

## THE TYPES OF AFFORDABLE HOUSING BASED ON INCOME IN THE KLANG VALLEY: CASE STUDY

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### ABSTRACT

*The housing is one of the basic requirements for ensuring the well-being of the people's life is always preserved. The National Housing Policy has been practiced through the implementation of the Third Malaysia Plan as the government's efforts to ensure all people have their own homes. Based on The Third Malaysia Plan (1976-1980), one of the essential objectives of social in Malaysia development is to meet the needs of housing; especially the lower-income group savour the facilities of adequate housing. Therefore, the government should continue to emphasize the necessity of providing adequate housing, quality and affordable housing to meet the needs of the targeted group. Generally, a policy statement written into guidelines on actions to be undertaken to improve the welfare of society (King et al, 2000) and also the government's action plan to improve the well-being of the country. In the context of housing, housing policy development seen as a way for the government to intervene to ensure sufficient housing supply to meet the demand for urban homeowners and fulfilling social responsibilities of government.*

**Keywords:** *Housing, Housing Policy, Supply of Housing*

### INTRODUCTION

The Selangor Housing and Property Board (LPHS) aims to be build 5,000 affordable housing units next five years by using the Prefabricated (IBS) concept. This project is expected to be implemented in mid-2013. LPHS has been given mandate to coordinate the project, which is estimate to offer than 250 units in the Klang Valley on state Government-owned land with an area of three to five acres that are being identified. Furthermore, the state Government proposes to build at least, 5000 housing units to uses the prefabricated IBS concept.

The state has an area of approximately 795,736.59 hectares, of which a total of 259,000 hectares (32.5%) is the potential for municipal purposes that can accommodate the needs of the housing industries.

The new concept development of affordable housing projects introduced by Selangor Housing and Real Property Board (SHRPB) an initiative to increase low-income and moderate-income has affordable homes in Selangor state. This concept was introduced because of the difficulty moderate-income households to buy housing below RM120, 000.00 in the current market. The important stages, the State Government to make it as an option for developers to build affordable housing projects besides others development.

Selangor Housing and Real Property Board (SHRPB) have developed these criteria in formulating long term strategies for supplying affordable housing:-

- a. The selling price of RM85,000.00 to RM120,000.00 per unit;
- b. Measuring approximately area between 850 to 1,000 square feet;
- c. Modern and up-to-date design;
- d. Diversify the types of housing as a one-room house, two rooms and so on in one of the building blocks;
- e. Introducing the concept of good neighbourliness;
- f. Provisioning of basic amenities such as libraries, kindergarten, recreation areas and prayer hall;
- g. The construction of the housing needs of elderly and disabled people;
- h. Lower maintenance costs

The Selangor State Government through the Selangor State Development Corporation (SSDC) has targeted to build 11,000 units affordable housing within 5 years from 2011 to 2016. The following table shows the Selangor affordable housing projects that were completed and under construction:-

Project Names	Types of Housing	Number of units	Status of construction
Seksyen 3, Bandar Baru Bangi, Hulu Langat	Apartment	124	Completion
Seksyen U12, Shah Alam, Petaling	Apartment	96	Under construction
Antara Gapi, Hulu Selangor	Town House	128	Under construction

(continue)

Project Names	Types of Housing	Number of units	Status of construction
Kota Puteri, Kuala Selangor	Town House	300	Under construction
Kg. Seri Temenggong, Gombak	Apartment	500	Development Plan
Taman Sains Selangor II, Sepang	Apartment	400	Development Plan
Total		1,548	

The Government of Malaysia has formulated the specific housing policy to solve problems and issues about housing that known as the National Housing Policies (NHP). The NHP was launched in early year 2011 and used as part of the content Malaysia Development Plan for five years. The foundation of the policy could be provide the direction of housing planning and development applying by government agencies at the federal level, state and local authority. The main objective NHP is to ensure the provision of adequate housing for all income groups by emphasizing the importance of quality housing.

To ensure the housing sector achieved the target and continuously positive impact on economic growth, thus various issues and challenges related to housing should be handled effectively. Among the issues and challenges related the housing sector is:-

- i) The Quality of housing built by developers;
- ii) The abandoned housing projects;
- iii) The affordability and accessibility households to purchase or rent house provided by government;
- iv) The issues of demand for low cost housing and medium cost housing exceeds the supply of housing;
- v) Location of housing development is not strategic.

