

Fact Sheet: Access to Affordable Housing

1. Key takeaways

- Affordable housing is defined as housing, which is sufficient in quality and location, and is affordable to middle-to-lower income occupants with basic living needs.
- According to the Central Bank of Malaysia, a house is considered affordable if its cost does not exceed 30% of an individual's gross income. [\(Spotlight, 2021 pg.8-9\)](#)

2. Status of affordable housing in Malaysia

- Since 2016, the housing sector in Malaysia has become seriously unaffordable against due to many factors: Supply & demand, institutional and cultural factors
 - Although the government has consistently tried to fulfil the demand, however, findings have shown this demand to be 48% whereas the supply only 28%. The disparity is a result of many affordable housing projects being abandoned by private developers.
- The housing affordability issue in Malaysia is largely due to the supply demand mismatch and slower income growth
- Based on a study conducted by Kuala Lumpur City Hall (DBKL), the most recent figure of homelessness in Kuala Lumpur stood at around 1,500-2,000 as of February 2016

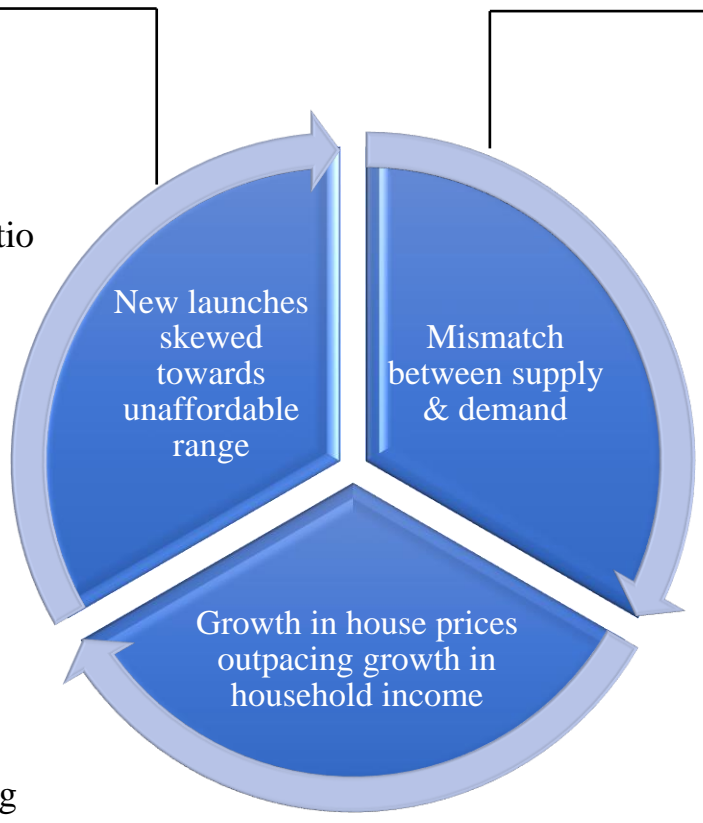
B40 MONTHLY INCOME (RM)	ANNUAL SALARY RANGE (RM)	(%)	ESTIMATED MONTHLY INSTALLMENTS (RM)	RELATIVE HOUSING PRICES IN THE MARKET (RM)
2,500 – 3,333	30,000 – 40,000	40	398.47 - 531.30	90,000-120,000
1,666 – 2,500	20,000 – 30,000	40	265.65 - 398.47	60000-90,000
833 – 1,666	10,000 – 20,000	10	132.82 - 265.65	30000-60000
833 and below	10,000 and below	10	<132.82	30,000 and below
TOTAL		100		

