Social And Behavioral Aspects of (Affordable) Housing and Market Responses – The Malaysian Experience

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Malaysia in South East Asia

**Capital (largest city)**
- Kuala Lumpur
- Putrajaya (Administrative Centre)

**Total Area**
- 329,847 km²

**Population**
- 2010 census: 27,565,821
- Density: 83.57/km²

**Ethnic Groups**
- 50.4% Malay
- 23.7% Chinese
- 11.0% Indigenous
- 7.1% Indian
- 7.8% Other

**GDP**
- 2011 estimate
  - Total: $442.010 billion
  - Per capita: $15,384

Legend: (Major Cities in Malaysia)
- **Georgetown**
- **Kuala Lumpur**
- **Johor Bahru**
• Malaysia – population almost 30million (2010); independent from British Colonial rule since 1957; elected parliament with Royal families heading the Constitutional monarchy.

• Since independence, it has developed its growth strategies through 5 year Malaysia Plans – detailed targets in all sectors including housing, employment, infrastructure and social amenity provisions;

• Through 54 years of independence, the nation has grown from an agriculture based economy to a services sector economy.

• 70 percent now live in urban areas; largest conglomeration being the Greater Klang Valley with 6 million people.

• Challenge of providing a home for every family during times of escalating infrastructure and building materials costs.
Low Cost Housing by the Government

- Initiated during colonial period (before 1957), the concept of public housing was associated with the provision of institutional quarters.

- The First Malaysia Plan (1966-70) stressed the role of the government in providing:
  - low-cost housing as one of the major efforts of the government to promote the welfare of the lower income groups.
  - the need to tackle the squatter problem in larger urban areas.

- Second Malaya Plan (1961-1965) was concerned with the provision of cheap housing as a basic social need.
• Second Malaysia Plan (1971–1975): the government realized the need and importance of the role of the private sector in ensuring an adequate supply of low cost housing for the country;

• Ever since then, the private sector has played an increasingly major role in the provision of low cost housing, with the government setting the desired numbers in every 5 Malaysia Plans;

• This was done mainly through the planning process; an imposition of 30-40 percent of the total number of residential units in developments above 2 hectares must be low cost housing.
Low Cost Housing and Poverty

• Third Malaysia plan (TMP) emphasized the provision of housing as an important component of the programme to eradicate poverty.

• Housing investment for middle and high income groups will continue to be largely met by private developers.

• Deep rooted poverty arising from a host of factors - poor housing and limited access to basic amenities (Sulochanah Nair, 2009)

• Poverty line was revised and yet not meeting the minimum household income for low cost house.

• Implication: poverty level is not keeping in pace with the rise in house price and less houses are made available for the lowest income group of households. (Zainal Abidin Hashim, 2010)
Definitions by the Ministry of Housing and Local Government, since 1981

- Selling price: not exceeding RM25,000 (USD 8,000) per unit

- Target group: households with a monthly income not exceeding RM750 (USD250.00)

- House type: flats, single-storey terrace or detached houses

- Minimum design: standard built-up area of 550-600 square feet (approx. 55sq.m), two bedrooms, a living room, a kitchen and a bathroom-cum-toilet.
Public – private Sharing for Completed Low Cost Housing from 5th to 9th Malaysia Plan

Source: Various Malaysia Five Year Plan

¹ Until June 2010 and excluding housing provided by state and local authorities
<table>
<thead>
<tr>
<th>MALAYSIA 5 YEAR PLANS</th>
<th>PUBLIC SECTOR (units)</th>
<th>PRIVATE SECTOR (units)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5th Malaysia Plan (1986-1990)</td>
<td>74,332</td>
<td>90,064</td>
</tr>
<tr>
<td>7th Malaysia Plan (1996 – 2000)</td>
<td>60,999</td>
<td>129,598</td>
</tr>
<tr>
<td>8th Malaysia Plan (2001 -2005)</td>
<td>103,219</td>
<td>97,294</td>
</tr>
<tr>
<td>9th Malaysia Plan (2006 - 2010)¹</td>
<td>42,300</td>
<td>53,500</td>
</tr>
<tr>
<td>TOTAL</td>
<td>327,347</td>
<td>585,345</td>
</tr>
</tbody>
</table>

¹ Until June 2010 and excluding housing provided by state and local authorities
Illustration of the Public-Private partnership in provision of affordable housing

- The Asian Financial crisis of 2004-2005 - policies and strategies that were implemented as a result of the partnership between government and the private sector, helped weather the storm. These included:

