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Eyes on Budget

Property industry leaders identify key pain points to be addressed in Budget 2024, calling for government support with issues of housing loans, policy, government initiatives, labour and green incentives.

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More home ownership programmes for the rakyat?

Developers call for an extension as i-Miliki end draws near

By **LIEW JIA YI (YANIKA)**
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PROPERTY developers are seeking an extension of the i-Miliki initiative for three more years, subject to the improvement of the economy. The programme would then rely on the realities of ordinary Malaysians, with the flexibility to change as necessary.

To account for the rate of inflation, developers are asking for a 100% stamp duty exemption for owner-occupied properties below RM600,000, from the original RM500,000. Subsequently, the 50% waiver for owner-occupier houses would begin at the purchase price of RM600,000 to RM1,200,000.

The current programme provides home buyers with a 100% stamp duty exemption for owner-occupied properties below RM500,000, with a partial exemption of 50% for owner-occupier houses with purchase prices between RM500,000 and RM1,000,000.

While Covid-19 ushered in a period of instability for the property industry, the pandemic has also pushed the federal and state governments to provide support in the form of new homeownership programmes. But developers feel that the government should help more to ignite the growth of the industry further.

The most prominent example was the Home Ownership Campaign (HOC), which to date was the most successful, implemented to facilitate the growth of the property market. As it ended in 2021, the i-Miliki initiative replaced the HOC, seeking an end to Malaysia's turbulent economy.

According to the government guidelines, the transaction deadline for the Sale and Purchase Agreement for i-Miliki is no later than Dec 31, 2023, with the last booking date being no later than Jan 31, 2024.

With the strong sentiment to tide over the Malaysian public, developers, agents and homebuyers are watching when the clock strikes midnight on the i-Miliki initiative amidst rising cost of food prices and other necessities.

While many developers are under the impression that i-Miliki will be ending in December 2023, according to the guidelines, the i-Miliki programme will continue for houses priced below RM500,000 until Dec 31, 2025.

"Even before they announced it, there's already another scheme, which is for below 500,000, that is valid if I'm not mistaken, to 2025. So it does the same thing," Real Estate and Housing Developers' Association (Rehda) president Datuk NK Tong said.

"It's just the same thing, the exemption, so I don't know why they introduce that... It's running in parallel, a bit confusing," he added.

The lack of clarity is a common issue. As developers have pointed out during the roundtable, the effects of the pandemic are still felt throughout Malaysia. While wages are rising, they are rising at a slower pace. Coming out of the pandemic, developers such as OSK Property chief operating officer Seth Lim noted that the public may not be able to pay for the memorandum of transfer for a strata title with depleted cash reserves, creating a more difficult homeownership journey.

"They always say, ah Rehda, you're always asking for it, where's the government gonna get the money?" Tong pointed out.

"The government does waive the stamp duty," he conceded, "But this will increase the volume of transactions, which... more than makes up for it because the government will earn through taxes on the profit of the development and also the spin-off effects."

Bank Negara reported that the property development business has a 3.5% share of Malaysia's gross domestic product. As the development industry embarks on projects, industries such as construction, real estate and others engage.

"It's again, coming back to creating a more robust and resilient economy, because construction and development is a sizeable chunk of the GDP, so that's one of the reasons we're doing it, to make sure that as part of our nation building role, we are prepared and ready for what's coming down the pipe," Tong said.

As developers brace for the end of the year, i-Miliki acts as an effective programme for those keen on homeownership.

"If you ask your salespeople at ground level, it works. It works, people are interested in that. My only thing is that it's priced at RM500,000. If you look at Klang Valley ones, most units are RM600,000 plus," Glomac Bhd chief operating officer Zulkifly Garib said.

According to the Valuation and Property Services Department (JPPH), the median price for homes in Kuala Lumpur stands at RM500,000, while in Putrajaya, the median stands at a whopping RM800,000. Selangor's median stands at RM430,000, all far above the national affordability line of RM300,000.

Sunway Property central region senior executive director Chong Sau Min reflected on the coming end of the programme, recalling his experience following the Home Ownership Campaign.

"There's always the problem when it comes to 31st December," Chong said.

Once the year has ended, he pointed out, people are unable to commit themselves to a higher payment, with the general sentiment of the public being that they have missed the chance for a better deal.

He noted that an option could be to cushion the effect, instead of creating a disruption, gradually decreasing the exemption as the economy begins to stabilise. Coupled with step-up financing programmes, the hope is to allow homebuyers to get their bearings again so their payments would be easier to handle.

While the state would be losing out on the collection of stamp duty with the continuation of i-Miliki, Matrix Concepts Holdings Bhd group managing director Ho Kong Soon noted that the chain effect within the Malaysian economy would be stronger with the programme in place.

Accounting for inflation, he pointed out that the maximum price for a 100% exemption could be increased to RM600,000.

"The government does not have much fiscal measure in hand," FIABCI World Council of Developers and Investors president Datuk Seri Koe Peng Kang acknowledged the agreement at the roundtable.

According to the recent Q2 2023 outlook report by the Malaysian Institute of Economic Research, the government revenue increased to RM76.2bil for Q1 2023, as compared to RM62.8bil in Q1 2022. Combined with stable expenditure, this results in a slightly reduced overall deficit for Q1 2023.

The report noted that continuing to reduce the deficit with the ultimate goal of a balanced budget should remain on the government's agenda whenever possible.

"I don't think it needs to be done every year. It's just that in this particular period, we need the industry to be more resilient. I don't think the government has much, and you're looking at the looming recession coming. I think with this thing in place, it will probably build up more sales and more buffer," Tong added.

Matrix Concepts' Ho noted that as things continue, development projects have been delayed, leading to late delivery. Due to the lack of funds, some developers delay their projects for four years to five years.

On a brighter note, Bank Negara reported that the Malaysian economy expanded moderately in the second quarter of 2023 in comparison to the first quarter of 2023, and is expected to continue. Both headline and core inflation are projected to trend lower within expectations close to the lower end of the 4.0% to 5.0% range in 2023. This at least gives some hope for the future.

(Below) Finance Minister Lim Guan Eng officiated the opening ceremony for Rehda's home ownership campaign - Malaysia Property Expo 2019 (HOC-Mapex 2019).

House prices according to state, 2022

State	Mean	Median
WP Kuala Lumpur	748,625	500,000
WP Putrajaya	1,019,188	800,000
WP Labuan	435,473	380,000
Selangor	555,622	430,000
Johor	403,953	380,000
Pulau Pinang	425,498	350,000
Perak	268,920	250,000
Negeri Sembilan	334,214	290,000
Melaka	280,716	250,800
Kedah	262,961	240,000
Pahang	267,861	250,000
Terengganu	291,384	300,000
Kelantan	260,545	253,000
Perlis	246,225	230,000
Sabah	376,945	330,000
Sarawak	371,991	360,000

(Source: JPPH)

We are totally lost, say developers

Frustrations expressed over varying affordable housing policies

By **LIEW JIA YI (YANIKA)**
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(ABOVE) Property developers discussing the perplexing different housing policies.

WHILE developers are obliged to build affordable units, termed Mampu Milik, the implementation of these units is not as clear-cut as it should be. These guidelines differ across states to ensure the provision of quality and sustainable housing, with its own criteria and simultaneous programs to be followed.

In Selangor, developments beginning from five acres are required to build 20% to 40% affordable units. These requirements depend on the type of property being built. In Johor, development from three to five acres requires 20% affordable units, with anything above five acres, allocated 40% requirement.

In Kelantan, the requirement begins from three acres or more than 250 units with 20% of affordable units. In Pahang from three acres, affordable units must be at 30%, priced between RM70,000 and RM90,000. Negeri Sembilan's affordable housing standard states that developments below 10 acres require a minimum of 30% affordable units, while 10 acres require 50%.

These quotas are imposed upon the project regardless of location and demand. The differing requirements make it difficult for property developers to keep track of their affordable housing requirements.

"We just wish to ask the government to look at various states' different policies, then maybe pick a standardised one and then implement it nationwide,'' Scientex Bhd executive director Beh Chun Chong said.

Sime Darby Property Bhd group managing director Datuk Azmir Merican compared the grey area in the Malaysian affordable housing policy with the financial industry in the 90s. He noted that there had been so much regulation, nobody could cope with it. The solution came in the form of a disclosure-based system, which he believed could be a similar solution to the property developer industry.