Percentage of B40 income group in Malaysian urban population

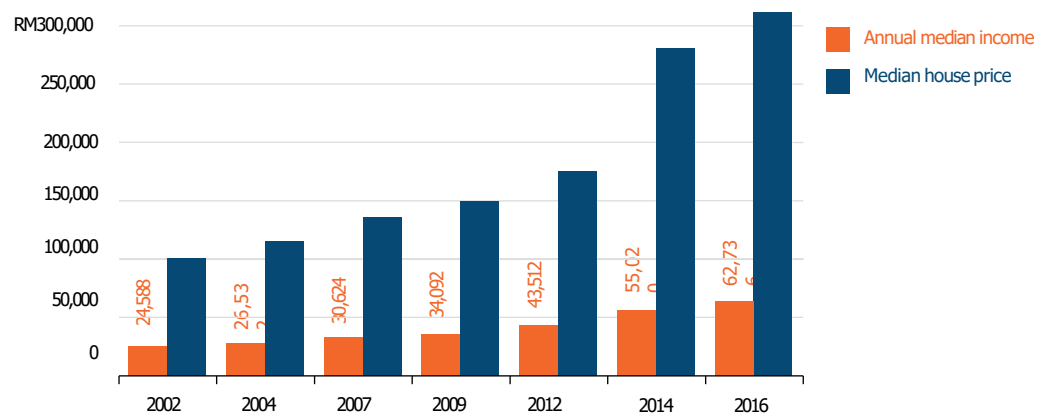
3. Issues in Affordable Housing

According to [Bank Negara Malaysia \(BNM\)](#), there are 3 key factors resulting the severely unaffordable housing in Malaysia Urban Areas:

- Malaysian house market is classified as 'seriously unaffordable' by international standards as the ratio of house to households in 2016 rose to 4.8 times higher than 2012.
- The national house prices remained 4.4 times higher than median income, especially in some major urban areas
- The trend of housing supply skewed towards high-end property segments are happening since 2012



- The number of housing supply has consistently fallen short of increase demand in households since 2012
- less than 30% of new housing launches in 2015-2016 were for houses priced less than RM 250,000
