

# Living the Malaysian dream

MANY Malaysians harbour goals of getting a stable job, buying a house and raising a family. However, hopes are dashed when the majority of job opportunities are located in the city, where living costs and property prices can be more than some can afford to pay.

According to a Statistics Department report titled *Median house price in Malaysia, 2010 – Q1 2019*, median housing prices nationwide have increased from RM158,000 in 2010 to RM303,000 in 2017 and has dropped only slightly to RM268,000 in the first quarter of the year.

These high numbers are made worse in the cities. The *All House Price Index (MPHI) by state Q1 2019*, which ranks by highest average of all house prices by state, shows that houses in Selangor are priced at RM477,816 and the Federal Territory at RM779,488.

## A mismatch of interests

The sky-high prices of property and the inability of B40 and M40 households to purchase them do not deter developers from building even more similar properties. The *Malaysia's property stock Q1 2019* report states there are currently 5,611,673 unsold units in Malaysia with the planned construction of another 447,636 units. These do not include the numbers of small office-home office (SOHO) and service apartments as well.

This poses a problem of property glut, as can be seen in the *Transaction Data (Demand) vs Stock Data (Supply) as at Q1 2019* where only 52,199 units were bought in the first quarter of 2019 as opposed to the number of existing units.

Nevertheless, this is not an issue of demand, but more a mismatch of demand and supply on the side of both buyers and developers. The *Residential Transaction Data 2019* reported that out of 12,884 units bought in Selangor, 62.2% are priced below RM300,000. This is in contrast to the race by developers to build higher end homes of just under RM1mil and between RM250,000 to RM500,000 instead of lower to medium price-range houses.

## Complicated hidden costs

Only blaming developers for the housing glut issue in Malaysia is not a reasonable thing to do. This is because building construction is still a business, in an industry that employs thousands of people and a substantial amount of money to carry out.

*The Edge Markets* explains that there are far fewer launches for houses priced under RM150,000 for a simple reason – financial feasibility. There is a minimum cost to building a house. These costs include the price of land, materials and construction, as well as compliance and regulatory expenses.

“For quality housing with facilities and a minimum of 850sq ft (79sq m) at reasonable locations and includes amenities such as connectivity, parks and shops, it will be difficult to see prices fall below RM280,000 in the Klang Valley,” it said in a report.

One example given was that construction

costs alone account for slightly less than half the sale price of a medium-cost apartment (priced at RM300,000). Land cost is roughly 15%, or RM45,000. Another 13%, or approximately RM40,000, goes to associated and soft costs, such as finance, legal, utilities and architecture. This leaves about 24% for sales and marketing costs and gross profits.

## Seeking the win-win solution

In order to ensure that all its citizens who want to own a house can do so, but also prevent income loss for the construction industry, both Federal and state governments have come up with affordable housing programmes to alleviate the financial burden on both sides.

The Rumah Selangorku initiative is led by Lembaga Perumahan dan Hartanah Selangor (LPHS), which is tasked with delivering affordable homes to qualifying citizens of the state. With the motto “One Family, One Perfect Home”, the scheme promotes a variety of unit types, depending on preference and income levels.

Split into categories A, B, C, D, and E homes, there are different eligibility criteria depending on an applicant's household income:

- **Type A:** Maximum RM3,000 per month household income
- **Type B, C, D, E:** Maximum RM3,001 –

RM10,000 per month household income

For those planning to live in the capital, the “Residensi Wilayah” programme may be the answer to your prayers. In January, the Federal Territories Ministry announced “Residensi Wilayah,” its affordable housing programme for low to middle income families living in Kuala Lumpur, Putrajaya and Labuan. 10,000 houses are targeted to be built over three years.

Done in cooperation with the private sector, the houses will measure 900sq ft with a population density of 800 people per acre and will be sold at a price not exceeding RM300,000 per unit.

### Slow but steady progress

Through these government initiatives by the state, the financial burden in owning houses for citizens are slightly lifted, while the housing glut issue in Malaysia can hopefully be eradicated.

Nevertheless, effort must still be made to move housing demand and supply towards an equilibrium. Continuous research must be done to tackle the financial feasibility of construction in addition to the rising cost of living and stagnant household income. This is to ensure that all Malaysians, regardless of background will one day be able to have a home under their own name.

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### Am I eligible for help?

Every good thing comes with its terms and conditions. Affordable housing programmes are targeted towards low- and middle-income households.

Therefore, check to see if you fulfil the criteria to apply for these housing programmes in the Klang Valley:

#### **Rumah SelangorKu (Selangor)**

- Malaysian citizen
- Over 18 years of age
- Resident of Selangor
- Must not already own property
- Maximum household income of RM10,000

- One application per household
- Single applicants with dependents may apply

#### **Residensi Wilayah (Federal Territories)**

- Malaysian citizen
- At least 21 years of age at time of application
- Born in, living in or working in the Federal Territory
- Maximum household income of RM10,000 a month (single) or RM15,000 a month (husband and wife).



Living in the city is a dream for many and the Government should work to ensure that dream is realised for as many people as possible.



Everyone desires homes with good connectivity but not many can afford the premium price these homes command.