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Virus a real challenge to property sector

AT THE 2020 National Housing and Property Summit earlier this month, property manager Alpha REIT's chairman, Datuk Stewart LaBrooy, kicked off his presentation with a question his son had recently asked him.

"My son shot me a little quiz. He asked me 'what's driving Industry 4.0 within a company? Is it the CEO, the CFO - or Covid-19?'"

It's a question worth pondering. LaBrooy went on to assert that the Covid-19 pandemic has changed everybody's lives, adding that the crisis will likely "be a force to deal with over the next 24 months".

"I don't see this thing going away in a real hurry and as real estate players, we have to be fully prepared and examine our strategies very carefully about how we move forward."

KSI Strategic Institute of Asia Pacific president Tan Sri Michael Yeoh concurs that the pandemic has impacted all countries and industries.

"The housing and property industry has its own share of challenges. It has been pointed out that the sector has direct links with and supports over a hundred ancillary industry and services.

"If the property sector slows down, it will also have an impact on many other segments."

To tackle the challenges, Yeoh urges local property sector players to embrace innovation, such as artificial intelligence, big data and robotics.

"The price-to-income approach does not take into account factors such as location and connectivity."

Carmelo Ferlito



"Today, we are seeing virtual property fairs and new property technology being introduced. We also need new investors and foreign investments in the property sector.

"The industry also needs new incentives to reignite growth in the property sector to be a key engine of the economy."

He adds that sustainability within the local property sector is also an important issue, as the public increasingly looks for a clean and green environment to live in.

"Security at home is also an important consideration for house buyers and smart cities all over the world will make city-living more exciting and interesting.

"We also hope that the government will ensure the healthy growth of the property industry and ensure developers and end-buyers have sufficient access to funding and bank financing.

"The private sector would also like to see faster approvals, less bureaucracy and the three 'Cs' in policy formulation and implementations, namely consistency, clarity and certainty."

A prominent conversation point at the summit was the issue of affordable housing.

Senior fellow at the Institute for Democracy and Economic Affairs (IDEAS) Carmelo Ferlito says everyone uses the price-to-income ratio

as a method of gauging affordability.

However, Ferlito says this is not an ideal way to measure housing affordability as it is a simplistic approach.

"The price-to-income approach does not take into account factors such as location, connectivity and job opportunities. A low price-to-income ratio can also be due to the area being in a poor location.

"We need a new index which takes that complexity into account."

He adds that the discussion on affordability is unbalanced towards prices on the primary market.

"Are we sure that the situation in the secondary market is not different? This sub-segment accounts for a big portion of transactions."

Ferlito says prices of homes within the secondary market are also more "interesting."

"We should devote more attention to this segment when discussing affordability."

Ferlito also says there needs to be greater emphasis on issues other than affordability, from affordability to social mobility.

"There needs to be a shift in the discussion, from affordability to social mobility. Homes become affordable not because of artificial lowering of prices or ambitious government programmes, but because people are in the condition to grow their income and to choose to buy a house if they want.

"There is also the importance of connectivity, location and job opportunities," he says.