

# Homeownership not the be-all and end-all

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up much faster than rents over the years.  
It may also be worthwhile to consider transforming vacant and under-utilised or aged units for rental use, he said, adding that there is a lot of office space, especially under-utilised upper floor shophouses that can be adapted for residential use. "There will be a lot of unsold property that can be bought and invested in for rental purposes."  
As a vibrant population and dynamic employment sector are crucial to support the rental market, Foo hopes the authorities can look into the movement of foreign labour, especially among professionals and higher levels, and attracting them to work in Malaysia. "Cities like London, New York and now, even Shanghai, are very vibrant because of the high numbers of expatriates."

## Build-to-rent and rent-to-own schemes

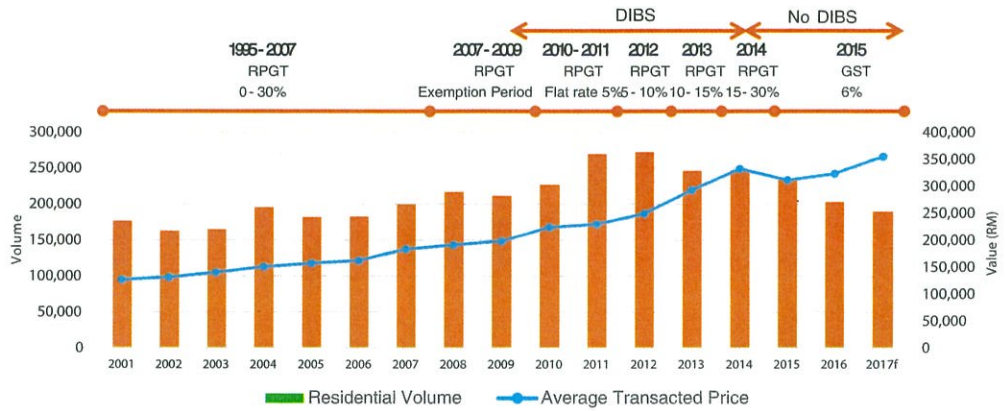
In his presentation, Foo also discussed the pros and cons of the build-to-rent (BTR) and rent-to-own (RTO) schemes.  
To support the BTR scheme, a public-private partnership structure and legal framework need to be in place, said Foo. "Such schemes would generally require big capital investments by government agencies and local authorities."  
According to him, the BTR scheme offers developers and investors longer lease terms and steady and stable revenue in the form of rent. Such schemes are also attractive to institutional investors that need reliable recurrent returns.  
The scheme offers tenants the security of a longer lease and the assurance of quality as purpose-built homes are professionally managed and specialised for renting. "Units can cater for the lifestyle of millennials or young families who seek on-site services and facilities."  
As for the RTO scheme, Foo says this can only work in a market where capital values are on an upswing. "Otherwise, developers could run a risk when no one exercises the option to purchase."  
Two RTO schemes in Malaysia he mentioned are rental housing by PRIMA, which offers the option to purchase on the 5th or 10th year of tenancy at a price set by PRIMA, and the #HouzKEY RTO scheme by Maybank Islamic Bhd, which offers the option to purchase or sell after one year of renting at a pre-agreed price. When a tenant opts to sell under the latter scheme, the profit between the pre-agreed price and the sale value goes to the tenants, said Foo.

The longer lease terms of RTO schemes guarantee accommodation for tenants. There is certainty in rent increment, usually stated in a contract. It also locks in the property price for future purchase and allows time for tenants to build up their financial capacity, save for the downpayment, and accumulate a credit score. "It gives an easier entry to homeownership with low initial financial commitment and an opportunity to assess the property and its surroundings prior to purchase, which appeals to genuine buyers," Foo explained.

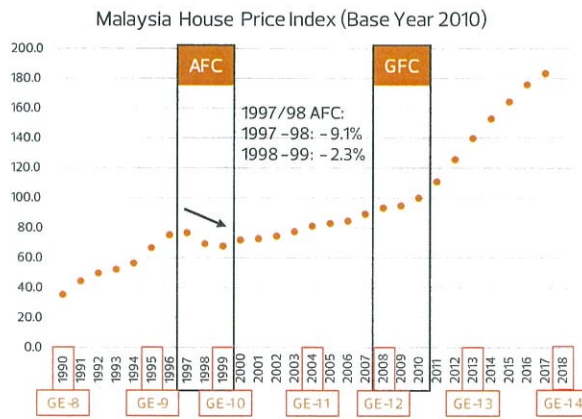
Some disadvantages of RTO schemes are that they could be more costly depending on the rental rate and contribution to option money (a one-time, usually non-refundable fee paid to the seller for the option to purchase the house in the future) and could incur big financial loss for the tenant if the property purchase is aborted or forfeiture is exercised.

Meanwhile, key criteria for rental hot spots in Kuala Lumpur include having a public transport network, proximity to commercial areas, and quality of the property to justify the rent, said Foo. Popular areas for renting include Setapak, Mid Valley City and Bukit Jalil.

## Residential market trend

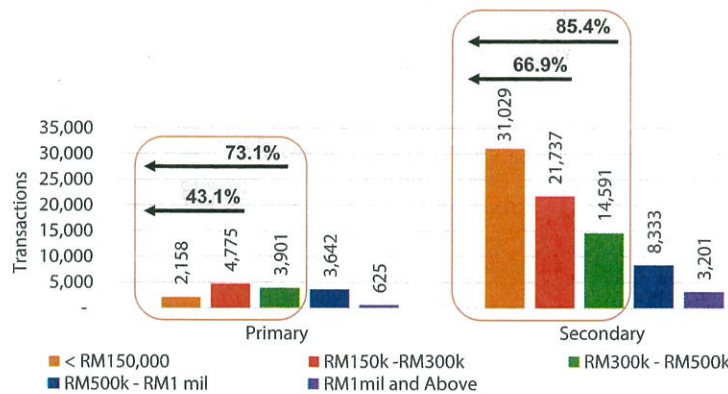


## Will property price drop?



- Robust economic performances prior to AFC led to moral hazard of unnecessary risk-taking, large investment and spending on infrastructure, property prices soared
- Subsequent depreciation of currencies led to ballooning debt repayment
- (Risk of) loan default increases → asset disposal → mass supply in the market → pulls down the price

## Transaction activity as at 1H2017



Some future growth areas linked to rail infrastructure Foo highlighted in his presentation include Kwasa Damansara/Sungai Buloh, Kelana Jaya/Kota Damansara, Kuala Lumpur, Kajang and Putrajaya. "The rental market will be catalysed by rail connectivity, more so than road connectivity. Sungai Buloh, Kajang and Putrajaya are the end-terminals for MRT. Both LRT and MRT are running along and serve Kelana Jaya and Kota Damansara. Kwasa Damansara is an upcoming

township integrated with transit points such as MRT stations. And Kuala Lumpur will remain popular as the centre of activities and a transport hub. "Perhaps it is time to consider a change in mindset as home ownership is not the be-all and end-all. Moving away from the typical Asian mindset, the absence of homeownership does not imply welfare deprivation. The ultimate priority is to have a roof over one's head, be it rented or owned," he concluded.

SOURCE: CBRE | IWTW