

Unaffordable housing

World Bank report says situation is particularly severe among households earning less than RM5,000

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KUALA LUMPUR: Housing affordability in Malaysia has deteriorated over the years and unaffordable housing is one of the key factors affecting the cost of living.

The World Bank's Malaysia Economic Monitor "Making Ends Meet" said housing is a basic need, with the cost of meeting this need usually constituting one of the largest items of household expenditure. Various studies using the price-income ratio (PIR) have shown that the affordability of housing in Malaysia has deteriorated, such that housing is now "severely unaffordable" in several states and "seriously unaffordable" in Malaysia as a whole according to that measure.

For the report, the World Bank has developed a new housing affordability model that is more detailed than the PIR and better equipped for the analysis of housing affordability across the distributions of incomes and house prices.

When applied to detailed housing and income data for Kuala Lumpur and Petaling District (as case studies), it is possible to analyse the income levels and housing price points where housing unaffordability is most critical.

"The lack of affordable housing is particularly severe among households earning less than RM5,000. It is estimated that the number of households in this income group far exceeds the supply of housing affordable to them, with 55% in Kuala



Suraya opposes the idea for a central agency to oversee affordable housing matters as different cities have different maturity and economic growth. -

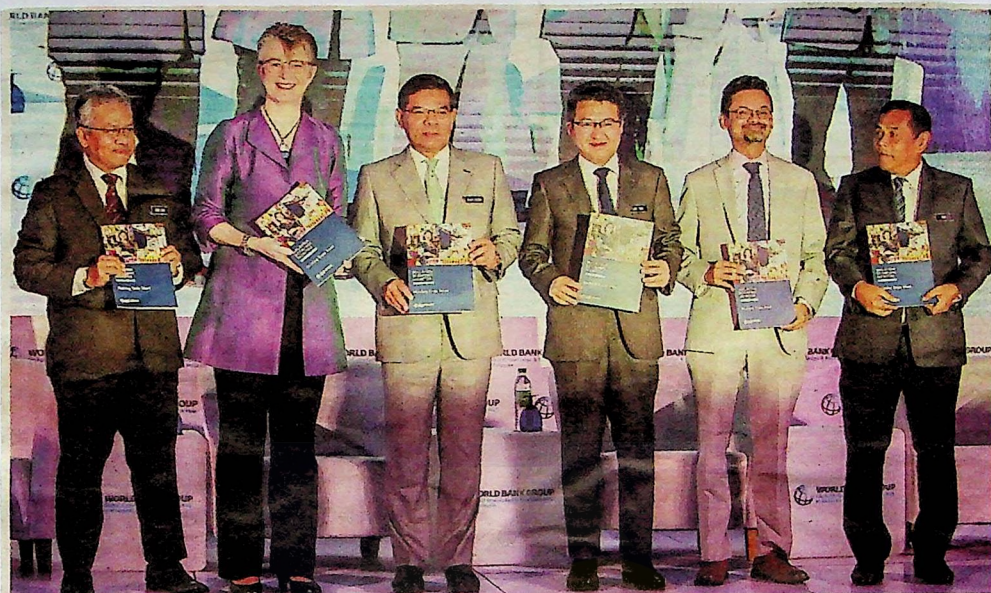
ADIB RAWI YAHYA/THE SUN

Lumpur and 63% in Petaling district lacking access to housing that they can afford.

"Households in the RM6,000 to RM10,000 income bracket can typically afford to purchase a home in the RM230,000 to RM500,000 price range, but the availability of such homes is very uneven. The market for such homes that are affordable for this income group is much tighter in Petaling district than in Kuala Lumpur, given Petaling's growing under-supply and increase in prices."

Khazanah Research Institute

hits cost of living



From left: Economic Affairs Ministry deputy secretary-general (policy) Datuk Dr Noor Zari Hamat, World Bank Group country director (Brunei, Malaysia, Philippines & Thailand) Dr Mara Warwick, Domestic Trade and Consumer Affairs Minister Datuk Seri Saifuddin Nasution Ismail, Deputy Defence Minister Liew Chin Tong, World Bank Group regional director (equitable growth, finance & institutions) Dr Hassan Zaman and Domestic Trade & Consumer Affairs Ministry secretary-general Datuk Muez Abd Aziz at the launch of the World Bank's Malaysia Economic Monitor "Making Ends Meet" in Kuala Lumpur yesterday. - **ADIB RAWI YAHYA/THE SUN**

director of research Dr Suraya Ismail said there can be instant affordable housing market if the prices of vacant properties are reduced to affordable prices, depending on the location.

"GLCs and other private companies should behave like private entities and have the same level of competition so that they will bring house prices down. If house prices are high, you can't ask GLCs to go in (to the market) and provide house prices that are low. The whole industry must buck up and use productivity and innovation to bring

house prices down," she told reporters.

She also opposed the idea for a central agency to oversee the country's affordable housing matters, noting that different cities have different maturity and economic growth.

"By having a central body to manage everything, you will be overwhelmed. You can do the coordination (for price range) but the execution, locality and dimension should be done at the state level. In fact, I suggest that the federal (level)

follow the state in terms of the price range. Land is a state matter and different regional corridors have different ways of development."

Compared with Singapore, she said the Singapore government owns over 90% of land and most are leasehold, while in Malaysia, most land are owned by private holdings.

She stressed that the central agency cannot be doing the planning and execution, but it can work like a CPU in terms of disseminating data and direction in consensus with the state.