

ISIS Roundtable

HOUSING A NATION: The Private Sector's Experience

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Presentation by:

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&



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(REHDA) Malaysia



Towards Sustainable Development

About REHDA Malaysia

- **Established in 1970 as The Housing Developers' Association (HDA) and renamed Real Estate and Housing Developers' Association in 2000**
- **About 1,000 members nationwide**
- **Members contribute more than RM20billion per annum into the country's GDP & provide economic activities and employment to over 140 upstream & downstream industries**
- **We work with stakeholders in the industry by engaging the Government towards nation-building and realising the Economic Transformation Programme (ETP)**

Evolution of the housing industry

1960's

- **From squatters to formal & structured housing by private developers**
- The Housing Development (Control & Licensing) Act 1966

1970's

- Housing policies formed
- Public housing started**
- Housing Developers' Association began consultative relationship with the Ministry**
- Strata living introduced**

1980's

- In 1982, Government imposed 30% low-cost housing quota on private developers. Price = RM25,000 each
- Housing sector recovered from major recession in 1988**

1990's

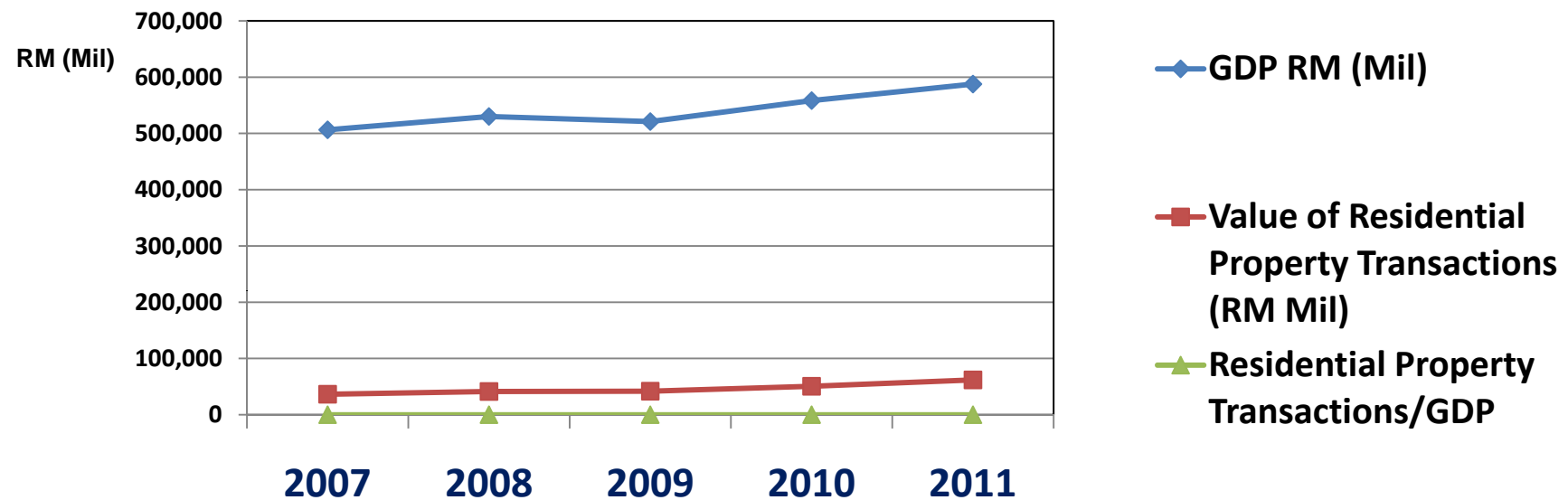
- In 1998 low-cost house price revised to RM42,000 (for municipal councils) & RM35,000 (for district councils)

2000's

- Greater protection to home-owners and tighter regulations, Birth of G & G**
- Impending Build-Then-Sell (BTS)

MALAYSIA: Property Market Overview

GDP	2007	2008	2009	2010	2011
GDP RM (Million)	506,341	530,181	521,095	558,382	587,822
Value of Residential Property Transactions (RM Mil)	36,490	41,307	41,841	50,654	61,830
Residential Property Transactions/GDP	7.21%	7.79%	8.03%	9.07%	10.52%



Source: Bank Negara Malaysia & NAPIC Annual Reports

Private Sector's Achievements in delivering low cost & medium cost houses: **OVER-ACHIEVED**

