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BNM aims to reduce affordable housing gap

> Central bank proposes five key policy solutions, says single entity needed to spearhead initiatives

PETALING JAYA: Bank Negara Malaysia (BNM) has proposed five key policy solutions to reduce the affordable housing gap in the country, citing supply-demand mismatch and slower income growth as the main factors contributing towards housing unaffordability.

As a result of the acute supply-demand mismatch, BNM said, the level of total unsold residential properties in Malaysia stands at a decade-high of 146,497 units as at second quarter 2017, an increase from the 130,690 units in the previous quarter.

During the period, almost 82% of the unsold units were priced above RM250,000, it said in its latest quarterly bulletin.

Additionally, it is worth noting that from 2007 to 2016, house prices grew by 9.8%, while household income only increased by 8.3%. The issue was most acute in 2012 to 2014, when the growth in house prices (26.5%) more than doubled the growth in income levels (12.4%), BNM added.

Therefore, the central bank said beyond the measures to improve households' income in the long run, a holistic approach is needed to effectively bridge the affordable housing gap in the country.

BNM's policy propositions include establishing a single entity to spearhead affordable housing initiatives, setting up an integrated database to assist in matching demand and supply, and reducing costs of affordable housing to lower house prices towards a more affordable level.

On the demand side, it said the strategies include rehabilitating the balance sheet of households by enhancing financial literacy and improving the rental market by strengthening the legal framework.

BNM said a single entity should be established to spearhead national affordable housing initiatives among the various government and state agencies and private players alike, noting the affordable housing provision is currently



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fragmented and uncoordinated nationwide.

At present, BNM said over 20 national and state-level agencies are involved in the provision of affordable housing.

"This institutional factor has led to policy coordination being an issue, resulting in slow

progress towards achieving the government's target of providing one million affordable homes by 2018.

"Between 2013 and October 2017, only 255,341 homes have been completed by the various public and private sector players," it said.