



INSTITUT MASA
DEPAN MALAYSIA

MASA ECONOMIC INSIGHT NO.7 / 2023

Malaysia's (Un)Affordable Housing (Part 2)

POLICY AND RESEARCH DIVISION
INSTITUT MASA DEPAN MALAYSIA
24 JULY 2023

Malaysia's (Un)Affordable Housing (Part 2)*Dated 24 July 2023***Theme:****Malaysia's (Un)Affordable Housing (Part 2)****Introduction:**

The challenge of housing affordability in Malaysia, as highlighted in MASA Socioeconomic Insight No.6/2023, stems from two root issues: a mismatch between demand and supply, and stagnated wages.

Following that, this edition aims to delve into the underlying causes of affordable housing in Malaysia, specifically focusing on the supply of public housing and the issues related to social housing.

According to the Cambridge Dictionary, public housing refers to houses or flats provided by the government at low rents for people who have low incomes. Some examples of public housing in Malaysia include Program Perumahan Rakyat 1Malaysia (PR1MA) and Residensi Wilayah Keluarga Malaysia (RUMAWIP).

On the other hand, social housing in Malaysia typically involves housing initiatives aimed at assisting individuals or families with specific needs, which is commonly delivered by both the public and private sectors. Where the public sector primarily focuses on providing social housing in major urban centres like Kuala Lumpur and George Town, as well as in rural regions; private developers often plays a significant role in delivering social housing within urban and suburban locales, as exemplified by the Program Perumahan Rakyat (PPR)¹.

OpenDOSM data indicates that the current population comprises 32.7 million people, with 78% are dwellers living in major urban areas². Among ASEAN countries, Malaysia stood as the third most urbanised population, with Brunei being the first runner-up and Singapore leading as the most urbanised country.

Housing affordability was a significant issue in Malaysia, particularly in urban areas and major cities. The country faced several challenges related to housing affordability, affecting various segments of the population. While efforts have been made to improve housing affordability, the situation remains a pressing

¹ [Social Housing Programme of Selangor Zakat Board of Malaysia and Housing Satisfaction](#)

² [KAWASANKU - OpenDOSM](#)

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concern, and ongoing efforts are needed to ensure that adequate and affordable housing is available for all Malaysians, especially in urban areas where the demand is highest.

Definition: Urban population refers to people living in urban areas as defined by national statistical offices. The data are collected and smoothed by United Nations Population Division.

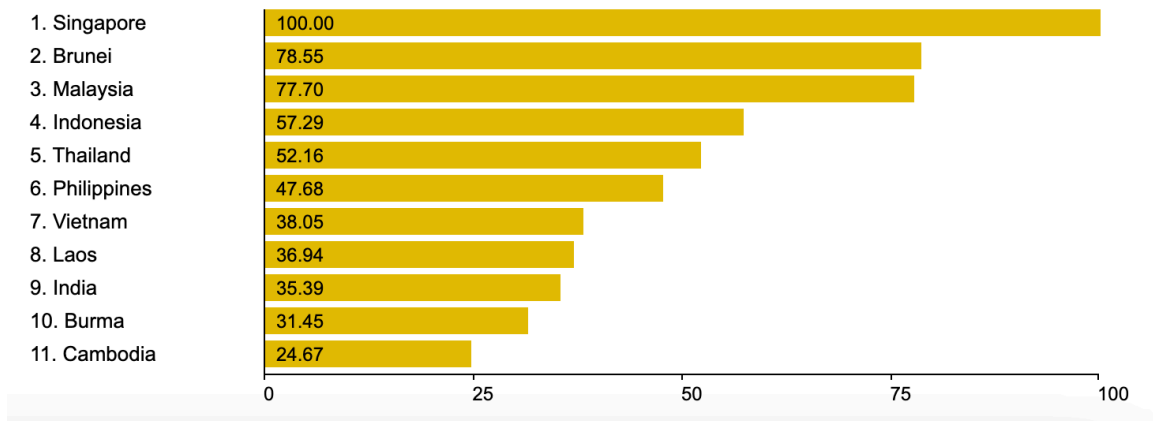


Figure 1: Percent urban population - Country rankings³

In recent years, the development of high-rise, low-cost housing in urban areas especially within the Klang Valley, has raised several issues that concern the rakyat.

There has been a constant shortage of low-cost housing in Malaysia to support those with low incomes due to persistent structural issues. Thus, in the context of Malaysia’s public and social housing, *rakyat*s are affected by rooted issues, as follows:

- a) Public Housing (Governance Issue); and
- b) Social Housing (Poverty-Cycle Trap).

