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ISIS Roundtable Providing Public and Affordable Housing for Malaysia



A REPORT



INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES (ISIS) MALAYSIA
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ABOUT ISIS MALAYSIA

The Institute of Strategic and International Studies (ISIS) Malaysia was established on 8 April 1983, in realization of a decision made by the Malaysian Government to set up an autonomous, not-for-profit research organization that would act as the nation's think-tank. ISIS Malaysia was envisioned to contribute towards sound public policy formulation and discourse.

The research mandate of ISIS therefore spans a wide area. It includes economics, foreign policy and security studies, social policy, and technology, innovation, environment and sustainability.

ISIS Malaysia today fosters dialogue and promotes the exchange of views and opinions at both national and international levels. It undertakes research in collaboration with national and international organizations, in important areas such as national development and international affairs.

ISIS Malaysia also engages actively in Track Two diplomacy, fostering high-level dialogues at national, bilateral and regional levels, through discussions with influential policymakers and thought leaders.

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Research in this area is generally aimed at promoting rapid and sustained economic growth and equitable development in the nation. We study specific (rather than generic) issues that concern the nation's competitiveness, productivity, growth and income. Areas of research include macroeconomic policy, trade and investment, banking and finance, industrial and infrastructure development and human capital and labour market development. The objective of all our research is to develop actionable policies and to spur institutional change.

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ISIS Malaysia has, among others, researched and provided concrete policy recommendations for:

- Greater empowerment and revitalization of a national investment promotion agency;
- A strategic plan of action to capitalize on the rapid growth and development of a vibrant Southeast Asian emerging economy;
- A Master Plan to move the Malaysian economy towards knowledge-based sources of output growth;
- The conceptualization of a national vision statement;
- Effective management and right-sizing of the public sector; and
- Strengthening of ASEAN institutions and co-operation processes.

ISIS Malaysia has organized the highly regarded Asia-Pacific Roundtable, an annual conference of high-level security policymakers, implementers and thinkers, since 1986.

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As a member of the Track Two community, ISIS Malaysia participates in the following networks:

- ASEAN-ISIS network of policy research institutes;
- Council for Security and Cooperation in Asia and the Pacific (CSCAP);
- Network of East Asian Think Tanks (NEAT); and
- Pacific Economic Cooperation Council (PECC).

It is also a partner institute of the World Economic Forum (WEF).

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ISIS Roundtable

Providing Public and Affordable Housing for Malaysia : *A Report*

The Roundtable was made up of four sessions that discussed issues ranging from policies and institutional framework in providing public and affordable housing for the nation, to meeting the need for affordable housing and the suppliers' perspective. It was held on 16 July 2012 at the Sheraton Imperial Kuala Lumpur. This report was written by ISIS researchers **Mazlena Mazlan** and **Nor Izzatina Aziz**, and ISIS interns **Hwa En Ning** and **Naqiah Azhar**.



(From left) Ruhizal Roosli, Mahani Zainal Abidin, Andrew Wong and Mohamad Yusoff Ghazali

Session 1: Policies and Institutional Framework

In the first Session of the Roundtable, **Dr Ruhizal Roosli**, Senior Lecturer at the School of Housing, Building and Planning, Universiti Sains Malaysia, gave an overview of public housing policies, while **Datuk Mohamad Yusoff Ghazali**, Deputy Director General (Development), National Housing Department, Ministry of Housing and Local Government, spoke on the institutional framework for public housing. **Mr Andrew Wong**, Chief Editorial Officer, Terra Value Sdn Bhd moderated the session.

Dr Ruhizal Roosli argued that adequacy and affordability issues remained, even as there appeared to be ample housing to accommodate every family. Limited coverage for vulnerable households and welfare loss caused by abuses in housing allocations were the two most severe problems facing current public housing policies. Subsidies should be allocated for low-income families and welfare recipients, while keeping the lesson behind the collapse of the US subprime mortgage market in mind.

The raising of the maximum household income to be eligible for affordable housing from RM3,000 to RM6,000 has meant that the more

disadvantaged groups must now compete with higher income earners. The right integration of national policies, housing policies and housing strategies is paramount in producing a successful housing policy.

Housing in Europe is more affordable compared to that in the UK. Europeans also have more freedom to choose between buying and renting. The housing system in the US, meanwhile, is more market-driven, locally-controlled and performance-based, with renters making up 34 per cent of the population. In Singapore, there is concern about the sharp increase in market prices of property, including those of the Housing Development Board.