### **The Profile of Company**

As the agency given the role of monitoring the housing development in Selangor, Selangor Housing And Real Property Board (SHRPB) responsible for ensuring the distribution of housing are made in a fair and transparent manner. This obligation is to coincide with the policy of the Selangor State Government to control home ownership especially, low cost housing to ensure that only the low income groups who may have the kind of house. The restrictions are vital to prevent the

high-income groups trying to earn money through the purchase of low-cost housing for investment purposes only.

Based on the development of the housing industry in Malaysia, SHRPB have significant challenges to achieve the vision as a leader in housing and real estate development in Selangor. SHRPB established through the Selangor Housing and Real Property Board Enactment gazetted under Selangor State Government Gazette, Volume 54 No. 26 dated 26 December 2001 (Enactment SHRPB 2001) and commenced operations on 1 March 2002. In this Enactment reference to a house, apartment or other living accommodation shall be construed to include references to the land appurtenant to the house, apartment or other living accommodation (Enactment SHRPB 2001).

At an early stage, SHRPB assigned to collect the monthly instalments from 18,508 homeowners' accounts in Public Housing Projects. SHRPB also be responsible for the development and the promotion of the development of housing especially low-cost housing through Open Registration System (ORS) and consent of transfer low-cost houses. However, starting early in 2004 other than the task, SHRPB directed by the State Authority in order to fully implement the functions listed in the Enactment Selangor Housing and Real Property Board 2001.

### **Vision of company**

Our vision is to be leader in the development of sustainable housing and real property in the state of Selangor.

### **Mission of company**

- i) To encourage the accessibility to promote quality Housing and real property and affordable Housing.
- ii) Strengthening the Housing Application System and Homeownership Scheme.
- iii) Empowerment programme for the community development towards quality and harmonious.

Based on the record year 2014, the numbers of employees in SHRPB is 120 people who are placed into three main sections and supported by 13 units within the scope of their duties.

## REVIEW OF LITERATURE

Housing is one of the basic elements of human life. It is part of the fabric of social, economic and political in many countries in the world, whether in developed countries or developing countries and cannot be studied separately from these dimensions.

According to *Kajimo and Evans (2006)* other than a very valuable asset, the housing has much broader economic, social and personal significance. The housing has two important dimensions; physically it serves as a shelter and also as a real estate; and social terms, it serves as a spatial locus for private and family life where access to social and economic opportunities started, and where privacy and security are located (*Bratt et al, 2006; Thalman, 2003*).

Mostly researchers agreed on the fact that the house has an interest to everyone because it provides the basic needs of all members of society, namely shelter. However there is the author stating the importance of home is more of those purposes. *Van Weesep (2000)* stressed that the House provides opportunities for occupants to develop a desired way of life.

Housing location determines employment opportunities and access to services and facilities available. Many people are sensitive to the physical characteristics and social housing of residential environment when they choose to live. Therefore, the Housing is very important in terms of psychology as it is part of the definition of a material about their quality of life and social status desired by someone. *King (1996)* stressed the housing is not significant for what is it, but for what it allows to develop through it.

Affordability has generally defined by the relationship between household expenditure and income earned. Some researchers argue that the affordability is influenced by the levels and distribution of house prices, household income and the structure of financing cost (*Bramley, 1994; Ludwig et al., 2002*). According to *Wilcox (2003)* that affordability has also considered as related to income, cost of housing, housing availability, employment, maintenance of the existing affordable housing stock and patterns of new construction.

Affordable housing also meant as the financing of home ownership does not exceed 30 percent of monthly gross household income. If they pay more than 30 percent, the house is not considered affordable housing.

This is because the payments exceed 30 per cent of monthly income for housing loans will affect other basic needs such as food, clothing, vehicles and medical financing. *Chatfield et al. (2002)* defines affordability as generally accepted in the develop world is housing that can be purchased by families from 30 per cent of their income. *Gamet et al. (1991)* defines that housing finance as the of money and credit which enables all types of housing to be built, improved, bought, rented, maintained and repaired.

The housing market is basically subject to market mechanisms as other goods and services where the prices as the main role. The Equilibrium will be achieved when there is interaction between supply and demand at a particular price. However, the balance in the housing market is difficult to achieve because of supply and demand is not only influenced by price alone but also by other factors such as economic, social, political, legal and technological change. Based in neo-classical economy theory, that variation in the housing price is the result of the disequilibrium between supply and demand, more over the demand for housing services is a function of demographic factors, income, interest rate and the housing stock, while the supply is a function of the price of land, building cost and credit conditions (*Chen, 1998*).

