

# PRELIMINARY REVIEW ON HOUSING POLICY AND ITS IMPLEMENTATION IN MALAYSIA

Shahrizal Abd. Shatar<sup>a\*</sup>, Nooraini Othman<sup>b</sup>, Nor Ashikin Mohd Yusof<sup>c</sup>, Zamri Mohamed<sup>d</sup>  
<sup>a, b, c, d</sup> *UTM Perdana School of Science, Technology and Innovation Policy*

\*Corresponding author: shahrizalshatar@gmail.com

## Abstract

This study aims to illustrate the evolving of housing policies and programmes in Malaysia to provide adequate residences for several targeted groups. In order to provide adequate houses to citizens in the country, the government has designed several housing programmes for implementation. However, the achievements of housing programmes implementations vary from one another. PPA1M, an affordable housing programme, has exceeded its target two years earlier, while other housing programmes have yet to achieve their targets. The implementation of this programme is also discussed in this work.

*Keywords:* Housing Policy; PPA1M; Housing Programmes

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## ■ 1.0 INTRODUCTION

In Malaysia, the affordability of housing has become a primary public concern due to the hike in house prices, especially in urban areas. According to the National Property Information Centre (NAPIC), the average housing price in Malaysia is recorded at RM330,964 in Q2 2016 (NAPIC, 2016), while the median monthly household income for Malaysians stood at RM4,585, as reported by the Department of Statistics Housing Income Survey 2014 (DOS 2014). In this regard, the median income indicates that households cannot afford to buy houses priced higher than RM300,000 (Samad et al., 2016).

The Median Multiple methodology is developed by Demographia International to measure affordability to own a house, where the affordable category for house prices is capped at three times a household's annual income (Cheah and Stefanie, 2016). The methodology, which is also recommended by The United Nations Centre for Human Settlements and the World Bank, has reported that the median home price was recorded 4.4 times the median income in 2014, signalling that households cannot afford to buy a house (Suraya, 2015). The issues of housing affordability were also highlighted by EPU, JPM through the 11<sup>th</sup> MP document, stating that house prices in most major cities in Malaysia are more than three times the annual median household income, as reported by the World Bank Affordability Index, 2012 (EPU, 2015b).

Escalating house prices have badly affected middle-income households. The middle-income households are not eligible to participate in government housing programmes, and at the same time, they cannot afford to buy a house in the market. Housing programmes that are implemented by the government are meant for poor and low-income households. Housing programmes such as Program Bantuan Rumah (PBR) and Program Perumahan Rakyat (PPR), which are run by different agencies and ministries, are designed specifically to attend the needs of the poor and low-income households in urban and rural areas.

The plight of middle-income households to own quality and affordable housing has attracted the government's attention. In 2011, the government launched affordable housing initiatives through the announcement of the My First Home (MFH) scheme during the Budget 2011 presentation. The MFH provides 100% financing from Banks for households that earn RM5,000 per month or less to purchase their first home (Ministry of Finance, 2010). In order to supply affordable houses for middle-income households, particularly in urban areas, the government introduced 1Malaysia People's Housing Programme (PR1MA) in 2012, followed by the 1Malaysia Civil Servants Housing (PPA1M) and Rumah Wilayah Persekutuan (RUMAWIP) in 2013. The steps taken by the government through the housing programmes such as MFH, PR1MA, PPA1M and RUMAWIP have addressed the issues of housing affordability among middle-income households. They are also aligned with the first thrust of the National Housing Policy (NHP), which aims to provide adequate housing based on the specific needs of the target group (National Housing Department, 2011). In this regard, the government's housing programmes seem more holistic to provide opportunities to the poor, low and middle-income households to own a house.

The PPA1M was launched for civil servants to own quality and affordable housing. The establishment of PPA1M is attributable to the fact that most civil servants cannot afford to buy a house due to the price factor. According to the Congress of Unions of Employees in the

Public and Civil Services (Cuepacs), there are 45%, or 650,000 of the 1.5 million civil servants which are categorised in the support group, and are unable to own a house (Malaymail, 2013). Realising the difficulty faced by the civil servants, the government launched an affordable house scheme specifically for low and moderate income civil servants and young civil servants to own a house. The move was taken based on the decision of the Cabinet meeting on 30<sup>th</sup> January and 27<sup>th</sup> March, 2013 (PPA1M, 2014).

## ■ 2.0 HOUSING POLICY IN MALAYSIA

The low cost housing policy has become a priority to be implemented and enforced since Independence Day, where strategies have been outlined in the Five Years Malaysia Plan. Low cost housing is a governmental effort to provide quality, affordable and adequate housing for people with a low income. Low cost housing was built in rural, suburban and urban areas. In urban areas, multi-level unit flats were built. Single and double storey terrace houses were developed in suburban areas. Wooden houses in types of detached or semi-detached houses were built in rural areas (EPU JPM, 2015).