Malaysia Plan	Low Cost		Medium Cost	
	Target (unit)	Achievement (Unit)	Target (unit)	Achievement (Unit)
7MP (1996 – 2000)	140,000	129,598	110,000	206,208
8MP (2001 - 2005)	40,000	97,294	64,000	222,023
9MP (2006 – 2010)	77,700	Not available	178,000	Not available

Source: Property Stock Report & Market Report - NAPIC

Malaysia: Demographic Growth

HOUSING STOCK				
	2009	2010	2011	2012
POPULATION	27.9 mil	28.3 mil	28.6 mil	28.9 mil (f)
HOUSING SUPPLY	4.34 mil	4.43 mil	4.51 mil	4.53 mil (Q1 2012)

HOUSING DEMAND	
Annual Household Formation	138,788
Average transactions per annum	220,000
Average housing completions per annum	100,000-150,000

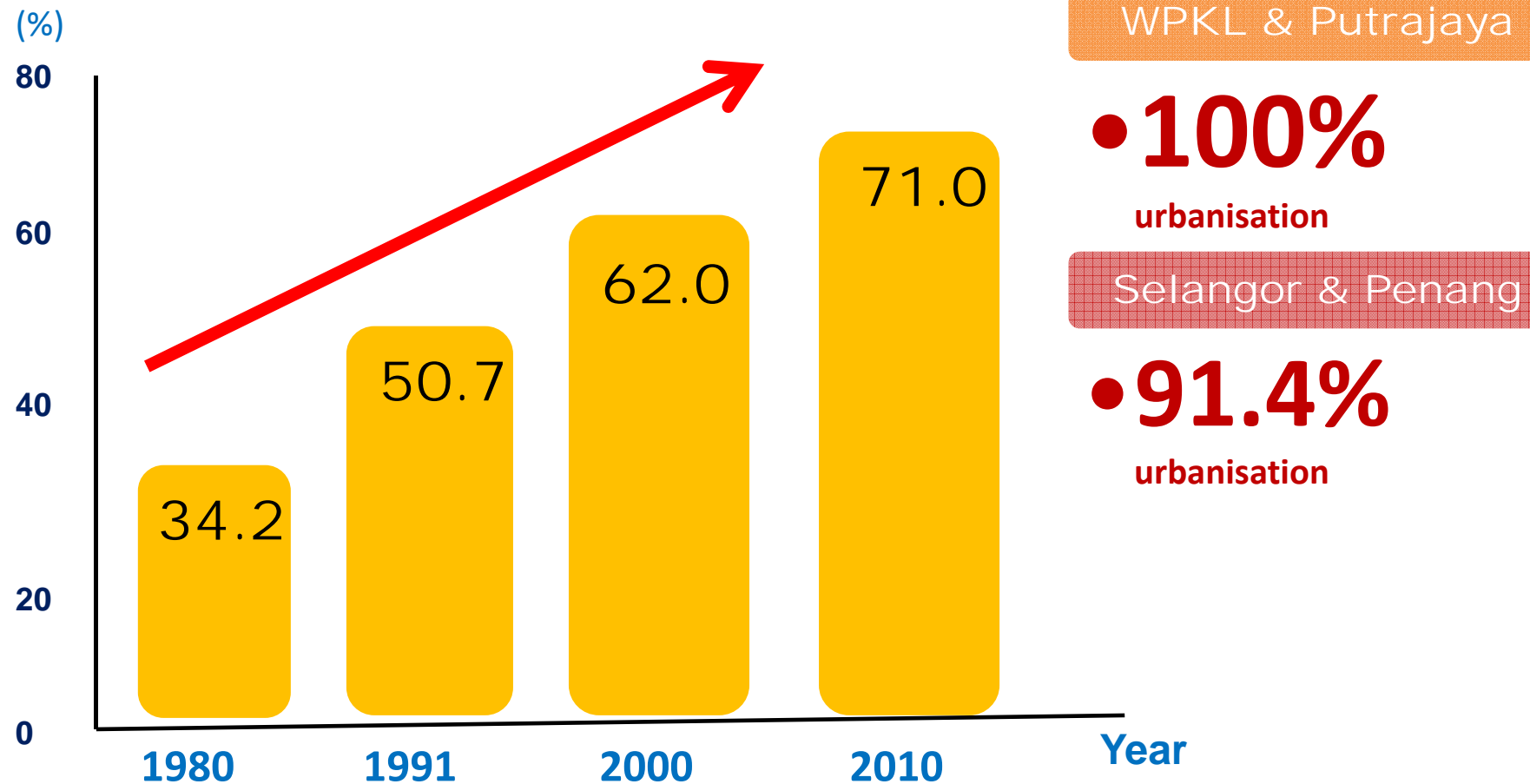
Source: Economic Report 2011 /2012, EPU, Census 2010, NAPIC Property Market Reports