  - the extension of the Revolving Fund for Low Cost Housing to the private sector to implement new projects;
  - Strengthening the Syarikat Perumahan Negara Malaysia or National Housing Corporation with a capital of RM2.0 billion.
  - Specifying new sale prices for low cost housing;
  - Launching a new programme with capital funding from the government called the Integrated Community Housing Project;
  - Organizing home ownership campaigns (Property Expositions);
  - Building homes for government workers.
Illustration of the Public-Private partnership in provision of affordable housing

Other incentives that helped further boost and revive the economy:

1. Stamp duty exemptions;
2. Tax relief on interest payments;
3. Exemptions on Real Property Gains Tax;
4. Subsidized housing loans under the Home Ownership for the People (HOPE) Project;
5. Relaxation of residential ownership by foreigners;
6. Attractive rates of interest offered by financial institutions;
7. Government assistance in reviving abandoned projects.
Public Housing Project (PPR) programme Under 10th Malaysia Plan

- Government programme to build 244,000 low-cost houses mainly in urban areas;
- offered for sale to those with household income of less than RM2,500 a month.
- Objective: of resettling squatters in urban areas, particularly in the federal territory of Kuala Lumpur and other major towns.
- The units will have three bedrooms and two bathrooms
- 65sq meter units were categorized as low-cost, (improvement had been done to ensure its occupants could live comfortably)
- amenities: surau, nurseries, pre-schools and community halls
- Prices not exceeding RM42,000 (USD 14,000) in Peninsular Malaysia and RM50,400 (USD 16,930) in Sabah and Sarawak
- Targeted units built: private (161,000 or 66%), government (83,000-34%)
Keys Policies for Eligible Low Cost House Purchaser in Kuala Lumpur

- Malaysian citizen
- Married or divorced or widowed
- total household income must not exceed RM2,000 per month
- registered under the Open Registration System
- must live or work in the Federal Territory
- Must not own a house or land within 35 kilometers city-centre
- must be eligible to obtain housing loan from the government or any financial institution
## Summary of Malaysia Low Cost Housing Policy Over Time

<table>
<thead>
<tr>
<th>PHASE</th>
<th>PERIOD</th>
<th>KEY DOCUMENTS</th>
<th>POLICY ANALYSIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonial Period</td>
<td>Before 1957</td>
<td>Housing Trust Ordinance, 1949</td>
<td>Government was the key player in housing provision.</td>
</tr>
<tr>
<td>Early stage of independence</td>
<td>1957 - 1970</td>
<td>• 1st and 2nd Malaya Plan (1955 - 1964) • 1st Malaysia Plan (1965 - 1969)</td>
<td>- Government was the key player in housing provision especially low cost.</td>
</tr>
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<td></td>
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<td>- Private sector to focus on medium and high cost housing.</td>
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# Changes in Eligibility Criteria for Low Cost House

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>KEY ELIGIBILITY CRITERIA</th>
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<tbody>
<tr>
<td>1950s</td>
<td>1. Household income of less than RM300</td>
</tr>
</tbody>
</table>
| 1960s           | 1. Household income of between RM300-RM750  
|                  | 2. Dependents up to 16 person                                  |
| 1970s           | 1. Household income of between RM300-RM750  
|                  | 2. Dependents up to 16 person                                  |
| 1980s           | 1. Household income of between RM500-RM750  
|                  | 2. Dependents up to 16 person                                  |
|                  | 3. Applicant’s Age                                            |
|                  | 4. Type of House                                              |
| 1990s           | 1. Household income of between RM500-RM750  
|                  | 2. Dependents up to 16 person                                  |
|                  | 3. Applicant’s Age                                            |
|                  | 4. Type of House                                              |
| 1997 to date    | 1. Household income of between RM1000 – RM1500  
|                  | 2. Dependents up to 7 person                                   |
|                  | 3. Applicant’s Age                                            |
|                  | 4. Disability                                                 |

**Sources:**
1) Malayan Housing Trust Annual Report, 1957
2) Ministry of Local Government and Housing, 1968
3) Alithambi, 1979
4) Agus, 1986 and 1992
5) National Housing Department, 2006
Changes in Definition

- Low-cost housing is defined according to its selling price per unit or less and it is aimed at target group of households with monthly incomes. (*Norahiah Idrus & Ho Chin Siong, 2008*)
- The type of houses may include flats, terrace or detached houses

