

EXECUTIVE SUMMARY OF HOUSING AFFODABILITY STUDY FOR THE STATE OF PERAK

INTRODUCTION

Housing is one of the most basic necessities of a community among other things, providing shelter, privacy and a foundation for a family. It serves the most basic needs of people and good quality housing will inevitably improve the quality of life of the resident. Housing will also allow people to reside in an area, which is vital in generating economic growth together with commercial or industrial sector. Thus, improving the quantity and quality of housing in a particular area is considered as an important policy in developing and transforming socio-economic status of the people. The development of the Perak State means that housing development has become a necessity to maintain the increasing number of the residents.

The housing supply and demand study will provide the evidence to validate the housing supply targets as defined in local plan and the state structure plan. The projections and forecasts of the housing supply and demand will address the future housing need and demand based on development plans particularly for Perak State development. A regular, five-yearly review of the assessment is needed to link the local housing demand and supply with the development plan strategies which will provide an opportunity to ensure the maintenance of an appropriate long term approach. The housing supply and demand assessments are important in assisting the state and local authority policy on housing development, decision-making and resource-allocation processes. This is because it help to:

- Enable local authorities to develop long-term strategic views of housing need and demand to inform local housing strategies and development plans;
- Enable local authorities to think spatially about the nature and influence of the housing markets in respect to their local area;
- Provide robust evidence to inform policies aimed at providing the right mix of housing across the whole housing market - both market and affordable housing;
- Provide evidence to inform policies about the level of affordable housing required, including the need for different types and sizes of affordable housing;
- Support local authorities to develop a strategic approach to housing through consideration of housing need and demand in **all** housing sectors – owner occupied, private rented and affordable – and assessment of the key drivers and relationships within the housing market;
- Provide the evidence required for local authorities to appraise strategic housing options including housing supply targets, social housing allocation priorities, the role of intermediate housing products⁴, stock renewal, conversion, demolition and transfer; and
- Ensure the most appropriate and cost-effective use of public funds.

The Research objectives are;

1. To examine the current housing policies and strategies in Perak.
2. To examine and identify the current housing stock and committed housing development, according to the districts in Perak.
3. To identify the issues and problems faced by the local authority and developer in providing affordable housing in Perak.
4. To assess the housing affordability based on a questionnaire survey of selected sample within the districts in Perak.

5. To identify the housing prices in Perak based on secondary data.
6. To study the potential establishment of the setting up of Perak Housing Board.

ANALYSIS OF THE STUDY

Affordability can be measured through price-to-income ratio, more commonly known as the 'median-multiple' developed in 1988 by the United Nations Centre for Human Settlement (UNCHS) and the World Bank under the Housing Indicators Program. The median multiple is based on the assumption that as housing prices become higher relative to incomes, a smaller proportion of households can afford to buy houses, other factors held constant. Based on Table 1, the Housing Affordability Index referred to the median of the housing prices divided by the annual median income of the people in the studies area. Based on the table, the most suitable level for affordable house is within the median multiple affordability of 3.0. This level would be considered as the most affordable level for housing price in an area.

Table 1: Table of Housing Affordability Index

No	Median Multiple Affordability	Housing Affordability Index
1	0 - 3.0	Affordable
2	3.1 - 4.0	Moderately Unaffordable
3	4.1 – 5.0	Seriously Unaffordable
4	5.1 and over	Severely Unaffordable

Source: Khazanah Research Institute, 2014

- Calculation
- = Median - All House Prices / Annual Median Income

Based on the Khazanah Research Institute study in 2014, housing prices in Perak were grouped as seriously unaffordable as compared to the other states in Malaysia and the price of affordable houses in Perak was considered around RM 180,000. Refer Table 2.

Table 2: Affordability level in Malaysia by state.