Various government agencies were involved directly in providing the low cost housing through economic development agencies such as state economic development agencies and Urban Development Authority. For land settlers, the Ministry of Rural and Regional Development as well as land and regional development agencies such as FELDA, FELCRA, KETENGAH and KEJORA have played a pertinent role in providing low cost housing. Since 1982, the government has set a ceiling price of low cost housing at RM25,000 per unit, and only household incomes of less than RM750 per month were eligible to buy these houses (Shuid, 2004).

The enforcement of low cost housing is carried out in many different ways. For instance, the government through the local authority has imposed a 30% quota for low-cost housing to be built by developers in every residential development (Shuid, 2004). This obligation imposed by the local authorities has eased the burden of the government in providing low cost housing units through the involvement of private developers in the low cost housing programmes.

Housing policies implemented by the government have broadened their direction to encompass the demand from middle income groups to own a house, as a result of the house price escalation during the past few years. This is because the middle income group is not eligible to apply for low cost housing units, and at the same time, cannot afford to buy a house in the market. In this regard, the predicament of the middle income group to own a house has attracted the government's attention, where the issue of escalating house prices has become one of government's main concerns in the National Transformation Programme (NTP).

The GTP was unveiled in 2010, and outlined six key areas (KRAs) where all the KRAs were identified as people's concerns in the country. The key areas, known as New Key Results Areas (NKRAs), concern on six areas, namely, reduce crime, fighting corruption, improving student outcomes, raising living standards of low-income households, improving rural development and improving urban public transport. Later in 2011, a seventh KRA was identified and announced to address the issue on inflation and cost of living, where escalating house prices has become one of the issues discussed under this KRA.

All the NKRAs have become a priority of the government in implementing policies or programmes, where each of the NKRAs is headed by the respective Ministry, except for the seventh KRA. The Seventh KRA is headed by the Deputy Prime Minister. The importance of the NKRAs has been demonstrated in project approvals by the government, where all the projects proposed by Ministries should be aligned with the NKRAs. For instance, aligned with the seventh KRA is the government's aim to overcome the issue of house price escalation. It has approved several affordable housing programmes to overcome this issue.

PRIMA, PPA1M and RUMAWIP are among other affordable housing programmes initiated by the federal government. All the housing programmes were designed to provide access for the middle-income group to own a house. Apart of federal government initiatives, the state government also plays a pertinent role in providing affordable houses by launching their own affordable housing programmes. For instance, the state government of Selangor has launched an affordable housing programme known as *Rumah SelangorKu*, while other states such as Melaka and Johor also have their own schemes. All the state affordable housing programmes were endorsed by the state assembly (Shuid, 2004).

The government is concerned about the housing issue in the country. Therefore, the housing policy was revised and revisited by the government to ensure the policy is relevant and suits the current issue on house ownership. In 2011, the National Housing Policy (NHP) was launched to provide directions and guidelines as well as a basis for planning and development of the housing sector at the federal, state and local levels. The objective of the NHP is to provide adequate, comfortable, quality and affordable housing to enhance the wellbeing of citizens. Apart of the NHP, the government's efforts in providing adequate housing are strengthened with the launch of the Eleventh Malaysia Plan (2016-2020). The Eleventh Malaysia Plan outlined specific strategies to continuously and intensively implement housing programmes for poor, low, and middle-income groups. These will increase access for the targeted groups to own a house.

The evolvement of the housing policies and programmes are needed to meet the public's expectations and respond to the current issues faced by the housing sector, especially the house ownership issue. This has resulted in current government housing programmes for citizens being more holistic compared to those in the past. Figure 1 shows the progress of various housing programmes implemented by different ministries and agencies for different targeted groups during the Tenth Malaysia Plan (2010-2015).

Programmes	Monthly Household Income (RM)	Ministries/ Agencies	Number of Housing Units		
			Completed	Under Construction	Total
Program Bantuan Rumah (PBR)	Below Poverty Line Income <sup>1</sup>	Ministry of Rural and Regional Development	56,668	8,298	64,966
Program Perumahan Rakyat (PPR)	2,500 and below	Ministry of Urban Wellbeing, Housing and Local Government	12,025	27,087	39,112
Rumah Mesra Rakyat 1Malaysia (RMR1M)	750 to 3,000	Syarikat Perumahan Negara Berhad	32,948	2,803	35,751
Perumahan Rakyat 1Malaysia (PR1MA)	2,500 to 10,000	Perbadanan PR1MA Malaysia	560	18,400	18,960
1Malaysia Civil Servants Housing (PPA1M)	2,500 to 10,000	Prime Minister's Department	-	13,539	13,539
Rumah Wilayah Persekutuan (RUMAWIP)	6,000 and below	Ministry of Federal Territories	-	9,309	9,309

**Figure 1.** Progress of housing programmes development in Tenth Malaysia Plan (Eleventh Malaysia Plan, 2016)

### ■ 3.0 HOUSING PROGRAMMES IMPLEMENTATION IN MALAYSIA

As illustrated in Figure 1, there are many housing programmes implemented by the government to provide adequate housing for the targeted groups. For the record, there were 102,000 affordable housing units completed for poor, low- and middle-income households during the 10<sup>th</sup> MP (EPU JPM, 2015). The completed housing units were implemented by several agencies for different targeted groups to ensure access to quality and affordable housing. The implementation of housing programmes is not easy, and in many cases, the implementation faces difficulty to meet the target.

