There is a growing number of people who are not able to own homes...

HOW DO WE SOLVE THIS ??
### Out of Reach

**Hong Kong retains mantle as world’s least-affordable housing market**

<table>
<thead>
<tr>
<th>City</th>
<th>Affordability Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>20.9</td>
</tr>
<tr>
<td>Vancouver</td>
<td>12.6</td>
</tr>
<tr>
<td>Sydney</td>
<td>11.7</td>
</tr>
<tr>
<td>Melbourne</td>
<td>9.7</td>
</tr>
<tr>
<td>San Jose</td>
<td>9.4</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>9.2</td>
</tr>
<tr>
<td>Auckland</td>
<td>9.0</td>
</tr>
<tr>
<td>San Francisco</td>
<td>8.8</td>
</tr>
<tr>
<td>Honolulu</td>
<td>8.6</td>
</tr>
<tr>
<td>London</td>
<td>8.3</td>
</tr>
<tr>
<td>Toronto</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Note: Median home price as a multiple of median income  
Source: Demographia

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**Unaffordable housing – A global Phenomenon**

- **19.7 times higher than median household income**

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**Majority of unsold houses in Malaysia were those in the non-affordable price category**

- **Affordable** 20.9%
- **Unaffordable** 79.1%

Note: Affordable house price estimated with HIC. Total unsold properties include those that were completed and under construction as at 1Q 2016  
Source: National Property Information Centre and Bank Negara Malaysia estimates
THE DEBATE ON AFFORDABLE HOUSING

Supply vs Demand

Income
Real Wages Stagnating

Real average wages
2010=100

Sources: Oecd

1985
20 90
0 5
2000
50 10

Italy Japan Germany France
United States Britain

Economist.png/graphic.png
An Alternative Islamic Finance Pricing Paradigm for Affordable Housing

By

Rosylin Mohd. Yusof, Mejda Bahlous, Ashraf Iqbal, Zaemah Zainuddin, Shah Mohammad Ali
3 Main Issues in Home Financing

True Value
Rent or Own
Bankruptcy
PROPOSED SOLUTION

TRUE VALUE

RENTAL RATE - CAPTURES THE TRUE VALUE OF PROPERTY
MORE LINKED TO REAL ECONOMY
LESS SUSCEPTIBLE TO MACROECONOMIC VOLATILITIES

STRUCTURE

DIMINISHING PARTNERSHIP STRUCTURE (MM)-EQUITY BASED
NO MORE CHOOSING BETWEEN RENT OR OWN
“RENT TO OWN”
Survived the crisis
Not impacted by the 2007 Financial Crisis due to its Mortgage Financing Model

Saved the market
Saved applicants from the 2008 real estate bubble

How did they do it?
Diminishing Partnership (MM) Model, an Equity-Based Model

Price of Mortgage based on actual rental values of the property
Which one would La Riba lend the money to?

Property A
MYR 1,500,000
Rental of MYR 3,000/month

Property B
MYR 400,000
Rental of MYR 1,500/month
LA RIBA MODEL

- EQUITY BASED (MM)
- SCREENING PROCEDURE (YIELD - BASED)
- DETERMINATION OF RENTAL RATE
- SECONDARY MARKET

Actual Rental Values (Quotations)

PROPOSED ALTERNATIVE FINANCING MODEL

- Rental Rate Index (Published rates; RPI/HPI)
- PROPOSED
IS THIS FEASIBLE IN MALAYSIA?

**MM Structure**
Offered by Islamic Banks
Tackled Tax regulatory Issues for MM in Malaysia

**Cooperatives Structure**
for Equity Based Financing
Successful Housing Cooperatives: ICHC & ACHC in Canada
Germany Affordable Housing Cooperative Models
Australia, UK, USA and others

**Rental Values**
Published RENTAL RATE INDEX

**Secondary Markets**
*****
Why the Creation of a Secondary Market?

Banks can release their share of equity in a particular house without going through foreclosure.

Affordable - Buyers can buy portion of the house without going through the bank.

Owners can release their share of equity in a house without being foreclosed.

Saving habits for millennials - can buy portfolio of houses (tangible real assets).
Millennials
To elevate financial literacy
- Significant market demography

Connectivity
Increase target market size through better connectivity

Our Platform
www.imampumilik.com
To help potential buyers make better decisions
In the near future to facilitate the secondary market for MM structure

FinTech and Artificial Intelligence Solution
3 Main Issues in Home Financing - PROPOSED SOLUTION

- **True Value**
  - RENTAL RATE INDEX

- **Rent or Own**
  - RENT AND OWN
  - RENT TO OWN

- **Bankruptcy**
  - SECONDARY MARKET
Thank You