## METHODOLOGY

### Scope of Review

This study will be focused in the Klang Valley, Selangor by selecting nine selected areas in Petaling Jaya, Shah Alam, Subang Jaya, Puchong, Klang, Bangi-Kajang, Selayang, Ampang and Sepang. A total of 700 housing units will be randomly selected either owner-occupied home or occupied by renters. The study includes two(2) scopes as follows: -

#### Buyers

To review the level of the buyers affordability to buy housing based on the households income.

#### Objective

- a) to identify the characteristics of household's background as the number of households, ethnicity, age, marital status, level of educational attainment, occupation, monthly income, financial capability and financial resources obtained and existing as well as special needs;

- b) To determine the percentage of expenses for buying or owning a home;
- c) To review the amount of housing loans compared to the costs could be borne by the buyer;
- d) To study the demand of housing like home ownership status(own or rent), what types and prices of the housing you eager to purchase, housing options and future planning to buy a house(house a larger and comfortable);
- e) To determine the profile of the target group in terms of expenditure and income, household size and the eligibility criteria and special needs(disabled, elderly, families could, woman as head of the family/ single mother and so on.

### **Types of Study**

This study will involve both qualitative and quantitative research method for obtaining information. *Creswell (2009)*, stated that quantitative analysis is a statement about the problems that have been identified based on testing a theory which was composed by variable, and as measured by representatives number, to be analysed using statistical techniques. Whereas according to *Holloway (1997)*, qualitative research is a form of social questions that focus on human and logical manner of interpretation of their experience and the environment in which they lived. Therefore, this study focuses on quantitative methods after taking into consideration the constraints of time to allow expansion qualitative methods.

Qualitative methods were used only includes analysing the studies that have been done by previous researchers and quantitative methods will use questionnaires designed especially for the group of tenants and homeowners.

### **Data Sources**

The method of data acquisition for this study can be formed according to the primary source and secondary source. Both forms will be used in this study.

#### **(i) Primary Data**

The Primary data for the study was obtained using questionnaire. This study includes a total of 700 housing units consisting of homeowners and tenants. Breakdowns of the distribution of questionnaire are as follows:-

- The tenant House of 400 respondents
- Home owner of 300 respondents

**Table 1: Respondent profile**

No.	Areas	No. of Respondent
1.	Klang	80
2.	Shah Alam	80
3.	Petaling Jaya	60
4.	Subang Jaya	80
5.	Puchong	80
6.	Kajang & Bangi	100
7.	Sepang	60
8.	Selayang	80
9.	Ampang	80
<b>Total</b>		<b>700</b>

The main purpose of the study using survey form is to obtain feedback on the chosen research topic. These questionnaires are designed to two different sets:

- 1) Form a survey distributed to tenants and
- 2) Form a survey distributed to homeowners.

**(ii) Secondary Data**

The secondary data for this study was detailed information related to the status of rental and home ownership in the State of Selangor. Secondary data is the materials can be obtained from LPHS, websites, books, seminar paper, magazines, brochures, and bulletin. The data obtained can be used in helping to analyse to further enhance the data and information generated.

**Sampling**

Chua (2011) stated that sampling is related with the process of selecting a number of subjects of a policy to serve as respondents. The use of inappropriate samples will reduce the validity and reliability of the study. In conducting this research cluster sampling method was performed, this method usually involves a large area and the number of subjects that many in the population.



## THE LIMITATIONS OF STUDY

The main problem encountered in this study is the difficulty of obtaining data as possible of the respondents did not want to cooperate in providing answers. This is because some respondents thought some data such as monthly income; household income and the amount of funding the loan shall be confidential. Another problem is the attitude of the respondents who are not interested and do not persevere in providing research information.

## FORMULATE THE PROBLEM

The experience of those who have purchased a home can be a guide to the SHRPB. Housing owners bought the house with the main reason for the house is considered as a guarantee of life and they also intend to make the house as a legacy in heritage to children. Close to workplace or even close to the family doesn't become a reason to consider in determining the decision to purchase a home. But future plans to buy a home among home owners indicated they want to purchase additional home again in the same city with city living now. Indirectly, it gives the message that the provision of affordable housing cannot be made with a focus on one area but should be thoroughly in Selangor.

