

12-Day
International
Study Visit



MALAYSIA 2010

**9-19th
October
2010.**



Real Estate & Housing Finance Study Visit to Malaysia

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The choice of Malaysia for this study visit is to explore the housing finance and real estate sector in Malaysia. Participants on this study visit will learn how Malaysia succeeded in harnessing the public private partnership (PPP) for affordable housing. They will also have first hand knowledge on how Malaysia achieved success with their housing policy and why the Malaysian government established the State Economic Development Corporations focusing on housing the poor.

This study visit is expected to open up to participants; strategies, models, innovations, case studies of failed and successful approaches, new policies, techniques of housing appraisal, tools for housing finance, etc. As part of the program also for this 2 weeks Study Visit, participants will have on hands learning at several institutions including:

1. Cagamas Berhad ("Cagamas")
2. Bank Negara Malaysia (BNM)
3. Malaysia Building Society Berhad (MBSB)
4. Treasury Housing Loans Division (THLD)
5. Borneo Housing Mortgage Finance Berhad (BHMF)
6. Real Estate and Housing Developers' Association Malaysia (REHDA)
7. Sabah Credit Corporation
8. Bank Simpanan Nasional (BSN)
9. The Employees Provident Fund (EPF)
10. Tan & Tan Development Berhad
11. A & M Realty Berhad
12. PKNS Engineering & Construction Bhd (PECB)
13. Lafarge Cement Malaysia
14. Claybricks & Tiles Sdn. Bhd. (Claybricks)
15. Federal Ministry of Housing and Local Government Putrajaya
16. DBKL Malaysia
17. SP Setia Group Bhd, Malaysia
18. YTL Cement Bhd, Malaysia.
19. Mivan Group
20. Visits to several affordable building technology and construction sites

The role of Cagamas for example in Malaysian market today has evolved to include playing an important and active role as a catalyst for the Governments' and Bank Negara Malaysia's (BNM) initiative for the economy and financial sector such as promoting home ownership/home accessibility and affordability in Malaysia. Government agencies can learn several lessons from how Cagamas has succeeded in achieving this. Participants will also see how the Treasury Housing Loan Division (THLD) has succeeded in becoming one of the largest housing credit in the economy. The Treasury Housing Loan Division emerged in 1971 to provide housing loans to eligible Government servants. The Division was indeed the second largest source of housing credit after the commercial banks.

11-Day International Study Visit



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Total loans outstanding with the Division continued to rise. The bulk of loan disbursement was financed by loan repayments, long-term low interest loan by the Federal Government, Cagamas, the Employees Provident Funds and loan from a consortium of banks. Currently, the interest rate charged on housing loans granted to all categories of civil servants is fixed at 4% per annum.

Tan & Tan Development will offer a lot of building technology and process management expertise to the participants on the study visit and the visit to A & M realty in the same measure will expose public sector developers to strategies on delivery affordable housing in Nigeria.

PKNS Engineering & Construction Bhd experience will be useful to both government and private institutions in developing an ecosystem property development strategy for the Nigerian market. Their building technologies and business management strategy operations will be valuable to participants.

Other areas of interest to be studied in Malaysia include:

(A) The REIT Element:

Since the listing of the first Real Estate Investment Trust (REIT) - Axis REIT in August 2005, Malaysian REITs have grown steadily within a short span with eleven (11) REITs of different asset classes, i.e. office, retail, industrial, plantation and healthcare being listed on the Bursa Malaysia as at end of December 2007. To encourage the growth of REITs in Malaysia, the government has proposed via Malaysian Budget 2008 that the disposal of buildings from companies to REITs is not subject to balancing charge. As such, REITs are eligible to claim the balance of unclaimed Industrial Building Allowance (IBA) of the disposer. Acquisition and expansion activities have been fairly active among the existing M-REITs since the 2nd half of 2007.

(B) Residential Mortgage Financing - HOUSING DEVELOPMENT POLICY:

As stated in the Seventh Malaysia Plan, the main objective of housing policy for the plan period (1996–2000) to provide adequate, decent, and affordable housing with the basic amenities. The current plan emphasizes the provision of housing for the poor and low-income groups. Government strategies and programs are aimed at delivering a sufficient number of housing units that all sectors of society can afford.

A total of 800,000 housing units have been planned for construction under the plan. Of this total, the public sector is to deliver 230,000 housing units (29 percent) and the private sector, 570,000 (71 percent). The private sector is expected to serve the housing needs of all levels of society. The public sector, on the other hand, will concentrate on the delivery of housing units to the lower-income groups. Playing an “enabling” role, it will provide incentives and facilities for housing development.

Housing for the hard-core poor and low-medium-cost housing are two new programs in the current plans other than the low, medium, and high cost categories. Housing for the hard-core poor is provided for free or with interest-free loans to target groups with an average household income of less than RM 500 a month. Households with an average income of RM 500 to RM 750 a month are the targets for the 200,000 housing units costing less than RM25, 000 each to be delivered under the plan.

The Public and private sector will learn several business management strategies in terms of housing the poor.



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