In Malaysia, prices in the property market have been increasing. The government, in implementing the rental approach to public housing, faced a great challenge in the lackadaisical attitude of households to paying rent. As a result, there was a shift to enforcing home ownership in the approach to low-cost housing.

Datuk Mohamad Yusoff Ghazali highlighted housing as a responsibility of both the federal and the state governments, under the federal constitution. Governments at federal, state and local levels, and the private sector, are key players in the housing market. The government has undertaken various housing programmes and initiatives to assist low-income earners own houses. Examples are the People's Housing Programme and *Program Perumahan Rakyat Bersepadu* by the Ministry of Housing and

... little progress has been made in forming a single, consolidated housing agency to replace the current multi-agency system



Mohamad Yusoff Ghazali

Local Government.

In addition, the National Housing Policy stressed the government's focus on the provision of affordable housing for low and middle-income groups. The Government Maintenance Facilitation Fund was established under the 10th Malaysia Plan to assist in carrying out major repairs in common areas of low-cost housing estates. However, little progress has been made in forming a single, consolidated housing agency to replace the current multi-agency system.

Datuk Yusoff, quoting the Department of Statistics Household Income Survey, stated that 76 per cent of Malaysians are earning below RM5,000 monthly. Based on a credit line of 30 per cent of net income, and the current base lending rate of 6.6 per cent, Datuk Yusoff derived RM300,000 as the maximum price the middle income group can afford to pay for a house today, assuming no other financial obligations.

Violations of the Housing Act have become a grave concern as reputable developers are not reprimanded for selling property without legal entitlement. Purchasers meanwhile are made bankrupt due to void contracts. While errant developers are blacklisted and their names put up on the Ministry's website for the public's knowledge, harsher punishments are still needed.

The National Housing Department has data on low-cost housing that can be made

available to the public. Every state has a national registration system through which the public can apply for housing. However, publicized information on low-cost housing and application process seems to be lacking.

Datuk Yusoff argued that emulating other countries' affordable housing models was challenging, given Malaysia's 3-tiered government administration framework and state ownership of data. He proposed the enhancement of the current EPF scheme and a consolidated single entity to design, build and manage all federally-funded housing. As there are applicants who have been turned away by regular banks due to blacklisting or under-qualification, Datuk Yusoff proposed the creation of specialized banks to provide loans for affordable housing, to complement other financial institutions that are also lending for the same purpose.

Takeaways from the session:

1. While there appears to be ample housing to accommodate every family, the high prices of houses have resulted in persisting issues of adequacy and affordability.
2. The two most severe problems are those posed by limited coverage for vulnerable households and welfare loss caused by abuses in housing resources allocation.
3. The 3-tiered government structure and state ownership of data are challenges against the important step of consolidation and formation of a single housing agency.
4. Private sector participation is still important in meeting overall housing demand, but the enforcement of housing policies and the need to reprimand violators of the law are long-standing issues that require serious attention.
5. There needs to be more transparency in the provision of information and the public needs to be more empowered.

Session 2: Meeting the Needs of Affordable Housing

The second session was chaired by **Ms Au Foong Yee** of *The Edge*. The speakers were **Dr Zailan Mohd Isa**, Director of the National Property Information Centre (NAPIC), **Mr Chang Kim Loong**, Secretary General of the National House Buyers Association (HBA), and **Mr Rajan Paramesran**, Vice President of Ratings at MARC.

Dr Zailan Mohd Isa, in her presentation entitled 'Historical Trends for the Housing Market,' provided participants with insights into Malaysia's housing market performance in recent years, and the market outlook for 2012. In 2011, property transaction value to GDP reached 24.5 per cent, reflecting the highly active property market over the past decade (see Table 1). The high value was supported by an accommodative banking sector, with housing loans accounting for 57 per cent of total loans given to the property sector.

In the residential property sub-sector, growth continued with increases in sales performance, newly-launched projects, reduced property overhang and higher housing starts.