Smaller households

Negeri State	Purata saiz isi rumah Average household size			
	1980	1991	2000	2010
MALAYSIA	5.22	4.92	4.62	4.31
Johor	5.50	4.89	4.51	4.17
Kedah	5.00	4.80	4.60	4.29
Kelantan	4.83	5.10	5.03	4.86
Melaka	5.51	4.96	4.48	4.05
Negeri Sembilan	5.24	4.80	4.47	4.20
Pahang	5.08	4.96	4.52	4.59
Perak	5.23	4.71	4.35	4.04
Perlis	4.52	4.60	4.42	4.26
Pulau Pinang	5.48	5.00	4.38	3.94
Sabah	5.37	5.15	5.16	5.88
Sarawak	5.45	4.98	4.76	4.47
Selangor	5.33	4.93	4.59	3.93
Terengganu	4.89	5.30	5.06	4.78
W.P. Kuala Lumpur	4.87	4.69	4.24	3.72
W.P. Labuan	5.54	5.03	4.94	4.72
W.P. Putrajaya	(b)	5.61	5.34	3.45

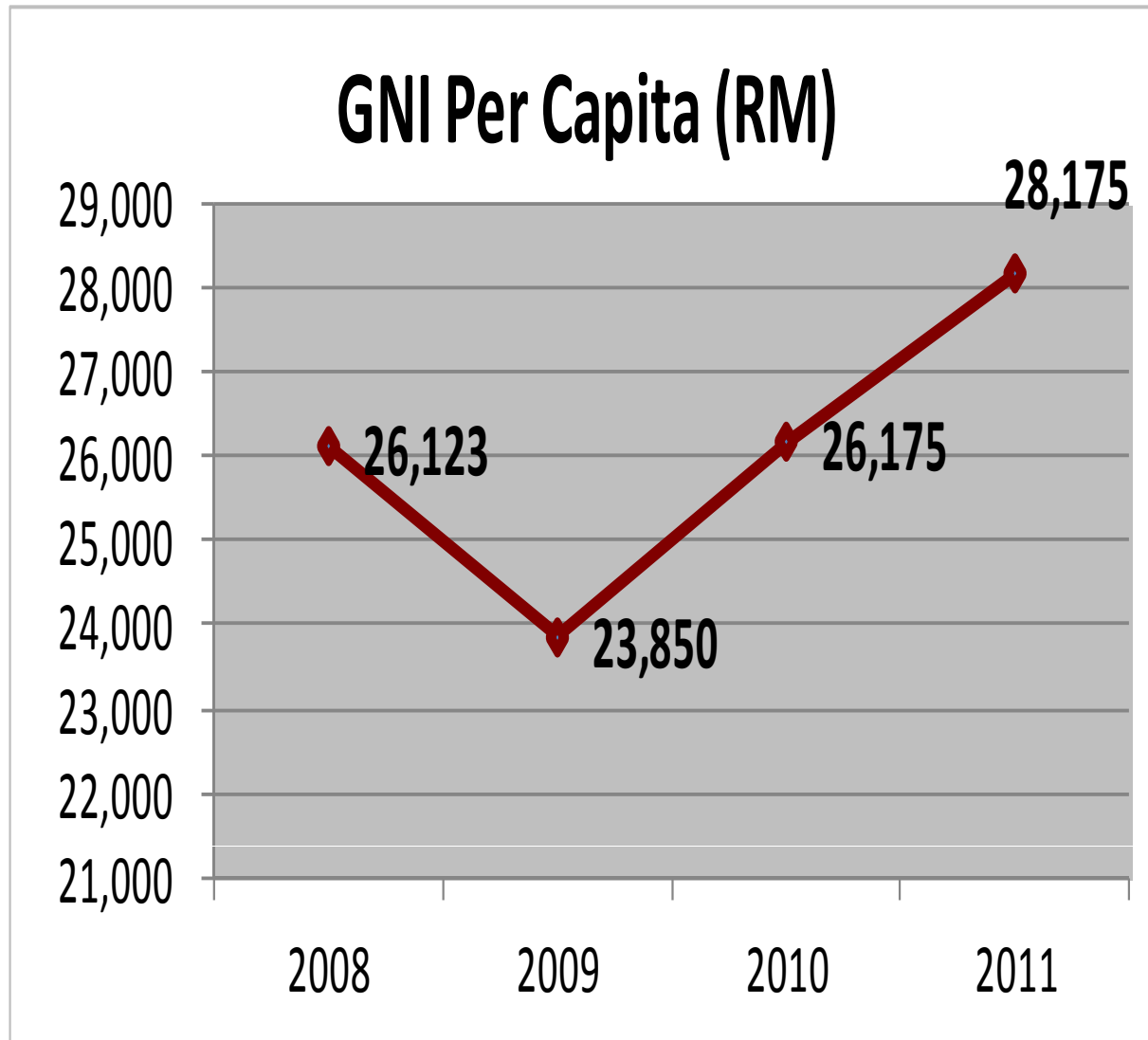
Source: Department of Statistics

Malaysia: Percentage levels of urbanisation (1980-2010)



Source: National Census 1980-2010

Increasing wealth



2010

• **RM26,175**

2011

• **RM28,175**

Source: Department of Statistics & EPU

House Price Structure & Target Groups

Category	House Price Per Unit	Target Groups/ Income per month
<i>Before June 98</i>		
Low Cost	Below RM 25,000	Below RM 750
Low Medium Cost	RM 25,001 – RM 60,000	RM 750 – RM 1,500
Medium Cost	RM 60,001 – RM 100,000	RM 1,501 – RM 2,500
High Cost	More than RM 100,000	More than 5,000
<i>After June 98</i>		
Low Cost	Below RM 42,000 <i>(Depends on location)</i>	Below RM 1,500 <i>(Depends on house type)</i>
Low Medium Cost	RM 42,001 – RM 60,000	RM 750 – RM 1,500
Medium Cost	RM 60,001 – RM 100,000	Not stated
High Cost	More than RM 100,000	Not stated

Source: Research from University of Malaya (2010)