The lack of a clear policy on affordable housing negatively impacts the provision of such units.

"At the end of the day, we are talking about affordability, correct? And housing policy is one of those that contributes to why the cost, the pricing is so high," Glomac Bhd chief operating officer Zulkifly Garib said.

"I can tell you that it'll be difficult for you to have a standard nationwide policy, because... it's a state affair and every state government will want to have their own policy," Zulkifly pointed out.

"But if we can tell them look, we can show them one of the reasons why house [prices] are high is because of the cross-subsidy. I mean Selangor has got 20 to 40% subsidy, for example, and again, different, Johor has got the 15% but the selling price differs," he added.

These cross-subsidies are partially funded by the open market units for feasibility, distorting the price of these units.

"I think most of us are willing to give away land... we're resigned with the fact that we've got to give them the land," Zulkifly said, in agreement with a few other developers who note that they suffer less loss when they give the land away to the government.

The issue goes beyond simply providing these affordable units.

"Upon completion, there's only about a 50% takeup rate, we still have a lot to sell. So what's the problem? Whether people actually don't need it, or they can't even afford affordable housing?" Gamuda Land chief operating officer Wong Siew Lee asked.

Developers hold onto the unsold property for an extended period, and sometimes, they apply to release the unit to those who shouldn't be eligible to buy, defeating the purpose.

Sendayan Group of Companies director Louis Ting pointed out that most developers, to minimise the losses, will try to relocate the affordable housing to another region, where the land cost is cheaper.

"Now this is where... the social problem arises, you are going to create a cluster of low-cost residents in an area which may not be in a conducive living environment, that actually creates a more even more serious mismatch in terms of the day to day needs in that kind of situation," Ting said.

In this regard, he noted that there might be a better option for the government to take over the construction of low-cost units in locations that suit people's lifestyles. Alternatively, the government could provide a grant for homebuyers to apply, up to RM150,000 to RM200,000 for them to buy a unit from the open market that suits their needs.

"In short, the developer need not build, and the government need not worry about where the low-cost housing is. Let the buyer choose as to where to buy, as long as you fulfil the main test, the threshold test, then you just apply for whatever the allocations available by the government," Ting said.

According to Matrix Concepts Holdings Bhd group managing director Ho Kong Soon, the crucial point to affordable housing was to make it sustainable. In his experience, while many speak on the topic of affordable housing, there is no willingness to make the change.

This was the reason that the affordable housing issue, despite being a core issue, is a complex environment, he said. In the end, there was no consistent policy itself, ensuring that the process would take an extended amount of them.

Ho pointed out that the policy itself had to be changed to encourage its developers to create large, transformative projects. This is an issue about trust, he said.

"What I mean is that at the end of the day itself, policymakers are important... [it's] hard for us in the private sector to move alone," Ho added.

Unification efforts

"When Zuraida (former Housing and Local Government Minister Zuraida Kamaruddin) first came on board, she wanted to actually unify all these [policies], all the developers don't have to do their own," Sunway Property central region senior executive director Chong Sau Min said.

He recalled that the first attempt was initiated by government-linked companies, which would contribute to the land. Developers would select their chosen site and build something modelled after the Housing & Development Board (HDB) units in Singapore. The project never took off.

"When Lim Guan Eng was a minister, finance minister, he actually proposed to have contributions from developers," Chong said. "These were organised, in Rehda (Real Estate and Housing Developers' Association)we actually worked on it. See how much to propose... but eventually, [it] didn't take off."

Rehda president NK Tong noted that for the prosperity of the nation, developers were more than happy to contribute, however, the efficiency of the process had to be improved.

Ho added that the developers have their role in building the nation's economy, but the government has to step in to ensure that the environment is conducive. These policies have to be effective to benefit the people.

"Better the government take that role, and Rehda is already proposing a national housing trust, where developers contribute a certain small percentage in lieu of the affordable housing and that trust can decide," Tong said.

According to the proposal, the board of trustees would be a mixture of government and private sector. Utilising state land, it will then be up to the developer or contractor to do the building.

"And then there's a shortfall the housing trust can subsidise, because that actually came from the developers in the first place, but the second benefit of that trust is then the developer is fully aware of what is the expectation for the subsidy component, [it is] very transparent [and] can price more competitively," Tong added.

The trust would have a masterplan of the affordable housing unit, and identify land. The state would know best where the need is, not individual developers, he said.

"It's not gonna be one size fits all because Sabah, Sarawak have their own uniqueness," Koe acknowledged.

Koe pointed out that developers were willing to surrender their land, allowing the proposed national trust to hold it and sell it at the competitive tender without making money, as a social agenda. The solution would avoid the issue of overhang by targeting the areas of need, relying on the realities of affordable housing rather than a rigid process.

> "We just wish to ask the government to look at various states' different policies, then maybe pick a standardised one and then implement it nationwide."
> – *Beh Chun Chong*

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Future-ready living in Kwasa Damansara City Centre

Tujuh Residences sets the hallmark for sustainable and innovative urban living

THE ever-evolving landscape of Malaysia's urban centres continues to witness remarkable developments and Kwasa Damansara City Centre (KDCC) is no exception. Nestled in the thriving township of Kwasa Damansara, KDCC is a vision of a neo-urban city designed to promote environmentally friendly living through walkable neighbourhoods, green spaces, innovative commercial concepts and beautifully crafted homes.

Developed by a joint venture between MRCB Land and Kwasa Land, KDCC is more than just a development. It is an integrated city where living, working and socialising coexist harmoniously, fostering a unique connection between people and nature. A key highlight of KDCC is its accessibility and with two MRT stations - Kwasa Sentral and Kwasa Damansara - on each end of the development. This convenient connectivity ensures that residents, workers and visitors to KDCC, which is the city centre of the 2,257-acre Kwasa Damansara township, can effortlessly explore the vibrant fledgling city and beyond. Whether it is merely connecting the northern part of KDCC to the southern point, the MRT's connectivity offers a wider range to other parts of Greater KL via its multiple interchanges.

Naturally, KDCC is also wired via a series of accessways like Jalan Sungai Buloh, Damansara-Shah Alam Elevated Highway and North-South Expressway. Not to mention, smaller routes like Persiaran Mahogani and Persiaran Jati allow for easy alternative passage into KDCC.

One of its premier residential offerings, Tujuh Residences, stands as a testament to modern urban living. As the first of KDCC's residential developments, Tujuh Residences offers a glimpse into the future of urban living and of things to come in KDCC.

With a strategic location in Shah Alam, Selangor, this serviced residence spans slightly over two acres and comprises 573 units, catering to diverse preferences and needs. It features a variety of unit types to suit different lifestyles. These include:

- Type A: 550 sq ft - 1 bedroom + 1 bathroom
- Type B: 666 sq ft - 2 bedrooms + 2 bathrooms
- Type C: 862 sq ft - 3 bedrooms + 2 bathrooms
- Type D: 909 sq ft - (dual key) 2 bedrooms + 1 bathroom and 1 bedroom + 1 bathroom

The units are competitively priced, ranging from RM470,000 to RM797,000, ensuring accessibility for various budget levels. A plus point is the extended liability period of 2+1 years. Anticipated to be completed in 2026, Tujuh Residences promises a modern and comfortable lifestyle for residents in the near future.

An aerial depiction of the KDCC masterplan.

(Above) An artist impression of Tujuh Residences.

Greenery will reign supreme in the central park to ensure that there is ample shade and trees to cool down the area and encourage residents to exercise.

Innovative and sustainable construction methods

Tujuh Residences is poised to be an innovation-driven and sustainable development. Tujuh Residences will be the first residential project in KDCC to deploy MRCB's proprietary modular construction technology, MRCB Building System, which allows up to 80% of the building works to be undertaken off-site in a factory setting with a tightly controlled inventory, preserving the integrity of the building materials. This technology not only completes building projects faster but it also significantly reduces waste and the carbon emissions normally generated from construction. This modular technology underlines the commitment to delivering homes that are greener, faster and smarter.

Future-Ready Living in KDCC

The future of KDCC holds exciting developments, including its 10-acre Central Park and the Kwasa Lifestyle Retail Park will enforce its sustainable lifestyle outlook. As only 13% of the 94-acre city centre is slated for residential development, exclusivity and privacy is assured. At the same time, security and safety is ensured with the Safe City Concept based on Crime Prevention Through Environmental Designs (CPTED) being implemented in KDCC. These additions will further enrich the safety and lifestyle choices available to residents of Tujuh Residences and KDCC as a whole.