The experiences how's that respondents are still hiring still do not purchase any home because they decided the price of existing homes are still beyond their affordability. This fact indirectly gives the message that monthly household income in come in the range of RM1, 500.00 to RM3,000.00 is not enough to enable them to own housing. Most are respondent still involved with investment or other commitments such as the purchase of shares to be used as a part of their savings to buy a house in the future, car instalment or study loans payments.

### **Statement of the Problem**

Today the changes of the economy in the state of Selangor have impacted on the housing supply and the affordability households to buy housing. The study found the moderate income earners that want to buy a home but do not have surplus income to enable them to obtain loans from financial institutions. Currently, most financial institutions setting the requirements to purchasers must have fixed income and the amounts of the monthly instalments are paid is 1/4 to 1/3 of the monthly income. Therefore, the total monthly incomes of housing purchasers are

important to determine the types of affordable housing to be developed in the Klang Valleys areas.

In addition, quality housing at an affordable price to determine the type of affordable houses to be built taking into account other factors such as factor-area, the number of households, age, etc.

The housing prices volatility also contributing by speculators. Most of these speculators are known for targeting homes from the low-medium to medium-cost housing rather than the high end properties because it is not only cheaper but the demand is there. With additional attractive financing packages, very often these speculators just need to pay the ten percent down payment and walk with a lucrative gain at the end of the construction period. These speculators can purchase a few medium-cost properties upon lunch and then flip them upon completion after two years. These speculators need not even pay the full amount for the house, therefore allowing them to purchase a few units simultaneously.

## FINDINGS AND DISCUSSIONS

An analysis of this study will focus on the objective of the research scope of buyers, which to examine affordability of buyers to purchase their own homes by the financial ability of households. Five (5) main objectives of the research scope of buyers to identify the characteristic of household's background such as the quantity of households, ethnicity, age, marital status, level of educational, types of occupation, monthly income, financial capability and finances resources obtained and existing as well as special needs.

This analysis also to determine the percentage of expenses for buying or owning a home; examined the amount of housing loans compared to the cost could be incurred by the buyers. Others than that, to study the demand for housing such as, home ownership status (own or rent), what types and prices of the housing you dreams to purchase, housing options and future planning to buy a home which is that home a larger and comfortable. Finally, to determine the profile of the target group in terms of expenditure and income, household size and the eligibility criteria and special needs (disabled, senior citizen, big family, single mother, etc.). Based on information of secondary data obtained from the internal units in Selangor Housing and Real Property Board (SHRPB) as follows:-

## The State of Selangor Affordable Housing Policy (Selangorku Homes)

SHRPB has introduced a new concept of housing that is affordable housing or “SelangorkuHomes” that gives comfort in either size, design and people in the community. This policy outlines the types of residential buildings, spacious buildings, the sale price as well as the preferences based on the level of household incomes as in the table below:-

**Table 2: Types of housing**

The Applicants who want to purchase one unit of affordable housing subject to income and housing type Selangorku priority selection is based on the ability of the applicant’s income as determined by the policy. If the applicants’ income of less than RM3, 000.00, the types of housing that can be purchased, is Home Selangorku types A, which measures 700 square feet. The target group of this type is that low-income households, also formerly known as low-cost houses.

### Statistics of the number of applications home Selangorku schemes (2008-2014) by type and district

**Table 3: The Numbers of Registered Applicants Selangorku Homes**

Districts	The Numbers of Registered Applicants Selangorku Homes				
	Types A	Types B	Types C	Types D	Total
Klang	7,222	306	120	157	7,805
Kuala Langat	177	44	13	12	246
Kuala Selangor	716	150	20	29	915
Sabak Bernam	221	35	4	10	270
Hulu Langat	4,282	1,378	176	265	6,101
Hulu Selangor	755	414	15	22	1,206
Petaling	9,654	3,848	407	501	14,410
Gombak	10,133	1,005	170	271	11,579
Sepang	643	1,563	289	251	2,746
Total	<b>33,803</b>	<b>8,743</b>	<b>1,214</b>	<b>1,518</b>	<b>45,278</b>

Based on the number of applicants who are registered in the system Registry Application “Selangorku home” until December 31, 2014, a

total of 45,278 applicants is still awaiting an offer “Selangorku homes” according to each category of types “Selangorku home” schemes. These statistics show the capacity of the housing is still insufficient supply to meet the demand for affordable housing, especially the type A (low-cost housing) and B (medium-cost housing) were higher at 33,803 (74.66%) applicants and 8,743 (19.31%) applicants who are still waiting for an offer from Selangor Housing and Real Property Board.

