Centralisation of affordable housing initiatives;
- Establishing an integrated housing database and an efficiently managed applicant registry for the planning and allocation of affordable housing;
- Reducing the cost barrier to affordable housing;
- Rehabilitating household balance sheets by enhancing financial literacy; and
- Improving the rental market by strengthening the legal framework.