Since the Third Malaysia Plan, the housing programmes implementation, particularly on the low housing projects, has not met its target (Samad et al., 2016) For instance, 230,000 units of low cost housing are required to be built during the Eighth Malaysia Plan (2006 – 2010), however, there were only 197,649 units built to cater the demand of poor and low income households (Ramli et al., 2014). Bajunid and Ghazali (2012) found that the developers faced difficulty in delivering the low cost housing projects where the construction costs were much higher than the ceiling prices of the low cost housing. In other words, the low cost housing projects were unprofitable ventures where the developers are forced to build the low cost housing to fulfil the requirements imposed by local authorities (Ramli et al., 2014). Normally, the developers would transfer the shortfall by placing higher prices on other houses that they sell (Bajunid and Ghazali, 2012). Higher house prices have affected the middle-income group to buy a house in the market.

Under the Seventh Malaysia Plan (1996-2000), the government introduced low-medium cost housing, where the house prices offered were from RM42, 001 to RM60, 000 per unit, to cater demand for house ownership for middle and low income groups which earn RM1, 501 to RM2, 500 per month (Shuid, 2004) The government targeted to complete 350,000 units of low-medium cost housing during the Seventh Malaysia Plan. However, the implementation of the housing was disappointing, where only 20.7% (or 72,582 units) were complete (Shuid, 2004). Among others, private developers contributed to the poor performance shown by the low-medium cost housing implementation, where were not attracted to build the housing units due to the low-level profitability. Besides, there is no compulsion that has been imposed for developers to undertake the low-medium cost housing projects, unlike low cost housing. Furthermore, the government has not provided any incentive to encourage the developers to build the low-medium cost housing units.

Under the Seventh KRA, the government has made a commitment to build at least 1 million affordable housing units by 2018, in order to overcome the escalating prices of houses. The commitment to provide 1 million affordable housing units was done by the Prime Minister during the launch of the Annual Report 2013 of GTP and Economic Transformation Programme (ETP) 2013. The affordable housing units will be delivered through many housing programmes, including PR1MA.

PR1MA has been tasked to build 500,000 housing units by 2018. As of April 2017, PR1MA has approved 265,033 housing units of PR1MA across the country, where 136,569 units are currently under construction. However, PR1MA seems to be struggling to accomplish the task. According to Datuk Abdul Mutalib Alias, CEO of PR1MA, the main stumbling block of PR1MA's implementation is the lack of land banks and reluctant developers (theedgemarkets.com, 2017). PR1MA struggles to obtain land from government agencies, and at the same time, it is difficult to gain trust and cooperation from developers to develop PR1MA projects.

Apart of PRIMA, PPA1M has also been tasked to deliver affordable houses. The PPA1M implementation seems smooth sailing compared to other housing programme implementations. The PPA1M has been given a target to build 100,000 housing units by 2018. However, the PPA1M exceeded the target two years earlier. The remarkable achievement by PPA1M has encouraged the government to set a new target for PPA1M to accomplish. The new target requires PPA1M to build 200,000 housing units by 2018.

The achievement of PPA1M has attracted researchers to conduct studies on the PPA1M implementation. Most previous studies on housing programme implementations in Malaysia discuss the issues or weaknesses as illustrated in low cost and low medium cost housing implementations. Furthermore, there is no study that has been done on PPA1M during the three years of its establishment. This study highlights the achievement of PPA1M, where it is anticipated that the study will become a lesson learnt for other housing programmes.

There are many factors that influence housing programme implementations, and some of them are complicated. The influencing factors will determine the success of housing programme implementations. Housing programmes such as PPA1M, which exceeded the target, and other programmes that may not yet meet the target, are influenced by multiple factors. It is essential to identify the influencing factors to ensure the housing programmes can be implemented smoothly and meet their targets. The identification of the influencing factors will help the government to provide housing units effectiveness and achieve the target to build 1 million affordable housing units by 2018, as outlined under the Seventh NKRA. The Prime Minister of Malaysia, as reported in NTP Annual Report 2016, highlighted that the programme has touched the lives of millions of people, especially those in rural areas. Among all the projects is the building and restoring of 94,605 houses for the rural poor.

#### ■ 4.0 CONCLUSION

The housing policy and programme implemented in the early stage focused on the poor and low-income group only. Due to the escalating of price houses, the housing policy and programme shifted its direction to encompass the middle-income group. In order to provide access for the poor, low and middle-income groups to own a house, the government has launched several housing programmes to be implemented. However, most of the housing programmes are unable to meet the targets set by the government, except for PPA1M. As reported by newspaper, PPA1M exceeded the target and was given a new target to achieve. The achievement of PPA1M and poor performance of other housing programme implementations are influenced by many factors. Influencing factors of housing programmes have been elaborated in the perspective of demand and supply aspects.

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