Constructing and Financing Affordable Housing Across Asia

“LEVERAGING ISLAMIC SOCIAL FINANCE FOR AFFORDABLE HOUSING FINANCE”

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President & Chief Executive Officer
About INCEIF
OUR MANDATES

- Facilitate human capital development
- Centre for Islamic finance research

RESEARCH & PUBLICATIONS

- 547 Research and Publications
- 49 Books
- 11% of Global IF Research

- No.1 RePec Ranking in Malaysia (as of October 2017)
- No.47 RePec Ranking in Asia (as of October 2017)
- No.32 RePec Ranking in globally under Financial Economics & Finance Department

ALUMNI

- 1,561 graduates globally
- 1,798 registered students
- 72 countries
- 9 convocations

FACULTY

22 subject matter experts

- Value based Intermediary
- Applied Quantitative Research
- Macroeconomic & Islamic Monetary Policy
- Microfinance Waqf/Awqaf Institution, Financial Inclusion & Social Economic Development
- Risk Management for Islamic Financial Institutions
- Islamic Wealth Management / Islamic Capital Market
- Islamic Social Finance

Applied Shariah in Islamic Financial Services Industry

Areas of expertise
Islamic Finance
Islamic Finance

- Islamic Banking
- Takaful
- Islamic Capital Market
- Islamic Social Finance
Islamic Social Finance
Islamic Social Finance

- Zakah / Obligatory Charity
- Sadaqah / Donation
- Waqf / Endowment
Latest Global Development

Ease of Payment for Zakah, Waqf and Sadaqah
Zakah Payment via Blockchain by Blossom Finance

- Blossom Finance provides a platform for zakah payment in cryptocurrency
- The payment will be to a Blossom-controlled wallet at a cryptocurrency exchange in Indonesia
- Blossom Finance will then convert the cryptocurrency into Indonesian Rupiah and channel it to its cooperative and non-profit partners in Central Java and Sumatra, Indonesia
GlobalSadaqah by Ethis Ventures

- An online charity crowdfunding platform
- Acts as a medium for philanthropic interventions on a global scale
- Allows individuals and firms to channel their donations, whether in the form of zakah, waqf, sadaqah or corporate social responsibility (CSR), to deserving recipients from trusted charity organizations
- Thus far, 24 campaigns have been launched with 7 having been completed
- Its charity partners include the National Heart Institute Malaysia, Islamic Solidarity Fund for Development and Islamic Relief while its corporate partners include the Islamic Development Bank Group and Bank Islam Malaysia
SAZADAH by BAZNAS and Henan Putihrai Sekuritas

- The Shadaqah dan Zakat Saham Nasabah programme (SAZADAH) is a collaborative effort between Badan Amil Zakat Nasional (BAZNAS) and Henan Putihrai Sekuritas.

- This programme enables stock market investors to give sadaqah and pay for their zakah either in the form of shares or money through the Bursa Efek Indonesia (BEI) to Henan Putihrai Sekuritas.

- The collected zakat will then be channelled to BAZNAS for distribution to deserving zakah recipients.
Latest Global Development

Non-interest Financing for Affordable Housing
Real Estate Islamic Crowdfunding by Ethis Crowd

- The world's first real estate Islamic crowdfunding platform
- Investors may invest in any real estate development project of their choice with the underlying Shariah contracts being istsina’ and murabahah
- It currently has a community of 25,000 ethical and Islamic crowd-investors and donors from 65 countries
- Notable achievement includes the successful funding of affordable housing projects in Indonesia
- Most of its projects are part of the ‘1-million homes’ programme by the Indonesian government where support and subsidies are provided to enable families with household incomes between S$400 to S$700 a month to purchase their first home with a monthly payment of less than S$100
Sovereign Sukuk by the Government of Mali

- The sovereign sukuk is based on the Shariah contract of ijarah
- With a seven-year tenor and a coupon rate of 6.25%
- It was issued to finance the renovation of 3,665 social housing units and the construction of 1,250 new units in N’Tabacoro which is part of the commune of Kati in the southwest of Mali
FundMyHome by EdgeProp Sdn Bhd

- An innovative scheme that allows Malaysians to own a home without a mortgage
- First-time homebuyers will only need to pay 20% of the purchase price of a property while the balance 80% will be paid by participating institutions
- The homebuyers will have the legal and beneficial ownership of their new homes and they may choose either to live in them or rent them out
- After 5 years, the homebuyers may opt either to continue staying in their homes through refinancing or to sell where the capital gains from such sale will be shared between the homebuyers and participating institutions
- Currently there are 9 participating developers who offer around 1,000 homes priced below RM500,000 and participating institutions include Maybank and CIMB Bank Berhad
Islamic Property Trust Fund by INCEIF