(From left) Au Foong Yee and Rajan Paramesran

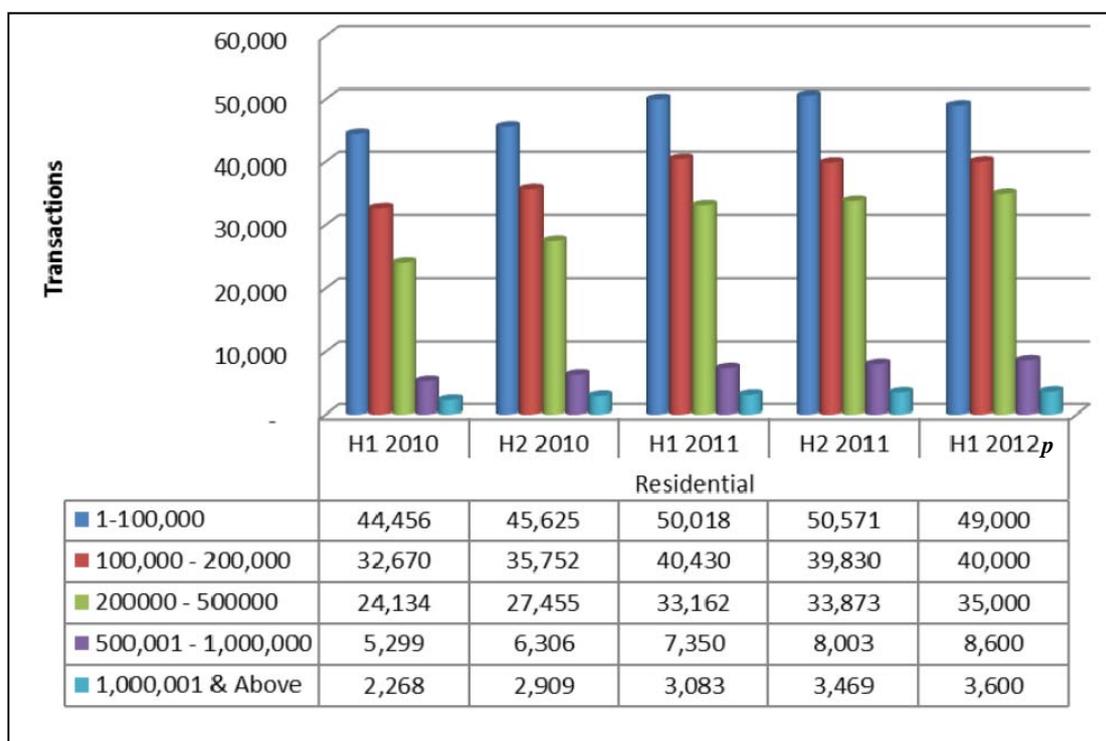
Table 1: Gross Domestic Product (GDP), Property Transaction Value and Volume in Malaysia in 2000 – 2011^p

Year	Gross Domestic Product (GDP) (RM Billion)	GDP (%) Growth	Property Transaction Value (RM Billion)	% change pa of Transaction Value	% of Property Transaction Value to the GDP	Property Transaction Volume	% change pa of Transaction Volume
2000	356.40	8.3	39.20	14.0	11.0	239,981	6.2
2001	358.25	0.5	38.63	-1.4	10.8	242,634	1.1
2002	377.56	5.4	38.64	0.0	10.2	231,394	-4.6
2003	399.41	5.8	43.43	12.4	10.9	243,376	5.2
2004	426.51	6.8	60.01	38.2	14.1	293,318	20.5
2005	449.25	5.3	56.78	-5.4	12.6	276,508	-5.7
2006	475.19	5.8	61.60	8.5	13.0	283,897	2.7
2007	505.35	6.3	77.14	25.2	15.3	309,455	9.0
2008	530.68	4.6	88.34	14.5	16.7	340,240	9.9
2009	522.00	-1.6	81.00	-8.3	15.6	337,859	-0.7
2010	559.55	7.2	107.44	32.6	19.2	376,583	11.5
2011 ^p	558.30	5.1	137.83	27.8	24.5	430,403	14.2

^p Preliminary

Source: Department of Statistics Malaysia and NAPIC, 2001-2012

Figure 1: Housing Transaction by Price range, H1 2010 – H1 2012^p



^p Preliminary

While more than 65 per cent of residential property transactions involve properties that are priced RM200,000 and below (see Figure 1), recent trends have shown that the availability of affordable housing is a concern. In 2011, the biggest contributor to housing supply based on units launched was property costing between RM500,001 and RM750,000 (See Table 2).

The last three years saw a decline in the number of unsold new houses. Conversely, the value of unsold new houses has been rising, reflecting the change in distribution towards more overhung houses at the higher end of the market. However, in Q1 of 2012, houses worth less than RM200,000 recorded the highest amount of overhang, and was dominated by houses categorized as low cost (See Table 3). Nonetheless, Dr Zailan argued that the high overhang of low cost housing has been largely due to administrative delays rather than the inability of the market to absorb supply.

