

Affordable Housing Advocacy

Preliminary areas for
advocacy

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What is Affordable Housing ?

Affordable housing refers to housing units that are affordable by that section of society whose income is below the median household income.

According to the Central Bank of Malaysia, a house is considered affordable if it's cost does not exceed 30% of an individual's gross income.

Rising income inequality, combined with high housing costs, has been creating a significant financial burden for growing numbers of working families, especially those of low-income workers

Affordability goes beyond meeting expenses related to operations and maintenance, taking into consideration transport, infrastructure and services.

Recommendations to the Various Stakeholders

2. Reforming

Aiming to improve the regulatory sector in efficiency, waiver of fees and other incentives for the affordable housing category property development sector

1. Creating

Creating a planning framework that proactively encourages house ownership for the B40 category



3. Expanding

Expanding the supply of affordable housing in locations closer to their workplace and transportation hubs

4. Improving

Improving co-ordination among and within all orders of government, developers, financial institutions, NGO's and GLC's

5. Ensuring

Ensuring more equitable treatment of and fulfillment of ownership needs and sustainability through hand-holding in social engineering

The Issue: Supply and Demand

1

Supply has always lagged with prices escalating and beyond the reach of most B40

2

Reluctance of private sector participation due to low profitability

3

Lack of proper demand studies specific to locations

4

Market segmentation rarely includes specific needs – People with special needs, children, single mothers and environment

5

Affordable housing is rarely constructed close to transportation hubs, and this impacts residual income & lifestyles

6

The gap between housing demand and supply is constantly widened as construction speed is lower than housing demand increasing.

7

Most developers with mixed development approach have landed property housing for middle class and high-class income, while the high-rise housing building is to cater the low-income group

8

High material cost, good but unfavourable policies discourage a larger private sector participation in B40 housing

9

Only 24% of the new housing launches were within the affordable range, which indicated an undersupply of affordable housings and the trend of launching high-end residential properties (since 2012).

10

The housing prices between 2007 and 2016 increased by 9.8% but the household income only increased by 8.3%, households still cannot afford to purchase their own homes.

The Issue: Supply and Demand

1. Lack of Supply

- Supply has always lagged with prices escalating and beyond the reach of most B40
- The gap between housing demand and supply is constantly widened as construction speed is lower than housing demand increasing.
- Only 24% of the new housing launches were within the affordable range, which indicated an undersupply of affordable housings and the trend of launching high-end residential properties (since 2012).

2. Reluctance

- Reluctance of private sector participation due to low profitability

3. Demand Studies

- Lack of proper demand studies specific to locations

4. Connectivity

- Affordable housing is rarely constructed close to transportation hubs, and this impacts residual income & lifestyles



5. Market Segmentation

- Market segmentation rarely includes specific needs – People with special needs, children, single mothers and environment
- Most developers with mixed development approach have landed property housing for middle class and high-class income, while the high-rise housing building is to cater the low-income group

6. Material cost

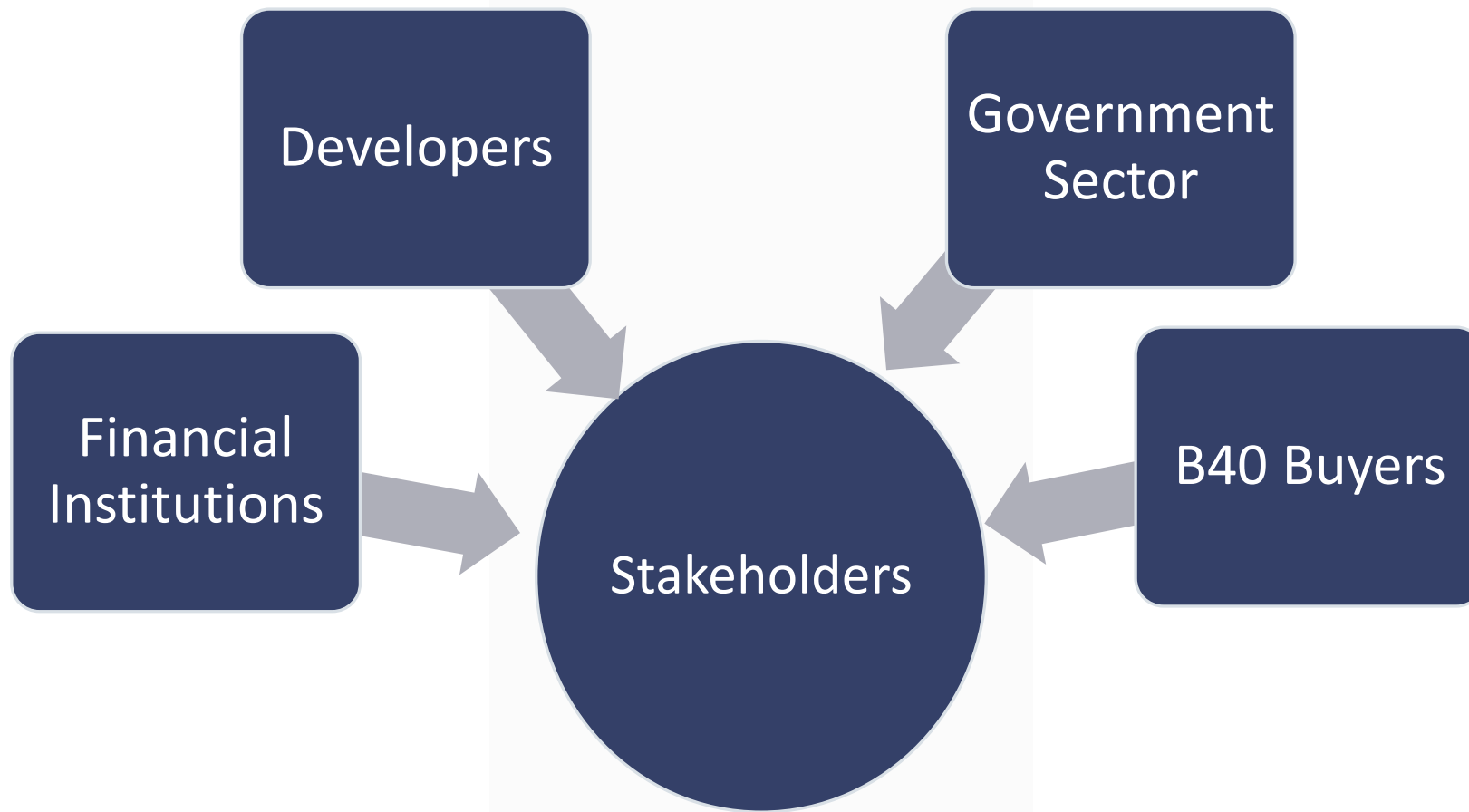
- High material cost, good but unfavourable policies discourage a larger private sector participation in B40 housing

