



## Big Interview

COOPERATION

# HOLISTIC SOLUTION TO HOUSING WOES

The dilemma faced by many young people who cannot buy homes can be solved if all stakeholders play their part. In an interview with **AINA NASA** and **AMIR HISYAM RASID**, Real Estate and Housing Developers' Association president Datuk Seri FD Iskandar says though the real estate sector is a business, its purpose is to provide housing to people



**Question: The situation in the country is that affordable housing is scarce even with numerous schemes by the government. What is the outlook of the housing sector and how will the issue of affordable housing be managed?**

**Answer:** It has to be acknowledged that the property/construction industry is one of the main contributors to the GDP (gross domestic product). After services and manufacturing, we have property and construction. It is in our DNA, or Asian DNA, and Malaysia is no exception, that we are taught from young to own a property. In most Asian countries, we want to be property owners. This is something our forefathers have reminded us. When you look at buying property, whether residential, commercial or industrial, it is one of the biggest investments that you will make, but it is also the highest value creation that you will have in your lifetime.

In 99.99 per cent of the time, when you buy a property, it will increase in value. If we spend RM200,000 today to buy a house, in five years' time, the price would increase to RM250,000, whereas when buying a car, its value diminishes by 20 per cent. Property is an appreciating asset. So, the government is encouraging home ownership with schemes concentrating on affordable homes.

But we also acknowledge that not many can afford to buy a house, especially the younger

generation. For people who just started working, it is nearly impossible for them to come up with the upfront money of 10 per cent. Even with cooling-off measures, banks have reduced the margin of financing to 80 and 75 per cent. Some banks still give 90 per cent.

Which is why we acknowledge the fact that there should be properties that are available for rental. I have to commend the Federal Government because it has schemes like PPR (People's Housing Project) where you can rent if you cannot afford to buy. The scheme is for RM124 a month. There are also transit homes, where people live in a home first and after their financial standing improves, they can buy a property. There is also the rent-to-own (RTO) scheme, where prospective buyers who do not have the financial standing yet can rent first and later, when their financial standing improves, part of the rental money can be used as a deposit. These schemes are there. I know the Federal Government is taking the lead in this, but I think private developers are also looking into the RTO scheme.

**Q: What do you predict for the property sector? Will supply meet demands of a growing population?**

**A:** Owning a home is everybody's dream. Let's say you have just graduated and, after few years, you get married. You then move out of your parents' home and

decide to either rent or buy (a property). This evolution of buying a property is something that starts a few years after you begin working and when you have a family. You will probably stay in a smaller house first. Then, when you have children, you want to move to a bigger house as your financial standing continues to improve. If you start working at 23 and stop working at 60, there is 37 years to upgrade from a smaller house to a bigger one. There is always demand for property.

Another important factor is population growth. The growth last year was more than 1.4 per cent. In bigger urban locations, such as Greater KL, the population is about seven million. Greater KL includes Petaling Jaya, parts of Selangor and parts of Negri Sembilan, like Nilai. We participated in a lab about five to six years ago with Pemandu as well as the private sector. We looked at intra-migration, where people from outside KL come to Greater KL to seek employment and education, among other things. By 2020, the projected figure for the population of Greater KL is around 10 million. In three years, we have three million more people in Greater KL. If you take one household on average, we have four people living in the house. Three million people coming into Greater KL in 2020 in three years requires us to have 750,000 new homes just for Greater KL. And most homes

would be in the affordable category.

These are things that bode well for both the public and private sectors. You can see from the federal side, apart from SPNB (Syarikat Perumahan Negara Bhd), PPR houses (and) transit homes, there are also PPAIM (Malaysia Civil Servants Housing Scheme) and PRIMA (Malaysia People's Housing Programme). The private sector, for the last 40 years or so, has provided more than four million houses for Malaysians. It is a joint effort to house Malaysians.

**Q: What are the challenges that arise from buying property today that were not present in previous years?**

**A:** One of the main challenges we face today is the cooling-off measures introduced by Bank Negara Malaysia between 2013 and 2014. Because of that, when people want to buy a house today, they look at the net income of an applicant rather than the gross income.

There are also challenges in the escalating cost of doing business. This is due to a few factors. One of them being land price in big cities. There is also the increased cost of construction materials, like steel bars. In February, the government introduced a levy on certain types of steel bars. Before this, we paid about RM1,700 for a small steel bar - Y9 and Y11. But after the introduction of the levy, we pay about RM2,700 per tonne.

So, there is an increase of more than 30 per cent. (The cost of construction materials have increased, what more labour cost? Land has also definitely increased in price as it becomes more scarce. We also have compliance costs, which are like conversion premiums. When you buy a piece of land, it is usually meant for agriculture. If you want to convert it into residential, commercial or industrial land, you have to pay a conversion premium.

Take Selangor for example. Around 2008 or so, we were paying about five or six per cent of the future market value as the conversion premium rate. But today, we are paying roughly 24 per cent. So this has gone up by four to five-fold. When you buy a piece of land, say 100 acres (40ha) for a medium-sized township, you cannot use the whole 100 acres because you have to surrender land for roads, drains, schools and other public facilities. The net usable area, minus these amenities, is probably only 50 acres (20ha).

With all these things, it is very difficult or highly improbable for property prices to go down.

For people who already own a house, they want the prices to go up because that is their value. I remember people buying houses for RM350,000 five years ago. Today, they are proud to tell people that "my house is valued at RM600,000". That is for the people who already own homes.