Housing construction, building plan approvals and starts have increased, raising near-term housing supply. Construction of new residential property is dominated by two and three storied, terraced houses with high land use, and hence, higher prices. However, the trend of project completion has been on the decline since 2009. Dr Zailan noted a lack of affordable houses in several major areas in Malaysia. She added however that the measures introduced by Bank Negara to tighten loan requirements would rein in speculation and strengthen the property market.

Industry players constituted NAPIC's primary source of data; these included the Real Estate and Housing Developers Association (REHDA) and its 39 branch offices nationwide. Data timeliness therefore depended highly on providers' timely submission. NAPIC used the sales performance of newly-launched projects and transaction data as proxy to determine demand for residential property in Malaysia, while incoming and planned supply through applications

Table 2: Residential Units Launched in 2011

Price Range	Units Launched
RM 100,000 & Below	1,367
RM 100,001 - 200,000	1,387
RM 200,001 - 300,000	5,611
RM 300,001 - 400,000	7,864
RM 400,001 - 500,000	5,900
RM 500,001 - 750,000	17,422
RM 750,001 - 1,000,000	5,728
Above RM 1,000,000	4,011
Total	49,290

Table 3: Total Overhang Units by Price Range and House Types in Malaysia as at Q1 2012

Price Range		a. Terrace	b. Semi-Detached	c. Detached	d. Cluster	e. Low Cost	f. High-rise	Total
a. RM200,000 or less	Total Units Launched	17,356	1,491	189	910	15,094	16,491	51,531
	Overhang Units	5,404	535	49	103	3,411	2,420	11,922
b. RM200,001 - RM500,000	Sum of Value	608.0	80.1	7.1	16.5	196.1	267.0	1,174.9
	Total Units Launched	5,851	1,965	592	657	40	7,645	16,750
	Overhang Units	1,804	696	250	261	15	1,573	4,599
c. RM500,001 - RM1,000,000	Sum of Value	502.3	206.6	79.1	83.5	3.9	541.9	1,417.4
	Total Units Launched	502	226	164	10	0	1,589	2,491
	Overhang Units	125	81	63	6	0	239	514
d. More than RM1,000,000	Sum of Value	85.7	55.6	41.4	3.9	0.0	151.2	337.7
	Total Units Launched	83	78	223	0	0	2,728	3,112
	Overhang Units	12	17	69	0	0	792	890
	Sum of Value	20.9	31.6	167.9	0.0	0.0	1,417.6	1,638.0
	Total Units Launched	23,792	3,760	1,168	1,577	15,134	28,453	73,884
	Overhang Units	7,345	1,329	431	370	3,426	5,024	17,925
	Sum of Value ('000,000)	1,217.0	373.9	295.4	103.9	200.0	2,377.8	4,568.0

for building permits made up supply data for the medium term (i.e. less than two years). NAPIC and the Economic Planning Unit cooperated to produce a projection of housing supply for the Malaysia Plan.

Mr Chang Kim Loong highlighted the challenge faced by house buyers in gaining access to affordable housing, particularly in Selangor. Speculation was a major cause for the excessive rise in house prices. He further argued that current policies are insufficient as easy mortgages by financial institutions and low real property gain tax (RPGT) have failed to prevent house prices from rising out of the reach of ordinary Malaysians.

In addition, income growth has not kept up with the increase in property prices. Even houses located outside 'hot' areas — for example in areas like Kajang — are no longer affordable to an average household. The Median of Property Price widely used internationally was used on selected areas in Selangor. By this measure, houses are severely unaffordable to an average household in Malaysia's richest state. Table 4 explains the Median Property Price measurement while Table 5 shows how current property prices have become severely unaffordable.

Mr Chang stressed that the government must take preventive measures that will i) restrict the speculation that causes rapid rise of property prices; ii) ensure a steady supply of affordable homes for the lower and middle income sectors of the population, and iii) prevent a heavily indebted young population that will create social problems.

the government must take preventive measures that will ...restrict the speculation that causes the rapid rise of property prices



Chang Kim Loong

The availability of effective public transportation networks to the suburbs is also crucial as house prices increase in the city centre. However, developing a public transportation network takes much longer than does the construction of housing projects.

Mr Rajan Paramesran spoke on the financial sector's role in ensuring the affordability of homes through financing. Firstly, he argued for the need to clearly define 'affordable price;' currently this ranges from RM25,000 to RM350,000. Similarly, different ceilings of affordability have been established, such as RM 220,000 and RM 400,000. Despite these ambiguities, commercial banks have remained highly accommodative in lending for the purchase of residential properties. Furthermore, low interest rates have provided incentive to switch funds from deposits to property purchases.