Area	Annual Median Income	Median All-House Price	Median Multiple Affordability	Affordability level
Terengganu	45,324	250,000	5.5	5.1 & over Severely unaffordable
K. Lumpur	91,440	490,000	5.4	
P. Pinang	56,424	295,000	5.2	
Sabah	44,840	230,000	5.1	
Pahang	40,668	200,000	4.9	4.1 to 5.0 Seriously unaffordable
Kelantan	32,592	157,740	4.8	
Malaysia	55,020	242,000	4.4	
Perak	41,412	180,000	4.3	

Perlis	42,000	181,000	4.3	3.1 to 2.0 Moderately unaffordable
Johor	62,364	260,000	4.2	
Selangor	74,568	300,000	4.0	
N. Sembilan	49,536	188,888	3.8	
Sarawak	45,336	164,667	3.6	
Kedah	41,412	140,000	3.4	
Melaka	60,348	180,000	3.0	3.0 & under affordability

Source: Department of Statistic (2015b), NAPIC (2015), Khazanah Research Institute calculations (2015)

In term of the affordability level in Perak in 2012 (Table 3) , the districts of Kerian, Perak Tengah, Hilir Perak, were considered as **severely unaffordable**, while Kuala Kangsar, Hulu Perak, and Manjung district performance were **seriously unaffordable**. The districts of Kinta and Larut Matang were considered to be **moderately unaffordable** and Batang Padang and Kampar districts were considered as the most **affordable** districts in term of housing prices. The average house prices in Perak can be considered as unaffordable as compared to the median Perakian's income.

Table 3: Affordability level in Perak by district in 2012.

District	Annual Median Income (RM)	Median - All House Prices (RM)	Median Multiple Affordability	Housing Affordability Index
Kerian	30,072.00	228,260.90	7.6	Severely Unaffordable
Perak Tengah	22,506.00	141,206.90	6.3	
Hilir Perak	27,060.00	161,425.80	6.0	
Kuala Kangsar	27,660.00	133,170.70	4.8	Seriously Unaffordable
Hulu Perak	24,468.00	108,180.90	4.4	
Manjung	38,604.00	170,833.30	4.4	
PERAK	31,968.00	120,080.70	3.8	Moderately Unaffordable
Kinta	37,716.00	132,716.50	3.5	
Larut Matang	30,480.00	101,250.00	3.3	
Batang Padang	29,640.00	73,333.30	2.5	Affordable
Kampar	29,916.00	75,000.00	2.5	

Source: Household Income Surey (2012), NAPIC (2015), Researcher calculations

Table 4: Affordability level in Perak by district in 2014

District	Annual Median Income (RM)	Median - All House Prices (RM)	Median Multiple Affordability	Housing Affordability Index
Kerian	30,165.60	164,428.50	5.5	Severely Unaffordable
Perak Tengah	22,527.60	173,033.50	7.7	
Hilir Perak	27,062.40	274,812.00	10.2	
Kuala Kangsar	27,817.20	193,000.00	6.9	
Hulu Perak	24,463.20	148,889.00	6.1	
Manjung	38,600.40	233,391.00	6.0	
PERAK	31,980.00	174,021.00	5.4	
Kinta	37,718.40	233,391.00	6.2	
Larut Matang	30,500.40	216,818.00	7.1	
Batang Padang	29,644.80	156,345.00	5.3	
Kampar	29,913.60	163,184.50	5.5	

Source: Household Income Survey (2014), NAPIC (2015), Researcher calculations

However the analysis for 2014 showed a different scenario where based on Table 4, the housing affordability level in Perak demonstrated an overall severely unaffordable level in all districts. This showed that the average Perakian would be unable to buy houses with the current prices. The analysis portrayed the median house prices in Perak did not match the median income of population in Perak. If the problems persists, the low income and youngster will be the effected group and their burden will increase.

