

Understanding the low bar on affordable housing

Malaysian housing is considered seriously unaffordable, but what do people mean by affordable?

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OVER the last few years, affordable homes have become the darling of the property market, as more developers have turned their attention to this market niche. But with salaries stagnating and prices increasing, homes labelled as affordable are quickly becoming unattainable to the middle and lower income groups. We keep hearing the word affordable, but it is time to set the record straight. What does affordable actually mean?

According to Bank Negara Malaysia, a house is considered affordable if its cost does not exceed 30% of an individual's gross income and the price-to-income ratio should not exceed 3.0.

"This means house prices should ideally be three times your yearly household income. Say, for example, your yearly household income is RM60,000. Therefore, the affordable price threshold is RM60,000 times three, which is RM180,000," Khazanah Research Institute (KRI) director of research Dr Suraya Ismail said.

"The signal of a well-functioning housing market is when most prospective buyers can



"The government should embark on a National Housing Survey to collect necessary data to feed into the database," Ismail said.



As of 2020, the price-to-income ratio for Malaysia stands at 4.72, said Liew.

afford to buy a house irrespective of which segment of the income distribution they occupy," she stated.

However, property speaker and investor Charles Liew pointed out that as of 2020, that ratio for Malaysia stands at 4.72. In Sarawak, the ratio tops the list with a house price-to-income ratio of 7.1, with an annual median household income of RM42,972 and a median house price of RM326,500.

"If the affordable house price threshold is based on three times the annual median income, the affordable house price would be just RM137,916. To that end, statistically speaking, only 12.9% of Sarawakians would find the 2020 median house price affordable," Liew said.

National House Buyers Association (HBA) secretary-general Datuk Chang Kim Loong defined affordable properties as properties priced between RM150,000 and RM300,000, depending on rural or urban areas. These properties must be conducive for family living or intergenerational families and have a minimum size of 800 sq ft, with at least 2 bedrooms.

They should be located in areas that are connected by good public transportation infrastructures such as buses and rail links like the light rail transit (LRT), mass rapid transit (MRT) and KTM Komuter, and located in areas with good public amenities including government schools, public hospitals and shopping venues.

These properties must be differentiated from social housing units such as low-cost housing also known as PPR units priced below RM100,000. The hierarchy of housing thus begins with low-cost housing, to affordable housing, to high-end housing, which serves low-income earners, middle-income earners and high-income earners respectively.

According to Chang, these requirements are the bare minimum but look at any property listing now, most apartment units are well above RM300,000. When it comes to landed

properties, most Malaysians can kiss that dream goodbye.

Next steps

To encourage more affordable housing projects, Chang stated that there must be transparency and accountability. Affordable housing schemes should be sold only to first-time home buyers, and not owners of existing properties.

Liew gave some examples of how Sarawak and Malaysia can do better.

"A lot of major countries around the world have in the last couple of decades consistently worked towards eliminating fragmented efforts and building systems that are more centralised, and this extends to affordable housing.

"It would really help if we are able to have a centralised entity, be it at a national level or a state level, as opposed to fragmented agencies. Currently, with over 20 national and state-level agencies involved in the provision of affordable housing, efficiency becomes a real problem," Liew said.

These comments mirror KRI's suggestions regarding a better application of affordable housing.

"The centralised database will assist state governments to identify housing demand and needs of their localities, plan the local housing supply accordingly and monitor the housing stock. It is also highlighted in the recently published 12th Malaysia Plan that a data centre on housing, integrating relevant data from the Federal and state governments as well as private developers will

be established to strengthen the institutional capability," Suraya said.

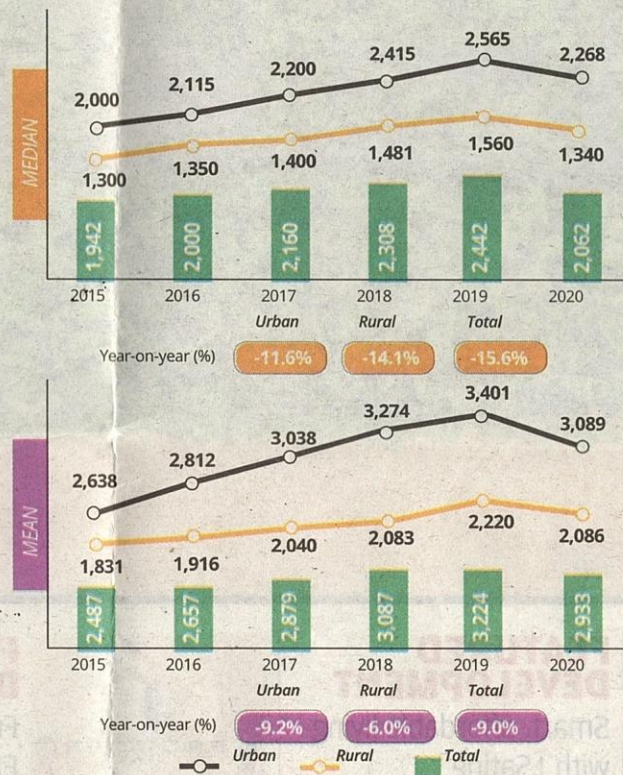
"To bridge the existing data gaps, the government should embark on a National Housing Survey to collect necessary data to feed into the database," she added.

In terms of the affordable housing landscape in East Malaysia, under the Sarawak State Budget 2022, the Sarawak Government will be providing an allocation of RM10 million for the Housing Deposit Assistance



Affordable properties are priced between RM150,000 and RM300,000, said Chang.

Median and mean monthly salaries & wages of employees by strata, Malaysia, 2015-2020



Source: Department of Statistics, Salaries and Wages Survey Report, Malaysia, 2020

Scheme, to benefit about 1,200 first-time homeowners under the B40 and M40 categories for payment of housing deposits.

"If these efforts are continuous, sustainable and not a once-off, I believe we are heading in the right direction, despite the long journey ahead, considering recent statistics about Sarawak having the least affordable housing anywhere in Malaysia," Liew said.

He echoed Suraya's comments regarding how Malaysia could improve its affordable housing, calling on a centralised entity to oversee efforts, a centralised database to consolidate data relating to all housing availability and affordability as well as to oversee any applicant registry and education to increase financial literacy.

The urgency of affordable housing increases as urbanisation in Malaysia continues to increase.

"If you cannot build a good quality home at a decent price for a teacher, someone who is instrumental in creating a good society, I think there is something fundamentally wrong with our society as a whole," Suraya said.