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The need to define housing affordability in each state to resolve the non-standard pricing issues

by IZZAT RATNA

INDUSTRY players are calling for the government to define housing affordability in accordance with each state and town to resolve the non-standard pricing issues, which is dampening the already soft market sentiment.

Rahim & Co International Sdn Bhd chairman Tan Sri Abdul Rahim Abdul Rahman told *The Malaysian Reserve (TMR)* that the government needs to define housing affordability throughout the country and each state must cooperate in providing a certain percentage in any development to cater for the mid-market segment.

The head of the consulting firm said the real estate sentiment is currently soft with about 15% reduction in volume and transactions compared to previous years due to the overbuilding of luxury homes, coupled with stringent lending policy.

"In the past, the government imposed a mandatory regulation for any development to set aside at least 30% out of the total units for low-cost housing. In view of current market conditions, the authorities should revise it to include the affordable home segment," he added.

According to Abdul Rahim, the low-cost segment is typically built for the lower income group with income

less than RM3,000 for a unit priced below RM100,000, while the affordable homes in the Klang Valley are priced at about RM400,000 for those earning between RM3,000 and RM10,000.

However, Abdul Rahim said the affordable segment's absolute selling price will vary in different states, depending on location, vitality, busi-

ness traffic, and other geopolitical factors that affect a particular state's economic growth.

Some private sector developers may consider RM500,000 as an affordable price, while the 1Malaysia People's Housing Programme (PRIMA) and the Congress of Unions

of Employees in the public and civil services would suggest RM300,000 and RM350,000 respectively, he said.

Currently, PRIMA houses are priced at RM300,000 to cater to people working in the city.

According to the National Property Information Centre, in the third-quarter of 2016 (3Q16), the property market dipped further with transaction activity dropping 12% to 239,798 transactions (272,550 transactions as of 3Q15), and 16.5% in terms of pricing to RM95.34 billion (RM114.12 billion as of 3Q15).

Less than 30% of new housing launches during the 2015 to 2016 period were for houses priced at less than RM250,000, versus 70% during

the 2008 to 2009 period.

Meanwhile, Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid told *TMR* that it is crucial for the government, banks, and developers to work together to establish a mechanism, which can intervene in the housing market to sustain and stabilise house prices.

"This would enable income to grow at a relatively fast pace compared to house prices which then will allow potential house buyers to buy a house within their financial capacity," he added.

"It remains to be seen whether such measure can effectively control the prevailing house prices, which continue to rise every year," he said.

Mohd Afzanizam said the lack of understanding on personal financial management is also contributing to the problem as higher indebtedness lowers a purchaser's chance of getting their loans approved.

"In a sense, it also boils down to

individual habits when it comes to spending money. Access to financing has not been a problem as banks have more than sufficient liquidity to grant loans," he added.

The latest statistic released by Bank Negara Malaysia noted that loans applied for the purchase of residential properties stood at RM19.04 billion in June this year, 14.2% lower than RM22.19 billion in May 2017.

Loans approved by lenders (commercial banks, Islamic banks, and merchant or investment banks) for the same purpose also fell RM8.5 billion in June 2017 against RM9.34 billion the month before.

On a year-on-year basis, loans applied for purchasing residential property stood at RM1793 billion in June 2016, while loans approved stood at RM8.01 billion.

Moving forward, Mohd Afzanizam said 2018 will remain as a buyer's market and therefore, developers should be more careful in their new launches so as to avoid accumulation of the existing property overhang.

At the same time, it can lead to a good buying opportunity as buyers especially those who have lower debt-service ratios will have various options to choose from and may get good bargains especially for the sub sales segment," he added.



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Mohd Afzanizam (inset) says that it is crucial for the govt, banks, and developers to work together to establish a mechanism, which can intervene in the housing market to sustain and stabilise house prices