The tendency of developers to build high-priced houses than to provide low- and medium-cost houses will restrict opportunities for middle-income households having a dwelling in Selangor. Construction of affordable housing types A and B should be given priority, especially in the district of Gombak (10,133 applicants), Petaling (9,654 applicants), Klang (7,222 applicants) and Hulu Langat (4,282 applicants) which records the number of waiting list still higher.

**Statistical Application to transfer low-cost houses (Sub-sales)**

Statistical application consent to transfer low-cost houses which have been processed in LPHS for the period January, 2014 to December, 2014 are as follows:-

**Table 4 :Number of application consent to transfer low-cost houses which have been processed in LPHS for the period January, 2012 to December, 2012**

Period	Months	No. Of Applications
1	January	69
2	February	143
3	March	224
4	April	253
5	May	260
6	June	280
7	July	177
8	August	261
9	September	238
10	October	242
11	November	258
12	December	332

2,737

Based applications for transfer of low-cost housing above, the assessment of the selling price of low cost houses through sub sales in 2014 are as follows –

**Table 5: Number Of cases**

<b>Range of Prices (RM)</b>	<b>Number Of cases</b>
0 – 50,000.00	375
51,000.00 – 100,000.00	1,808
101,000.00 – 150,000.00	386
151,000.00 – 200,000.00	111
201,000.00 – 250,000.00	28
251,000.00 – 300,000.00	18
301,000.00 – 350,000.00	5
351,000.00 – 400,000.00	6
<b>TOTAL</b>	<b>2,737</b>

The State Government has set conditions for household income low-cost home buyers through the sub-sales should not exceed RM5,000.00 or RM6,000.00 for cases selling prices more than RM160, 000. Based on the above statistic of 1,808 or 66.06% income households per month RM6, 000.00 and below still need housing under the price between RM51,000.00 to RM100, 000.00. A total of 386 or 14.10% of households applying for houses prices between RM101, 000.00 to RM150,000.00. However, a total of 375 or 13.70% of households can only afford to buy a home at a price below RM50,000.00.

## **RECOMENDATIONS**

The experience of those who have been buying a home can be used as a guide to the State Government. They bought a home with the main reason is seen as a guarantee of life. Future plans to buy a home among households that already have a home indicates they want to buy again an additional home in the same city / town they are living now. Indirectly, it gives the message that the provision of affordable housing cannot be made with a focus on one area alone but should be comprehensive in Selangor.

Most of the buyers will use their own savings as a source of home purchase deposit but some draw The Employees Provident Fund. In terms of the

deposit the two patterns that need to be addressed, first earning less than RM3,000.00 only able to pay a deposit of less than RM10,000.00 and moderate income earners between RM3,000.00 to RM5,000.00 able to pay a deposit of RM10,000.00 to RM15,000.00.

The Selangor state government is proposed to have a 'Blue-print' affordable housing (one policy fits all) covering the needs of each district and sub-district. This policy should be reviewed every five years to ensure the supply of affordable housing really meet the needs of households in the state. The changes of socio-economic prevalently influence the pattern of home purchases in the next 10 years for housing demand is expected declined if the income of the targeted group below the ability to own a home. The Government should study the system of financing provided by the financial institution that it does not restrict the opportunities of households own a home. The Interest rates currently perceive gives profits to the bank and put strains on the instalment payments incurred by the home buyers.

The State Government also proposed to tighten the conditions of home ownership affordable to ensure only qualified households buy these housing. This method can also overcome housing market price speculation and make the purchase affordable homes for investment alone.

## CONCLUSIONS

The Selangor State Government has set up a housing policy in line with the National Housing Policy to ensure that people's families of the Selangor State has a good home, comfortable and safe to live in. Special attention be given to low-income groups but recent developments indicates a middle incomes also been given priority by government. Factors such as household income is influencing the type of affordable houses to be built and need to be reviewed every 5 to 10 years to ensure the housing needs of the households in Selangor.

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