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Elaboration	In the early stages, the housing policy and programme were designed to focus only on the poor and low-income classes.
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³ [Percent urban population - Country rankings](#)

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Nevertheless, the housing policy and programmes changed their focus to cater to the middle-income group as a result of the rise in home prices. The Government has taken the initiative to start additional housing schemes in order to enable low-income, middle-class, and poor groups to own a house.

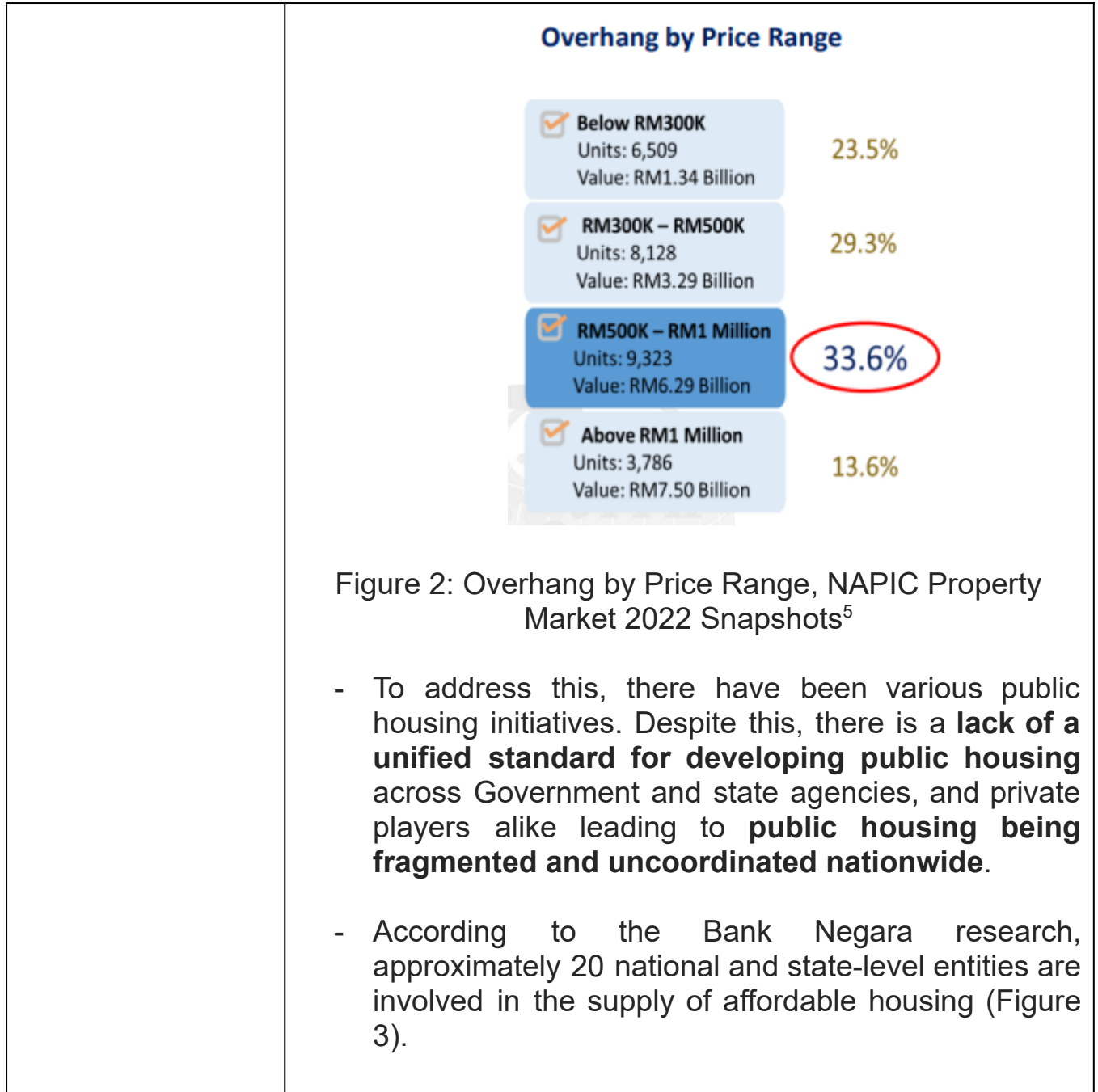
The state has historically provided public housing as a way to house the large number of settlers as a result of increased rural-to-urban migration that started in the 1970s. Later, public housing initiatives have developed into social housing throughout time (such as PPR), although its primary goal is still to house low-income families.