This prime position places residents at the heart of KDCC, an integrated commercial hub striving for world-class infrastructure, including retail spaces, offices, civic centres and residential components. All of this is complemented by meticulously designed urban parks and lush green surroundings.

With Tujuh Residences, the residential development serves as the first glimpse of what staying in this new development is like. As a centrepiece of KDCC's residential offerings, it embodies the spirit of a thriving, future-ready city. With its strategic location, forward-thinking design and commitment to eco-friendly practices, Tujuh Residences is set to redefine the way we live in urban centres. More information is available at *tujuhresidences.com* or *kwasacitycentre.com.*

Crucial to assist first-time home buyers

Financial institutions need to lend a helping hand

By YIP WAI FONG
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MALAYSIA's economy has not been growing strong enough in recent years and this has a negative impact on first-time home buyers. Hit by the slow pace of wage growth, rising inflation rate, vestiges of the pandemic and a series of OPR hikes, many of them have been rejected in their applications for housing loans. Unless financing institutions take stock of the phenomena affecting their income and accommodate the reality of changing income profiles in their assessment, first-time home buyers will be disenfranchised from home ownership. This is the consensus reached at the StarProperty Budget 2024 Roundtable discussion among property developers.

Banks' preoccupation with a healthy credit rating based on debt-servicing-ratio, CTOS, CCRIS and other financial history checkings is largely a picture up to the point of time of their loan application, developers said. Banks expend little consideration for factors beyond that point in time, such as the borrowers' career development prospects.

Methods not keeping up with times

Sime Darby Property Bhd group managing director Datuk Azmir Merican said in urban areas where there are better job opportunities, banks should also consider qualitative factors in their assessment such as the borrower's career potential and not just their current level of debt commitment.

FIABCI-Malaysia immediate past president Datuk Seri Koe Peng Kang and Gamuda Land chief operating officer Wong Siew Lee said the current plight of first-time home buyers was reminiscent of their own experience when they were unable to secure home loans early in their career, indicating how little bank methodology has changed despite the times.

OSK Property chief operating officer Seth Lim Sow Wu pointed out that banks should also take into consideration those who are supplementing their main income with earnings from the gig economy, which has been on the rise with its ease of joining and aggressive recruitment.

He also urged banks to take into account the fact that a vast majority of first-time home buyers are unable to afford the 10% house deposit and need assistance such as a bridging loan or step-up financing. To assist them, some developers have gone the extra length of offering them bridging loans to cover their deposits and other fees.

Scientex Bhd chief operating officer Datuk Alex Khaw Giet Thye said many of the first-time home buyers whose loan applications were rejected included young people holding their first job or are involved in the gig economy and who attempted to purchase affordable housing priced below RM300,000. To help this group, banks should calculate risk differently.

Another issue affecting home financing is the valuation of the development. Developers lamented that valuers neglected to take into account the value-added upgrades and amenities they put into the surrounding area and gave a lower loan-to-value ratio, causing an issue of unaffordability to their buyers. Again, developers said that this stems from taking a risk-averse method of valuation which takes little into account the higher standards that the industry has invested in their developments.

Apart from developers, mortgage professionals speaking to StarProperty also said the tightening of bank credit has become more discernible in the last two years and is affecting home buyers in both primary and secondary markets.

Bank tightening is related to processes and interest rate

Diligent Planners mortgage sales director Vince Chia said that since the last quarter of 2021, financial institutions have become more cautious in approving housing loan applications. More applicants have failed to pass the bank assessment on their creditworthiness, which Chia said is based on their income stability, debt servicing ratio and employment history.

Chia observed that banks seemed to have streamlined their assessment process and shortened the turnaround time but he felt that the streamlined process was fixed and rigid.

"For example, take the case of a 30-year-old who just settled his hire purchase loan six months ago. He has had a good repayment history and did not have other credit facilities such as a credit card. But if he were to apply for a housing loan, he is in the risky group and might get rejected because of having no repayment record. But in fact, he had demonstrated good financial planning by committing to just one loan at a time. His application shouldn't be denied," he said.

"Another rigidity is in how a CCRIS report is processed. An applicant could be settling his credit card payment in full every month, but because a CCRIS report records payment at the end of the month, an applicant whose credit card payment due date is not at the month's end will see his CCRIS report having outstanding payment. This will cause him a credit score issue with the bank and his application might get rejected," he said, adding that there should not be a one-size-fits-all for every application. "Each application merits a different perspective and banks should make reference to the loan proposal and the mortgage salesperson's recommendation."

Anani Advisor chief executive officer Farid Razali contended that the primary reason that bank rejection has been on the rise is the OPR increases which caused many home buyers' debt-servicing-ratio to rise as well.

"The OPR rate by the second quarter of 2023 has increased the repayment value of all existing loans that a home buyer might have. From the banks' point of view, the applicant's capacity to pay back has reduced, especially for the first-time home buyers," he said.

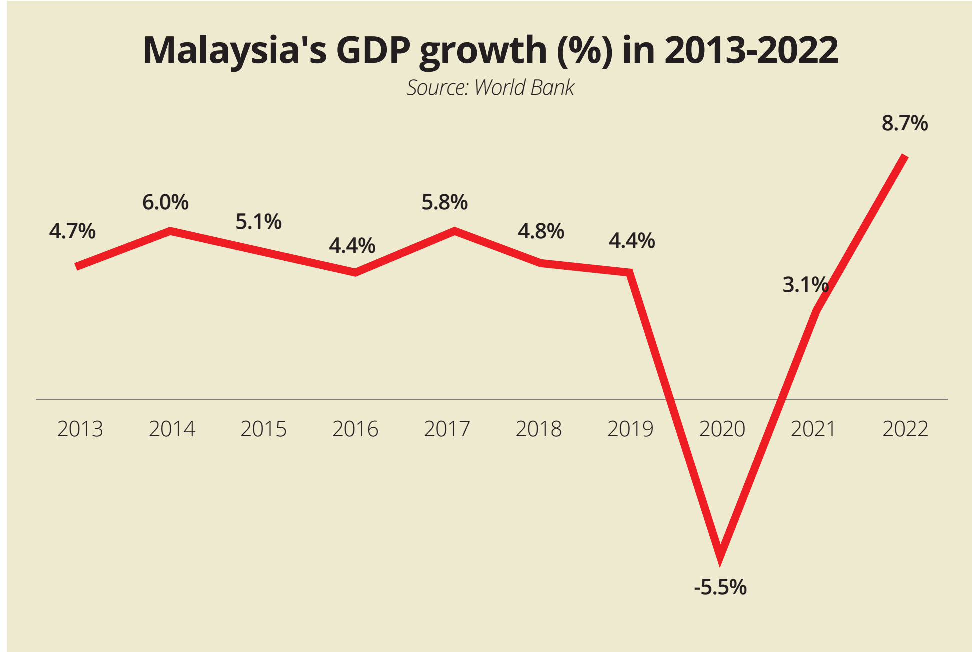
"This is made worse by the expiry of My First Home Scheme (SRP) on 1st April this year. The scheme has been very helpful because those who took it up were own-users and their loan applications were more often than not approved by the banks," he said, adding that the scheme should be revived because first-time home buyers constitute a large demographic in the property market.

"First-time home buyers form one-third of the total housing loan borrowers on a yearly basis," he estimated.

Help for first-timers has a small reach

Ironically, the conclusion of SRP also sheds light on the limited extent to which assistance is available for first-time home buyers from the lower-income group. The SRP was launched in 2011 for first-time home buyers

> "The OPR rate by the second quarter of 2023 has increased the repayment value of all existing loans that a home buyer might have. From the banks' point of view, the applicant's capacity to pay back has reduced, especially for the first-time home buyers.
>
> *– Farid Razali*



Developers' recommendation

1. A call upon all stakeholders of the housing market to alleviate housing affordability. For a more holistic coverage of the issue, all stakeholders, such as property developers, financial institutions and more should be involved.

2. Accommodate the changing economy by adjusting the methods of risk profiling when considering housing loans.
   - During the construction period, home owners will only be paying interest. Their debt-to-service ratio (DSR) is in actuality, lower during the period. This should be taken into account when ascertaining their payback capacity, rather than basing the DSR solely on the repayment of the entire amount.

