Cagamas pushes for affordable green homes

BY **CHERYL POO**

In response to climate change and the call for a more sustainable world, national mortgage corporation Cagamas Bhd is urging property developers to build more green or energy-efficient homes for the market, particularly for the affordable segment.

"Today, green-certified houses are expensive. Most of them are high-end houses and their owners can afford them, but [Cagamas] is looking into making affordable housing "green" as well," says Cagamas executive director Datuk Chung Chee Leong.

"Installing a solar panel in a terraced house may cost RM50,000 to RM60,000, which is impossible for the owner of a RM100,000 house. However, getting a house green-certified does not have to be about solar panels — its structural design and the materials used would also result in energy efficiency.

"Some houses are built in a manner where it is always dark or warm, requiring inhabitants to keep the lights and air conditioning on all day long. These increase utility costs."

To this end, Cagamas entered into a technical assistance agreement with the Asian Development Bank (ADB) on Sept 21 to study and identify the challenges and constraints to scaling up inclusive and green residential mortgages in Malaysia. It is hoped that the findings of the study, which is slated to be completed within a year, will explain how the green mortgage market can be expanded to include the B40 (bottom 40% income group), M40 (middle 40%) and female heads of households.

"Affordable housing tends to be perceived based on the purchase price. But what about the cost of living in the house? If [an affordable house] is built in a way that requires high utility costs, your disposable income is reduced because of that significant expenditure," says Chung.

"Therefore, even with affordable housing, it must come with some form of energy saving or the like, so that the overall cost of living in the house is reduced."

With high material costs, rising interest rates and inflationary pressures weighing on property developers, the question is how will they make green homes affordable? What are the incremental costs for green housing?

While Chung admits that the fluctuation in interest rates will pose a challenge as investors expect high returns, he says the incremental costs merely amount to an additional 5% to 10% sans the installation of a solar panel.

"In Europe, people are encouraged to renovate their homes to make them more energy-efficient. By doing so, homeowners are entitled to some tax benefits," says Chung.

"[Malaysia] is not at that stage yet, but we have kick-started the [process] to get [affordable] housing to be green certified. Perhaps later we can do the same — encourage residents to renovate existing houses for energy efficiency.

"Currently, only several banks have started giving out green loans. It is still in [its infancy] in Malaysia. But as long as a bank informs us that it has a portfolio of green housing loans that it wants to sell to us, we are [ready for it]. We will issue green bonds or sukuk instead of normal bonds."

Since 2019, Cagamas has issued a cumulative RM1.7 billion worth of sustainability-related bonds and sukuk. Proceeds were allocated in accordance with its sustainability bond/sukuk framework, which is aligned with internationally recognised market principles, standards and best practices, to support the growth of Malaysia's social and green finance market.

SAM FONG / THE EDGE

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"We have issued sustainability and social bonds, which address the social impact of the [framework]. Therefore, we can now move on to address the issue of climate change," says Chung.

By end-2030, Cagamas aspires for 10% of the total assets on its balance sheet to be green. "[Our green journey] is a long-term strategy, which will take time [to bear fruit]," he says, adding that preliminary discussions have led to international investors showing interest in Cagamas' green bonds/sukuk.

Emphasis on home ownership, expansion of reverse mortgage products

Chung stresses that housing remains unaffordable, particularly for the middle and lower income groups, as well as those new to the job market. ""From 2014 to 2020, incomes grew about 4% on average amid a 20% increase in housing prices," he points out.

To contribute to home ownership, Cagamas has been participating in the government's Skim Rumah Pertamaku (SRP), for which Cagamas provides a mortgage guarantee to the participating financial institution for 100% loans, and even up to 110% for houses below RM300,000 for aspiring homeowners with household incomes of less than RM10,000.

"The additional 10% relieves the homebuyer from needing to save up the 10% for down payment. Therefore, the purchase can be made earlier and the buyer can benefit from subsequent appreciation, if any," Chung explains.

