SESSION 1: EXPERIENCE SHARING – REGIONAL AFFORDABLE HOUSING PRACTICES: AFFORDABLE HOUSING IN MALAYSIA

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REHDA Housing Conference 2018
“Reinventing Affordability”

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What is Affordable House?

United Nations Human Settlement Programme (2011): defined as homes that meet the quality and location; and home buyers still have the financial capability to buy other basic needs. Based on the Multiple Median approach, a home is considered affordable if the median home price is less than 3 times the median household annual income.

**e.g.:**
Median household income: **RM5,228.00**
Annual Median Household Income: RM5,000.00 x 12 = **RM62,736.00**
3 Times Annual Median Household Income: RM62,736 x 3 = **RM188,208.00**

Average market price of all homes (1st quarter 2018): **RM372,801.00**
Defining Housing Affordability

**Cost to buy the house**
- **House purchase price**
  - House price determined by cost of land, infrastructure, building materials, labour and profit
- **Ability to finance down payment**
  - Affected by down payment requirements, available savings, existing debt and loan amount

**Cost to keep the house**
- **House occupation cost**
  - Land lease, home insurance, property assessment tax, quit rent and building maintenance costs
- **Ability to financially service loans**
  - Interest rates and loan tenure, income and non-housing expenditure

*Source: Adapted from UN-HABITAT (2011)*
**Housing as an individual asset**

**Job creation**: new income earning opportunities through housing construction or home based enterprises

**Financial asset**: can be traded for monetary value, can be used as security against a loan

**Social asset**: a place in the settlement, an address, effective citizenship

**Housing as a public asset**

**Sustainable human settlements**: integrated settlements with functioning local economies

**Economic asset**: part of a household’s economic strategy for income earning purposes

**Economic Growth**: backwards and forward linkages, impact of housing on the economy
Factors Affecting Supply and Demand of Housing

Demand-side:
- Interest rates
- Economic growth
- Number of households
- Affordability of housing
- Availability of mortgages
- Speculative demand

Supply-side:
- Supply of housing
- Numbers selling
- New builds

House Prices

www.economicshelp.org
Basic factors influencing effectual affordable housing delivery through the planning system

- Connected to other planning social policies & funds
- Matched to housing market contexts
- Local comprehensive affordable housing strategy
- Planning approach
- Effectual affordable housing delivery through the planning system

- Housing market
  - Strength/ flexibility/maturity
  - Community acceptance
  - Opportunities for housing development
  - Non-profit housing associations

- Government
  - Support/subsidies/incentives
  - Consistent & enforceable policy
  - Adequate legislative framework
Identifying the housing gap

**Housing Demand**
- Housing Need
- Effective Demand

**Housing Supply**
- Existing stock
- Incoming stock

Differences in housing demand and housing supply creates a housing gap.

Housing gap will be addressed by two housing sectors:
- Social sector
- Market sector

Provides evidence for planning and provision of housing.
Government provides regulation for a competitive operating environment for both consumers and producers of housing.

Social renting
Rent-to-income ratio

Social ownership
House price-to-income ratio

Private renting
Rent-to-income ratio

Affordable ownership
House price-to-income ratio

Asset accumulation
House Price Index

To block the impact of speculative activities

No private sector entity can provide leadership in both welfare needs (shelter) and private housing: a case of agency problems.
Flexibility to move back and forth between renting and owning

- **Social renting**: Meeting housing needs
- **Social ownership**: Meeting housing needs
- **Private renting**: Meeting housing demand, Based on affordability
- **Private ownership***: Meeting housing demand, Based on affordability

**Housing tenure & affordability indicators**

- Rent-to-income ratio
- Median house price-to-income ratio
- Mortgage repayment-to-income ratio

Note: * Fully owned or owned with mortgage
Overview Malaysia

PEOPLE’S HOUSING PROGRAMME (PHP)

Public low-cost housing in the country began in 1955 with 441 houses built at a cost of RM2 million as a pilot scheme by the Housing Trust.