HOUSING AFFORDABILITY INDEX IN PERAK

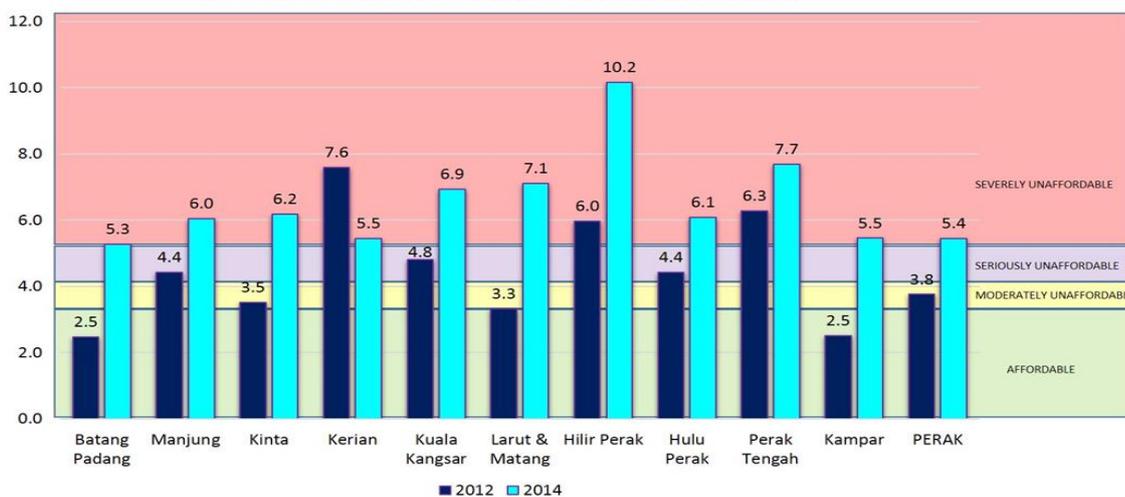


Figure 1: Comparison of housing affordability level in Perak by district in between 2012 and 2014.

Source: Household Income Survey (2012 & 2014), NAPIC (2015), Researcher calculations

Figure 1 shows the comparison of affordability level for Perakians between 2012 and 2014 data based on districts. Based on Figure 1, only Kerian district have an improvement in affordability level. In 2012, the median multiple affordability index of kerian district was 7.6, but in 2014, it reduced to 5.5. On the other hand, the remaining nine districts show an increasing value of affordability level and Batang Padang and Kampar districts showed the least increased in term of the unaffordability level. In 2012, these two district were considered to be affordable, but, in 2014, the affordability level for these two districts became worsen as they move to the severely unaffordable group.

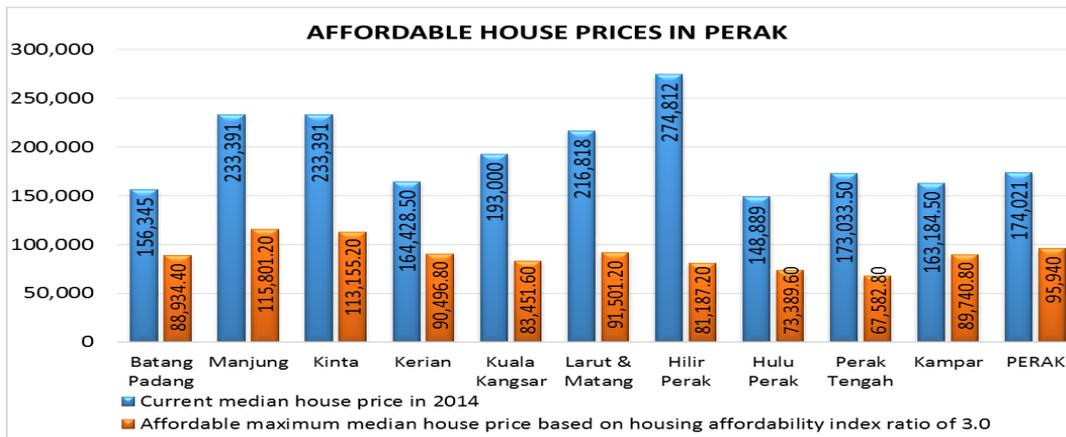


Figure 2: Affordable house price in Perak according to the district.

