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Property prices increasing beyond the affordability of buyers are unique to Malaysia. — Picture by K.E. Ooi

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KUALA LUMPUR — Affordable housing is a segment with clamouring buyers, but it is also the one that developers are not outwardly interested in supplying.

In 2013, Datuk Abdul Rahman Dahlan, the then urban wellbeing, housing and local government minister, said there was a 40 per cent shortfall between the availability and demand for such homes.

Property prices climbing beyond the affordability of buyers are not unique to Malaysia, but the problem becomes more pervasive when the median household income was RM4,585 in 2014.

At that level, the families are limited to homes costing RM300,000. Comparatively, the average house price in Kuala Lumpur was RM772,116 last year.

The government has attempted to address this issue by launching schemes such as the

1Malaysia People's Housing Programme (PR1MA), while urging property developers to offer more homes in the affordable category.

A recent survey by Real Estate Housing Developers' Association Malaysia found that 73 per cent of some 1,655 respondents were willing to pay between RM300,000 and RM750,000 for a residential property.

But despite the unfilled demand for affordable homes and a slowing luxury market, developers continue to favour the latter.

According to property industry experts, the aversion is motivated by simple economics — rising material costs, expensive labour and unsuitable policies — which make it unsustainable for developers to focus on affordable housing without government intervention.

"Land is getting expensive, manpower is also increasing at the same pace, and if we don't come up with a long-term solution, then it will become difficult for developers to build affordable homes," Knight Frank managing director Sarkunan Subramaniam told Malay Mail Online.

"In some cases, the authorities have delayed in approving projects and this has gone up to a year, which, after that period, the value of the land is more expensive ... this is an additional cost incurred by the developer."

Sarkunan said the government sometimes introduced policies that were counterproductive to the push for affordable housing, citing the example of the International Trade and Industry Ministry's decision to impose definitive safeguard duties for three years on imported steel products.

Prompted by the local steelmakers' complaints, the ministry last month decided on provisional duties on imported steel concrete reinforcing bar, steel wire rods and deformed bar in coils.

He said it was "not the smartest move" considering its inevitable effects on the cost of building homes, affordable or otherwise.

"I understand it is to protect the domestic industry but by imposing such a policy in this current economic climate, it will require more capital to purchase steel bars and developers will have no choice but to increase property prices," he said.

Malaysian Industrial Development Finance chief economist Kamaruddin Mohd Nor said current costs made it infeasible to market homes that would qualify as "affordable".

While there is no uniform price for what qualifies as "affordable housing", this is generally around the RM300,000 to RM500,000 mark.

Kamaruddin said acquisition costs alone would make it challenging to build and sell homes at that price point.

"The land cost and building materials have risen in tandem over the years. In some cases, it does not make business sense to build houses which fall within the affordable housing price bracket due to the high entry cost associated with the development," he said.

In a survey last year, several developers had cited high costs of materials, labour, standards compliance, and the Goods and Services Tax for a 10 per cent overall increase in operating costs.

To ensure the sustainability of affordable homes in the long run, Sarkunan suggested introducing shell homes in the country.

As the name suggests, shell homes are bare-bones units without rooms and partitions, but with basic plumbing and wiring.

Currently, these are prohibited by law, but he said the savings that could be had would allow developers to offer these for much cheaper than regular homes.

According to some construction firms in the Klang Valley, a shell condominium unit could be tens of thousands cheaper than a fully built version, while this could be hundreds of thousands less for a landed property.

"In the name of renovation, I have seen many people tear down their whole place only to rebuild something completely different to what was given to them," Sarkunan said.

"So, why not just give them a shell and let them do what they want to do? This way, developers get to sell the property for a cheaper price and consumers do not need to spend a lot to tear down the whole place."

An executive director at an international property management firm in Kuala Lumpur said an effective solution will only be available if the government and developers address the problem together.

He said PR1MA and Rumah Selangorku were good but "there needs to be something more conclusive like how to tackle the issue of rising building materials, compliance costs, labour and the relevant policies".

Asked if developers compromised on materials just so they could build affordable homes, all three experts said it was a serious offence and that developers would not take such a risk.