The government has also played an important role in promoting home ownership among Malaysians through some of its policies, especially in the last five years. Among policy instruments used are i) ensuring the availability of low-cost housing, ii) exemption from RPGT, iii) tax exemptions as well as relief on stamp duty and interest paid on housing loans and iv) allowing the

Figure 2: Loans to Residential Sector (1996-2011)

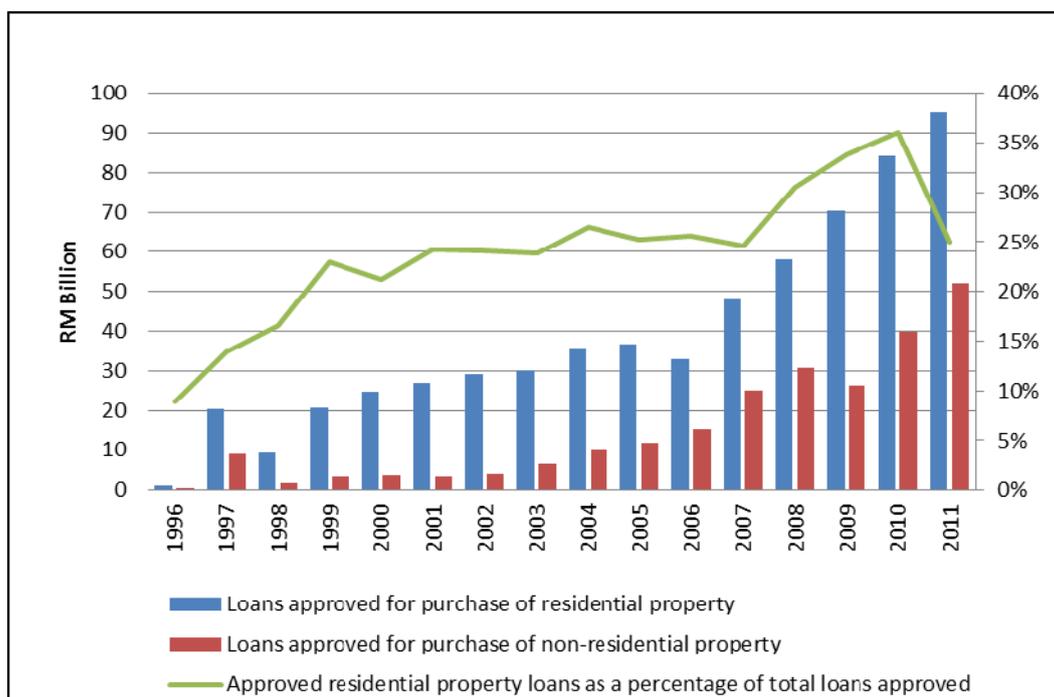


Table 4

Category	Property Price as multiple of annual household income (times)
Severely unaffordable	$x > 5.1$
Seriously unaffordable	4.1 - 5.0
Moderately unaffordable	3.1 - 4.0
Affordable	$x < 3.0$

Table 5

Average Monthly Household	Property Location	Prices in 2012	Multiple of Annual Household
6,856	Kajang	558,800	6.79
6,856	Kota Damansara	800,000	9.72
6,856	Puchong	750,000	9.12

utilization of individual private pensions for housing loan repayments, and v) mandated lending and interest rate ceiling requirements for commercial banks. Some of these actions fuelled demand for residential property, as exhibited by the jump in housing loan applications and approvals since 2007 (See Figure 2).

Over the last two years, however, the government began to realize the need to hold back the surge in house prices as speculation heightened; consumer indebtedness had grown at an annual rate of 13.5 per cent over the period 2000-2009. Therefore, RPGT was reinstated and its rates raised while the margin of financing for third purchase onwards was tightened to dampen speculation. To reduce household indebtedness, Bank Negara Malaysia required consumer loan eligibility to be calculated based on net income. Mr Rajan concurred that house prices have risen disproportionately relative to incomes. A loan quantum is therefore needed, to ensure that the installment obligation is not onerous for households.