Source: Household Income Survey (2014), NAPIC (2015), Researcher calculations

Figure 2 shows the affordable price in Perak based on the affordability index ratio of 3.0. According to Figure 2, Hilir Perak district showed vast differences between the current median house price in 2014 and the affordable maximum median house price. While Batang Padang district have the least differences between the current median house price and affordable maximum median house price. Furthermore, the above figure shows that Manjung district can have higher median house price as the median income of the people is higher in the district as compare to Hilir Perak which based on the figure is showing the highest median house prices when compared to other districts. This may be due to the rapid development in Tronoh, Manjung and Sri Iskandar known as university town in those areas. The lowest house price should be offered in the Perak Tengah district.

In term of income and affordability levels, the study found that household income levels differed from one district to another, with Kinta and Manjung population having higher income levels compared to the rest of the state population (Household income survey 2012, 2014). All in all, some 40% of the population earned less than RM4000 monthly, thus can be classified as the B40 group. There existed disparities among districts which resulted in differing levels of affordability, especially within the context of purchasing of a house

There has been a **drastic change in housing pricing** between 2012 and 2014. This has affected the affordability levels. In other words, people of Perak were facing a crisis of housing affordability. Table 5 has previously determined the affordability index for the whole of Perak, which was categorized as severely unaffordable. This has raised great concerns among the population as well as the state stakeholders. Based on this affordability index calculation, affordable housing was estimated to be ranging below RM 120,000 – RM 140,000. In some districts, the figures turned out to lower than RM 100,000. This index contradicted the definition of national affordable housing at RM 300,000. At median monthly earning of RM 2,665, the population has been discouraged from

purchasing a house and faced barriers to housing ownership at pricing set by the national definition.

Another issue raised from the secondary data collected was the **piecemeal type of housing development**. From the focus group discussion, it was ascertained that most local authorities reported housing projects in their areas of jurisdiction being less than 5 acres in size (e.g. in Gerik, Hulu Perak, Lenggong). Additionally, with an average of 72 units of housing per project, and with an assumed density of 15 unit per acre, it was also found that on average the size of projects in Perak was 4.8 acres. Hence, the threshold of 20 acres has been found to be irrelevant and not appropriately set as the minimum limit for low-cost housing provision requirement. A revision of such minimum size requirement should be made by the state authority.

Analyses have also shown there was a **Mismatch of overhang housing units across the districts** where that housing units were in sufficient number, based on the ratio of household size and the total units 1: 0.9 ratio (in 2010, 569,771 number of the household divided by the 664,222 number living quarters). However, focus group discussion and the questionnaire survey indicated otherwise. In other words, the housing demand was still high. A possible factor contributing to this discrepancy is the mismatched housing prices compared to the affordability level of Perak's population. Moreover, Technical Reports of various local plans (Kerian, Kampar, Batu Gajah, Perak Tengah, Hulu Perak and Manjung) have reported oversupply of high-cost housing stocks.

Focus group discussion also indicated that some of the **multi-unit developed such as a condominium, apartments and flats were constructed on areas of lesser acreage**, compared to those of landed properties. Relatively too, units in Strata title projects were found to be higher. Hence, the requirement of a minimum of 20 acres development to provide low-cost housing would be irrelevant for these project types. It is, therefore, suggested that a minimum of 75 units and/or a 5 acres development be stipulated and required for these development types.

Another relevant issue pertinent to housing supply mismatch was **the release of Bumiputera units or quota to non bumiputera** when applied by developers. Focus group discussion and informal interviews between authorities and developers found that hoarding of Bumiputera units has been rampant, and when the sale was non-existent, it had forced the units to be released from this caveat as non-Bumiputera units.