Example of Current Cost of Building a Low Cost

a) High-rise building (excluding land cost) – Klang Valley

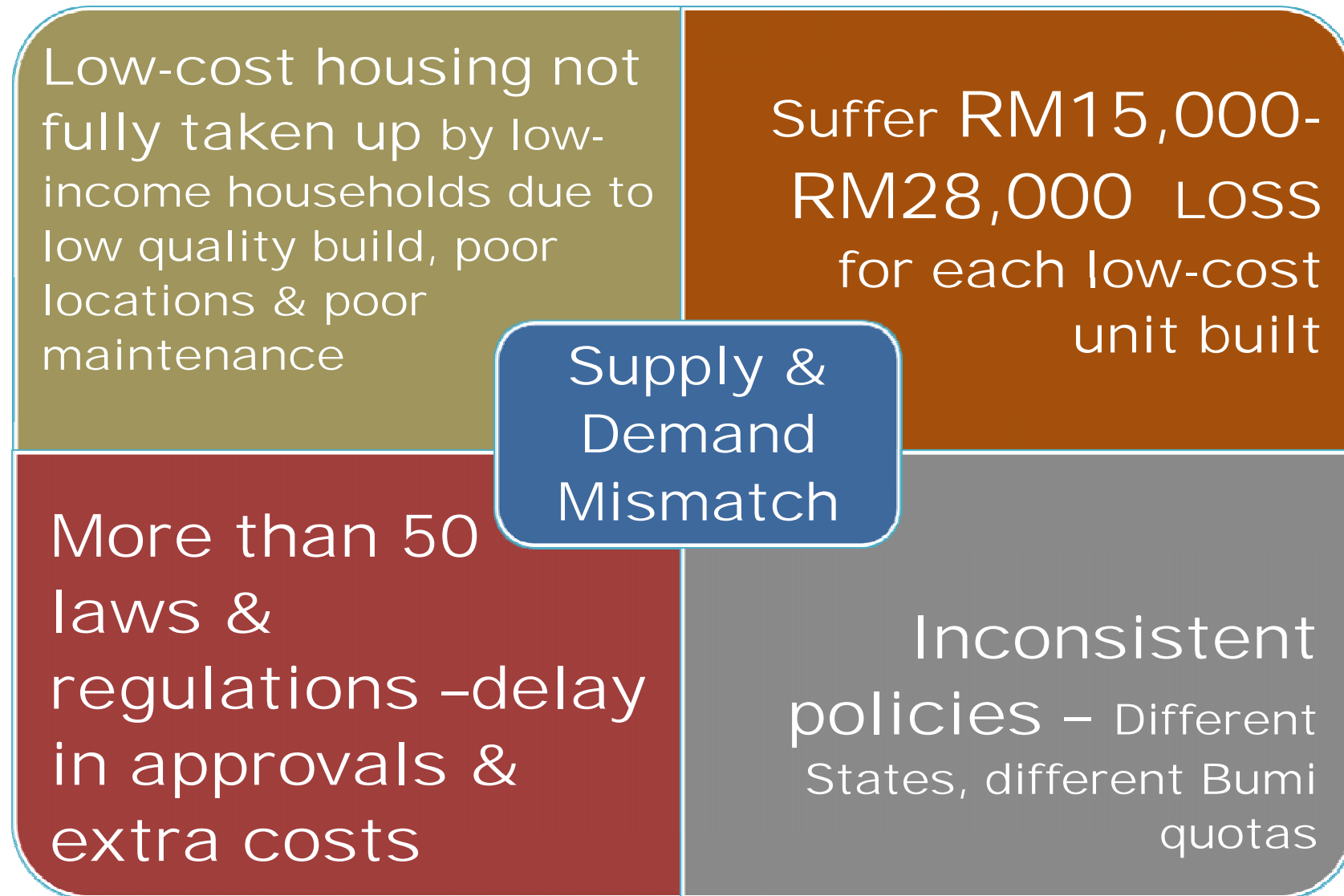
No	Construction Cost (per unit basis)	RM
1	Earthwork cost	1,310.28
2	Local infra cost	7,057.00
3	Major infra cost	-
4	Piling cost	6,078.60
5	Building cost	49,089.30
6	Contingencies	1,906.06
7	Statutory contribution	2,001.28
8	Professional Fees	1,780.55
9	Advertisement & Marketing	-
	TOTAL	69,223.07