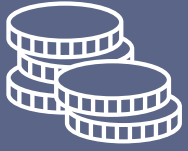
7. Housing Price versus income

- The housing prices between 2007 and 2016 increased by 9.8% but the household income only increased by 8.3%, households still cannot afford to purchase their own homes.

**Suggested
areas to lead
change & seek
solutions with
like-minded
stakeholders**

We will not be able to tackle all issues but there is a need to identify those that we need to adopt and work on going forward.





Financial Institutions

Mortgages to be designed to be close to current rental levels – innovative financing

Extended loans, tenure - increase from current maximum of 35 years.

Shared ownership, Joint account, two generation and bullet payment formulas

Lower interest rates for B40 categories

Offer low-cost insurance as an alternative to cash security deposits



Developers

Innovative design with choice on number of rooms withing same building for mix of tenants

Dual key concept

Energy efficient buildings – encourage adoption at construction stage such as solar, recycling center, etc

Incorporate upfront charges / inclusion of maintenance in purchase price or escrow account for initial 5 years

Design different floor unit sizes within same complex

Good accessibility by strategically developing affordable housing near to business and transit area



Government Sector

- Provide the Integrated community facilities for the residents at affordable housing units
- Open-up density rule for the private sector that is similar to affordable housing sector but with restrictions on the selling price per unit to be the same as that proposed by the state government
- Rezoning - Encourage affordable housing is in all urban areas (in accordance with the current state structure plan)
- Encourage construction of affordable housing near transportation hubs
- Reduce or eliminate the development cost charges/levies for affordable housing.
- Providing financial subsidy to the low-income house buyers
- Reduction or elimination of property transfer taxes for the affordable housing category
- Revise rental regulations to encourage private sector participation
- Rental vouchers for the B40 – redeemable only by building owner so as to discourage middle-men rentals



Government Sector *(con't)*

- For B40 affordable housing – profit at resale to be partly reverted to government so that it can be used for other similar developments.
- Encourage Public-Private Partnership (PPP), non-governmental organizations (NGO) and community to develop affordable housing units
- A holistic approach should also look at restraining demand, in particular the demand from second home purchases and the treatment of housing primarily as an investment
- In-depth study & solutions on those from database who do not qualify for loans at first stage
- Accelerate efforts for government-owned land in support of affordable housing
- A policy giving the government the right of first refusal to purchase properties put up for sale, with the goal of building only more affordable housing on the said land.



Government Sector (con't)

- Taxing second and subsequent home purchase on a higher bracket and as an investment – the additional tax can be diverted towards purchase of land for affordable housing. This may help reduce speculation. Restraining demand, especially the demand from second home purchases and the treatment of housing primarily as an investment.
- Tradable land quotas, through which developers are permitted to construct new housing on the periphery of a city in return for opening up additional land for cultivation
- Work with religious societies who have landbanks – provide reimbursement with units in new building. *[e.g. Wakaf Land]*



B40 Buyer

Encourage and assist in rental in dual key units

Strategies & training for entrepreneurship to enhance income earning projects

Communities' social and educational programs

Involvement from the residents in maintenance and cleanliness activity

Connecting senior households and students. Students are looking for affordable places to live and senior households have homes and space but need additional income to live and pay their expenses