Issues:**1) Public Housing**

- As mentioned in the previous MASA Socioeconomic Insight No. 7/2023, there is a **mismatch between demand and supply in the housing market**. There is an oversupply of property and housing developments in certain areas, but they often cater to higher-income segments of the population⁴.
- As per the 2022 National Property Information Centre (NAPIC), the highest property overhang is in the RM500,000 - RM1 Million price range, indicating a **mismatch with the affordability level of the population in need of public housing**.

⁴ [BNM: Affordable Housing: Challenges and the Way Forward](#)

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⁵ [NAPIC Property Market 2022 Snapshots](#)

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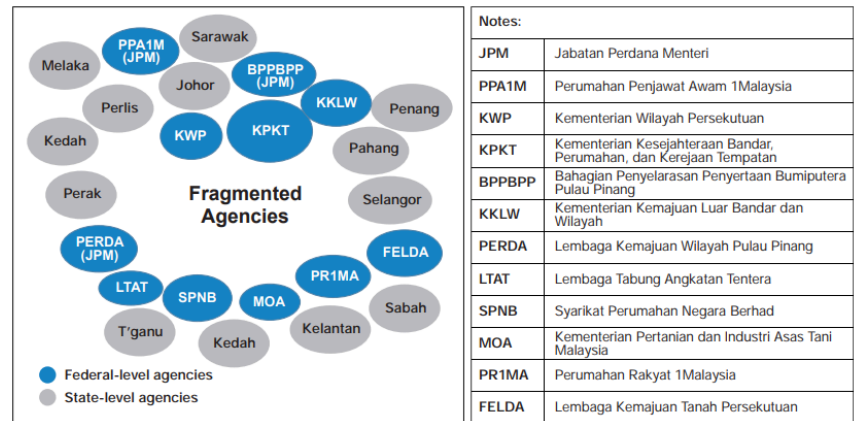


Figure 3: More than 20 National and State-level Agencies Providing Affordable Housing⁶

- This leads to **inconsistent approaches and quality in public housing projects**. This lack of coordination may result in the construction of units that do not adequately meet the needs of the target population.
- This results in **Malaysian low-cost public housing not meeting the needs of families in terms of housing, comfort, social, cultural, and religious needs**. According to Zainal et al., most low-cost residences in Malaysia feature limited space and recreation amenities such as a multipurpose hall and a playground that can be used for community and recreation events⁷.
- Additionally, the lack of consolidation also resulted in the absence of an integrated database that captures the real-time supply and demand of housing in Malaysia. The lack of comprehensive data on household income, preferences, and characteristics has **hindered the efficient tailoring of housing supply to match the demands of different households**.

⁶ [BNM: Affordable Housing: Challenges and the Way Forward](#)

⁷ [Problems and Issues of High Rise Low Cost Housing in Malaysia](#)

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- As a result, there is an excess of unsold residential properties, including affordable houses, in various states like Johor, Selangor, and Kedah as seen below.

States with High Overhang Unit

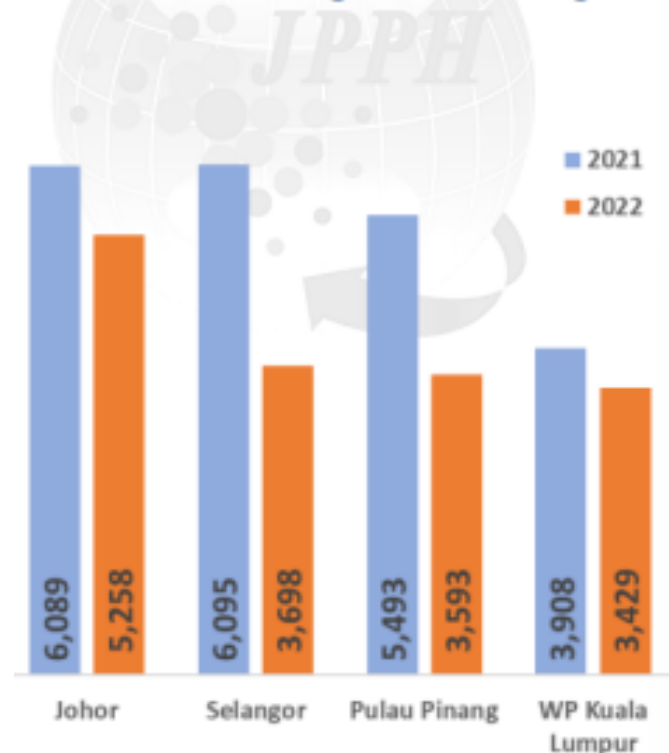


Figure 4: States with High Overhang Unit, NAPIC Property Market 2022 Snapshots (2021 - 2022)⁸

- **Less severe:** Kedah, Melaka, Perlis, Perak, Pahang, Negeri Sembilan, Kelantan, WP Labuan, Terengganu
 - **Severe:** Sabah, Pulau Pinang, Sarawak, Johor, Selangor
 - **Highly severe:** WP Kuala Lumpur, WP Putrajaya
- Based on Figure 5 and the statement above, these are the less severe, severe and highly severe

⁸ [NAPIC Property Market 2022 Snapshots](#)

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unaffordability residential houses between the states.