- A research was done by Prof. Dr. Saiful Azhar Rosly, Mohd Ariff Mohd Daud (Ph.D Candidate) and Prof. Dr. Zulkarnain Muhammad Sori of INCEIF to investigate the affordable housing problem in Malaysia through a grant by Khazanah Nasional Berhad

- It was discovered that there are 5 components affecting housing prices – land cost, compliance cost, construction cost, financing cost and the profit margin charged by housing developers

- It was also found that institutional investors could potentially play a big role in reducing housing prices and thus allowing for affordable housing

- Investments in affordable housing projects were determined to be more attractive to institutional investors should they possess the following 6 attributes – a clear structure and mandate, reasonable returns, provide a social return (socially, economically and environmentally), risk mitigation measures, good governance and transparency and governmental support

- It was suggested that an Islamic property trust fund is established for utilization by small and medium type developers where sukuk issuance for affordable housing projects is not feasible
Leveraging Islamic Social Finance for Affordable Housing
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- Of the three main classical Islamic economic institutions, zakah, waqf and sadaqah, waqf holds the biggest potential in paving the way towards affordable housing.

- At the height of the Ottoman empire, the social and economic significance of waqf was evident as captured in the words of Prof. Dr. Bahaeddin Yediyildiz:

  “…thanks to the prodigious development of the waqf institution, a person could be born in a house belonging to a waqf, sleep in a cradle of that waqf and fill up on its food, receive instruction through waqf-owned books, become a teacher in a waqf school, draw a waqf-financed salary, and, at his death, be placed in a waqf provided coffin for burial in a waqf cemetery, in short, it was possible to meet all one’s needs through goods and services immobilised as waqf…”

- Due to its perpetual nature and its ability to benefit the society at large (if it is a public waqf) irrespective of religion, race and economic background, therein lies the reason why waqf is the best vehicle in delivering affordable housing.
Leveraging Islamic Social Finance for Affordable Housing

• One practical way of harnessing the social and economic impact of waqf is through the development of old waqf properties for affordable housing

• This development may be financed by way of the following:

  (classical modes of financing)
  i. Istibdal/Substitution
  ii. Hikr/Long Lease
  iii. Iistedna/Construction Financing

  (innovative modes of financing)
  i. Musharakah Mutanaqisah/Diminishing Partnership
  ii. Build-Operate-Transfer (BOT)
  iii. Build-Lease-Transfer (BLT)
  iv. Joint Venture
  v. Musharakah/Partnership
  vi. Internal Funds/Self-finance/Donation
  vii. Waqf Shares
  viii. Corporate Waqf
  ix. Takaful Waqf
  x. Musharakah Sukuk/Partnership Islamic Bonds
Alias Villas Waqf in Singapore

- A collaboration between Wakaf Al-Huda and Warees Investments Pte. Ltd. under its subsidiary WHA Heritage Pte. Ltd.

- Wakaf Al-Huda which was endowed in 1905 is a land parcel which also houses a 110-year-old mosque and it is one of Singapore's oldest waqf assets

- This waqf was made with the intention that revenue from the land is used to support the Al-Huda Mosque

- The land was developed to build 6 semi-detached landed units which was estimated to sell for at least $1,500 per sq. ft. with a 99-year lease (using the hikr/long lease mode of financing)

- The proceeds from the sale of the units will go towards the renovation and maintenance of the Al-Huda Mosque
Semi-D Housing Project in Malaysia

- The land situated at Lot 3681 and Lot 3732, Jalan Kebun, Klang, Selangor was endowed as waqf land by one Abdul Rahman Ali for the use of the public.

- Through a joint venture between Perbadanan Wakaf Selangor (PWS) and Nada Sepakat Corporation (Malaysia) Sdn. Bhd., 80 units of semi-detached houses will be built on 2.3 hectares of land.

- Through hikr/long lease, the completed units will then be sold on a 99-year lease and the proceeds will be channelled to the Al-Falah Mosque in Telok Pulai.
Leveraging Islamic Social Finance for Affordable Housing

• It is abundantly clear that waqf properties may be utilized to provide affordable housing for many through the use of classical and innovative modes of financing particularly the use of hikr/long lease of 99 years (the number of years can be adjusted as per the agreement of parties)

• Houses built on waqf properties may be sold at more affordable prices allowing many the privilege to own their own homes while the proceeds from such sales will go towards waqf funds which can then be distributed for other philanthropic activities
Thank You

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