- The stability of the property market development is crucial as the banks exposed to this sector account for 33% and 51% of total banking system assets and loans respectively



Source: CEIC (n.d.), DOS (various years.a) and author calculations

CAGR (%)	2002	2004	2007	2009	2012	2014	2016
Median Income	6.1%	3.8	4.8	5.4	8.1	11.7	6.6
Median House Price		7.0	5.3	4.9	5.4	23.5	5.6

Note: Years presented based on availability of the Household Income Survey data. Source: CEIC (n.d.), DOS (various years.a) and author calculations

Household income versus house prices, 2002 -2016 (RM)
Source: [Khazanah Research Institute KRI \(2019\)](#)

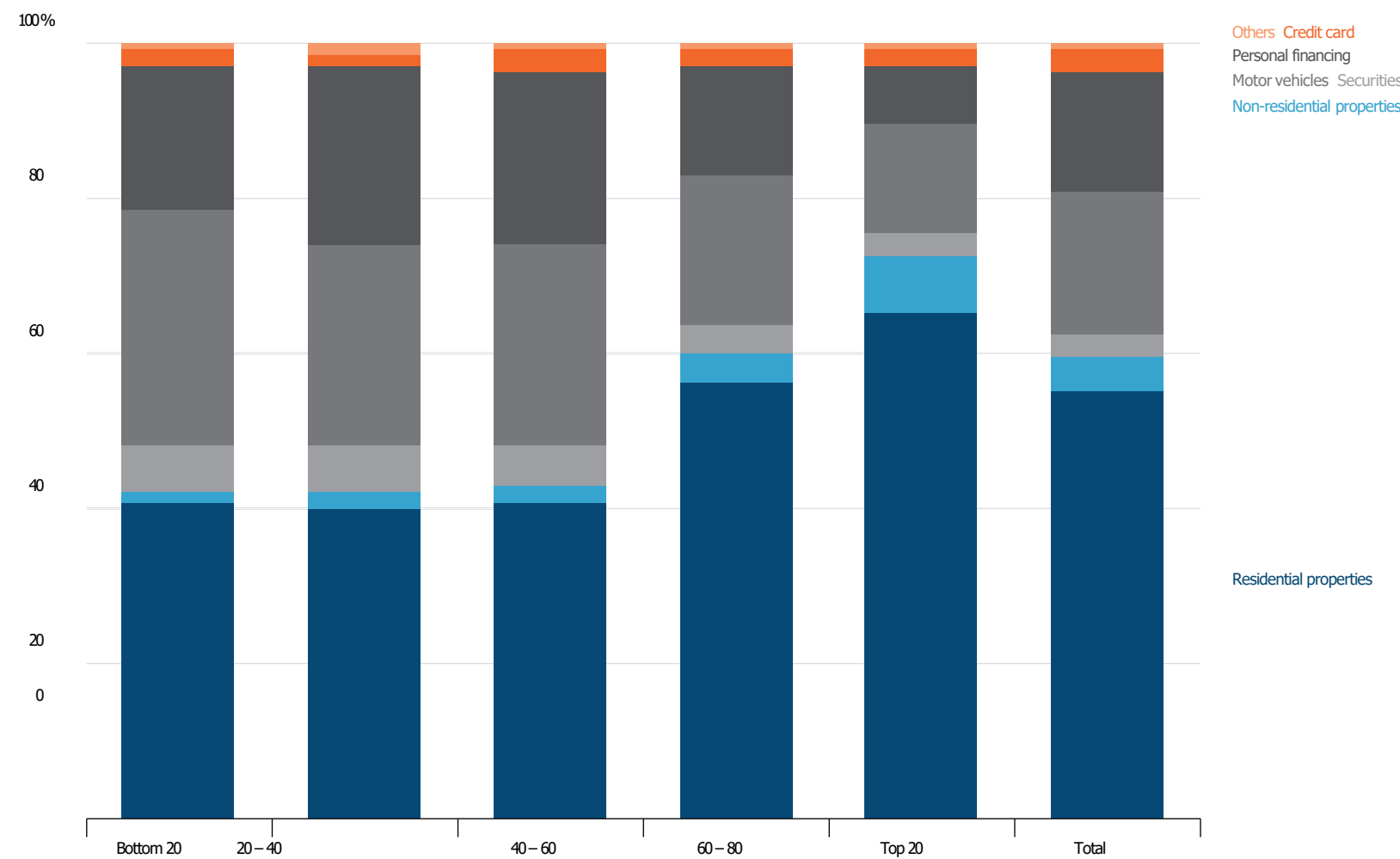
- According to Ministry of Finance, personal disposable income grew slower than anticipated compared to house price index
- From 2007 to 2016, house prices grew by 9.8%, while household income only increased by 8.3%.
- This problem has accelerated the increase in Malaysian household debts, largely due to housing loans [\(KRI,2019\)](#)