Land price is an important factor as high land prices pose a challenge to the private sector in increasing the supply of affordable housing. Several views were expressed. While a participant proposed, on the one hand, that the authorities provide land for affordable houses at nominal cost, and at the same time stop land privatization for uses other than affordable housing, on the other hand, the private sector would prefer the government to do the following :

- i) increase the supply of land,

- ii) shorten the approval time for building and occupancy permits, and
- iii) reduce the prices of input materials

Low-cost housing policies need revisiting. The question to ask is whether more low-cost housing is needed in the market. The determination of demand and supply in low-cost and low-medium-cost housing should be evidence-based. In Penang, for example, low-cost houses seem to be in excess supply. The resale value of low-cost and low-medium-cost houses is suppressed; it is often lower than the purchase price. Other low-cost housing policies that need revisiting are those on the seemingly non-essential regulations such as the requirement to provide car parks for low-cost houses, the state government-controlled allocation process for low-cost houses which has contributed to their high overhang rates, and the environment of a low-cost housing estate.

Takeaways from the session:

1. In housing supply there is a concentration of houses at the upper end of the price range while income growth has not kept up with property prices.
2. Supply of land is an extremely important determinant of housing supply and cost.
3. While policies in the financial sector played an important role in supporting home ownership, more accommodative financial policies have also contributed to speculative demand.
4. Low-cost housing policies need revisiting. The high rate of unsold low-cost houses is caused by administrative inefficiency and poor planning, rather than a lack of demand. It argues for a careful, evidence-based study on supply and demand.

... high land prices pose a challenge to the private sector in increasing the supply of affordable housing

Session 3: Housing a Nation: The Suppliers' Perspective

At session 3, the speakers were **Datuk Hj Mohd Amin Nordin Abd Aziz**, Deputy Director General of Socio-economic Development, Kuala Lumpur City Hall (DBKL), **Dato' Fateh Iskandar Tan Sri Dato' Mohamed Mansor**, Managing Director and Chief Executive Officer of Glomac Berhad and Deputy President of the Real Estate and Housing Developers Association (REHDA), **Dato' Dr Kamarul Rashdan Salleh**, Managing Director, Syarikat Perumahan Negara Berhad (SPNB) and **Dato' Mutalib Alias**, Chief Executive Officer, PR1MA. **Mr Steven Wong**, Senior Director, ISIS Malaysia moderated the session.

Datuk Hj Mohd Amin Nordin Abd Aziz provided an overview of the low-cost housing provided by the DBKL over the decades, and the management and maintenance of these. The DBKL has managed over 70,000 units of public housing and long houses that were built for either rental or sale. The number of vacant Public Housing Project (PPR) units stood at 4,523. The DBKL allocated RM133 million for the management and maintenance of housing in the year 2012. Open registration stood at 34,478 eligible applicants for low-cost units as at 1 July 2012. Rental collection reached 70 to 80 per cent a year.

DBKL has an e-housing points system which determines an applicant's eligibility for DBKL's public

housing rental schemes. The data is reviewed by a Committee. The rent-to-purchase option is not a viable one for public housing because rentals bring in less money than is needed for maintenance. Moreover, many applicants have had their loan applications from banking and other institutions rejected. Therefore, the government introduced a Perumahan Wilayah scheme, through which the EPF lends to Yayasan Wilayah Persekutuan at a five per cent interest rate, and the latter then lends to home-buyers at six per cent.

Dato' Fateh Iskandar Tan Sri Dato' Mohamed Mansor stressed REHDA's role in developing a million units of low-cost homes and 4.5 million of medium cost ones, thereby exceeding their targets. Property developers are bound by several regulations — for example, the 20:20:10 quota of low-cost, low-medium-cost and medium-cost houses in developments of ten acres and above in Selangor, a ceiling selling price for low cost houses varying between RM42,000 for developments within Majlis Perbandaran and RM30,000 for developments outside of Majlis Daerah, and a contribution-in-lieu of 30 per cent and a nominal amount of RM3,250 to be paid into



(From left) Kamarul Rashdan Salleh, Mohd Amin Nordin Abd Aziz, Steven Wong and Fateh Iskandar Mohamed Mansor

Increased interest rates and tighter lending guidelines have reduced buyers' ability to secure mortgages

a DBKL-managed fund for every low-cost unit not built in the Federal Territory.

Developers lose money in building low-cost houses because the cost of building a low-cost unit, excluding land cost, averages at over RM69, 000 for a high-rise unit in the Klang Valley and around RM40,000 for a single-storey terrace house in other towns, leading to a loss for the developer of around RM15,000 to RM28,000 per unit. Many of these units have not been taken up for various reasons including poor location, and quality and maintenance issues. In addition, developers are unhappy about other rules and regulations which add to costs and delays, such as the increase by 40 per cent in compliance cost for housing completion, deemed unfair since contributions are already being given to bodies such as the Works Department (JKR), Indah Water Konsortium (IWK) and SYABAS.

