

# Many ways to make housing affordable, says PwC Capital

BY LAM JIAN WYN

**A**ffordable housing is a hot issue now with the federal government striving to deliver one million such homes in the next five years as it had promised in its general election manifesto.

However, hurdles remain, especially within Kuala Lumpur city and popular nearby suburbs.

While it is important to ensure the middle and low-income groups too are able to live close to their workplaces to reduce transport costs, exorbitant land prices have made it nearly impossible to reduce the cost of homes without sacrificing size or quality.

So, how do the public and private sectors navigate these issues?

"You need to address the core issue, which is reducing construction costs. If you address how much it costs to build a good affordable home, it will solve a lot of problems and reduce government spending on such housing," says Andrew Chan, capital projects and infrastructure executive director at PricewaterhouseCoopers Capital Sdn Bhd.

He tells *City & Country* that construction and maintenance costs can be trimmed through a number of ways, including more efficient and smart designs, and alternative materials and building techniques.

"For example, the government should reconsider the minimum size of affordable homes, which could range from 600 to 850 sq ft. That is a very narrow range of sizes. Single occupants or small families could use less space as long as all the facilities they need are provided," explains Chan, who works largely with projects that entail private-public partnerships, including affordable housing.

Smart designs, such as north-south orientation to reduce the use of artificial cooling with fans and air conditioning, could also cut the overall cost of maintenance while alternative materials and construction include prefabrication, he adds.

It is more sensible to bring down costs than subsidising the purchase of homes through schemes such as My First Home, which could prove more expensive to the government in the long run, Chan points out.

"The government has the right intention, but a fundamental shift is required. Affordable house prices need to be reduced from RM400,000 by lowering construction and maintenance costs. If the government were to top the subsidies, they will be for 20 to 30 years, which is a big commitment for it."

Chan adds that all the stakeholders must come together to play their part. Those in the low-income group seeking affordable housing in the city and its suburbs should revise their expectations when it comes to the size of their homes. "They should not expect the government to give them something they might own in their kampung, like a house with a living room, kitchen and three rooms."

"If the government can give them all the basic necessities in a smaller space, such as a two-bedroom unit, you will have to change your lifestyle."

Chan also says the various federal and state agencies, such as Perumahan Rakyat Malaysia, Syarikat Perumahan Negara



The price and maintenance cost of affordable and low-cost homes can be driven down by smart and efficient designs, use of alternative building materials and building technologies



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Bhd and the National Housing Department, should cooperate on looking after the needs of the middle and low-income groups and the very poor.

In a discussion at the Fourth Annual Affordable Housing Projects conference held in Kuala Lumpur in June, the panellists agreed that while the government should still spearhead the development of such properties, the private sector and civil society should start shouldering more responsibility.

"A lot of high net worth individuals in Malaysia are turning philanthropists and giving away substantial portions of their wealth to charities. Maybe they are not directing their donations to housing yet."

"Various non-governmental organisations and some political parties also look after low-income earners in the different communities. But we have so many priorities that perhaps affordable housing is just not at the top of the list," Chan observes.

Only after all these issues are addressed should the government consider providing support. "When you ask the government to help you meet some of the shortfall in supply, it should be the last resort. I think that is the way forward for affordable housing."

Typically, the government may offer aid — cash, support in kind or guarantees — in the construction or operation phase. Cash support in the construction phase could include preferential loans, land acquisition and clearance, tax increment financing and revenue from existing assets.

Support in kind could mean the use of government land and development rights while guarantees could cover construction costs, the exchange rate, equity and debts or bonds.

However, public-private partnerships can only supply a part of the market's needs. "If the government feels that housing is one of its top three priorities, it should bring in partners from the pri-

vate sector. After all, according to PwC's *Cities of Opportunity 2012* report, there is a correlation between housing and a good economy," says Chan.

"It is also about the allocation of resources, so the government could establish smart partnerships with the private sector to handle other infrastructure projects such as highways, water, electricity and even ICT so that it can channel more resources into housing."

## Alternative ideas

Some alternative models of affordable housing include Colombia's "aided self-help housing".

In this model, the government provides mortgages and adjudicated property rights and supplies construction plans and supervision, but the homeowner builds, owns and pays most of the costs.

Using an "auto-construction" model, homeowners are granted 15-year mortgages and do not have to make a down payment. Their homes are partially built shells that they can complete when they can afford it.

In relation to lifestyle changes, Chan says prefabricated mini-apartments in the US are addressing growing demand for studios and one-bedroom units for single occupants. Typically, the units are 300 sq ft in size and are 60% smaller than the average low-cost apartment in Malaysia.

"It all comes down to political will. Look at New York where the very rich and working professionals want to live in Manhattan and work in New York. Housing is so expensive there — in fact, it is one of the most expensive in the world."

"So, if you want to live and work in Manhattan, you have to change your lifestyle to live in a smaller space. There are a lot of innovations that allow you to live in a smaller space. It will not necessarily make things cheaper, but if you consider land a premium, then you must realise that there has to be a change in lifestyle before you can make housing affordable, even for the very rich," Chan concludes. ■

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