3. Create a step-up installment initiative that progresses as the wealth of the buyer progresses.

4. Improve upon the method of property development valuation.

with a gross monthly salary of not more than RM5,000 or not more than RM10,000 for joint applicants and properties with a maximum selling price of RM500,000. Offering financing up to 110%, it has allowed home ownership for B40 and M40 Malaysians who could not afford the down payment.

According to the National Mortgage Corporation (Cagamas Bhd), which managed the SRP, more than 90,000 were successful applicants for the scheme. Divided by a period of twelve years, an average of 7,500 benefited every year. But when compared to the nearly 238,000 residential units transacted on average per year during the same period, the former is just 3% of the latter.

In July, the government also announced a RM5bil allocation to the Housing Credit Guarantee Scheme (SJKP) to help up to 20,000 first-time home buyers who are without fixed income such as gig economy workers, business owners, traders and small entrepreneurs.

For the long term, developers urged the government to improve the economy to lift the people's income and their purchasing power. In a stronger economy and housing market, developers also will not be under pressure to suppress house prices, which might bring in the risk of having to compromise on quality and on-time completion. Improving the economy is crucial in making sure that Malaysians will continue to have access to quality and affordable housing in years to come.

Chia said each loan application merits a different perspective and banks shouldn't apply a one-size-fit-all assessment method.

OPR increases in the past year have led to the spike of debt-servicing-ratio and results in loan rejection, opined Farid.

What does the property industry need to prop up the nation?

StarProperty's roundtable deep-dive into Budget 2024

By LIEW JIA YI (YANIKA)
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EYES are on the state as the publication of Budget 2024 approaches, bringing with it far-reaching implications for all sectors of the economy. Every year, property developers submit their budget wishlist, covering industry concerns, challenges and future-forward recommendations.

The StarProperty Budget 2024 Round Table gathered 11 industry leaders to the forefront of the discussion in identifying the key pain points across the property sector, utilising a survey before presenting the findings to the roundtable committee. The highlighted issues are housing loans, housing policy, government initiatives, labour issues and incentives for green initiatives.

FIABCI World Council of Developers and Investors president Datuk Seri Koe Peng Kang acted as the moderator for the roundtable, with extensive experience in corporate governance at an international level. The roundtable discussion included;

- Gamuda Land chief operating officer Wong Siew Lee
- Glomac Bhd chief operating officer Zulkifly Garib
- Matrix Concepts Holdings Bhd group managing director Ho Kong Soon
- OSK Property chief operating officer Seth Lim Sow Wu
- Real Estate Housing Developer's Association Malaysia (Rehda) president Datuk NK Tong
- Scientex Bhd executive director Beh Chun Chong
- Sendayan Properties Sdn Bhd director Louis Ting
- Sabah Housing And Real Estate Developers Association (Shareda) president Datuk Chua Soon Ping
- Sime Darby Property Bhd group managing director Datuk Azmir Merican
- Sunway Property executive director Chong Sau Min

As reported by the Department of Statistics, the property development sector made up 3.5% of the country's Gross Domestic Product (GDP) in 2022, encompassing an RM170.8bil gross output, 1.19mil employees and RM33.4bil paid in wages and salary, giving it a key role in nation-building.

However, as the years have gone by, house prices have increased dramatically as wages stagnate. The national affordability line falls below RM300,000, however, 76% of Malaysian households earn less than RM8,333 and only 36% of available units are priced below RM300,000.

Housing has long since breached the threshold of unaffordable, alongside issues which plague the property sector, such as infrastructure development and policy misalignment.

The private and public sectors have to work together to address issues at a macro level to ensure a sustainable industry, Koe said.

As an example, he pointed to the realities of his own family. His two children had just graduated from university, and when he saw their salaries, he knew that if they wanted a home, he would have to subsidise the cost for them.

Seated from left are Chong, Chua, Azmir, Koe, Star Media Group (SMG) chief executive officer Alex Yeow, Tong, Zulkifly, Ho and Wong. Standing from left are SMG finance controller Lim Sui Yuan, Ting, SMG chief business officer Lydia Wang, Beh, Lim and Gamuda Land executive director Ngan Chee Meng.

> "When I was young, my wife and I had the same good, reasonable earning but we could not afford some property that was actually suitable for my family, and we think that we in future, we can afford it, but we were faced with a wall, and we missed our opportunity and it will never come back."
> *– Datuk Seri Koe Peng Kang*

"The points put up here are what we've been hearing from our members," Tong confirmed.

As president of Rehda, an organisation which acts as a bridge between the private and public sectors of the property industry, Tong is a veteran in the detailing of these very issues. Utilising on-the-ground data, he provided keen insight into the operation of public-private partnerships and the necessity of future-forward solutions as the industry develops.

Inaccessibility of loans

The monthly mean household income increased from RM7,901 in 2019 to RM8,479 in 2023, however at a lesser growth rate of 2.4% as compared to 4.2% in 2019. Currently, only stable income from conventional methods like salary, self-employed, rental, investments and interests are taken into consideration for loan applications.

However, with the rise in second jobs, part-time and online work, more Malaysians are earning wages that are not being reported in conventional methods.

This phenomenon is expected to spread as companies offering gig jobs are making it easy to join and are always on recruitment, while at the same time, wages in the formal economy stagnate.

These Malaysians are classified as people without a steady income or low income, due to a reporting mechanism that has not been updated to reflect the current workforce. Leading to increased bank loan rejections. Developers call on Bank Negara to accommodate the changing economy by adjusting the methods of risk profiling when considering these housing loans.

These come with recommendations to the state government for an increase in step-up financing initiatives and an improvement in the methods of potential valuation in property development.

During the construction period, home owners will only be paying interest. Their debt-to-service ratio (DSR) is in actuality, lower during the period. This should be taken into account when ascertaining their payback capacity, rather than basing the DSR solely on the repayment of the entire amount.

"When I was young, my wife and I had the same good, reasonable earning but we could not afford some property that was actually suitable for my family, and we think that we in future, we can afford it, but we were faced with a wall, and we missed our opportunity and it will never come back," Koe said.

The step-up instalment initiatives would progress as the wealth of the buyer progresses, allowing buyers to take out loans based on their potential.

Housing policy

Another key issue with the property sector is the inconsistent affordable housing policy across different states. The cross-subsidisation policies, the low-cost building requirements and the bumiputera quota, all of which aim to increase home ownership and affordability, instead bring confusion to housing planners and property developers.

"Every state is very confusing... Johor has Johor, Selangor, and then Penang has Penang." Beh said.

When it comes to affordable housing programmes and initiatives, developers point to RSKU, Rumahwip, RMMJ, PR1MA, SPNB, Residensi Wilayah and more.

"Consistently throughout the state... among us developers, we have seen people running from Selangor to KL, KL back to Selangor, and then, now trying to get out of Klang Valley," Lim agreed, referring to this discrepancy between state policies and the ensuing developer reaction.

However, developers are calling for an evaluation of the efficacy of the different state policies and a rewrite to ensure a standard policy throughout the nation. With a more efficient housing policy, the state would also be able to match supply and demand.

"We need a collective effort, to get a more fantastic, more sustainable property development," Ho said.

In line with the agenda of housing for all, developers call for the state to create a home ownership grant policy for the low-income population, allowing the public to retrieve up to a certain percentage of the house price from the grant to buy homes from the open market.

There are alternative solutions brought forth by differing members of the roundtable, ranging from allowing the federal government to take custody of the land allocated for affordable housing development, to creating a centralised agency to hold the land in the form of an independent trust.

"How do we mitigate all the risk and make it all sustainable and what are the root causes of the problems we have to look at? How can we make the household income better, improve the household income and the cost of delivery to be lower, these are the areas we really have to look into," Ting said.

"Because purely looking at the subject matter itself, we are not heading anywhere, because we are not addressing the root cost of the problems," he pointed out.

Government initiatives

The Malaysian Institute Of Economic Research (MIER) Q2 2023 outlook report describes concerns among consumers for the current and future finances, as well as business conditions at 82.4 for the current quarter, the lowest since before the Covid-19 pandemic.

While inflation is slowly reducing across the board, it remains higher on food and non-alcoholic drinks at 5.9%, as well as restaurants and hotels at 6.7%. The reality of inflation on necessities is felt across the Malaysian public.

With these financial constraints and economic challenges in mind, the government introduced the i-Miliki initiative to replace the Home Ownership Campaign. The programme would allow Malaysians an easier time procuring home ownership, however, is set to expire in December 2023.

