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Change low-cost mandate to deal with market mismatch

Property sector has slumped in the last 18 months with stuttering sales despite high demand

by IZZAT RATNA

THE present provision that requires developers to build 30% low-cost units should be amended to boost the number of affordable homes, correct market mismatch and prevent house builders from being hit by losses.

Property investment firm Rahim & Co International Sdn Bhd executive chairman Tan Sri Rahim Abdul Rahman said new developments should comprise 15% affordable homes and 15% low-costs units.

He said many developers want to be exempted from building the 30% mandatory low-cost units in new developments as it does not contribute to their revenue.

"If the government can find a fair percentage of low-cost units and affordable homes, this will increase home ownership, especially for first-time buyers, simultaneously impacting the property developers in a positive manner," he told *The Malaysian Reserve* when asked about the housing situation in the country.

The property sector has slumped in the last 18 months with stuttering sales despite demand high.

Developers blame financial institutions for the strict lending rules. However, Bank Negara Malaysia (BNM) said such prudent lending policies are

required to protect borrowers from amassing huge debt.

The central bank also blames the high house prices which are beyond the borrowing means of many potential purchasers especially first-time buyers.

The government, which will table Budget 2017 this Friday, is expected to include some incentives for first-time house buyers and reinvigorate the property sector.

Rahim warned that the absence of any effective initiative at the state and federal levels will continue to drive buyers to rent properties for long term while property prices will continue to rise.

"The increase in land prices and construction materials have contributed to the price hike with an average of 10% over the last five years," he said.

Rahim said the government should introduce proactive measures to ease the burden of first-time house buyers in the upcoming budget.

"The main problem in the property market now is that we are not producing enough affordable homes.

"Therefore the government should introduce new policies with deve-

lopers to provide more affordable homes with financial corporations in terms of doing the right policy for lending," he said.

Rahim said the situation now is driving the younger generation to rent as the most practical option, instead of buying property despite the softening market.

"The demand for houses is not as good like three to five years ago because the mismatch between prices of houses and the capacity of buyers.

"At the moment, people can only afford to rent. This will affect the sales of houses that are being developed," he said.

The seasoned property expert said concerted efforts from the government, developers and financial institutions are required to increase the nation's first-time home ownership agenda.

At the same time, Rahim said the government should look at ways to reduce the nation's overall housing loan as Malaysia is currently ranked relatively high in household debt.

Malaysia's household debt-to-gross domestic product ratio increased to 89.1% as of 2015 from 86.8%.