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>HOUSE PRICE PER UNIT</th>
<th>AREA</th>
<th>HOUSE TYPE</th>
<th>TARGET GROUP</th>
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</thead>
<tbody>
<tr>
<td>Before 1970</td>
<td>RM 5,000 to RM 12,000</td>
<td>All</td>
<td>All</td>
<td>Income less than RM300 per month</td>
</tr>
<tr>
<td>1970 - 1980</td>
<td>RM 12,000 to RM 18,000</td>
<td>All</td>
<td>All</td>
<td>Income RM500 – RM 700 per month</td>
</tr>
<tr>
<td>1981 - 1997</td>
<td>RM 25,000</td>
<td>All</td>
<td>All</td>
<td>Income RM750 – RM 1,000 per month</td>
</tr>
<tr>
<td>1998 – to date</td>
<td>RM 25,000 – RM42,000</td>
<td>Based on land value</td>
<td>According to location</td>
<td>Income RM750 – RM 1,500 per month</td>
</tr>
</tbody>
</table>

- Contribution factors: Land and construction costs (Chen, Eddy Loi Loi),
House Price Movement Influenced by Economic Fundamentals

- Real income growth - affects household’s purchasing power and borrowing capacity.
- Interest rate - affect cost of capital and payback capacity.
- Stock prices - affects household’s wealth and investment alternatives.
- Supply - affects availability and choice.
- Population growth - proxy for growth rate of household.
- Economic activity - affect consumption and sub sectors related to housing market such as furniture and household accessories.
Meeting the population’s needs

- Up to 1970, the task of housing the poor rested on the shoulders of the government (Shuid, 2001).
- According census in 2000, population of Malaysia was at 20,966,284 people with 81.6 % living in Peninsular of Malaysia.
- The population was projected to be at 28.3 million people in 2009 (Statistical Department Malaysia, 2009).
- Between 1971 to 2005: total of 1,047,861 units of low cost house were built by public and private sectors
- 2006 – 2010: 165,400 units of low cost house were built
- The government aimed to reduce the overall poverty by half by 2010 (Noriyah, 2007).

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<tbody>
<tr>
<td>IP*</td>
<td>52.4</td>
<td>42.4</td>
<td>20.7</td>
<td>16.5</td>
<td>13.5</td>
<td>8.7</td>
<td>6.1</td>
<td>7.5</td>
<td>5.5</td>
<td>5.1</td>
<td>5.7</td>
<td>3.8</td>
</tr>
</tbody>
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* Incidence Poverty
Public Amenities in Low Cost Housing Projects

- Compulsory provision enforced through Planning Standards & Guidelines under the Town & Country Planning Act 1976;

- Objectives: to ensure that communities are comfortable, safe & interact amongst themselves, and for physical & spiritual health;

- Amenities that are compulsory:
  - 10% Open space with Children’s Playground & equipment;
  - A surau (prayer hall)
  - A Multi- purpose community Hall
  - Car Parking (1 cpb per unit + 10% for visitors)
10th Malaysia Plan (2010 – 2015) : Ensuring Access To Quality and Affordable Housing

Key challenges

• Matching supply and demand for affordable housing
• Increasing quality of affordable and existing housing
• Meeting the call for environmentally sustainable design

Meeting the challenges

• Streamlining the affordable housing delivery
• Strengthening efforts to deliver quality and environmentally sustainable housing
• Cultivating a healthy and sustainable industry
Government Incentives for Affordable Housing

• Subsidizes 30% to 75% of total construction cost for public housing units
• Establish a Housing maintenance fund – RM 500 Million to assist the residents of both public and private low-cost housing units.
• Tabung Perumahan 1Malaysia (Housing Fund 1Malaysia) was established in February 2010 providing support for the maintenance and major repairs of low-cost private housing in Kuala Lumpur.

¹Source: 10th Malaysia Plan 2011-2015
Push for Green Landscapes in Malaysian Housing Development – including Low Cost Housing

National Landscape Guidelines July 1995

• Provided by Department of Town and Country Planning
• a reference for developing and maintaining landscaped areas, providing standards for tree and shrub planting, tree conservation in urban development etc.
• include details on site preparation and planting techniques for trees, palms, shrubs, ground cover, climbers, grass, and plants in planter boxes.

1996: National Landscape Department

• Established under Ministry of Housing and Local Government with emphasis on landscaping the nation.
• inspired by the Prime Minister’s desire to balance economic, social and environmental development in the country.

Towards a Garden Nation by 2005

• The Government had been serious in supervising developers to ensure that they followed planning guidelines requiring them to reserve 10% of their housing projects for green lungs. (The Star, 16 January 2006)
Affordable home Precinct 11, Putrajaya

Area: 17.8 acres
Unit: 1,331 units
Density: 75 units/acre
thank you

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