

## Many cannot afford a home in the city

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Owning a home has increasingly become out of reach for many in Malaysia.

According to Khazanah Research Institute, the median house price for the country grew at a compound annual growth rate (CAGR) of 23.5% between 2012 and 2014, while median household income grew at only 11.17% over the same period.

The median multiple affordability for the country had remain above the 3.0 threshold for housing affordability since 2002.

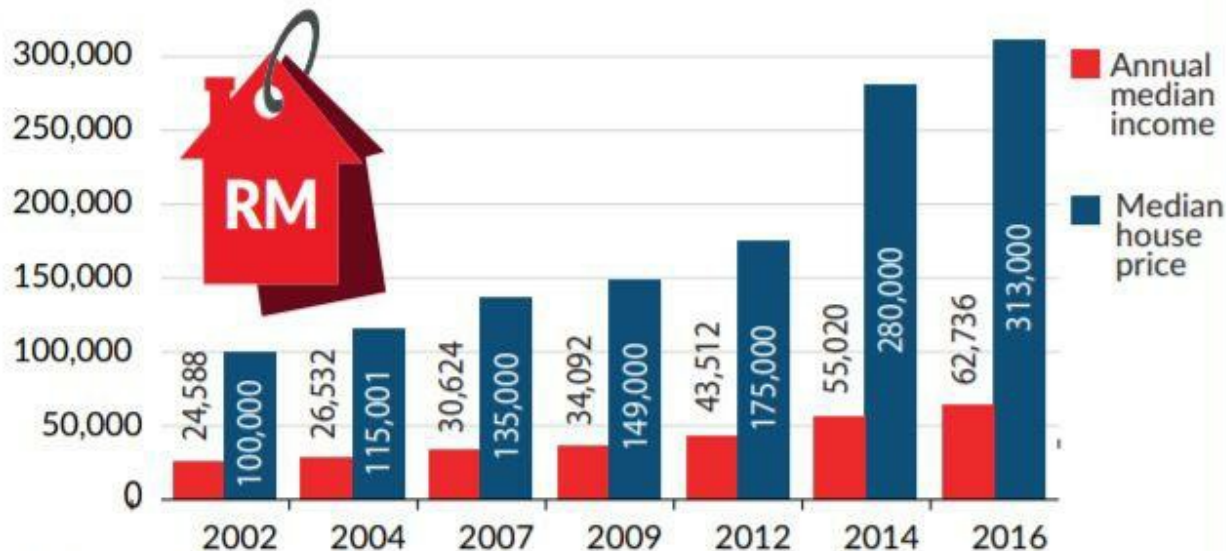
The not-for-profit think tank said the issue partly stems from the unresponsiveness of housing supply to real demand.

The report said that data from the Construction Industry Development Board and the National Property Information Centre indicated that house prices in Malaysia have almost doubled since 2008 while construction costs – labour, material and machinery, and equipment – have increased only slightly in the same period.

The disproportionate increase in prices and costs suggests either increasing profit margins, land prices or regulatory costs, it added.

Below are some salient takeaways from the report:

## Household income versus house prices, 2002 - 2016 (RM)



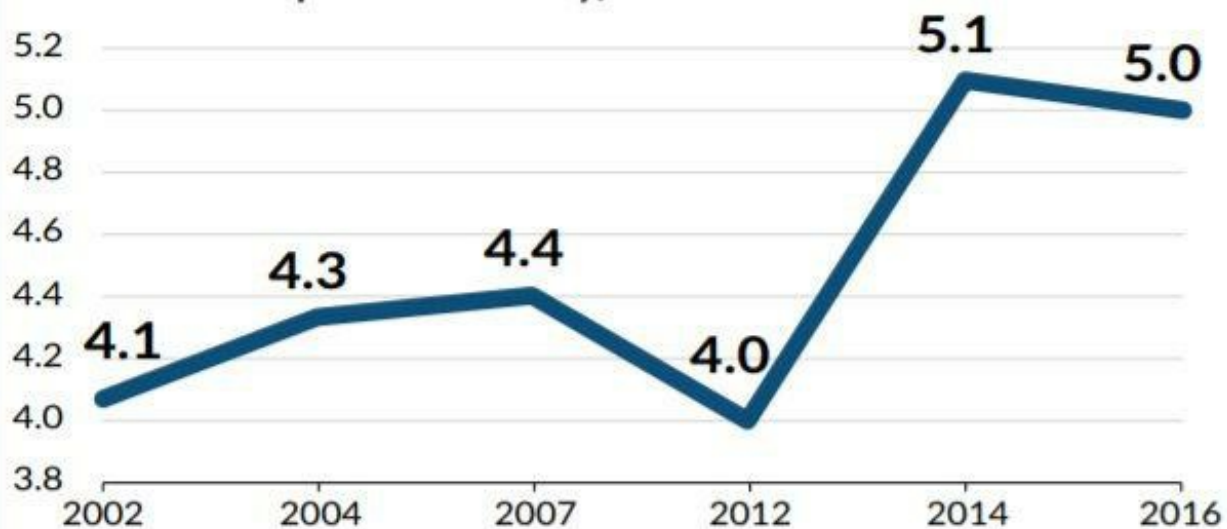
### CAGR (%)

	2002	2004	2007	2009	2012	2014	2016
Median Income	6.1%	3.8	4.8	5.4	8.1	11.7	6.6
Median House Price		7.0	5.3	4.9	5.4	23.5	5.6

Note: Years presented based on availability of the Household Income Survey data.

