

## Seven questions for the National Affordable Housing Council



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ONE of the key pillars of Pakatan Harapan's manifesto is related to the increase of affordable housing for purchase and rental.

Under its fourth promise out of the 60 that the Pakatan government had made, one of the first things that has been done is the setting-up of the National Affordable Housing Council (NAHC).

This is an important step as it consolidates the various agencies that are overlap each other to ensure that Malaysia is on the right path towards achieving its target of housing for all.

There are also five key objectives that Pakatan intends to achieve, mostly within the next five years but one objective – to build one million affordable homes, will be carried out within two terms, which is fair as it works out to be about 100,000 homes per annum.

The irony of affordable home supply is firstly, what is an affordable home? We are still debating what is affordable in Malaysia' context as a RM400,000 affordable home in the Klang Valley will be vastly different in price for a location like Kangar in Perlis or Pontian in Johor.

### Wrong location

Hence, perhaps the first thing the new Pakatan government needs to do is to create bands of pricing for affordable homes for different states, cities/towns as well as withi

selected semi-rural areas where housing shortage is acute.

Secondly, where will are these new affordable homes be build? How close are they to the nearest main infrastructure or main town centres and amenities? These are key questions as we cannot afford to repeat the past mistakes where we find lack of demand for new affordable housing supply due to wrong location.

Thirdly, how is the new Pakatan government going to rollout these new affordable homes?

Are they going to engage or work with private developers with the government providing the land for free and the necessary approvals on fast track basis or are private developers supposed to chip in certain quota to meet the average 100,000 homes target per annum.

As final cost of the homes to be built has not only the construction cost element but also land and compliance cost, the government has to ensure that both the land and compliance cost are minimised as these two alone make up about 30% of overall cost.

Fourth, while the government is focusing its efforts in ensuring supply for the B40 and M40 market segment, is the housing supply provided by the private developers part of the government's target or are these left for market forces to decide?

Remember, part of the problem of unsold completed stocks in the market today is due to private developers and not necessarily homes made available by the government.

Fifth, how are we tackling the issue of home ownership in terms of financing?

It is a well known fact that the majority B40 and to a large extent the M40 group

have issues related to obtaining loan approvals from our financial institutions due to their inability to meet debt service ratio targets set by the banks.

This is also partly to do with the relatively high Malaysia's household debt to GDP (HHD/GDP), which at the last reading stood at 84.3% as at end of 2017.

### High home prices

Bank Negara and Khazanah Research Institute have both highlighted issues related to high home prices related to income as Malaysia's overall picture is not that rosy as the median house price to income ratio remains elevated at about five times against what is deemed as affordable at three times. Question is, are our house prices too high or is it we are not earning enough to afford better or higher quality homes?

Latest statistics suggest our median monthly salary was at just RM2,160 per month in 2017.

Ironically, we are also fixated with the HHD/GDP which in actual fact is not a reflection of housing liability nor income. We should dissect the numbers and understand what HHD/GDP really means as only about 52% of HHD is related to residential properties while the measure of HHD/GDP itself is flawed since HHD is mostly long term while GDP in the measure of goods and services produced on an annual basis.

Sixth, do we clearly understand the current state of housing in Malaysia?

With all the statistics that we see today, it is imperative that we know where we are heading in terms of supply and demand.

The latest National Property Information Centre (Napic) statistics for the first quarter of 2018 showed that there were 21,641

units of residential property completion, bringing the cumulative existing stock to 5.49 million units.

Interestingly, based on Naptic statistics, incoming and planned supply of residential units totalled 0.903 million units, or about 16% of current total stock.

In terms of this future supply, flats, apartments and condominiums make up about 39% while terrace houses accounts for 38%. 50% of the incoming future supply is located in Johor, KL and Selangor.

Seventh, what are the strategies to be deployed to address the issue of overhang properties, which stood at 25,193 units worth some RM15.68bil?

In terms of types, about 41% and 34% were those related to flat, apartments and condo; and terrace homes respectively and 61% of them are those priced below RM500,000 each.

Within the flat, apartments and condo segment, 89% of the overhang is in Penang and Johor. From here, we know what will the market dynamics be in two or three years down the road as majority of the planned and future supply comes to market.

Given the market dynamics, it is important the NAHC understands the key factors for the overhang of properties as well as how it should function to meet Pakatan's manifesto promises to the people in the current term.

**While the property market is an indicator of the health of the economy, Pankaj feels it cannot function if supply is not focused on issues that is troubling the sector as a whole while a comprehensive and timely data base is indeed necessary to make better decisions for all stakeholders.**