

Budget 2017 and affordable houses



OFF THE CUFF

BY AZMAN UJANG

In a month's time, Budget 2017 will be unveiled and as usual there is a lot of interest about the impact of the federal government's plans.

The wage earners among my generation, who have retired, have had their chance of owning a house after what seems like a lifetime of paying loan instalments but it's the plight of present and future generations that is a cause for concern.

House prices, especially in the urban centres, have not only escalated but in many cases are hitting the roof, so to speak.

There's been so much hype of late about this fairly new phrase, affordable houses, but to most Malaysian wage earners, the houses are affordable only on paper.

My conclusion is that the more we talk about affordable houses, the less affordable they become.

Many factors come into play before a buyer after signing the sale and purchase agreement can see the light at the end of the tunnel.

I'm talking about the trauma house buyers from among the low- and middle-income group have to go through before receiving the keys to their houses.

What with the increasingly stringent lending regulations they have to face when applying for bank loans for their first house, which for most of them, is the largest single investment they will make in their lifetime.

The regulations introduced by Bank Negara in 2013 have been criticised by developers and state government officials who say they hurt the prospects of first-time house buyers.

And even after they receive the keys from the developer, it's not the end of the story. A relative told me last week that he and some 300 other house buyers had taken possession

of their newly-completed houses somewhere in Perak but shockingly, they can't move in yet because they found out that there are many defects. Only God knows how certificates of fitness were issued for the houses.

The media has highlighted cases of poorly-built houses and abandoned housing projects where buyers end up losing millions of their deposit money.

So for Budget 2017, my wish is for the government to make it easier for the younger generation to own their first house by increasing the supply of affordable houses.

A game-changer in the delivery of perumahan rakyat or people's housing and houses for the low- and middle-income group is no longer a financial question but a moral one.

What kind of nation-building are we talking about if citizens don't own decent roofs over their heads?

And everything ought to be done by way of laws, regulations and more importantly, enforcement, to make this happen.

For example, a policy to clamp down on the price of houses for such categories of Malaysians is long overdue. If we can have a policy to control the price of essential items like rice, flour and sugar, and until recently fuel for vehicles, why not public housing?

Certainly owning a house is more essential for nation-building than subsidising the price of sugar, for instance, as sugar can lead to so many health problems.

I know Prime Minister Datuk Seri Najib Abdul Razak, who is also finance minister, has been passionate about pushing for affordable houses for the last seven years which has resulted in a record number of such houses being built or completed.

The demand always outstrips supply especially in the urban areas. This is despite the iMalaysia Housing Programme (PRiMA), a Najib brainchild, developing some 80,000 cheaper houses sold at 20% below the market price to cater for households with a monthly income of

between RM2,500 and RM7,500.

What more can be done to make these houses more affordable in reality?

I would suggest that there's a need to cap the profit margin of developers and the interest rates charged by banks for first-time house buyers in this category.

Developers can make up for it elsewhere in a mixed-development project for instance and banks can look into cutting the current interest rates of 4.65% to say 4%, which is what civil servants pay for their government housing loans.

At 4.65% for a mere RM60,000 loan, the borrower pays more than double the loan amount at the end of the loan period and this is rather high.

Bank Negara reported this week that the biggest problem for the average Malaysian house buyer is not the maximum 35-year loan repayment period but the lack of affordable houses in the first place.

In other words, access to financing is not the main problem confronting potential buyers of affordable houses – the fundamental issues that need to be resolved are affordability and the shortage of reasonably priced houses.

Developers have also argued that banks need not be fussy or sticky about giving out housing loans because the property price would almost always escalate in the worst case scenario of houses being repossessed by banks when borrowers default on their loans.

This is unlike car loans where the vehicle price would always plunge and in many cases, the borrowers would have to top up



when the cars are repossessed by banks due to repayment default.

We need more out-of-the-box ideas to increase the supply of such houses especially by unlocking the government's vast land bank for development of cheaper homes.

The price of land, especially in the urban centres, is always the prohibitive factor for developers to price their projects according to what most wage earners can afford.

Bureaucracy must, once and for all, be removed in cases where it adds up to spiralling costs that would be reflected on house prices.

It's common knowledge for all those who have to deal with the Land Office that it's still one government department that's been getting the most public complaints for inefficiency.

Our authorities dealing with the delivery of public housing need to visit Singapore's Housing Development Board to study how it has managed to enable at least 85% of the island nation's population to own houses.

Comments: letters@thesundaily.com