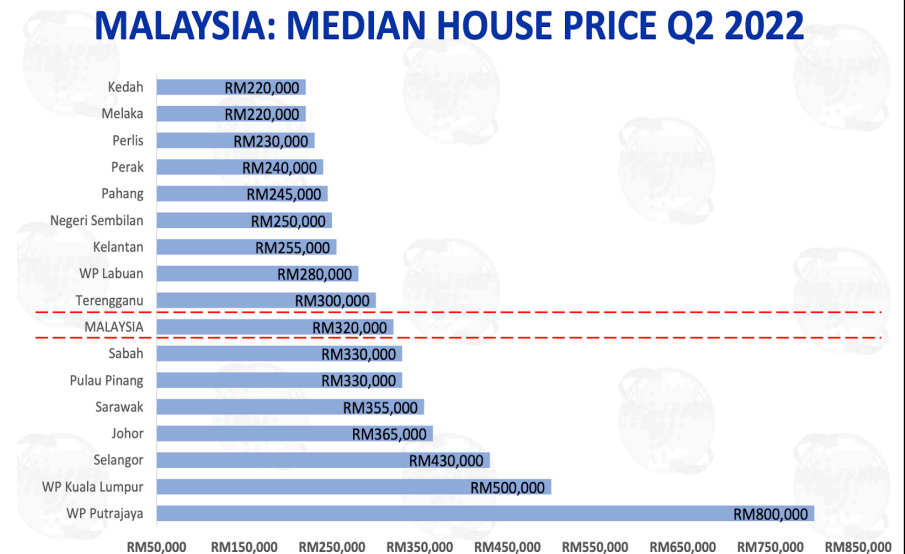


Figure 5: Property Market Prices and Rental Indices, NAPIC⁹

2) Social Housing (Poverty Cycle Trap)

- **Kuala Lumpur and Putrajaya recorded 100% of their population living in urban areas**, followed by Selangor (95.8%), Penang (92.5%) and Melaka (90.9%). This is followed by the composition of the urban population, comprising **Bumiputera (14 million people or 62.6%)**, Chinese (6.4 million or 28.6%) and Indians (1.8 million or 8.1%)¹⁰.
- This has increased urban poverty issues occurring in Malaysia, especially within the Klang Valley, as a result of the urbanisation process, which involves low-income groups moving from rural to urban regions, an influx of foreign labour, and increase in living expenses.

⁹ [Residential Prices Quarterly Update H1 2022](#)

¹⁰ [Country has about 24.4 million urban dwellers](#)

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	<ul style="list-style-type: none">- As of April 2022, Kuala Lumpur topped both categories with 4,051 poor and 3,865 hardcore poor households.- According to the National Poverty Data Bank System (eKasih). A poor household is one that earns less than RM2,208 a month, while the hard-core poor earn less than RM1,169 monthly.- In addition, the United Nations Development Programme (UNDP) Malaysia stated that the incidence of absolute poverty in Malaysia was 5.6%, and 30% of the urban population is considered 'urban poor'¹¹.- The inflation rate for urban areas, reported by DOSM as 4.0% as of December 2022, can be referred to in Figure 4 below, which indicates an upward trend in general price levels within the economy. This increase in the inflation rate can be attributed to a rise in the Consumer Price Index (CPI), which serves as a measure of the average price change for a basket of goods and services commonly purchased by consumers¹².
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¹¹ [When learning goes digital: Reflections on urban youth living in poverty in Malaysia | United Nations Development Programme \(2021\)](#)

¹² [Consumer Price Index Malaysia](#)

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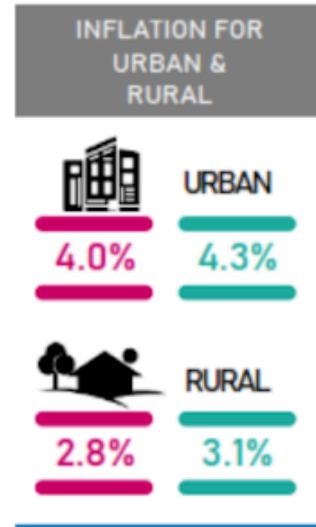