Source: CEIC (n.d.), DOS (various years) and author calculations

## Median multiple affordability, 2002 - 2016



## Comparison of median house price against the corresponding market median-3 price for Malaysia, 2002 – 2016 (RM)

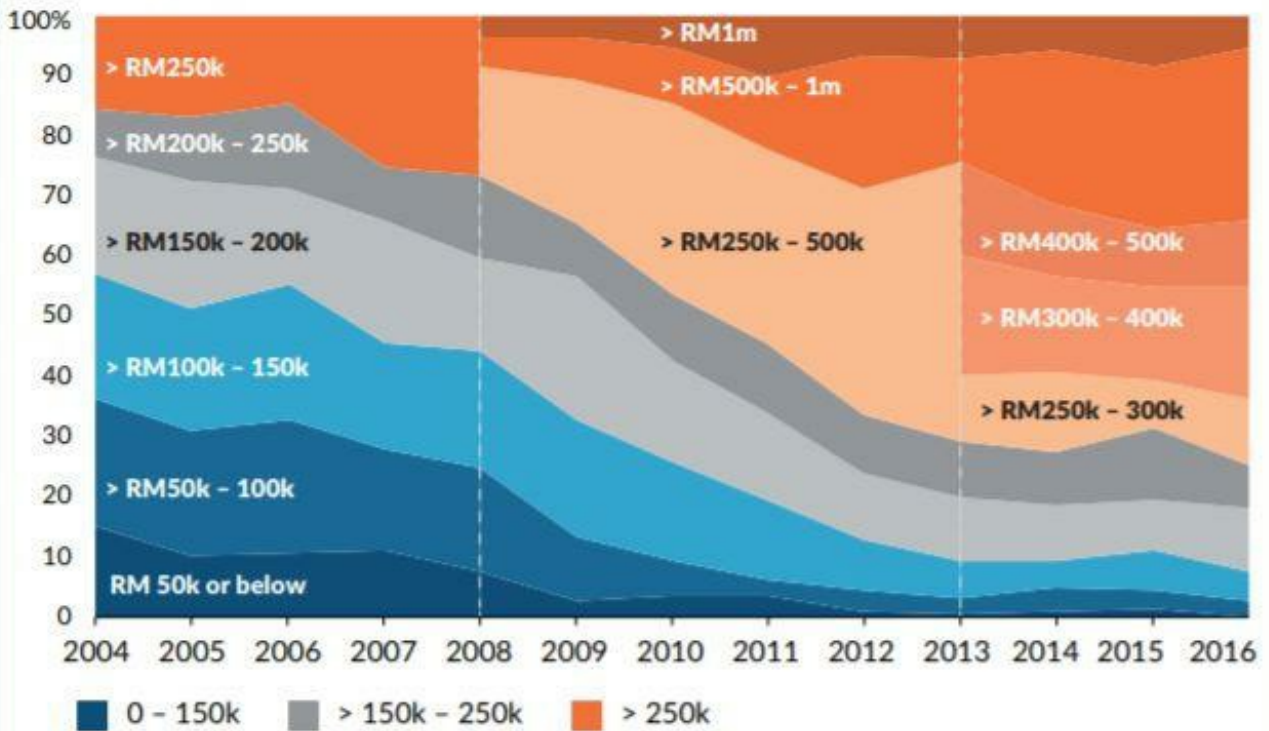
Year	Median house price (a)	Market median-3 house price (b)	Difference (a - b)
2002	100,000	73,764	26,236
2004	115,001	79,596	35,405
2007	135,000	91,872	43,128
2009	149,000	102,276	46,724
2012	175,000	130,536	44,464
2014	280,000	165,060	114,940
2016	313,000	188,208	124,792

The country's overall housing affordability worsened significantly between 2012 and 2014:

- The median multiple affordability increased from 4.0 to 5.1.
- The median house price for Malaysia increased at a CAGR of **23.5%** over the stated period from **RM175,000** to **RM280,000**.
- Median household incomes grew significantly more slowly at a CAGR of **11.7%**, less than half the rate of increase in house prices.