The inconsistent policies between states such as different Bumiputera quotas, the mandatory build-then-sell regulation proposed to be instituted by 2015, land scarcity, increased land costs, high compliance cost outpacing income growth, and the regulation and distribution system of low-cost housing, all contribute to the affordability gap between house price and income.

Dato' Fateh Iskandar stressed that it was time for the private sector to stop building low-cost and to practice contribution in lieu of building. The government he said should focus on providing, regulating and distributing low cost housing (citing the example of PPRs), and not

compete with private developers. He also urged, among other things, a more proactive role by the government in acquiring suitable urban land and providing amenities and infrastructure for conducive living environments, reduction in the costs of doing business through business-friendly policies, alignment between states of policies on low-cost and affordable housing, and a revision of guidelines that currently impede the increase in the supply of affordable houses, such as size, density and plot ratio requirements.

Dato' Dr Kamarul Rashdan Salleh highlighted SPNB's contribution in completing almost 20,000 units of low and low-medium-cost houses. He underlined several issues and offered corresponding suggestions.

1. Increased interest rates and tighter lending guidelines have reduced buyers' ability to secure mortgages. Buyers should be better protected from the risks of interest rate fluctuations as most SPNB buyers opt for variable loan rates.
2. Loan commitments have become very challenging. New buyers are struggling to save to pay for deposits. On top of deposits and mortgages, an additional amount of around RM26,000 is required in the first year of purchase.
3. Some financial institutions are not willing to lend despite buyers possessing good credit history. This is a chance for a hybrid approach through an affordable mortgage and rental rate in the form of a shared equity scheme.
4. Existing supply-side and tax incentives for construction of affordable housing are insufficient. Therefore, incentives such as tax-payable credit streams which could be used to capitalize benefits could be given to developers who build affordable homes over the long term.

5. Brownfield or industrial land should be redeveloped to offset the trend of speculative land investors buying plots for future gain. Furthermore, the government should move towards plot ratio regulation and away from density.
6. Variable CF requirements, especially on infrastructure, and improper planning, such as insufficient public transportation and poor amenities, must be avoided.

Dato Dr Kamarul supported public-private partnerships in providing affordable homes and a hybrid framework for cooperation. The responsibility for delivering low-cost houses rested upon government institutions or municipal councils. The private sector can then focus on affordable housing. He also proposed a combination of incentives, subsidies and contributions by beneficiaries, where the latter could contribute 20 per cent to 40 per cent of monthly income.

Furthermore a zoning strategy for affordable housing in the city centre could be developed by making available public land or by attaching mandates to planning permits for new developments there. Finally, the government should be more flexible in terms of the size of houses, and the structure of ownership, whether they are in the form of rentals, rent-to-buy, or shared equity options.

Dato' Mutalib Alias, in the final presentation, gave a brief overview on the role of PR1MA. PR1MA's target group is the middle 50 per cent of households earning between RM2,500 and RM7,500 per month, that qualify for neither low-cost nor high-end housing. Both the government as well as private developers play a role in ensuring the housing needs of middle-income earners are not neglected. There are 850,000 non-homeowners and a housing supply of 30,000 units

The responsibility for delivering low-cost houses or maintaining the urban poor areas rested upon government institutions or municipal councils

per annum.

PR1MA is expected to be able to suppress its costs by leveraging on facilitation by government in land acquisition, funding support for main infrastructure, and approvals for all the necessary services for completion. It also expects the government to absorb land costs and, if necessary, the main infrastructure costs, comprising 15 to 20 per cent of the total development cost. In addition, it is looking at various delivery models and buyers' financing options. In realizing that the government lacks the capacity to close this gap on its own, PR1MA plans to partner with private developers. Such arrangements are necessary for projects on private, developer-owned land.

PR1MA aims to be both a quasi-regulator and a developer of affordable, quality homes. Among the regulatory features of PR1MA is the imposition of a ten-year moratorium on the secondary market, during which period those who wish to sell their units have to sell to the next person on the waiting list, through PR1MA, at cost price, adjusted to inflation and administrative costs. Compulsory acquisition with compensation, instituted in the PR1MA Act, would be enforced in the event of a violation of its terms and conditions.

Takeaways from the session

1. Private developers would prefer to be

relieved of the responsibility of building low-cost houses due to burdensome regulations and the losses incurred due to these.