Figure 6: Inflation Rate for Urban and Rural

Table 4: Average amount of basic and non-basic need expenditure

Urbanisation level	Basic need		Non-basic need		Expenditure amount
	Amount (RM)	Per cent	Amount (RM)	Per cent	
High					
Johor	2,272.48	45.69	1,911.75	54.31	4,184.23
Melaka	2,296.26	48.24	2,139.77	51.76	4,436.03
P.Pinang	2,343.98	45.43	1,951.00	54.57	4,294.98
Selangor	2,624.30	46.29	2,262.05	53.71	4,886.35

- Based on Figure 6¹³ above, the average amount of basic and non-basic need expenditure is roughly around RM4,200 to RM4,900, which **surpassed** the poor household income of less than RM2,208.
- Thus, providing low-cost housing in Malaysia is mostly supposed to be a **temporary residency** for low-income people, to eradicate slums by providing better shelter and **slowly transitioning their way towards income growth**, later to move out for a "more better" place.

¹³ [Analysis of Cost of Living in Malaysia: States and Urbanisation Comparison](#)

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	<ul style="list-style-type: none"> - However, this is not the case in Malaysia, as many living in low-cost housing (PPR) are still trapped in the poverty cycle. - Low-cost housing is often built in areas with limited infrastructure and public services. The absence of amenities such as quality healthcare, educational institutions, recreational facilities, and proper transportation can further restrict opportunities for residents to improve their living conditions and access better job opportunities. - In addition, people who have been living in poverty for an extended period may develop a mindset that is resigned to their circumstances. They may feel that they are destined to struggle financially, and this mindset can hinder their efforts to improve their situation. - This creates a cascade of negative effects that leave families to navigate an impossible poverty cycle. - Thus, when residents primarily interact with others facing similar economic challenges, it can create a self-reinforcing cycle of poverty. Lack of exposure to different perspectives and opportunities can limit their aspirations and social mobility.
<p>Recommendations</p>	<p>Addressing these challenges requires holistic strategies and comprehensive policies to improve affordability, increase the supply of public housing, enhance the quality of existing housing projects, promote inclusive urban planning, and combat the social stigma associated with public housing.</p> <p>To address the root issue of public housing in the long term, the Government must:</p>

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1) **Enhance the role and capacity of relevant regulatory bodies**, such as the Construction Industry Development Board (CIDB) Malaysia, is essential to effectively regulating and monitoring housing development projects.

This is to ensure more detailed and strict compliance with building standards and enforce penalties for non-compliance to improve the quality of public housing units. This can be done, specifically by:

a. **Implementing incentives for developers focused on public housing**, such as tax breaks, grants, or subsidies, to foster private sector participation can address the oversupply issue in higher-priced segments, and increase the supply of affordable homes.

b. **Reactivating the role of the National Housing Council (*Majlis Perumahan Negara*) and empowering it to adopt standardised guidelines and efficient coordination on public housing initiatives.** By promoting streamlined planning, reduced duplication, and optimal resource utilisation, the Council can play a crucial role in ensuring affordable and quality housing projects are efficiently implemented.

c. **Establishing a comprehensive housing database that tracks housing demand, supply, and affordability trends across different regions.** By having a codified database, it can help to utilise data analytics to

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inform policy decisions and ensure targeted interventions in areas with the most significant housing challenges.

2) In addressing the challenges of social housing in Malaysia, the Government must take into account the following:

a. **Providing quality education and skills development programmes within the housing projects** can empower residents to gain valuable knowledge and abilities, increasing their chances of finding better-paying jobs and improving their economic prospects. For example, offering vocational training, job placement services, and adult education classes can uplift residents' skills and enhance their job opportunities.

b. **Investing in infrastructure and amenities in and around low-cost housing projects** can significantly improve residents' quality of life and increase their access to essential services. Public transportation, clinics, hospitals, grocery stores and others must be placed near low-cost housing for their convenience. For instance, developing efficient public transportation systems, establishing healthcare facilities, grocery stores, and recreational spaces near housing areas can improve residents' convenience and overall well-being.

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	<p>c. Enforcing the “Exit-Policy and Break the Poverty Trap Strategy” by introducing Council Homes, as exemplified by Kuala Lumpur City Hall's (DBKL) initiative offering affordable rental rates under RM900 for temporary residence to tenants from the B40 and M40 groups. This approach empowers individuals to access affordable housing, facilitating their eventual transition towards property ownership and breaking the cycle of dependency on low-cost housing.</p>
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