Source: NAPIC (2017a), DOS (various years) and author calculations

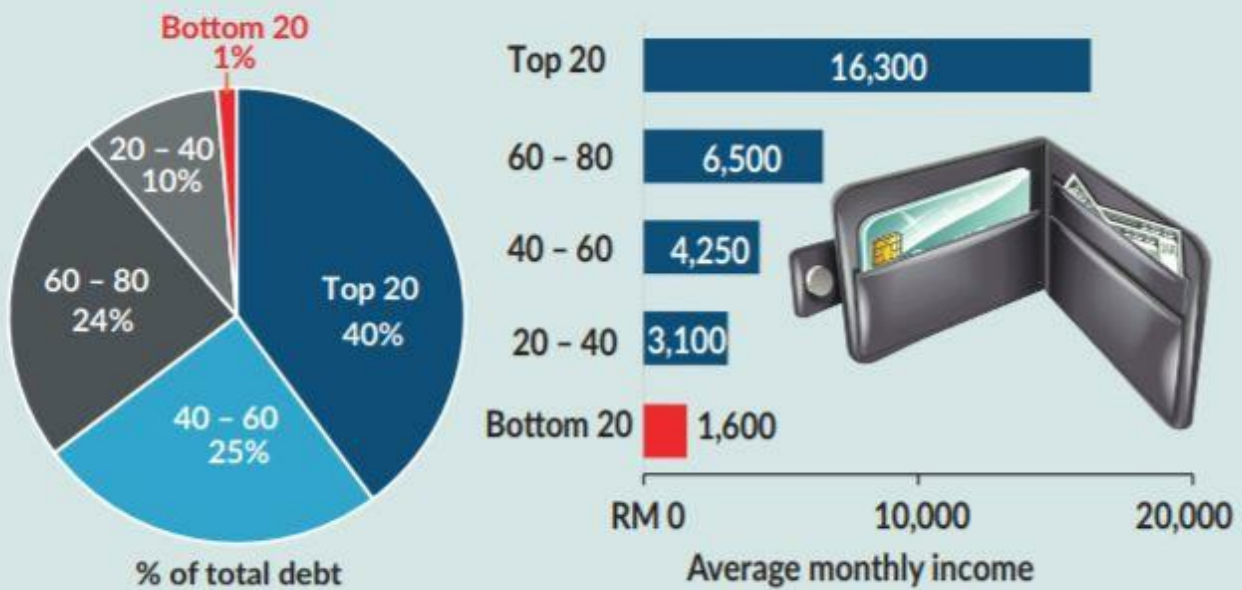
## Housing supply does not cater to demand



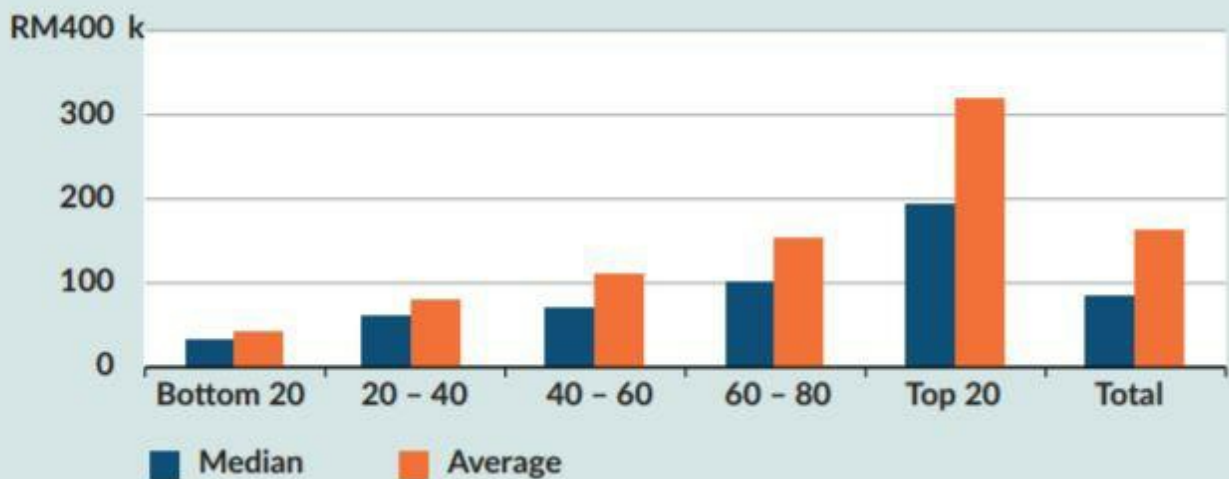
In 2014, the calculated market median-3 house price for Malaysia is **RM165,060**. In 2016, this figure is **RM188,208**. Newly launched housing units that are priced below **RM200,000** made up less than 20% of the total units launched in 2014 - 2016

Source: NAPIC (n.d.b.) and author calculations

## Household income and distribution of debt, by income group, 2015



## Debt per borrower, by income group, 2015 (RM k)



Individuals in T20 accounted for the largest share of debt (around **40%**) with average debt levels more than twice that of borrowers in other income groups. A significant share of the T20's debt was secured in the form of properties and principal-guaranteed investment (**77%**). In contrast, more than half of the B40's debt (**55%**) were consumption-related.

Source: Reproduced from BNM (2017f)