Developers recommend an extension of the i-Miliki initiative for three more years, subject to the improvement of the economy. Future iterations of the initiative would also account for inflation.

"We do what we can to help, especially social housing," Koe said.

Having participated in low-cost housing development prior to his retirement, he noted the sense of pride when it came to creating homes for the less fortunate.

Sustainable labour needs

The importance of workers was further compounded by the Covid-19 pandemic when the economy saw a shortage of both blue-collar and professional workers as the borders closed. During the roundtable discussion, developers pointed out that there was a stigma attached to construction work.

Its reputation as a low-status and low-income career discouraged Malaysians from participating, leading to an increase in foreign labour demand.

The current restrictions on foreign workers continue to inhibit their potential as productive employees, and the industry would not be able to keep up with progressive job demands.

Developers call for a more holistic and sustainable policy on labour, increasing foreign workers' employment period, providing incentives for the upskilling and training of these workers, as well as encouraging Malaysians to take up employment through an increase in wages and proper employment benefits.

Through these policies, the state could encourage the creation of a strong Malaysian construction industry.

Green initiatives

As the emphasis on environmental sustainability continues to stand at the forefront of the property sector, more and more highrise, townships and landed homes are developed with green features in mind.

Developers are increasingly focused on environmental, sustainable and governance (ESG) programmes, from green building certifications such as GreenRE to renewable energy infrastructure.

By providing incentives for green initiatives, the federal government encourages widespread adoption, cementing its commitment to environmental sustainability to the local and international community.

Developers recommend allocations towards providing incentives for green certification, green-certified building materials, renewable energy infrastructure and more. From construction to completion, these would include sustainable financing, offering packages to purchasers of green developments, as well as to developers adopting sustainable building practices.

Through ESG-centred policies, the property sector will be better equipped to develop a skilful and structured workforce ready for the future.

East Malaysia

Sabah and Sarawak remain states with significant differences in political, economic and social dynamics. The challenges of the East Malaysian property sector can be felt strongly across all industries, from the transportation infrastructure, lack of employment opportunities and mismatched policy implemented to suit the population of Peninsula Malaysia.

"The policy of not one-size-fits-all, we can feel very strongly in the Sarawak region," Ting said.

He pointed out that before these policies could be implemented, the federal government needed to understand the needs of the population.

"Regionally like Sarawak... the spending habit and everything is very different from the urban dweller," he added.

East Malaysia representatives recommended a special fund to provide developers and buyers with the means to address its affordable housing crisis. An allocation for the improvement of transportation and basic infrastructure throughout the region would ensure the growth of livelihood and economic market.

Developers reported the necessity of a reassessment of the current housing regulations to create high-impact policies, encouraging East Malaysia's economic growth through the facilitation of critical manufacturing industries.

Through these assessments, veteran voices of the industry hope to chart a course for sustainable and inclusive growth, with the participation of all stakeholders in the role of nation-building.

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Labour issues require both immediate and long-term solutions

Government urged to implement reforms in education systems

By YIP WAI FONG
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LABOUR shortage has become a linchpin in the property sector, choking outputs and driving up costs. The industry has tried coping with it as best as it could under the current policies that have affected the supply of both skilled and unskilled labour in the industry. At the StarProperty Budget 2024 Roundtable, developers said a broad-based policy reform to correct the issue's chronic root causes is urgently required.

Lack of unskilled labour

Shortage of unskilled labour is an immediate and pressing problem faced by the property industry. Caused by the freeze in foreign workers hiring during the Covid-19 pandemic, the resumption of construction activities in 2021 was met by delays in the return of workers. The Construction Industry Development Board (CIDB) chief executive Datuk Ahmad Asri Abdul Hamid said in Dec 2022 that the industry still lacked 400,000 workers.

At the roundtable, Real Estate and Housing Developers' Association (Rehda) president Datuk NK Tong said it takes a long time to undo the disruption caused by labour shortages. Although foreign workers are now returning, their slow return, bureaucracy and the need to train them before they can start to work means that the labour headwind faced by the industry is not yet over. These challenges are something that the general public is often not aware of, he said.

FIABCI-Malaysia immediate past president Datuk Seri Koe Peng Kang said the 10 year-limit on a foreign worker's work permit is inadequate to compensate for the long training period invested in the worker. He said that the policy results in the loss of skilled workers, as the industry has to let go of the workforce it has taken time and resources to train.

Matrix Concepts Holdings Bhd group managing director Ho Kong Soon said the resources it takes to train the unskilled foreign workers, only to relinquish them at the end of 10 years has made dependency on foreign labour not ideal for the industry, but it has no better option as yet because of the shortage of skilled workers among the locals.

Lack of skilled workers

Despite the industry being levied by two government agencies – CIDB and the Human Resources Development (HRD) Corporation – for the purpose of training construction workers among others, developers said the bulk of workers' training is done internally by the developers or contractors.

Koe said that the CIDB should step up its efforts to meet the industry's demand for skilled workforce and help it reduce its dependence on foreign workers. He said the industry is largely unaware of CIDB's training output and continues to be plagued by shortages of skilled labour. Meanwhile, Tong said that the industry should not be double-taxed by the HRD for similar purposes.

A check by StarProperty with CIDB's training centre for construction personnel, the Akademi Binaan Malaysia (ABM) found that it graduated a total of 67,307 trainees between 2018 and 2022. The trainees were both locals and foreigners and according to ABM's tracer study on its 2022 graduates, the overall employability rate reached 83%, with 59% of the respondents being employed in the industry. For context, there were 308,886 foreign workers in the construction sector in 2022, according to Home Minister Datuk Seri Saifuddin Nasution Ismail.

Re-prioritise TVET and foster partnerships with the industry

A higher level policy is clearly needed to resolve the labour issues. Sendayan Properties director Louis Ting said that the government must seriously encourage the locals to take up Technical and Vocational Education and Training (TVET). It has to change the people's perception that TVET trainees are associated with low social status.

OSK Properties chief executive officer Seth Lim Sow Wu agreed that the nation should give importance to TVET because there is a good demand for technical and vocational workers.

Gamuda Land chief operating officer Wong Siew Lee said the government should also help to foster collaborations between institutions of higher education and the property sector, to close the gap between the quality of graduates and the actual job demands. She said the industry has struggled to find more talent as it moves towards digitalisation. Gamuda Land itself has collaborated with some institutions of higher learning, but she said the effort should not be left to individual companies or academic institutions alone.

Labour issues in the property sector reveal a fundamental need for reform in the policies of labour, the education system and the economy. The disarray caused by the Covid-19 pandemic is a siren to the government that the necessary reforms can no longer be delayed.

> "The nation should give importance to TVET because there is good demand for technical and vocational workers.
> – *Seth Lim Sow Wu*

Developers' recommendations

1 The government to look into foreign workers' employment period, that is, extend working years over 10 years. The current policy only allows foreign workers to work in this country every year for up to 10 years, which is inadequate to compensate for the years spent on training the workers. It also leads to the loss of skilled workers trained by the industry to other countries as they leave.

2 The government should also look into incentivising the local workers that take up 3D occupation by complementing their income and raising their wages on top of the remuneration from their employers, where in the long run, it will wean the Malaysian construction industry from the need for foreign labour which in turn will also lower the outflow of the ringgit, providing more job opportunities to Malaysians, and also paving the way for a more rewarding employment path compared to working in the gig economy.

3 The education system needs updating. **TVET**: To emphasise and generate first-class quality graduates that fit the domestic requirements. **University courses**: To be up-to-date with industry requirements and have collaboration with industry players for practical training sessions, guest seminars, etc.

4 Exemption from HRD contribution because the industry is currently being levied by CIBD for the same purpose.

5 CIBD should have documentation of their training such as the levy collection versus the target human resource strategy, core topic structure, KPIs, no. of training sessions conducted, no of graduates, and KPIs to assess their skill.

New standards, more compliance cost

More costs expected ahead of mandatory CLQ provision as developers hope for assistance to make transition

By YIP WAI FONG
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BRACING themselves for the impending requirement to provide Centralised Labour Quarters (CLQ) for their workers, developers hope that they will be provided with tax incentives for them to transit through the disruption that would be caused initially.

