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## Affordable housing – remove the regulatory obstacles, says Ideas

**PETALING JAYA:** A better way to generate affordable projects would be to remove regulatory obstacles, starting with reducing the direct involvement of government agencies in building low-cost homes, according to Institute for Democracy and Economic Affairs (Ideas) senior fellow Dr Carmelo Ferlito.

"In contrast with what is suggested by the National Housing Policy, too-strict requirements for low-cost developments (i.e. minimum size) should be avoided in order to facilitate the interaction between supply and demand, taking into account the location and size factors, and therefore allowing lower income people to move toward the economic heart of the country, supporting thus not only their housing issues but also promoting their possibilities for a higher degree of social mobility" he said in a new policy paper titled ""The Property Market, Affordability and the Malaysian National Housing Policy".

He pointed out that the low-end market segment is not disregarded by the private developers because it is naturally unprofitable, but because it is artificially made unprofitable by a series of regulatory obstacles that become supply-side bottlenecks.

Ferlito also said disruptive entrepreneurship will play a key role in developing new technologies for making housing developments cheaper from the cost side.

"However, in order to emerge such kind of entrepreneurship requires the freedom to react to market signals and cannot be centrally designed by the government."

Citing the property market is suffering a downturn that might lead to a wider economic crisis, Ferlito noted that the current discussion is strongly unbalanced toward the issue of affordability, while the property market's cyclical dynamic is disregarded – such a tendency could lead to a situation in which the country will not be equipped to face the consequences of the downturn that has already started.

As the affordability issue is complex, he is of the view that imply looking at the ratio between median house price and median income is simplistic and misleading.

"To decide what is individually considered as affordable means making a choice involving a trade-off between three elements: price, floor area and location."

Moving forward, Ferlito said the rental market will play a growing role because of generational cultural changes.