Another findings from the study is that almost 90% of Perak's population surveyed were **not aware of the housing schemes offered in the state**. As a result, more than 95% of the respondents did not register with any of the provided schemes including PPR, SERIA and RUMAHKU Amanjaya. This contradicted the fact that about 60% of the respondents surveyed being eligible to apply for the state government housing schemes on the merit of the income levels. Therefore, this warrants the establishment of a housing unit ONE STOP CENTER at the local authority level which information system would be integrated with the proposed Perak Housing Board

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Issues	Recommendation	Implementation Strategies	Agencies
<ul style="list-style-type: none"> • Income and affordability levels. • Increase in housing pricing • Mismatch of overhang housing units across districts • PRIMA and Stratified housing developments • Penalty for housing development • Piecemeal housing development 	<p>Recommendation 1: Improvement on the existing state housing policy</p>	<p>The allocation of acreage to provide development distribution should be based on the district. The characteristic of low cost, medium cost and affordable house also should be based on the district.</p>	<p>The new Lembaga Perumahan Perak and all local authorities.</p>
	<p>Recommendation 2: State government to impose a policy for private developers to build the low cost and affordable houses component first or at early phase of development and charges the developers that do not comply with the procedure.</p>	<p>To imposed condition on provision of low cost and affordable housing in the Planning Permission approval letter issued by local authorities. Failing which, building plan for the subsequent phases should not be approved by the local authorities and penalty charges of 1 to 1 maximum value of the developments.</p>	<p>The new Lembaga Perumahan Perak and all local authorities.</p>
	<p>Recommendation 3: State and Perak REHDA should come work together to developed most suitable low cost and affordable house unit design modules.</p>	<p>To ensure better quality affordable housing state government with the help of REHDA to developed alternatives modules for affordable house provision to be built by the private developers. This is to ensure higher quality and cost efficient.</p>	<p>The new Lembaga Perumahan Perak and all local authorities.</p>

	<p>Recommendation 4: Incentives for private developers to build quality affordable housing</p>	<p>Private Developers which provide affordable housing should be given special discount for building materials available abundance in Perak such as cement, sand, iron bars and solar panels in which the factory operated in Perak to reduce the construction cost. State government to negotiate with the companies.</p>	<p>The new Lembaga Perumahan Perak, all local authorities and PTG</p>
<p>Issues</p>	<p>Recommendation</p>	<p>Implementation Strategies</p>	<p>Agencies</p>
<p>Lack of information regarding provision of housing schemes in Perak. Release of Bumiputera quota</p>	<p>Recommendation 5: To establish affordable housing buyer's registration system and improve the current low cost housing registration system at the state level. The database also should be linked with other Federal low cost and affordable housing programmes.</p>	<p>The percentage of development component for low cost and affordable housing should be based on the registration system develop by the State Government through BPA or later Lembaga Perumahan Perak</p>	<p>The new Lembaga Perumahan Perak and all local authorities.</p>

	<p>Recommendation 6: To develop a 'Housing Support Centre' to help the Rakyat to access housing as part of a more engaging application process</p>	<p>To provide advice and support for those in need for appropriate housing in the state</p>	<p>The new Lembaga Perumahan Perak and all local authorities.</p>
	<p>Recommendation 7: To provide promotion aid on the publicity of Low Cost House and Affordable House in Perak.</p>	<p>To provide advice and promotion aid through promotion in mass electronic media, social media (Facebook, Twitter and Instagram), Newspaper (Malays, Mandarin and English) and each bank in state.</p>	<p>The new Lembaga Perumahan Perak and all local authorities.</p>
	<p>Recommendation 8: Establishment of Lembaga Perumahan Perak</p>	<p>To take over the role of BPA and Unit Perumahan PTG Perak. In addition to that to adopt more proactive approach to promote housing and property development in Perak. Based on Johor and Selangor models</p>	<p>The new Lembaga Perumahan Perak</p>
	<p>Recommendation 9: Improvement of Public rental housing Management</p>	<p>To ensure those in need have access to public rental housing. Appropriate number of unit should be provided by the state government. However, the management of tenants should be improved to ensure only those eligible live in the highly subsidized public rental housing. The rental rate should be revised according to people affordability level.</p>	<p>The new Lembaga Perumahan Perak.</p>