

The 19th National Housing & Property Summit 2016

“Revitalising the Housing & Property Industry – What Next for the Housing & Property Sector?”
8th and 9th September 2016 – Sunway Resort Hotel & Spa

Opening Keynote Address

by

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Minister of Urban Wellbeing, Housing and Local Government

Distinguished guests, ladies and gentlemen,

1. To begin, I would like to first congratulate and express my gratitude to Tan Sri Michael Yeoh, Chief Executive Officer and Director of the Asian Strategy & Leadership Institute (ASLI) on the organizing of the 19th National Housing & Property Summit.
2. On behalf of the Ministry of Urban Wellbeing, Housing and Local Government, I would like to extend a warm welcome to all the esteemed participants to the 19th National Housing & Property Summit, which the Ministry views as an important event for all involved in the housing and property industry.

People’s Housing Project (PPR)

3. One of the main issues this summit aims to address is the provision of affordable housing, which the government is currently taking an active role towards. In line with the 11th Malaysia Plan, which calls for the uplifting of the bottom 40 percent household income group (B40) to middle-class society, the Ministry’s particular focus has been on those from B40 low-income groups, who need to be the greatest benefactors from the creation of affordable housing.
4. Under the People’s Housing Project (PPR), the Ministry has constructed 22,300 apartment units and 9,800 terrace houses for poor households in urban areas. However, we feel that this initiative could be more efficient and effective through the involvement of private developers.
5. With the goal of providing affordable housing in mind, the Ministry intends to work with private developers to build and lease PPR housing to eligible applicants in the same format that PPR currently operates with.
6. It is hoped that this new approach will allow more housing to be built, and at a faster pace than if construction were to solely rely on government funding. Subject to further discussions and finalizations, we aim to implement this new system as early as 2017.
7. Many have expressed that the government is not doing enough to engage private developers and is too focused on housing projects developed by government agencies; I would like to emphasize that the Ministry is taking such concerns into consideration and will continue to engage with them. Thus, I encourage private developers to take this opportunity to work with the government to provide affordable housing for Malaysians. It is a win-win situation for all parties involved.

Ladies and gentlemen,

Sustainable, consistent growth

8. Following recent global developments like Brexit and the continued slowdown of the Chinese economy, the Ministry realizes more than ever the importance of maintaining market stability and sustainable, consistent growth. The housing and property industry is a pillar for Malaysia's economic growth, and it is important to circumvent extreme speculation and a repeat of the 2008 Financial Crisis.
9. I would like to underline the policies that the Ministry has taken to ensure long-term market stability and confidence, without compromising short and medium-term growth.

Real Property Gains Tax (RPGT)

10. Real Property Gains Tax (RPGT) is a form of capital gains tax, one of the government's most successful policy instruments in controlling property prices.
11. Following a brief suspension in 2008 and 2009, property prices were rapidly increasing. What was necessary then, in order to spur investment after the financial crisis, soon became a dangerous property bubble that the government had to take action against.
12. Since 2010, the upward adjustment of RPGT has successfully reigned in speculation and the augmentation of property prices. Because of this success, we have maintained the 30% tax rate (on reselling within 3 years) since Budget 2014.
13. The importance of RPGT in preventing a property bubble cannot be stressed enough; I hope that this important measure will be seen not as an attempt to hurt investment or prevent market growth, but rather as a key step towards maintaining stability and healthy growth in the housing and property industry.

Developer Interest Bearing Scheme (DIBS)

14. RPGT has not been the government's only tool to control rising property prices. The Developer Interest Bearing Scheme (DIBS) was a highly popular payment scheme used by many developers, whereby the developer bears the interest on buyer's loans during the construction period. This was banned on the 1st of January 2014.
15. Because of the small down payment required, DIBS appealed to many, especially first-time buyers. Developers then benefited from increased sales and property prices. However, we were concerned about the long-term effects of DIBS; according to Bank Negara, property became 20 to 30% more expensive following the use of DIBS, which signaled to us that a property bubble was being created.
16. There have been recent calls from developers to reinstate the Developer Interest Bearing Scheme (DIBS) for first-time buyers, to boost sales in the property and housing market. Many buyers themselves, who find it difficult to afford down payments, want similar schemes to be available.

First House Deposit Financing (MyDeposit)

17. As mentioned earlier, the Ministry of Housing has heard these concerns and is actively addressing them. Earlier this year, we introduced the First House Deposit Financing scheme (MyDeposit), opened to applicants between the 6th of April and the 30th of June 2016.

18. Under MyDeposit, the government allocated RM200 million in funding to help first-time buyers with their down payments. These are in the forms of grants of the lower of either 10% of the buyer's down payment or a maximum of RM30,000.
19. First House Deposit Financing, PPR and other government housing initiatives, are examples of the Ministry's commitment towards the provision of affordable housing for first-time as well as other groups of buyers, without losing sight of long-term sustainability and stability.

Distinguished guests,

Responsible lending

20. In the current challenging housing and property climate, it can be tempting to look for quick fixes that will boost sales and heat up the market. However, it is crucial that we remain responsible and sensible in our policy approaches.
21. The Ministry is also aware of demands to relax housing loan policies that were tightened in 2014 to control speculative buying in the housing and property market. I would like to stress the importance of maintaining the strict conditions under which housing loans are made, as an example of a successful step towards market stability.
22. Relaxing housing loan policies would allow people to take out loans that they cannot afford, increasing household debt and economic uncertainty. Lax loan policies in the United States were a major cause of the 2008 financial crisis.
23. This does not mean that the government and Bank Negara are trying to prevent buyers from taking out housing loans. I would like to highlight the government's decision to extend the 20% stamp duty exemption on Shariah-compliant housing loans and other loan instruments until the end of 2017. There is no doubt that growth in the housing and property industry would positively affect the country's overall economic situation.
24. The government encourages responsible and accountable lending. However, strict loan conditions are necessary for banks to protect themselves against people defaulting on their loans and from this having a domino effect on the whole economy.

Ladies and gentlemen,

Productive property development

25. Lastly, I would like to speak about the importance of productive property development. The Malaysian property market is dealing with increasing numbers of unsold properties, residential and commercial, as well as an oversupply of retail space.
26. It is hoped that private developers and investors will look beyond the traditionally lucrative forms of property development, such as shopping complexes and expensive residences, towards projects that will better Malaysia as a whole.
27. The government has been proactive in undertaking such projects, such as allocating RM40 million towards the rehabilitation of abandoned public housing projects. We have also exempted contractors and original buyers of those abandoned houses from stamp duty. The River of Life project, initiated under the Economic Transformation Program, is

intended to develop and beautify the Klang River so as raise its economic and commercial value.

28. Such projects for the large part have been government-initiated. The oversaturation of certain areas of the housing and property market has resulted in inefficiencies that the private sector and the government should work together to overcome. I would like to encourage private developers and investors to also consider other areas of the market, to increase the overall productivity of the industry.

Distinguished guests, ladies and gentlemen,

29. The Ministry of Urban Wellbeing, Housing and Local Government is committed to doing its part towards maintaining stability and security in the housing and property industry, as well as providing affordable housing for all Malaysians; we hope the private sector will work with us in doing so for the betterment of the country.

30. I would like to wish all the distinguished participants the best for two productive, successful days of discussions, and once again thank ASLI for the opportunity to speak at this important summit.

Thank you.