A CLQ will fulfil the minimum standards for workers' accommodation and ensure that health and safety measures are put in place, as required by the Workers' Minimum Standards of Housing and Amenities Act (Act 446). But it also fixes the workers at a particular settlement throughout their employment. This reduces the employer's flexibility to move them to where they are needed, something which the property sector practices in accordance with the project's scope and duration.

Hurdles in implementation

At the StarProperty Budget 2024 Roundtable discussion, developers shared that if workers are required to stay at a CLQ, the employers will be spending higher cost to transport workers in batches to different sites every day, as opposed to the current practice of having them stay at the respective construction sites for the duration of the project.

Matrix Concepts Holdings Bhd group managing director Ho Kong Soon said that the requirement will be more difficult for developers of landed houses because such projects are usually smaller in scope and can be completed faster.

Gamuda Land chief operating officer Wong Siew Lee said that while a township developer is better able to comply with the CLQ requirement, as a township could take up to 15 years to complete, the developer will be incurring transportation costs for workers on a permanent basis where there was minimal. On the other hand, she also acknowledged the advantage of having a CLQ where the workers' movements are better tracked. This, she pointed out, was very important in case of any movement control orders by the government such as during the Covid-19 pandemic.

Under the amendment to Act 446 gazetted in February 2021, the requirement to provide accommodations to plantation and mining sector workers in accordance with the mandated minimum standards was expanded to all other industries.

KPKT's requirements

Not long after the amendment was gazetted, the Ministry of Housing and Local Government (KPKT) released two sets of guidelines for the planning and provision of workers' accommodations, with details including facilities, features and furnishing requirements.

The first set pertains to short-term labour quarters, which covers accommodations erected on construction sites and other existing residential buildings or shoplots. However, the permit for this type is restricted to within three years, after which employers are to provide CLQs.

The second set is for the CLQs. Defined in the guidelines as a centralised accommodation with proper planning, safety measures and is conducive for the worker residents, it would have to be managed by the employer or an external management service provider. Subject to regulations, fee collection among the workers is allowed for the purpose of management and provision of services.

Among others, the quarters must have either a sleeping area or bedrooms that are provided with fan and lighting, a dining, kitchen and rest area with fan and lighting, a clothes hanging area, dustbins, a first aid kit and electricity and water supply. Employers are also required to provide beds and mattresses with specific measurements, pillows and blankets, and a locked cupboard of a specific size for the safe custody of the employees' belongings. A maximum of six workers are allowed for an apartment unit with 800 sq ft, and more workers are allowed for a bigger unit.

In addition, the amendments also required employers to ensure workers are vaccinated against infectious diseases, undertake regular inspection of the quarters and ensure their proper maintenance and provide amenities to the workers.

Acknowledging their responsibility to provide workers with the necessary facilities and to ensure their health and safety, developers hoped that the government could see that an additional layer of compliance cost is forthcoming for the industry. Appropriate measures are necessary to prevent the already rising cost of property development from escalating into even more unaffordable housing.

Defined in the guidelines as a centralised accommodation with proper planning, safety measures and is conducive for the worker residents, the CLQ would have to be managed by the employer or an external management service provider.

Developers' recommendations

Provide tax incentives for developers building Centralised Labour Quarters (CLQs) to balance the costs incurred to upgrade existing facilities as well as provide a new form of management to fully conform to Act 446. For example, the transportation of foreign workers has to be re-coordinated to transport them from a fixed centralised quarters to different construction sites, where they used to reside and shift according to employment needs.

Table: Labour quarters requirements under the amended Act 446 (for both short-term quarters and CLQs)

Required features	Dormitory type	Non-Dormitory
Sleeping area/ bedroom	• With lamp and fan • Minimum floor area of 32 sq ft (3 sq m) per employee	• With lamp and fan • Minimum floor area of 38.7 sq ft (3.6 sq m) per employee
Bathroom, toilet	• Separated or combined • With lamp • 1 bathroom / toilet to 15 employees	• Separated or combined • With lamp • 1 bathroom / toilet to 6 employees
Dining area	With chairs, tables, fan and lamp	
kitchen	With lamp	
Rest area	With fan and lamp	
Clothes hanging area		
First aid kit		
Dustbins		
Electricity and water supply		

People will benefit more from an incentive mechanism

Governments, banks and developers can work together to make green housing affordable

By **YIP WAI FONG**
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DEVELOPERS have called for the government to incentivise the property industry towards greener housing developments in line with the low-carbon nation agenda by 2040. While the industry is currently undertaking various initiatives such as green building certification, low carbon township certification and installing renewable energy infrastructure in developments on a voluntary basis, the cost incurred remains a stumbling block against wider industry participation.

During the StarProperty Budget 2024 Roundtable discussion, developers have shared that there is a lack of government incentives to spur both the demand and the supply side towards green housing products. But in spite of the situation, the industry has taken it upon itself to embark on initiatives such as green building certification, Industrialised Building System (IBS), carbon sequestration, using green construction materials, installing solar panels in housing developments, etc. Developers said the end consumers stand to benefit from the energy cost-saving and healthier surroundings, but at the moment they consist of the people who can afford such housing products.

Left out of Green Technology Tax Incentives

To illustrate, there are two tracks under the Green Technology Tax Incentive introduced in 2014 under the Ministry of Natural Resources, Environment and Climate Change where property developers would have qualified. The first track, Green Investment Tax Allowance Assets, is for companies which undertake capital expenditure for acquisition and application of assets such as solar panels, energy-saving lighting, EV chargers and rainwater harvesting systems. But to qualify, the companies must also be the owners of the assets. A property developer is effectively pushed out of the incentive as it will eventually transfer the building ownership and its assets to purchasers after having installed the assets.

The second track, Green Investment Tax Allowance Project, is for companies that undertake qualifying green technology projects for business, including obtaining a green building certification. However, the company must be the building owner and the building must be a commercial or industrial property. This effectively disqualifies residential projects which make up the majority of the country's property construction activities.

Balancing the environment and affordability

Real Estate and Housing Developers' Association (Rehda) president Datuk NK Tong said that developers have to keep in mind that housing affordability is part of the framework of environment, social and governance (ESG), to which many developers have committed. He said that while constructing a green building and fitting green technology such as solar panels and EV chargers into the building fulfils the E, making the property affordable fulfils the S. In order to find the balance between fulfilling the environmental and social needs, developers should be allowed flexibility to decide how green their development should be.

Gamuda Land chief operating officer Wong Siew Lee said that while the developer has undertaken several green-certified development projects including low-carbon townships, only a limited segment of homebuyers can afford houses with such green premiums. She said the benefits of a green development, particularly the higher energy efficiency, should be made accessible to more types of homebuyers, especially the B40 and the M40.

Interestingly, the authorities, or at least the predecessor to the current unity government are cognisant of the need to make green housing affordable, but it and the successive government stopped short of creating an incentive program for green housing products. In his special keynote

address at the "Developing and Financing Green Housing in Asia" conference hosted by the National Mortgage Corporation (Cagamas Bhd) in 2022, then Finance Minister Tengku Datuk Seri Zafrul Aziz raised the concern that the shift towards sustainable practices in real estate might end up deepening societal inequity. Tengku Zafrul is now the International Trade and Industry Minister.

"Note that whether they are tax incentives, private sector initiatives, or financing and investment facilities, what is key is to ensure that the transition towards sustainability will not disenfranchise the poor, or systematically exclude the micro-SMEs," he said."If a 'greener' house is on the market, is it financially accessible to lower-income buyers? If compliance costs are too high, small and micro businesses may eventually be pushed out of the market."

Cross-subsidy by banks

Other than the governments, developers also hoped that the financial institutions would join hands through a mechanism of cross-subsidy.

Wong said that currently there are only a handful of banks supporting green housing projects by offering a slightly lower financing rate and she hoped that more banks would come on board and offer more attractive packages.

Sime Darby Property group managing director Datuk Azmir Merican also noted that some participating banks that offer the package stipulated a certain minimum green rating level for developments, which can be quite high.

The low number of participating banks possibly correlates to the relatively low number of green-certified housing developments compared to the total volume of developments in the country. For reference, the residential developments registered on both Malaysia's Green Building Index and GreenRE combined as of August 2023 are 1,385. Meanwhile, the number of Advertising Permit and Developer's License (APDL) issued (including renewals) for last year alone (until September) was already at 1,722.

