

Construction industry²⁶ should learn from current woes

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THE Home Ownership Campaign launched by Prime Minister Datuk Seri Dr Mahathir Mohamad has many advantages.

While it helps to clear the significant amount of unsold stock of houses in the country, and thereby help the liquidity of developers, it will also contribute to the initiative towards a house-owning democracy.

Malaysia has been fortunate in that housing has remained an important element of public policy and has acquired a worthy share of annual budgetary appropriation.

The campaign has been mooted personally by Dr Mahathir in one of the National Economic Council (NEAC) meetings in which he suggested that there should be a roar or a grand sale of unsold properties such as houses, shops and office space nation-wide.

In order to make it successful, the NEAC is prepared to consider waiving many requirements such as those by the Foreign Investment Committee (FIC) and the need for stamp duty during the sale period.

The NEAC was informed that a considerable amount of completed properties, estimated at RM80bil, has not been sold.

It is estimated that RM5bil to RM6bil is in the form of dwelling places. This seems to show that the property market in Malaysia has not been functioning effectively for several reasons.

Firstly, oversupply exists despite a big demand for houses, especially from the lower and middle-income groups.

Secondly, there has been too

much investment in properties in the up-market sector compared to the number of potential buyers.

The industry could examine the income distribution pattern of the country and estimate the extent of the market.

Thirdly, I am not surprised that many developers have unnecessarily factored in the foreign market.

Fourthly, too much emphasis has been placed on the factor of speculation when calculating the demand in the property market.

Fifthly, there is a high probability that excessive profit is built into the pricing computations, thus sending wrong signals to buyers and sellers in the marketplace.

The combination of these factors has led to an oversupply of wrong properties and spiralling price levels.

The housing industry has a lot to apologise for regarding this state of affairs.

Time and again the industry has been told by many, including Special Functions Minister Tun Daim Zainuddin in one of his public addresses, that the industry needs to be more cautious and responsible.

In view of its strong linkages with the domestic economy - manufacturing of construction materials, financing, and transport - any undue change in the parameters of the industry will send various signals to the other sectors.

What happened in 1985/86 is now being repeated.

I am afraid that while in the developed countries housing charts are a good indicator of the economic health of the country, in Malaysia construction investments may lead to a possible recession

with an oversupply of houses over two years.

Hopefully, there will be greater professionalism in the planning of the construction industry, especially housing, in the years to come.

Having said that, we still underscore the importance of the industry in the national economy given its many linkages with the other industries.

The industry's areas of contribution to the country are plentiful. It should be developed in such a way that Malaysians from all walks of life can have access to decent homes.

With proper pricing policy, the industry can help avoid the development of slums and squatters with unhygienic environment.

With greater planning, it can help generate economic activities, especially in times of low external demand.

It can be an industry which can provide training in various craftsmanship and skills to Malaysians, and it can be a fertile ground for developing modern small-scale entrepreneurship in the field of construction.

With the experiences including the pitfalls acquired thus far, it is

hoped that in the future, the housing industry will develop into a mature industry contributing to economic activities, the development of a house-owning democracy, and the availability of affordable and comfortable houses to the majority of the Malaysian population.

The Home Ownership Campaign will be carried out nationwide and early responses have been very positive, especially in Johor.

It is hoped that with the actions taken by the government the industry players will ensure that buyers will get their money's worth.