

Making homes affordable

BY SATHISH GOVIND

THE provision of affordable housing has become a bane affecting governments around the world and Malaysia is no exception. With rising affluence and increasing population, the problem has become more acute especially in densely populated areas such as the Klang Valley, Penang and Johor Baru.

According to Bank Negara's Financial Stability and Payment Systems Report 2016, the undersupply of affordable homes in the local property market is expected to worsen due to demographic factors and current income trends.

The prevailing median house prices are beyond the reach of most Malaysians. This was attributed to a gross mismatch between housing supply and demand amid diverging expectations between households and developers.

This is compounded by the fact that the distribution of new housing has been concentrated in the higher-priced categories.

The distilled essence of the problem is supply and the government's intervention to date has been on the demand side.

By providing financial assistance and subsidising house prices, this would in turn fuel demand and then further escalate house prices.

The organisation mandated by the government to develop affordable housing is the 1Malaysia People's Housing Programme (PR1MA). It was to build 210,000 homes by 2018 but it has only met a meager 4% of the expected target.

Its reasons for not having met the targets are clear. Matters pertaining to land are clearly under the jurisdiction of state governments and there is little that an agency like PR1MA can do if state governments do not release the land for affordable housing.

There is also the issue of land cost which necessitates it build its houses away from the city. This, then, raises the issue of transportation expenditure for buyers which outweighs the benefit of cheaper homes.

In this respect, the recent announcement by the Second Finance Minister Datuk Seri Johari Abdul Ghani for the establishment of a regulatory body to solve the mismatch between demand and supply is most welcome.

He, too, raised the issue of affordable housing not being build in the right locations where people needed them most.

It timely that Malaysia has a single entity akin to the Housing Development Board of Singapore, which was given the mandate to deal with all agencies, including state governments, to ensure sufficient supply of affordable housing.

State governments must ensure that parcels of land should be released to developers for the development of affordable homes.

Developers have often said that between 50 to 60% of the cost of building a home is in the construction and thus, developers must find ways of reducing their construction costs.

They should try to keep the price of raw materials down by locking in suppliers and maintaining good relationships with them. By using bulk supply contracts, developers will be able to negotiate for lower prices due to the high volume of transactions.

In addition, developers should also look towards new technologies such as Industrialised Building System (IBS), a system used where components are manufactured in a controlled environment and greatly facilitates cost reduction. Alongside with this, the construction sector supply chains must be integrated.

There is also the additional cost of compliance, which is about 20%, that developers would have to comply adding that this has been increasing over a period of time.

It is hoped that the government would do everything possible to bring down this in order to ensure that houses become more affordable.



PR1MA can do little if state governments do not release land for affordable housing development. The programme has only met 4% of its 2018 target of 210,000 homes. — Picture by Bernama