He says the scheme, which is a "collaboration between the Malaysian government, Bank Negara Malaysia, Cagamas and 26 participating financial institutions", has aided about 80,000 households in owning their first home, 91% of which are from the B40 group and below 35 years old.

"There has been substantial demand for the SRP from the roadshows [we have conducted]. Should the government continue with the scheme, Cagamas intends to continue helping first-time homebuyers to access home financing. A common problem we often hear is that buyers are unable to obtain home financing. However, with this scheme, we have seen many buyers get on the home ownership ladder earlier," says Chung.

Meanwhile, Cagamas' emphasis on home ownership saw the expansion of its Skim Saraan Bercagar (SSB), or Cagamas Reverse Mortgage (launched last December), to Penang and Johor last Thursday. It includes the Islamic version of the scheme — SSB Islamik (SSB-i).

Citing an Employees Provident Fund survey that found 56% of contributors aged 54 and below had less than RM50,000 in their accounts while 27% had less than RM1,000, Chung stresses that the "RM50,000 can only sustain the [individual] for a little over four years on the assumption that expenses are RM1,000 a month".

He says the reverse mortgage scheme, which was initially launched in the Klang Valley, Kuala Lumpur and Selangor, received a good response. "Many do not have savings but they may have bought a house. Borrowers have been approved and a few have already received the [disbursement]. We have not rejected anyone," he adds, but declining to reveal the number of registrants and approved applicants.

"It is still very new. We need to continue enhancing the product to meet the needs of retirees. Having said that, not every retiree will need it. [It mainly caters] to those who are cash-poor but asset-rich."

The rollout of the SSB will be done in phases according to Cagamas' partners, EPF and Agensi Kaunseling dan Pengurusan Kredit (AKPK). As Cagamas has allocated RM100 million for the funding of the SBB, it will consider further funding for "the next RM100 million should the demand surpass the amount", says Chung, adding that "utilisation of the amount will take time".

He believes that the government's GDP projection of 4% to 5% in 2023, after posting a growth rate of between 6.5% and 7% this year, will support growth of the property market.

"There were incentives announced in Budget [2023], encouraging home ownership. We believe the demand will [be sustained], especially for housing below RM500,000. Demand for housing above RM500,000 may persist in certain areas," he says, noting the oversupply of high-rise condominiums in certain locations.

"We expect the property market in the Klang Valley to continue growing amid a slight moderation in prices," he adds.

According to the National Property Information Centre (Napic), the Malaysian House Price Index recorded an annual change of 2.4% for the first quarter of this year and 0.5% in the second quarter.

Residential properties saw 116,178 transactions worth RM45.62 billion during the period in review, having increased 26.3% in volume and 32.2% in value year on year. Penang, Kuala Lumpur, Selangor and Johor collectively formed about 47% of the total national residential volume.

"We expect the momentum to continue, particularly for properties priced at RM500,000 and below," says Chung. He points out that the overhang in the property market improved in the first half of the year, having recorded 34,092 [surplus] units worth RM21.73 billion, which was 7.5% and 4.6% lower in volume and value respectively compared with the second half of 2021.

Meanwhile, there were new launches of more than 10,000 units in the first half of the year, down 66.7% from 31,687 units in 1H2021, Napic data show.

Johor recorded the highest number of new launches in the country, capturing nearly 23.8% (2,509 units) of the national total, with sales performance at 31.8%. Sabah recorded the second highest number at 12.7% (1,335 units), with sales performance at 10.6%. Perak followed closely with 12.5% (1,317 units), with sales performance at 19.4%.

Terraced houses dominated the new launches in the first half of this year. Single-storey (2,047 units) and two- to three-storey (5,150 units) homes collectively contributed 68.2% of the total units, with sales performance at 22%, followed by condominium/apartment units at 19% (2,009 units), with sales performance at 12.4%.

"Demand for property has continued to increase. We expect the property market to recover in 2023 in line with the domestic economy's growth amid challenges arising from the global supply chain disruption as well as the high cost of building construction materials," says Chung. E