

Affordable Housing Within the Middle Income Households in Malaysia: Challenge to Enter Homeownership

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Abstract: The growth of the Malaysian housing sector has been underpinned by the interface between three forces; growing population, high rates of urbanisation and growing economy. There are policies currently in place that assist to address housing for needy. However, little is done to attend to the needs of the middle income households (MIH). This study seeks to examine the affordability profiles of middle-income earners in each major city to derive the levels of house prices they can afford. The study also evaluates accessibility to affordable housing amongst the middle income households. Based on the literature review and surveys on respondents from households in each of chosen major towns and cities in Malaysia, the study establish that middle income households can be categorised into three main sub-groups; Low-Middle Income, Middle-Middle Income and Upper-Middle Income. It concluded that there is mismatched between affordability and housing price for the MIH.

Key words: Affordability, middle income households, affordable housing, affordable prices

INTRODUCTION

Affordable and appropriate housing is a central support to a decent life, which entails maintaining stable households connected to the main institutions in our society which includes jobs, services, family and social networks. Thus, housing is subject to a more complex set of forces than either simple commodities, or more flexible and mobile forms of capital. Obtaining housing in a market context is largely left to individuals and households, such that income and wealth levels become determining factors in housing consumption decisions (Sowell, 2009; Yates and Milligan, 2007). Hence, there is a strong interaction between labour markets and housing consumption patterns. Households with a strong labour market position are likely to have greater housing opportunities than those with weaker labour market status (Disney, 2006). These differential socio-economic effects due to labour market position are then translated into differential socio-spatial patterns through housing markets, typically based on household income and wealth.

The affordability problem with regard to housing market is one of the most controversial issues within most developed and developing countries (Nguyen, 2005). Several attempts have been made to understand how and why affordability problems are created. What is meant by affordable housing and who might be served by it is interpreted differently by different people. The practice of providing assistance for housing to improve housing affordability for lower income households, most of whom are recipients of social security payments and are on incomes well below median, is well established through the provision of rent assistance to those in the private rental market and through the provision of income geared subsidies to those in public housing (Turner et al. 2009). Increasingly, however, concerns have been expressed about affordability outcomes for working households who are finding it difficult to rent or purchase private sector housing that is accessible to their place of work and who, as a result, bear the burden either of significant housing costs or of significant transport costs. Many of these households may not be covered by housing assistance programs in most countries. This middle income group were left on their own to face the challenge in entering home ownership, a dream aspires by all. The spiralling of house prices, especially in major cities has aggravate the caused to inaccessibility to housing for this group. These households are concerned because affordability affects not only

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