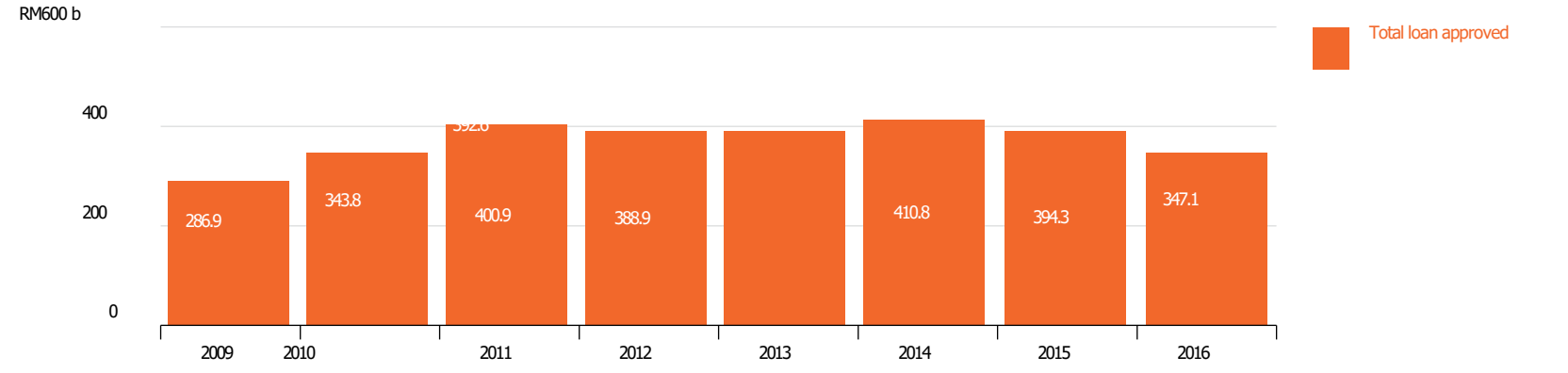
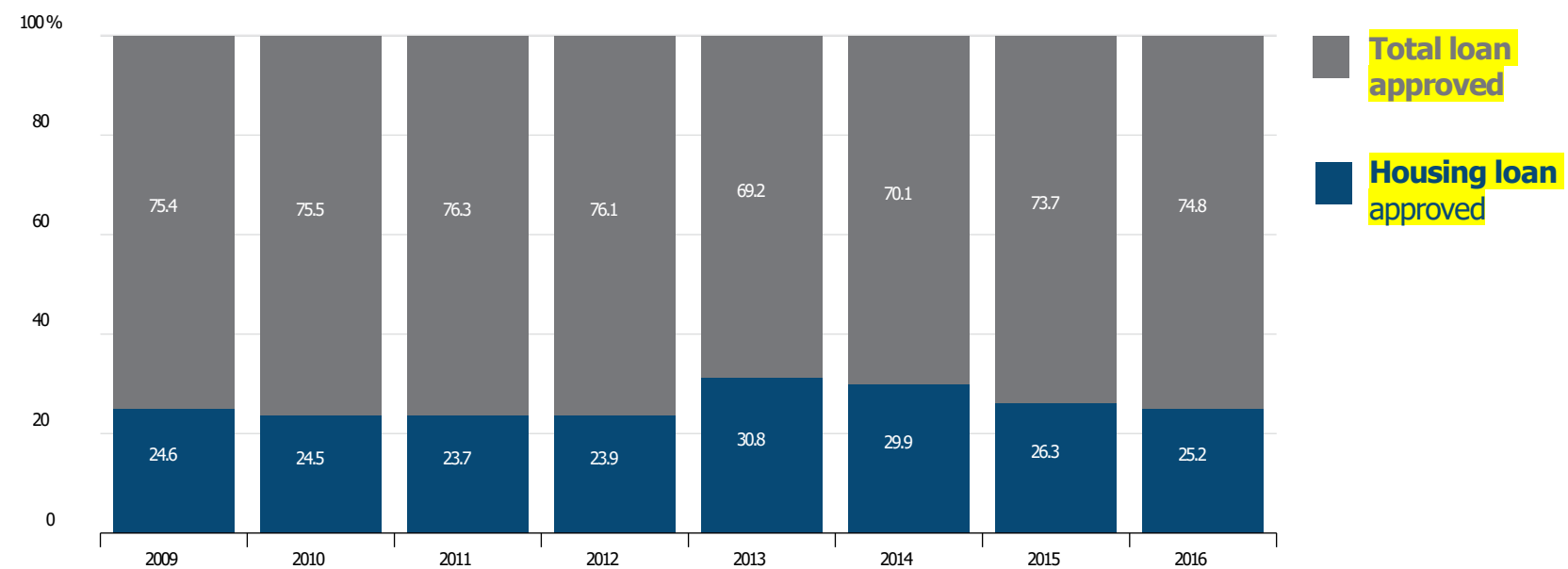
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4. Financing for Affordable Housing

