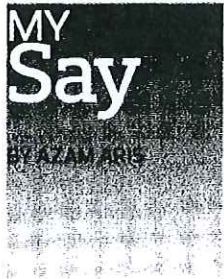


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MediaTitle	The Edge		
Date	18 May 2015	Color	Full Color
Section	Corporate	Circulation	22,244
Page No	61	Readership	66,732
Language	English	ArticleSize	483 cm ²
Journalist	Azam Aris	AdValue	RM 8,380
Frequency	Weekly	PR Value	RM 25,141



Affordability key to bumiputera ownership of property assets in cities



When the controversy over Lembaga Tabung Haji's (TH) deal to purchase a 0.63ha piece of land in Tun Razak Exchange (TRX) from debt-ridden 1MDB for RM188.5 million was at its height - it is raging still - chairman Datuk Seri Abdul Azeez Abdul Rahim had rallied to its defence. As part of his rationale for "buying" and then "wanting to sell" the land within two days, he was quoted by the press as saying: "... it is not hard to sell the land. After this, please don't accuse Tabung Haji of selling the land to non-Muslims" - or non-bumiputeras, I presume.

A good defensive tactic against continuous attacks but unfortunately, it is not a valid one.

Let me first argue why it is a good defence tactic. For politicians, typically from Umno, which has led the Barisan Nasional government since independence in 1957, the KPIs they like to highlight is what they have done to improve the economy of the Malays. High on the list will be poverty eradication, rising income, higher number of Malay professionals and a fair share of corporate wealth and real estate ownership.

Corporate wealth is often measured by the bumiputera equity stake in Bursa Malaysia and real estate is, I guess, by the number of properties owned by the community, especially prime assets in urban areas. A fair share seems to be the elusive 30%, the target set under the affirmative action New Economic Policy, launched in 1970.

While many aspects of the NEP have been achieved, that target has not been met on the corporate and real estate fronts.

Even after 45 years of the NEP, the figures for both sectors, according to public and private sector sources, hover around the 24% level. The government's target remains 30% by 2020 - when Malaysia aims to be a developed and rich-income nation.

For TH, as a Malay/Muslim savings and investment institution, the TRX deal was a case of buying a tract in the heart of "Chinatown Kuala Lumpur" that it can develop, sell or own to benefit the community. This investment would help to create wealth and perhaps increase the number of properties owned by the community in urban areas.

Owning prime land in the central business district has a strong emotional appeal for some Malays, who see it as part of the *raison d'être* of *ketuanan Melayu*. This is a city which the British regarded as being founded by Yap Ah Loy, but that is strongly disputed by right-wing Malays. To them, there were already Malay villages in Kuala Lumpur long before the Kapitan Cina came to town.

If the Malays, especially bumiputera institutions, do not buy, own and develop properties in Kuala Lumpur, the city will remain Chinatown. This sort of argument strikes a chord among many Malay groups, including the Malay chamber of commerce, non-governmental organisations and even the Umno general assembly.

One Malay rights group, Pertubuhan Pemikir Agenda Watan Malaysia (Pemikir), in lamenting a racial gap in land ownership, had recommended that all undeveloped government land in the city be changed to Malay reserve land. Perhaps, the land should also be sold to bumiputera businessmen or institutions to be developed.

So, Azeez's argument is that if TH walks out from a good and profitable deal because the purchase was heavily criticised and then sell it to non-bumiputeras or non-Muslims, don't blame it for not championing the bumiputera ownership agenda.

But sad to say, this sort of argument falls flat, as the TRX

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land was originally owned by the government and a large part of it was allocated to bumiputeras to meet the ownership agenda.

Worst still, the land was sold to IMDB — which is not a bumiputera institution that has to meet certain bumiputera objectives under the NEP — cheaply at a reported RM64 per sq ft. Part of the same plot — now with basic infrastructure and a master plan — was then sold to a bumiputera entity like TH for M2,773 psf!

As part of a plan to increase bumiputera real estate ownership, notably in cities, former prime minister Tun Abdullah Ahmad Badawi launched Pelaburan Hartanah Bumiputera (PHB) in 2006. PHB is a real estate investment holding company and a wholly owned subsidiary of Yayasan Amanah Hartanah Bumiputera.

It was established “with the aim to boost bumiputera ownership in prime commercial real estate in Malaysia”. PHB’s core business, as stipulated in its corporate profile, is to “strategically acquire and sensibly develop properties in prime locations in Malaysia to generate affordable and sustainable long-term wealth creation” to unit holders of its real estate investment trust — Amanah Hartanah Bumiputera.

PHB/AHB is the property vehicle for bumiputeras to increase ownership, akin to the role of Permodalan Nasional Bhd and Amanah Saham Bumiputera for equities.

TRX was instead created as prime commercial real estate in Kuala Lumpur to cater mainly for international finance and businesses, and for which the entry point for bumiputera interests has now become expensive. In fact, there was a delay in the early development of TRX as, according to press reports in 2010, PHB had placed a caveat on one of the land

titles in TRX — maybe a sign of resistance in letting go of a piece of prime land in the city.

Assuming that part of the TRX land remains with PHB or the whole area is set aside to meet the objectives of the NEP, could the likes of PHB manage it?

Of course it can. It has the experience to develop and manage property projects. To date, it has accumulated commercial property assets worth RM3.6 billion and owns prime assets like Nu Sentral office and retail mall at KL Sentral, Menara Bumiputera Commerce, Menara Sapura Kenchana and Menara BT in Bangsar South. It is also involved in the extension of Gleanegles Hospital in Kuala Lumpur and has landbank in Bangsar and Jalan Conlay.

For an international-scale project — even like the TRX — PHB can rope in bumiputera institutions like TH (which has a property arm that develops townships), the armed forces fund LTAT (whose Boustead group has land near TRX and is the developer of the premier middle-class township Mutiara Damansara) and the PNB group, which has top property developers like Island and Peninsular, S P Setia and Sime Darby under its umbrella. Not to mention the likes of Petronas’ KLCC Property Holdings Bhd, Khazanah’s UEM-Sunrise and other developers and construction companies controlled by bumiputera entrepreneurs.

For bumiputera ownership in real estate to increase in the cities and meet the NEP target, the government should allow bumiputera institutions to buy and develop its land so that their entry cost is cheaper. This will allow them to develop projects that will have enough affordable property assets for the bumiputera community and businesses to own in cities like Kuala Lumpur. **E**

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