Double story houses built under a Housing Trust Project at Jalan Kampar, Ipoh, Perak.
PEOPLE’S HOUSING PROGRAMME (PHP)

GOVERNMENT ALLOCATED
MYR 12.433 BILION
FROM 1998 UNTIL 2018
(20 YEARS)

BENEFITS TO
118,250 FAMILY
CONSIST OF
591,250 HOUSEHOLD

209 PROJECTS
PEOPLE’S HOUSING PROGRAMME (PHP) NATIONWIDE

PAID BY GOVERNMENT
80% SUBSIDY

PHP SELLING PRICE
MYR 35,000
Peninsular Malaysia
MYR 42,000
Sabah & Sarawak

MONTHLY RENTAL
AS LOW AS
MYR 124
PER MONTH
## STATUS OF PHP PROJECTS NATIONWIDE AS OF 24th APRIL 2018

<table>
<thead>
<tr>
<th>PHP PROGRAMME</th>
<th>TOTAL PROJECTS</th>
<th>COMPLETED</th>
<th>UNDER CONSTRUCTION</th>
<th>PLANNING STAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projects</td>
<td>Units</td>
<td>Projects</td>
<td>Units</td>
</tr>
<tr>
<td>PHP FOR RENTAL</td>
<td>084</td>
<td>73,439</td>
<td>83</td>
<td>72,439</td>
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<tr>
<td>PHP HOME OWNERSHIP</td>
<td>125</td>
<td>44,811</td>
<td>42</td>
<td>12,759</td>
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<tr>
<td>OVERALL TOTAL</td>
<td>209</td>
<td>118,310</td>
<td>125</td>
<td>85,198</td>
</tr>
<tr>
<td>ALLOCATIONS (MYR)</td>
<td>12,459,173,734.45</td>
<td>6,182,409,399.45</td>
<td>3,264,581,784.00</td>
<td>3,012,182,551.00</td>
</tr>
<tr>
<td>Requirement</td>
<td>Details</td>
<td></td>
<td></td>
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<tr>
<td>----------------------------------------------------------------------------</td>
<td>----------------------------------------------</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Applicants and spouse are Malaysian citizens aged 21 years and above</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Household income not exceeding MYR 3,000 per month</td>
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<td></td>
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<tr>
<td>Priority given to those with family</td>
<td>Applicants must not own any house</td>
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</table>
PHP DESIGN FEATURES

**TYPES OF HOUSES**

- Apartment 5-18 storey – (in city centre)
- Terrace - (in small town & rural area)

**SPECIFICATIONS**

- Build up area 700 sq ft
- 3 Bedrooms
- 2 Bathrooms
- Living rooms
- Kitchen

**SOCIAL FACILITIES PROVIDED**

- Musalla (Prayer Hall)
- Adequate Parking Lots
- Community Hall
- Kindergarten
- Facilities for the disabled
- Shop Lots
EXAMPLE OF PHP FLOOR PLAN
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PHP HOUSE DESIGN

PHP Tehel, Melaka

PHP Ladang Siliau, N.S
PHP HOUSE DESIGN

PHP Sg. Melana, Johor

PHP Krubong, Melaka
Looking at the key issues in Government Policy and other initiatives of providing adequate and quality Affordable House

- What allowance (concessions) will the Government make to encourage developers to build more?
- How can the Government engage with the Private Sector and what opportunities are there for developers and Investors?
- Examining the multiple partnership methodology such as PPP/BOT to facilitate Affordable Housing development and ownership and to enhance project delivery system.
- What is really holding up the delivery of Housing and how do we destroy these 'obstacles'?
Strategy Canvas for Providing Adequate and Quality Affordable Housing

Eliminate | Reduce | Raise | Create
--- | --- | --- | ---
Government maintenance funding | Residents’ commitment in maintenance, cleanliness and prevention of vandalism | Construction of transit housing for youth | Maintenance cost sharing for low-cost housing
Approval for housing development projects which are not based on demands | Coordination in planning and implementation through National Housing Council | Utilising potential waqf and built-up land for development of affordable housing | Land bank for future need
Integrated database of all affordable housing projects for effective planning and implementation | Access to financing schemes

As-Is

Eleventh Plan
Progress and Challenges

1. Policy Direction
   a. Trending, Analysis and Application

2. Enhancement
   b. Housing Development Act 1966 (Act 118)
   c. Regulation for the Housing Industry under Act 118

3. Business Model
   d. Function Analysis
   e. Conditioning the industry – cost or methodology?

4. Reality Check
   f. What’s real and what’s myth
Thank you