- Lenders to provide 100% financing for joint (or two-generation loans ?) and for the government to guarantee apportion of these loans those loans (say 20%?)
- The house buyer will be paying towards an asset that will one day become his own which can act as a second source of savings.
- **Dual-key concept as an income-generating opportunity by renting a spare room which can be used towards mortgage instalments to ease financial burdens.**
- **60% of loan applications by prospective buyers of affordable homes are rejected due to age or poor credit scores**



Percentage of debt by loan purpose, by income group 2015 (%)
Source: [Khazanah Research Institute KRI \(2019\)](#)



Contribution of housing loans, approved to total loans approved 2009-2016
Source: [Khazanah Research Institute KRI \(2019\)](#)

An average of 26% of housing loans were approved throughout the year of 2009 to 2016. The foundation states that 60% of loan applications by prospective buyers of affordable homes are rejected due to age or poor credit scores. A housing loan rejection is like a life sentence for the B40 applicant, says Tan.

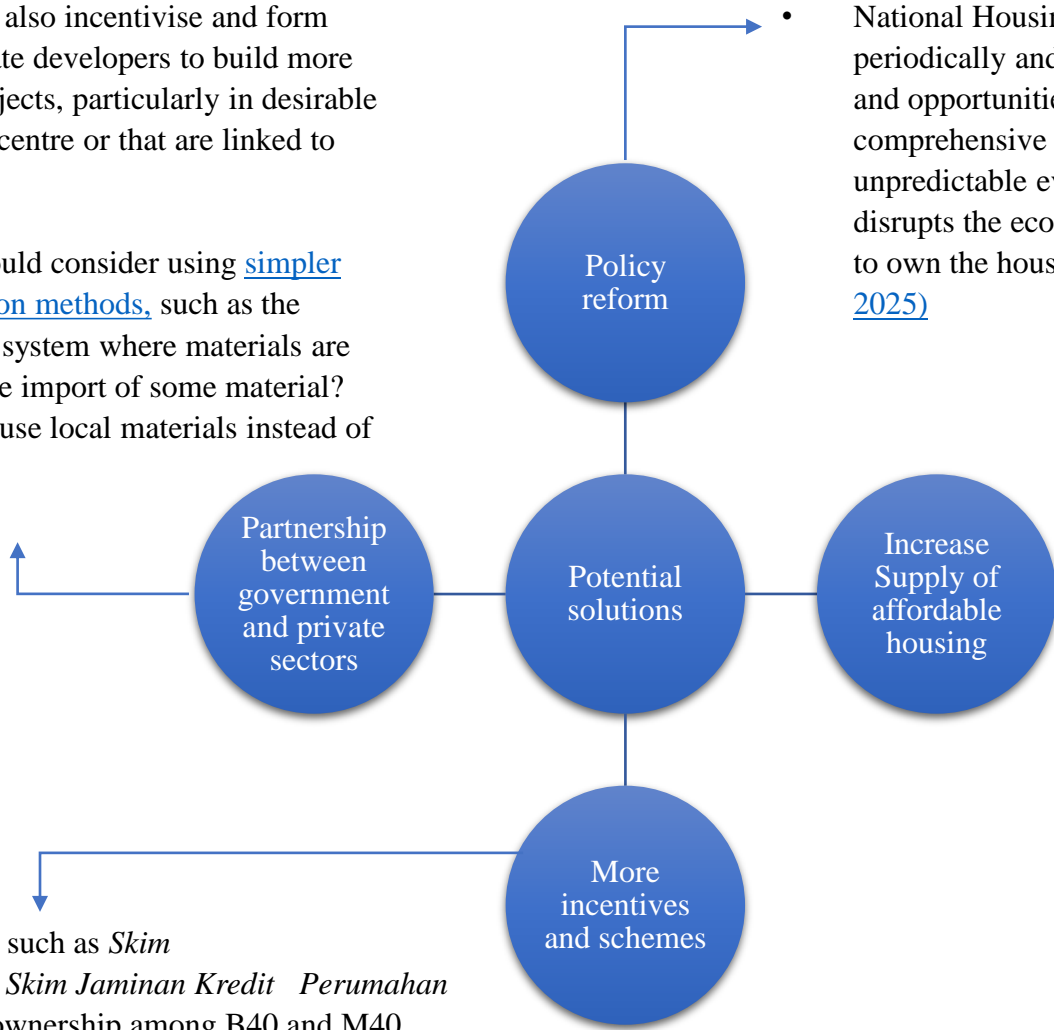
Based on graph shown above, the major percentage of debts are due to residential properties

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5. Potential solutions

The solutions for affordable housing should be comprehensive, covering short- and long-term strategy in ensuring the issue of affordable housing would not become even worsen in the future.

- The government could also incentivise and form partnerships with private developers to build more affordable housing projects, particularly in desirable locations near the city centre or that are linked to public transportation
- Property developers could consider using [simpler and cheaper construction methods](#), such as the industrialised building system where materials are prefabricated. Tax-free import of some material? Developers could also use local materials instead of imported ones



National Housing policy should be reviewed periodically and updated as new challenges and opportunities emerge. It needs to have a comprehensive plan to mitigate any unpredictable event such as COVID-19 that disrupts the economy, particularly among B40 to own the house. [\(See Focus 2 DPN 2018-2025\)](#)

- Accelerating the supply of affordable housing in urban areas. **Developers, government and other stakeholders need to work together in reducing cost of house.**
- Accuracy in data for housing supply and demand – Failure of having the current data would lead to the oversupply of housing above RM 500,000 and overwhelmed demand of the affordable properties. - **In Malaysia, state government agencies for housing do not collect or utilise on a frequent basis data on households to monitor the demand for housing in their localities.** [\(KRI.2019\)](#)

- Government initiatives such as *Skim Rumah Pertamaku* and *Skim Jaminan Kredit Perumahan* have facilitated homeownership among B40 and M40.
- BNM has provided the [affordable home scheme](#) in 2019 which aims to help home buyers from the lower income group to finance the purchase of their first homes with the total fund RM 1 billion. – Criteria: Maximum monthly income RM 4,360 & maximum property price up to RM 300,000