Nevertheless, there is much more that the banking sector can do to accelerate the accessibility of green housing for the wider society. Speaking at the same conference as Tengku Zafrul, Bank Negara deputy governor Datuk Jessica Chew Cheng Lian suggested several approaches.

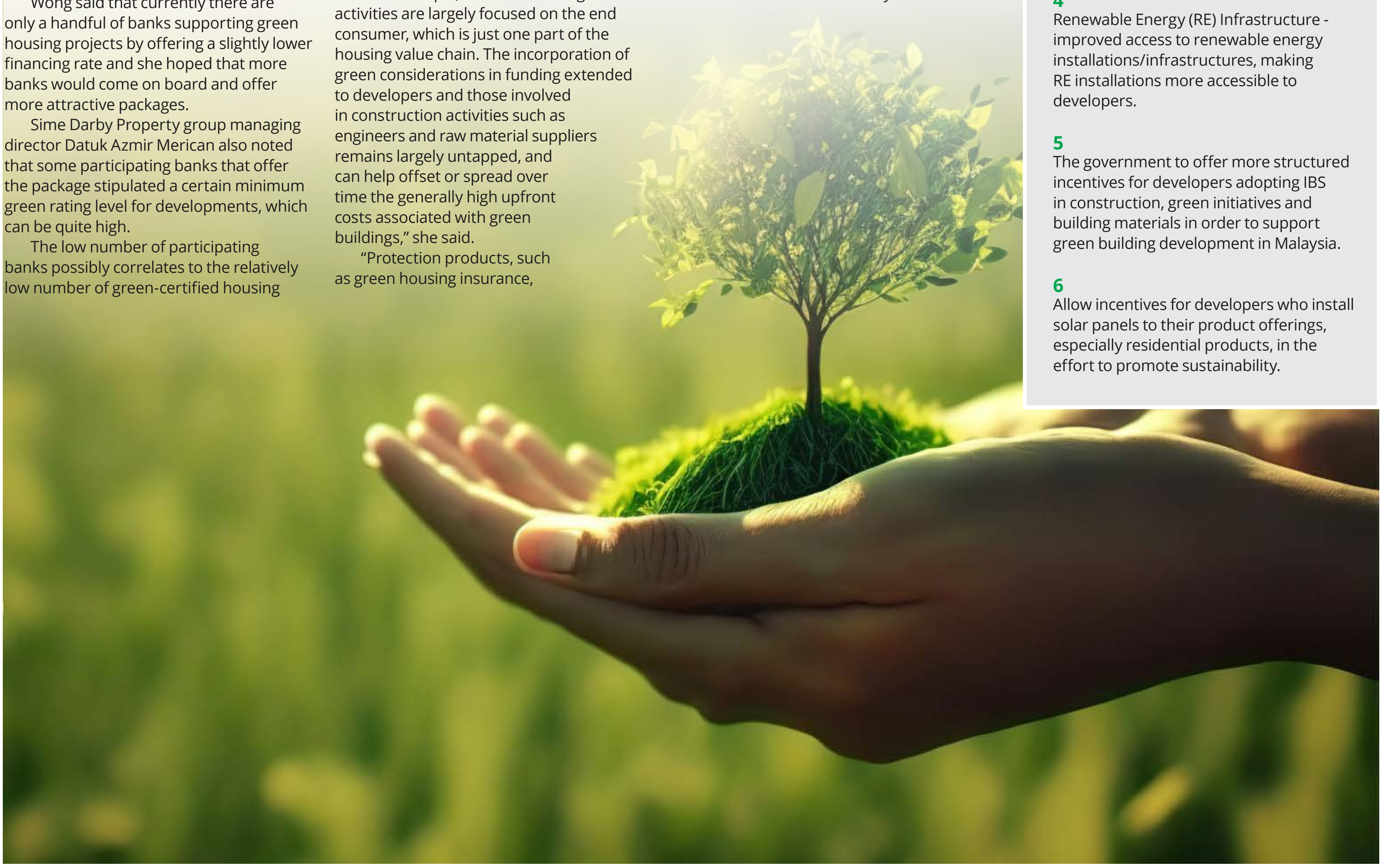
"For example, current financing activities are largely focused on the end consumer, which is just one part of the housing value chain. The incorporation of green considerations in funding extended to developers and those involved in construction activities such as engineers and raw material suppliers remains largely untapped, and can help offset or spread over time the generally high upfront costs associated with green buildings," she said.

"Protection products, such as green housing insurance, also remain an unexplored market in Malaysia despite the steadily increasing number of green buildings in the country. Within existing product offerings, novel features such as additional protection for non-certified green buildings to rebuild in green when damage occurs, could also be explored," she added.

> Incorporating sustainability in the nation's housing agenda should not be left to the market forces alone, as has been the case thus far.

Acknowledging that affordability is a challenge to home ownership, Datuk Liew said that financial institutions have to rise to the challenge by developing solutions that will not worsen the conditions and are able to steer the market towards a just and orderly transition.

Incorporating sustainability in the nation's housing agenda should not be left to the market forces alone, as has been the case thus far. As the net-zero carbon goal is a universal one, no one should be left behind to unwittingly continue the unsustainable ways of life.



Developers' recommendations

1
Sustainability financing – widen the scope of the existing project investment tax allowance to the developer of residential and strata commercial titled buildings. On the end-financing side, more banks should participate by offering attractive financing packages to purchasers of green developments.

2
Green Certification Incentive - tax incentive for constructing green-certified development for all types of buildings, stamp duty exemption for purchasers of green-certified buildings.

3
Excise duty and sales tax exemption for all green-labelled/certified building materials.

4
Renewable Energy (RE) Infrastructure - improved access to renewable energy installations/infrastructures, making RE installations more accessible to developers.

5
The government to offer more structured incentives for developers adopting IBS in construction, green initiatives and building materials in order to support green building development in Malaysia.

6
Allow incentives for developers who install solar panels to their product offerings, especially residential products, in the effort to promote sustainability.

Quotes from the roundtable

"As far as we know, incentives are only for the manufacturing sector, for the start-up companies. For us, (we do the) installation, (and) we don't get anything. What we've mentioned here are monetary-(based), but we can also look at non-monetary incentives such as expediting approval processes for those who are constructing green buildings. It is a form of encouragement for the developers, and as a start to cultivate the habit towards (developing green projects) a norm."
- **Wong Siew Lee**

"We are encouraging green certification but it's on a voluntary basis. From Rehda's point of view, there's ESG, (and) a lot of the green is on the E. But we must remember the whole ESG, and the S, which is the Social, is (whether) can the people afford it? For example, how many EV charging stations, if it's imposed on every project, for some projects can the (buyer) even afford an EV? Solar panels. Do we allow people to install it or do we expect or enforce for all houses to have it? It is a question of whether people can afford it. So when we look at the E, we should also look at the totality of the ESG. So in some cases it may be better to be on a voluntary basis where they can afford it."
- **Datuk NK Tong**

Banks in Malaysia that offer financing for purchase of green building certified housing development as of 2023

- Alliance Bank
- Ambank
- OCBC Malaysia
- Public Bank
- Standard Chartered Bank Malaysia

Home valuation process must be improved, developers say

Undervalued properties result in a lower loan

By LIEW JIA YI (YANIKA)
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WHEN it comes to the valuation of potential development, property valuators use a method of comparison, by evaluating a development to its surrounding property prices without taking into account the new infrastructure and amenities the development put into place.

So when developers contribute to the roads, public facilities, amenities and parks, this might not be reflected in the valuation. With the value of the property standing proportional to the loan home buyers are eligible to receive, an undervalued property is subsequently provided with a smaller loan amount.

"It's not about the current rating but more on the potential of the future rating, that will be very helpful in terms of getting them a better margin in terms of the housing loan," Gamuda Land chief operating officer Wong Siew Lee said.

"We feel that the housing valuation from the bank can be more holistic, in terms of evaluating potential development without comparing to what has been existing there," she added.

As an example, Wong pointed to Gamuda Gardens in Rawang. She noted that units in the development were valued as compared to the average transaction prices in Rawang, despite the changes made to infrastructure and utilities.

In agreement, FIABCI World Council of Developers and Investors president Datuk Seri Koe Peng Kang noted that during his time with SP Setia, there were similar issues with property valuation.

They refused to give loans because the valuation compared with the surroundings did not require it, even with the enhancements. When pressed for answers, Koe noted that the valuers he spoke to told him that these were instructions from the bank, to ensure that there would not be too much risk.

