

What is affordable housing?

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WHAT does the term “affordable homes” mean? After all, what determines whether a house is affordable is based on the income of the targeted consumers.

According to Khazanah Research Institute and Bank Negara Malaysia, the sign of a well-functioning and affordable home market is when the median price for the housing market is three times the gross annual household income.

Bank Negara would add that the monthly payment for the house should not be more than 30 per cent of the income. Payments of more than 30 per cent would be considered overburdening for the consumer.

Based on the above criteria, Bank Negara would suggest that an affordable home in Malaysia, based on the monthly median income of RM4,585 and the annual median income of RM55,020, is between RM165,000 and RM242,000.

In Malaysia, house prices are 4.4 times the median income. Further, zeroing in on the states, house prices in Kuala Lumpur are 5.4 times, 5.2 times in Penang Island, 4.2 times in Johor and in Selangor, four times the median income.

While, according to Bank Negara, the affordable home is priced at RM242,000, in actual fact, the average price of houses in Kuala Lumpur is RM490,000; in Selangor RM300,000; Johor, RM260,000; and Penang Island, RM295,000. To put it simply, houses in Malaysia are simply not affordable.

Efforts should be made to reduce the prices of houses to an affordable range of about RM250,000 to RM300,000. Yet in 2014, only 21 per cent of new housing launches were priced below RM250,000.

There was a gross oversupply of houses above RM500,000 and an undersupply of houses below RM250,000. No wonder there is a mismatch between demand and supply.

Bank Negara would suggest that between 2012 and 2014, there was a housing supply average of 85,000 units, while 118,000 households were formed.

Instead of putting policy interventions into place to reduce the prices of houses, developers are putting pressure on banks to give loans to consumers who cannot afford these expensive homes.

They want banks and Bank Negara to ease lending practices to make it easy for house owners to own properties. The principle seems to be not to build houses that consumers can afford, but to build overpriced houses, and then put pressure on the lending institutions to give loans to the consumers.

Never mind the risks to the banks and the financial burden to consumers. Developers want to sell the overpriced homes that they have built.

There have even been proposals to set up a fund so that consumers can save early to afford overpriced homes. The risks and burden is being pushed to the banks and consumers, while developers can continue to build overpriced homes.

The Federation of Malaysian Consumer Associations (Fomca) calls on the government to ensure that priority is given to homes Malaysians can truly afford. The number of 1Malaysia People’s Housing (PR1MA) homes being built is way below the demand for new households.

The government needs to intervene and regulate the private sector to supply more affordable homes. The government also needs to strengthen measures to eliminate speculation in the market, which inflates home

prices. Policies should make speculation expensive to protect first-time home buyers.

Housing is a basic right of consumers. It is the government's role to ensure that all Malaysian have access to affordable homes. The government should also focus on promoting a thriving rental market so that renting becomes a viable option for consumers.

Fomca proposes that government invests more in financial education for all consumers, especially young workers, to create awareness and build knowledge and skills on prudent financial management and making informed decisions in the market, including purchasing major assets such as houses.

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