

Budget Commentary 2019: Asian Tiger - A New Journey
Welcome Remarks by Dato' Jeffrey Ng Tiong Lip, Chairman of REHDA Institute

[Salutation]

REHDA Institute Board of Trustees,

REHDA Malaysia National Council Members,

Distinguished Guests, Speakers and Panellists,

Members of the Media, Ladies and Gentlemen,

A very Good Morning and Welcome to the RI's Budget Commentary 2019 themed Asian Tiger - A New Journey.

On behalf of REHDA Institute, I would like to congratulate the Government for its maiden Budget 2019 "A Resurgent Malaysia, A Dynamic Economy, A Prosperous Society"- a people friendly, zero-based budgeting that aims to map out a path to restore the Malaysia economy as an Asian Tiger. This aptly corresponds to our theme today, Asian Tiger - A New Journey. Our presence and participation at this forum today is a reflection of our enthusiasm to be part of this new journey and understand deeper what it means for the real estate and housing industry.

The Malaysia's real estate and housing industry is confronted by numerous challenges - a lack lustre market, low affordability, and at the same time is struggling with increased costs of doing business. REHDA Institute is pleased to note that some of these challenges are given attention to in the recently announced budget, particularly in addressing low financial capacity for B40 and M40. We welcome the various measures and initiatives taken by the Government in promoting housing for all especially the lower wage earners, first home buyers and civil servants. The continued funding towards PPR, PPAM, PRIMA, and SPNB shows

the Government's commitment towards social and public housing and REHDA Institute hopes that implementation wise, such programmes are carried out sustainably to build up the social and public housing stock for the nation. On the demand side, the mortgage guarantees by Cagamas Berhad, concessionary financing rate of 3.5% per annum for lower wage earners and the exemption of stamp duty up to a house value of RM300,000 will lessen the costs of home ownership for the targeted group and enhance their housing affordability levels.

Some of the measures, however, particularly in terms of increased property taxation such as higher stamp duty on value above RM1 million, RPGT for disposal in 6th year and beyond, may be counterproductive to the real estate and housing market, especially in the current weak market conditions. We trust the Government has its own reasons to increase such taxes and I leave it to the forum today to debate the impact of these measures on the industry and the federal coffers.

Ladies and Gentlemen,

We at REHDA Institute believe in adopting a growth mindset by looking at transformational game changing approaches in addressing the various structural problems besetting the industry. We are delighted with the openness of the Government to explore the innovative idea of property crowdfunding under the peer to peer financing framework which will serve as an alternative source of funding for first-home buyers. This is definitely a game changer that will transform the housing market if properly and successfully implemented, and we believe it is

nonetheless a good start and a precedent that non conventional innovative ideas actually have a chance to see implementation.

This p2p framework is a hybrid of home ownership scheme and a property investment scheme, detailed mechanism of which is not clear and we definitely need further clarifications on the implementation and regulatory structure. However, based on limited information made available to the market to date, we envisage a few challenges ahead, including but not limited to the following:-

- 1. The 20% down payment** - As the initiative is targeted at first time home buyers for properties between RM300,000 to RM500,000, we foresee a problem in buyers coming up with such down payment of between RM60,000 to RM100,000. As it is today, a 10% downpayment is already a huge hindrance to home purchase for most first time buyers and as such, will the target group be able to meaningfully participate in the Fund MyHome scheme?
- 2. Risk vs benefit** - At the end of 5 years, the participant will have to either sell, top up the 20% value according to a market value/refinance the house to fund the other 80%. We need a more balanced risk / benefit treatment between housebuyers and investors because home owners may lose their downpayment in the event of a market downturn but will not gain if capital appreciation is not more than 20% over the next 5 years. On the other hand, investors will get 100% of the first 20% gain upside and will not lose in the event of 20% depreciation in value.

I believe today's forum will deliberate at length about this new crowdfunding initiative and give constructive feedback on how it can work for the industry.

Having said that, RI welcomes any alternative funding sources to house buyers, to make cost of homeownership cheaper and more affordable to all. Towards this purpose, REHDA Institute has earlier, through our Affordable Housing Report, proposed a Residential REIT, to provide rental public housing for the B40 group and will continue to pursue this financial framework to help the Government build more rental public housing for the nation. Whilst the Fund MyHome is targeted to boost home ownership for M40 from the demand side, the proposed Residential REIT is aimed at assisting the Government in building up the supply of public social rental housing for the lower income group who cannot afford to buy. The Institute will be formally submitting our proposal and will be engaging the Ministry of Finance on this new transformational financial vehicle for the rental housing sector.

Ladies and gentleman,

Against the backdrop of the measures announced for the housing sector in the recent Budget 2019, it is still unclear whether the Government will be able to deliver the commitment of building 1 million affordable housing units as promised. This is indeed a very challenging task - how are they going to raise funds to build such huge numbers, and how are they going to identify suitable land with the suitable eco system for affordable housing, remains a puzzle to the industry. Perhaps with concerted and holistically planned efforts among the federal government, state governments and the GLCs, such land required for the delivery of these 1 mil affordable houses can be made available, provided there is strong political will.

Ladies and gentlemen,

The Government also demonstrates a commitment towards creating a business-friendly environment for business to flourish by introducing numerous initiatives that create an enabling and innovative ecosystem, to drive and unleash the potential sectors which include embracing the digital economy, accelerating the adoption of Industry Revolution 4.0 and strengthening SMEs. Combined with innovative regulatory framework, an empowered and talented local workforce, I am positive that the Asian Tiger in Malaysia is on the right path to roar again in the international arena.

It is gratifying to note that the agenda of the Budget Commentary 2019 today covers a wide range of interesting topics relating to taxation, housing and productivity. It is our honour to have a star-studded panel of experts today and also special invitee YB Tony Pua, Political Secretary to Minister of Finance to share their insights on Budget 2019 and moving forward. I am confident all participants will have good take away from today's event and on our part, we will forward relevant feedback and proposals to the authority so that good innovative ideas and analysis do not end in this auditorium but channeled properly for the benefits of the industry.

I thank you again for being with us today and wish you a productive session ahead.

Thank you.