"Eventually we brought the banks in, demonstrating that we add value, [that] you have to see the future, but it works," Koe said.

Matrix Concepts Holdings Bhd group managing director Ho Kong Soon said that even if developers could negotiate for a better value through meetings, the entire process would take a long time. The issue could not be solved without a holistic policy, allowing for an efficient valuation process from the beginning.

"I had a lot of arguments with them because I couldn't move. Especially [as] I'm selling the price like that, and they only give so little loan. End-purchaser just walks out," Koe said.

Even during these discussions, developers had to take into account the situation other than KL, Klang Valley, Johor and Penang, as well as M40, Glomac Bhd chief operating officer Zulkifly Garib said.

"If you want to make a proposal to the government, it cannot just be for the urban population of urban buyers because, when they put it in the budget, it's gonna be for the public," he said.

"When I was Rehda Selangor chairman, and I was on the board of Lembaga, the state government was looking at ways of working with the commercial banks to help out with the financing," Zulkifly explained.

"I can remember last year, because I was on the board until last year, and they were talking to Maybank on record. It did happen. Maybank did a presentation, [but] what the state government wanted and what the banks presented for it to be viable to them, it just didn't meet. So there is the intention by the state to look into it to allow for easy financing, but it just doesn't match,"

He pointed out that even before a project's completion, valuers already begin to evaluate the project. The mismatch makes it difficult for buyers to get a suitable loan.

New era of work

Ways of earning have also changed and therefore the valuation of the debt service ratio needs to take into new ways of measuring, so it cannot be just a firm wage earner in that sense, OSK Property chief operating officer Seth Lim Sow Wu said.

Scientex executive director Beh Chun Chong agreed with Lim, noting that age group-wise, about 50% of Scientex buyers are below 35 years old or fresh graduates who have just entered the economy. These buyers were in Grab, real estate and other non-traditional careers.

"Currently, our loan rejection rate probably stands around 70%, because all those buyers who can afford to buy an RM300,000 [home] belong to a lower income group," Beh said.

In March, Beh had taken note of a particular bank that decided to raise their risk appetite.

"I wouldn't want to name the bank, but... they actually increased the debt service ratio (DSR) in order to cater for this group of people who don't have a fixed income. They relaxed their Central Credit Reference Information System (CCRIS) requirement, even up to two missed payments, but in return, they increased the interest rate by 0.15%," Beh said.

After the programme, Beh noted that his projects had seen a 60% take-up rate and some banks have begun to take part in these initiatives.

"The yardstick that we use to see whether per person qualifies for a loan and how much loan, what we're seeing here is actually archaic," Sime Darby Property Bhd group managing director Datuk Azmir Merican said.

He pointed out that a review of the process was necessary to further enhance the experience of the Malaysian public. Solutions needed to be substantiated with statistics.

"All the more reason why we should be addressing it honestly, head on and saying, right, these are people who need help," Lim added.

Through step-up financing programmes, home buyers have been able to afford their purchases. Several banks and developers have offered such programmes, however developers pointed out that these solutions remain short-term.

"I've been arguing with them [the banks] to do the DSR computation," Lim said.

During the construction period, Lim noted that buyers would only pay interest, instead of the full mortgage repayment. In the same vein, he pointed out that banks would be able to base the DSR computation on that lower repayment, rather than a full-blown mortgage repayment during that period of time. With that, buyers might be able to afford a higher loan.

"That will also help in line with what we have said, we always tell people to buy a property that is beyond your current affordability. Why? Because everybody grows. House prices grow faster than income, so you should actually hedge in first," he said.

The developers listed out several examples of loan rejections from buyers across varying careers, with some banks giving an 85% DSR, while some provided 40%. Developers call on the government to create an improved valuation process for properties, providing better home financing options for both the B40 and M40.

"It's not about the current rating but more on the potential of the future rating, that will be very helpful in terms of getting them a better margin in terms of the housing loan.
– Wong Siew Lee

An East Malaysia perspective

The dynamics of the property industry in Sabah and Sarawak differs

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IN Sabah and Sarawak, the dynamics of the property industry differ significantly from a bustling city like Kuala Lumpur or in other parts of Peninsular Malaysia. In addition, social and affordable housing often pose unique challenges in urban areas that would not have been issues with the other states in Semenanjung Malaysia.

Sarawak-based Sendayan Properties Sdn Bhd director Louis Ting shared his experience on a recent undertaking by Perbadanan PR1MA Malaysia (PR1MA), which initiated three projects in Kuching, Sarawak.

One of the projects is a landed project, which is about 18km away from the city centre, which was well received, he said. However, the other two projects, despite their closer proximity to the city of less than 10km, met with challenges.

Ting was referring to Residensi Semenggoh in Padawan, Residensi Matang Homes and Residensi Matang Premier in Matang and Residensi Bintawa Riverfront in Bintawa.

The 558 units in Padawan were well-received but the other two comprising 1,460 units in Matang and 1,320 units in Bintawa were faced with numerous challenges, partially due to their scale as properties in Sarawak are usually developed in smaller numbers.

This example underscores the importance of accessibility to employment opportunities and the local economy when planning social or affordable housing projects in cities and towns in Sarawak, he said at the StarProperty Budget 2024 Roundtable held recently.

"So in smaller towns, with smaller populations, even 300 units of affordable housing in one location will amount to an oversupply," said Ting. "Otherwise, it may become another ghost town in that certain area."

"So that be the case, we may need another policy. This is where we always say that there cannot be a one-size-fits-all kind of policy for housing. Because each region will have its own unique situation." Ting added.

In such cases, despite national policies that aim to establish trustee boards and identify suitable locations, the challenge lies in generating enough demand within smaller, more localised contexts. Therefore, an alternative policy approach might be more practical, according to Ting who is also the Sarawak Housing And Real Estate Developer Association (SHEDA) deputy president.

This could involve the trust fund providing grants directly to buyers, allowing them to select housing options available in the market. This approach would likely be more cost-effective and efficient.

Additionally, it is worth noting that developers in Sabah and Sarawak face different challenges, particularly concerning other issues like native customary rights, which are distinct from the issues related to low-cost housing and bumiputera quotas.

(ABOVE)
Chua (left) makes his thoughts known as Scientex Bhd executive director Beh Chun Chong listens.

(ABOVE)
Ting (right) makes his point as Matrix Concepts Holdings group managing director Ho Kong Soon (centre) and Sunway Property executive director Chong Sau Min listen at the roundtable discussion.

In Sabah, there are similar issues. Sabah Housing and Real Estate Developers Association (Shareda) president Datuk Chua Soon Ping pointed out that when an APDL (Advertising Permit and Developer's Licence) is granted, whether it is for an empty plot or a lot with strata title, certain conditions apply.

"You need to deliver 30% of the number of units. Let's say (there are) 100 units, you must deliver 30 units. And these are selected by the government," he said.

Within this 30%, it includes a mix of corner units, intermediate units and so on, as chosen by the government. The process for landed properties usually proceeds without issues as many bumiputera buyers prefer landed properties.

However, when it comes to high-rise developments, most bumiputera buyers tend to opt for non-bumiputera lots. Why is this the case? Because when they purchase a non-bumiputera lot, they can sell it shortly after buying, perhaps even on the same day. In contrast, if they buy a bumiputera lot, they must hold it for five years before selling, he explained.

"This situation poses problems as it leads to a cash flow issue during the construction period of three years. We cannot comply with the release of bridging loans since the bumiputera lots are difficult to sell," he said.

"We have recently discussed this issue with our Chief Minister (CM) and informed him of the problem. We have proposed a policy change, which is currently with the Attorney General (AG) for review. Once approved, it will be presented at the assembly," he said.

The proposed change is as follows: Bumiputera investors who visit the sales gallery can point to any unit among the 100 units available for sale, without any pre-selection. They will be offered a 5% discount on any of the ordinary units they choose, regardless of whether it is a bumiputera lot or not.

This policy shift eliminates the requirement for bumiputera buyers to hold onto a property for five years, allowing them to sell on the same day if they wish. The CM has agreed with this change, making Sabah the first state in Malaysia to modify this policy, said Chua.

These and a multitude of other discrepancies make both Sabah and Sarawak unique to the property industry and therefore, any housing policy meant to help the people might miss the mark.

Both Ting and Chua concluded that it is best if the East Malaysian counterparts are first consulted before pushing through any policy to ensure better effectiveness.


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