Example of Current Cost of Building a Low Cost

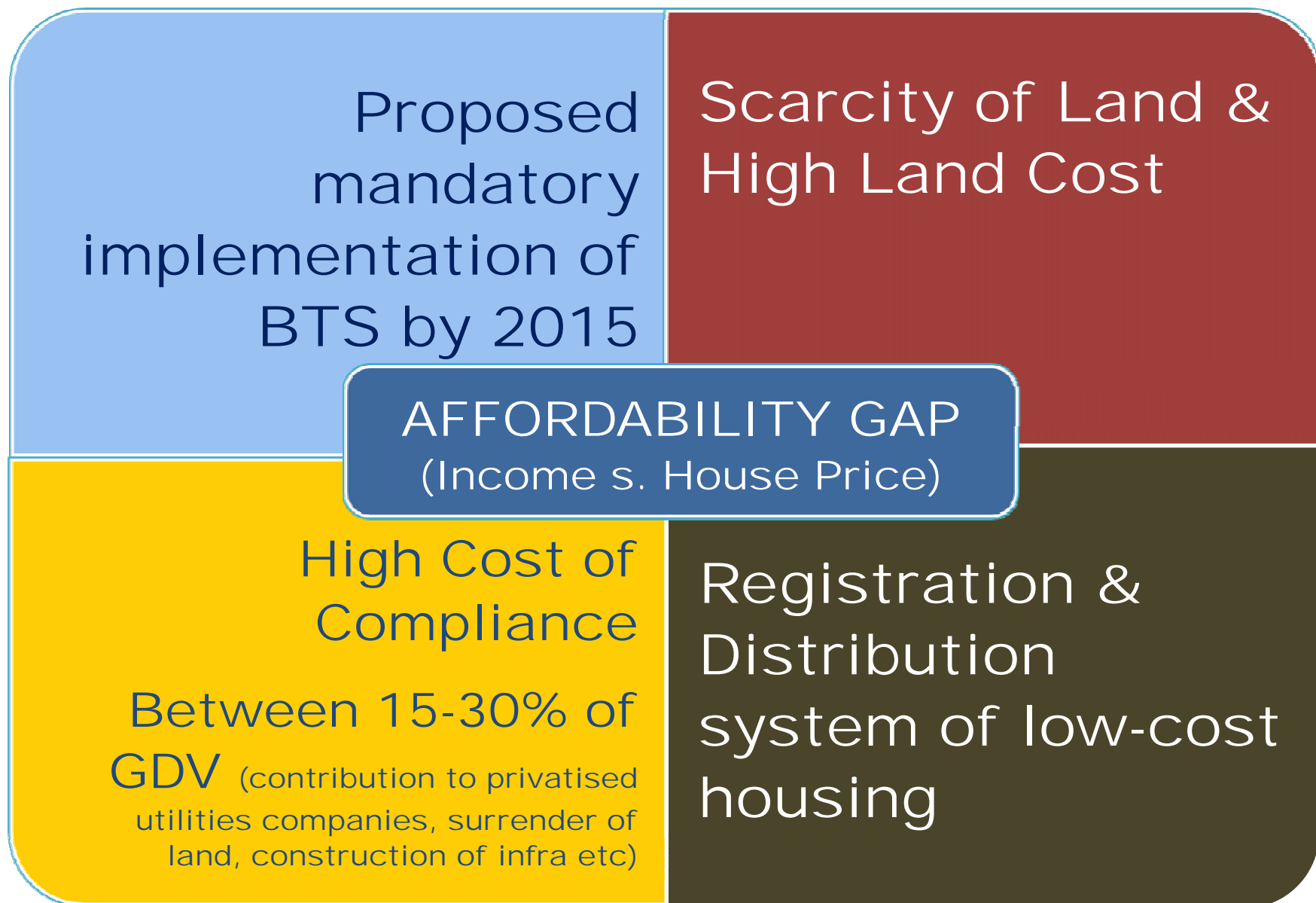
b) Single-storey landed terrace house (excl. land cost) – Other towns

No	Construction Cost (per unit basis)	RM
1	Piling & Footing Works	5,787.55
2	R.C. Frameworks	1,684.94
3	Roof Covering & Accessories	7,132.80
4	External Walls	985.20
5	Internal Walls & Partitions	2,886.93
6	Windows	2,826.38
7	Doors	2,242.00
8	Wall Finishes	3,926.70
9	Floor Finishes	1,059.03
10	Ceiling Finishes	1,895.17
11	Painting	2,063.19
12	Sanitary Fittings	856.90
13	External Work within Lot Boundary	3,540.06
14	Infrastructure Work per lot	3,500.00
	TOTAL	40,386.85

Issues facing Private Developers



Issues facing Private Developers



WAY FORWARD

Govt to take proactive role

- Acquire suitable urban land
- Private developers contribute in lieu by providing Affordable Homes

Provision of amenities & infra

- To be undertaken by the Government for conducive living environment

Low-cost & Low-Medium cost

- To be built by Government instead of private developers

Reduce cost of Doing Business

- To be market-driven
- Business-friendly policies to reduce costs of doing business

WAY FORWARD

State Govts

- Should look at Policy change & amend current low-cost housing policy and align definition of affordable housing with Federal Govt

Smaller Built-up strata units

- Due to escalating land costs
- Increasing construction costs due to high material & compliance costs

Other delivery methods

- Rental housing for hard-core poor and can't get loans
- Other country's models

Maintenance is king

- An affordable amount should be charged / to include maintenance fee and sinking fund & avoid same problems faced in low-cost strata living today

WAY FORWARD

Improve Public Transportation System

- Make it affordable, efficient and reliable
- Working class need to be within reasonable travelling distance to place of work

Higher allowable density and higher Plot Ratio

- Especially in urban areas

Provide Social Housing only for Hardcore Poor

- Move away from low-cost to low- medium cost & medium cost houses

Should Not Compete with Private Developers

- State Government agencies and Federal agencies to focus on providing social housing



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Thank You