



Persatuan Pengguna Pulau Pinang Consumers Association of Penang

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Letter To The Editor

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HOUSE OWNERS AND TENANTS NEED LEGISLATIVE PROTECTION IN RENTAL HOUSING

The Consumers' Association of Penang (CAP) has over the past decades been advocating rental housing as the most logical move to embrace but apparently both the government and the developers have been promoting house ownership instead.

Khazanah Research Institute managing director Datuk Charon Mokhzani stated that rental housing schemes such as the People's Housing Programme is the way forward. He cautioned that the government should ensure an efficient use of resources, be wary of exhausting resources for the sake of encouraging home ownership as there are other alternatives such as renting and rent-to-own schemes.

This view was also shared by the National House Buyers Association secretary-general Chang Kim Loong who said that those who have limited income to buy houses should consider renting to avoid being saddled with a 30-year loan and risk foreclosure if the person cannot meet the monthly payments. He also said that home ownership reduces the mobility of the owner in cases when the person needs to move outstation or a new location of work.

A survey conducted by the Penang State Government early this year showed that more than 90 per cent of the respondents aged between 18 and 29 found it difficult to purchase property in Penang. About the same percentage of them perceived property prices being considerably expensive.

While more than 90 per cent of the respondents hoped to own property, only half of them think that owning a property is possible.

A serious setback is holding up home ownership according to the Penang State government. Many of the 20,887 units of affordable housing built in the state between 2008 and 2016 were still vacant despite having many applicants for these low-cost and low-medium cost houses and flats.

One of the reasons given during a public talk at the Penang Institute in May was because the strict Bank Negara guidelines that disqualified about 70 per cent of the housing loan applicants. Despite the practice of government-subsidised housing, applicants for these units are still not qualified for housing loan.

House ownership is expensive. As an example, a RM350,000.00 unfurnished home would cost RM658,280 after paying the bank for 35 years at 4.35 per cent interest rate together and a RM35,000 (10 per cent downpayment). Other inherent expenditures such as the agent's fee, legal fees, and the Mortgage Reducing Term Assurance would cost another RM14,039. Thus, to own an apartment unit, you eventually have to pay more than RM672,319 for a 700 sq ft space called home.

For the same unfurnished apartment unit that you rent, basing on the current market rental value of the home of RM800 per month, you only have to pay RM336,000 for 35 years. This amounts to only half the price of the apartment!

However, rental housing will not work if proper legislation is not put into place to protect both the landlord and the tenant.

Currently, there is no dedicated Tenancy Act and the legal framework on tenancies is pro-tenant in practice. A tenancy agreement is governed by several Acts of the law such as the Contracts Act 1950, the Specific Relief Act 1950, the Distress Act 1951, the Civil Law Act 1956, the National Land Code 1965, and the Common Law/Case Law.

In such a situation, we urgently need a dedicated legislation such as a Tenancy Act to protect both the landlord and the tenant, providing an affordable avenue to seek redress if disputes arise.

A tenant needs an assurance that the landlord does not arbitrarily raise the rental or evict the tenant. On the other hand, the landlord may have a tenant who flouted the tenancy agreement.

The government has to address these problems, perhaps by drafting out a standard contract that can be used by those who want to rent their residential property. Such a document can be downloaded from a website for free.

CAP proposes the establishment of a Tenancy Tribunal to resolve disputes between the landlord and the tenant. For example, if a tenant is found guilty of wilfully damaging the rented property, he can be blacklisted in a system similar to the Central Credit Reference Information System (CCRIS). Such list will allow both a landlord to check on a potential tenant, and vice versa.

Tenancy Tribunal is nothing new because New Zealand has it and New South Wales, Australia, has the Consumer, Trader and Tenancy Tribunal.

With rental housing fraught with uncertainties, people are reluctant to rent a home. The government should seriously consider a legislation to address rental housing problems and a Tenancy Tribunal to handle disputes between landlords and tenants. But first, a standard contract that can be used or referred to by either party would be helpful. This will give confidence to house owners and potential tenants in embracing the rental housing culture.

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