- As at 3Q 2020, total unsold residential properties stood at 170,966 units (2Q 2020: 169,896 units). This is more than twice the average unsold units from 2004 to 2015 (71,472 units).
- 75% of the total unsold residential units were in the price category of above RM300,000
- This is mainly due to the income level mismatched with the housing price. Also, this will lead to housing oversupply that may become a problem in the future



Source: National Property Information Centre (NAPIC)
Unsold Residential Properties by Price
Source: [Housing Watch \(2021\)](#)

- New residential property launches amounted to 6,087 units in 3Q 2020, below the quarterly average of 16,747 units from 2010-2019. For the first 3 quarters of 2020, total launches amounted to 24,853 units, which was half of that recorded in the same period of 2019 (1Q-3Q 2019: 50,039 units)
- New residential property launches below RM 300,000 are declining over the past 4 years as the developers are focused on high-end residential segments [\(Khazanah Research Institute, 2019 pg. 25\)](#)
- However, there is an increase of supply of new residential launches prices below RM300,000 in 2020 by 50%. This suggests a gradual rebalancing of supply of housing in the market towards the affordable range.



New Residential Launches by Price Category
Source: [Housing Watch \(2021\)](#)

Discussions – Concept Note For Malaysia Urban Forum 2021 (MUF 2021) (1 of 2)

1. How do we control speculation, price fixing, block deals between housing developers and realty agencies?

- Higher taxation on 2nd home purchase.
- Transparent centralised database on housing information including supply & demand based on location
- Eliminate block deals by legislation / regulation
- Encourage more affordable housing development to meet the current demand

2. How to create no-frills, functional house design at an affordable price?

- property developers could consider using simpler and cheaper construction methods, such as the industrialised building system where materials are prefabricated. Developers could also use local materials instead of imported ones ([Link](#))
- Multiple designs per block - from 1 single room to 2/3/4/5
- Dual key - defrays part mortgage cost for a period

3. How to democratize the property development sector?

- Provide opportunity in home financing to all – B40 households are unable to purchase the property due to financial constraint, however the financial institutions/regulators may provide a comprehensive scheme and plan to them.
- Encourage tax incentives for B40 developers & actively enroll the private sectors in this segment
- Land acquired by govt in strategic locations (near trans hubs) and leased for construction of B40 units. - 99yrs

4. What can the Government and local authorities do to create more affordable housing in urban areas with good accessibility to public transport?

- The government could also incentivise and form partnerships with private developers to build more affordable housing projects, particularly in desirable locations near the city centre or that are linked to public transportation
- National housing policies should be reviewed periodically and updated as new challenges or opportunities emerge. It is crucial for policies and strategies to be anchored in evidence that provides insight into the structural issues, inefficiencies and constraints in the housing market that have caused rising unaffordability. This report puts forward housing policies, strategies and action plans as recommendations to guide housing development at both the federal and state levels as well as facilitate the systematic provision of housing based on effective demand and housing needs. – The need of change of policy that suitable with current situation [Focus 2]
- Charging lower land premiums and nominal development charges for affordable housing projects.

Discussions – Concept Note For Malaysia Urban Forum 2021 (MUF 2021) (2 of 2)

5. How can the Government, private sector and financial institution help those who has lost their homes or evicted from their homes?

- Issue - The sharp rise in house prices in recent years has accelerated the increase in Malaysian household debts, largely due to housing loans. Despite the macroprudential measures put in place to address unsustainable development in the housing market, broad indicators on the commercial credit market suggest that access to house financing remains ample for eligible borrowers.
 - BNM has provided the affordable home scheme in 2019 which aims to help home buyers from the lower income group to finance the purchase of their first homes with the total fund RM 1 billion. – Criteria: Maximum monthly income RM 4,360 & maximum property price up to RM 300,000 ([Link](#))
- Grace period in repayments
- Review loan packages with step -up payments and initial lower mortgages

6. What are the short-term measures we can adopt?

- Allow for temporary removal of density ratio - extend the B40 density to non-affordable housing projects.
- Priority for approval process for B40 Development Orders
- Accuracy in data for housing supply and demand – Failure of having the current data would lead to the oversupply of housing above RM 500,000 and overwhelmed demand of the affordable properties. - In Malaysia, state government agencies for housing do not collect or utilise on a frequent basis data on households (if they are available to these agencies) to monitor the demand for housing in their localities. While local governments may have an accurate estimation of the total housing requirement of their locality, the dynamics of this requirement are not clearly defined or estimated ([Link](#))

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