

What's 'affordable' housing in Malaysia?

Malaysians, along with many others across the globe, have been complaining about high house prices in recent years. So, what's considered "affordable" housing in Malaysia?

With the country's median monthly household income at RM5,228 last year, houses would only be considered "affordable" at up to RM188,208. That's using Demographia International's Median Multiple method, where a house is considered affordable if it is less than three times a household's median annual income.

The average house price in Malaysia, however, was RM387,258 as at end-J-2016, according to data from the Valuation and Property Services Department – that is more than six times the 2016 median annual household income.

A house price-to-income ratio of 6.17 times puts Malaysia on the "severely unaffordable" scale, which is defined as above 5.1 times the house price-to-income ratio. In an earlier study, Bank Negara Malaysia

said house prices in the country were "seriously unaffordable" in 2014 with a house price-to-income ratio of 4.4 times.

The indications are that the average house price in Malaysia was above the affordability threshold of at least 80% of 6.95 million households last year. Affordability is worse for the bottom 40% of households in Malaysia (B40), whose RM3,000 monthly median income puts the housing affordability threshold at RM108,000. For the middle 40% (M40), the threshold is RM225,900 with median household income at RM6,275.

For the top 20% (T20), households with median income of RM13,148 a month, the affordability threshold is RM473,328. Even that is below the average house price in Kuala Lumpur of RM749,305 as at end-2016. The average price of a terraced house is even higher in central Kuala Lumpur (RM976,019) and Penang Island (RM896,603).



Houses in most states are unaffordable for households earning the 2016 median income

House price-to-income ratio (times)

Kuala Lumpur	6.88
Penang	6.32
Malaysia	6.17
Selangor	5.10
Terengganu	4.79
Pahang	4.67
Johor	4.51
Kedah	4.28
Kelantan	4.26
Negeri Sembilan	4.09
Perak	3.99
Perlis	3.26
Melaka	2.43

Median multiple approach affordability threshold

Severely unaffordable
5.1 & above

Seriously unaffordable
4.1 to 5.0

Moderately unaffordable
3.1 to 4.0

Affordable
3.0 & below





Here's a quick glance at where the 'affordable' threshold should be in the different Malaysian states using the MM method and how they compare with actual average house prices as at end-2016:

MALAYSIA
 Number of households:
6.95 mil
 Homeownership:
76.3%
 Monthly median household income in 2016:
RM5,228

Homeownership and median household income in various states in 2016