2. The role of the government is not limited to regulating the property market. Government is increasingly expected to meet the housing needs of the poorer segment of society.
3. The authorities should explore new options relating to the size of houses and the ownership structure in the provision

of housing.

4. Government intervention in providing land is seen as crucial at a time when the high and accelerating cost of land is driving property prices upwards.
5. The transport infrastructure is a very important factor that must be integrated into housing policies.



A light moment at the Roundtable

Session 4: Panel Discussion on Issues, Challenges and Resolutions

This session sought to summarize the main issues that were raised in the preceding sessions.

Firstly, price ranges for low-cost housing and affordable housing must be more precisely defined and updated to better reflect the realities of the day. Secondly, on the process of providing for both low-cost or social housing, and affordable housing for the middle-income group, should these processes be merged or separated in light of differing customer bases and needs? Finally, we should pay attention to the supply and demand of public and affordable housing and their intermediaries.

On the supply side, should the government be the sole provider of social housing, with some private funding? Should the private sector build public and affordable housing while the government merely regulates the industry? What is the role of the private sector as supplier? On the demand side, who should determine the demand for public and affordable housing? Should it be done by the Ministry, PR1MA, NAPIC, the private sector or another body? In addition to a short-term demand projection, there must also be long-term demand projection for housing in Malaysia. There is also the need to distinguish real demand from speculation. Furthermore, intermediaries in the forms of financing, incentives, regulators, public transportation and land are important considerations.

The following issues were discussed:

1. **Poor planning and imbalanced supply**

Demand for low-cost houses remains significant as a large section of the population are still low-income earners. 500,000 people nationwide, including 89,000 squatters are still looking for low-cost houses. However, poor planning has resulted in some areas having an

There should be a separate policy for the low income group, as housing for the poor should be the government's responsibility

oversupply of low-cost houses while others remain undersupplied.

2. **A new funding mechanism specific to the low income group**

A new mechanism is needed if ownership instead of rental is to be encouraged. Current mechanisms have sidelined the poor while house prices have risen beyond their reach. There should be a separate policy for the low income group, as housing for the poor should be the government's responsibility. One participant even suggested free housing.

3. **Rental as an alternative to ownership**

Several participants supported the rental system — either a full or part-rental — as an alternative to ownership. However, a major hurdle is that of arrears owed in rentals and maintenance fees. It was also the main cause for the failure of the rent-to-buy schemes. Despite the challenge, the rental model continues to be relevant and important in public housing schemes. Enforcement mechanisms could play a role, such as at PPR Hicom, where effective enforcement mechanisms had resulted in good rental collection.

4. **Revising the ceiling price of low-cost houses**

The government has recognized that RM42,000 was insufficient to cover the increased land and construction costs. Rising land cost was particularly critical in

the Klang Valley. For instance, a PPR unit costs almost RM100,000.

5. Mitigate excessive escalation in house prices

Various instruments could, and should, be put in place to mitigate excessive escalation in house prices. One option is for developers to contribute to the municipal council for the construction of affordable public housing in that area.

6. Clearly defined prices of low-medium-cost and medium-cost houses

While price of low-cost houses are set at RM42,000, prices of low-medium and medium cost houses are determined by state authorities. The federal authorities merely provide a rough guideline by specifying that these houses should be in the price range of RM42,000 to RM100,000.

7. Stringent regulations

Variable and overly stringent regulations across states could be a deterrent for private provision of affordable housing. In

Selangor, ceiling prices differ across locations, while developers who wish to change from low-cost housing to affordable housing are bound by a ceiling of RM100,000. The need to cross subsidize low-cost houses has hampered developers' willingness to increase the supply of affordable housing. For example, the required selling price of a house with a market price of RM220,000 is RM89,000. The requirement for two parking spaces per unit of affordable housing has also limited the number of units being built.

8. Multi-agency approach

A major question to ask would be whether all the authorities related to affordable housing should be merged or should they remain separate. Clearly defined, separate or shared responsibilities amongst the three tiers of authority in providing social housing is crucial. While DBKL has been successful in providing social housing, other local governments might not possess the necessary capabilities to do so.



Syed Ali discussing a point



Towards a Green Economy: In Search of Sustainable Energy Policies for the Future

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In thirteen chapters, this book documents the vagaries of problem framing and policy responses by nine countries, all of which are guided by recurrent themes of energy transition, policy choices and green economy. The book's analytical scope goes well beyond the commonly addressed structural issue in energy policy to encompass innovation in processes, institutions and new policy instruments for sustainable energy systems.



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